CD PROJEKT®

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT CAPITAL GROUP FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2018

Disclaimer

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

## CD PROJEKT Capital Group – Selected financial highlights converted into EUR

| | PLN | | EUR | |
|---|---|---|---|---|
| | **01.01.2018 - 31.03.2018** | **01.01.2017 - 31.03.2017*** | **01.01.2018 - 31.03.2018** | **01.01.2017 - 31.03.2017*** |
| Net revenues from sales of products, services, goods and materials | 75 435 | 99 342 | 18 054 | 23 162 |
| Cost of products, services, goods and materials sold | 16 133 | 14 823 | 3 861 | 3 456 |
| Operating profit (loss) | 27 899 | 53 830 | 6 677 | 12 550 |
| Profit (loss) before tax | 29 157 | 56 835 | 6 978 | 13 251 |
| Net profit (loss) attributable to equity holders of parent entity | 22 892 | 45 259 | 5 479 | 10 552 |
| Net cash flows from operating activities | 37 008 | 64 297 | 8 857 | 14 991 |
| Net cash flows from investment activities | (19 862) | (157 216) | (4 753) | (36 655) |
| Net cash flows from financial activities | (11) | (295) | (3) | (69) |
| Total net cash flows | 17 135 | (93 214) | 4 101 | (21 733) |
| Stock volume (in thousands) | 96 120 | 96 120 | 96 120 | 96 120 |
| Net profit (loss) per ordinary share | 0.24 | 0.47 | 0.06 | 0.11 |
| Diluted profit (loss) per ordinary share | 0.23 | 0.46 | 0.05 | 0.11 |
| Book value per share (PLN/EUR) | 9.45 | 8.56 | 2.25 | 2.03 |
| Diluted book value per share (PLN/EUR) | 9.07 | 8.33 | 2.16 | 1.97 |
| Declared or paid out dividend per share (PLN/EUR) | - | - | - | - |

** adjusted data*

| | PLN | | EUR | |
|---|---|---|---|---|
| | **31.03.2018** | **31.12.2017** | **31.03.2018** | **31.12.2017** |
| Total assets | 999 992 | 981 513 | 237 612 | 235 324 |
| Liabilities and provisions for liabilities (less accrued charges) | 84 762 | 93 539 | 20 141 | 22 427 |
| Long-term liabilities | 2 892 | 4 130 | 687 | 990 |
| Short-term liabilities | 88 472 | 94 484 | 21 022 | 22 653 |
| Equity | 908 628 | 882 899 | 215 903 | 211 681 |
| Share capital | 96 120 | 96 120 | 22 839 | 23 045 |

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

- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.1784 PLN/EUR for the period between 1 January and 31 March 2018, and 4.2891 PLN/EUR for the period between 1 January and 31 March 2017 respectively.
- Assets and liabilities listed in the consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.2085 PLN/EUR on 31 March 2018 and 4.1709 PLN/EUR on 31 December 2017 respectively.

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# Primary financial data of the CD PROJEKT Capital Group

# 1

# Condensed interim consolidated profit and loss account

| | Note | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|---|
| **Sales revenues** | | **75 435** | **99 342** |
| Revenues from sales of products | 13 | 52 217 | 77 710 |
| Revenues from sales of services | 13 | 5 | 43 |
| Revenues from sales of goods and materials | 13 | 23 213 | 21 589 |
| **Cost of products, goods and materials sold** | | **16 133** | **14 823** |
| Cost of products and services sold | 14 | 28 | 62 |
| Value of goods and materials sold | 14 | 16 105 | 14 761 |
| **Gross profit (loss) from sales** | | **59 302** | **84 519** |
| Other operating revenues | 15 | 319 | 433 |
| Selling costs | 14 | 22 775 | 22 434 |
| General and administrative costs | 14 | 8 804 | 8 440 |
| Other operating expenses | 15 | 324 | 248 |
| (Impairment losses)/Reversal of impairment losses of financial instruments | | 181 | - |
| **Operating profit (loss)** | | **27 899** | **53 830** |
| Financial revenues | 16 | 1 636 | 3 869 |
| Financial expenses | 16 | 378 | 864 |
| **Profit (loss) before tax** | | **29 157** | **56 835** |
| Income tax | 8 | 6 265 | 11 576 |
| **Net profit (loss)** | | **22 892** | **45 259** |
| Net profit (loss) attributable to equity holders of parent entity | | 22 892 | 45 259 |
| **Net earnings per share (in PLN)** | | | |
| Basic for the reporting period | | 0.24 | 0.47 |
| Diluted for the reporting period | | 0.23 | 0.46 |

The most important contribution to CD PROJEKT Capital Group revenues in Q1 2018 was from **Revenues from sales of products**, which include licensing royalties corresponding to strong ongoing sales of The Witcher 3: Wild Hunt, along with its expansion packs – Hearts of Stone and Blood and Wine, as well as revenues obtained in the scope of GWENT: The Witcher Card Game. **Revenues from sales of goods and materials** were primarily driven by sales carried out by GOG.com, as well as – to a lesser extent – sales of physical videogame components (carrier media, boxes etc.) by CD PROJEKT RED.

Since all expenses associated with development of currently marketed CD PROJEKT RED products (including The Witcher, The Witcher 2, The Witcher 3, Hearts of Stone and Blood and Wine) had already been fully discounted, the CD PROJEKT Group – much like in the corresponding period in 2017 – reported no significant **Cost of products and services sold** during Q1 2018. The most important cost item affecting the Group's overall pre-tax profit was the **Cost of products and materials sold**, mostly related to sales of external products via the GOG.com platform, as well as – to a lesser extent – sales of physical videogame components (carrier media, boxes etc.) by CD PROJEKT RED.

Regarding operating costs, the key item was **Selling costs**, the bulk of which was associated with promotional activities carried out in each of the Group's activity segments, in addition to transaction costs related to digital sales on the GOG.com platform. Furthermore, this line item aggregates employee compensation and provisions for bonuses contingent upon the Group's financial result.

Compensation and provisions for bonuses contingent upon the Group's financial result also constitute the bulk of **General and administrative expenses**.

(all figures quoted in PLN thousands unless indicated otherwise)

The aggregate value of **General and administrative expenses** and **Selling costs** in Q1 2018 was comparable to the corresponding Q1 2017 figure.

The reported surplus of **Financial revenues** over **Financial expenses** is mainly due to collection of interest on short-term bank deposits.

The Group's consolidated **Net profit** in Q1 2018 was lower than the corresponding Q1 2017 figure. While operating expenses remained at a similar level, sales revenues were lower – a natural consequence of the passage of time since the release of The Witcher 3 and its expansion packs, and also of the strengthening of PLN against currencies in which the Group's conducts most of its sales (USD and EUR).

A separate commentary on the Q1 2018 result of the GOG.com segment can be found in Section 3 of this financial statement, detailing the activity segments of the CD PROJEKT Capital Group.

The Group's net profitability (share of net profit in sales revenues) in Q1 2018 was 30%.

# Condensed interim consolidated statement of comprehensive income

| | 01.01.2018 – 31.03.2018 | 01.03.2017 – 31.03.2017 |
|---|---|---|
| **Net profit (loss)** | **22 892** | **45 259** |
| **Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria** | **(13)** | **(1 444)** |
| exchange rate differences on valuation of foreign entities | (13) | (1 444) |
| **Other comprehensive income which will not be entered as profit (loss)** | **-** | **-** |
| **Total comprehensive income** | **22 879** | **43 815** |
| Comprehensive income attributable to minority interests | - | - |
| **Total comprehensive income attributable to equity holders of CD PROJEKT S.A.** | **22 879** | **43 815** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Condensed interim consolidated statement of financial position

| | Note | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|---|
| **FIXED ASSETS** | | **279 405** | **255 535** | **188 377** |
| Tangible assets | 2 | 18 869 | 18 832 | 16 146 |
| Intangibles | 3 | 46 498 | 46 853 | 46 263 |
| Expenditures on development projects | 3 | 165 164 | 142 486 | 79 064 |
| Goodwill | 3,4 | 46 417 | 46 417 | 46 417 |
| Shares in subsidiaries excluded from consolidation | 12 | 452 | 452 | - |
| Deferred income tax assets | 8 | 1 504 | - | - |
| Other long-term receivables | 12 | 501 | 495 | 487 |
| **CURRENT ASSETS** | | **720 587** | **725 978** | **720 358** |
| Inventories | 5 | 272 | 323 | 490 |
| Trade receivables | 6,12 | 21 453 | 46 261 | 39 963 |
| Current income tax receivables | | 1 437 | - | 5 378 |
| Other receivables | 6 | 17 518 | 17 582 | 15 844 |
| Prepaid expenses | 7 | 17 868 | 14 296 | 12 251 |
| Cash and cash equivalents | 12 | 84 122 | 66 987 | 124 155 |
| Bank deposits (maturity beyond 3 months) | 12 | 577 917 | 580 529 | 522 277 |
| **TOTAL ASSETS** | | **999 992** | **981 513** | **908 735** |

The value and structure of **Fixed assets** did not undergo appreciable changes in Q1 2018 except for **Expenditures on development projects**, which increased as a result of ongoing development of future products – including the Group's largest projects, i.e. Cyberpunk 2077, GWENT: The Witcher Card Game (which remains in open beta as of the publication date of this statement) and GWENT: Thronebreaker.

The reduction in the Group's **Trade receivables** compared to the end of 2017 is associated with collection of receivables outstanding at the end of Q4 2017 – a period during which the Group reported strong sales, resulting in an increase in the value of trade receivables at the end of the year.

The group's **Other receivables** are mostly due to withholding tax deducted at source by foreign licensees of CD PROJEKT S.A. and reportable in the Company's annual fiscal statement, in addition to advance payments remitted to suppliers and VAT receivables.

With regard to **Prepaid expenses**, the most important contribution to the reported figure was from minimum guarantees, i.e. licensing royalties advanced by GOG sp. z o.o. to copyright holders in association with distribution of videogames on GOG.com.

At the end of March 2018 the Group held 84 122 thousand PLN in **Cash and cash equivalents** and an additional 577 917 thousand PLN in **Bank deposits (maturity beyond 3 months)**, for a total of 662 039 thousand PLN. This represents an increase by 14 523 thousand PLN compared to the end of 2017.

(all figures quoted in PLN thousands unless indicated otherwise)

| | Note | 31.03.2018 | 31.12.2017 | 31.03.2017* |
|---|---|---|---|---|
| **EQUITY** | | **908 628** | **882 899** | **823 236** |
| **Equity attributable to equity holders of parent entity** | | **908 628** | **882 899** | **823 236** |
| Share capital | 17 | 96 120 | 96 120 | 96 120 |
| Supplementary capital | | 551 776 | 549 335 | 403 001 |
| Other reserve capital | | 18 166 | 15 212 | 7 278 |
| Exchange rate differences | | 105 | 118 | 2 474 |
| Retained earnings | | 219 569 | 21 844 | 269 104 |
| Net profit (loss) for the reporting period | | 22 892 | 200 270 | 45 259 |
| **LONG-TERM LIABILITIES** | | **2 892** | **4 130** | **2 225** |
| Other financial liabilities | 12 | - | 148 | 233 |
| Deferred income tax liabilities | 8 | - | 1 878 | 1 038 |
| Deferred revenues | | 2 811 | 2 023 | 897 |
| Provisions for employee benefits and similar liabilities | 9 | 81 | 81 | 57 |
| **SHORT-TERM LIABILITIES** | | **88 472** | **94 484** | **83 274** |
| Credits and loans | | - | - | 2 |
| Other financial liabilities | 12 | 233 | 190 | 234 |
| Trade liabilities | 12 | 31 460 | 37 374 | 18 478 |
| Current income tax liabilities | | 388 | 3 457 | 484 |
| Other liabilities | 11 | 4 493 | 6 770 | 7 752 |
| Deferred revenues | | 3 791 | 3 052 | 3 598 |
| Provisions for employee benefits and similar liabilities | 9 | 1 | 1 | 147 |
| Other provisions | 10 | 48 106 | 43 640 | 52 579 |
| **TOTAL EQUITY AND LIABILITIES** | | **999 992** | **981 513** | **908 735** |

** adjusted data*

The reported increase in **Equity** over the first quarter of 2018 is mostly due to profit obtained in the reporting period (22 892 thousand PLN).

As of 31 March 2018 the Group's **Trade liabilities** comprised mainly liabilities of the GOG.com segment (including liabilities payable to CD PROJEKT S.A., associated with distribution of CD PROJEKT RED products on GOG.com and subject to consolidation eliminations), and – to a much lesser extent – trade liabilities of the CD PROJEKT RED segment.

**Other liabilities** were primarily related to current VAT liabilities at GOG sp. z o.o.

The bulk of **Other provisions** comprises provisions for future liabilities, including conditional compensation contingent upon the Group's financial result.

(all figures quoted in PLN thousands unless indicated otherwise)

# Condensed interim statement of changes in consolidated equity

| | Share capital | Supplementary capital | Other reserve capital | Exchange rate differences | Retained earnings | Net profit (loss) for the reporting period | Parent entity shareholders' equity | Minority interest equity | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **01.01.2018 – 31.03.2018** | | | | | | | | | |
| **Equity as of 01.01.2018** | **96 120** | **549 335** | **15 212** | **118** | **222 114** | **-** | **882 899** | **-** | **882 899** |
| rectification of fundamental errors | - | 2 441 | - | - | (2 545) | - | (104) | - | (104) |
| **Equity after adjustments** | **96 120** | **551 776** | **15 212** | **118** | **219 569** | **-** | **882 795** | **-** | **882 795** |
| Cost of incentive program | - | - | 2 954 | - | - | - | 2 954 | - | 2 954 |
| Total comprehensive income | - | - | - | (13) | - | 22 892 | 22 879 | - | 22 879 |
| **Equity as of 31.03.2018** | **96 120** | **551 776** | **18 166** | **105** | **219 569** | **22 892** | **908 628** | **-** | **908 628** |

GOG Sp. z o.o. rectified erroneous recognition of income tax and coverage of loss incurred in 2016 in its financial statement for 31 December 2017. As a result of this adjustment the following line items were adjusted:

- Reserve capital – adjusted by 2 441 thousand PLN,
- Retained earnings – adjusted by (2 545) thousand PLN.

The above changes resulted in a reduction in the reported equity by 104 thousand PLN.

(all figures quoted in PLN thousands unless indicated otherwise)

| | Share capital | Supplementary capital | Other reserve capital | Exchange rate differences | Retained earnings | Net profit (loss) for the reporting period | Parent entity shareholders' equity | Minority interest equity | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **01.01.2017 – 31.12.2017** | | | | | | | | | |
| **Equity as of 01.01.2017** | **96 120** | **403 001** | **4 795** | **3 918** | **269 104** | **-** | **776 938** | **-** | **776 938** |
| Cost of incentive program | - | - | 10 417 | - | - | - | 10 417 | - | 10 417 |
| Allocation of net profit/coverage of losses | - | 146 334 | - | - | (146 334) | - | - | - | - |
| Dividend payments | - | - | - | - | (100 926) | - | (100 926) | - | (100 926) |
| Total comprehensive income | - | - | - | (3 800) | - | 200 270 | 196 470 | - | 196 470 |
| **Equity as of 31.12.2017** | **96 120** | **549 335** | **15 212** | **118** | **21 844** | **200 270** | **882 899** | **-** | **882 899** |

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

(all figures quoted in PLN thousands unless indicated otherwise)

# Condensed interim consolidated cash flow statement

| | Note | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Net profit (loss)** | | **22 892** | **45 259** |
| **Total adjustments:** | 25 | **22 108** | **33 731** |
| Depreciation of fixed assets and intangibles | | 1 186 | 1 183 |
| Interest and profit sharing | | (1 636) | (3 401) |
| Profit (loss) from investment activities | | (29) | 249 |
| Change in provisions | | 4 466 | 7 401 |
| Change in inventories | | 51 | (89) |
| Change in receivables | | 24 866 | 36 016 |
| Change in liabilities excluding credits and loans | | (7 706) | (12 059) |
| Change in other assets and liabilities | | (2 045) | 3 160 |
| Other adjustments | | 2 955 | 1 271 |
| **Cash flows from operating activities** | | **45 000** | **78 990** |
| Income tax on pre-tax profit (loss) | | 6 265 | 11 576 |
| Income tax (paid)/reimbursed | | (14 257) | (26 269) |
| **Net cash flows from operating activities** | | **37 008** | **64 297** |
| **INVESTMENT ACTIVITIES** | | | |
| **Inflows** | | **183 414** | **343 237** |
| Disposal of intangibles and fixed assets | | - | 1 |
| Closing bank deposits (maturity beyond 3 months) | | 181 871 | 339 835 |
| Other inflows from investment activities | | 1 543 | 3 401 |
| **Outflows** | | **203 276** | **500 453** |
| Purchases of intangibles and fixed assets | | 2 768 | 2 157 |
| Expenditures on development projects | | 21 249 | 16 019 |
| Opening bank deposits (maturity beyond 3 months) | | 179 259 | 482 277 |
| **Net cash flows from investment activities** | | **(19 862)** | **(157 216)** |
| **FINANCIAL ACTIVITIES** | | | |
| **Inflows** | | **93** | **2** |
| Credits and loans | | - | 2 |
| Other inflows from financial activities | | 93 | - |
| **Outflows** | | **104** | **297** |
| Payment of liabilities under financial lease agreements | | 104 | 297 |
| **Net cash flows from financial activities** | | **(11)** | **(295)** |
| **Total net cash flows** | | **17 135** | **(93 214)** |
| **Change in cash and cash equivalents on balance sheet** | | **17 135** | **(93 214)** |
| **Cash and cash equivalents at beginning of period** | | **66 987** | **217 369** |
| **Cash and cash equivalents at end of period** | | **84 122** | **124 155** |

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

The reported **Cash flows from operating activities** in Q1 2017 were 37 008 thousand PLN, chiefly as a result of sales and financial result for the current period, along with a reduction in the Group's trade receivables corresponding to Q4 2017 sales.

The negative value of **Cash flows from investment activities** is mostly due to R&D expenditures – 21 249 thousand PLN in the first quarter of 2018, allocated primarily to development of Cyberpunk 2077, GWENT: The Witcher Card Game and GWENT: Thronebreaker. Additionally, the Group reported as investment outflows its cash assets allocated to bank deposits with maturity periods beyond 3 months (179 259 thousand PLN), while similar bank deposits held to maturity were reported as inflows (181 871 thousand PLN).

The balance of the Group's **Total net cash flows** over the first three months of 2018 was 17 135 thousand PLN. As of 31 March 2018 the Group held 84 122 in cash assets and 577 917 in bank deposits with maturity periods in excess of 3 months, for a total of 662 039 thousand PLN, which corresponds to an increase by 14 523 thousand PLN compared to the end of 2017.

# Clarifications regarding the condensed interim consolidated financial statement

# 2

# 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 |

The Group is established for an indefinite period. No changes in the composition of the Group occurred during the three-month period ending on 31 March 2018.

# Structure of the Capital Group

**Affiliates**

CD PROJEKT S.A.

GOG Sp. z o.o.

CD PROJEKT Inc.

CD PROJEKT Co., Ltd.

# Consolidation principles

## Entities subjected to consolidation

| | capital share | voting share | consolidation method |
|---|---|---|---|
| **CD PROJEKT S.A.** | parent entity | - | - |
| **GOG sp. z o.o.** | 100% | 100% | full |
| **CD PROJEKT Inc.** | 100% | 100% | full |
| **CD PROJEKT Co., Ltd.** | 100% | 100% | excluded from consolidation |

In accordance with the accounting policies in force within the Group, the parent entity may elect to exclude certain subsidiaries from consolidation as long as each of these subsidiaries:

- contributes not more than 2% to the parent entity's profit and loss balance,
- contributes not more than 1% to the parent entity's aggregate sales and financial revenues.

Note that the above values are not inclusive of any transactions between the subsidiary and the parent company which would have otherwise been subject to consolidation eliminations.

In addition to the above, all subsidiaries excluded from consolidation must jointly:

- contribute not more than 5% to the parent entity's profit and loss balance,
- contribute not more than 2% to the parent entity's aggregate sales and financial revenues.

The above values are also not inclusive of any transactions between each subsidiary and the parent company which would have otherwise been subject to consolidation eliminations.

## Subsidiaries

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

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

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

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

# Basis for the preparation of the condensed interim consolidated financial statement

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

The condensed interim consolidated financial statement does not contain all the information and disclosures which would otherwise be required in an annual financial statement. Accordingly, this statement should be read in conjunction with the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2017, approved for publication on 22 March 2018.

# Assumption of going concern

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

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

As of the day of preparation of this financial statement covering the period between 1 January and 31 March 2018 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

# Compliance with International Financial Reporting Standards

This condensed interim consolidated financial statement has been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as well as with International Financial Reporting Standards (IFRS) applicable to interim financial reporting, endorsed by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and approved by the EU under the relevant Regulation on the Application of International Accounting Standards (European Council 1606/2002), hereafter referred to as UE IFRS, valid for 31 March 2018.

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

Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2018, item. 395 as amended) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and conditions for regarding as equivalent the information required under the laws of a non-member state (Journal of Laws of the Republic of Poland, 2018, item 757).

The Group intends to apply amendments to IFRS which have been published but have not yet entered into force on the publication date of this condensed interim consolidated financial statement. Information regarding standards and interpretations applied for the first time, early application of new standards, standards which have entered into force on or after 1 January 2018 and the effect of changes in IFRS upon the Group's future financial statements is provided in Section 3 of the Group's Consolidated Financial Statement for 2017.

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

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

- 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 (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
- Amendments to references to the Conceptual Framework in IFRS Standards – applicable to reporting periods beginning on or after 1 January 2020
- ***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 Group is performing an assessment of the effect these new standards and amendments to standards upon the Group's consolidated financial statement.

# Functional currency and presentation currency

## Functional currency and presentation currency

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

## Transactions and balances

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

# Assumption of comparability of financial statements and changes in accounting policies

The accounting practices applied in preparing this condensed interim consolidated financial statement, the Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2017, except for changes in accounting policies and presentation-related adjustments described below. This condensed interim consolidated financial statement should be read in conjunction with the Group's consolidated financial statement for 2017.

# Changes in accounting policies

- **IFRS 9 Financial instruments**

This financial statement marks the first time the Group has applied *IFRS 9 Financial instruments*. The Group has opted to forgo adjusting data representing past reporting periods, except for adjustments associated with changes introduced by IFRS in relation to *IAS 1 Preparation of financial statements*, which mandate recognition of impairment losses (including reversal of impairment loses or gains) on financial instrument as a separate line item in the profit and loss account. As a consequence of this change, the comparative data in the profit and loss account for the three-month period between 1 January and 31 March 2017 has been adjusted accordingly. The reported adjustment concerns presentation of data only and has no impact on the Group's operating profit. Previously, all such costs had been aggregated with other operating expenses.

The Group had initially planned to aggregate the effects of initial application of IFRS 9 in its opening balance of retained earnings; however, given the fact that the loss allowances on financial assets calculated for 1 January 2018 in accordance with the new rules are not materially different from allowances already reported in the Group's financial statement for 31 December 2017, the Group has instead decided to forgo adjusting its opening balance of retained earnings in association with applying IFRS 9 for the first time.

IFRS 9 defines four categories of financial assets, differing with regard to the applied business model and the characteristics of the associated cash flows:

- assets classified at amortized cost – this category comprises financial assets held under a business model whose aim is to collect contractual cash flows, where the business contract concerning these assets stipulates cash flows related solely to repayment of the principal and interests; in other words, assets which pass the so-called SPPI test (solely payment of principal and interest),
- assets classified at fair value reported in other comprehensive income – this category comprises financial assets held under a business model whose aim is to both collect contractual cash flows and to potentially sell the relevant assets, where the business contract concerning these assets stipulates cash flows related solely to repayment of the principal and interests; in other words, assets which pass the so-called SPPI test (solely payment of principal and interest),
- assets classified at fair value through profit and loss – all other financial assets,
- financial hedges – derivative financial instruments designated as hedges.

Each financial asset is assigned to one of the above categories on initial recognition. This assignment may change only if the associated business model changes. Essential classes of business models are as follows: assets held to collect contractual cash flows; assets held to collect contractual cash flows and potentially sell the asset; assets held for reasons others than those listed previously (as a rule, this is construed as holding assets for trading). The Group has adopted a rule stating that the sale of a financial asset prior to its maturity does not, in itself, cause the underlying business model to shift from holding assets to collect contractual cash flows to holding assets to collect contractual cash flows and potentially sell the assets or to holding assets for other purposes.

As the Group does not engage in hedge accounting, the corresponding IFRS 9 provisions do not apply to the Group's activities.

IFRS 9 does not result in a change in the classification of the Group's financial liabilities, which will continue to be recognized at amortized cost.

The following table illustrates changes in the classification of financial instruments as of 1 January 2018 which is the date of initial application of IFRS 9 at the Group. Applying the new standard in place of IAS 39 has not resulted in a methodological change in the appraisal of financial assets and liabilities. The default appraisal method continues to be the amortized cost method; consequently, the balance of financial assets and liabilities on the initial application day of IFRS 9 remains unchanged in comparison with IAS 39.

| Financial asset | Classification according to: | | Balance sheet value under IAS 39 and IFRS 9 as of 1 January 2018 |
|---|---|---|---|
| | IAS 39 | IFRS 9 | |
| Other long-term receivables | Loans and receivables recognized at amortized cost | Financial assets recognized at amortized cost | 495 |
| Trade receivables | Loans and receivables recognized at amortized cost | Financial assets recognized at amortized cost | 46 261 |
| Cash and cash equivalents | Loans and receivables recognized at amortized cost | Financial assets recognized at amortized cost | 66 987 |
| Bank deposits (maturity beyond 3 months) | Loans and receivables recognized at amortized cost | Financial assets recognized at amortized cost | 580 529 |
| Shares in subsidiaries excluded from consolidation | Assets held for trading recognized at purchase price (adjusted for impairment losses – according to IFRS 10) | Assets held for trading recognized at purchase price (adjusted for impairment losses – according to IFRS 10) | 452 |

| Financial liability | Classification according to: | | Value under IAS 39 and IFRS 9 as of 1 January 2018 |
|---|---|---|---|
| | MSR 39 | MSSF 9 | |
| Liabilities associated with delivery of goods and services | Financial liabilities recognized at amortized cost | Financial liabilities recognized at amortized cost | 37 374 |
| Other financial liabilities | Financial liabilities recognized at amortized cost | Financial liabilities recognized at amortized cost | 338 |

Another major change introduced by IFRS 9 concerns recognition of credit risk in association with assets which constitute financial instrument. The existing present losses model has been replaced by a new expected losses model.

The basis for determining loss allowances in the ECL (expected credit loss) model is a procedure under which the Group monitors changes in credit risk associated with each financial asset since its initial recognition, and assigns each financial asset to one of the following three stages (this method is applicable to financial assets held at amortized cost which are not trade receivables):

- Stage 1 – performing (applicable to financial assets which show no significant deterioration in credit quality since initial recognition)
- Stage 2 – under-performing (applicable in cases of significant deterioration in credit quality when there are no objective reasons to suspect impairment)
- Stage 3 – impaired (applicable in cases where objective reasons to suspect impairment exist)

With regard to Stage 1 assets the Group calculates ECL over the upcoming 12 months and recognizes the appropriate allowance, whereas with regard to Stages 2 and 3 the Group recognizes a loss allowance corresponding to the ECL over the entire lifetime of the given financial asset.

For each balance sheet date the Group performs an assessment of its financial assets with respect to the presented ECL stages. In doing so, the Group acknowledges changes in the risk of default during the expected lifetime of the financial asset rather than the corresponding changes in expected credit losses. The procedure requires the Group to compare the risk of default for a given financial instrument on the balance sheet date with the corresponding risk on its initial recognition, taking into account all rational and documented information which may be acquired without undue cost or effort, and which suggests a significant increase in credit risk since initial recognition. Such information may include changes in the debtor's credit rating, awareness of the debtor's financial distress or of detrimental changes in the debtor's economic, legal, technological or market environment. When assessing ECLs the Group relies primarily on credit ratings and the corresponding likelihood of insolvency.

With regard to trade receivables the Group applies the simplified approach provided for by the standard and recognizes a loss allowance corresponding to the ECL over the entire lifetime of the given receivable. This approach is a consequence of the fact that the Group's receivables do not involve a significant financing element as defined by IFRS 15. When calculating the relevant loss allowances the Group applies the provision matrix method under which allowances are calculated separately for each overdue period bracket. This method acknowledges historical credit losses as well as identifiable future factors and (e.g. market or macroeconomic projections).

(all figures quoted in PLN thousands unless indicated otherwise)

The likelihood of credit default is estimated on the basis of historical data concerning overdue receivables. In order to calculate non-performance coefficients the Group has decided upon five overdue period brackets:

1. Not overdue,
2. Overdue by 1-60 days,
3. Overdue by 61-90 days,
4. Overdue by 91-180 days,
5. Overdue by 181-360 days,
6. Overdue by more than 360 days.

For each of the above brackets the Group estimates a non-performance coefficient which acknowledges historical data concerning failure to settle invoices on the part of the Group's business partners throughout three years prior to the reporting period covered by the given financial statement. The expected credit loss is then computed by multiplying the aggregate receivables in a given bracket by the non-performance coefficient corresponding to that bracket.

With regard to trade receivables the Group also allows for custom appraisal of the expected credit losses. In particular this applies to:

- receivables from debtors undergoing liquidation or insolvency proceedings,
- receivables contested by the debtor or cases where the debtor is in arrears,
- other past-due receivables as well as receivables which are not overdue, but whose default risk is, in the Board's opinion, significant (in particular case where the expected litigation and enforcement costs exceed the amount in controversy).

In the above cases the Group may recognize loss allowances corresponding to 100% of the given receivable.

The Group may refrain from recognizing loss allowances on receivables which are overdue by more than 360 days if, following individual analysis, the Group concludes that it is in possession of a credible and documented declaration of payment issued by the debtor.

Financial assets are written off in full once the Group has exhausted all practical enforcement options and concludes that there are no longer any rational grounds to expect collection of the receivable. This is usually the case when a receivable is overdue by more than 360 days.

As of 31 December 2017 and as of 31 March 2018 the Group has not identified any financial assets for which it would be permitted to apply recognition at fair value through financial result so as to reduce or eliminate accounting mismatch (i.e. inconsistency between recognition and evaluation) which would otherwise arise as a result of recognition of financial assets at amortized cost or at fair value through other comprehensive income.

The Group has also not availed itself of the option to recognize financial liabilities at fair value. In such cases, changes in fair value which correspond to changes in credit risk would be aggregated with other comprehensive income while – once the given financial liability is derecognized – the value previously aggregated with other comprehensive income would not be allocated to the financial result.

- **IFRS 15 and clarifications regarding IFRS 15 – Revenues from contracts with customers**

This financial statement marks the Group's initial application of *IFRS 15 Revenues from contracts with customers*. This standard institutes the so-called Five Step Model when recognizing revenues from contracts with customers. According to IFRS 15, 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 Group'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 from sales of a specific product will be recognized over time once the distributor obtains all materials required in order to commence distribution. Consequently, no changes in the Group's accounting practices are necessary compared to IAS 18 (previously applied at the Capital Group).

**Revenues from sales of virtual goods via microtransactions**

In the Group's view, IFRS 15 may 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 videogames 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. 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 currencies, the Group will recognize them at the moment the currency is consumed by the user.

In light of the above the Group 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 application of IFRS 15 does 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.

During the assessment of the impact of the new standard on the Group's financial statement it was determined that IFRS 15 does not materially alter the recognition of revenues by the Capital Group given the existing mechanics and usage statistics of GWENT. Nevertheless, it should be noted that GWENT remains in its development and testing phase and, consequently, the presented assessment may not hold during future reporting periods.

Should the Group 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.

**Principal compensation vs. agent compensation in the GOG.com segment**

In line with the new standard, when delivery of goods or services to the client involves a third party, it is necessary to determine whether the vendor's obligation is to ensure that certain goods or services are provisioned (in which case the vendor is the principal) or to subcontract delivery of goods or services to another party (in which case the vendor is an agent).

The vendor is the principal to the transaction if it exerts controls over the specified goods or services prior to their delivery to the client. A principal vendor may itself discharge the delivery promise and recognize gross revenues to which it is entitled in exchange for delivery of goods or services.

The vendor is an agent if its obligation is discharged by ensuring that the goods or services are delivered by another party. An agent vendor recognizes its revenues as any fees or royalties to which – in its own view – it will be entitled in exchange for facilitating delivery of goods or services by a third party.

The above considerations may have an effect only on those revenues which the Group obtains in its GOG.com segment in association with distribution of licenses obtained from third parties. In this activity segment the Group concludes contracts with end users in its own name and on its own account, on the basis of distribution licenses for the electronic content which is distributed to end users. The Group also directly maintains and distributes the electronic content in question (i.e. game files). This indicates that the nature of the Group's promise to the customer is to deliver specific goods or services and not to subcontract such delivery to a third party (i.e. the Group is the principal and not an agent).

Additional arguments which support the view that the Group acts as the principal and not an agent are as follows:

- corporate liability under the appropriate customer protection legislation;
- undertaking credit risk with regard to the payments owed by customers;
- pledge to provide technical support and liability for product defects;
- implementation of reward systems (such as store credit granted to customers) for which the Group is solely liable.

**Sale with a right of return**

According to IFRS 15 a sale with a right of return occurs when the vendor offers the customer a right of return of the purchased product. In line with the new standard, the right of return does not constitute a separate liability; however, potential returns may result in variable revenues since actual sales revenues will now depend on future events (i.e. returns).

The standard stipulates that the entity should avoid recognizing revenues for goods which, in its estimates, are going to be returned. In order to provide this estimate, the entity may apply either of two methods provided for by the standard:

- the expected value method,
- the most likely outcome method.

When estimating the value of returns the entity should acknowledge all available information, both historical and forward-looking. In light of the expected returns and the corresponding partial loss of revenues, the entity should recognize liabilities in correspondence with the appropriate reduction of revenues in its profit and loss account. In addition, the entity should recognize an asset which reflects the recovery of products or goods returned by clients. The value of this asset corresponds to the cost of creation or purchase of the relevant products of goods less any applicable recovery costs. Such assets are aggregated with inventories, in correspondence with the appropriate reduction in selling costs in the profit and loss account.

In its GOG.com segment the Group has instituted a returns policy under which any customer is entitled to return any games within 30 days of purchase in case of technical issues or errors which cannot be otherwise resolved and which prevent the customer from completing the game. The Group performs an assessment of the value of returns by applying the most likely outcome method, applying historical data to compute the expected average quantity of returns during a given period. If the value of actual returns is greater than or equal to the expected average value, the Group does not adjust its selling costs or the corresponding cost of goods and materials sold.

In addition, the Group recognizes the obligation to return games in cases of unlawful activity or irregularities in the payment process. In such cases, the volume of returns is estimated on the basis of reports submitted by entities which process electronic payments on behalf of the Group. Such entities log reports which initiate returns, and present the Group with summaries of contested payments whose final status is verified within 90 days.

The Group had initially planned to aggregate the effects of initial application of IFRS 15 in its opening balance of retained earnings; however, given the fact that the assets and liabilities associated with returns calculated for 1 January 2018 in accordance with the new rules are not materially different from allowances already reported in the Group's financial statement for 31 December 2017, the Group has instead decided to forgo adjusting its opening balance of retained earnings in association with applying IFRS 15 for the first time

**Advance payments from clients**

The Group obtains short-term advance payments from its clients. Prior to introduction of IFRS 15 such advance payments were reported as deferred revenues in the statement of financial position, and did not correspond to any cost item.

Following introduction of IFRS 15 the recognition of short-term advance payments follows the simplified procedure provided for by the new standard. With regard to such advance payments the Group will continue to forgo recognizing the corresponding cost items as long as it expects that – at the moment the relevant agreement is concluded – the period between the collection of payment for the product or service and the actual delivery of said product of service to the client will not exceed 1 year.

**Requirements related to presentation and disclosure of information**

IFRS 15 introduces new requirements related to presentation and disclosure of information. In meeting these requirements the Group has decided to provide additional disclosures related to (see Note 13):

- own and external products,
- main distribution channels: physical and digital distribution,
- clients' countries of residence.

- **Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

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. They have no impact on the accounting practices in force at the Group or on its financial data.

- **Amendments to IFRS 2 Share-based Payment**

  Amendments clarify the classification and measurement of share-based cash-settled payment transactions and the effects of changes to an equity-settled share-based payment. They have no significant impact on the accounting practices in force at the Group or on its financial data.

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

  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. These amendments have no significant impact on the accounting practices in force at the Group or on its financial data.

- **Amendments to IAS 40 Investment Property: Transfers of investment property**

  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. These amendments have no significant impact on the accounting practices in force at the Group or on its financial data.

- **IFRIC 22 Foreign currency transactions and advance considerations**

  The IFRIC 22 interpretation concerns the exchange rate to be applied to foreign currency transactions which involve receipt or payment of advance consideration prior to recognition of the related asset, expense or income. This interpretation cannot be applied if the relevant asset, expense or income was initially estimated at fair value. This interpretation has no significant impact on the accounting practices in force at the Group or on its financial data.

## Presentation changes

In this condensed interim consolidated financial statement for the period between 1 January and 31 March 2018 the Group introduced certain adjustments in the presentation of financial data. In order to maintain comparability of financial data, the corresponding adjustments were also introduced in the presentation of data covering the period between 1 January and 31 March 2017. Specifically, the following adjustments were made:

- In the consolidated statement of financial position for 31 March 2017 the presentation of settlements with Management Board members was adjusted as follows:

  - Other liabilities – adjusted by 92 thousand PLN,
  - Trade liabilities – adjusted by (92) thousand PLN,

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

- In the consolidated statement of cash flows for the period between 1 January and 31 March 2017 the Group rectified an error in the presentation of short-term bank deposits with maturity periods beyond 3 months. The following line items were adjusted:

  - Cash and cash equivalents at beginning of period – adjusted by (339 835) thousand PLN
  - Closing bank deposits (maturity beyond 3 months) – adjusted by 339 835 thousand PLN

- In the consolidated statement of cash flows for the period between 1 January and 31 March 2017 the presentation of videogame development expenses incurred prior to commencement of sales was adjusted as follows:

  - Depreciation of fixed assets and intangibles – adjusted by 222 thousand PLN,
  - Other adjustments – adjusted by (222) thousand PLN.

# Financial audit

This condensed interim consolidated financial statement with elements of the condensed interim separate financial statement was not submitted to a formal review or audit by a licensed auditor.

# Supplementary information – CD PROJEKT Capital Group activity segments

# 3

# Activity segments

## Presentation of results by activity segment

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

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

No changes in the differentiation of activity segments occurred during the reporting period as compared to 31 December 2017.

# Disclosure of activity segments

| | Continuing operations | | Consolidation eliminations (incl. from business combinations) | Total (continuing operations) |
|---|---|---|---|---|
| | CD PROJEKT RED | GOG.com | | |
| **01.01.2018 – 31.03.2018** | | | | |
| **Sales revenues** | **51 917** | **25 780** | **(2 262)** | **75 435** |
| sales to external clients | 49 655 | 25 780 | - | 75 435 |
| sales between segments | 2 262 | - | (2 262) | - |
| **Segment net profit/(loss)** | **23 751** | **(859)** | **-** | **22 892** |

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

(all figures quoted in PLN thousands unless indicated otherwise)

CD PROJEKT

# Segmented consolidated profit and loss account for the period between 01.01.2018 and 31.03.2018

| | CD PROJEKT RED | GOG.com | Consolidation eliminations (incl. from business combinations) | Total |
|---|---|---|---|---|
| **Sales revenues** | **51 917** | **25 780** | **(2 262)** | **75 435** |
| Revenues from sales of products | 49 755 | 2 045 | 417 | 52 217 |
| Revenues from sales of services | 1 108 | - | (1 103) | 5 |
| Revenues from sales of goods and materials | 1 054 | 23 735 | (1 576) | 23 213 |
| **Cost of products, goods and materials sold** | **1 292** | **16 365** | **(1 524)** | **16 133** |
| Cost of products and services sold | 392 | - | (364) | 28 |
| Value of goods and materials sold | 900 | 16 365 | (1 160) | 16 105 |
| **Gross profit (loss) from sales** | **50 625** | **9 415** | **(738)** | **59 302** |
| Other operating revenues | 540 | 90 | (311) | 319 |
| Selling costs | 14 928 | 8 507 | (660) | 22 775 |
| General and administrative costs | 7 482 | 1 400 | (78) | 8 804 |
| Other operating expenses | 509 | 126 | (311) | 324 |
| (Impairment losses)/Reversal of impairment losses of financial instruments | 168 | 13 | - | 181 |
| **Operating profit (loss)** | **28 414** | **(515)** | **-** | **27 899** |
| Financial revenues | 1 632 | 93 | (89) | 1 636 |
| Financial expenses | 11 | 456 | (89) | 378 |
| **Profit (loss) before taxation** | **30 035** | **(878)** | **-** | **29 157** |
| Income tax | 6 284 | (19) | - | 6 265 |
| **Net profit (loss)** | **23 751** | **(859)** | **-** | **22 892** |
| **Net profit (loss) attributable to equity holders of the parent entity** | **23 751** | **(859)** | **-** | **22 892** |

(all figures quoted in PLN thousands unless indicated otherwise)

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

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

(all figures quoted in PLN thousands unless indicated otherwise)

## Commentary on the Q1 2018 result of the GOG.com segment

In the first quarter of 2018 the Group reported lower sales revenues in its GOG.com segment than during the corresponding period in 2017. The reported Q1` 2018 sales revenues were 25 780 thousand PLN, compared to 32 871 thousand PLN in Q1 2017. Note, however, that when denominated in USD (the principal currency in which GOG conducts its sales), the aggregate sales revenues from the online platform and the GOG Galaxy client application amounted to 9 248 thousand USD, i.e. 1 226 thousand USD more than during the first quarter of 2017 (8 022 thousand USD).

The following detrimental factors are regarded as significant with regard to the difference in GOG.com sales results between Q1 2017 and Q1 2018:

**1. Revenues from GWENT-related sales – which represent the most important component of GOG.com aggregate revenues – following the transnational merger between GOG Ltd. and GOG Poland sp. z o.o. and the corresponding changes in attribution of revenues associated with the project**

Up until the merger date, GOG Ltd. had been excluded from the GWENT development consortium, which consisted solely of CD PROJEKT S.A. and GOG Poland sp. z o.o. As a result, any revenues obtained by GOG Ltd. from sales of GWENT items to final customers prior to the merger (along with the corresponding sales margins) were attributable entirely to GOG Ltd. and therefore reported in the GOG.com segment without being subject to division among consortium partners. GOG Ltd. subsequently recognized licensing royalties payable to its supplier, i.e. the consortium consisting of CD PROJEKT S.A. and GOG Poland sp. z o.o. These royalties were aggregated with the cost of products sold by GOG Ltd. and – on the supplier side – recognized as sales revenues proportionally by each member of the GWENT consortium. This included GOG Poland sp. z o.o. whose own results belong to the GOG.com segment, with the appropriate consolidation eliminations applied.

Following the merger the entirety of retail sales revenues associated with GWENT are recognized within the consortium and split between partners in accordance with the consortium agreement signed by CD PROJEKT S.A. and GOG sp. z o.o. Thus, the situation which existed before the merger changed as follows:

- GWENT sales revenues reportable in the GOG.com segment decreased,
- CD PROJEKT RED share of GWENT sales revenues increased,
- consolidation eliminations related to sales of goods and materials by the Group decreased – this is due to the merger between GOG Ltd. and GOG Poland sp. z o.o., which resulted in cessation of mutual transactions carried out between these parties.

The current reporting period. i.e. 1 January – 31 March 2018 – is the first full reporting period during which GOG Poland sp. z o.o. and GOG Ltd. constitute a single entity.

**2. Strengthening of PLN against currencies in which GOG.com carries out sales; primarily USD**

The PLN/USD exchange rate applied to Q1 2018 results was 3.3882, compared to 4.0224 in Q1 2017. This major strengthening of PLN against USD means that – when applying exchange rates as specified in this consolidated financial statement – for each dollar in realized sales the revenues of the GOG.com segment were 0.63 PLN lower than during the comparative period in 2017. Note also that exports account for over 90% of GOG.com sales.

The above circumstances negatively affected both the revenues and the sales margins in the GOG.com segment compared to Q1 2017.

**3. Operating costs**

The reported reduction in sales revenues was compounded by a slight increase (by 5%) of operating costs when compared to the first quarter of 2017. This increase is primarily due to increased involvement of GOG sp. z o.o. in the GWENT project and its correspondingly greater share of GWENT promotional and development costs (aggregated with selling costs and general and administrative expenses) during Q1 2018.

**4. Financial expenses – negative exchange rate differences**

In addition, as a consequence of the aforementioned strengthening of PLN against the currencies in which GOG.com carries out the majority of its sales and settlements with copyright holders, GOG sp. z o.o. reported 443 thousand PLN in surplus negative exchange rate differences during Q1 2018. The corresponding Q1 2017 figure, calculated jointly for GOG Poland sp. z o.o. and GOG Ltd., was 4 thousand PLN.

## Segmented consolidated statement of financial position as of 31.03.2018

| | CD PROJEKT RED | GOG.com | Consolidation eliminations (incl. from business combinations) | Total |
|---|---|---|---|---|
| **FIXED ASSETS** | **279 785** | **15 104** | **(15 484)** | **279 405** |
| Tangible assets | 16 206 | 2 663 | - | 18 869 |
| Intangible assets | 44 644 | 1 854 | - | 46 498 |
| Expenditures on development projects | 155 548 | 9 616 | - | 165 164 |
| Goodwill | 46 417 | - | - | 46 417 |
| Investments in subsidiaries | 15 484 | - | (15 484) | - |
| Shares in subsidiaries not subject to consolidation | 452 | - | - | 452 |
| Deferred income tax assets | 533 | 971 | - | 1 504 |
| Other long-term receivables | 501 | - | - | 501 |
| **CURRENT ASSETS** | **661 611** | **66 315** | **(7 339)** | **720 587** |
| Inventories | 272 | - | - | 272 |
| Trade receivables | 19 107 | 3 231 | (885) | 21 453 |
| Current income tax receivables | 1 224 | 213 | - | 1 437 |
| Other receivables | 22 482 | 1 490 | (6 454) | 17 518 |
| Prepaid expenses | 2 130 | 15 738 | - | 17 868 |
| Cash and cash equivalents | 38 479 | 45 643 | - | 84 122 |
| Bank deposits (maturity beyond 3 months) | 577 917 | - | - | 577 917 |
| **TOTAL ASSETS** | **941 396** | **81 419** | **(22 823)** | **999 992** |

(all figures quoted in PLN thousands unless indicated otherwise)

| | CD PROJEKT RED | GOG.com | Consolidation eliminations (incl. from business combinations) | Total |
|---|---|---|---|---|
| **EQUITY** | **885 239** | **38 873** | **(15 484)** | **908 628** |
| **Equity attributable to shareholders of the parent company** | **885 239** | **38 873** | **(15 484)** | **908 628** |
| Share capital | 96 120 | 136 | (136) | 96 120 |
| Supplementary capital | 550 780 | 5 668 | (4 672) | 551 776 |
| Other reserve capital | 18 166 | 1 796 | (1 796) | 18 166 |
| Exchange rate differences on valuation of foreign entities | (50) | (315) | 470 | 105 |
| Retained earnings | 196 472 | 32 447 | (9 350) | 219 569 |
| Net profit (loss) for the reporting period | 23 751 | (859) | - | 22 892 |
| **LONG-TERM LIABILITIES** | **2 850** | **42** | **-** | **2 892** |
| Deferred revenues | 2 772 | 39 | - | 2 811 |
| Provisions for employee benefits and similar liabilities | 78 | 3 | - | 81 |
| **SHORT-TERM LIABILITIES** | **53 307** | **42 504** | **(7 339)** | **88 472** |
| Other financial liabilities | 233 | - | - | 233 |
| Trade liabilities | 5 842 | 26 503 | (885) | 31 460 |
| Liabilities from current income tax | 154 | 234 | - | 388 |
| Other liabilities | 1 105 | 9 842 | (6 454) | 4 493 |
| Deferred revenues | 587 | 3 204 | - | 3 791 |
| Provisions for retirement benefits and similar liabilities | 1 | - | - | 1 |
| Other provisions | 45 385 | 2 721 | - | 48 106 |
| **TOTAL EQUITY AND LIABILITIES** | **941 396** | **81 419** | **(22 823)** | **999 992** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Segmented consolidated statement of financial position as of 31.12.2017

| | CD PROJEKT RED | GOG.com | Consolidation eliminations (incl. from business combinations) | Total |
|---|---|---|---|---|
| **FIXED ASSETS** | **258 617** | **13 150** | **(16 232)** | **255 535** |
| Tangible assets | 16 022 | 2 810 | - | 18 832 |
| Intangible assets | 44 741 | 2 112 | - | 46 853 |
| Expenditures on development projects | 135 210 | 7 276 | - | 142 486 |
| Goodwill | 46 417 | - | - | 46 417 |
| Investments in subsidiaries | 15 280 | - | (15 280) | - |
| Shares in subsidiaries not subject to consolidation | 452 | - | - | 452 |
| Deferred income tax assets | - | 952 | (952) | - |
| Other long-term receivables | 495 | - | - | 495 |
| **CURRENT ASSETS** | **660 328** | **72 668** | **(7 018)** | **725 978** |
| Inventories | 323 | - | - | 323 |
| Trade receivables | 37 253 | 10 208 | (1 200) | 46 261 |
| Other receivables | 22 278 | 1 122 | (5 818) | 17 582 |
| Prepaid expenses | 934 | 13 362 | - | 14 296 |
| Cash and cash equivalents | 19 011 | 47 976 | - | 66 987 |
| Bank deposits (maturity beyond 3 months) | 580 529 | - | - | 580 529 |
| **TOTAL ASSETS** | **918 945** | **85 818** | **(23 250)** | **981 513** |

(all figures quoted in PLN thousands unless indicated otherwise)

| | CD PROJEKT RED | GOG.com | Consolidation eliminations (incl. from business combinations) | Total |
|---|---|---|---|---|
| **EQUITY** | **858 547** | **39 632** | **(15 280)** | **882 899** |
| **Equity attributable to shareholders of the parent company** | **858 547** | **39 632** | **(15 280)** | **882 899** |
| Share capital | 96 120 | 136 | (136) | 96 120 |
| Supplementary capital | 550 780 | 3 227 | (4 672) | 549 335 |
| Other reserve capital | 15 212 | 1 592 | (1 592) | 15 212 |
| Exchange rate differences on valuation of foreign entities | (37) | (315) | 470 | 118 |
| Retained earnings | 12 200 | 18 994 | (9 350) | 21 844 |
| Net profit (loss) for the reporting period | 184 272 | 15 998 | - | 200 270 |
| **LONG-TERM LIABILITIES** | **5 039** | **43** | **(952)** | **4 130** |
| Other financial liabilities | 148 | - | - | 148 |
| Deferred income tax liabilities | 2 830 | - | (952) | 1 878 |
| Deferred revenues | 1 983 | 40 | - | 2 023 |
| Provisions for employee benefits and similar liabilities | 78 | 3 | - | 81 |
| **SHORT-TERM LIABILITIES** | **55 359** | **46 143** | **(7 018)** | **94 484** |
| Other financial liabilities | 190 | - | - | 190 |
| Trade liabilities | 9 256 | 29 469 | (1 351) | 37 374 |
| Liabilities from current income tax | 2 227 | 1 230 | - | 3 457 |
| Other liabilities | 2 058 | 10 379 | (5 667) | 6 770 |
| Deferred revenues | 587 | 2 465 | - | 3 052 |
| Provisions for retirement benefits and similar liabilities | 1 | - | - | 1 |
| Other provisions | 41 040 | 2 600 | - | 43 640 |
| **TOTAL EQUITY AND LIABILITIES** | **918 945** | **85 818** | **(23 250)** | **981 513** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Segmented consolidated statement of financial position as of 31.03.2017*

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

(all figures quoted in PLN thousands unless indicated otherwise)

| | CD PROJEKT RED | GOG.com | Consolidation eliminations (incl. from business combinations) | Total |
|---|---|---|---|---|
| **EQUITY** | **810 493** | **26 695** | **(13 952)** | **823 236** |
| **Equity attributable to shareholders of the parent company** | **810 493** | **26 695** | **(13 952)** | **823 236** |
| Share capital | 96 120 | 136 | (136) | 96 120 |
| Supplementary capital | 402 004 | 5 669 | (4 672) | 403 001 |
| Other reserve capital | 7 278 | 263 | (263) | 7 278 |
| Exchange rate differences on valuation of foreign entities | 13 | 1 991 | 470 | 2 474 |
| Retained earnings | 261 378 | 17 077 | (9 351) | 269 104 |
| Net profit (loss) for the reporting period | 43 700 | 1 559 | - | 45 259 |
| **LONG-TERM LIABILITIES** | **2 292** | **8** | **(75)** | **2 225** |
| Other financial liabilities | 233 | - | - | 233 |
| Deferred income tax liabilities | 1 113 | - | (75) | 1 038 |
| Deferred revenues | 891 | 6 | - | 897 |
| Provisions for employee benefits and similar liabilities | 55 | 2 | - | 57 |
| **SHORT-TERM LIABILITIES** | **61 035** | **29 074** | **(6 835)** | **83 274** |
| Credits and loans | - | 2 | - | 2 |
| Other financial liabilities | 234 | - | - | 234 |
| Trade liabilities | 3 888 | 18 693 | (4 103) | 18 478 |
| Liabilities from current income tax | 83 | 401 | - | 484 |
| Other liabilities | 4 718 | 5 766 | (2 732) | 7 752 |
| Deferred revenues | 748 | 2 850 | - | 3 598 |
| Provisions for retirement benefits and similar liabilities | 71 | 76 | - | 147 |
| Other provisions | 51 293 | 1 286 | - | 52 579 |
| **TOTAL EQUITY AND LIABILITIES** | **873 820** | **55 777** | **(20 862)** | **908 735** |

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

# Activity segments

In the first quarter of 2018 the Capital Group conducted activities in two key segments:

- CD PROJEKT RED,
- GOG.com.

## CD PROJEKT RED

Videogame development is the main area of activity of the CD PROJEKT RED studio, a distinct operating segment of CD PROJEKT S.A. The activity covers creation and publication of videogames, licensing the associated distribution rights, coordinating marketing activities. as well as manufacturing tie-in products which exploit the commercial appeal of brands owned by the Company. In addition, the Company acts a publisher, shaping promotional campaigns which cover its own products, directly communicating with the gaming community via electronic communication channels and social media, and regularly participating in trade fairs.

The segment's videogame portfolio includes The Witcher, The Witcher 2: Assassins of Kings and The Witcher 3: Wild Hunt, along with two expansion packs – Hearts of Stone and Blood and Wine, sold separately and as part of the Game of the Year Edition bundle.

CD PROJEKT S.A. has formed a consortium with GOG sp. z o.o. to jointly develop GWENT: The Witcher Card Game, a F2P online multiplayer game with optional microtransactions. This game is currently undergoing public beta tests on the PC, PlayStation 4 and Xbox One, with a closed beta of the Chinese edition currently underway in the People's Republic of China.

CD PROJEKT RED also continues its work on the most ambitious project in the Studio's history – the upcoming Cyberpunk 2077 RPG.

## GOG.com

Global digital distribution of videogames is the core activity of the GOG.com segment, carried out by GOG sp. z o.o. This activity involves selling and delivering videogames directly to the end users' devices via the Company's proprietary GOG.com platform and the GOG Galaxy application. The platform currently offers over 2 400 videogames licensed from over 550 developers, copyright holders and publishers worldwide.

All games are distributed free of cumbersome DRM restrictions. GOG sp. z o.o. also guarantees full compatibility of its videogames with popular versions of operating systems (MS Windows, Mac OS and Linux), depending on the specific support features of each game.

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

GOG.com has formed a consortium with CD PROJEKT RED to jointly develop and operate GWENT: The Witcher Card Game. In the framework of this consortium, GOG.com is responsible for the game's server infrastructure and networking features as well as for player support (jointly with CD PROJEKT RED).

# Disclosure of the issuer's significant accomplishments and shortcomings in each activity segment in the first quarter of 2018

## CD PROJEKT RED

### GWENT: product development

In February 2018 CD PROJEKT RED unveiled and subsequently launched a new GWENT gameplay mode – the Arena – which comes with a range of gameplay improvements and additional cards.

In April the Company announced its plans concerning further development of GWENT in 2018. Under the GWENT: Homecoming project the card game will be subjected to changes which aim to bring it closer to its roots and to fine-tune its core aspects. The project will culminate with the end of the public beta phase and the official release of Thronebreaker – a single-player campaign offering multiple hours of gameplay.

GWENT: marketing activities

The marketing activities of CD PROJEKT RED in the first quarter of 2018 focused on unveiling the Arena mode and on e-sports tournaments organized by CD PROJEKT RED in the framework of the GWENT Masters series.

Three tournaments were held by the publication date of this statements – two GWENT Open events (in January and March) and one GWENT Challenger event (in April). On 28-29 April 2018, in the Wieliczka Salt Mine, nearly 100 meters below ground, the Company held its third GWENT Challenger tournament, with a prize pool of 100 000 USD. The grand prize went to Damian "TailBot" Kaźmierczak. The event proved popular with GWENT fans around the world.

Events related to The Witcher games

On 6 March 2018 the Studio added support for running The Witcher 2: Assassins of Kings on Xbox One X in the backward compatibility mode, in near-4K resolution, with a ninefold increase in the number of pixels, remastered textures and improved antialiasing effects. Previously, the game had only been available on Xbox 360.

On 15 March 2018 Bandai Namco Entertainment and CD PROJEKT RED jointly announced that Geralt of Rivia would be making a guest appearance in Soulcalibur VI as one of the game's playable characters, and that the Witcher's visage would be featured on the game's box.

In March 2018 Game Informer – the most widely circulated gaming magazine in the world – released its 300th issue. To mark the occasion, its editors organized a survey where readers could vote on the world's best videogames of all time. The ranking, published on 19 March 2018, was topped by The Witcher 3: Wild Hunt.

### GOG.com

Publishing activities

In Q1 2018 the catalogue of PC classics offered on GOG.com was expanded with (among others) Carmageddon TDR 2000, the Close Combat series (adapted for state-of-the-art platforms by GOG.com), MAFIA II and The Curse of Monkey Island – a widely anticipated and not otherwise available successor to LicasArts' hit point-and-click adventure game series. Brand-new releases published during this period included Kingdom Come: Deliverance, Surviving Mars and Into the Breach. The latter game was covered by a special offer whereby purchasers also received a free copy of FTL – its developer's previous release.

Sales support

In the first three months of 2018, in addition to weekly sales, GOG.com also organized several targeted promotional campaigns. In January, as part of the New Year's Resolutions sale the platform offered discounts on games associated with specific resolutions. 2018 also marks the first time GOG.com celebrates the Chinese New Year.

In Q1 2018 GOG.com initiated cooperation with several notable live streamers, including one of the most prominent personalities worldwide – CohhCarnage, who now features GOG.com and his collection of favorite games during his streams. This enables GOG.com to reach the nearly 1 million viewers who follow CohhCarnage's webcasts on Twitch.tv. Similar cooperation was also initiated with streamers representing other territories: Germany (Bonjwa), France (MisterMV) and Poland (ROJO).

### Other achievements

On 16 March 2018 CD PROJEKT S.A. entered the WIG20 index which aggregates twenty of the largest and most liquid companies on the Warsaw Stock Exchange. CD PROJEKT S.A. stock contributes 3.83% to the value of the index.

On 26 March 2018 CD PROJEKT again (for the third time in a row) won top honors in the XIX edition of the prestigious Stock Exchange Company of the Year ranking published by Puls Biznesu. The Company took first place in the Management Competence category and second place in the Product and Service Innovation and Success in 2017 categories. The ranking is based on a survey conducted among approximately 100 capital market specialists – analysts, stock brokers and investment advisors.

## Disclosure of factors which may affect future Group results

Similarly to other entities which conduct activities on the domestic and international market, CD PROJEKT member companies are affected by a wide range of external factors, including changes in micro- and macroeconomic conditions, new legal regulations and fiscal reforms.

With regard to the upcoming quarterly periods, the CD PROJEKT Capital Group intends to continue carrying out activities in its two core segments – CD PROJEKT RED and GOG.com. Specific vectors of development are laid out in the Strategy of the CD PROJEKT Capital Group for 2016-2021, announced in March 2016 and available on the Company website at https://www.cdprojekt.com/en/capital-group/strategy/.

Concerning external factors, in the opinion of the Board of CD PROJEKT S.A. the financial results of the **CD PROJEKT RED** segment and therefore of the entire Capital Group will be strongly affected by future sales of The Witcher 3: Wild Hunt along with its two expansion packs – Hearts of Stone and Blood and Wine. These products will be promoted throughout 2018 using both traditional and digital distribution channels, in particular during seasonal sales.

Future results of the Capital Group will also depend on popular reception of the GWENT "Homecoming" project, during which the game is being modified and updated in preparation for its official release in the second half of the year. Favorable opinions on the part of gamers may result in improved player acquisition and retention, and therefore better economic prospects associated with this product. The release of Thronebreaker – a complex single-player campaign which combines RPG and card gameplay features – is scheduled to occur in the same period, presenting – in the Company's opinion – an opportunity to attract fans of The Witcher series to GWENT, and also to entice card game aficionados to try their hand at The Witcher 3: Wild Hunt.

In 2018 the Company intends to continue organizing GWENT Masters e-sports tournaments. Success of the GWENT Open and GWENT Challenger events scheduled for 2018, as well as of the GWENT Masters World Championship, measured as the number of concurrent viewers and aggregate viewing time, may result in enhanced product visibility and increased interest in GWENT on the part of gamers. On the other hand, organizing and promoting regular e-sports events will result in further expenses in the upcoming quarters of 2018.

In the **GOG.com** segment further growth will depend on expanding the platform's catalogue with additional products, and reaching an ever greater customer base.

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

Further growth of activities in the GOG.com segment, including the potential to acquire unique know-how and experience, and to fully exploit the Company's technological expertise, will be influenced by the Company's involvement in the GWENT project, where GOG.com is responsible for networking and user support. GWENT's market success should translate into better market recognition of GOG.com, allowing the Company to reach new potential customers around the world.

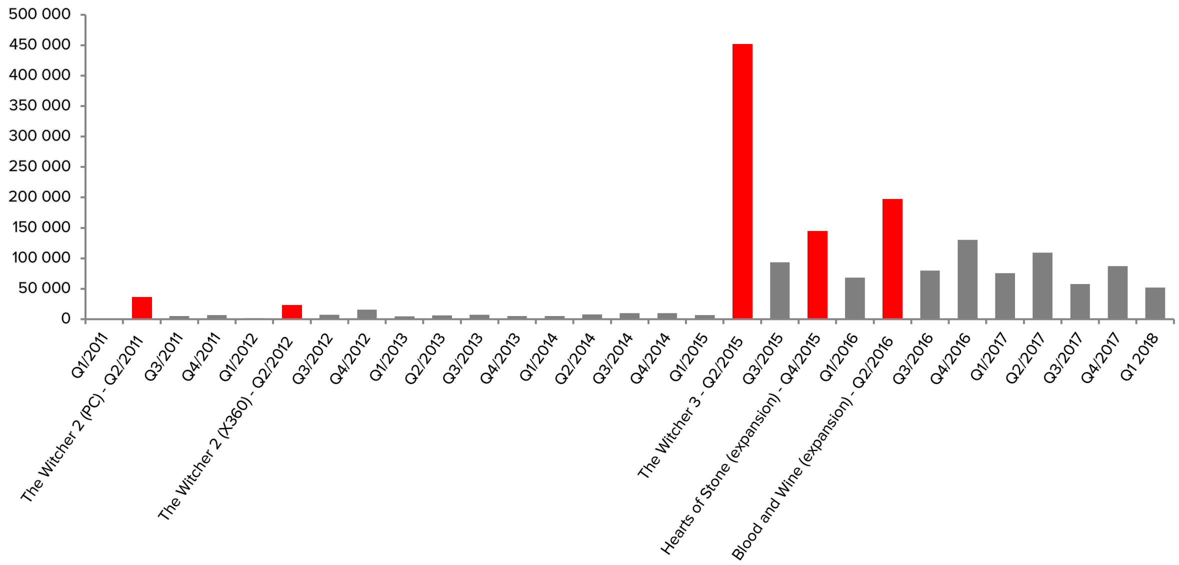
## Disclosure of seasonal or cyclical activities

### CD PROJEKT RED

CD PROJEKT RED usually takes between 2 and 4 years to produce a game. Initial development work occurs before the previous game in the series is complete and ready to be released. The Witcher 2 debuted on the PC in May 2011 while the Xbox 360 edition was released on 17 April 2012. The release of The Witcher 3: Wild Hunt took place on 19 May 2015. Sales of the base game were bolstered by two expansion packs: Hearts of Stone and Blood and Wine (both released within twelve months of the original launch) as well as by The Witcher 3: Wild Hunt – Game of the Year Edition, released in August 2016.

GWENT – The Witcher Card Game (currently in development) is conceived as a "game as a service" where the scope of development, resources committed to the project and future sales revenues depend on the popularity of the service. GWENT will ultimately be available both as a multiplayer platform and a single-player campaign-based game. CD PROJEKT RED is also continuing with its work on Cyberpunk 2077 – the largest development project in the Company's history.

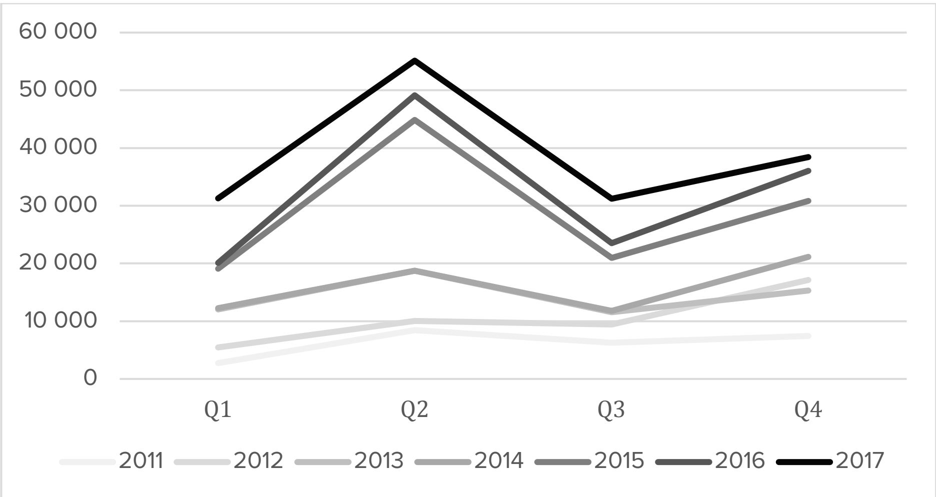
**Figure 1** Effect of releases on CD PROJEKT RED quarterly sales revenues (PLN thousands).




## GOG.com

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

**Figure 2** GOG.com quarterly revenues from sales to external clients; 2011-2017 (PLN thousands)




The high revenues obtained in Q2 2015 were strongly affected by the release of The Witcher 3: Wild Hunt. In turn, the most important release of Q2 2016 was that of Blood and Wine – an expansion pack for The Witcher 3. The spike observed in the second quarter of 2017 was conditioned by revenues from microtransactions in GWENT: The Witcher Card Game for the PC, which was released as an open beta on 24 May 2017 on GOG.com.

# Disclosure of key clients

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

Within the CD PROJEKT RED segment the activities of CD PROJEKT S.A. carried out in collaboration with one external client generated revenues (calculated incrementally until the end of Q1 2018) which exceeded 10% of the consolidated sales revenues of the CD PROJEKT Capital Group – specifically, 17 914 thousand PLN, which represents 23.7% of the Group's consolidated sales revenues.

The abovementioned client is not affiliated with CD PROJEKT S.A. or any of its subsidiaries. In other activity segments no single client accounted for more than 10% of the consolidated sales revenues of the Capital Group.

# Supplementary information – additional notes and clarifications regarding the condensed interim consolidated financial statement

# 4

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

The Group's assets, liabilities, equity and cash flows during the first quarter of 2018 were primarily affected by ongoing sales of The Witcher 3: Wild Hunt, together with its expansion packs (Hearts of Stone and Blood and Wine), as well as development of future CD PROJEKT RED releases (Cyberpunk 2077, GWENT: The Witcher Card Game and GWENT: Thronebreaker).

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

On 28 November 2017 the parent Company took part in a call for bids to acquire the commercial property located at Jagiellońska 76 in Warsaw, directly adjacent to the Company's current registered office. In the course of this process the bid submitted by the Company was deemed best and a preliminary purchase agreement was duly signed on 11 January 2018. In line with this agreement, the Company remitted an advance payment in the amount of 1 666 666.65 PLN. As of the submission date of this report, outstanding payments associated with the aforementioned purchase agreement amount to 9 444 444.35 PLN. The corresponding final agreement should be signed and ownership of the property transferred to the Company by 11 January 2019, pending approval of the sale of the property by the State Solicitors' Office.

## Note 2. Tangible fixed assets

### Changes in fixed assets (by category) between 01.01.2018 and 31.03.2018

| | Buildings and structures | Civil engineering objects | Machinery and equipment | Vehicles | Other fixed assets | Fixed assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount as of 01.01.2018** | **13 192** | **-** | **20 528** | **2 036** | **1 195** | **637** | **37 588** |
| **Increases from:** | **1 122** | **140** | **1 049** | **-** | **81** | **398** | **2 790** |
| purchases | 224 | - | 1 046 | - | 81 | 398 | 1 749 |
| reclassification from fixed assets under construction | - | - | 3 | - | - | - | 3 |
| reclassification | 869 | 140 | - | - | - | - | 1 009 |
| acquisition free of charge | 29 | - | - | - | - | - | 29 |
| **Reductions from:** | **10** | **-** | **6** | **-** | **-** | **1 009** | **1 025** |
| sales | - | - | 4 | - | - | - | 4 |
| reclassification | - | - | - | - | - | 1 009 | 1 009 |
| others | 10 | - | 2 | - | - | - | 12 |
| **Gross carrying amount as of 31.03.2018** | **14 304** | **140** | **21 571** | **2 036** | **1 276** | **26** | **39 353** |
| **Depreciation as of 01.01.2018** | **3 517** | **-** | **13 482** | **1 035** | **722** | **-** | **18 756** |
| **Increases from:** | **364** | **4** | **1 184** | **97** | **87** | **3** | **1 739** |
| depreciation | 364 | 4 | 1 184 | 97 | 87 | - | 1 736 |
| reassignment from fixed assets under construction | - | - | - | - | - | 3 | 3 |
| **Reductions from:** | **6** | **-** | **5** | **-** | **-** | **-** | **11** |
| sales | - | - | 4 | - | - | - | 4 |
| others | 6 | - | 1 | - | - | - | 7 |
| **Depreciation as of 31.03.2018** | **3 875** | **4** | **14 661** | **1 132** | **809** | **3** | **20 484** |
| Impairment write-downs as of 01.01.2018 | - | - | - | - | - | - | - |
| Impairment write-downs as of 31.03.2018 | - | - | - | - | - | - | - |
| **Net carrying amount as of 31.03.2018** | **10 429** | **136** | **6 910** | **904** | **467** | **23** | **18 869** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Contractual commitments for future acquisition of fixed assets

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| Leasing of passenger cars | 490 | 736 | 882 |
| Acquisition of office space | 9 444 | - | - |
| **Total** | **9 934** | **736** | **882** |

# Note 3. Intangibles and expenditures on development projects

## Changes in intangibles and expenditures on development projects 01.01.2018 and 31.03.2018

| | Development projects in progress | Development projects completed | Trademarks | Patents and licenses | Copyrights | Computer software | Goodwill | Intangibles under construction | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount as of 01.01.2018** | **142 486** | **162 155** | **32 199** | **1 646** | **6 530** | **24 965** | **46 417** | **54** | **1** | **416 453** |
| **Increases from:** | **22 678** | **-** | **-** | **56** | **-** | **289** | **-** | **184** | **-** | **23 207** |
| purchases | - | - | - | 56 | - | 289 | - | 184 | - | 529 |
| own creation | 22 678 | - | - | - | - | - | - | - | - | 22 678 |
| **Reductions from:** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| others | - | - | - | - | - | - | - | - | - | - |
| **Gross carrying amount as of 31.03.2018** | **165 164** | **162 155** | **32 199** | **1 702** | **6 530** | **25 254** | **46 417** | **238** | **1** | **439 660** |
| **Depreciation as of 01.01.2018** | **-** | **162 155** | **-** | **764** | **-** | **17 777** | **-** | **-** | **1** | **180 697** |
| **Increases from:** | **-** | **-** | **-** | **61** | **-** | **823** | **-** | **-** | **-** | **884** |
| depreciation | - | - | - | 61 | - | 823 | - | - | - | 884 |
| **Reductions from:** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| others | - | - | - | - | - | - | - | - | - | - |
| **Depreciation as of 31.03.2018** | **-** | **162 155** | **-** | **825** | **-** | **18 600** | **-** | **-** | **1** | **181 581** |
| Impairment write-downs as of 01.01.2018 | - | - | - | - | - | - | - | - | - | - |
| Impairment write-downs as of 31.03.2018 | - | - | - | - | - | - | - | - | - | - |
| **Net carrying amount as of 31.03.2018** | **165 164** | **-** | **32 199** | **877** | **6 530** | **6 654** | **46 417** | **238** | **-** | **258 079** |

## Contractual commitments for future acquisition of intangibles

Not applicable.

# Note 4. Goodwill

No changes in goodwill occurred between 1 January and 31 March 2018.

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 5. Inventories

## Changes in inventories

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| Goods | 253 | 300 | 462 |
| Other materials | 19 | 23 | 28 |
| **Gross inventories** | **272** | **323** | **490** |
| Inventory impairment write-downs | - | - | - |
| **Net inventories** | **272** | **323** | **490** |

## Changes in inventory impairment write-downs

None reported.

# Note 6. Trade and other receivables

## Changes in receivables

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Trade and other receivables** | **38 971** | **63 843** | **55 807** |
| from affiliates | 93 | 45 | 10 |
| from external entities | 38 878 | 63 798 | 55 797 |
| **Impairment write-downs** | **2 899** | **3 081** | **4 123** |
| **Gross receivables** | **41 870** | **66 924** | **59 930** |

## Changes in impairment allowances on receivables

| | Trade receivables | Other receivables |
|---|---|---|
| **OTHER ENTITIES** | | |
| **Impairment allowances as of 01.01.2018** | **2 349** | **732** |
| **Increases from:** | **-** | **-** |
| creation of allowances for past-due and contested receivables | - | - |
| **Reductions from** | **182** | **-** |
| elimination of allowances due to collection of receivables | 181 | - |
| dissolution of allowances (writeoffs) | 1 | - |
| **Impairment write-downs as of 31.03.2018** | **2 167** | **732** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Impairment allowances on current and overdue trade receivables as of 31.03.2018

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **AFFILIATES** | | | | | | | |
| gross receivables | 55 | 1 | 29 | - | 25 | - | - |
| non-fulfillment ratio | | 0% | 0% | 0% | 0% | 0% | 0% |
| impairment write-downs as determined by non-fulfillment ratio | - | - | - | - | - | - | - |
| impairment write-downs as individually assessed | - | - | - | - | - | - | - |
| total expected credit loss | - | - | - | - | - | - | - |
| **Net receivables** | **55** | **1** | **29** | **-** | **25** | **-** | **-** |

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **EXTERNAL ENTITIES** | | | | | | | |
| gross receivables | 23 565 | 20 833 | 395 | - | 6 | - | 2 331 |
| non-fulfillment ratio | | 0% | 0% | 0.18% | 1.96% | 11.50% | 5.74% |
| impairment write-downs as determined by non-fulfillment ratio | - | - | - | - | - | - | - |
| impairment write-downs as individually assessed | 2 167 | - | - | - | 3 | - | 2 164 |
| total expected credit loss | 2 167 | - | - | - | 3 | - | 2 164 |
| **Net receivables** | **21 398** | **20 833** | **395** | **-** | **3** | **-** | **167** |
| **Total** | | | | | | | |
| gross receivables | 23 620 | 20 834 | 424 | - | 31 | - | 2 331 |
| Impairment write-downs | 2 167 | - | - | - | 3 | - | 2 164 |
| **Net receivables** | **21 453** | **20 834** | **424** | **-** | **28** | **-** | **167** |

## Other receivables as of 31.03.2018

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Other receivables, including:** | **17 518** | **17 582** | **15 844** |
| tax returns except corporate income tax | 13 468 | 14 205 | 13 258 |
| advance payments for supplies | 1 656 | 2 195 | 1 165 |
| deposits | 141 | 125 | 82 |
| prepaid licensing royalties | 451 | 51 | 553 |
| advance payments for fixed assets | 1 667 | 940 | - |
| employee settlements | 113 | 52 | 45 |
| others | 22 | 14 | 741 |
| **Impairment write-downs** | **732** | **732** | **732** |
| **Other gross receivables** | **18 250** | **18 314** | **16 576** |

Other receivables comprise mostly tax receivables, in particular receivables associated with withholding tax deducted at source by purchasers of licenses from the Group and reported in its annual fiscal statement, as well as VAT receivables and advance payments remitted to suppliers. In addition, this category includes damages which the Group has claimed in a lawsuit against an external contractor for improper rendition of services. Due to the protracted litigation, a full-value impairment allowance has been recognized in association with this amount.

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 7. Prepaid expenses

| | 31.03.2018 | 31.12.2017* | 31.03.2017 |
|---|---|---|---|
| Non-life insurance | 82 | 122 | 51 |
| Minimum guarantees; payments advanced to GOG | 15 161 | 12 714 | 10 527 |
| Access to online legal support portal | 9 | 12 | 50 |
| Software, licenses | 954 | 736 | 965 |
| Business travel (airfare, hotels, insurance) | 72 | 60 | 92 |
| IT security | 340 | 415 | - |
| Production of marketing materials | 363 | - | 1 |
| Fair-related expenditures | 508 | - | 2 |
| Other prepaid expenses | 379 | 237 | 563 |
| **Total prepaid expenses** | **17 868** | **14 296** | **12 251** |

** adjusted data*

# Note 8. Deferred income tax

## Negative temporary differences requiring recognition of deferred tax assets

| | 31.12.2017 | increases | reductions | 31.03.2018 |
|---|---|---|---|---|
| Provisions for other employee benefits | 101 | 18 | 3 | 116 |
| Provisions for compensation dependent on financial result | 42 998 | 3 376 | 184 | 46 190 |
| Tax loss | 1 047 | - | - | 1 047 |
| Negative exchange rate differences | 935 | 586 | 937 | 584 |
| Employee compensation and social security expenses payable in future reporting periods | 3 | 4 | 3 | 4 |
| Purchase returns from the preceding period | - | 16 | - | 16 |
| Deferred revenues associated with adding funds to virtual wallets and participation in the additional benefits program | 2 386 | 114 | - | 2 500 |
| Other provisions | 519 | 182 | 517 | 184 |
| **Total negative temporary differences** | **47 989** | **4 296** | **1 644** | **50 641** |
| Tax rate (Poland) | 19% | 19% | 19% | 19% |
| **Deferred tax assets** | **9 118** | **816** | **312** | **9 622** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Positive temporary differences requiring recognition of deferred tax provisions

| | 31.12.2017 | increases | reductions | 31.03.2018 |
|---|---|---|---|---|
| Difference between net carrying value and net tax value of fixed assets and intangibles | 21 571 | 1 598 | 19 | 23 150 |
| Income in the current period invoiced in the following period, and sales returns in the current period | 34 950 | 13 322 | 29 715 | 18 557 |
| Positive exchange rate differences | 953 | 1 491 | 1 684 | 760 |
| Other sources | 399 | - | 138 | 261 |
| **Total positive temporary differences** | **57 873** | **16 411** | **31 556** | **42 728** |
| Tax rate (Poland) | 19% | 19% | 19% | 19% |
| **Deferred tax provisions** | **10 996** | **3 118** | **5 996** | **8 118** |

## Balance of deferred tax assets/provisions

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| Deferred tax assets | 9 622 | 9 118 | 10 060 |
| Deferred tax provisions | 8 118 | 10 996 | 11 098 |
| **Net deferred tax assets (provisions)** | **1 504** | **(1 878)** | **(1 038)** |

## Income tax reported in profit/loss account

| | 01.01.2018 - 31.03.2018 | 01.01.2017 - 31.03.2017 |
|---|---|---|
| Current income tax | 9 647 | 17 737 |
| Changes in deferred income tax | (3 382) | (6 161) |
| **Income tax reported in profit/loss account** | **6 265** | **11 576** |

# Note 9. Provisions for employee benefits and similar liabilities

## Provisions for employee benefits and similar liabilities

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| Provisions for retirement benefits and pensions | 82 | 82 | 58 |
| Provisions for other employee benefits | - | - | 146 |
| **Total, including:** | **82** | **82** | **204** |
| long-term provisions | 81 | 81 | 57 |
| short-term provisions | 1 | 1 | 147 |

No changes in provisions for employee benefits and similar liabilities occurred between 1 January and 31 March 2018.

(all figures quoted in PLN thousands unless indicated otherwise)

## Note 10. Other provisions

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Provisions for warranty-covered repairs and returns** | **55** | **62** | **46** |
| **Provisions for liabilities, including:** | **48 051** | **43 578** | **52 533** |
| financial statement audit and review expenses | - | 40 | 67 |
| provisions for bought-in services | 149 | 163 | 314 |
| provisions for bonuses dependent on financial result | 47 856 | 42 998 | 51 965 |
| provisions for licensing liabilities | - | - | 56 |
| provisions for licenses and fixed assets | - | - | 52 |
| provisions for other expenses | 46 | 377 | 79 |
| **Total, including:** | **48 106** | **43 640** | **52 579** |
| long-term provisions | - | - | - |
| short-term provisions | 48 106 | 43 640 | 52 579 |

### Changes in other provisions

| | Provisions for warranty-covered repairs and returns | Provisions for bonuses dependent on financial result | Other provisions | Total |
|---|---|---|---|---|
| **As of 01.01.2018** | **62** | **42 998** | **580** | **43 640** |
| Provisions created during fiscal year | 16 | 5 043 | 96 | 5 155 |
| Benefits paid out | 23 | 185 | 481 | 689 |
| Adjustments due to exchange rate differences | - | - | - | - |
| **As of 31.03.2018, including:** | **55** | **47 856** | **195** | **48 106** |
| long-term provisions | - | - | - | - |
| short-term provisions | 55 | 47 856 | 195 | 48 106 |

## Note 11. Other liabilities

| | 31.03.2018 | 31.12.2017 | 31.03.2017* |
|---|---|---|---|
| **Liabilities due to other taxes, duties, social security and similar expenses except corporate income tax** | **4 451** | **6 114** | **3 775** |
| VAT | 3 226 | 4 508 | 2 811 |
| Flat-rate tax deducted at source | 26 | 159 | 17 |
| Personal income tax | 514 | 937 | 343 |
| Social security (ZUS) payments | 645 | 471 | 528 |
| National Fund for the Rehabilitation of the Disabled (PFRON) payments | 23 | 22 | 39 |
| PIT-8A settlements | 17 | 17 | 37 |
| **Other liabilities** | **42** | **656** | **3 977** |
| Liabilities associated with employee compensation | - | 409 | - |
| Other settlements with employees | 14 | 2 | 22 |
| Other settlements with members of the management boards of Capital Group member companies | 20 | 6 | 120 |
| Social Benefits Fund (ZFŚS) – other settlements | (2) | (17) | (19) |
| Advance payments from foreign clients | 10 | 256 | 3 854 |
| **Total other liabilities** | **4 493** | **6 770** | **7 752** |

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

## Note 12. Disclosure of financial instruments

### Fair value of financial instruments per class

The Management Board of the Group has performed an analysis of each class of financial instruments and came to the conclusion that the carrying amount of each instrument matches their respective fair value both as of 31 March 2018, 31 December 2017 and 31 March 2017.

### Financial assets – classification and appraisal

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Financial assets held at amortized cost** | **683 993** | **694 272** | **686 882** |
| Other long-term receivables | 501 | 495 | 487 |
| Trade receivables | 21 453 | 46 261 | 39 963 |
| Cash and cash equivalents | 84 122 | 66 987 | 124 155 |
| Bank deposits (maturity beyond 3 months) | 577 917 | 580 529 | 522 277 |
| **Capital market instruments held at purchase price** | **452** | **452** | **-** |
| Shares in subsidiaries excluded from consolidation | 452 | 452 | - |
| **Total financial assets** | **684 445** | **694 724** | **686 882** |

### Financial liabilities – classification and appraisal

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Financial liabilities held at amortized cost** | **31 693** | **37 712** | **18 945** |
| Trade liabilities | 31 460 | 37 374 | 18 478 |
| Other financial liabilities | 233 | 338 | 467 |

## Note 13. Sales revenues

### Sales revenues by territory

| | 01.01.2018-31.03.2018 | | 01.01.2017-31.03.2017 | |
|---|---|---|---|---|
| | PLN | % | PLN | % |
| Domestic sales | 4 080 | 5.41% | 4 430 | 4.46% |
| **Exports, including:** | **71 355** | **94.59%** | **94 912** | **95.54%** |
| Europe | 23 605 | 31.30% | 27 734 | 27.92% |
| North America | 41 216 | 54.64% | 57 255 | 57.63% |
| South America | 642 | 0.85% | 1 160 | 1.17% |
| Asia | 4 295 | 5.69% | 6 941 | 6.99% |
| Australia | 1 399 | 1.85% | 1 552 | 1.56% |
| Africa | 198 | 0.26% | 270 | 0.27% |
| **Total** | **75 435** | **100%** | **99 342** | **100%** |

### Sales revenues by production type

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| Own products | 52 217 | 77 710 |
| External products | 23 213 | 21 589 |
| Other revenues | 5 | 43 |
| **Total** | **75 435** | **99 342** |

(all figures quoted in PLN thousands unless indicated otherwise)

### Sales revenues by distribution channel

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| Physical distribution (box) of video games | 6 618 | 11 128 |
| Digital distribution of videogames | 68 072 | 87 801 |
| Other revenues | 745 | 413 |
| **Total** | **75 435** | **99 342** |

## Note 14. Operating costs

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017* |
|---|---|---|
| Depreciation and impairment of fixed assets and intangibles | 1 186 | 1 183 |
| Consumption of materials and energy | 339 | 301 |
| Bought-in services | 15 302 | 13 057 |
| Taxes and fees | 128 | 187 |
| Employee compensation, social security and other benefits | 14 190 | 15 496 |
| Business travel | 349 | 348 |
| Value of goods and materials sold | 16 105 | 14 761 |
| Cost of products and services sold | 28 | 62 |
| Other costs | 85 | 302 |
| **Total** | **47 712** | **45 697** |
| Selling costs | 22 775 | 22 434 |
| General and administrative costs | 8 804 | 8 440 |
| Cost of products, goods and materials sold | 16 133 | 14 823 |
| **Total** | **47 712** | **45 697** |

** adjusted data*

## Note 15. Other operating revenues and expenses

### Other operating revenues

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| Dissolution of provisions for employee benefits | - | 52 |
| Dissolution of provisions for liabilities | - | 10 |
| Subsidies | 46 | 46 |
| Write-downs on expired liabilities | - | 33 |
| Reinvoicing revenues | 151 | 95 |
| Dissolution of other provisions | 25 | 10 |
| Repossession gains received | 27 | 3 |
| Insurance claims and compensation for damages | 16 | 118 |
| Goods received free of charge | 29 | - |
| Other sales | 17 | 43 |
| Other miscellaneous operating revenues | 8 | 23 |
| **Total operating revenues** | **319** | **433** |

(all figures quoted in PLN thousands unless indicated otherwise)

### Other operating expenses

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| Revaluation of other receivables | - | 1 |
| Donations | 41 | - |
| Reinvoicing revenues | 157 | 95 |
| Unrecoverable withholding tax | 20 | 3 |
| Disposal of materials and goods | 15 | - |
| Expenses associated with other sales | 56 | 108 |
| Other miscellaneous operating expenses | 35 | 41 |
| **Total** | **324** | **248** |

## Note 16. Financial revenues and expenses

### Financial revenues

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| **Revenues from interest:** | **1 636** | **3 401** |
| on short-term bank deposits | 1 636 | 3 401 |
| **Other financial revenues, including:** | **-** | **468** |
| forward currency contracts | - | 94 |
| profit from sales of shares | - | 374 |
| **Total financial revenues** | **1 636** | **3 869** |

### Financial expenses

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| **Interest payments:** | **12** | **2** |
| on lease agreements | 3 | 1 |
| on budget commitments | 9 | 1 |
| **Other financial expenses, including:** | **366** | **862** |
| surplus negative exchange rate differences | 366 | 809 |
| forward currency transactions | - | 53 |
| **Total financial expenses** | **378** | **864** |
| **Net financial expenses** | **1 258** | **3 005** |

## Note 17. Issue, buyback and redemption of debt and capital securities

### Issue of debt securities

Not applicable.

### Issue of capital securities

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| Stock volume (thousands) | 96 120 | 96 120 | 96 120 |
| Nominal value per share (PLN) | 1 | 1 | 1 |
| **Share capital** | **96 120** | **96 120** | **96 120** |

## Note 18. Dividends declared or paid out

No dividends were declared or paid out by the Company between 1 January and 31 March 2018.

## Note 19. Transactions with affiliates

### Rules governing transactions with affiliates

Intragroup transactions are conducted in accordance with the Directive of the Finance Minister of 10 September 2009 specifying the rules for estimating the income of legal entities and avoiding double taxation when adjusting the income of affiliated legal entities (unified text: Journal of Laws of the Republic of Poland 2014, item no. 1186), as well as with OECD guidelines regarding transfer prices.

In each case, selection of the appropriate pricing model is preceded by careful analysis of the given transaction, specifically, the assignment of responsibilities and financial exposure of each party, along with the associated risks, costs and business strategies. As a result, transactions between member companies of the CD PROJEKT Capital Group 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.

## Transactions with affiliates following consolidation eliminations

| | Sales to affiliates | | Purchases for affiliates | |
|---|---|---|---|---|
| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
| **SUBSIDIARIES** | | | | |
| CD PROJEKT Co., Ltd. | 29 | - | 780 | - |
| **GROUP MEMBER COMPANY EXECUTIVES** | | | | |
| Marcin Iwiński | 2 | 2 | - | - |
| Adam Kiciński | 1 | 1 | - | - |
| Piotr Nielubowicz | 1 | 1 | - | - |
| Michał Nowakowski | 2 | 2 | - | - |
| **SUPERVISORY BOARD MEMBERS** | | | | |
| Katarzyna Szwarc | - | - | - | 5 |

(all figures quoted in PLN thousands unless indicated otherwise)

## Transactions with affiliates following consolidation eliminations

| | Receivables from affiliates | | | Liabilities due to affiliates | | |
|---|---|---|---|---|---|---|
| | 31.03.2018 | 31.12.2017 | 31.03.2017 | 31.03.2018 | 31.12.2017 | 31.03.2017 |
| **SUBSIDIARIES** | | | | | | |
| CD PROJEKT Co., Ltd. | 55 | 25 | - | 337 | 663 | - |
| **GROUP MEMBER COMPANY EXECUTIVES** | | | | | | |
| Marcin Iwiński | 23 | 7 | 7 | 19 | 1 | 19 |
| Adam Kiciński | 1 | 1 | - | 1 | 1 | 5 |
| Michał Nowakowski | 4 | 7 | 2 | - | - | 4 |
| Adam Badowski | 3 | 3 | 1 | - | - | - |
| Piotr Karwowski | - | 2 | - | - | - | - |
| Oleg Klapovskiy | 7 | - | - | - | 4 | 92 |

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

## Note 20. Bad loans and breaches of loan agreements not subject to remedial proceedings as of the balance sheet date

Not applicable.

# Note 21. Changes in conditional liabilities and assets since the close of the most recent fiscal year

## Conditional liabilities from sureties and collateral pledged

| | Type of agreement | Currency | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|---|---|
| **mBank S.A.** | | | | | |
| Declaration of submission to enforcement | Collateral for credit card agreement | PLN | 920 | 920 | 920 |
| Promissory note agreement | Framework agreement concerning forward and derivative transactions | PLN | 7 710 | 7 710 | 7 710 |
| Promissory note agreement | Collateral for lease agreement | PLN | 667 | 667 | 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 | 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 | 798 |
| **National Centre for Research and Development (Narodowe Centrum Badań i Rozwoju)** | | | | | |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0105/16 | PLN | 7 934 | 7 934 | 7 934 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0110/16 | PLN | 5 114 | 5 114 | 5 114 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0112/16 | PLN | 3 857 | 3 857 | 3 857 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0118/16 | PLN | 5 324 | 5 324 | 5 324 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0120/16 | PLN | 1 234 | 1 234 | - |

(all figures quoted in PLN thousands unless indicated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| **Raiffeisen Bank Polska S.A.** | | | | | |
| Declaration of submission to enforcement | Framework agreement concerning forward and derivative transactions | PLN | 25 000 | 25 000 | 75 000 |
| **BZ WBK Leasing S.A.** | | | | | |
| Promissory note agreement | Lease agreement no. CZ5/00007/2016 | PLN | - | 320 | 320 |
| Promissory note agreement | Lease agreement no. CZ5/00013/2017 | PLN | 185 | 403 | 403 |
| Promissory note agreement | Lease agreement no. CZ5/00036/2017 | PLN | 80 | 175 | 175 |
| **BZ WBK S.A.** | | | | | |
| Promissory note agreement | Framework agreement concerning treasury transactions | PLN | 6 500 | 6 500 | 6 500 |

(all figures quoted in PLN thousands unless indicated otherwise)

## Note 22. Changes in the structure of the Capital Group and its member entities occurring during the reporting period

None reported.

## Note 23. Agreements which may, in the future, result in changes in the proportion of shares held by shareholders and bondholders

On 24 May 2016 the General Meeting of Shareholders voted to institute a new incentive program covering the years 2016-2021. According to the program's conditions, a maximum of 6 000 000 entitlements may be granted. Implementation of the program may be carried out by issuing and assigning series B subscription warrants, entitling holders to claim parent Company shares issued as a conditional increase in the 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 parent Company is also discretionarily empowered to present each entitled party with an offer to repurchase said warrants, in part or in whole, for redemption.

## Note 24. 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 pretenses. Specifically, (i) unnecessary partitioning of activities; (ii) involving intermediaries despite the lack of economic justification for such involvement; (iii) activities which produce a state identical 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 pretenses and therefore subject to GAAR. The introduction of GAAR will mandate much more diligent assessment of the fiscal consequences of transactions carried out by the 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 enables Polish tax authorities to question legal agreements concluded by taxable entities, such as restructurization and reorganization of the Capital Group, and also, in certain cases, refuse to issue binding interpretations upon which fiscal settlements can be carried out.

# Note 25. Clarifications regarding the condensed interim consolidated statement of cash flows

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017* |
|---|---|---|
| **Total cash and cash equivalents reported in the cash flow statement** | **84 122** | **124 155** |
| Cash on balance sheet | 84 122 | 124 155 |
| **Depreciation** | **1 186** | **1 183** |
| Depreciation of intangibles | 304 | 623 |
| Depreciation of fixed assets | 882 | 560 |
| **Interest and profit sharing consists of:** | **(1 636)** | **(3 401)** |
| Interest collected | (1 636) | (3 401) |
| **Profit (loss) from investment activities consists of:** | **(29)** | **249** |
| Revenues from sales of fixed assets | - | (1) |
| Net value of fixed assets sold | - | 2 |
| Net value of shares sold | - | 195 |
| Fixed assets received free of charge | (29) | - |
| Revaluation of short-term financial assets | - | 53 |
| **Changes in provisions consist of:** | **4 466** | **7 401** |
| Balance of changes in provisions for liabilities | 4 466 | 7 548 |
| Balance of changes in provisions for employee benefits | - | (147) |
| **Changes in inventories consist of:** | **51** | **(89)** |
| Balance of changes in inventories | 51 | (89) |
| **Changes in receivables consist of:** | **24 866** | **36 016** |
| Balance of changes in short-term receivables | 23 435 | 30 749 |
| Balance of changes in long-term receivables | (6) | - |
| Income tax set against withholding tax | 3 547 | 7 133 |
| Adjustments for current income tax | (2 110) | (1 866) |
| **Changes in short-term liabilities except financial liabilities consist of:** | **(7 706)** | **(12 059)** |
| Balance of changes in short-term liabilities | (11 217) | (14 608) |
| Adjustments for current income tax | 3 069 | 3 278 |
| Changes in financial liabilities | (43) | (171) |
| Adjustments for changes in credits and loans | - | (2) |
| Adjustments for liabilities associated with purchases of fixed assets | 234 | (431) |
| Adjustments for changes in liabilities due to purchase of intangibles | 251 | (125) |
| **Changes in other assets and liabilities consist of:** | **(2 045)** | **3 160** |
| Balance of changes in prepaid expenses | (3 572) | 2 473 |
| Balance of changes in deferred revenues | 1 527 | 687 |
| **Other adjustments consist of:** | **2 955** | **1 271** |
| Costs of incentive program | 2 954 | 2 483 |
| Depreciation aggregated with cost of sales | 8 | 21 |
| Exchange rate differences | (7) | (1 233) |

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

## Note 26. Events occurring after the balance sheet date

On 18 May 2018 CD PROJEKT concluded an agreement to purchase the Wrocław-based Strange New Things (SNT) development studio. This purchase expands the CD PROJEKT RED team with around 20 professionals who possess longstanding videogame development experience. The purchase will enable CD PROJEKT RED to establish a branch in Wrocław, tasked with activities related to Cyberpunk 2077.

The acquisition of SNT was carried out by way of the purchase of an enterprise from Strange New Things sp. z o.o. sp. k. On 8 May 2018 the General Meeting of Shareholders of CD PROJEKT S.A. adopted a resolution authorizing the Company to finance this purchase in part with 21 105 shares of CD PROJEKT S.A. stock which will have previously been bought back on the open market. These shares would be turned over to existing shareholders of Strange New Things sp. z o.o. sp. k. and subjected to temporary lock-up, facilitating a long-term bond between resources committed to the project and the outcomes of the studio's activities.

Due to the to-date scale of activities of SNT and the value of the acquisition this event does not constitute a significant transaction in the sense of the reporting regulations applicable to the Company.

# Supplementary information

# 5

## Legal proceedings

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

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

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

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

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

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

On 9 October 2014 the Company filed an appeal against the District Court's judgment with regard to those sections in which the District Court dismissed the Company's claims, and also the section concerning the cost of legal proceedings associated with the case. A parallel appeal against the section in which the District Court affirms the Company's claims was filed by the State Treasury.

The case is currently pending before the Appellate Court in Kraków, which, having heard statements by both Parties and by the court expert whose opinion constituted the grounds for the judgment of the court of first instance, decided to appoint another expert to prepare a second opinion. This new opinion was prepared on 19 March 2018 and delivered to the relevant court.

No significant court proceedings, arbitration proceedings or administrative proceedings involving the Company or its subsidiaries were initiated during the reporting period. Additionally, no significant changed occurred with regard to other proceedings disclosed in the Company's annual financial statement for 2017.

# Shareholder structure

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

| | Quantity of votes at the GM | % share in total number of votes at the GM |
|---|---|---|
| Marcin Iwiński | 12 150 000 | 12.64% |
| Michał Kiciński [1] | 10 486 106 | 10.91% |
| Piotr Nielubowicz | 6 135 197 | 6.38% |
| Nationale-Nederlanden PTE [2] | 4 998 520 | 5.20% |
| Swedbank Robur Fonder AB[3] | 4 844 406 | 5.04% |
| free float | 57 505 771 | 59.83% |

[1] As disclosed in Current Report no. 49/2016 of 6 December 2016
[2] As disclosed in Current Report no. 15/2017 of 13 July 2017
[3] As disclosed in Current Report no. 2/2018 of 19 January 2018

(all figures quoted in PLN thousands unless indicated otherwise)

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

### Changes in shareholder structure of the parent entity

No changes involving shareholders who control more than 5% of the total number of votes at the General Meeting occurred during the reporting period.

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

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

| Name | Position | As of 01.01.2018 | As of 31.03.2018 | As of 24.05.2018 |
|---|---|---|---|---|
| Adam Kiciński | President of the Board | 3 322 481 | 3 322 481 | 3 322 481 |
| Marcin Iwiński | Vice President of the Board | 12 150 000 | 12 150 000 | 12 150 000 |
| Piotr Nielubowicz | Vice President of the Board | 6 135 197 | 6 135 197 | 6 135 197 |
| Adam Badowski | Board Member | 150 000 | 150 000 | 150 000 |
| Michał Nowakowski | Board Member | 101 149 | 101 149 | 101 149 |
| Piotr Karwowski | Board Member | 8 000 | 8 000 | 8 000 |
| Oleg Klapovskiy | Board Member | 1 042 | 1 042 | 1 042 |
| Katarzyna Szwarc | Chairwoman of the Supervisory Board | 10 010 | 10 010 | 10 010 |
| Maciej Nielubowicz | Supervisory Board Member | 51 | 51 | 51 |

# Validation of published projections

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

(all figures quoted in PLN thousands unless indicated otherwise)

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

# 6

# Condensed interim separate profit and loss account

| | Note | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|---|
| **Sales revenues** | | **51 284** | **75 037** |
| Revenues from sales of products | | 49 755 | 72 784 |
| Revenues from sales of services | | 475 | 705 |
| Revenues from sales of goods and materials | | 1 054 | 1 548 |
| **Cost of products, goods and materials sold** | | **1 293** | **1 834** |
| Cost of products and services sold | | 393 | 420 |
| Value of goods and materials sold | | 900 | 1 414 |
| **Gross profit (loss) from sales** | | **49 991** | **73 203** |
| Other operating revenues | | 547 | 452 |
| Selling costs | | 15 117 | 15 401 |
| General and administrative costs | | 6 776 | 6 329 |
| Other operating expenses | | 515 | 282 |
| (Impairment losses)/Reversal of impairment losses of financial instruments | | 169 | - |
| **Operating profit (loss)** | | **28 299** | **51 643** |
| Financial revenues | | 1 633 | 3 860 |
| Financial expenses | | 11 | 861 |
| **Profit (loss) before tax** | | **29 921** | **54 642** |
| Income tax | A | 6 199 | 11 030 |
| **Net profit (loss)** | | **23 722** | **43 612** |
| **Net earnings per share (in PLN)** | | | |
| Basic for the reporting period | | 0.25 | 0.45 |
| Diluted for the reporting period | | 0.24 | 0.44 |

(all figures quoted in PLN thousands unless indicated otherwise)

# Condensed interim separate statement of comprehensive income

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| **Net profit (loss)** | **23 722** | **43 612** |
| 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** | **23 722** | **43 612** |

# Condensed interim separate statement of financial position

| | Note | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|---|
| **FIXED ASSETS** | | **273 540** | **252 551** | **188 568** |
| Tangible assets | | 15 863 | 15 649 | 12 679 |
| Intangibles | | 85 059 | 85 155 | 83 862 |
| Expenditures on development projects | | 155 578 | 135 229 | 76 032 |
| Investments in subsidiaries | F | 16 247 | 16 023 | 14 135 |
| Other financial assets | F | - | - | 1 373 |
| Deferred income tax assets | A | 292 | - | - |
| Other long-term receivables | F | 501 | 495 | 487 |
| **CURRENT ASSETS** | | **661 032** | **660 004** | **679 009** |
| Inventories | | 272 | 323 | 490 |
| Trade receivables | E,F | 18 848 | 37 058 | 40 521 |
| Current income tax receivables | | 1 224 | - | 5 267 |
| Other receivables | E | 22 425 | 22 219 | 17 384 |
| Other financial assets | F | 327 | 444 | 480 |
| Prepaid expenses | | 2 096 | 932 | 1 182 |
| Cash and cash equivalents | F | 37 923 | 18 499 | 91 408 |
| Bank deposits (maturity beyond 3 months) | F | 577 917 | 580 529 | 522 277 |
| **TOTAL ASSETS** | | **934 572** | **912 555** | **867 577** |

(all figures quoted in PLN thousands unless indicated otherwise)

| | Nota | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|---|
| **EQUITY** | | **878 356** | **851 680** | **803 671** |
| **Equity attributable to shareholders of the entity** | | **878 356** | **851 680** | **803 671** |
| Share capital | 17* | 96 120 | 96 120 | 96 120 |
| Supplementary capital | | 539 294 | 539 294 | 390 518 |
| Other reserve capital | | 18 166 | 15 212 | 7 278 |
| Retained earnings | | 201 054 | 16 441 | 266 143 |
| Net profit (loss) for the reporting period | | 23 722 | 184 613 | 43 612 |
| **LONG-TERM LIABILITIES** | | **2 850** | **5 280** | **2 531** |
| Other financial liabilities | F | - | 148 | 233 |
| Deferred income tax liabilities | A | - | 3 071 | 1 353 |
| Deferred revenues | | 2 772 | 1 983 | 891 |
| Provisions for employee benefits and similar liabilities | | 78 | 78 | 54 |
| **SHORT-TERM LIABILITIES** | | **53 366** | **55 595** | **61 375** |
| Other financial liabilities | F | 233 | 190 | 234 |
| Trade liabilities | F | 6 058 | 9 972 | 4 312 |
| Current income tax liabilities | | - | 2 158 | - |
| Other liabilities | | 1 104 | 1 650 | 4 718 |
| Deferred revenues | | 587 | 586 | 748 |
| Provisions for employee benefits and similar liabilities | | 1 | 1 | 71 |
| Other provisions | | 45 383 | 41 038 | 51 292 |
| **TOTAL EQUITY AND LIABILITIES** | | **934 572** | **912 555** | **867 577** |

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

(all figures quoted in PLN thousands unless indicated otherwise)

# Condensed interim statement of changes in separate equity

| | Share capital | Supplementary capital | Other reserve capital | Retained earnings | Net profit (loss) for the reporting period | Total equity |
|---|---|---|---|---|---|---|
| **01.01.2018 – 31.03.2018** | | | | | | |
| **Equity as of 01.01.2018** | **96 120** | **539 294** | **15 212** | **201 054** | **-** | **851 680** |
| Cost of incentive program | - | - | 2 954 | - | - | 2 954 |
| Total comprehensive income | - | - | - | - | 23 722 | 23 722 |
| **Equity as of 31.03.2018** | **96 120** | **539 294** | **18 166** | **201 054** | **23 722** | **878 356** |

| | 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 loss | - | 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** |

(all figures quoted in PLN thousands unless indicated otherwise)

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

(all figures quoted in PLN thousands unless indicated otherwise)

# Condensed interim statement of changes in separate cash flows

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017* |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Net profit (loss)** | **23 722** | **43 612** |
| **Total adjustments:** | **19 957** | **43 733** |
| Depreciation of fixed assets and intangibles | 581 | 432 |
| Profit (loss) from exchange rate differences | (13) | 77 |
| Interest and profit sharing (dividends) | (1 545) | (3 389) |
| Profit (loss) from investment activities | (29) | 248 |
| Change in provisions | 4 345 | 7 682 |
| Change in inventories | 51 | (89) |
| Change in receivables | 17 998 | 40 225 |
| Change in liabilities excluding credits and loans | (3 887) | (3 629) |
| Change in other assets and liabilities | (374) | (55) |
| Other adjustments | 2 830 | 2 231 |
| **Cash flows from operating activities** | **43 679** | **87 345** |
| Income tax on profit (loss) before taxation | 6 199 | 11 030 |
| Income tax (paid)/reimbursed | (12 944) | (26 260) |
| **Net cash flows from operating activities** | **36 934** | **72 115** |
| **INVESTMENT ACTIVITIES** | | |
| **Inflows** | **183 416** | **343 349** |
| Liquidation of intangibles and fixed assets | - | 1 |
| Repayment of long-term loans granted | - | 124 |
| Closing bank deposits | 181 871 | 339 835 |
| Other inflows from investment activities | 1 545 | 3 389 |
| **Outflows** | **200 952** | **501 191** |
| Purchases of intangibles and fixed assets | 2 595 | 1 820 |
| Expenditures on development projects | 19 098 | 15 039 |
| Long-term loans granted | - | 2 055 |
| Opening bank deposits (maturity beyond 3 months) | 179 259 | 482 277 |
| **Net cash flows from investment activities** | **(17 536)** | **(157 842)** |

(all figures quoted in PLN thousands unless indicated otherwise)

**FINANCIAL ACTIVITIES**

| | | |
|---|---|---|
| **Inflows** | **130** | **-** |
| Credits and loans | 130 | - |
| **Outflows** | **104** | **3 413** |
| Payment of liabilities associated with financial lease agreements | 104 | 297 |
| Other outflows from financial activities (incl. cash pool activities) | - | 3 116 |
| **Net cash flows from financial activities** | **26** | **(3 413)** |
| **Total net cash flows** | **19 424** | **(89 140)** |
| **Balance of inflows and outflows** | **19 424** | **(89 140)** |
| **Cash and cash equivalents at beginning of period** | **18 499** | **180 548** |
| **Cash and cash equivalents at end of period** | **37 923** | **91 408** |

** adjusted data*

### Clarifications regarding the separate statement of cash flows

| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
|---|---|---|
| **The "other adjustments" line item comprises:** | **2 830** | **2 231** |
| Cost of incentive program | 2 729 | 2 198 |
| Depreciation aggregated with cost of sales and consortium settlements | 101 | 33 |

# Assumption of comparability of financial statements and changes in accounting policies

The accounting practices applied in preparing this condensed interim separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2017, except for changes in practices and presentation-related adjustments described below. This condensed interim separate financial statement should be read in conjunction with the Company's separate financial statement for the year ending 31 December 2017.

## Changes in accounting policies

Changes in accounting practices applicable to the Company are in all matters analogous to those described in the section entitled "Assumption of comparability of financial statements and changes in accounting policies" of the consolidated financial statement for the period between 1 January and 31 March 2018, with the exception of changes resulting from initial application of IFRS 15 in the scope of differentiating between principal and agent, and sales with the right of return.

## Presentation changes

In this condensed interim separate financial statement for the period between 1 January and 31 March 2018 the Company introduced certain adjustments in the presentation of financial data. In order to maintain comparability of financial data, the corresponding adjustments were also introduced in the presentation of data covering the period between 1 January and 31 March 2017. Specifically, the following adjustments were made:

- In the separate statement of cash flows for the period between 1 January and 31 March 2017 the Company rectified an error in the presentation of short-term bank deposits with maturity periods beyond 3 months. The following line items were adjusted:
  - Cash and cash equivalents at beginning of period – adjusted by (339 835) thousand PLN
  - Closing bank deposits (maturity beyond 3 months) – adjusted by 339 835 thousand PLN.

(all figures quoted in PLN thousands unless indicated otherwise)

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

Changes in allowances and provisions introduced in this condensed interim separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 March 2018 are as follows:

- 169 thousand PLN – elimination of depreciation allowances due to collection of receivables,
- 1 thousand PLN – elimination of depreciation allowances due to writeoffs of unrecoverable receivables,
- 4 861 thousand PLN – creation of provisions for conditional compensation contingent upon the Company's financial result,
- 184 thousand PLN – reduction in provisions for conditional compensation contingent upon the Company's financial result due to partial use,
- 29 thousand PLN – creation of other provisions,
- 361 thousand PLN – reduction in other provisions due to partial use.

## A. Deferred income tax

### Negative temporary differences requiring recognition of deferred tax assets

| | 31.12.2017 | increases | reductions | 31.03.2018 |
|---|---|---|---|---|
| Provisions for other employee benefits | 101 | 18 | 3 | 116 |
| Provisions for compensation dependent on financial result | 40 663 | 3 193 | 184 | 43 672 |
| Negative exchange rate differences | 309 | 313 | 309 | 313 |
| Other provisions | 289 | 22 | 274 | 37 |
| **Total negative temporary differences** | **41 362** | **3 546** | **770** | **44 138** |
| Tax rate (Poland) | 19% | 19% | 19% | 19% |
| **Total deferred tax assets** | **7 858** | **674** | **146** | **8 386** |

### Positive temporary differences requiring creation of deferred tax provisions

| | 31.12.2017 | increases | reductions | 31.03.2018 |
|---|---|---|---|---|
| Difference between net carrying amount and net tax value of fixed assets and intangibles | 22 424 | 1 559 | - | 23 983 |
| Revenues obtained in the current period but invoiced in future periods | 34 619 | 12 891 | 29 202 | 18 308 |
| Positive exchange rate differences | 81 | 55 | 84 | 52 |
| Other sources | 398 | - | 141 | 257 |
| **Total positive temporary differences** | **57 522** | **14 505** | **29 427** | **42 600** |
| Tax rate (Poland) | 19% | 19% | 19% | 19% |
| **Total deferred tax provisions** | **10 929** | **2 756** | **5 591** | **8 094** |

### Balance of deferred tax assets/provisions

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| Deferred tax assets | 8 386 | 7 858 | 9 823 |
| Deferred tax provisions | 8 094 | 10 929 | 11 176 |
| **Net deferred tax assets (provisions)** | **292** | **(3 071)** | **(1 353)** |

(all figures quoted in PLN thousands unless indicated otherwise)

### Income tax reported in profit and loss account

| | 01.01.2018 - 31.03.2018 | 01.01.2017 - 31.03.2017 |
|---|---|---|
| Current income tax | 9 562 | 17 315 |
| Change in deferred income tax | (3 363) | (6 285) |
| **Income tax reported in profit and loss account** | **6 199** | **11 030** |

## B. Goodwill

### Goodwill from business combinations

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| CD Projekt Red sp. z o.o. | 39 147 | 39 147 | 39 147 |
| **Total** | **39 147** | **39 147** | **39 147** |

### Changes in goodwill

No changes in goodwill occurred between 1 January and 31 March 2018.

## C. Business combinations

The Company did not merge with any other entity between 1 January and 31 March 2018.

## D. Dividends paid out or collected

The Company did not pay out or collect any dividends between 1 January and 31 March 2018.

## E. Trade and other receivables

### Changes in receivables

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Trade and other receivables** | **41 273** | **59 277** | **57 905** |
| from affiliates | 7 167 | 6 811 | 6 597 |
| from external entities | 34 106 | 52 466 | 51 308 |
| **Impairment allowances** | **2 899** | **3 069** | **5 267** |
| **Gross trade and other receivables** | **44 172** | **62 346** | **63 172** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Changes in impairment allowances on receivables

| | Trade receivables | Other receivables |
|---|---|---|
| **OTHER ENTITIES** | | |
| **Impairment allowances as of 01.01.2018** | **2 337** | **732** |
| **Increases from:** | **-** | **-** |
| creation of allowances for past-due and contested receivables | - | - |
| **Reductions from:** | **170** | **-** |
| dissolution of allowances due to collection of receivables | 169 | - |
| dissolution of allowances (writeoffs) | 1 | - |
| **Impairment allowances as of 31.03.2018** | **2 167** | **732** |

## Calculation of impairment allowances as of 31.03.2018

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **AFFILIATES** | | | | | | | |
| gross receivables | 682 | 628 | 29 | - | 25 | - | - |
| non-fulfillment ratio | | 0% | 0% | 0% | 0% | 0% | 0% |
| impairment write-downs as determined by non-fulfillment ratio | - | - | - | - | - | - | - |
| impairment write-downs as individually assessed | - | - | - | - | - | - | - |
| total expected credit loss | - | - | - | - | - | - | - |
| **Net receivables** | **682** | **628** | **29** | **-** | **25** | **-** | **-** |

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **EXTERNAL ENTITIES** | | | | | | | |
| gross receivables | 20 333 | 17 702 | 294 | - | 6 | - | 2 331 |
| non-fulfillment ratio | | 0% | 0% | 0.18% | 1.96% | 11.50% | 5.74% |
| impairment write-downs as determined by non-fulfillment ratio | - | - | - | - | - | - | - |
| impairment write-downs as individually assessed | 2 167 | - | - | - | 3 | - | 2 164 |
| total expected credit loss | 2 167 | - | - | - | 3 | - | 2 164 |
| **Net receivables** | **18 166** | **17 702** | **294** | **-** | **3** | **-** | **167** |
| **Total** | | | | | | | |
| gross receivables | 21 015 | 18 330 | 323 | - | 31 | - | 2 331 |
| Impairment write-downs | 2 167 | - | - | - | 3 | - | 2 164 |
| **Net receivables** | **18 848** | **18 330** | **323** | **-** | **28** | **-** | **167** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Other receivables as of 31.03.2018

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Other receivables, including:** | **22 425** | **22 219** | **17 384** |
| tax returns except corporate income tax | 12 703 | 13 181 | 12 695 |
| advance payments for supplies | 1 460 | 2 183 | 1 150 |
| cash pool guarantees | - | - | 2 051 |
| consortium settlements | 6 454 | 5 818 | 681 |
| deposits | 52 | 35 | 24 |
| others | 7 | 10 | 738 |
| advance payments for fixed assets | 1 667 | 940 | - |
| employee settlements | 82 | 52 | 45 |
| **Impairment write-downs** | **732** | **732** | **732** |
| **Other gross receivables** | **23 157** | **22 951** | **18 116** |

Other receivables comprise mostly tax receivables, in particular receivables associated with withholding tax deducted at source by purchasers of licenses from the Company and reported in its annual fiscal statement, as well as VAT receivables and advance payments remitted to suppliers. In addition, this category includes damages which the Company has claimed in a lawsuit against an external contractor for improper rendition of services. Due to the protracted litigation, a full-value impairment allowance has been recognized in association with this amount.

# F. Disclosure of financial instruments

## Fair value of financial instruments per class

The Company Board has assessed each class of financial instruments held by the Company and reached the conclusion that their carrying amount does not significantly differ from their corresponding fair value both as of 31 March 2018, 31 December 2017 and 31 March 2017.

## Financial assets – classification and appraisal

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Financial assets held at amortized cost** | **635 516** | **637 025** | **656 546** |
| Other long-term receivables | 501 | 495 | 487 |
| Trade receivables | 18 848 | 37 058 | 40 521 |
| Other financial assets | 327 | 444 | 1 853 |
| Cash and cash equivalents | 37 923 | 18 499 | 91 408 |
| Bank deposits (maturity beyond 3 months) | 577 917 | 580 529 | 522 277 |
| **Capital market instruments held at purchase price** | **16 247** | **16 023** | **14 135** |
| Investments in subsidiaries | 16 247 | 16 023 | 14 135 |
| **Total financial assets** | **651 763** | **653 048** | **670 681** |

## Financial liabilities – classification and appraisal

| | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|
| **Financial liabilities held at amortized cost** | **6 291** | **10 310** | **4 779** |
| Trade liabilities | 6 058 | 9 972 | 4 312 |
| Other financial liabilities | 233 | 338 | 467 |

(all figures quoted in PLN thousands unless indicated otherwise)

## G. Transactions with affiliates

| | Sales to affiliates | | Purchases from affiliates | |
|---|---|---|---|---|
| | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 | 01.01.2018 – 31.03.2018 | 01.01.2017 – 31.03.2017 |
| **SUBSIDIARIES** | | | | |
| GOG sp. z o.o. (formerly GOG Poland sp. z o.o.) | 1 909 | 545 | 31 | 4 |
| GOG Ltd.* | - | 7 692 | - | 50 |
| CD PROJEKT Inc. | 7 | 183 | 1 280 | 1 402 |
| CD PROJEKT Co., Ltd. | 29 | - | 605 | - |
| **COMPANY EXECUTIVES** | | | | |
| Marcin Iwiński | 2 | 2 | - | - |
| Adam Kiciński | 1 | 1 | - | - |
| Piotr Nielubowicz | 1 | 1 | - | - |
| Michał Nowakowski | 2 | 2 | - | - |
| **SUPERVISORY BOARD MEMBERS** | | | | |
| Katarzyna Szwarc | - | - | - | 5 |

** up until the merger date*

(all figures quoted in PLN thousands unless indicated otherwise)

| | Receivables from affiliates | | | Liabilities due to affiliates | | |
|---|---|---|---|---|---|---|
| | 31.03.2018 | 31.12.2017 | 31.03.2017 | 31.03.2018 | 31.12.2017 | 31.03.2017 |
| **SUBSIDIARIES** | | | | | | |
| GOG sp. z o.o. (formerly GOG Poland sp. z o.o.) | 7 081 | 6 765 | 2 774 | - | 58 | 2 |
| GOG Ltd.* | - | - | 3 809 | - | - | 52 |
| CD PROJEKT Inc. | 327 | 444 | 1 857 | 348 | 773 | 570 |
| CD PROJEKT Co., Ltd. | 55 | 25 | - | 287 | 613 | - |
| **COMPANY EXECUTIVES** | | | | | | |
| Marcin Iwiński | 23 | 8 | 7 | 19 | 1 | 16 |
| Adam Kiciński | 1 | 1 | - | 1 | 1 | 5 |
| Michał Nowakowski | 4 | 7 | 2 | - | - | 4 |
| Adam Badowski | 3 | 3 | 1 | - | - | - |
| Piotr Karwowski | - | 2 | - | - | - | - |

** up until the merger date*

(all figures quoted in PLN thousands unless indicated otherwise)

# Statement of the Management Board of the parent entity

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

Pursuant to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and the conditions for regarding as equivalent the information required under the laws of a non-member state (Journal of Laws of the Republic of Poland, 2018, item no. 757), the Management Board of the parent entity hereby states that, to the best of its knowledge, this condensed interim consolidated financial statement and comparative data contained herein have been prepared in accordance with all accounting regulations applicable to the CD PROJEKT Capital Group and that they constitute a true, unbiased and clear description of the finances and assets of the Capital Group as well as its current profit and loss balance.

This condensed interim consolidated financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 31 December 2017. Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 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 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and the conditions for regarding as equivalent the information required under the laws of a non-member state (Journal of Laws of the Republic of Poland, 2018, item no. 757).

# Approval of financial statement

This financial statement covering the period between 1 January and 31 March 2018 was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 24 May 2018.

Warsaw, 24 May 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 indicated otherwise)

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