CD PROJEKT®

SEPARATE FINANCIAL STATEMENT OF

CD PROJEKT S.A.

FOR 2017

Disclaimer

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

Selected financial highlights converted into EUR

	PLN		EUR	
	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016*	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016*
Net revenues from sales of products, services, goods and materials	328 235	476 152	77 328	108 817
Cost of services, products, goods and materials sold	9 011	50 566	2 123	11 556
Operating profit (loss)	222 625	296 243	52 448	67 702
Profit (loss) before tax	229 344	308 961	54 031	70 608
Net profit (loss) attributable to equity holders of parent entity	184 613	249 702	43 493	57 066
Net cash flows from operating activities	215 069	246 868	50 668	56 418
Net cash flows from investment activities	(274 248)	(150 271)	(64 610)	(34 342)
Net cash flows from financial activities	(102 870)	(263)	(24 235)	(60)
Total net cash flows	(162 049)	96 334	(38 177)	22 016
Stock volume (in thousands)	96 120	95 390	96 120	95 390
Net profit (loss) per ordinary share	1.92	2.62	0.45	0.60
Diluted profit (loss) per ordinary share	1.85	2.58	0.44	0.59
Book value per share	8.86	7.94	2.12	1.80
Diluted book value per share	8.55	7.82	2.05	1.77
Declared or paid out dividend per share (PLN/EUR)	1.05	-	0.25	-

** adjusted data*

	PLN		EUR	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total assets	912 555	828 529	218 791	187 281
Liabilities and provisions for liabilities (less accrued charges)	58 306	69 429	13 979	15 694
Long-term liabilities	5 280	8 705	1 266	1 968
Short-term liabilities	55 595	62 248	13 329	14 071
Equity	851 680	757 576	204 196	171 242
Share capital	96 120	96 120	23 045	21 727

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

- Elements of the separate profit and loss account and separate statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.2447 PLN/EUR for the period between 1 January and 31 December 2017, and 4.3757 PLN/EUR for the period between 1 January and 30 December 2016 respectively.

- Assets and liabilities listed in the separate statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.1709 PLN/EUR on 31 December 2017 and 4.4240 PLN/EUR on 31 December 2016 respectively.

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Primary financial data of the CD PROJEKT S.A.

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Profit and loss account

	Note	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016*
Sales revenues	**1**	**328 235**	**476 152**
Revenues from sales of products		319 481	457 700
Revenues from sales of services		2 168	2 216
Revenues from sales of goods and materials		6 586	16 236
Cost of products, goods and materials sold	**3**	**9 011**	**50 566**
Cost of products and services sold		2 608	35 073
Cost of goods and materials sold		6 403	15 493
Gross profit (loss) from sales		**319 224**	**425 586**
Other operating revenues	1,4	6 114	2 954
Selling costs	3	75 714	106 014
General and administrative costs	3	23 359	20 633
Other operating expenses	4	3 640	5 650
Operating profit (loss)		**222 625**	**296 243**
Financial revenues	1,5	10 789	12 909
Financial expenses	5	4 070	191
Profit (loss) before tax		**229 344**	**308 961**
Income tax	6	44 731	59 259
Net profit (loss)		**184 613**	**249 702**
Net earnings per share (in PLN)			
Basic for the reporting period	8	1.92	2.62
Diluted for the reporting period	8	1.85	2.58

** adjusted data*

Statement of comprehensive income

	Note	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Net profit (loss)		**184 613**	**249 702**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria		-	-
Other comprehensive income which will not be entered as profit (loss)		-	-
Total comprehensive income	**10**	**184 613**	**249 702**

(all figures quoted in PLN thousands unless stated otherwise)

Statement of financial position

	Note	31.12.2017	31.12.2016*
FIXED ASSETS		**252 551**	**169 607**
Tangible assets	12	15 649	10 952
Intangibles	13	85 155	84 075
Expenditures on development projects	13	135 229	60 049
Investments in subsidiaries	16	16 023	13 850
Other financial assets	18	-	194
Other long-term receivables	17	495	487
CURRENT ASSETS		**660 004**	**658 922**
Inventories	20	323	401
Trade receivables	22	37 058	73 372
Other receivables	23	22 219	23 701
Other financial assets	41	444	53
Prepaid expenses	24	932	1 012
Cash and cash equivalents	25	18 499	180 548
Bank deposits (maturity beyond 3 months)	41	580 529	379 835
TOTAL ASSETS		**912 555**	**828 529**

** adjusted data*

	Note	31.12.2017	31.12.2016
EQUITY		**851 680**	**757 576**
Equity attributable to shareholders of the parent company		**851 680**	**757 576**
Share capital	26	96 120	96 120
Supplementary capital	28	539 294	390 518
Other reserve capital	28	15 212	4 795
Retained earnings	29	16 441	16 441
Net profit (loss) for the reporting period		184 613	249 702
LONG-TERM LIABILITIES		**5 280**	**8 705**
Other financial liabilities	31,37	148	76
Deferred income tax liabilities	6	3 071	7 638
Deferred revenues	38	1 983	937
Provisions for employee benefits and similar liabilities	39	78	54
SHORT-TERM LIABILITIES		**55 595**	**62 248**
Other financial liabilities	31,37	190	63
Trade liabilities	33	9 972	7 204
Current income tax liabilities		2 158	3 678
Other liabilities	34,35	1 650	7 035
Deferred revenues	38	586	587
Provisions for employee benefits and similar liabilities	39	1	182
Other provisions	40	41 038	43 499
TOTAL EQUITY AND LIABILITIES		**912 555**	**828 529**

(all figures quoted in PLN thousands unless stated otherwise)

Statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2017 – 31.12.2017						
Equity as of 01.01.2017	**96 120**	**390 518**	**4 795**	**266 143**	**-**	**757 576**
Cost of incentive program	-	-	10 417	-	-	10 417
Allocation of net profit/coverage of losess	-	148 776	-	(148 776)	-	-
Dividend payments	-	-	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	-	184 613	184 613
Equity as of 31.12.2017	**96 120**	**539 294**	**15 212**	**16 441**	**184 613**	**851 680**

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

(all figures quoted in PLN thousands unless stated otherwise)

Statement of cash flows

	Note	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016*
OPERATING ACTIVITIES			
Net profit (loss)		**184 613**	**249 702**
Total adjustments:	**52**	**36 633**	**(2 106)**
Depreciation of fixed assets and intangibles		1 892	2 160
Depreciation of development projects		-	31 398
Exchange rate profit (loss)		92	-
Interest and profit sharing (dividends)		(10 358)	(10 828)
Profit (loss) from investment activities		908	329
Change in provisions		(2 618)	(10 917)
Change in inventories		78	217
Change in receivables		36 793	17 348
Change in liabilities excluding credits and loans		(306)	(41 967)
Change in other assets and liabilities		1 125	365
Other adjustments		9 027	9 789
Cash flows from operating activities		**221 246**	**247 596**
Income tax on pre-tax profit (loss)		44 731	59 259
Income tax (paid)/reimbursed		(50 908)	(59 987)
Net cash flows from operating activities		**215 069**	**246 868**
INVESTMENT ACTIVITIES			
Inflows		**1 103 322**	**612 380**
Disposal of intangibles and fixed assets		63	55
Disposal of financial assets		-	85
Repayment of long-term loans granted		1 519	-
Closing bank deposits (maturity beyond 3 months)		1 091 382	601 408
Other inflows from investment activities		10 358	10 832
Outflows		**1 377 570**	**762 651**
Purchases of intangibles and fixed assets		12 312	9 478
Expenditures on development projects		71 127	53 938
Long-term loans granted		2 055	-
Opening bank deposits (maturity beyond 3 months)		1 292 076	699 235
Net cash flows from investment activities		**(274 248)**	**(150 271)**
FINANCIAL ACTIVITIES			
Inflows		**-**	**5 031**
Net inflows from issue of securities (stock) and other equity instruments, and from capital contributions		-	5 031
Outflows		**102 870**	**5 294**
Increase in share capital of subsidiary company		452	4 000
Dividends and other payments due to equity holders		100 926	-
Payment of liabilities under financial lease agreements		427	499
Interest payments		-	4
Other outflows (incl. cash pool transactions)		1 065	791
Net cash flows from financial activities		**(102 870)**	**(263)**
Total net cash flows		**(162 049)**	**96 334**
Change in cash and cash equivalents on balance sheet		**(162 049)**	**96 334**
Cash and cash equivalents at beginning of period		**180 548**	**84 214**
Cash and cash equivalents at end of period		**18 499**	**180 548**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

Clarifications regarding the separate financial statement

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General information

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

Changes in accounting practices

The accounting practices applied in preparing this separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2016, except for presentation-related adjustments described in the section titled "Assumption of comparability of financial statements".

Assumption of going concern

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

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

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

(all figures quoted in PLN thousands unless stated otherwise)

Regulated market listings

General information

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

Depository and settlement system

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

Investor relations

Investor relations	gielda@cdprojekt.com

Compliance with International Financial Reporting Standards

This separate financial statement has been prepared in accordance with the International Financial Reporting Standards and interpretations issued by the International Accounting Standard Board (IASB) approved by the EU under the relevant Regulation on the Application of International Accounting Standards (European Council 1606/2002), hereinafter referred to as UE IFRS.

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

Standards and interpretations applied for the first time

In preparing its separate financial statement for 2017 the Company applied the same accounting standards as in its separate financial statement for 2016 with exception of the following new and amended standards and interpretations approved by the European Union and applicable to reporting periods beginning on or after 1 January 2017:

- **Amendments to IAS 12 – recognition of deferred tax assets for unrealised losses**

  The amendments clarify issues related to recognition of negative temporary differences with regard to debt instruments measured at fair value, estimates of future taxable profits and assessment whether the expected profits will cause reversal of the recognized negative temporary differences.

- **Amendments to IFRS (2014-2016) adopted during the annual IFRS improvements cycle**

  Changes concern *IFRS 12 Disclosure of Interests* in Other Entities and specify that the disclosure requirements in the standard, except for those in §B10-B16, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS Non-current Assets Held for Sale and Discontinued Operations.

- **Amendments to IAS 7 – disclosure initiative**

  The changes compel the entity to disclose information which will permit readers of its financial statements to assess changes in liabilities arising from financial activities.

(all figures quoted in PLN thousands unless stated otherwise)

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

The Management Board has assessed the influence of new standards upon the Company's future consolidated financial statements. In approving this financial statement, the Company did not apply the following standards, changes in standards and interpretations which have been published and approved for use within the EU but have not yet entered into force.

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

In July 2014 the International Accounting Standards Board published *IFRS 9 Financial instrument* (hereinafter referred to as IFRS 9). IFRS 9 applies to annual reporting periods beginning on or after 1 January 2018, with optional early application.

In July 2017 the Company conducted a thorough analysis of the effect of IFRS 9 on the accounting standards and policies in force at the Company, as well as on its financial result. The assessment is based on available information, and may change following receipt of additional information or as a result of changes in the Company's condition or asset balance.

The Company does not expect IFRS 9 to significantly impact its consolidated statement of financial position or equity, except for changes related to asset impairment.

Trade receivables

According to IFRS 9 an entity is to measure expected credit losses at an amount equal to the 12-month expected credit losses, or to expected credit losses for the full lifetime of a financial instrument. In the case of trade receivables associated of delivery of products and services, the Company intends to apply the simplified approach and measure expected credit losses for the full lifetime of each receivable. When calculating loss allowances the Company intends to apply the provision matrix method. The Company has determined that, had the new measurement model been applied to receivables existing as of 31 December 2017, the corresponding loss allowance would have been lower than the reported figure by 68 thousand PLN. This difference will be aggregated with retained earnings in future reporting periods.

Loans

The Company has not granted any loans to third parties. Consequently, IFRS 9 is not likely to affect the Company's financial result in this scope.

Shares in other entities

The Company does not hold any shares in other entities. Accordingly, IFRS 9 is not likely to affect the Company's financial result in this scope.

Other receivables

The Company has conducted a review of other receivables, which comprise mainly receivables from public administration bodies, with a low default risk. Consequently, the Company has decided not to perform credit risk tests as the relevant risks are considered negligible. IFRS 9 is not likely to affect the Company's financial result in this scope.

Cash and cash equivalents

Cash held on bank accounts pass the SPPI test and the "held to maturity" business model test. Accordingly, such assets will continue to be reported at amortized cost. Implementation of IFRS 9 will affect the calculation of loss allowances, by shifting from the present losses model to the expected losses model.

The Company will calculate individual loss allowances for each balance representing a given financial institution. Assessment of credit risk will be based on third-party bank ratings and publicly available information concerning the likelihood of non-discharge of liabilities (available on the websites of rating agencies). To-date analysis indicates that, as of the balance sheet date, all such assets carry a low credit risk. The Company has decided to apply the simplified procedure provided for by IFRS 9 and calculated loss allowances on the basis of 12-month expected credit losses. The resulting allowances are regarded as negligible.

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

IFRS 15 Revenues from contracts with customers (hereinafter referred to as IFRS 15), published in May 2014 and subsequently amended in April 2016, institutes the so-called Five Step Model when recognizing revenues from contracts with customers. According to the standard, the revenue is recognized at the transaction price, which – in line with the entity's expectations – is payable in exchange for the products or services delivered to the customer. The new standard supersedes all existing requirements concerning recognition of revenues under IFRS.

Licensing royalties associated with distribution of videogames

Under the new regulation, entities which grant customers licenses to use their intellectual property must determine whether the license is transferred to the customer over a period of time or at a specific point in time. Licenses transferred at a point in time give the customer the right to use the entity's intellectual property as it existed at the moment the license was transferred. In order to recognize the corresponding revenue, the customer must possess the means to direct the use of the corresponding intellectual property, and gain all other essential benefits associated with its use. A license transferred over a period of time permits the client to use the intellectual property throughout the license period. During this period the client may expect that the entity will undertake actions which significantly affect the relevant intellectual property (i.e. significantly alter its form or content, with the client's ability to gain the benefits of its use dependent on actions undertaken by the owner). In such cases the revenue is recognized over the license period.

With regard to videogame licensing royalties, which represent the Company's main source of revenues, the actual value of revenues depends the sales volume reported by the distributor during a given period. In light of this, revenues will be recognized over time, once the distributor obtains all materials required in order to commence distribution. Consequently, no changes in the Company's accounting practices will be necessary compared to IAS 18.

Revenues from sales of virtual goods in the microtransactions model

In the Company's view, IFRS 15 may potentially affect recognition of revenues from sales of virtual goods in the framework of online F2P games with optional microtransactions, including GWENT: The Witcher Card Game. This conclusion indicates the need to conduct an analysis (mandated by IFRS 15) whether such products and services concerned are delivered to customers over time or at a specific point in time.

As a rule, virtual goods offered in the abovementioned games are divided into two categories: durable virtual goods (where the user gains the right to use an item indefinitely and the item is not consumed during its use) and consumable virtual goods (that can be consumed by a specific player action). With regard to the former category, revenues are recognized over time, based on in-game statistics (such as the usage period of a given item), while for the latter category, revenues are recognized either at the moment of use or in proportion to the amount of goods consumed. With regard to revenues from sales of virtual currency (meteorite dust), the Company will recognize them at the moment the currency is consumed by the user.

In light of the above the Company has conducted an analysis of the structure of virtual goods sold, their corresponding usage statistics and the turnover of the game's virtual currency (meteorite dust). It was concluded that potential application of IFRS 15 to the 2017 separate financial statement would not produce a material change in the reported financial data. Consequently, the Board has opted not to recognize revenues from sales of virtual goods over time.

Assessment of the impact of the new standard upon future financial statements of the Company was based on existing mechanics and usage statistics of GWENT. It should be noted that GWENT remains in active development and testing, and, consequently, the presented assessment may not hold during future reporting periods.

Should the Company determine that, as a result of changes in game mechanics, recognition of revenues from microtransactions over time has become necessary, the corresponding values will be aggregated with deferred revenues.

Requirements related to presentation and disclosure of information

IFRS 15 introduces new requirements related to presentation and disclosure of information and some of these requirements will affect the Company. Specifically, the Company anticipates the need for additional disclosures related to:

a) significant assessments of revenues, and changes thereof,
b) revenues recognized in the given reporting period and aggregated with deferred revenues at the beginning of the period,
c) subdivision of revenues into categories, reflecting the manner in which economic factors affect the type, amount, payment date and risks related to revenues and cash flows.

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

In January 2016 the International Accounting Standards Board published *IFRS 16 Leases* (hereinafter referred to as IFRS 16), which superseded *IAS 17 Leases*, *IFRIC 4 Determining whether an arrangement contains a lease*, *SIC 15 Operating leases –* incentives and SIC 27 Evaluating the substance of transactions in the legal form of a lease. IFRS 16 sets forth rules concerning assessment, presentation and disclosure of lease agreements.

IFRS 16 introduces a uniform model for lessee accounting and requires the lessee to disclose assets and liabilities arising under any lease agreements with a lease period longer than 12 months, unless the value of the underlying asset is low. On the lease commencement date, the lessee recognizes the value in use of the underlying asset along with a liability which reflects the lessor's entitlement to lease fees.

The lessee recognizes the depreciation of the value in use of the leased assets, and, separately, interest on lease liabilities. Additionally, the lessee is compelled to revaluate the lease liabilities when certain events occur (e.g. changes in lease duration or changes in future lease fees arising from indexation of rates used to calculate such fees). As a rule, the lessee recognizes changes in lease liabilities as adjustments to the value in use of the underlying asset.

The lessee's accounting obligations, as specified by IFRS 16, remain largely unchanged compared to the provisions of IAS 17. The lessee will continue to recognize all lease agreements, applying the same classification as under IAS 17, particularly by differentiating between operating and financial lease agreements.

IFRS 16 imposes broader disclosure obligations upon both the lessee and the lessor, compared to IAS 17.

With regard to lease agreements concerning office space and passenger cars the Company will apply new regulations related to such agreements. Given that the Company has opted not to apply IFRS 16 before 2019, as of the publication date of this statement the Board is continuing with its assessment of the impact of the new standard upon the accounting policies in force at the Group and upon its financial results.

- **Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, applicable to reporting periods beginning on or after 1 January 2018**

Changes concern application of the new standard *IFRS 9 Financial Instrument* prior to implementation of a new standard concerning insurance contract which is currently under development. In order to mitigate temporal variations in financial reporting associated with implementation of IFRS 9, changes in IFRS 4 specify that two approaches are permissible: the overlay approach and the deferral approach. These changes complement options which existing standards already provide.

The Company does not anticipate significant changes in its accounting practices or reported financial data resulting from these amendments.

- **Amendments to IFRS 2 Share-based Payment – applicable to reporting periods beginning on or after 1 January 2018**

These amendments clarify the classification and measurement of share-based payment transactions settled in monetary assets, provide a classification of share-based payment transactions with net settlement features, and specify accounting guidelines for modifications of share-based payment transactions from cash-settled to equity-settled.

The Company does not anticipate significant changes in its accounting practices or reported financial data resulting from these amendments.

- **Amendments to IFRS (2014-2016) adopted during the annual IFRS improvements cycle – applicable to annual reporting periods beginning on or after 1 January 2018**

Amendments to IFRS 1 First-time Adoption of IFRS concern deletion of short-term exemptions provided for under §E3–E7 IFRS 1 since these exemptions were applicable to past reporting periods and have now served their purpose. Additional amendments have also been introduced in *IAS 28 Investments in Associates and Joint Ventures*, clarifying that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The Company does not anticipate significant changes in its accounting practices or reported financial data resulting from these amendments.

- **Amendments to IAS 40 Investment Property: Transfers of investment property – applicable to reporting periods beginning on or after 1 January 2018**

The amendment provides clarifications and guidance on transfers to, or from, investment properties. In line with the amended standard, such a transfer should only be made only when there is evidence of a change in the use of the property. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The Company does not anticipate significant changes in its accounting practices or reported financial data resulting from these amendments.

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

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

- ***IFRIC 22*** *Foreign currency transactions and advance consideration* – interpretation applicable to reporting periods beginning on or after 1 January 2018
- Amendments to ***IAS 19*** *Employee benefits: plan amendment, curtailment or settlement* – applicable to reporting periods beginning on or after 1 January 2019
- Amendments to ***IAS 28*** *Long-term interests in associates and joint ventures* – applicable to reporting periods beginning on or after 1 January 2019
- Amendments to ***IFRS 9*** *Prepayment features with negative compensation* – applicable to reporting period beginning on or after 1 January 2019
- Amendments to ***IFRS (2015-2017)*** *Adopted under the annual IFRS improvements cycle* – applicable to reporting periods beginning on or after 1 January 2019
- ***IFRIC 23*** *Uncertainty over income tax treatments* – interpretation applicable to reporting periods beginning on or after 1 January 2019
- ***IFRS 17*** *Insurance Contractors* - applicable to reporting periods beginning on or after 1 January 2021

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

Description of applicable accounting practices

Operating revenues and expenses

Revenues are defined as the gross receipts on any economic benefits from the reported period resulting from (ordinary) economic activities of the Company and leading to an increase in its equity other than from capital increases obtained through shareholder contributions.

Revenues only cover receipts on economic benefits allocated to the Company, whether received or receivable. Revenues from sales are defined as received or receivable payments on sales of material assets and services less the applicable sales and services tax. Revenues are determined on the basis of fair payment, whether received or receivable, adjusted for any trade discounts granted by the Company. Sales revenues are recognized on the date of transfer of the relevant goods and rights of use. Where services are concerned, revenues are valid for the period a given service was performed, depending on the progression of the underlying transaction, i.e. the relationship between the current state of work and the totality of work required to render a given service.

In accordance with the principle of matching revenues and expenses, expenses associated with consumption of materials, goods and finished products are reported in the same period as their corresponding sales revenues.

Financial revenues and expenses

Financial revenues consist mainly of interest on bank deposits of monetary assets, commissions and interest on loans granted, penalty interest on overdue receivables, liabilities, released provisions associated with financial activities, revenues from sales of securities, gains from exchange rate differences, reversal of impairment of investment assets and credit/loan write-offs.

Financial expenses consist mainly of interest on outstanding credits and loans, penalty interest on overdue liabilities, provisions set aside to cover certain or probable losses from financial operations, purchase value of any securities sold, commissions and handling charges, write-downs on interest owed and short-term investment valuations, discounts, exchange rate differences and, in the case of financial lease agreements, any other payments except capital payments.

State subsidies

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

Current and deferred income tax

The reported revenue is subject to compulsory taxation, whether current or deferred. Current tax is calculated on the basis of taxable income in a given financial year. Tax gain (or loss) differs from net accounting gain (or loss) due to temporal differences in recognition of revenues and expenses for fiscal and accounting purposes, as well as due to permanent differences in handling certain revenues and expenses with regard to their fiscal and accounting effects, as appropriate. Tax burden is calculated on the basis of tax rates valid for a given financial year. Current tax on items included directly in the equity capital is reported in the equity statement, as opposed to the profit and loss account.

Deferred tax is calculated using the balance sheet method as the amount payable or receivable as a result of the difference between the carrying amount of assets and liabilities and their corresponding tax base amounts.

Deferred income tax liabilities are recognized in correspondence with taxable positive temporary differences. Deferred tax assets are recognized up to the amount of probable reduction in future tax gains by any recognized negative temporary differences. A tax asset or liability is not recognized if the underlying temporary difference is due to goodwill or prior inclusion of another asset or liability in a transaction which does not affect the company's taxable or accounting revenues.

Deferred income tax liabilities are applied to temporary tax differences resulting from investments in associates and joint ventures unless the Company is capable of controlling the moment of reversal of the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future.

The value of the asset associated with deferred tax is subject to analysis for each balance sheet date. If the expected future tax gains are insufficient to cover the asset or part thereof, a write-down on the asset is recognized.

Deferred tax is calculated by applying rates which will be in force on the date the corresponding gain is realized or the liability becomes due. Deferred tax is reported in the profit and loss account unless it applies to assets included directly in the equity capital in which case it is also reported in the equity capital.

Value added tax

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

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

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

Fixed assets

Fixed assets are recognized on the basis of their cost (purchase price or production cost) following deduction of depreciation and impairment for each reporting period. Borrowing costs associated directly with the purchase or construction of assets which require a long time to become usable or resalable are added to the cost of construction of such fixed assets up until the beginning of their useful economic life. Revenues from short-term investment of borrowings related to construction of fixed assets are deducted from the borrowing costs following capitalization. Other borrowing costs are reported as expenses in the period during which they were incurred.

Depreciation is calculated for all fixed assets except land holdings and fixed assets under construction, throughout their expected useful economic life, using the straight-line method.

The expected useful life for individual categories of tangible assets is as follows:

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

Assets held under financial lease agreements are depreciated throughout their useful economic life in the same way as proprietary assets.

Profits or losses on sales/liquidation or cessation of use of fixed assets are defined as the difference between their sales revenues and net value, and are reported in the profit and loss account.

Intangibles – expenditures on development projects

The Company reports expenses associated with development of videogames as “Expenditures on development projects”. Videogame development expenses incurred prior to the commencement of sales or application of new solutions are recognized as “Development projects in progress”. Once development has completed and the relevant costs are recognized, said expenses are transferred to the “Development projects completed” line item. In the case of projects where a reliable sales volume estimate can be provided, the Company offsets projects costs against sales revenues using the natural method, in proportion to realized sales. Depreciation of development expenditures is presented in the profit and loss account as the cost of products and services sold.

Other intangibles

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

The expected useful life for individual classes of intangible assets is as follows:

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

In its financial statement the Company regards The Witcher trademark and the CD PROJEKT brand name as its intangible assets. The value of trademarks is calculated using the relief from royalty method, which is one of the basic valuation methods for trademarks and other intangible assets in the context of business combinations, in line with IFRS 3 Business combinations. Trademark valuation is subject to yearly impairment tests.

Goodwill

Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company’s share in the net fair value of all assets and liabilities (including contingent liabilities) of the controlled entity on the date of acquisition.

Goodwill may be created either as a result of acquisition of a corporate entity, or through acquisition of an enterprise, i.e. an organized part of an entity, which is defined as a set of assets and corresponding liabilities, including contingent liabilities.

Combinations between the Company and other entities are accounted for using the purchase method according to which the takeover cost, calculated as the fair value of payment incurred for acquiring control over a corporate entity or part thereof (i.e. an enterprise), is allocated to identifiable assets and liabilities (including contingent liabilities) of the entity being acquired. Any surplus resulting from this allocation procedure is assumed to represent goodwill. Any negative difference between the acquisition cost and the Company’s share in the net fair value of identifiable assets and liabilities (including contingent liabilities) on the date of acquisition is treated as revenues and disaggregated in the profit and loss account as other operating revenues.

Business combinations under common control

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

Impairment of non-financial assets

For each balance sheet date the Company performs an inventory of the net value of all its fixed assets in order to determine whether impairment of assets may have occurred.

If asset impairment is suspected, the recoverable amount of each asset is calculated to determine the potential write-down. If a given asset does not produce a cash flow that is substantially separate from cash flows produced by other assets, analysis is performed for the whole group of cash producing assets to which the given asset belongs.

For intangible assets with an indefinite useful economic life this impairment test is performed on a yearly basis and, additionally, whenever impairment is suspected.

Recoverable amount is defined as the greater of the following two values: fair value of the asset less the cost of sale, and the asset's value in use. The latter value is defined as the balance of expected future cash flows produced by the asset, discounted using discount rates which acknowledge the market value of the relevant currency and a risk factor specific to the given asset.

If the recoverable amount of a given asset is lower than its net book value, the book value is lowered to match the recoverable amount. The loss resulting from this operation is accounted as cost in the period during which it was incurred, unless the asset had previously been carried at a revalued amount in which case the impairment is reflected by adjusting the revalued amount.

At the moment of reversal of asset impairment, the net value of the asset (or group of assets) is increased to match the newly estimated recoverable amount; it cannot, however, exceed the net value of the asset which would have been reported had the impairment not been recognized during previous fiscal years. Reversal of asset impairment is recognized as revenues unless the asset had previously been carried at a revalued amount in which case the impairment reversal is reflected by adjusting the revaluation capital.

Investment properties

Investment properties are defined as all properties held for the expected revenues from rent, increase in value, or both. As such, cash flows produced by investment properties are largely independent from those produced by other assets belonging to the Company.

Investment properties may be estimated using the fair value or purchase cost method.

Lease agreements

Lease agreements are considered to be financial in nature if the agreement transfers the totality of potential benefits and risks associated with the lease to the lessee. All other forms of lease agreements are considered operating.

Assets utilized on the basis of financial lease agreements are considered to belong to the Company and are accounted by their fair value on the date of acquisition. The reported value cannot, however, exceed the current minimum total of lease payments. The lease agreement establishes a liability due to the lessor, which is aggregated with Other financial liabilities in the Company's financial statement. Lease payments are divided into capital and interest payments in such a way that the interest rate for the remaining portion of the liability remains fixed. Financial costs are reported in the profit and loss account. In the context of operating lease agreements, payments are allocated to costs throughout the duration of lease using the straight-line method.

Investments in affiliates

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

Financial assets

On initial recognition the Company classifies each of its financial assets as:

- financial assets designated at fair value through financial result,
- investments held to maturity,

- loans or receivables,
- salable financial assets.

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

Financial liabilities

A financial liability is defined as any liability which:

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

On initial recognition the Company classifies each of its financial liabilities as:

- financial liabilities designated at fair value through financial result,
- other financial liabilities.

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

Inventories

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

Trade and other receivables

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

Accrued and deferred charges

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

Deferred charges are recognized by the Company as allocated to future reporting periods, depending on when the relevant revenue is realized.

Claims related to sale of products which have been produced and accounted for in the reporting period but reported following the end of this period (in accordance with contractual obligations) are reported as trade receivables until the relevant invoices have been received.

Accrued charges are charges associated with payment for products or services which have been received or performed, but which have not been paid for, invoiced or formally agreed upon with the supplier.

Cash and other monetary assets

Cash assets are defined as cash on hand and any deposits payable on demand. Other monetary assets represent highly liquid short-term investments easily exchangeable for a known quantity of cash and subject to low depreciation risk. The balance of cash assets reported in the cash flow statement includes all of the abovementioned cash and monetary assets.

Overdraft on any current bank account is aggregated with credits and loans.

Cash flows associated with loans granted or taken out under the cash pool agreement are aggregated with other inflows or outflows from financial activities, as appropriate.

Assets held for sale and discontinued operations

Tangible assets held for sale (as well as net disposal groups) are valued at either their carrying amount or their fair value less the cost of sale, whichever is lower.

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

Equity

Equity is treated in accounting practice with distinction to its type and in accordance with the applicable legal constraints, as well as any statutory requirements and conditions expressed in the contracts to which the Company is a party.

Share capital is reported at nominal value, in the amount consistent with the Company's Articles of Association and its record in the court register.

Supplementary capital is derived from:

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

Provisions for liabilities

Provisions are made whenever the Company faces a liability (whether legal or customary) resulting from past events, it is likely that discharging said liability will reduce the Company's economic advantage and the liability can be reliably estimated. No provisions are made for future operating losses.

Restructuring cost allowances are made only when the Company has revealed a detailed and formalized restructuring plan to all interested parties.

Employee benefits

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

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

Bank credits and loans

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

Trade and other liabilities

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

Borrowing costs

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

Dividend payments

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

Functional currency and presentation currency

Functional currency and presentation currency

All items in the financial statement are expressed in the currency of the primary economic environment in which the Company operates (functional currency). The financial statement is presented in Polish Zlotys (PLN), which is the functional and presentation currency of the Company.

Transactions and balances

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

Important values based on professional judgment and estimates

Professional judgment

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

Classification of lease agreements

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

Uncertainty of estimates

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

Asset impairment

Goodwill and trademark impairment tests require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of the CD PROJEKT brand name, The Witcher trademark and of goodwill was conducted on 31 December 2017 and did not indicate impairment of any of those assets. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2017 No circumstances were identified which would suggest impairment of these assets.

Valuation of provisions

Provisions for employee pensions and incentive program benefits settled in own shares were estimated on the basis of actuarial gains and losses.

Deferred tax assets

The Company recognizes deferred tax assets by anticipating future taxable revenues which may require recognition of such assets. A decrease in future economic performance might render such assumptions invalid.

Deferred tax provisions

The Company recognizes deferred income tax provisions by anticipating future tax liabilities arising from positive temporary differences, enabling the given provision to be consumed.

Fair value of financial instruments

Financial instruments for which there is no active market are estimated using the appropriate valuation methods. In selecting the suitable methods and assumptions the Company applies its professional judgment.

Depreciation rates

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

Comparability of financial statements and changes in accounting policies

Changes in accounting policies

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

Presentation changes

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

- In the profit and loss account for the period between 1 January and 31 December 2016 the presentation of general and administrative expenses has been adjusted as follows:
    - Selling costs – adjusted by (3 276) thousand PLN
    - General and administrative costs – adjusted by 2 082 thousand PLN
    - Cost of products and services sold – adjusted by 194 thousand PLN

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

- In the statement of financial position for 31 December and in the statement of cash flows for the period between 1 January and 31 December 2016 the presentation of short-term bank deposits with maturity periods longer than 3 months has been adjusted as follows:
    - Statement of financial position for 31 December 2016:
        - Bank deposits (maturity beyond 3 months) (formerly: Other monetary assets) – adjusted by 339 835 thousand PLN
        - Cash and cash equivalents – adjusted by (339 835) thousand PLN
    - Statement of cash flows for the period between 1 January and 31 December 2016:
        - Opening bank deposits (maturity beyond 3 months) (formerly: Creation of bank deposits) – adjusted by 659 235 thousand PLN
        - Closing bank deposits (maturity beyond 3 months) (formerly: Bank deposits held to maturity) – adjusted by 561 408 thousand PLN
        - Cash assets at beginning of period – adjusted by (242 008) thousand PLN
        - Cash assets at end of period – adjusted by (339 835) thousand PLN

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

- In the statement of cash flows for the period between 1 January and 31 December 2016 the presentation of expenses associated with ongoing development of games prior to commencement of sales has been adjusted as follows:
    - Depreciation of fixed assets and intangibles – adjusted by (10) thousand PLN
    - Other adjustments – adjusted by 10 thousand PLN.

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

3

Note 1. Sales revenues

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

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016
Sales revenues	**328 235**	**476 152**
incl. from R&D activities	102 507	184 068
Revenues from sales of products	319 481	457 700
Revenues from sales of services	2 168	2 216
Revenues from sales of goods and materials	6 586	16 236
Other revenues	**16 903**	**15 863**
Other operating revenues	6 114	2 954
Financial revenues	10 789	12 909
Total	**345 138**	**492 015**

Note 2. Operating segments

Information concerning the Company's operating segments is provided in Section 3 of the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2017.

Note 3. Operating expenses

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016*
Depreciation of fixed and intangible assets, and impairment write-downs	1 892	2 160
Consumption of materials and energy	858	801
Bought-in services	38 544	52 409
Taxes and fees	432	377
Employee compensation, social security and other benefits	55 647	69 155
Business travel	1 104	869
Other expenses	156	95
Use of company cars	6 403	15 493
Value of goods and materials sold	2 608	35 073
Cost of products and services sold	440	781
Total	**108 084**	**177 213**
Selling costs	75 714	106 014
General and administrative costs	23 359	20 633
Cost of products, goods and materials sold	9 011	50 566
Total	**108 084**	**177 213**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

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

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016*
Items aggregated with selling costs	**445**	**664**
Depreciation of fixed assets	292	155
Depreciation of intangible assets	153	509
Items aggregated with general and administrative costs	**1 447**	**1 496**
Depreciation of fixed assets	971	901
Depreciation of intangible assets	476	595

** adjusted data*

Employee benefits

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016*
Employee compensation	53 480	66 236
Social security and other similar expenses	1 062	1 849
Other employee benefits	1 105	1 070
Total employee benefits	**55 647**	**69 155**
Items aggregated with selling costs	38 878	56 655
Items aggregated with general and administrative costs	16 769	12 500

** adjusted data*

Note 4. Other operating revenues and expenses

Other operating revenues

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016
Elimination of write-downs on receivables	1 036	73
Dissolution of unused provisions for employee benefits	1 234	41
Dissolution of provisions for expenses	72	116
Subsidies	638	806
Write-downs on expired liabilities	-	7
Reinvoicing revenues	1 483	1 049
Profit from disposal of fixed assets	48	48
Settlement of financial lease liabilities	-	13
Withholding tax recovered at source	431	-
Prior years cost adjustment	472	-
Repossession gains received	36	20
Compensation for damages received	120	3
Goods received free of charge	41	7
Current assets surplus	10	9
Other sales	442	450
Settlement of GWENT consortium expenses	-	232
Other miscellaneous operating revenues	51	80
Total operating revenues	**6 114**	**2 954**

(all figures quoted in PLN thousands unless stated otherwise)

Other operating expenses

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016
Write-downs on trade receivables	-	3 216
Write-downs on other receivables	4	-
Expenses associated with receivable enforcement proceedings	92	-
Donations	7	-
Reinvoicing expenses	1 483	1 049
Receivables written off	4	-
Fixed assets written off	743	-
Unrecoverable withholding tax	123	252
insurance costs	2	-
Disposal of materials and goods	28	32
Stocktaking shortages settlement	13	25
Expenses associated with other sales	1 065	1 048
Other miscellaneous expenses	76	28
Total operating expenses	**3 640**	**5 650**

Creation of revaluation write-downs

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016
on receivables	4	3 216
Total	**4**	**3 216**

Note 5. Financial revenues and expenses

Financial revenues

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016
Revenues from interest	**10 366**	**7 038**
on short-term bank deposits	10 291	6 920
on trade settlements	8	6
on loan (incl. cash pool loans)	67	32
on long-term receivables	-	80
Other financial revenues	**423**	**5 871**
surplus positive exchange rate differences	-	444
revenues from sureties granted	3	10
dividends received	-	3 873
forward currency transactions	41	856
profit from sales of shares	374	678
other miscellaneous financial revenues	5	10
Total financial revenues	**10 789**	**12 909**

(all figures quoted in PLN thousands unless stated otherwise)

Financial expenses

	01.01.2017–31.12.2017	01.01.2016 – 31.12.2016
Interest payments	**87**	**164**
on loan (incl. cash pool loans)	-	3
on lease agreements	12	9
on budget commitments	75	152
Other financial expenses	**3 983**	**27**
surplus negative interest rate differences	3 983	-
forward currency transactions	-	6
net loss from disposal of investments (shares)	-	21
Total financial expenses	**4 070**	**191**
Net balance of financial activities	**6 719**	**12 718**

(all figures quoted in PLN thousands unless stated otherwise)

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

	Financial assets designated at fair value through financial result	Financial assets held to maturity	Loans granted and receivables	Trade and other liabilities	Total estimation of financial instruments
01.01.2017 – 31.12.2017					
Revenues/expenses from interest	-	9 329	1 037	(75)	**10 291**
Creation of write-downs	-	-	(4)	-	**(4)**
Revenues from shares held	374	-	-	-	**374**
Dissolution of write-downs	-	-	1 036	-	**1 036**
Profit/(loss) from disposal of financial instruments	41	-	-	-	**41**
Total profit/(loss)	**415**	**9 329**	**2 069**	**(75)**	**11 738**

	Financial assets designated at fair value through financial result	Financial assets held to maturity	Loans granted and receivables	Trade and other liabilities	Total estimation of financial instruments
01.01.2016 – 31.12.2016					
Revenues/expenses from interest	-	3 888	3 070	(155)	**6 803**
Creation of write-downs	-	-	(3 216)	-	**(3 216)**
Revenues from shares held	657	-	-	-	**657**
Dissolution of write-downs	-	-	73	-	**73**
Profit/(loss) from disposal of financial instruments	856	-	-	-	**856**
Valuation of forward contracts	(6)	-	-	-	**(6)**
Total profit/(loss)	**1 507**	**3 888**	**(73)**	**(155)**	**5 167**

(all figures quoted in PLN thousands unless stated otherwise)

Note 6. Current and deferred income tax

The main components of the tax burden for the years ending on 31 December 2017 and 31 December 2016 respectively are as follows:

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Current income tax	**49 298**	**56 316**
For the fiscal year	49 356	56 296
Adjustments from preceding years	(58)	20
Deferred income tax	**(4 567)**	**2 943**
Due to creation and reversal of temporary differences	(4 567)	2 943
Tax burden reported in profit and loss account	**44 731**	**59 259**

Current income tax

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Pre-tax income	**229 344**	**308 961**
Revenues applicable to future reporting periods	31 546	15 764
Tax-exempt revenues	(3 744)	(5 155)
Revenues from advance payments subject to fiscal disclosures	-	(15 820)
Expenses from preceding years reducing the tax base	(48 107)	(31 520)
Non-deductible expenses	50 775	27 583
Taxable income	**259 814**	**299 813**
Deductions from income – losses	-	3 520
Deductions from income – donations	2	-
Deductions from income – R&D fiscal relief	43	-
Tax base	**259 769**	**296 293**
Income tax due (assumed rate: 19%)	49 356	56 296
Effective tax rate	**19.50%**	**19.18%**

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

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2016*	increases	reductions	31.12.2017
Provisions for other employee benefits	244	88	231	101
Provisions for compensation dependent on financial result	43 045	40 663	43 045	40 663
Fixed assets written off	-	743	743	-
Negative exchange rate differences	1 026	1 833	2 550	309
Other provisions	350	564	625	289
Total negative temporary differences	**44 665**	**43 891**	**47 194**	**41 362**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets	**8 486**	**8 339**	**8 967**	**7 858**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

Positive temporary differences requiring recognition of deferred tax liabilities

	31.12.2016	increases	reductions	31.12.2017
Difference between balance sheet value and tax value of fixed assets and intangibles	17 030	5 394	-	22 424
Revaluation of currency forward contracts (cash flow hedge) at fair value	53	-	53	-
Income in the current period invoiced in the following period	66 465	149 308	181 154	34 619
Positive exchange rate differences	1 002	356	1 277	81
Valuation of shares in other entities	169	-	169	-
Other sources	145	270	17	398
Total negative temporary differences	**84 864**	**155 328**	**182 670**	**57 522**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax liabilities	**16 124**	**29 512**	**34 707**	**10 929**

Net balance of deferred tax assets/liabilities

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Deferred tax assets	7 858	8 486
Deferred tax liabilities	10 929	16 124
Net deferred tax assets/liabilities	**(3 071)**	**(7 638)**

Note 7. Discontinued operations

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

Note 8. Earnings per share

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

During the 12-month period ending on 31 December 2017, as well as during the preceding 12-month period ending on 31 December 2016 dilutive instruments comprised entitlements issued under the incentive program and permitting certain parties to claim shares of the Company. Information regarding the quantity of entitlements issued is provided in Note 43.

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

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016*
Average weighted number of shares for the purpose of calculating base earnings per share (units)	96 120 000	95 390 000
Average weighted number of shares for the purpose of calculating diluted earnings per share (units)	99 561 288	96 907 927
Net profit / (loss) for the purpose of calculating diluted earnings per share	184 613	249 702
Base net earnings per share (PLN)	**1.92**	**2.62**
Diluted net earnings per share (PLN)	**1.85**	**2.58**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

Note 9. Dividends proposed or approved by the date of approval of this financial statement

On 23 May 2017 the Ordinary General Meeting of CD PROJEKT S.A. adopted a resolution concerning allocation of a portion of the Company's 2016 net profit, in the amount of 100 926 thousand PLN, towards a dividend. The dividend date was set at 30 May 2017 and the dividend was subsequently paid out on 13 June 2017. 96 120 000 Company shares qualified for the dividend (1.05 PLN per share).

Nota 10. Disclosure of other components of the reported comprehensive income

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Net profit (loss)	**184 613**	**249 702**
Exchange rate differences on valuation of foreign entities	-	-
Share in profits and losses of affiliates and joint ventures calculated using the equity method	-	-
Total comprehensive income	**184 613**	**249 702**

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

Not applicable.

Note 12. Fixed assets

Ownership structure of tangible fixed assets

	31.12.2017	31.12.2016
Wholly owned	14 913	10 668
Held under a hire purchase, hire or leasing contract	736	284
Total	**15 649**	**10 952**

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

	31.12.2017	31.12.2016
Held under a leasing contract	736	284
Fixed assets subsidized by the EU	1 397	1 905
Value of fixed assets whose title is restricted and fixed assets pledged as collateral for liabilities	**2 133**	**2 189**

Contractual commitments for future acquisition of tangible fixed assets

	31.12.2017	31.12.2016
Leasing of passenger cars	736	284
Total	**736**	**284**

(all figures quoted in PLN thousands unless stated otherwise)

Changes in fixed assets (by category) between 01.01.2017 and 31.12.2017

	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2017	**5 056**	**11 873**	**1 537**	**338**	**1 840**	**20 644**
Increases from:	**6 027**	**3 330**	**625**	**784**	**3 513**	**14 279**
purchases	1 606	3 228	-	464	3 513	8 811
lease agreements	-	-	625	-	-	625
reclassification from fixed assets under construction	4 421	-	-	313	-	4 734
other reclassification	-	67	-	7	-	74
acquisition free of charge	-	35	-	-	-	35
Reductions from:	**5**	**74**	**126**	**14**	**4 734**	**4 953**
sales	5	7	126	-	-	138
disposal	-	4	-	-	-	4
reclassification from fixed assets under construction	-	-	-	-	4 734	4 734
other reclassification	-	60	-	14	-	74
others	-	3	-	-	-	3
Gross carrying amount as of 31.12.2017	**11 078**	**15 129**	**2 036**	**1 108**	**619**	**29 970**
Depreciation as of 01.01.2017	**1 868**	**6 844**	**773**	**207**	**-**	**9 692**
Increases from:	**904**	**3 103**	**377**	**432**	**-**	**4 816**
depreciation	904	3 053	377	425	-	4 759
reclassification	-	50	-	7	-	57
Reductions from:	**1**	**70**	**115**	**1**	**-**	**187**
sales	1	7	115	-	-	123
disposal	-	4	-	-	-	4
reclassification	-	56	-	1	-	57
others	-	3	-	-	-	3
Depreciation as of 31.12.2017	**2 771**	**9 877**	**1 035**	**638**	**-**	**14 321**
Impairment write-downs as of 01.01.2017	-	-	-	-	-	-
Impairment write-downs as of 31.12.2017	-	-	-	-	-	-
Net carrying amount as of 31.12.2017	**8 307**	**5 252**	**1 001**	**470**	**619**	**15 649**

(all figures quoted in PLN thousands unless stated otherwise)

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

	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2016	**3 530**	**7 944**	**1 364**	**157**	**12**	**13 007**
Increases from:	**1 532**	**3 932**	**352**	**181**	**3 069**	**9 066**
purchases	291	3 925	6	181	3 069	7 472
leasing agreements	-	-	346	-	-	346
reclassification from fixed assets under construction	1 241	-	-	-	-	1 241
acquisition free of charge	-	7	-	-	-	7
Reductions from:	**6**	**3**	**179**	**-**	**1 241**	**1 429**
sales	6	3	179	-	-	188
reclassification from fixed assets under construction	-	-	-	-	1 241	1 241
Gross carrying amount as of 31.12.2016	**5 056**	**11 873**	**1 537**	**338**	**1 840**	**20 644**
Depreciation as of 01.01.2016	**1 429**	**4 312**	**639**	**48**	**-**	**6 428**
Increases from:	**440**	**2 535**	**313**	**159**	**-**	**3 447**
depreciation	440	2 535	313	159	-	3 447
Reductions from:	**1**	**3**	**179**	**-**	**-**	**183**
disposal	1	3	179	-	-	183
Depreciation as of 31.12.2016	**1 868**	**6 844**	**773**	**207**	**-**	**9 692**
Impairment write-downs as of 01.01.2016	-	-	-	-	-	-
Impairment write-downs as of 31.12.2016	-	-	-	-	-	-
Net carrying amount as of 31.12.2016	**3 188**	**5 029**	**764**	**131**	**1 840**	**10 952**

Fixed assets under construction

	01.01.2017	Expenditures in fiscal year	Expenditure settlements	31.12.2017
Adaptation of office and social space	1 611	3 246	4 378	479
Construction of motion capture studio	229	127	356	-
Redevelopment of parking lot	-	140	-	140
Total	**1 840**	**3 513**	**4 734**	**619**

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

(all figures quoted in PLN thousands unless stated otherwise)

Value and area of land holdings in perpetuity

Not applicable.

Fixed assets held under lease agreements

	31.12.2017			31.12.2016		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Vehicles	973	238	735	348	64	284
Total	**973**	**238**	**735**	**348**	**64**	**284**

Note 13. Intangibles and expenditures on development projects

Changes in intangibles and expenditures on development projects between 01.01.2017 and 31.12.2017

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2017	**60 049**	**162 155**	**33 467**	**963**	**6 530**	**15 851**	**39 147**	**-**	**1**	**318 163**
Increases from:	**75 923**	**-**	**-**	**58**	**-**	**3 246**	**-**	**36**	**-**	**79 263**
purchases	-	-	-	58	-	3 246	-	36	-	3 340
own creation	75 923	-	-	-	-	-	-	-	-	75 923
Reductions from:	**743**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**743**
disposal	743	-	-	-	-	-	-	-	-	743
Gross carrying amount as of 31.12.2017	**135 229**	**162 155**	**33 467**	**1 021**	**6 530**	**19 097**	**39 147**	**36**	**1**	**396 683**
Depreciation as of 01.01.2017	**-**	**162 155**	**-**	**522**	**-**	**11 361**	**-**	**-**	**1**	**174 039**
Increases from:	**-**	**-**	**-**	**107**	**-**	**2 153**	**-**	**-**	**-**	**2 260**
depreciation	-	-	-	107	-	2 153	-	-	-	2 260
Reductions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation as of 31.12.2017	**-**	**162 155**	**-**	**629**	**-**	**13 514**	**-**	**-**	**1**	**176 299**
Impairment write-downs as of 01.01.2017	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 31.12.2017	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2017	**135 229**	**-**	**33 467**	**392**	**6 530**	**5 583**	**39 147**	**36**	**-**	**220 384**

(all figures quoted in PLN thousands unless stated otherwise)

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

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2016	**28 390**	**135 855**	**18 364**	**903**	**6 624**	**14 072**	**39 147**	**-**	**1**	**243 356**
Increases from:	**57 959**	**26 300**	**15 103**	**60**	**-**	**2 855**	**-**	**-**	**-**	**102 277**
purchases	-	-	-	60	-	2 855	-	-	-	2 915
reclassification from development projects in progress	-	26 300	-	-	-	-	-	-	-	26 300
business combinations	-	-	15 103	-	-	-	-	-	-	15 103
own creation	57 959	-	-	-	-	-	-	-	-	57 959
Reductions from:	**26 300**	**-**	**-**	**-**	**94**	**1 076**	**-**	**-**	**-**	**27 470**
disposal	-	-	-	-	94	1 076	-	-	-	1 170
reclassification from development projects in progress	26 300	-	-	-	-	-	-	-	-	26 300
Gross carrying amount as of 31.12.2016	**60 049**	**162 155**	**33 467**	**963**	**6 530**	**15 851**	**39 147**	**-**	**1**	**318 163**
Depreciation as of 01.01.2016	**-**	**130 757**	**-**	**405**	**94**	**9 583**	**-**	**-**	**1**	**140 840**
Increases from:	**-**	**31 398**	**-**	**117**	**-**	**2 854**	**-**	**-**	**-**	**34 369**
depreciation	-	31 398	-	117	-	2 854	-	-	-	34 369
Reductions from:	**-**	**-**	**-**	**-**	**94**	**1 076**	**-**	**-**	**-**	**1 170**
disposal	-	-	-	-	94	1 076	-	-	-	1 170
Depreciation as of 31.12.2016	**-**	**162 155**	**-**	**522**	**-**	**11 361**	**-**	**-**	**1**	**174 039**
Impairment write-downs as of 01.01.2016	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 31.12.2016	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2016	**60 049**	**-**	**33 467**	**441**	**6 530**	**4 490**	**39 147**	**-**	**-**	**144 124**

** adjusted data*

Ownership structure of intangible assets

	31.12.2017	31.12.2016
Wholly owned assets	85 155	84 075
Total	**85 155**	**84 075**

(all figures quoted in PLN thousands unless stated otherwise)

Intangible assets under construction

	01.01.2017	Expenditures in fiscal year	Expenditure settlements	31.12.2017
Deployment of Tagetik 5 system	-	36	-	36
Total	**-**	**36**	**-**	**36**

Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

Note 14. Goodwill

Goodwill acquired in business combinations

	31.12.2017	31.12.2016
CD Projekt Red sp. z o.o.	39 147	39 147
Total	**39 147**	**39 147**

Changes in goodwill

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Gross goodwill at beginning of period	**39 147**	**39 147**
Increases from business combinations	-	-
Reductions from business combinations	-	-
Gross goodwill at end of period	**39 147**	**39 147**
Impairment write-downs	-	-
Net goodwill	**39 147**	**39 147**

Goodwill and trademark impairment tests require assessment of the value in use of each cash generating unit. When conducting these assessments the Company prepared estimates of future cash flows generated by each cash generating unit, and applied a projected discount rate to estimate the current value of said cash flows. The most recent impairment tests of the CD PROJEKT brand, The Witcher trademark and Company goodwill were performed on 31 December 2017 and did not indicate impairment of any of these assets. The most recent impairment tests concerning shares in subsidiaries were performed on 31 December 2017 and did not indicate impairment of any such shares.

Business combinations

None reported.

Note 15. Investment properties

Not applicable.

(all figures quoted in PLN thousands unless stated otherwise)

Note 16. Investments in affiliates

Investments in affiliates held at purchase price

	31.12.2017	31.12.2016
Investments in affiliates (subsidiaries)	16 023	13 850
Total	**16 023**	**13 850**

Changes in investments in affiliates

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
At beginning of period	**13 850**	**11 750**
Increases from:	**2 173**	**4 000**
incorporation of affiliates	452	-
contributions associated with incentive program	1 721	-
share capital increases	-	4 000
Reductions from:	**-**	**1 900**
settlement of business combinations	-	1 900
At end of period	**16 023**	**13 850**

Investments in affiliates as of 31.12.2017

	GOG sp. z o.o.	CD PROJEKT INC.	CD PROJEKT Co., Ltd.
Registered office	Warsaw	Los Angeles, Venice	Shanghai
Percentage of shares held as of 31.12.2017	100%	100%	100%
Percentage of votes controlled as of 31.12.2017	100%	100%	100%
Capital investment	15 280	291	452

Investments in affiliates as of 31.12.2016

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

On 15 May 2017 the Boards of two subsidiaries of CD PROJEKT S.A., i.e. GOG Poland sp. z o.o. and GOG Ltd. adopted resolutions declaring their intent to carry out a merger between both these entities. The goal of the merger was to relocate all GOG Ltd. activities to Poland and streamline the organizational structure of the CD PROJEKT Capital Group. On 31 October 2017 a transnational merger between GOG Poland sp. z o.o., with a registered office in Warsaw (the Acquirer) and GOG Limited with a registered office in Nicosia (the Acquiree) was carried out. Pursuant to Art. 492 §1 section 1 and Art. 516[1] of the Commercial Companies Code, the merger involved transferring the totality of assets and liabilities of GOG Limited to GOG Poland sp. z o.o. in exchange for shares in the increased share capital of the Acquirer, issued to the sole shareholder of the Acquiree, i.e. CD PROJEKT S.A.

Following the merger, the name of the Acquirer was changed from GOG Poland sp. z o.o. to GOG sp. z o.o.

(all figures quoted in PLN thousands unless stated otherwise)

Note 17. Other long-term receivables

	31.12.2017	31.12.2016
Other receivables – office space rental deposit	495	487
Total	**495**	**487**

Note 18. Financial assets held for sale

	31.12.2017	31.12.2016
Investments in subsidiaries	-	194
Total	**-**	**194**

Note 19. Joint ventures

The Company takes part in the following significant joint ventures:

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

The joint venture between CD PROJEKT S.A. and GOG sp. z o.o. concerning development of GWENT is settled in monthly cycles. The basis of such settlements, in accordance with the previously agreed participation ratio, is the joint sales margin achieved by both entities, set against the aggregate revenues and costs directly attributable to GWENT. The settlement covers all costs and revenues reported by both entities in conjunction with their involvement in the GWENT consortium.

Note 20. Inventories

	31.12.2017	31.12.2016
Goods	300	373
Other materials	23	28
Gross inventories	**323**	**401**
Inventory impairment write-downs	-	-
Net inventories	**323**	**401**

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

Inventories between 01.01.2017 and 31.12.2017

	Goods	Total
Value of inventories recognized as cost during the reporting period	6 403	6 403
Total	**6 403**	**6 403**

(all figures quoted in PLN thousands unless stated otherwise)

Inventories between 01.01.2016 and 31.12.2016

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

Changes in inventory revaluation write-downs

None reported.

Inventories pledged as collateral for liabilities

Not applicable.

Note 21. Construction contracts

Not applicable.

Note 22. Trade receivables

	31.12.2017	31.12.2016
Net trade receivables	**37 058**	**73 372**
from affiliates	974	5 669
from external entities	36 084	67 703
Impairment write-downs	2 337	3 478
Gross trade receivables	**39 395**	**76 850**

Changes in impairment write-downs on trade receivables

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
FROM AFFILIATES		
Impairment write-downs at beginning of period	-	-
Increases	-	-
Reductions	-	-
Impairment write-downs at end of period	-	-
FROM OTHER ENTITIES		
Impairment write-downs at beginning of period	**3 478**	**382**
Increases, including:	**4**	**3 216**
impairment write-downs on past-due and contested receivables	4	3 216
Reductions, including:	**1 145**	**120**
elimination of impairment write-downs due to collection of receivables	1 036	80
elimination of impairment write-downs by write-offs	109	40
Impairment write-downs at end of period	**2 337**	**3 478**
Aggregate impairment write-downs at end of period	**2 337**	**3 478**

(all figures quoted in PLN thousands unless stated otherwise)

Current and overdue trade receivables as of 31.12.2017

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
FROM AFFILIATES							
gross receivables	974	949	12	13	-	-	-
impairment write-downs	-	-	-	-	-	-	-
Net receivables	**974**	**949**	**12**	**13**	**-**	**-**	**-**
FROM OTHER ENTITIES							
gross receivables	38 421	35 460	625	1	2	-	2 333
impairment write-downs	2 337	-	4	-	-	-	2 333
Net receivables	**36 084**	**35 460**	**621**	**1**	**2**	**-**	**-**
TOTAL							
gross receivables	39 395	36 409	637	14	2	-	2 333
impairment write-downs	2 337	-	4	-	-	-	2 333
Net receivables	**37 058**	**36 409**	**633**	**14**	**2**	**-**	**-**

Current and overdue trade receivables as of 31.12.2016

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
FROM AFFILIATES							
gross receivables	5 669	2 838	2 831	-	-	-	-
impairment write-downs	-	-	-	-	-	-	-
Net receivables	**5 669**	**2 838**	**2 831**	**-**	**-**	**-**	**-**
FROM OTHER ENTITIES							
gross receivables	71 181	67 571	132	2 663	46	259	510
impairment write-downs	3 478	-	-	2 663	46	259	510
Net receivables	**67 703**	**67 571**	**132**	**-**	**-**	**-**	**-**
TOTAL							
gross receivables	76 850	70 409	2 963	2 663	46	259	510
impairment write-downs	3 478	-	-	2 663	46	259	510
Net receivables	**73 372**	**70 409**	**2 963**	**-**	**-**	**-**	**-**

(all figures quoted in PLN thousands unless stated otherwise)

Trade receivables by currency

	31.12.2017		31.12.2016	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	34 319	34 319*	63 509	63 509*
USD	563	1 961	1 534	6 411
JPY	15 429	477	209	7
EUR	66	276	779	3 445
CNY	46	25	-	-
Total		**37 058**		**73 372**

** This field also aggregates receivables obtained in association with foreign licensing reports during the current period but invoiced in future reporting periods. For the purposes of this financial statement, such receivables are denominated directly in PLN.*

Note 23. Other receivables

	31.12.2017	31.12.2016
Other receivables, including:	**22 219**	**23 701**
tax returns except corporate income tax	13 181*	16 810
advance payments for supplies	2 183	1 834
cash pool agreements	-	995
consortium settlements	5 818	2 973
deposits	35	21
employee compensation settlements	52	37
sale of shares	-	1 031
prepayments associated with purchases of fixed assets	940	-
others	10	-
Impairment write-downs	**732**	**732**
Total other gross receivables	**22 951**	**24 433**

** This field also aggregates withholding tax in the amount of 11 357 thousand PLN, which will be deducted by the Company in its annual tax declaration once the Company has received certificates from foreign clients confirming that the tax has been paid abroad.*

	31.12.2017	31.12.2016
Other receivables, including:	**22 219**	**23 701**
from affiliates	5 837	3 979
from other entities	16 382	19 722
Impairment write-downs	**732**	**732**
Other gross receivables	**22 951**	**24 433**

Other receivables subject to court proceedings

	31.12.2017	31.12.2016
Other receivables subject to court proceedings	732	732
Impairment write-downs on contested receivables	732	732
Net other receivables subject to court proceedings	**-**	**-**

(all figures quoted in PLN thousands unless stated otherwise)

Other receivables by currency

	31.12.2017		31.12.2016	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	22 162	22 162*	22 685	22 685*
USD	7	25	242	1 011
JPY	580	18	-	-
EUR	3	14	1	5
Razem		**22 219**		**23 701**

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

Trade and other receivables from affiliates

	31.12.2017	31.12.2016
Gross receivables from affiliates	**6 811**	**9 648**
trade receivables	974	5 669
other receivables	5 837	3 979
Impairment write-downs	**-**	**-**
Net receivables from affiliates	**6 811**	**9 648**

Note 24. Prepaid expenses

	31.12.2017	31.12.2016*
Non-life insurance	92	73
Company car insurance	22	20
Access to online legal support portal	12	23
Software, licenses	585	784
Business travel (airfare, accommodation, insurance)	29	24
Other prepaid expenses	192	88
Total prepaid expenses	**932**	**1 012**

** adjusted data*

Note 25. Cash and cash equivalents

	31.12.2017	31.12.2016*
Cash on hands and bank deposits:	**108**	**6 376**
current bank accounts	108	6 376
Other monetary assets:	**18 391**	**174 172**
overnight deposits	148	6 111
short-term bank deposits (maturity up to 3 months)	18 243	168 061
Total	**18 499**	**180 548**

** adjusted data*

Restricted cash

Not applicable.

(all figures quoted in PLN thousands unless stated otherwise)

Note 26. Share capital

Share capital structure as of 31.12.2017

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

The share capital structure did not undergo changes compared to 31 December 2016.

Changes in share capital

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Share capital at beginning of period	**96 120**	**94 950**
Increases from:	**-**	**1 170**
issue of shares paid up in cash – incentive program	-	1 170
Reductions	**-**	**-**
Share capital at end of period	**96 120**	**96 120**

Note 27. Own shares

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

Note 28. Other capital contributions

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Reserve capital	539 294	390 518
Other reserve capital – incentive program	15 212	4 795
Total	**554 506**	**395 313**

(all figures quoted in PLN thousands unless stated otherwise)

Changes in other capital contributions

	Reserve capital	Other reserve capital – incentive program	Total
As of 01.01.2017	**390 518**	**4 795**	**395 313**
Increases from:	**148 776**	**10 417**	**159 193**
allocation of net profit	148 776	-	148 776
contributions associated with incentive program	-	10 417	10 417
Reductions	**-**	**-**	**-**
As of 31.12.2017	**539 294**	**15 212**	**554 506**

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

Note 29. Retained earnings

	31.12.2017	31.12.2016
Finencial result of acquiree in preceding years	16 441	16 441
Total	**16 441**	**16 441**

Changes in retained earnings

	31.12.2017	31.12.2016
At beginning of period	**16 441**	**(65 353)**
Increases from:	**249 701**	**352 641**
allocation of profit from preceding years	249 701	336 200
recognition of financial result of acquiree in preceding years	-	16 441
Reductions from:	**249 701**	**270 847**
dividend payments	100 926	-
reclassification as reserve capital	148 775	270 847
At end of period	**16 441**	**16 441**

Note 30. Credits and loans

None reported.

(all figures quoted in PLN thousands unless stated otherwise)

Note 31. Other financial liabilities

	31.12.2017	31.12.2016
Lease liabilities	**338**	**139**
Other financial liabilities, including:	**338**	**139**
long-term liabilities	148	76
short-term liabilities	190	63

Lease liabilities

	31.12.2017	31.12.2016
Short-term lease liabilities	**190**	**63**
Long-term lease liabilities, including:	**148**	**76**
between 1 and 5 years	148	76
Total	**338**	**139**

Note 32. Other long-term liabilities

Not applicable.

Note 33. Trade liabilities

	31.12.2017	31.12.2016
Trade liabilities:	**9 972**	**7 204**
payable to affiliates	1 443	1 690
payable to external entities	8 529	5 514

Current and overdue trade liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2017	**9 972**	**7 990**	**1 982**	**-**	**-**	**-**	**-**
payable to affiliates	1 443	1 443	-	-	-	-	-
payable to external entities	8 529	6 547	1 982	-	-	-	-

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2016	**7 204**	**5 263**	**1 920**	**8**	**11**	**-**	**2**
payable to affiliates	1 690	1 690	-	-	-	-	-
payable to external entities	5 514	3 573	1 920	8	11	-	2

(all figures quoted in PLN thousands unless stated otherwise)

Trade liabilities by currency

	31.12.2017		31.12.2016	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	1 187	4 134	1 082	4 522
PLN	2 556	2 556	2 102	2 102
EUR	469	1 957	71	314
CNY	2 144	1 147	171	103
JPY	3 411	106	4 188	150
GBP	15	72	1	3
RUB	-	-	88	6
AUD	-	-	1	4
Total		**9 972**		**7 204**

Note 34. Other liabilities

	31.12.2017	31.12.2016
Liabilities from other taxes, duties, social security payments and others, except corporation tax	**1 436**	**940**
Value added tax	-	59
Flat-rate withholding tax	147	12
Personal income tax	823	577
Social security (ZUS) payments	431	271
National Disabled Persons Rehabilitation Fund (PFRON) payments	18	17
PIT-8A settlements	17	4
Other liabilities	**214**	**6 095**
Other employee-related liabilities	1	4
Other liabilities payable to Management Board members	2	10
Other liabilities payable to affiliates	-	2 060
Other liabilities, incl. Internal Social Benefits Fund (ZFŚS)	(14)	(28)
Advance payments received from foreign clients	225	4 049
Total other liabilities	**1 650**	**7 035**

Current and overdue other short-term liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2017	**1 650**	**1 647**	**3**	**-**	**-**	**-**	**-**
payable to affiliates	3	1	2	-	-	-	-
payable to external entities	1 647	1 646	1	-	-	-	-

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2016	**7 035**	**7 022**	**13**	**-**	**-**	**-**	**-**
payable to affiliates	2 070	2 061	9	-	-	-	-
payable to external entities	4 965	4 961	4	-	-	-	-

(all figures quoted in PLN thousands unless stated otherwise)

Other short-term liabilities by currency

	31.12.2017		31.12.2016	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	1 426	1 426	2 986	2 986
EUR	53	224	24	107
USD	-	-	1 021	3 942
Total		**1 650**		**7 035**

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

	31.12.2017	31.12.2016
Cash assets	28	35
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	13	7
Balance	**15**	**28**
Internal Social Benefits Fund (ZFŚS) write-downs in the financial year	**218**	**174**

Note 36. Contingent liabilities

Contingent liabilities from operating lease agreements

Not applicable.

Promissory note liabilities from loans received

Not applicable.

(all figures quoted in PLN thousands unless stated otherwise)

Contingent liabilities due to guarantees and sureties pledged

	Pledged in association with	Currency	31.12.2017	31.12.2016
Agora S.A.				
Promissory note payable	Collateral for licensing and distribution agreement	PLN	-	11 931
Declaration of submission to enforcement with respect to guaranteed execution of distribution agreement	Collateral for licensing and distribution agreement	PLN	-	11 931
mBank S.A.				
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920
Promissory note agreement	Collateral for framework agreement concerning forward and derivative transactions	PLN	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)				
Contract of guarantee	Guarantee of discharge of liabilities by GOG sp. z o.o.	EUR	155	155
Ministry of the Economy				
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-146/13-00	PLN	-	265
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-148/13-00	PLN	-	235
Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)				
Promissory note agreement	Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2	PLN	798	798
National Center for Research and Development (Narodowe Centrum Badań i Rozwoju)				
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0105/16	PLN	7 934	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	5 324	-

(all figures quoted in PLN thousands unless stated otherwise)

Raiffeisen Bank Polska S.A.				
Guarantee of discharge of cash pool liabilities	Cash pool agreement	PLN	-	15 000
Guarantee of discharge of cash pool liabilities	Cash pool agreement	USD	-	500
Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	25 000	75 000
BZ WBK Leasing S.A.				
Promissory note agreement	Lease agreement no. CZ5/00019/2016	PLN	320	320
Promissory note agreement	Lease agreement no. CZ5/00013/2017	PLN	403	-
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	175	-
BZ WBK S.A.				
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	6 500

(all figures quoted in PLN thousands unless stated otherwise)

Note 37. Short- and long-term financial lease liabilities

	31.12.2017		31.12.2016	
	Minimum payments	Payments outstanding	Minimum payments	Payments outstanding
Due within 1 year	197	190	67	63
Due between 1 and 5 years	149	148	76	76
Total minimum lease payments	**346**	**338**	**143**	**139**
Future interest	8	-	4	-
Current minimum value of lease payments, including:	**338**	**338**	**139**	**139**
short-term payments	190	190	63	63
long-term payments	148	148	76	76

Assets subject to financial leasing as of 31.12.2017

	Asset category					Total
	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	
Passenger cars	-	-	-	736	-	736
Net value of leased assets	**-**	**-**	**-**	**736**	**-**	**736**

(all figures quoted in PLN thousands unless stated otherwise)

Financial lease agreements as of 31.12.2017

Financier	Contract no.	Base value	Base value in currency units	Currency	Contract expiration date	Payments outstanding at end of reporting period	Prolongation conditions and buyout options
BZ WBK Leasing S.A.	CZ5/00019/2016	346	346	PLN	2018-02-20	76	Lessee is entitled to buy out the leased asset – the contractual net residual value is 59 thousand PLN
BZ WBK Leasing S.A.	CZ5/00013/2017	436	436	PLN	2019-03-20	182	Lessee is entitled to buy out the leased asset – the contractual net residual value is 74 thousand PLN
BZ WBK Leasing S.A.	CZ5/00036/2017	189	189	PLN	2019-03-20	79	Lessee is entitled to buy out the leased asset – the contractual net residual value is 32 thousand PLN
Total		**971**	**971**			**337**	

(all figures quoted in PLN thousands unless stated otherwise)

Note 38. Deferred revenues

	31.12.2017	31.12.2016
Subsidies	**2 560**	**1 515**
Construction of data processing and communications center of the CD PROJEKT Group	24	39
Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange	457	624
Animation Excellence (GameINN)	323	-
City Creation (GameINN)	967	-
Seamless Multiplayer (GameINN)	215	-
Cinematic Feel (GameINN)	176	-
CPF (Working Title)	-	452
Promised Land	398	400
Future period revenues	**9**	**9**
Official phone rental	9	9
Total, including:	**2 569**	**1 524**
long-term deferrals	1 983	937
short-term deferrals	586	587

Note 39. Provisions for employee benefits and similar liabilities

	31.12.2017	31.12.2016
Provisions for retirement benefits and pensions	79	55
Provisions for other employee benefits	-	181
Total, including:	**79**	**236**
long-term provisions	78	54
short-term provisions	1	182

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

	31.12.2017	31.12.2016
Discount rate (%)	3.25	3.59
Projected inflation rate (%)	3.25	3.59
Employee turnover rate (%) – adjusted for age	8.2% at age 31	8% at age 31
Projected annual rate of salary growth (%)	2.5%	2.5%
Mortality rates published by the Central Statistical Office (year of estimation)	2016	2015
Likelihood of disability during the fiscal year	0.1%	0.1%

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

(all figures quoted in PLN thousands unless stated otherwise)

Changes in provisions for employee benefits and similar liabilities

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2017	**55**	**181**	**236**
Provisions created	24	-	24
Benefits paid out	-	122	122
Provisions dissolved	-	59	59
As of 31.12.2017, including:	**79**	**-**	**79**
long-term provisions	78	-	78
short-term provisions	1	-	1

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2016	**33**	**135**	**168**
Provisions created	23	397	420
Benefits paid out	-	314	314
Provisions dissolved	1	37	38
As of 31.12.2016, including:	**55**	**181**	**236**
long-term provisions	54	-	54
short-term provisions	1	181	182

Note 40. Other provisions

	31.12.2017	31.12.2016
Provisions for liabilities, including:	**41 038**	**43 499**
Provisions for financial statement audit and review expenses	-	49
Provisions for bought-in services	-	17
Provisions for compensation dependent on the Company's financial result	40 663	43 044
Provisions for licensing royalties	-	81
Provisions for purchases of licenses and fixed assets	-	72
Provisions for other expenses	375	236
Total, including:	**41 038**	**43 499**
long-term provisions	-	-
short-term provisions	41 038	43 499

(all figures quoted in PLN thousands unless stated otherwise)

Changes in other provisions

	Provisions for compensation dependent on the Company's financial result	Other provisions	Total
As of 01.01.2017	**43 044**	**455**	**43 499**
Provisions created during fiscal year	40 663	1 401	42 064
Provisions used	41 821	1 480	43 301
Provisions dissolved	1 223	1	1 224
As of 31.12.2017, including:	**40 663**	**375**	**41 038**
long-term provisions	-	-	-
short-term provisions	40 663	375	41 038

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

** adjusted data*

Note 41. Disclosure of financial instruments

Fair value of financial instruments per class

Following an analysis of each class of financial instruments held by the Company the Management Board has reached the conclusion that their carrying amounts in all cases reflect their corresponding fair value, both as of 31 December 2017 and as of 31 December 2016.

(all figures quoted in PLN thousands unless stated otherwise)

Changes in financial instruments

	01.01.2017 – 31.12.2017					01.01.2016 – 31.12.2016*				
	Financial assets carried at fair value through profit or loss	Financial assets held to maturity	Loans granted and receivables	Financial assets held for sale	Other financial liabilities	Financial assets carried at fair value through profit or loss	Financial assets held to maturity	Loans granted and receivables	Financial assets held for sale	Other financial liabilities
At beginning of period	**53**	**379 835**	**277 621**	**194**	**14 378**	**165**	**282 008**	**441 239**	**547**	**56 707**
Increases	**-**	**1 292 076**	**79 831**	**-**	**11 960**	**53**	**699 235**	**277 621**	**-**	**14 378**
Cash assets	-	-	18 499	-	-	-	-	180 548	-	-
Trade and other receivables	-	-	59 277	-	-	-	-	97 073	-	-
Trade and other liabilities	-	-	-	-	11 622	-	-	-	-	14 239
Loans granted	-	-	2 055	-	-	-	-	-	-	-
Financial lease agreements	-	-	-	-	338	-	-	-	-	139
Short-term deposits (maturity beyond 3 months)	-	1 292 076	-	-	-	-	699 235	-	-	-
Forward contracts	-	-	-	-	-	53	-	-	-	-
Reductions	**53**	**1 091 382**	**279 232**	**194**	**14 378**	**165**	**601 408**	**441 239**	**353**	**56 707**
Repayment of loans granted	-	-	1 519	-	-	-	-	-	-	-
Cash assets	-	-	180 548	-	-	-	-	326 222	-	-
Trade and other receivables	-	-	97 073	-	-	-	-	115 017	-	-
Trade and other liabilities	-	-	-	-	14 239	-	-	-	-	56 414
Financial lease agreements	-	-	-	-	139	-	-	-	-	293
Balance sheet valuation reported in profit/loss account	-	-	92	-	-	-	-	-	-	-
Short-term deposits (maturity beyond 3 months)	-	1 091 382	-	-	-	-	601 408	-	-	-
Shares in other entities	-	-	-	194	-	106	-	-	353	-
Forward contracts	53	-	-	-	-	59	-	-	-	-
At end of period	**-**	**580 529**	**78 220**	**-**	**11 960**	**53**	**379 835**	**277 621**	**194**	**14 378**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

The reported reduction in the value of assets held for sale results from sale of 16 shares of cdp.pl sp. z o.o., carried out on 31 March 2017, as a result of which the Group's involvement in the share capital of cdp.pl sp. z o.o. was reduced from 3.11% to 0%.

Hierarchy of financial instruments carried at fair value

	31.12.2017	31.12.2016
LEVEL 1		
Assets carried at fair value		
Financial assets carried at fair value through financial result	**-**	**-**
LEVEL 2		
Assets carried at fair value		
Derivatives:	**-**	**53**
forward currency contract - USD	-	53
Assets whose fair value is subject to disclosure	**444**	**-**
loans granted to subsidiaries	444	-

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

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

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

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

Note 42. Equity management

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

The Company actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the Company may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Company monitors its capital status by applying a leverage ratio which is calculated as the ratio of net borrowing versus total equity increased by net borrowing. As of 31 December 2017 the value of cash assets held by the Company was in excess of its liabilities associated with delivery of goods and services, aggregated with all other liabilities. Consequently, the Company reports a positive cash balance.

Note 43. Employee share programs

2012-2015 incentive program

On 16 December 2011 the Extraordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to institute an incentive program for personnel viewed as crucially important for the Company, as described in note 47 of the Consolidated Financial Statement for 2015. The conditional increase in Company capital carried out in the framework of implementing the incentive program amounted to not more than 1 900 thousand PLN, which represented 2% of the Company share capital. A total of 1 450 thousand warrants were granted under the program. Following verification of the attainment of the incentive program's goals, a total of 1 170 thousand Series A subscription warrants were assigned to entitled parties, authorizing them to claim 1 170 000 Series L shares with a nominal value of 1 PLN per share.

(all figures quoted in PLN thousands unless stated otherwise)

Changes in warrants granted under the 2012-2015 incentive program

	01.01.2016 - 31.12.2016	
	Warrants granted	Exercise price (PLN)
Unexercised at beginning of period	1 900 000	4.30
Granted but unexercised at beginning of period	1 450 000	4.30
Granted	-	-
Forfeited	280 000	4.30
Exercised	1 170 000	4.30
Unexercised at end of period	-	-
Granted but unexercised at end of period	-	-

2016-2021 incentive program

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

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

As of the balance sheet date, a total of 5 790 000 entitlements have been granted under the incentive program. This corresponds to a conditional increase in the Company share capital by not more than 6 000 thousand PLN, representing 6.24% of the current share capital of the Company.

Incentive program valuation – assumed indicators

Grant date	CDR volatility index	WIG volatility index	WIG/CDR correlation coefficient	Risk-free rate
Entitlements granted on 04.12.2017	32%	14%	37%	2.6%
Entitlements granted on 06.09.2017	32%	14%	37%	2.5%
Entitlements granted on 29.08.2017	32%	14%	37%	2.6%
Entitlements granted on 18.05.2017	32%	15%	38%	2.8%
Entitlements granted on 05.01.2017	32%	16%	37%	3.0%
Entitlements granted on 17.11.2016	32%	16%	37%	2.4%
Entitlements granted on 05.07.2016	32%	16%	39%	2.5%

Grant date

In 2017 the Company issued grants of eligibility in five batches. For each batch the fair value of assigned entitlements was calculated on the corresponding grant date using modern financial engineering methods and numerical algorithms by a licensed actuary entered in the register of actuaries maintained by the Financial Supervision Authority (cf. above table).

Classification of valuation conditions

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

Stock volume on grant date

As of 31 December 2017 the Company stock volume was 96 120 000 shares.

Status of the program

(all figures quoted in PLN thousands unless stated otherwise)

As of 31 December 2017 implementation of the incentive program for 2016-2021 is ongoing.

Changes in entitlements granted under the 2016-2021 incentive program

	31.12.2017		31.12.2016	
	Entitlements granted	Exercise price (PLN)	Entitlements granted	Exercise price (PLN)
Unexercised at beginning of period	6 000 000	-	-	-
Granted but unexercised at beginning of period	5 690 000	-	-	-
Granted	220 000	25.70 or 22.35	5 700 000	25.70 or 22.35
Forfeited	120 000	25.70 or 22.35	10 000	25.70 or 22.35
Unexercised at end of period	6 000 000	25.70 or 22.35	6 000 000	25.70 or 22.35
Granted but unexercised at end of period	5 790 000	25.70 or 22.35	5 690 000	25.70 or 22.35

Note 44. Transactions with affiliates

Conditions governing transactions with affiliates

Intragroup transactions are conducted in accordance with the Directive of the Finance Minister of 10 September 2009 specifying the rules for estimating the income of legal entities and avoiding double taxation when adjusting the income of affiliated legal entities (Journal of Laws of the Republic of Poland 2014, item 1186).

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

(all figures quoted in PLN thousands unless stated otherwise)

Transactions with affiliates

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
SUBSIDIARIES								
GOG sp. z o.o. (formerly GOG Poland sp. z o.o.)	3 956	1 749	68	18	6 765	3 094	58	2 060
GOG Ltd.*	31 353	23 823	146	349	-	5 540	-	53
CD PROJEKT Inc.	306	278	5 702	17 151	444	1 004	773	1 637
CD PROJEKT Co., Ltd	36	-	2 436	-	25	-	613	-
MANAGEMENT BOARD MEMBERS								
Marcin Iwiński	7	5	-	-	8	1	1	-
Adam Kiciński	5	4	-	-	1	-	1	7
Piotr Nielubowicz	5	5	-	-	-	-	-	-
Michał Nowakowski	12	10	-	-	7	-	-	3
Adam Badowski	2	-	-	-	3	9	-	-
Piotr Karwowski	2	-	-	-	2	-	-	-
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarc	-	-	5	-	-	-	-	-

** prior to merger*

(all figures quoted in PLN thousands unless stated otherwise)

Note 45. Compensation of top management and Supervisory Board members

Benefits paid out to Management Board members

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Compensation for duties performed	1 933	1 919
Bonuses and compensation dependent on the Company's financial result	29 654	19 730
Total	**31 587**	**21 649**

Benefits paid out to other top executives

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Base salaries	2 610	1 394
Compensation for duties performed	37	12
Bonuses and compensation dependent on the Company's financial result	669	2 778
Total	**3 316**	**4 184**

Benefits paid out to Supervisory Board members

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Compensation for duties performed	288	236
Total	**288**	**236**

Note 46. Employment

Average employment

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Average employment	185	178
Total	**185**	**178**

Employee rotation

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Employees hired	46	64
Employees dismissed	28	17
Total	**18**	**47**

(all figures quoted in PLN thousands unless stated otherwise)

Note 47. Operating lease agreements

The Company has concluded office space lease agreements which, in light of their substance, qualify as operating lease agreements. The Company does not report assets covered by these agreements in its financial statement. As of 31 December 2017 and 31 December 2016 future minimum payments associated with irrevocable operating lease agreements are as follows:

	31.12.2017	31.12.2016
less than 1 year	3 681	2 660
between 1 and 5 years	4 847	6 147
more than 5 years	-	-
Total	**8 528**	**8 807**

Note 48. Activated borrowing costs

Not applicable.

Note 49. Fiscal settlements

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

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

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

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

Note 50. Events following the balance sheet date

Information concerning events which occurred after the balance sheet date can be found in the Management Board report on CD PROJEKT Capital Group activities in the period between 1 January and 31 December 2017. None of the events described therein have an effect on this financial statement.

(all figures quoted in PLN thousands unless stated otherwise)

Note 51. Disclosure of transactions with entities contracted to perform audits of financial statements

Compensation paid out or payable during the fiscal year	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
for auditing the annual financial statement and the consolidated financial statement	122	75
for reviewing financial statements and the consolidated financial statement	61	51
Total	**183**	**126**

Note 52. Clarifications regarding the cash flow statement

	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016*
Cash and cash equivalents reported in cash flow statement	**18 499**	**180 548**
Cash on balance sheet	**18 499**	**180 548**
Depreciation:	**1 892**	**33 558**
Depreciation of intangibles	629	1 104
Depreciation of expenditures on development projects	-	31 398
Depreciation of fixed assets	1 263	1 056
Profit (loss) from exchange rate differences	**92**	**-**
Exchange rate differences on valuation of loans granted at end of period	92	-
Interest and share in profits (dividends) consist of:	**(10 358)**	**(10 828)**
Interest paid on cash pool loans	-	4
Interest received	(10 358)	(6 959)
Dividends received	-	(3 873)
Profit (loss) from investment activities results from:	**908**	**329**
Revenues from sales of fixed assets	(63)	(55)
Net value of fixed assets sold	15	5
Net value of shares sold	195	46
Fixed assets received free of charge	(35)	-
Revaluation of short-term financial assets	53	50
Fixed assets written off	743	-
Fair-value revaluation of cdp.pl shares	-	306
Revenues from sales of investments	-	(23)
Changes in provisions result from:	**(2 618)**	**(10 917)**
Balance of changes in provisions for liabilities	(2 461)	(11 766)
Balance of changes in provisions for employee benefits	(157)	68
Elimination of changes in withholding tax	-	781
Changes in inventory status result from:	**78**	**217**
Balance of changes in inventory status	78	217
Changes in receivables result from:	**36 793**	**17 348**
Balance of changes in short-term receivables	37 796	17 944
Balance of changes in long-term receivables	(8)	(272)
Income tax set against withholding tax	14 353	21 583
Cash pool eliminations	(995)	(324)
Current income tax adjustments	(14 353)	(21 583)
Changes in short-term liabilities except financial liabilities result from:	**(306)**	**(41 967)**

(all figures quoted in PLN thousands unless stated otherwise)

Balance of changes in short-term liabilities	(4 010)	(46 076)
Current income tax adjustments	1 610	3 671
Changes in financial liabilities	(127)	230
Adjustments for changes in liabilities due to purchase of fixed assets	(93)	(473)
Adjustments for changes in liabilities due to purchase of intangibles	254	(434)
Adjustments for cash pool liabilities	2 060	1 115
Changes in other assets and liabilities result from:	**1 125**	**365**
Balance of changes in prepaid expenses	80	(309)
Balance of changes in deferred revenues	1 045	680
Elimination of fixed assets received free of charge	-	(6)
Other adjustments include:	**9 027**	**9 789**
Cost of incentive program	8 697	6 315
Acquisition of trademark through merger	-	(15 104)
Acquisition of subsidiary shares through merger	-	200
Acquiree financial results in preceding years	-	18 142
Depreciation aggregated with selling cost and consortium settlements	330	236

** adjusted data*

Note 53. Cash flows and other changes resulting from financial activities

	01.01.2017	Cash flows	Other changes (acquisition)	31.12.2017
Lease liabilities	139	(427)	626	338
Cash pool liabilities	2 060	(2 060)	-	-
Cash pool receivables	(995)	995	-	-
Total	**1 204**	**(1 492)**	**626**	**338**

(all figures quoted in PLN thousands unless stated otherwise)

Statement of the Management Board

With regard to the correctness of the annual separate financial statement

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

This annual separate financial statement was prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and in force as of 31 December 2017. Where these standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2018, item no. 395 as amended) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of the Republic of Poland, 2014, item no. 133 as amended).

With regard to the entity contracted to audit the annual separate financial statement

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

Approval of financial statement

This annual separate statement of CD PROJEKT S.A. was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 22 March 2018, and is duly submitted to the General Meeting of CD PROJEKT S.A. for approval.

Warsaw, 22 March 2018

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

Michał Nowakowski	Oleg Klapovskiy	Piotr Karwowski	Rafał Zuchowicz
Board Member	Board Member	Board Member	Accounting Officer

(all figures quoted in PLN thousands unless stated otherwise)

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