CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT CAPITAL GROUP FOR THE PERIOD BETWEEN 1 JANUARY AND 30 JUNE 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 - 30.06.2018	**01.01.2017 - 30.06.2017**	**01.01.2018 - 30.06.2018**	**01.01.2017 - 30.06.2017**
Net revenues from sales of products, services, goods and materials	168 434	254 824	39 730	59 995
Cost of products, goods and materials sold	43 829	38 086	10 338	8 967
Operating profit (loss)	61 301	143 247	14 459	33 726
Profit (loss) before tax	66 590	146 271	15 707	34 438
Net profit (loss) attributable to equity holders of parent entity	52 430	118 649	12 367	27 935
Net cash flows from operating activities	27 866	123 897	6 573	29 170
Net cash flows from investment activities	37 886	(154 831)	8 936	(36 453)
Net cash flows from financial activities	(242)	(101 266)	(57)	(23 842)
Total net cash flows	65 510	(132 200)	15 452	(31 125)
Stock volume (thousands)	96 120	96 120	96 120	96 120
Net earnings per ordinary share (PLN/EUR)	0.55	1.23	0.13	0.29
Diluted net earnings per ordinary share (PLN/EUR)	0.52	1.20	0.12	0.28
Book value per share (PLN/EUR)	9.78	8.29	2.24	1.96
Diluted book value per share (PLN/EUR)	9.37	8.04	2.15	1.90
Declared or paid out dividend per share (PLN/EUR)	-	1.05	-	0.25

	PLN		EUR	
	30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
Total assets	1 013 387	981 513	232 343	235 324
Liabilities and provisions for liabilities (less accrued charges)	64 972	93 539	14 896	22 427
Long-term liabilities	13 208	4 130	3 028	990
Short-term liabilities	59 899	94 484	13 733	22 653
Equity	940 280	882 899	215 581	211 681
Share capital	96 120	96 120	22 038	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: 4.2395 PLN/EUR for the period between 1 January and 30 June 2018, and 4.2474 PLN/EUR for the period between 1 January and 31 June 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: 4.3616 PLN/EUR on 30 June 2018 and 4.1709 PLN/EUR on 31 December 2017 respectively.

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CD PROJEKT

Primary financial data of the CD PROJEKT Capital Group

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Condensed interim consolidated profit and loss account

	Note	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017*
Sales revenues		**168 434**	**254 824**
Revenues from sales of products	13	108 772	199 621
Revenues from sales of services	13	25	61
Revenues from sales of goods and materials	13	59 637	55 142
Cost of products, goods and materials sold		**43 829**	**38 086**
Cost of products and services sold	14	91	488
Value of goods and materials sold	14	43 738	37 598
Gross profit (loss) from sales		**124 605**	**216 738**
Other operating revenues	15	632	2 123
Selling costs	14	46 639	58 470
General and administrative costs	14	16 546	16 329
Other operating expenses	15	984	1 295
(Impairment losses)/reversal of impairment losses of financial instruments		233	480
Operating profit (loss)		**61 301**	**143 247**
Financial revenues	16	5 781	5 459
Financial expenses	16	492	2 435
Profit (loss) before tax		**66 590**	**146 271**
Income tax	8	14 160	27 622
Net profit (loss)		**52 430**	**118 649**
Net profit (loss) attributable to equity holders of parent entity		52 430	118 649
Net earnings per share (in PLN)			
Basic for the reporting period		0.55	1.23
Diluted for the reporting period		0.52	1.20

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim consolidated statement of comprehensive income

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Net profit (loss)	**52 430**	**118 649**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	**86**	**(3 271)**
exchange rate differences on valuation of foreign entities	86	(3 271)
Other comprehensive income which will not be entered as profit (loss)	**-**	**-**
Total comprehensive income	**52 516**	**115 378**
Comprehensive income attributable to minority interests	-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.	**52 516**	**115 378**

Condensed interim consolidated statement of financial position

	Note	30.06.2018	31.12.2017
FIXED ASSETS		**326 072**	**255 535**
Tangible assets	2	19 149	18 832
Intangibles	3	52 264	46 853
Expenditures on development projects	3	196 734	142 486
Goodwill	3,4	56 438	46 417
Shares in subsidiaries excluded from consolidation	12	981	452
Other long-term receivables	12	506	495
CURRENT ASSETS		**687 315**	**725 978**
Inventories	5	252	323
Trade receivables	6,12	37 552	46 261
Current income tax receivables		9 364	-
Other receivables	6	17 852	17 582
Prepaid expenses	7	14 398	14 296
Cash and cash equivalents	12	132 497	66 987
Bank deposits (maturity beyond 3 months)	12	475 400	580 529
TOTAL ASSETS		**1 013 387**	**981 513**

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	30.06.2018	31.12.2017
EQUITY		**940 280**	**882 899**
Equity attributable to equity holders of parent entity		**940 280**	**882 899**
Share capital	17	96 120	96 120
Supplementary capital		738 055	549 335
Other reserve capital		20 730	15 212
Exchange rate differences		204	118
Retained earnings		32 741	21 844
Net profit (loss) for the reporting period		52 430	200 270
LONG-TERM LIABILITIES		**13 208**	**4 130**
Other financial liabilities	12	74	148
Deferred income tax liabilities	8	8 833	1 878
Deferred revenues		4 220	2 023
Provisions for employee benefits and similar liabilities	9	81	81
SHORT-TERM LIABILITIES		**59 899**	**94 484**
Other financial liabilities	12	244	190
Trade liabilities	12	38 846	37 374
Current income tax liabilities		272	3 457
Other liabilities	11	5 838	6 770
Deferred revenues		3 915	3 052
Provisions for employee benefits and similar liabilities	9	1	1
Other provisions	10	10 783	43 640
TOTAL EQUITY AND LIABILITIES		**1 013 387**	**981 513**

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim statement of changes in consolidated equity

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2018 – 30.06.2018									
Equity as of 01.01.2018	**96 120**	**549 335**	**-**	**15 212**	**118**	**222 114**	**-**	**882 899**	**882 899**
Rectification of 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	-	-	-	4 969	-	-	-	4 969	4 969
Creation of reserve capital to finance purchase of own shares	-	(3 600)	-	3 600	-	-	-	-	-
Purchase of own shares	-	-	3 051	(3 051)	-	-	-	-	-
Transfer of own shares as partial payment for purchase of an enterprise	-	3 051	(3 051)	-	-	-	-	-	-
Allocation of net profit/coverage of losses	-	186 828	-	-	-	(186 828)	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	86	-	52 430	52 516	52 516
Equity as of 30.06.2018	**96 120**	**738 055**	-	**20 730**	**204**	**32 741**	**52 430**	**940 280**	**940 280**

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	Total equity
01.01.2017 – 30.06.2017								
Equity as of 01.01.2017	**96 120**	**403 001**	**4 795**	**3 918**	**269 104**	**-**	**776 938**	**776 938**
Cost of incentive program	-	-	4 982	-	-	-	4 982	4 982
Allocation of net profit/coverage of losses	-	146 334	-	-	(146 334)	-	-	-
Dividend payments	-	-	-	-	(100 926)	-	(100 926)	(100 926)
Total comprehensive income	-	-	-	(3 270)	-	118 649	115 379	115 379
Equity as of 30.06.2017	**96 120**	**549 335**	**9 777**	**648**	**21 844**	**118 649**	**796 373**	**796 373**

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim consolidated cash flow statement

	Note	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
OPERATING ACTIVITIES			
Net profit (loss)		**52 430**	**118 649**
Total adjustments:	**25**	**(18 889)**	**11 252**
Depreciation of fixed assets and intangibles		2 350	2 350
Interest and profit sharing		(5 771)	(5 041)
Profit (loss) from investment activities		299	945
Change in provisions		(32 857)	7 971
Change in inventories		71	(154)
Change in receivables		9 200	(825)
Change in liabilities excluding credits and loans		287	3 799
Change in other assets and liabilities		2 981	113
Other adjustments		4 551	2 094
Cash flows from operating activities		**33 541**	**129 901**
Income tax on pre-tax profit (loss)		14 160	27 622
Income tax (paid)/reimbursed		(19 835)	(33 626)
Net cash flows from operating activities		**27 866**	**123 897**
INVESTMENT ACTIVITIES			
Inflows		**633 772**	**384 935**
Disposal of intangibles and fixed assets		41	59
Cash assets gained in the acquisition of an enterprise		26	-
Closing bank deposits (maturity beyond 3 months)		627 929	379 835
Other inflows from investment activities		5 776	5 041
Outflows		**595 886**	**539 766**
Purchases of intangibles and fixed assets		11 644	8 807
Expenditures on development projects		50 892	33 412
Acquisition of an enterprise		10 550	-
Opening bank deposits (maturity beyond 3 months)		522 800	497 547
Net cash flows from investment activities		**37 886**	**(154 831)**

(all figures quoted in PLN thousands unless indicated otherwise)

FINANCIAL ACTIVITIES

Outflows	**242**	**101 266**
Dividends and other payments due to shareholders	-	100 926
Payment of liabilities under financial lease agreements	237	340
Interest payments	5	-
Net cash flows from financial activities	**(242)**	**(101 266)**
Total net cash flows	**65 510**	**(132 200)**
Change in cash and cash equivalents on balance sheet	**65 510**	**(132 200)**
Cash and cash equivalents at beginning of period	**66 987**	**217 369**
Cash and cash equivalents at end of period	**132 497**	**85 169**

(all figures quoted in PLN thousands unless indicated otherwise)

Clarifications regarding the condensed interim consolidated financial statement

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General information

Name:	CD PROJEKT S.A.
Legal status:	Joint-stock company
Headquarters:	Jagiellońska 74, 03-301 Warsaw
Country of registration:	Poland
Principal scope of activity:	CD PROJEKT S.A. is the holding company of the CD PROJEKT Capital Group which 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.

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 exclusive 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 exclusive of any transactions between each subsidiary and the parent company which would have otherwise been subject to consolidation eliminations.

(all figures quoted in PLN thousands unless indicated otherwise)

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 30 June 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), hereinafter referred to as UE IFRS, valid for 30 June 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, depending on their date of entry into force. 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 Contracts* - applicable to reporting periods beginning on or after 1 January 2021

As of the publication date 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 consolidated financial statement for the period ending 31 December 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 six-month period between 1 January and 30 June 2017 has been adjusted accordingly. The reported adjustment concerns presentation of data only and has no impact on the Group's operating profit. Previously, the result of revaluation of financial instruments was presented as other operating revenues or 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 (FVOCI) – 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:		Balance sheet value under IAS 39 and IFRS 9 as of 1 January 2018
	IAS 39	IFRS 9	
Liabilities associated with dezlivery 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 a 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, cases 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 feasible enforcement options and reached the conclusion that there are no longer any rational grounds to expect collection of the receivables. This usually occurs when a receivable is overdue by more than 360 days.

As of 31 December 2017 and as of 30 June 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 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 or equal than 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 30 June 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 reference period between 1 January and 30 June 2017. Specifically, the following adjustments were introduced:

- In the consolidated profit and loss account for the period between 1 January and 30 June 2017 the presentation of revenues from revaluation of financial instruments was adjusted as follows:
  - (Impairment)/reversal of impairment of financial instruments – adjusted by 480 thousand PLN
  - Other operating revenues – adjusted by (480) thousand PLN

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

Disclosure of seasonal or cyclical activities

A detailed description of the Group's seasonal or cyclical activities can be found in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 30 June 2018.

Financial audit

Financial data presented in the statement of financial position for 30 June 2018 and financial data presented in the profit and loss account, statement of cash flows and statement of changes in equity between 1 January and 30 June 2018, as well as between 1 January and 30 June 2017, was not subjected to an audit. The statement of financial position for 31 December 2017 was audited by a licensed auditor.

CD PROJEKT

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

In the financial statement for the year ending 31 December 2017 the Group made no changes in the differentiation of activity segments.

At the end of October 2017 the cross-border merger was carried out between two subsidiaries of CD PROJEKT S.A. i.e. GOG Poland sp. z o.o. and GOG Ltd., which were part of GOG.com segment. The merger had a significant influence on the settlement of GWENT consortium and as a consequence impacted the segments net results and the consolidation eliminations in the reported period compared to the corresponding period. More information concerning the merger can be found in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 30 June 2018.

Disclosure of activity segments

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2018 – 30.06.2018				
Sales revenues	**108 512**	**64 575**	**(4 653)**	**168 434**
sales to external clients	103 859	64 575	-	168 434
sales between segments	4 653	-	(4 653)	-
Segment net profit (loss)	**53 610**	**(1 178)**	**(2)**	**52 430**

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2017 – 30.06.2017				
Sales revenues	**184 835**	**96 164**	**(26 175)**	**254 824**
sales to external clients	158 669	96 155	-	254 824
sales between segments	26 166	9	(26 175)	-
Segment net profit (loss)	**106 081**	**12 568**	**-**	**118 649**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2018 and 30.06.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**108 512**	**64 575**	**(4 653)**	**168 434**
Revenues from sales of products	104 682	2 906	1 184	108 772
Revenues from sales of services	2 240	4	(2 219)	25
Revenues from sales of goods and materials	1 590	61 665	(3 618)	59 637
Cost of products, goods and materials sold	**2 270**	**44 702**	**(3 143)**	**43 829**
Cost of products and services sold	800	-	(709)	91
Value of goods and materials sold	1 470	44 702	(2 434)	43 738
Gross profit (loss) from sales	**106 242**	**19 873**	**(1 510)**	**124 605**
Other operating revenues	1 011	222	(601)	632
Selling costs	30 860	17 150	(1 371)	46 639
General and administrative costs	13 710	2 973	(137)	16 546
Other operating expenses	1 070	515	(601)	984
(Impairment)/reversal of impairment of financial instruments	220	13	-	233
Operating profit (loss)	**61 833**	**(530)**	**(2)**	**61 301**
Financial revenues	5 754	235	(208)	5 781
Financial expenses	29	671	(208)	492
Profit (loss) before taxation	**67 558**	**(966)**	**(2)**	**66 590**
Income tax	13 948	212	-	14 160
Net profit (loss)	**53 610**	**(1 178)**	**(2)**	**52 430**
Net profit (loss) attributable to equity holders of the parent entity	**53 610**	**(1 178)**	**(2)**	**52 430**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2017 and 30.06.2017*

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**184 835**	**96 164**	**(26 175)**	**254 824**
Revenues from sales of products	179 671	9 719	10 231	199 621
Revenues from sales of services	2 253	-	(2 192)	61
Revenues from sales of goods and materials	2 911	86 445	(34 214)	55 142
Cost of products, goods and materials sold	**3 831**	**59 071**	**(24 816)**	**38 086**
Cost of products and services sold	1 103	218	(833)	488
Value of goods and materials sold	2 728	58 853	(23 983)	37 598
Gross profit (loss) from sales	**181 004**	**37 093**	**(1 359)**	**216 738**
Other operating revenues	2 251	219	(347)	2 123
Selling costs	39 704	20 052	(1 286)	58 470
General and administrative costs	13 526	2 876	(73)	16 329
Other operating expenses	1 458	184	(347)	1 295
(Impairment)/reversal of impairment of financial instruments	480	-	-	480
Operating profit (loss)	**129 047**	**14 200**	**-**	**143 247**
Financial revenues	5 425	215	(181)	5 459
Financial expenses	2 604	12	(181)	2 435
Profit (loss) before taxation	**131 868**	**14 403**	**-**	**146 271**
Income tax	25 787	1 835	-	27 622
Net profit (loss)	**106 081**	**12 568**	**-**	**118 649**
Net profit (loss) attributable to equity holders of the parent entity	**106 081**	**12 568**	**-**	**118 649**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated statement of financial position as of 30.06.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
FIXED ASSETS	**324 923**	**17 644**	**(16 495)**	**326 072**
Tangible assets	16 502	2 647	-	19 149
Intangible assets	49 786	2 478	-	52 264
Expenditures on development projects	184 968	11 768	(2)	196 734
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	15 742	-	(15 742)	-
Shares in subsidiaries not subject to consolidation	981	-	-	981
Deferred income tax assets	-	751	(751)	-
Other long-term receivables	506	-	-	506
CURRENT ASSETS	**626 007**	**65 233**	**(3 925)**	**687 315**
Inventories	252	-	-	252
Trade receivables	36 346	2 322	(1 116)	37 552
Current income tax receivables	9 125	239	-	9 364
Other receivables	18 903	1 758	(2 809)	17 852
Prepaid expenses	1 725	12 673	-	14 398
Cash and cash equivalents	84 256	48 241	-	132 497
Bank deposits (maturity beyond 3 months)	475 400	-	-	475 400
TOTAL ASSETS	**950 930**	**82 877**	**(20 420)**	**1 013 387**

(all figures quoted in PLN thousands unless indicated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	**917 213**	**38 811**	**(15 744)**	**940 280**
Equity attributable to shareholders of the parent company	**917 213**	**38 811**	**(15 744)**	**940 280**
Share capital	96 120	136	(136)	96 120
Supplementary capital	734 844	7 883	(4 672)	738 055
Other reserve capital	20 730	2 054	(2 054)	20 730
Exchange rate differences on valuation of foreign entities	(495)	(315)	1 014	204
Retained earnings	12 404	30 231	(9 894)	32 741
Net profit (loss) for the reporting period	53 610	(1 178)	(2)	52 430
LONG-TERM LIABILITIES	**13 918**	**41**	**(751)**	**13 208**
Other financial liabilities	74	-	-	74
Deferred income tax liabilities	9 584	-	(751)	8 833
Deferred revenues	4 182	38	-	4 220
Provisions for employee benefits and similar liabilities	78	3	-	81
SHORT-TERM LIABILITIES	**19 799**	**44 025**	**(3 925)**	**59 899**
Other financial liabilities	244	-	-	244
Trade liabilities	7 282	32 673	(1 109)	38 846
Liabilities from current income tax	37	235	-	272
Other liabilities	1 578	7 069	(2 809)	5 838
Deferred revenues	585	3 330	-	3 915
Provisions for retirement benefits and similar liabilities	1	-	-	1
Other provisions	10 072	718	(7)	10 783
TOTAL EQUITY AND LIABILITIES	**950 930**	**82 877**	**(20 420)**	**1 013 387**

(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	(581)	(315)	1 014	118
Retained earnings	12 744	18 994	(9 894)	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**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

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

Important events

The assets, liabilities, equity, net financial result and cash flows of the CD PROJEKT Capital Group during the first half of 2018 were primarily influenced by continuing sales of The Witcher 3: Wild Hunt along with its two expansion packs (Hearts of Stone, Blood and Wine) as well as by ongoing development of future CD PROJEKT RED releases (Cyberpunk 2077, GWENT: The Witcher Card Game, GWENT: Thronebreaker).

An unusual circumstance affecting the Group’s assets, liabilities, equity, net financial result and cash flows was the agreement concluded on 18 May 2018, concerning the purchase of an enterprise which comprises the Wrocław-based Strange New Things development studio. Further information regarding this transaction can be found in Notes 4 and 22 and in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 30 June 2018.

On 28 November 2017 the 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 30.06.2018

	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:	**1 257**	**141**	**2 593**	**217**	**139**	**510**	**4 857**
purchases	315	1	2 512	-	139	510	3 477
purchase of enterprise	-	-	69	-	-	-	69
lease agreements	-	-	-	217	-	-	217
reclassification	869	140	-	-	-	-	1 009
acquisition free of chargé	29	-	-	-	-	-	29
others	44	-	12	-	-	-	56
Reductions from:	**-**	**-**	**4**	**98**	**-**	**1 009**	**1 111**
sales	-	-	4	98	-	-	102
reclassification	-	-	-	-	-	1 009	1 009
Gross carrying amount as of 30.06.2018	**14 449**	**141**	**23 117**	**2 155**	**1 334**	**138**	**41 334**
Depreciation as of 01.01.2018	**3 517**	**-**	**13 482**	**1 035**	**722**	**-**	**18 756**
Increases from:	**768**	**8**	**2 401**	**197**	**157**	**-**	**3 531**
depreciation	741	8	2 396	197	157	-	3 499
others	27	-	5	-	-	-	32
Reductions from:	**-**	**-**	**4**	**98**	**-**	**-**	**102**
sales	-	-	4	98	-	-	102
Depreciation as of 30.06.2018	**4 285**	**8**	**15 879**	**1 134**	**879**	**-**	**22 185**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-
Impairment allowances as of 30.06.2018	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**9 675**	**-**	**7 046**	**1 001**	**473**	**637**	**18 832**
Net carrying amount as of 30.06.2018	**10 164**	**133**	**7 238**	**1 021**	**455**	**138**	**19 149**

Contractual commitments for future acquisition of fixed assets

	30.06.2018	31.12.2017
Leasing of passenger cars	672	736
Purchase of immovable property in Warsaw at Jagiellońska 76 (1)	9 444	-
Total	**10 116**	**736**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 3. Intangibles and expenditures on development projects

Changes in intangibles and expenditures on development projects 01.01.2018 and 30.06.2018

	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:	**54 248**	**-**	**-**	**274**	**4 788**	**2 155**	**10 021**	**454**	**-**	**71 940**
purchases	-	-	-	274	4 788	2 155	-	454	-	7 671
purchase of enterprise	-	-	-	-	-	-	10 021	-	-	10 021
own creatoin	54 248	-	-	-	-	-	-	-	-	54 248
Reductions from:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross carrying amount as of 30.06.2018	**196 734**	**162 155**	**32 199**	**1 920**	**11 318**	**27 120**	**56 438**	**508**	**1**	**488 393**
Depreciation as of 01.01.2018	**-**	**162 155**	**-**	**764**	**-**	**17 777**	**-**	**-**	**1**	**180 697**
Increases from:	**-**	**-**	**-**	**127**	**-**	**2 133**	**-**	**-**	**-**	**2 260**
depreciation	-	-	-	127	-	2 133	-	-	-	2 260
Reductions from:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation as of 30.06.2018	**-**	**162 155**	**-**	**891**	**-**	**19 910**	**-**	**-**	**1**	**182 957**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 30.06.2018	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**142 486**	**-**	**32 199**	**882**	**6 530**	**7 188**	**46 417**	**54**	**-**	**235 756**
Net carrying amount as of 30.06.2018	**196 734**	**-**	**32 199**	**1 029**	**11 318**	**7 210**	**56 438**	**508**	**-**	**305 436**

Contractual commitments for future acquisition of intangibles

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 4. Goodwill

A change in goodwill occurred between 1 January and 30 June 2018 as a result of the purchase of an enterprise from od Strange New Things spółka z ograniczoną odpowiedzialnością sp. k., concluded on 18 May 2018. The goodwill generated by this purchase corresponds to the surplus of the purchase price over the total value of acquired net assets which cannot be disaggregated under IAS 38 (as a rule, it represents the inherent value of an organized team, its knowledge, experience and production capabilities). This additional goodwill was assigned to the CD PROJEKT RED activity segment. A description of the relevant transaction can be found in Note 22 and in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 30 June 2018.

Goodwill acquired in business combinations and purchase of enterprises

	CD Projekt Red sp. z o.o.	Enterprise Strange New Things	**Total**
Gross carrying amount as of 01.01.2018	**46 417**	**-**	**46 417**
Increases from:	**-**	**10 021**	**10 021**
purchase of enterprise	-	10 021	10 021
Gross carrying amount as of 30.06.2018	**46 417**	**10 021**	**56 438**
Impairment allowances as of 01.01.2018	**-**	**-**	**-**
Impairment allowances as of 30.06.2018	**-**	**-**	**-**
Net carrying amountas of 01.01.2018	**46 417**	**-**	**46 417**
Net carrying amount as of 30.06.2018	**46 417**	**10 021**	**56 438**
Deductible goodwill for the purposes of calculating income tax			**10 021**

The fair-value payment remitted by the parent company in exchange for the aforementioned enterprise was 10 181 thousand PLN. Of this amount 7 226 thousand PLN was settled in cash while 2 995 thousand PLN was settled in parent Company stock (21 105 shares), whose fair value was determined on the basis of the Company share price at the Warsaw Stock Exchange.

The value of identifiable assets and liabilities taken over in the aforementioned transaction, along with its associated purchase costs as recognized in this financial statement, is as follows:

	Fair value on date of acquisition
ASSETS	
Fixed assets	69
Other receivables	44
Prepaid expenses	23
Cash assets	26
Total assets	**162**
LIABILITIES	
Other liabilities	1
Total liabilities	**1**
Additional costs related to purchase of an enterprise and aggregated with general and administrative expenses	**273**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 5. Inventories

Changes in inventories

	30.06.2018	31.12.2017
Goods	238	300
Other materials	14	23
Gross inventories	**252**	**323**
Inventory impairment allowances	-	-
Net inventories	**252**	**323**

Changes in inventory impairment allowances

None reported.

Note 6. Trade and other receivables

Changes in receivables

	30.06.2018	31.12.2017
Trade and other receivabes	**55 404**	**63 843**
from affiliates	101	45
from external entities	55 303	63 798
Impairment allowances	**2 847**	**3 081**
Gross receivables	**58 251**	**66 924**

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	**234**	**-**
elimination of allowances due to collection of receivables	233	-
dissolution of allowances (writeoffs)	1	-
Impairment allowances as of 30.06.2018	**2 115**	**732**

(all figures quoted in PLN thousands unless indicated otherwise)

Impairment allowances on current and overdue trade receivables as of 30.06.2018

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	57	-	-	-	31	26	-
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	-	-	-	-	-	-	-
total expected credit loss	-	-	-	-	-	-	-
Net receivables	**57**	**-**	**-**	**-**	**31**	**26**	**-**

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	39 610	37 390	69	14	17	9	2 111
non-fulfillment ratio		0%	0%	0%	0%	3.39%	6.37%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	2 115	-	-	-	-	4	2 111
total expected credit loss	2 115	-	-	-	-	4	2 111
Net receivables	**37 495**	**37 390**	**69**	**14**	**17**	**5**	**-**
Total							
gross receivables	39 667	37 390	69	14	48	35	2 111
impairment allowances	2 115	-	-	-	-	4	2 111
Net receivables	**37 552**	**37 390**	**69**	**14**	**48**	**31**	**-**

Other receivables as of 30.06.2018

	30.06.2018	31.12.2017
Other receivables, including:	**17 852**	**17 582**
tax returns except corporate income tax	11 897	14 205
allowances for sales revenues (advance payments)	88	-
advance payments for supplies	2 931	2 195
deposits	420	125
employee settlements	101	52
prepaid licensing royalties	736	51
advance payments for fixed assets	1 667	940
others	12	14
Impairment allowances	**732**	**732**
Other gross receivables	**18 584**	**18 314**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 7. Prepaid expenses

	30.06.2018	31.12.2017*
Non-life insurance	165	122
Minimum guarantees; payments advanced to GOG	11 950	12 714
Access to online legal support portal	18	12
Software, licenses	940	736
Business travel (airfare, accommodation, insurance)	103	60
IT security	474	415
Production of marketing materials	278	-
Expenditures related to participation in fairs	116	-
Other prepaid expenses	354	237
Total prepaid expenses	**14 398**	**14 296**

** adjusted data*

Note 8. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2017	increases	reductions	30.06.2018
Provisions for other employee benefits	101	37	21	117
Provisions for compensation dependent on financial result	42 998	6 511	42 998	6 511
Tax loss	1 047	-	-	1 047
Negative exchange rate differences	935	1 622	1 526	1 031
Employee compensation and social security expenses payable in future reporting periods	3	5	3	5
Deferred revenues associated with adding funds to virtual wallets and participation in the additional benefits program	2 386	757	-	3 143
Other provisions	519	1 052	1 227	344
Other sources	-	43	-	43
Total negative temporary differences	**47 989**	**10 027**	**45 775**	**12 241**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets	**9 118**	**1 905**	**8 697**	**2 326**

Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2017	increases	reductions	30.06.2018
Difference between net carrying value and net tax value of fixed assets and intangibles	21 571	3 619	2 933	22 257
Income in the current period invoiced in the following period, and sales returns in the current period	34 950	45 141	44 536	35 555
Positive exchange rate differences	953	2 051	2 442	562
Other sources	399	100	144	355
Total positive temporary differences	**57 873**	**50 911**	**50 055**	**58 729**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax provisions	**10 996**	**9 673**	**9 510**	**11 159**

(all figures quoted in PLN thousands unless indicated otherwise)

Balance of deferred tax assets/provisions

	30.06.2018	31.12.2017
Deferred tax assets	2 326	9 118
Deferred tax provisions	11 159	10 996
Net deferred tax assets (provisions)	**(8 833)**	**(1 878)**

Income tax reported in profit/loss account

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Current income tax	7 195	29 038
Changes in deferred income tax	6 965	(1 416)
Income tax reported in profit/loss account	**14 160**	**27 622**

Note 9. Provisions for employee benefits and similar liabilities

Provisions for employee benefits and similar liabilities

	30.06.2018	31.12.2017
Provisions for retirement benefits and pensions	82	82
Total, including:	**82**	**82**
long-term provisions	81	81
short-term provisions	1	1

No changes in provisions for employee benefits and similar liabilities occurred between 1 January and 30 June 2018.

Note 10. Other provisions

	30.06.2018	31.12.2017
Provisions for warranty-covered repairs and returns	**24**	**62**
Provisions for liabilities, including:	**10 759**	**43 578**
financial statement audit and review expenses	50	40
provisions for bought-in services	274	163
provisions for bonuses dependent on the financial result	10 388	42 998
provisions for other expenses	47	377
Total, including:	**10 783**	**43 640**
long-term provisions	-	-
short-term provisions	10 783	43 640

(all figures quoted in PLN thousands unless indicated otherwise)

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	24	10 388	994	11 406
Provisions consumed	61	42 998	1 203	44 262
Provisions dissolved	1	-	-	1
As of 30.06.2018, including:	**24**	**10 388**	**371**	**10 783**
long-term provisions	-	-	-	-
short-term provisions	24	10 388	371	10 783

Note 11. Other liabilities

	30.06.2018	31.12.2017
Liabilities due to other taxes, duties, social security and similar expenses except corporate income tax	**5 792**	**6 114**
VAT	4 026	4 508
Flat-rate tax deducted at source	41	159
Personal income tax	840	937
Social security (ZUS) payments	815	471
National Fund for the Rehabilitation of the Disabled (PFRON) payments	25	22
PIT-8A settlements	45	17
Other liabilities	**46**	**656**
Liabilities associated with employee compensation	-	409
Other settlements with employees	7	2
Other settlements with members of the management boards of Capital Grop member companies	45	6
Social Benefits Fund (ZFŚS) – other settlements	(14)	(17)
Advance payments from foreign clients	8	256
Total other liabilities	**5 838**	**6 770**

Note 12. Disclosure of financial instruments

Fair value of financial instruments per class

The Group Member Companies' Managements have performed an analysis of each class of financial instruments and came to the conclusion that the carrying amount of each instrument does not vary significantly from their respective fair value both as of 30 June 2018 and as of 31 December 2017.

(all figures quoted in PLN thousands unless indicated otherwise)

Financial assets – classification and appraisal

	30.06.2018	31.12.2017
Financial assets held at amortized cost	**645 955**	**694 272**
Other long-term receivables	506	495
Trade receivables	37 552	46 261
Cash and cash equivalents	132 497	66 987
Bank deposits (maturity beyond 3 months)	475 400	580 529
Capital market instruments held at purchase price	**981**	**452**
Shares in subsidiaries excluded from consolidation	981	452
Total financial assets	**646 936**	**694 724**

Financial liabilities – classification and appraisal

	30.06.2018	31.12.2017
Financial liabilites held at amortized cost	**39 164**	**37 712**
Trade liabilities	38 846	37 374
Other financial liabilities	318	338

Note 13. Sales revenues

Sales revenues by territory

	01.01.2018-30.06.2018		01.01.2017-30.06.2017	
	PLN	%	PLN	%
Domestic sales	7 091	4.20%	7 638	3.00%
Exports, including:	**161 343**	**95.80%**	**247 186**	**97.00%**
Europe	49 531	29.41%	67 096	26.33%
North America	99 356	58.99%	141 472	55.51%
South America	1 363	0.81%	3 316	1.30%
Asia	7 134	4.24%	30 190	11.85%
Australia	3 573	2.12%	4 550	1.79%
Africa	386	0.23%	562	0.22%
Total	**168 434**	**100%**	**254 824**	**100%**

Sales revenues by production type

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Own products	108 772	199 621
External products	59 637	55 142
Other revenues	25	61
Total	**168 434**	**254 824**

(all figures quoted in PLN thousands unless indicated otherwise)

Sales revenues by distribution channel

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Box editions of videogames	13 702	33 247
Digital editions of videogames	153 343	210 107
Other revenues	1 389	11 470
Total	**168 434**	**254 824**

Note 14. Operating costs

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017*
Depreciation and impairment of fixed assets and intangibles	2 350	2 350
Consumption of materials and energy	663	478
Bought-in services	30 567	33 168
Taxes and fees	353	255
Employee compensation, social security and other benefits	27 551	37 088
Business travel	1 503	828
Value of goods and materials sold	43 738	37 598
Cost of products and services sold	91	488
Other costs	198	632
Total	**107 014**	**112 885**
Selling costs	46 639	58 470
General and administrative costs	16 546	16 329
Cost of products, goods and materials sold	43 829	38 086
Total	**107 014**	**112 885**

** adjusted data*

Note 15. Other operating revenues and expenses

Other operating revenues

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017*
Dissolution of provisions for employee benefits	-	1 234
Dissolution of provisions for liabilities	-	10
Subsidies	92	92
Allowances on expired liabilities	-	32
Reinvoicing revenues	309	236
Insurance claims and compensation for damages	12	118
Profit from sales of fixed assets	41	46
Withholding tax recovered	-	235
Other miscellaneous operating revenues	178	120
Total operating revenues	**632**	**2 123**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Other operating expenses

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Enforcement of receivables	-	48
Donations	41	5
Reinvoicing expenses	309	236
Receivables written off	-	32
Fixed assets written off	-	743
Unrecoverable withholding tax	26	7
Insurance costs	1	2
Disposal of materials and goods	69	-
Loss from revaluation of own shares	96	-
Expenses associated with other sales	112	214
Other taxes and fees	315	-
Other miscellaneous operating expenses	15	8
Total operating expenses	**984**	**1 295**

Note 16. Financial revenues and expenses

Financial revenues

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Revenues from interest:	**5 781**	**5 044**
on short-term bank deposits	5 776	5 041
on trade settlements	5	3
Other financial revenues, including:	**-**	**415**
forward currency contracts	-	41
profit from sales of shares	-	374
Total financial revenues	**5 781**	**5 459**

Financial expenses

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Interest payments:	**33**	**41**
on lease agreements	5	5
on budget commitments	28	36
Other financial expenses, including:	**459**	**2 394**
surplus negative exchange rate differences	459	2 394
Total financial expenses	**492**	**2 435**
Net financial expenses	**5 289**	**3 024**

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

Issue of debt securities

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

Issue of capital securities

	30.06.2018	31.12.2017
Stock volume (thousands)	96 120	96 120
Nominal value per share (PLN)	1	1
Share capital	**96 120**	**96 120**

Note 18. Dividends declared or paid out and collected

No dividends were declared or paid out by the Company between 1 January and 30 June 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 26 June 2014 specifying the rules for estimating the income of legal entities and avoiding double taxation when adjusting the income of affiliated legal entities (Journal of Laws of the Republic of Poland 2014, item 1186), 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 from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
SUBSIDIARIES								
CD PROJEKT Co., Ltd	29	-	2 045	666	57	25	322	663
GROUP MEMBER COMPANY EXECUTIVES								
Marcin Iwiński	4	3	-	-	7	7	13	1
Adam Kiciński	2	2	-	-	-	1	2	1
Piotr Nielubowicz	2	2	-	-	-	-	-	-
Michał Nowakowski	5	5	-	-	37	7	1	-
Adam Badowski	1	-	-	-	-	3	-	-
Piotr Karwowski	-	-	-	-	-	2	-	-
Oleg Klapovskiy	-	-	-	-	-	-	29	4
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarc	-	-	-	5	-	-	-	-

(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	30.06.2018	31.12.2017
mBank S.A.				
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920
Promissory note agreement	Framework agreement concerning forward and derivative transactions	PLN	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)				
Contract of guarantee	Guarantee of discharge of liabilities by GOG sp. z o.o.	EUR	155	155
Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)				
Promissory note agreement	Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2	PLN	798	798
National 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
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	5 114
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	3 857
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	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
BZ WBK Leasing S.A.				
Promissory note agreement	Lease agreement no. CZ5/00019/2016	PLN	-	320
Promissory note agreement	Lease agreement no. CZ5/00013/2017	PLN	161	403
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	70	175
Promissory note agreement	Lease agreement no. KZ7/00127/2018	PLN	130	-
BZ WBK S.A.				
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	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

On 18 May 2018 an agreement was concluded under which CD PROJEKT S.A. acquired the Strange New Things (SNT) development studio based in Wrocław. This purchase bolstered the CD PROJEKT RED team with nearly 20 experienced professionals who possess longstanding experience in videogame development. The studio will form the core of the new Wrocław branch of CD PROJEKT RED, tasked with project related to Cyberpunk 2077.

The takeover of SNT proceeded by way of acquisition of an enterprise from Strange New Things sp z o.o. sp. k. In compliance with the relevant authorization granted by the General Meeting of CD PROJEKT S.A. of 8 May 2018, part of this transaction was settled in Company stock (21 105 shares) previously bought back on the open market. These shares were turned over to erstwhile partners of Strange New Things sp. z o.o. sp. k. and subjected to temporary lock-up with a view towards forging a long-term bond between the committed resources and the results of the studio's activities.

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

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

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

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 mandates 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 – 30.06.2018	01.01.2017 – 30.06.2017
Total cash and cash equivalents reported in the cash flow statement	**132 497**	**85 169**
Cash on balance sheet	132 497	85 169
Depreciation	**2 350**	**2 350**
Depreciation of intangibles	894	1 232
Depreciation of fixed assets	1 456	1 118
Interest and profit sharing consists of:	**(5 771)**	**(5 041)**
Interest collected	(5 776)	(5 041)
Interest on lease agreements	5	-
Profit (loss) from investment activities consists of:	**299**	**945**
Revenues from sales of fixed assets	(41)	(59)
Net value of fixed assets sold	-	13
Net value of shares sold	-	195
Fixed assets received free of charge	(29)	-
Revaluation of short-term financial assets	-	53
Fixed assets written off	-	743
Loss on revaluation of own shares	96	-
Additional costs related to purchase of an enterprise aggregated with general and administrative expenses	273	-
Changes in provisions consist of:	**(32 857)**	**7 971**
Balance of changes in provisions for liabilities	(32 857)	8 211
Balance of changes in provisions for employee benefits	-	(240)
Changes in inventories consist of:	**71**	**(154)**
Balance of changes in inventories	71	(154)
Changes in receivables consist of:	**9 200**	**(825)**
Balance of changes in short-term receivables	(925)	(3 195)
Balance of changes in long-term receivables	(11)	(35)
Advance payments for fixed assets	727	-
Income tax set against withholding tax	3 547	14 316
Adjustments for current income tax	5 818	(11 911)
Receivables taken over in acquisition of an enterprise	44	-
Changes in short-term liabilities except financial liabilities consist of:	**287**	**3 799**
Balance of changes in short-term liabilities	(2 591)	1 604
Adjustments for current income tax	3 158	2 265
Adjustments for changes in financial liabilities	(54)	(157)
Adjustments for liabilities associated with purchases of fixed assets	232	487
Adjustments for liabilities associated with purchases of intangible assets	(457)	(400)
Liabilities taken over in acquisition of an enterprise	(1)	-
Changes in other assets and liabilities consist of:	**2 981**	**113**
Balance of changes in prepaid expenses	(102)	800
Balance of changes in deferred revenues	3 060	(687)
Prepaid expenses taken over in acquisition of an enterprise	23	-
Other adjustments consist of:	**4 551**	**2 094**
Costs of incentive program	4 440	4 982
Depreciation aggregated with cost of sales	49	39
Exchange rate differences	62	(2 927)

(all figures quoted in PLN thousands unless indicated otherwise)

Note 26. Cash flows and other non-monetary changes associated with financial liabilities

	01.01.2018	Cash flows	Non-monetary changes		30.06.2018
			Acquisitions	Accrued interest	
Lease liabilities	338	(242)	217	5	318
Total	**338**	**(242)**	**217**	**5**	**318**

Note 27. Events occurring after the balance sheet date

All relevant events occurring after the balance sheet date are presented in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 30 June 2018.

(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 – 30.06.2018	01.01.2017 – 30.06.2017*
Sales revenues		**107 205**	**183 807**
Revenues from sales of products		104 681	179 671
Revenues from sales of services		933	1 225
Revenues from sales of goods and materials		1 591	2 911
Cost of products, goods and materials sold		**2 271**	**3 830**
Cost of products and services sold		801	1 102
Value of goods and materials sold		1 470	2 728
Gross profit (loss) from sales		**104 934**	**179 977**
Other operating revenues		1 018	2 265
Selling costs		31 171	40 371
General and administrative costs		12 334	12 202
Other operating expenses		1 078	1 471
(Impairment losses)/reversal of impairment losses of financial instruments		221	480
Operating profit (loss)		**61 590**	**128 678**
Financial revenues		5 758	5 444
Financial expenses		30	2 604
Profit (loss) before tax		**67 318**	**131 518**
Income tax	A	13 765	25 592
Net profit (loss)		**53 553**	**105 926**
Net earnings per share (in PLN)			
Basic for the reporting period		0.56	1.10
Diluted for the reporting period		0.53	1.07

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim separate statement of comprehensive income

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Net profit (loss)	**53 553**	**105 926**
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	**53 553**	**105 926**

Condensed interim separate statement of financial position

	Note	30.06.2018	31.12.2017
FIXED ASSETS		**319 084**	**252 551**
Tangible assets		16 166	15 649
Intangibles		100 221	85 155
Expenditures on development projects		185 008	135 229
Investments in subsidiaries	F	17 056	16 023
Other financial assets	F	127	-
Other long-term receivables	F	506	495
WORKING ASSETS		**625 305**	**660 004**
Inventories		252	323
Trade receivables	E,F	36 162	37 058
Current income tax receivables		9 125	-
Other receivables	E	18 607	22 219
Other financial assets	F	382	444
Prepaid expenses		1 659	932
Cash and cash equivalents	F	83 718	18 499
Bank deposits (maturity beyond 3 months)	F	475 400	580 529
TOTAL ASSETS		**944 389**	**912 555**

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	30.06.2018	31.12.2017
EQUITY		**910 202**	**851 680**
Equity attributable to shareholders of the entity		**910 202**	**851 680**
Share capital	17*	96 120	96 120
Supplementary capital		739 799	539 294
Other reserve capital		20 730	15 212
Retained earnings		-	16 441
Net profit (loss) for the reporting period		53 553	184 613
LONG-TERM LIABILITIES		**14 159**	**5 280**
Other financial liabilities	F	74	148
Deferred income tax liabilities	A	9 825	3 071
Deferred revenues		4 182	1 983
Provisions for employee benefits and similar liabilities		78	78
SHORT-TERM LIABILITIES		**20 028**	**55 595**
Other financial liabilities	F	244	190
Trade liabilities	F	7 551	9 972
Current income tax liabilities		-	2 158
Other liabilities		1 578	1 650
Deferred revenues		585	586
Provisions for employee benefits and similar liabilities		1	1
Other provisions		10 069	41 038
TOTAL EQUITY AND LIABILITIES		**944 389**	**912 555**

** 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	Own shares	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2018 – 30.06.2018							
Equity as of 01.01.2018	**96 120**	**539 294**	**-**	**15 212**	**201 054**	**-**	**851 680**
Cost of incentive program	-	-	-	4 969	-	-	4 969
Creation of reserve capital to finance purchase of own shares	-	(3 600)	-	3 600	-	-	-
Purchase of own shares	-	-	3 051	(3 051)	-	-	-
Transfer of own shares as partial payment for purchase of an enterprise	-	3 051	(3 051)	-	-	-	-
Allocation of net profit/coverage of losses	-	201 054	-	-	(201 054)	-	-
Total comprehensive income	-	-	-	-	-	53 553	53 553
Equity as of 30.06.2018	**96 120**	**739 799**	**-**	**20 730**	**-**	**53 553**	**910 202**

(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 – 30.06.2017						
Equity as of 01.01.2017	**96 120**	**390 518**	**4 795**	**266 143**	**-**	**757 576**
Cost of incentive program	-	-	4 982	-	-	4 982
Payment in own shares	-	-	-	-	-	-
Allocation of net profit/coverage of losses	-	148 776	-	(148 776)	-	-
Dividend payments	-	-	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	-	105 926	105 926
Equity as of 30.06.2017	**96 120**	**539 294**	**9 777**	**16 441**	**105 926**	**767 558**

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim statement of changes in separate cash flows

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
OPERATING ACTIVITIES		
Net profit (loss)	**53 553**	**105 926**
Total adjustments:	**(26 744)**	**16 285**
Depreciation of fixed assets and intangibles	1 320	872
Profit (loss) from exchange rate differences	9	188
Interest and profit sharing (dividends)	(5 540)	(5 023)
Profit (loss) from investment activities	299	945
Change in provisions	(30 969)	7 521
Change in inventories	71	(154)
Change in receivables	5 267	(477)
Change in liabilities excluding credits and loans	(2 721)	8 810
Change in other assets and liabilities	1 494	(902)
Other adjustments	4 026	4 505
Cash flows from operating activities	**26 809**	**122 211**
Income tax on profit (loss) before taxation	13 765	25 592
Income tax (paid)/reimbursed	(18 265)	(33 442)
Net cash flows from operating activities	**22 309**	**114 361**
INVESTMENT ACTIVITIES		
Inflows	**633 746**	**385 153**
Liquidation of intangibles and fixed assets	41	59
Cash assets acquired in takeover of enterprise	26	-
Repayment of long-term loans granted	205	236
Closing bank deposits (maturity beyond 3 months)	627 929	379 835
Other inflows from investment activities	5 545	5 023
Outflows	**590 594**	**538 265**
Purchases of intangibles and fixed assets	10 115	7 756
Expenditures on development projects	46 849	30 907
Purchase of enterprise	10 550	-
Long-term loans granted	280	2 055
Opening bank deposits (maturity beyond 3 months)	522 800	497 547
Net cash flows from investment activities	**43 152**	**(153 112)**

(all figures quoted in PLN thousands unless indicated otherwise)

FINANCIAL ACTIVITIES

Outflows	**242**	**107 790**
Dividends and other payments due to shareholders	-	100 926
Payment of liabilities under financial lease agreements	237	340
Interest payments	5	-
Other outflows from financial activities (incl. cash pool)	-	6 524
Net cash flows from financial activities	**(242)**	**(107 790)**
Total net cash flows	**65 219**	**(146 541)**
Change in cash and cash equivalents on balance sheet	**65 219**	**(146 541)**
Cash and cash equivalents at beginning of period	**18 499**	**180 548**
Cash and cash equivalents at end of period	**83 718**	**34 007**

Clarifications regarding the separate statement of cash flows

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
The "other adjustments" line item comprises:	**4 026**	**4 505**
Cost of incentive program	3 936	4 410
Depreciation aggregated with cost of sales and consortium settlements	90	95

(all figures quoted in PLN thousands unless indicated otherwise)

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 30 June 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 30 June 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 reference period between 1 January and 30 June 2017. Specifically, the following adjustments were introduced:

- In the separate profit and loss account for the period between 1 January and 30 June 2017 the presentation of revenues from revaluation of financial instruments was adjusted as follows:
    - (Impairment)/reversal of impairment of financial instruments – adjusted by 480 thousand PLN
    - Other operating revenues – adjusted by (480) thousand PLN

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

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 30 June 2018 are as follows:

- 221 thousand PLN – elimination of depreciation allowances due to collection of receivables,
- 1 thousand PLN – elimination of depreciation allowances due to writeoffs of unrecoverable receivables,
- 632 thousand PLN – creation of other provisions,
- 907 thousand PLN – reduction in other provisions due to partial use,
- 9 969 thousand PLN – creation of provisions for compensation dependent on financial result,
- 40 663 thousand PLN – reduction in provisions for compensation dependent on financial result due to partial use.

A. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2017	increases	reductions	30.06.2018
Provisions for other employee benefits	101	37	21	117
Provisions for compensation dependent on financial result	40 663	6 091	40 663	6 091
Negative exchange rate differences	309	433	622	120
Other provisions	289	527	744	72
Other sources	-	32	-	32
Total negative temporary differences	**41 362**	**7 120**	**42 050**	**6 432**
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax assets	**7 858**	**1 353**	**7 990**	**1 221**

Positive temporary differences requiring creation of deferred tax provisions

	31.12.2017	increases	reductions	30.06.2018
Difference between net carrying amount and net tax value of fixed assets and intangibles	22 424	2 600	2 655	22 369
Revenues obtained in the current period but invoiced in future periods	34 619	44 610	43 826	35 403
Positive exchange rate differences	81	67	137	11
Other sources	398	100	144	354
Total positive temporary differences	**57 522**	**47 377**	**46 762**	**58 137**
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax provisions	**10 929**	**9 002**	**8 885**	**11 046**

Balance of deferred tax assets/provisions

	30.06.2018	31.12.2017
Deferred tax assets	1 221	7 858
Deferred tax provisions	11 046	10 929
Net deferred tax assets (provisions)	**(9 825)**	**(3 071)**

(all figures quoted in PLN thousands unless indicated otherwise)

Income tax reported in profit and loss account

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Current income tax	7 011	27 357
Change in deferred income tax	6 754	(1 765)
Income tax reported in profit and loss account	**13 765**	**25 592**

B. Goodwill

A change in goodwill occurred between 1 January and 30 June 2018 as a result of the purchase of an enterprise from Strange New Things spółka z ograniczoną odpowiedzialnością sp. k., concluded on 18 May 2018. The goodwill generated by this purchase corresponds to the surplus of the purchase price over the total value of acquired net assets which cannot be disaggregated under IAS 38 (as a rule, it represents the inherent value of an organized team, its knowledge, experience and production capabilities). This additional goodwill was assigned to the CD PROJEKT RED activity segment. A description of the relevant transaction can be found in Note 22 attached to the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2018, and in the Management Board report on CD PROJEKT Capital Group activities for the corresponding period.

Goodwill acquired in business combinations and purchase of enterprises

	CD Projekt Red sp. z o.o.	Enterprise Strange New Things	**Total**
Gross carrying amount as of 01.01.2018	**39 147**	**-**	**39 147**
Increases from:	**-**	**10 021**	**10 021**
purchase of enterprise	-	10 021	10 021
Gross carrying amount as of 30.06.2018	**39 147**	**10 021**	**49 168**
Impairment allowances as of 01.01.2018	**-**	**-**	**-**
Impairment allowances as of 30.06.2018	**-**	**-**	**-**
Net carrying amountas of 01.01.2018	**39 147**	**-**	**39 147**
Net carrying amountas of 30.06.2018	**39 147**	**10 021**	**49 168**
Deductible goodwill for the purposes of calculating income tax			**10 021**

The fair-value payment remitted by the parent company in exchange for the aforementioned enterprise was 10 181 thousand PLN. Of this amount 7 226 thousand PLN was settled in cash while 2 995 thousand PLN was settled in parent Company stock (21 105 shares), whose fair value was determined on the basis of the Company share price at the Warsaw Stock Exchange.

The value of identifiable assets and liabilities taken over in the aforementioned transaction, along with its associated purchase costs as recognized in this financial statement, is as follows:

	Fair value on date of acquisition
ASSETS	
Fixed assets	69
Other receivables	44
Prepaid expenses	23
Cash assets	26
Total assets	**162**
LIABILITIES	
Other liabilities	1
Total liabilities	**1**
Additional costs related to purchase of an enterprise and aggregated with general and administrative expenses	**273**

(all figures quoted in PLN thousands unless indicated otherwise)

C. Business combinations

The Company did not merge with any other entity between 1 January and 30 June 2018.

D. Dividends declared or paid out and collected

The Company did not pay out or collect any dividends between 1 January and 30 June 2018.

E. Trade and other receivables

Changes in receivables

	30.06.2018	31.12.2017
Trade and other receivables	**54 769**	**59 277**
from affiliates	3 832	6 811
from external entities	50 937	52 466
Impairment allowances	**2 847**	**3 069**
Gross trade and other receivables	**57 616**	**62 346**

Changes in impairment allowances on receivables

	Trade receivables	Other receivables
OTHER ENTITIES		
Impairment allowances as of 01.01.2018	**2 337**	**732**
Increases	**-**	**-**
Reductions from:	**222**	**-**
dissolution of allowances due to collection of receivables	221	-
dissolution of allowances (writeoffs)	1	-
Impairment allowances as of 31.03.2018	**2 115**	**732**

Calculation of impairment allowances as of 30.06.2018

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	979	921	1	-	31	26	-
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	-	-	-	-	-	-	-
total expected credit loss	-	-	-	-	-	-	-
Net receivables	**979**	**921**	**1**	**-**	**31**	**26**	**-**

(all figures quoted in PLN thousands unless indicated otherwise)

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	37 298	35 166	-	14	3	4	2 111
non-fulfillment ratio		0%	0%	0%	0%	3,39%	6,37%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	2 115	-	-	-	-	4	2 111
total expected credit loss	2 115	-	-	-	-	4	2 111
Net receivables	**35 183**	**35 166**	**-**	**14**	**3**	**-**	**-**
Total							
gross receivables	38 277	36 087	1	14	34	30	2 111
Impairment allowances	2 115	-	-	-	-	4	2 111
Net receivables	**36 162**	**36 087**	**1**	**14**	**34**	**26**	**-**

Other receivables as of 30.06.2018

	30.06.2018	31.12.2017
Other receivables, including:	**18 607**	**22 219**
tax returns except corporate income tax	11 149	13 181
advance payments for supplies	2 790	2 183
consortium settlements	2 809	5 818
deposits	92	35
advance payments for fixed assets	1 667	940
employee settlements	90	52
others	10	10
Impairment allowances	**732**	**732**
Other gross receivables	**19 339**	**22 951**

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 as of 30 June 2018, 31 December 2017 respectively.

(all figures quoted in PLN thousands unless indicated otherwise)

Financial assets – classification and appraisal

	30.06.2018	31.12.2017
Financial assets held at amortized cost	**596 295**	**637 025**
Other long-term receivables	506	495
Trade receivables	36 162	37 058
Other financial assets	509	444
Cash and cash equivalents	83 718	18 499
Bank deposits (maturity beyond 3 months)	475 400	580 529
Capital market instruments held at purchase price	**17 056**	**16 023**
Investments in subsidiaries	17 056	16 023
Total financial assets	**613 351**	**653 048**

Financial liabilities – classification and appraisal

	30.06.2018	31.12.2017
Financial liabilities held at amortized cost	**7 869**	**10 310**
Trade liabilities	7 551	9 972
Other financial liabilities	318	338

(all figures quoted in PLN thousands unless indicated otherwise)

G. Transactions with affiliates

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
SUBSIDIARIES								
GOG sp. z o.o. (formerly GOG Poland sp. z o.o.)	3 864	1 109	83	9	3 731	6 765	11	58
GOG Ltd.*	-	23 602	-	101	-	-	-	-
CD PROJEKT Inc.	8	267	2 607	2 892	509	444	349	773
CD Projekt Co., Ltd.	29	-	1 725	666	57	25	304	613
COMPANY EXECUTIVES								
Marcin Iwiński	4	3	-	-	7	8	13	1
Adam Kiciński	2	2	-	-	-	1	2	1
Piotr Nielubowicz	2	2	-	-	-	-	-	-
Michał Nowakowski	5	5	-	-	37	7	1	-
Adam Badowski	1	-	-	-	-	3	-	-
Piotr Karwowski	-	-	-	-	-	2	-	-
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarc	-	-	-	5	-	-	-	-

** 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 1 January 2018. 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).

With regard to the entity contracted to review the condensed interim consolidated financial statement

On 14 June 2018 the Supervisory Board of the parent company concurred with the Audit Committee recommendation and selected Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań as the entity contracted to review the semiannual financial statements and to perform an audit of the annual consolidated financial statements of the Company and its Capital Group for 2018 and 2019. Grant Thornton Polska sp. z o.o. sp. k. is authorized to conduct audits of financial statements by the National Chamber of Licensed Auditors (license no. 4055).

Approval of financial statement

This semiannual financial statement was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 28 August 2018.

Warsaw, 28 August 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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