CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF THE

CD PROJEKT CAPITAL GROUP

FOR THE PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 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 - 30.09.2018	01.01.2017 - 30.09.2017*	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017*
Net revenues from sales of products, services, goods and materials	235 601	339 571	55 390	79 775
Cost of products, goods and materials sold	63 350	56 938	14 894	13 376
Operating profit (loss)	79 582	186 226	18 710	43 750
Profit (loss) before tax	86 743	190 703	20 393	44 802
Net profit (loss) attributable to equity holders of parent entity	67 917	154 380	15 967	36 268
Net cash flows from operating activities	57 161	197 961	13 439	46 507
Net cash flows from investment activities	(75 317)	(263 575)	(17 707)	(61 921)
Net cash flows from financial activities	(649)	(101 309)	(153)	(23 801)
Total net cash flows	(18 805)	(166 923)	(4 421)	(39 215)
Stock volume (thousands)	96 120	96 120	96 120	96 120
Net earnings per ordinary share (PLN/EUR)	0.71	1.61	0.17	0.38
Diluted net earnings per ordinary share (PLN/EUR)	0.67	1.55	0.16	0.36
Book value per share (PLN/EUR)	9.98	8.68	2.34	2.01
Diluted book value per share (PLN/EUR)	9.39	8.40	2.20	1.95
Declared or paid out dividend per share (PLN/EUR)	-	1.05	-	0.25

** adjusted data*

	PLN		EUR	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Total assets	1 025 968	981 513	240 195	235 324
Liabilities and provisions for liabilities (less accrued charges)	57 805	93 539	13 533	22 427
Long-term liabilities	10 832	4 130	2 536	990
Short-term liabilities	56 304	94 484	13 182	22 653
Equity	958 832	882 899	224 477	211 681
Share capital	96 120	96 120	22 503	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: 4.2535 PLN/EUR for the period between 1 January and 30 September 2018, and 4.2566 PLN/EUR for the period between 1 January and 30 September 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: 4.2714 PLN/EUR on 30 September 2018 and 4.1709 PLN/EUR on 31 December 2017 respectively.

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Primary Financial Data of the CD PROJEKT Capital Group

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Condensed interim consolidated profit and loss account

	Note	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017*	01.01.2017 – 30.09.2017*
Sales revenues		**67 167**	**235 601**	**84 889**	**339 571**
Revenues from sales of products	13	40 675	149 447	59 087	258 583
Revenues from sales of services	13	37	62	30	98
Revenues from sales of goods and materials	13	26 455	86 092	25 772	80 890
Cost of products, goods and materials sold		**19 521**	**63 350**	**18 833**	**56 938**
Cost of products and services sold	14	700	791	403	891
Value of goods and materials sold	14	18 821	62 559	18 430	56 047
Gross profit (loss) from sales		**47 646**	**172 251**	**66 056**	**282 633**
Other operating revenues	15	304	912	950	3 063
Selling costs	14	20 235	66 884	15 535	73 823
General and administrative costs	14	8 729	25 276	7 638	24 177
Other operating expenses	15	638	1 600	1 064	2 351
(Impairment losses)/reversal of impairment losses of financial instruments		(54)	179	401	881
Operating profit (loss)		**18 294**	**79 582**	**43 170**	**186 226**
Financial revenues	16	1 946	7 340	2 187	7 648
Financial expenses	16	92	179	898	3 171
Profit (loss) before tax		**20 148**	**86 743**	**44 459**	**190 703**
Income tax	8	4 661	18 826	8 728	36 323
Net profit (loss)		**15 487**	**67 917**	**35 731**	**154 380**
Net profit (loss) attributable to equity holders of parent entity		15 487	67 917	35 731	154 380
Net earnings per share (in PLN)					
Basic for the reporting period		0.16	0.71	0.37	1.61
Diluted for the reporting period		0.15	0.67	0.36	1.55

** adjusted data*

The greatest contribution to the revenues of the CD PROJEKT Capital Group in Q3 2018 was from **Revenues from sales of products**, which included:

a) Royalties associated with ongoing strong sales of The Witcher 3: Wild Hunt together with its expansion packs (Hearts of Stone and Blood and Wine) – sold separately and as the Game of the Year Edition bundle.

b) Sales generated within GWENT: The Witcher Card Game, which, as of 30 September 2018, remained in the open beta phase, as well as updates introduced in the scope of the Homecoming project, originally announced in April 2018.

Upcoming product-related events which may significantly affect the Group's revenues include finalization of the Homecoming projects which is scheduled for the fourth quarter of the year, and will coincide with the end of the beta testing phase of GWENT and official release of this game as well as of Thronebreaker: The Witcher Tales.

Revenues from sales of goods and materials by the Group were mostly related to sales carried out on GOG.com, distribution of games from external suppliers to final customers as well as – to a lesser extent – sales of physical components of box editions (carrier media, boxes etc.) by CD PROJEKT RED.

The **Cost of products, services, goods and materials sold** mostly corresponds to selling costs at GOG.com and – to a lesser extent – costs associated with sales of physical components of box editions (carrier media, boxes etc.) at CD PROJEKT RED.

(all figures quoted in PLN thousands unless indicated otherwise)

Regarding costs, the third quarter of the year was dominated by **Selling costs**, which comprised mainly advertising and promotional expenses in each of the Group's activity segments - particularly activities undertaken by CD PROJEKT RED in relation to marketing of GWENT: The Witcher Card Game and Cyberpunk 2077 (including promoting the game at gamescom in Cologne, in August 2018). In the GOG.com segment selling costs included part of GWENT promotional expenses borne by that segment under the relevant consortium agreement, GOG.com marketing activities and transaction costs related to carrying out sales via the digital distribution platform. This category also aggregates costs and provisions for compensation contingent upon the Group's financial result, as well as costs of other bought-in sales support services. The reported increase compared to the third quarter of the previous year was mainly due to the Cyberpunk 2077 promotional campaign launched in 2018.

The main contribution to **General and administrative expenses** at the CD PROJEKT Capital Group was from compensation and provisions for compensation contingent upon the Group's financial result (including liabilities arising from valuation of its incentive program) as well as certain bought-in services which qualify as general and administrative expenses. The reported increase in the third quarter of 2018 was mostly due to ongoing recruitment and upscaling of activities in both activity segments of the Capital Group.

The Group's consolidated **Net profit** in the third quarter of the year was 15 487 thousand PLN. This figure is lower than the reference value mostly due to the CD PROJEKT RED publishing schedule, where the current period is marked by lower revenues from sales of older products, coupled with increased expenditures related to upcoming releases.

The Group's net profitability (share of net profit in sales revenues) for the reporting period was 23.1%.

Condensed interim consolidated statement of comprehensive income

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
Net profit (loss)	**15 487**	**67 917**	**35 731**	**154 380**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	**(12)**	**74**	**(279)**	**(3 549)**
exchange rate differences on valuation of foreign entities	(12)	74	(279)	(3 549)
Other comprehensive income which will not be entered as profit (loss)	**-**	**-**	**-**	**-**
Total comprehensive income	**15 475**	**67 991**	**35 452**	**150 831**
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.	**15 475**	**67 991**	**35 452**	**150 831**

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim consolidated statement of financial position

	Note	30.09.2018	30.06.2018*	31.12.2017*
FIXED ASSETS		**358 309**	**326 072**	**255 535**
Tangible assets	2	19 984	19 149	18 832
Intangibles	3	50 312	50 807	46 209
Expenditures on development projects	3	227 987	198 191	143 130
Goodwill	3,4	56 438	56 438	46 417
Shares in subsidiaries excluded from consolidation	12	3 082	981	452
Other long-term receivables	12	506	506	495
CURRENT ASSETS		**667 659**	**687 315**	**725 978**
Inventories	5	349	252	323
Trade receivables	6,12	26 432	37 552	46 261
Current income tax receivables		4 931	9 364	-
Other receivables	6	21 762	17 852	17 582
Prepaid expenses	7	12 607	14 398	14 296
Cash and cash equivalents	12	48 182	132 497	66 987
Bank deposits (maturity beyond 3 months)	12	553 396	475 400	580 529
TOTAL ASSETS		**1 025 968**	**1 013 387**	**981 513**

The value and structure of the CD PROJEKT Capital Group's **Fixed assets** did not undergo appreciable changes during the reporting period except for **Expenditures on development projects** which increased in value by 29 907 thousand PLN mostly due to ongoing development of products which have not yet been released as of the balance sheet date – this includes Cyberpunk 2077, GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales.

In the third quarter of 2018 CD PROJEKT S.A. took over a majority stake (75%) in the newly incorporated member company of the Capital Group – Spokko sp. z o.o. This accounts for the increase in the reported value of **Shares in subsidiaries excluded from consolidation**.

The Group's **Trade receivables** are primarily composed of licensing royalties payable to CD PROJEKT S.A. in accordance with quarterly sales reports collected by CD PROJEKT RED. The reported reduction in value compared to the end of H1 2018 was mostly associated with collection of receivables following strong sales in the second quarter of the year.

The bulk of the Group's **Other receivables** was represented by income tax deducted at source by foreign clients who purchase licenses from CD PROJEKT S.A., reportable in the Company's annual financial statement. This line item also aggregates advance payments for purchases of fixed assets, which increased in the third quarter of 2018 in association with the purchase of a commercial property adjacent to the Company's current registered office, for which advance payment has been remitted. Other receivables furthermore aggregate VAT settlements and advance payments for services which are to be rendered during future reporting periods.

The aggregate value of **Cash and cash equivalents** and **Bank deposits (maturity beyond 3 months)** at the end of September 2018 was 601 578 thousand PLN and did not change significantly over the reporting period despite major expenditures on development of new videogames and technologies.

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	30.09.2018	30.06.2018*	31.12.2017
EQUITY		**958 832**	**940 531**	**882 899**
Equity attributable to equity holders of parent entity		**958 832**	**940 531**	**882 899**
Share capital	17	96 120	96 120	96 120
Supplementary capital		751 337	751 337	549 335
Other reserve capital		23 556	20 730	15 212
Exchange rate differences		443	455	118
Retained earnings		19 459	19 459	21 844
Net profit (loss) for the reporting period		67 917	52 430	200 270
LONG-TERM LIABILITIES		**10 832**	**13 208**	**4 130**
Other financial liabilities	12	187	74	148
Deferred income tax liabilities	8	6 091	8 833	1 878
Deferred revenues		4 473	4 220	2 023
Provisions for employee benefits and similar liabilities	9	81	81	81
SHORT-TERM LIABILITIES		**56 304**	**59 648**	**94 484**
Other financial liabilities	12	274	244	190
Trade liabilities	12	32 497	38 846	37 374
Current income tax liabilities		-	272	3 457
Other liabilities	11	4 615	5 587	6 770
Deferred revenues		4 858	3 915	3 052
Provisions for employee benefits and similar liabilities	9	1	1	1
Other provisions	10	14 059	10 783	43 640
TOTAL EQUITY AND LIABILITIES		**1 025 968**	**1 013 387**	**981 513**

** adjusted data*

As of 30 September 2018 the **Equity** of the CD PROJEKT Capital Group was 958 832 thousand PLN. The reported increase is mostly attributable to the net profit in the reporting period, in the amount of 15 487 thousand PLN.

The second major component of the Group's aggregate equity and liablities was represented by **Trade liabilities**, which decreased compared to the end of the second quarter. This decrease resulted mainly from payment of royalties due to external suppliers following strong Q2 sales in the GOG.com segment.

Other provisions include provisions for compensation contingent upon the Group's financial result in the preceding year, as well as – to a lesser extent – provisions for other liabilities in each of the Group's activity segments.

As at the end of September 2018, the wealth of the CD PROJEKT Capital Group were financed in 93.5% by equity. Short-term and long-term liabilities accounted for 6.5% of the total equity and liabilities presented and did not change significantly during the reporting period.

(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 – 30.09.2018									
Equity as of 01.01.2018	**96 120**	**549 335**	**-**	**15 212**	**118**	**222 114**	**-**	**882 899**	**882 899**
Rectification of fundamental errors	-	2 441	-	-	251	(2 545)	-	147	147
Equity after adjustments	**96 120**	**551 776**		**15 212**	**369**	**219 569**	**-**	**883 046**	**883 046**
Cost of incentive program	-	-	-	7 795	-	-	-	7 795	7 795
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 the purchase of an enterprise	-	3 051	(3 051)	-	-	-	-	-	-
Allocation of net profit/coverage of losses	-	200 110	-	-	-	(200 110)	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	74	-	67 917	67 991	67 991
Equity as of 30.09.2018	**96 120**	**751 337**	-	**23 556**	**443**	**19 459**	**67 917**	**958 832**	**958 832**

The Group rectified the settlement of a merger which took place in the GOG.com segment, errors in recognition of income tax, as well as coverage of 2016 losses as reported in the financial statement of GOG sp. z o.o. for 31 December 2017. These adjustments resulted in an increase in the reported equity by 147 thousand PLN.

(all figures quoted in PLN thousands unless indicated otherwise)

CD PROJEKT

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2017 – 30.09.2017								
Equity as of 01.01.2017	**96 120**	**403 001**	**4 795**	**3 918**	**269 104**	**-**	**776 938**	**776 938**
Cost of incentive program	-	-	7 622	-	-	-	7 622	7 622
Allocation of net profit/coverage of losses	-	146 334	-	-	(146 334)	-	-	-
Dividend payments	-	-	-	-	(100 926)	-	(100 926)	(100 926)
Total comprehensive income	-	-	-	(3 549)	-	154 380	150 831	150 831
Equity as of 30.09.2017	**96 120**	**549 335**	**12 417**	**369**	**21 844**	**154 380**	**834 465**	**834 465**

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim consolidated statement of cash flows

	Note	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017*	01.01.2017 – 30.09.2017*
OPERATING ACTIVITIES					
Net profit (loss)		**15 487**	**67 917**	**35 731**	**154 380**
Total adjustments:	**25**	**12 388**	**(6 504)**	**40 802**	**52 084**
Depreciation of fixed assets and intangibles		1 040	3 303	1 268	3 619
Depreciation of development projects		74	161	-	-
Interest and profit sharing (dividends)		(1 549)	(7 319)	(2 180)	(7 222)
Profit (loss) from investment activities		23	322	(2)	908
Change in provisions		3 276	(29 581)	5 747	13 718
Change in inventories		(97)	(26)	54	(100)
Change in receivables		11 210	20 409	44 355	43 529
Change in liabilities excluding credits and loans		(7 304)	(7 019)	(14 135)	(10 337)
Change in other assets and liabilities		2 987	5 968	3 294	3 407
Other adjustments		2 728	7 278	2 401	4 562
Cash flows from operating activities		**27 875**	**61 413**	**76 533**	**206 464**
Income tax on pre-tax profit (loss)		4 661	18 826	8 728	36 323
Income tax (paid)/reimbursed		(3 240)	(23 078)	(11 162)	(44 826)
Net cash flows from operating activities		**29 296**	**57 161**	**74 099**	**197 961**
INVESTMENT ACTIVITIES					
Inflows		**477 141**	**787 391**	**228 784**	**695 720**
Disposal of intangibles and fixed assets		188	228	4	63
Cash assets gained in the acquisition of an enterprise		-	26	-	-
Closing bank deposits (maturity beyond 3 months)		475 400	779 809	226 600	688 435
Other inflows from investment activities		1 553	7 328	2 180	7 222
Outflows		**590 344**	**862 708**	**337 563**	**959 295**
Purchases of intangibles and fixed assets		6 777	17 487	2 235	11 008
Expenditures on development projects		28 171	79 995	18 246	51 658
Acquisition of an enterprise		-	10 550	-	-
Capital contribution to subsidiary company		2 000	2 000	452	452
Opening bank deposits (maturity beyond 3 months)		553 396	752 676	316 630	896 177
Net cash flows from investment activities		**(113 203)**	**(75 317)**	**(108 779)**	**(263 575)**

(all figures quoted in PLN thousands unless indicated otherwise)

FINANCIAL ACTIVITIES

Inflows	**-**	**-**	**-**	**-**
Outflows	**408**	**649**	**43**	**101 309**
Dividends and other payments due to shareholders	-	-	-	100 926
Payment of liabilities under financial lease agreements	404	640	43	383
Interest payments	4	9	-	-
Net cash flows from financial activities	**(408)**	**(649)**	**(43)**	**(101 309)**
Total net cash flows	**(84 315)**	**(18 805)**	**(34 723)**	**(166 923)**
Change in cash and cash equivalents on balance sheet	**(84 315)**	**(18 805)**	**(34 723)**	**(166 923)**
Cash and cash equivalents at beginning of period	**132 497**	**66 987**	**85 169**	**217 369**
Cash and cash equivalents at end of period	**48 182**	**48 182**	**50 446**	**50 446**

** adjusted data*

With regard to **Net cash flows from operating activities**, in the third quarter of 2018 the CD PROJEKT Capital Group reported 29 296 thousand PLN in positive cash flows, mostly due to a significant surplus of sales revenues in relation to the corresponding monetary expenses. Given the Group's release schedule, which foresaw no new product releases throughout the first three quarters of 2018, cash flows during this period were lower than during the reference period in 2017, which coincided with the launch of the open beta of GWENT: The Witcher Card Game. The reported level of operating cash flows in Q3 2018 was also affected by the following net profit adjustments: collection of trade receivables at CD PROJEKT RED and settlement of trade liabilities at GOG.com, as recognized at the end of the second quarter of 2018.

The reported **Net cash flows from investment activities** were primarily affected by the Company's policy of allocating surplus cash as bank deposits. The value of bank deposits with maturity periods longer than 3 months created during the reporting period and reported as „outflows" was 553 396 thousand PLN, whereas the value of bank deposits which reached maturity during this period, and are reported as „inflows" was 475 400 thousand PLN. Consequently, the balance of bank deposits with maturity periods longer than 3 months decreased by 77 996 thousand PLN, which accounts for the bulk of negative cash flows from investment activities. In addition, as part of its investment activities in the third quarter of 2018, the Group (both CD PROJEKT S.A. and GOG sp. z o.o.) incurred R&D expenses in the amount of 28 171 thousand PLN. These expenditures are chiefly associated with ongoing development of Cyberpunk 2077, GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales, as well as other R&D projects currently underway at GOG.com.

Compared to the reference period in 2017, the reported increase in R&D expenses (development projects) in the third quarter of the year was mostly due to the following:

- ongoing expansion of the development team and upscaling of development activities at CD PROJEKT S.A. and GOG sp. z o.o.,
- intensive development work on Cyberpunk 2077, particularly in the run-up to Gamescom, where the game was showcased to media representatives and business partners,
- increases expenses associated with GWENT: The Witcher Card Game due to implementation of the Homecoming project, finalization of the beta testing phase and the upcoming release of both GWENT and Thronebreaker: The Witcher Tales, scheduled for the fourth quarter of 2018.

No significant **Net cash flows from financial activities** were generated during the reporting period.

The balance of **Cash and cash equivalents** (not including bank deposits with maturity periods longer than 3 months) decreased by 84 315 thousand PLN, whereas the balance of the aforementioned bank deposits increased by 77 996 thousand PLN. Altogether, the net balance of the Group's monetary assets, including bank deposits, decreased by 6 319 thousand PLN. During Q3 2018 the Group incurred investment expenditures related to development of new videogames and technologies, valued at 28 171 thousand PLN. Consequently, the Group's aggregate cash flows from all reported activities (adjusted for creation/maturation of bank deposits and R&D expenses) were 21 852 thousand PLN, which is 41.4% more than the Group's net profit during the reporting period.

(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.

Structure of the Capital Group

Affiliates

CD PROJEKT S.A.

GOG sp. z o.o. | CD PROJEKT Inc. | CD PROJEKT Co., Ltd. | Spokko sp. z o.o.

On 29 August 2018 r. a new company – Spokko sp. z o.o. – was established in the framework of the CD PROJEKT Capital Group. CD PROJEKT S.A. acquired a majority stake in the new entity (75%) with the remaining shares in possession of key personnel responsible for the development and conceptual design of projects carried out at Spokko.

Consolidation principles

Entities subjected to consolidation

	capital share	voting share	consolidation method
CD PROJEKT S.A.	parent entity	-	full
GOG sp. z o.o.	100%	100%	full
CD PROJEKT Inc.	100%	100%	full
CD PROJEKT Co., Ltd.	100%	100%	excluded from consolidation
Spokko sp. z o.o.	75%	75%	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.

The presented criteria are fulfilled in the case of CD PROJEKT Co., Ltd. and Spokko sp. z o.o.

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 a legal claim on the entity's financial results, such that the Group's own financial results may be materially affected by the entity's results,
- possession of the required administrative apparatus to affect the Group's own financial results by exercising the Group's legal claim on the entity's financial results, 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 September 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 complies 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 September 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 1** and **IAS 8** *Definition of 'material'* – applicable to reporting periods beginning on or after 1 January 2020
- 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
- Amendments to **IFRS 3** *Business combinations* – applicable to reporting periods beginning on or after 1 January 2020
- 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 respective three- and nine-month periods ending on 30 September 2017 has been adjusted accordingly. The reported adjustment concerns presentation of data only and has no impact on the Group's operating profit. Previously, all such costs had been aggregated with other operating expenses.

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

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

- assets classified at amortized cost – this category comprises financial assets held under a business model whose aim is to collect contractual cash flows, where the business contract concerning these assets stipulates cash flows related solely to repayment of the principal and interests; in other words, assets which pass the so-called SPPI test (solely payment of principal and interest),
- assets classified at fair value reported in other comprehensive income (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 provisions of IFRS 9 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
	MSR 39	MSSF 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
	MSR 39	MSSF 9	
Liabilities associated with delivery of goods and services	Financial liabilities recognized at amortized cost	Financial liabilities recognized at amortized cost	37 374
Other financial liabilities	Financial liabilities recognized at amortized cost	Financial liabilities recognized at amortized cost	338

Another major change introduced by IFRS 9 concerns recognition of credit risk in association with assets which constitute 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).

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,

(all figures quoted in PLN thousands unless indicated otherwise)

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 September 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 free-to-play 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 lower 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

This condensed interim consolidated financial statement for the period between 1 July and 30 September 2018 includes certain adjustments in the presentation of financial data, introduced in order to maintain comparability of financial statements. The following presentation changes have been introduced with regard to financial data for the reference periods between 1 July and 30 September 2017 and between 1 January and 30 September 2017, as well as for 30 June 2018:

- In the consolidated profit and loss account for the period between 1 July and 30 September 2017 and for the period between 1 January and 30 September 2017 the presentation of revenues from revaluation of financial instruments was adjusted as follows:

  - Profit and loss account for the period between 1 July and 30 September 2017:
    - (Impairment)/reversal of impairment of financial instruments – adjusted by 401 thousand PLN
    - Other operating revenues – adjusted by (401) thousand PLN
  - Profit and loss account for the period between 1 January and 30 September 2017:
    - (Impairment)/reversal of impairment of financial instruments – adjusted by 881 thousand PLN
    - Other operating revenues – adjusted by (881) thousand PLN

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

- In the consolidated statement of cash flows for the period between 1 July and 30 September 2017 and for the period between 1 January and 30 September 2017 the presentation of capital contributions to subsidiary company was adjusted as follows:
    - Capital contributions to subsidiary (financial activities) – adjusted by (452) thousand PLN
    - Capital contributions to subsidiary (investment activities) – adjusted by 452 thousand PLN

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

- In the statement of financial position for 30 June 2018 the settlement of the merger between GOG sp. z o.o. and GOG Ltd. was adjusted as follows:
    - Exchange rate differences – adjusted by 251 thousand PLN
    - Other liabilities – adjusted by (251) thousand PLN

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

- In the statement of financial position for 30 June 2018 the settlement of the merger between CD PROJEKT S.A. and CD PROJEKT Brands S.A. was adjusted as follows:
    - Reserve capital – adjusted by 13 282 thousand PLN
    - Retained earnings – adjusted by (13 282) thousand PLN

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

- In the statement of financial position for 30 June 2018 the presentation of expenditures on development projects was adjusted as follows:
    - Intangibles – adjusted by (1 457) thousand PLN
    - Expenditures on development projects – adjusted by 1 457 thousand PLN

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

- In the statement of financial position for 31 December 2017 the presentation of expenditures on development projects was adjusted as follows:
    - Intangibles – adjusted by (644) thousand PLN
    - Expenditures on development projects – adjusted by 644 thousand PLN

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

Financial audit

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

Supplementary information – CD PROJEKT Capital Group activity segments

3

Activity segments

Presentation of results by activity segment

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

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

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

At the end of October 2017 a transnational merger took effect between two subsidiary companies of CD PROJEKT S.A., namely GOG Poland sp. z o.o. and GOG Ltd., both of which had previously belonged to the GOG.com activity segment. The merger had a material effect on consortium settlements associated with the GWENT project, and therefore on the financial results of the Group's activity segments and on its consolidation eliminations, when compared to the reference period in the preceding year. Further information concerning this topic may be found below, in the commentary section accompanying the presentation of GOG.com financial results.

Disclosure of activity segments

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.07.2018 – 30.09.2018				
Sales revenues	**40 914**	**28 109**	**(1 856)**	**67 167**
sales to external clients	39 058	28 109	-	67 167
sales between segments	1 856	-	(1 856)	-
Segment net profit (loss)	**16 049**	**(561)**	**(1)**	**15 487**

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2018 – 30.09.2018				
Sales revenues	**149 425**	**92 685**	**(6 509)**	**235 601**
sales to external clients	142 916	92 685	-	235 601
sales between segments	6 509	-	(6 509)	-
Segment net profit (loss)	**69 659**	**(1 739)**	**(3)**	**67 917**

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.07.2017 – 30.09.2017				
Sales revenues	**58 000**	**33 415**	**(6 526)**	**84 889**
sales to external clients	51 474	33 415	-	84 889
sales between segments	6 526	-	(6 526)	-
Segment net profit (loss)	**33 800**	**1 931**	**-**	**35 731**

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2017 – 30.09.2017				
Sales revenues	**242 837**	**129 146**	**(32 412)**	**339 571**
sales to external clients	210 425	129 146	-	339 571
sales between segments	32 412	-	(32 412)	-
Segment net profit (loss)	**139 881**	**14 499**	**-**	**154 380**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.07.2018 and 30.09.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**40 914**	**28 109**	**(1 856)**	**67 167**
Revenues from sales of products	39 529	715	431	40 675
Revenues from sales of services	1 017	6	(986)	37
Revenues from sales of goods and materials	368	27 388	(1 301)	26 455
Cost of products, goods and materials sold	**1 385**	**19 348**	**(1 212)**	**19 521**
Cost of products and services sold	1 042	-	(342)	700
Value of goods and materials sold	343	19 348	(870)	18 821
Gross profit (loss) from sales	**39 529**	**8 761**	**(644)**	**47 646**
Other operating revenues	571	126	(393)	304
Selling costs	12 570	8 276	(611)	20 235
General and administrative costs	7 366	1 395	(32)	8 729
Other operating expenses	983	48	(393)	638
(Impairment)/reversal of impairment of financial instruments	(51)	(3)	-	(54)
Operating profit (loss)	**19 130**	**(835)**	**(1)**	**18 294**
Financial revenues	1 525	421	-	1 946
Financial expenses	73	19	-	92
Profit (loss) before taxation	**20 582**	**(433)**	**(1)**	**20 148**
Income tax	4 533	128	-	4 661
Net profit (loss)	**16 049**	**(561)**	**(1)**	**15 487**
Net profit (loss) attributable to equity holders of the parent entity	**16 049**	**(561)**	**(1)**	**15 487**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2018 and 30.09.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**149 425**	**92 685**	**(6 509)**	**235 601**
Revenues from sales of products	144 210	3 622	1 615	149 447
Revenues from sales of services	3 257	10	(3 205)	62
Revenues from sales of goods and materials	1 958	89 053	(4 919)	86 092
Cost of products, goods and materials sold	**3 655**	**64 050**	**(4 355)**	**63 350**
Cost of products and services sold	1 842	-	(1 051)	791
Value of goods and materials sold	1 813	64 050	(3 304)	62 559
Gross profit (loss) from sales	**145 770**	**28 635**	**(2 154)**	**172 251**
Other operating revenues	1 558	348	(994)	912
Selling costs	43 440	25 426	(1 982)	66 884
General and administrative costs	21 077	4 368	(169)	25 276
Other operating expenses	2 031	563	(994)	1 600
(Impairment)/reversal of impairment of financial instruments	170	9	-	179
Operating profit (loss)	**80 950**	**(1 365)**	**(3)**	**79 582**
Financial revenues	7 295	354	(309)	7 340
Financial expenses	100	388	(309)	179
Profit (loss) before taxation	**88 145**	**(1 399)**	**(3)**	**86 743**
Income tax	18 486	340	-	18 826
Net profit (loss)	**69 659**	**(1 739)**	**(3)**	**67 917**
Net profit (loss) attributable to equity holders of the parent entity	**69 659**	**(1 739)**	**(3)**	**67 917**

(all figures quoted in PLN thousands unless indicated otherwise)

CD PROJEKT

Segmented consolidated profit and loss account for the period between 01.07.2017 and 30.09.2017

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**58 000**	**33 415**	**(6 526)**	**84 889**
Revenues from sales of products	55 004	1 767	2 316	59 087
Revenues from sales of services	1 032	-	(1 002)	30
Revenues from sales of goods and materials	1 964	31 648	(7 840)	25 772
Cost of products, goods and materials sold	**2 621**	**22 120**	**(5 908)**	**18 833**
Cost of products and services sold	787	-	(384)	403
Value of goods and materials sold	1 834	22 120	(5 524)	18 430
Gross profit (loss) from sales	**55 379**	**11 295**	**(618)**	**66 056**
Other operating revenues	1 392	72	(514)	950
Selling costs	8 592	7 507	(564)	15 535
General and administrative costs	6 207	1 485	(54)	7 638
Other operating expenses	1 468	110	(514)	1 064
(Impairment)/reversal of impairment of financial instruments	401	-	-	401
Operating profit (loss)	**40 905**	**2 265**	**-**	**43 170**
Financial revenues	2 172	46	(31)	2 187
Financial expenses	908	21	(31)	898
Profit (loss) before taxation	**42 169**	**2 290**	**-**	**44 459**
Income tax	8 369	359	-	8 728
Net profit (loss)	**33 800**	**1 931**	**-**	**35 731**
Net profit (loss) attributable to equity holders of the parent entity	**33 800**	**1 931**	**-**	**35 731**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2017 and 30.09.2017

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**242 837**	**129 146**	**(32 412)**	**339 571**
Revenues from sales of products	234 674	11 486	12 423	258 583
Revenues from sales of services	3 289	-	(3 191)	98
Revenues from sales of goods and materials	4 874	117 660	(41 644)	80 890
Cost of products, goods and materials sold	**9 695**	**80 707**	**(33 464)**	**56 938**
Cost of products and services sold	5 134	-	(4 243)	891
Value of goods and materials sold	4 561	80 707	(29 221)	56 047
Gross profit (loss) from sales	**233 142**	**48 439**	**1 052**	**282 633**
Other operating revenues	3 642	289	(868)	3 063
Selling costs	45 058	27 587	1 178	73 823
General and administrative costs	19 730	4 573	(126)	24 177
Other operating expenses	2 925	294	(868)	2 351
(Impairment)/reversal of impairment of financial instruments	881	-	-	881
Operating profit (loss)	**169 952**	**16 274**	**-**	**186 226**
Financial revenues	7 598	428	(378)	7 648
Financial expenses	3 515	34	(378)	3 171
Profit (loss) before taxation	**174 035**	**16 668**	**-**	**190 703**
Income tax	34 154	2 169	-	36 323
Net profit (loss)	**139 881**	**14 499**	**-**	**154 380**
Net profit (loss) attributable to equity holders of the parent entity	**139 881**	**14 499**	**-**	**154 380**

(all figures quoted in PLN thousands unless indicated otherwise)

Commentary regarding the financial results of GOG.com

Both in Q3 2018 and in the nine-month period since the beginning of the year the Group reported lower sales revenues in the GOG.com segment compared to the corresponding reference periods in 2017. Aggregate sales revenues in the first three quarters of 2018 were 92 685 thousand PLN, i.e. 28% lower than in the corresponding period in 2017. In Q3 the segment generated 28 109 thousand PLN in sales revenues, i.e. 16% less than in Q3 2017. Nevertheless, when denominated in USD (the primary transaction currency for GOG.com sales), total revenues from online sales carried out via GOG.com and GOG Galaxy for products licensed from external suppliers (i.e. not affected by the release schedule of CD PROJEKT RED), aggregated over the nine-month period between 1 January and 30 September 2018, were 24 732 USD, which represents a 22% increase compared to the reference period in 2017.

In the first three quarters of 2018 several factors conspired to limit the performance of GOG.com compared to the first three quarters of 2017:

1. GWENT sales during the Homecoming project as compared to sales in the initial period of the GWENT beta testing phase (high base effect)

From the point of view of the GOG.com segment both in 2018 and in the preceding year the most important single product in terms of sales was GWENT: The Witcher Card Game. The reduction in sales generated by this product, associated with the Homecoming project (announced in early 2018), coupled with the game's promotional and maintenance expenses, affected the results of the GWENT development consortium which includes GOG sp. z o.o. Moreover, the reference period coincided with the launch of public beta testing of GWENT which drove up GOG.com sales and during which GWENT generated its highest revenues to-date.

Referring to other activities of the GOG.com segment, it is worth noting that the first nine months of 2018, as well as the third quarter of the year, represented the best periods in GOG.com's history in terms of revenues from sales of videogames licensed from external suppliers.

2. Accounting of per-segment revenues generated by GWENT following the transnational merger between GOG Ltd. and GOG Poland sp. z o.o., and the corresponding changes in revenue recognition methodology

An important factor affecting the scope and methodology of recognizing GWENT sales revenues in the GOG.com and in the CD PROJEKT RED segments was the transnational merger between GOG Ltd. and GOG Poland sp. z o.o., which occurred in late October 2017.

Prior to the merger (including throughout the reference period) GOG Ltd. had not been a GWENT project consortium partner: the consortium consisted solely of CD PROJEKT S.A. and GOG Poland sp. z o.o. Consequently, GOG Ltd. revenues from sales of in-game virtual goods to end users were disclosed entirely in the GOG.com activity segment and not shared with consortium partners. Instead, GOG Ltd. recognized licensing royalties payable to its supplier, i.e. the consortium consisting of CD PROJEKT S.A. and GOG Poland sp. z o.o. These royalties were then proportionally split between CD PROJEKT S.A. and GOG Poland sp. z o.o. in line with the consortium agreement, with the GOG Poland sp. z o.o. share aggregated with results of the GOG.com segment, subject to the appropriate consolidation eliminations.

Following the merger, all retail sales carried out in the framework of GWENT are recognized as revenues from sales of products attributable to the consortium and split proportionately between consortium partners: CD PROJEKT S.A. and GOG sp. z o.o. The result is that, compared to the reference period, GWENT sales revenues and sales margins reported in the GOG.com segment decreased, while those reported in the CD PROJEKT RED increased. Given that all transactions carried out between Group members are subject to consolidation eliminations, the presented merger and inclusion of all GOG Ltd. activities in the GWENT project consortium have no effect upon the Group's consolidated sales revenues or net profit.

2018 marks the first full annual reporting period which follows the merger between GOG Poland sp. z o.o. and GOG Ltd.

3. Condition of the currency exchange market

The average USD/PLN exchange rate at the close of each trading day comprising the first nine months of 2018 was 3.56, compared to 3.84 in the reference period in 2017. Given that 94% of the Capital Group's sales in Q1-Q3 2018 were exports, this strengthening of PLN against USD (based on the abovementioned average exchange rates) means that for each dollar collected in payments during Q1-Q3 2018 GOG.com's revenues were 0.28 PLN lower than during the reference period (a decrease of more than 7%).

Moreover, during the first half of the current year the ratio between the reported value of goods and materials sold and the corresponding revenues from sales of goods and materials (i.e. gross sales profit) was impacted by the unfavorable relation between the average exchange rates for each day of a given month, and the exchange rate in force on the final day of that month. More information regarding this issue may be found in the commentary section attached to GOG.com results in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 30 June 2018.

Segmented consolidated statement of financial position as of 30.09.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
FIXED ASSETS	**354 868**	**20 069**	**(16 628)**	**358 309**
Tangible assets	17 431	2 553	-	19 984
Intangibles	49 443	869	-	50 312
Expenditures on development projects	211 966	16 024	(3)	227 987
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	16 002	-	(16 002)	-
Shares in subsidiaries not subject to consolidation	3 082	-	-	3 082
Deferred income tax assets	-	623	(623)	-
Other long-term receivables	506	-	-	506
CURRENT ASSETS	**616 984**	**54 515**	**(3 840)**	**667 659**
Inventories	349	-	-	349
Trade receivables	22 790	4 451	(809)	26 432
Current income tax receivables	4 653	278	-	4 931
Other receivables	22 175	2 618	(3 031)	21 762
Prepaid expenses	1 338	11 269	-	12 607
Cash and cash equivalents	12 283	35 899	-	48 182
Bank deposits (maturity beyond 3 months)	553 396	-	-	553 396
TOTAL ASSETS	**971 852**	**74 584**	**(20 468)**	**1 025 968**

(all figures quoted in PLN thousands unless indicated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	**936 077**	**38 760**	**(16 005)**	**958 832**
Equity attributable to shareholders of the parent company	**936 077**	**38 760**	**(16 005)**	**958 832**
Share capital	96 120	136	(136)	96 120
Supplementary capital	748 126	7 883	(4 672)	751 337
Other reserve capital	23 556	2 314	(2 314)	23 556
Exchange rate differences on valuation of foreign entities	(506)	(65)	1 014	443
Retained earnings	(878)	30 231	(9 894)	19 459
Net profit (loss) for the reporting period	69 659	(1 739)	(3)	67 917
LONG-TERM LIABILITIES	**11 415**	**40**	**(623)**	**10 832**
Other financial liabilities	187	-	-	187
Deferred income tax liabilities	6 714	-	(623)	6 091
Deferred revenues	4 436	37	-	4 473
Provisions for employee benefits and similar liabilities	78	3	-	81
SHORT-TERM LIABILITIES	**24 360**	**35 784**	**(3 840)**	**56 304**
Other financial liabilities	274	-	-	274
Trade liabilities	8 667	24 639	(809)	32 497
Liabilities from current income tax	-	-	-	-
Other liabilities	1 385	6 261	(3 031)	4 615
Deferred revenues	584	4 274	-	4 858
Provisions for retirement benefits and similar liabilities	1	-	-	1
Other provisions	13 449	610	-	14 059
TOTAL EQUITY AND LIABILITIES	**971 852**	**74 584**	**(20 468)**	**1 025 968**

(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
Intangibles	49 786	1 021	-	50 807
Expenditures on development projects	184 968	13 225	(2)	198 191
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**	**39 062**	**(15 744)**	**940 531**
Equity attributable to shareholders of the parent company	**917 213**	**39 062**	**(15 744)**	**940 531**
Share capital	96 120	136	(136)	96 120
Supplementary capital	748 126	7 883	(4 672)	751 337
Other reserve capital	20 730	2 054	(2 054)	20 730
Exchange rate differences on valuation of foreign entities	(495)	(64)	1 014	455
Retained earnings	(878)	30 231	(9 894)	19 459
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**	**43 774**	**(3 925)**	**59 648**
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	6 818	(2 809)	5 587
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**

** adjusted data*

(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
Intangibles	44 741	1 468	-	46 209
Expenditures on development projects	135 210	7 920	-	143 130
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)

Activity segments

In the third quarter of 2018 the Capital Group engaged in business activities in two segments:

- CD PROJEKT RED,
- GOG.com.

CD PROJEKT RED

Videogame development is the main area of activity of the CD PROJEKT RED studio, which carries outs its operations as part of CD PROJEKT S.A. (domestic holding company), CD PROJEKT Inc. (USA) and CD PROJEKT Co. Ltd. (China). This activity covers creation and publication of videogames, licensing the associated distribution rights, coordinating sales support, as well as manufacturing, distributing or licensing tie-in products which exploit the commercial appeal of brands owned by the Company. In the scope of its publishing activities the Company also assumes responsibility for its promotional and advertising campaigns, and maintains direct relations with the player base through regular participation in trade fairs, as well as via electronic and social media channels.

The studio's main products currently include videogames – The Witcher, The Witcher 2: Assassins of Kings and The Witcher 3: Wild Hunt, along with two expansion packs – Hearts of Stone and Blood and Wine, sold separately and as part of The Witcher 3 Game of the Year Edition bundle.

Following the balance sheet date, on 23 October 2018, GOG.com released the studio's newest product: Thronebreaker: The Witcher Tales for the PC. The corresponding Steam release followed on 9 November. Thronebreaker: The Witcher Tales is a new standalone single-player RPG developed by a consortium of CD PROJEKT RED and GOG.com. PlayStation 4 and Xbox One editions of the game are scheduled for release on 4 December 2018.

The aforementioned consortium is also collaborating on further development of GWENT: The Witcher Card Game, an online free-to-play release with optional microtransactions, available in multiplayer mode. Following the close of the game's beta testing phase, GOG.com released the newest edition of GWENT for the PC on 23 October 2018 (simultaneously with Thronebreaker). The corresponding PlayStation 4 and Xbox One versions will launch on 4 December 2018.

CD PROJEKT RED also continues to work on largest development project in the studio's to-date history – Cyberpunk 2077.

GOG.com

Global digital distribution of videogames involves selling and delivering videogames directly to the end users' devices via the Company's proprietary GOG.com platform and the GOG Galaxy application. GOG.com is currently among the most popular digital distribution platforms worldwide, offering nearly 2 600 videogames licensed from over 600 developers, copyright holders and publishers worldwide. All games are distributed free of cumbersome DRM[1] restrictions.

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

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

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

CD PROJEKT RED

Cyberpunk 2077 – participation in fairs and public gameplay reveal

On 21-25 August 2018 the Company took part in Gamescom in Cologne, Europe's largest gaming fair. Several invitational hourlong presentations of Cyberpunk 2077 were carried out at the Company's stand in the business area of the fair, for audiences consisting of media representatives and business partners. CD PROJEKT was also present in the public area as a sponsor of the cosplay scene.

[1] DRM (ang. Digital Rights Management) – refers to technologies which control how, when and by whom can digital content (games, music, motion pictures, e-books etc.) be accessed.

On 27 August 2018 the Company released (on Twitch.tv) a 48-minute movie showcasing – for the first time ever – Cyberpunk 2077 gameplay. This public presentation was preceded by a nine-hour live stream intended to build up hype. Peak viewership of the stream reached 460 000 thousand spectators, while the gameplay trailer itself was rebroadcast and commented upon live by the world's largest gaming media outlets. The trailer was subsequently uploaded to YouTube as well as other major video content repositories (including Bilibili, Miaopai and Youku). Thus far it has been accessed over 14 million times across all of its distribution channels.

Thronebreaker: The Witcher Tales – official release

On 18 September CD PROJEKT announced the release date of Thronebreaker: The Witcher Tales, a standalone single-player RPG set in The Witcher universe. Preorders on GOG.com began on 27 September, supported by a marketing campaign which targeted the Company's core markets, including the United States, the United Kingdom, France, Germany, Russia, Poland, Japan, Korea, Brazil, China, Spain, Italy, Australia and the Scandinavian countries.

The marketing campaign also involved ensuring strong exposure for the game in main gaming media outlets and social media channels. At a series of presentations carried out at the Warsaw-based CD PROJEKT RED HQ on 25 September, attended by European and Asian media representatives, as well as presentations held in the United States and Brazil, more than 100 journalists and influencers (including IGN, GameSpot, Eurogamer.net, Pretty Good Gaming, GRYOnline.pl, GameStar, PC Gamer, Igromania, Famitsu, Inven and GAMECORES) could try their own hand at the first act of Thronebreaker. The game was subsequently covered, prior to its release, by many gaming portals and social media channels throughout the world.

Initial reviews published by key media channels in Poland and abroad, were very positive, as seen below:

- „An excellent narrative experience" - Polygon (United States)
- „An intriguing, challenging game" - Kotaku (United States)
- „A spectacularly crafted RPG" - GamesRadar+ (United Kingdom)
- „One of the best games of the year" - Tom's Hardware (Italy)
- „A true-to-form RPG" - WP.pl (Poland)
- „An excellent combination of art, gameplay and story" - IGN (Spain)

Thronebreaker was released for the PC on 23 October on GOG.com and on 9 November on Steam, with PlayStation 4 and Xbox One releases expected on 4 December.

Even before the official release, the world's most popular review score aggregator – Metacritic – rated the PC edition of the game 86 out of 100, which places it among the best PC releases of 2018 (Metacritic Best PC Video Games for 2018; 29 October 2018). Given the above opinions along with positive remarks formulated by market experts, the Board had anticipated a higher volume of sales for this product than what was actually observed between its release date and the publication date of this statement.

GWINT – finalization of public beta and official release

The third quarter of 2018 saw continued work on Homecoming – the biggest-yet update to GWENT, culminating in the official close of the beta phase and full release of the game. The PC edition was released on GOG on 23 October, while PlayStation 4 and Xbox One editions are scheduled for release on 4 December.

The corresponding marketing campaign, targeting both existing players and the wider base of potential customers, was launched in parallel with the pre-release campaign covering Thronebreaker: The Witcher Tales. It involved a slew of new content, including new trailers and advertising activities, focusing on markets in the United States, the United Kingdom, France, Germany, Russia, Poland, Japan, Korea, Brazil, China, Spain, Italy, Australia and the Scandinavian countries.

E-sports activities

E-sports marketing activities in the third quarter of 2018 focused on tournaments organized by CD PROJEKT RED in the framework of the GWENT Masters series.

Up until the publication date of this statement, two GWENT Open tournaments (21-22 July and 13-14 October) and one GWENT Challenger tournament (1-2 September, held in the old Jomsborg Stronghold in Warsaw) were held. The total prize pool was 50 000 USD for both GWENT Open events and 100 000 USD for the GWENT Challenger tournament.

Promised Land Art Festival

On 30 September – 3 October CD PROJEKT RED the Promised Land Festival was organized by CD PROJEKT RED in Łódź. This event was addressed to creative brand professionals, providing an opportunity to meet face to face, exchange experience and further develop their respective skills. More than 600 participants from around the world took part in this event, with invited speakers representing globally renowned creative brands (including Pixar Animation Studios, Capcom and Disney) delivering a total of 60 hours of keynote presentations.

GOG.com

Publishing activities

As of the publication date of this statement the GOG.com catalogue comprises nearly 2600 titles. In the third quarter of 2018 the Company added many fresh releases and PC classics – among them Warhammer 40 000: Gladius, the Dragon's Layer trilogy, Banner Saga 3, Dead Cells and We Happy Few.

In addition, a new category of games was added to the GOG.com catalogue – the so-called Hidden Object Games, including releases by the Polish Artifex Mundi studio: My Brother Rabbit, the Enigmatis series and Nightmares from the Deep.

Sales support

Between July and September 2018, in addition to weekly sales, GOG.com also organized seasonal sale campaigns. The Back to School campaign, held in the first week of September, saw the return of flash deals – short-time bargain offers on selected games.

GOG.com celebrated its 10^{th} anniversary (1-7 October 2018) with a set of one-off promotional campaigns, a revamped interface layout and new features which simplify catalogue management.

Marketing activities

In July 2018 NoClip, creator of a series of documentaries covering the videogame market, published a documentary devoted to GOG.com, featuring interviews with team members and presentations of their work with classic games and DRM-free products.

In addition, GOG.com engaged in activities related to the upcoming release of Thronebreaker: The Witcher Tales and GWENT: The Witcher Card Game, both scheduled for the fourth quarter of 2018.

Other accomplishments

On 16 August 2018 a new company was established in the framework of the CD PROJEKT Capital Group under the name Spokko sp. z o.o. CD PROJEKT S.A. acquired a majority stake in the new entity (75%) with the remaining shares in possession of key personnel responsible for the development and conceptual design of projects carried out at Spokko. The Group will provide the new company with access to its intellectual property, backed up by the creative and commercial muscle of the CD PROJEKT RED studio. Spokko will work on a new, unannounced project targeting mobile gaming platforms.

Disclosure of factors which may affect future Group results

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

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

Considering the external factors, the Management Board of CD PROJEKT S.A. expects that the financial results of the CD PROJEKT RED segment, and therefore of the entire Capital Group, will, in the coming quarters, continue to be significantly affected by further sales of existing games from The Witcher series. Thronebreaker, the latest instalment in The Witcher franchise, received a score of 85 out of 100 from the world's leading aggregator of reviews of new releases - Metacritic. Consequently, the game ranks among the best PC releases of 2018. Given the above opinions along with positive remarks formulated by market experts, the Board had anticipated a higher volume of sales for this product than what was actually observed between its release date and the publication date of this statement. Nevertheless, effective sales support activities associated with this title should, in the Board's opinion, positively affects its long-term sales and translate into improved financial results of the Company and the Capital Group in future quarters.

Future performance of GWENT: The Witcher Card Game, and therefore of the CD PROJEKT Capital Group, will depend, among others, on the following factors:

- reception, on the part of the existing community, of the Game's new version, incorporating changes introduced in the scope of Homecoming – the largest feature update yet released,
- success in attracting new players, conditioned, among others, by PR and marketing activities carried out prior to release and throughout the game's lifecycle,
- maintaining a satisfactory level of player retention, among others by regularly updating the game with new content, releasing new card sets and visual improvements and organizing in-game events to keep the community interested.

With regard to expenses, having released GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales, companies belonging to the Group will begin offsetting setting sales revenues against expenses borne in association with developing both games (previously, these expenses were disaggregated as Expenditures on Development Projects). This will affect the reported Cost of Products and Services Sold in future reporting periods.

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

GOG sp. z o.o. is in talks with leading global videogame publishers and continues to expand its portfolio. Each new release on GOG.com contributes to the platform’s popularity and drives up sales. In addition to adding new products GOG sp. z o.o. also seeks to increase its user base by attracting new players. Expected commercial success of GWENT: The Witcher Card Game, based upon the GOG Galaxy solution, may result in increased recognizability of the GOG.com brand throughout the world and enable the Company to reach new potential customers.

Further growth of activities in the GOG.com segment, including the potential to acquire unique know-how and experience, and to fully exploit the Company’s technological expertise, will be influenced by the Company’s involvement in the GWENT project, where GOG.com is responsible, among others, for the server and networking infrastructure. This involvement, particularly as relates to applying GOG Galaxy in support of free-to-play online games, marks GOG.com’s first foray into an entirely new market segment. The technologies and experience gained in this project will, in the Board’s opinion, substantially affect further growth prospects as well as the Group’s future products.

Disclosure of seasonal or cyclical activities

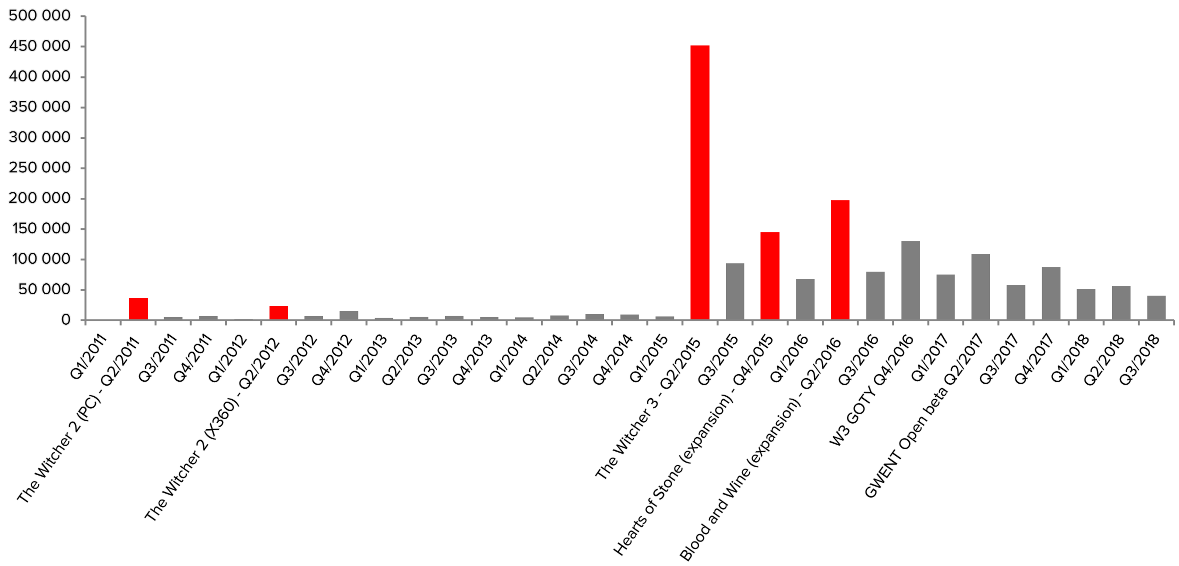
CD PROJEKT RED

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

On 23 October 2018 the consortium consisting of CD PROJEKT RED and GOG.com published two new releases for the PC: Thronebreaker: The Witcher Tales and GWENT: The Witcher Card Game. The corresponding Xbox One and PlayStation 4 releases are set to appear on 4 December 2018.

CD PROJEKT is also continuing its work on the previously announced triple-A release – Cyberpunk 2077, the largest development project in the Company’s history.

Figure 1 Impact of new releases on CD PROJEKT RED revenues from sales of products, goods and materials (PLN thousands) in 2011-2018



GOG.com

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

The GOG.com segment also obtains revenues from microtransactions carried out in the framework of GWENT: The Witcher Card Game. The corresponding revenues depend on gamer interest, as well as on the game's publishing schedule, including milestones such as the launch of the public beta (Q2 2017) and major updates (e.g. new card sets).

Revenues associated with GWENT leveled off in the second and third quarters of 2018, in association with the ongoing Homecoming project.

Disclosure of key clients

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

Within the CD PROJEKT RED segment the activities of CD PROJEKT S.A. carried out in collaboration with one external client generated revenues (calculated incrementally until the end of Q3 2018) which exceeded 10% of the consolidated sales revenues of the CD PROJEKT Capital Group – specifically, 59 690 thousand PLN, which represents 25.3% of the Group's consolidated sales revenues.

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

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

4

Note 1. Disclosure 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 third quarter 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 and 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 in 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 the most favorable 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 publication date of this statement 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.

On 12 July 2018 the Company concluded a preliminary agreement concerning purchase of another commercial property at Jagiellońska 76 in Warsaw, directly adjacent to the property covered by the preliminary purchase agreement concluded on 11 January 2018 and sharing the same address. Both properties are also adjacent to the current Company headquarters. In line with the preliminary agreement of 12 July 2018, the Company remitted an advance payment in the amount of 4 000 thousand PLN plus VAT. Outstanding payments associated with this purchase agreement amount to 9 000 thousand PLN plus VAT, with the tax amount to be calculated at the moment the tax obligation arises. The corresponding final agreement should be signed and ownership of the property transferred to the Company by 30 June 2019.

On 16 August 2018 a new company was established in the framework of the CD PROJEKT Capital Group under the name Spokko sp. z o.o. CD PROJEKT S.A. acquired a majority stake in the new entity (75%) with the remaining shares in possession of key persons responsible for the development and conceptual design of projects carried out at Spokko.

Note 2. Tangible fixed assets

Changes in fixed assets (by category) between 01.01.2018 and 30.09.2018

	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:	**1 490**	**141**	**4 145**	**764**	**223**	**927**	**7 690**
purchases	585	1	4 024	-	223	927	5 760
purchase of enterprise	-	-	69	-	-	-	69
lease agreements	-	-	-	764	-	-	764
reclassification from fixed assets under construction	869	140	14	-	-	-	1 023
acquisition free of charge	-	-	29	-	-	-	29
others	36	-	9	-	-	-	45
Reductions from:	**-**	**-**	**274**	**315**	**-**	**1 023**	**1 612**
sales	-	-	11	315	-	-	326
disposal	-	-	263	-	-	-	263
reclassification from fixed assets under construction	-	-	-	-	-	1 023	1 023
Gross carrying amount as of 30.09.2018	**14 682**	**141**	**24 399**	**2 485**	**1 418**	**541**	**43 666**
Depreciation as of 01.01.2018	**3 517**	**-**	**13 482**	**1 035**	**722**	**-**	**18 756**
Increases from:	**1 114**	**12**	**3 643**	**315**	**221**	**-**	**5 305**
depreciation	1 095	12	3 639	315	221	-	5 282
others	19	-	4	-	-	-	23
Reductions from:	**-**	**-**	**274**	**105**	**-**	**-**	**379**
sales	-	-	11	105	-	-	116
disposal	-	-	263	-	-	-	263
Depreciation as of 30.09.2018	**4 631**	**12**	**16 851**	**1 245**	**943**	**-**	**23 682**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-
Impairment allowances as of 30.09.2018	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**9 675**	**-**	**7 046**	**1 001**	**473**	**637**	**18 832**
Net carrying amount as of 30.09.2018	**10 051**	**129**	**7 548**	**1 240**	**475**	**541**	**19 984**

Contractual commitments for future acquisition of fixed assets

	30.09.2018	30.06.2018	31.12.2017
Leasing of passenger cars	956	672	736
Purchase of immovable property in Warsaw at Jagiellońska 76 (I)	9 444	9 444	-
Purchase of immovable property in Warsaw at Jagiellońska 76 (II)	9 000	-	-
Total	**19 400**	**10 116**	**736**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 3. Intangibles and expenditures on development projects

Changes in intangibles between 01.01.2018 and 30.09.2018

	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**	**162 821**	**32 199**	**1 646**	**6 530**	**24 299**	**46 417**	**54**	**1**	**416 453**
Increases from:	**85 087**	**931**	**-**	**280**	**4 788**	**1 552**	**10 021**	**593**	**-**	**103 252**
purchases	-	-	-	280	4 788	1 552	-	593	-	7 213
reclassification from development projects in progress	-	931	-	-	-	-	-	-	-	931
purchase of enterprise	-	-	-	-	-	-	10 021	-	-	10 021
own creation	85 087	-	-	-	-	-	-	-	-	85 087
Reductions from:	**931**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**931**
reclassification from development projects in progress	931	-	-	-	-	-	-	-	-	**931**
Gross carrying amount as of 30.09.2018	**226 642**	**163 752**	**32 199**	**1 926**	**11 318**	**25 851**	**56 438**	**647**	**1**	**518 774**
Depreciation as of 01.01.2018	**-**	**162 177**	**-**	**764**	**-**	**17 755**	**-**	**-**	**1**	**180 697**
Increases from:	**-**	**230**	**-**	**206**	**-**	**2 904**	**-**	**-**	**-**	**3 340**
depreciation	-	230	-	206	-	2 904	-	-	-	3 340
Reductions from:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation as of 30.09.2018	**-**	**162 407**	**-**	**970**	**-**	**20 659**	**-**	**-**	**1**	**184 037**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 30.09.2018	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**142 486**	**644**	**32 199**	**882**	**6 530**	**6 544**	**46 417**	**54**	**-**	**235 756**
Net carrying amount as of 30.09.2018	**226 642**	**1 345**	**32 199**	**956**	**11 318**	**5 192**	**56 438**	**647**	**-**	**334 737**

Contractual commitments for future acquisition of intangibles

Not applicable.

Note 4. Goodwill

A change in goodwill occurred between 1 January and 30 September 2018 as a result of the purchase of an enterprise from Strange New Things sp. z o.o. sp. k., concluded on 18 May 2018. The goodwill generated by this purchase corresponds to the surpluis of the purchase price over the total value of acquired 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 in the period between 1 January and 30 June 2018.

(all figures quoted in PLN thousands unless indicated otherwise)

Goodwill acquired in business combinations and purchase of enterprises

	CD Projekt Red sp. z o.o.	Strange New Things (enterprise)	**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 30.09.2018	**46 417**	**10 021**	**56 438**
Impairment allowances as of 01.01.2018	**-**	**-**	**-**
Impairment allowances as of 30.09.2018	**-**	**-**	**-**
Net carrying amount as of 01.01.2018	**46 417**	**-**	**46 417**
Net carrying amount as of 30.09.2018	**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).

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**

Nota 5. Inventories

Changes in inventories

	30.09.2018	**30.06.2018**	**31.12.2017**
Goods	335	238	300
Other materials	14	14	23
Gross inventories	**349**	**252**	**323**
Inventory impairment allowances	-	-	-
Net inventories	**349**	**252**	**323**

Changes in inventory impairment allowances

None reported.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 6. Trade and other receivables

Changes in receivables

	30.09.2018	30.06.2018	31.12.2017
Trade and other receivabes	**48 194**	**55 404**	**63 843**
from affiliates	868	101	45
from external entities	47 326	55 303	63 798
Impairment allowances	**920**	**2 847**	**3 081**
Gross receivables	**49 114**	**58 251**	**66 924**

Changes in impairment allowances on receivables

	Trade receivables	Other receivables	Total
OTHER ENTITIES			
Impairment allowances as of 01.01.2018	**2 349**	**732**	**3 081**
Increases from:	**4**	**-**	**4**
creation of allowances for past-due and contested receivables	4	-	4
Reductions from:	**2 165**	**-**	**2 165**
dissolution of allowances due to collection of receivables	183	-	183
dissolution of allowances (writeoffs)	1 982	-	1 982
Impairment allowances as of 30.09.2018	**188**	**732**	**920**

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	854	854	-	-	-	-	-
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	**854**	**854**	**-**	**-**	**-**	**-**	**-**

(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	25 766	25 510	9	1	53	5	188
non-fulfillment ratio		0%	0%	0%	0%	0.39%	6.37%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	188	-	-	-	-	-	188
total expected credit loss	188	-	-	-	-	-	188
Net receivables	**25 578**	**25 510**	**9**	**1**	**53**	**5**	**-**
Total							
gross receivables	26 620	26 364	9	1	53	5	188
impairment allowances	188	-	-	-	-	-	188
Net receivables	**26 432**	**26 364**	**9**	**1**	**53**	**5**	**-**

Other receivables

	30.09.2018	30.06.2018	31.12.2017
Other receivables, including:	**21 762**	**17 852**	**17 582**
tax returns except corporate income tax	11 985	11 897	14 205
allowances for sales revenues (advance payments)	93	88	-
advance payments for supplies	2 771	2 931	2 195
deposits	422	420	125
employee settlements	70	101	52
prepaid licensing royalties	736	736	51
advance payments for fixed assets	5 667	1 667	940
others	18	12	14
Impairment allowances	**732**	**732**	**732**
Other gross receivables	**22 494**	**18 584**	**18 314**

Other tax receivables (except corporate income tax) are mostly associated with withholding tax deducted at source by license holders and reportable in the Group's annual fiscal statement, as well as VAT receivables and advance payments remitted to suppliers.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 7. Prepaid expenses

	30.09.2018	30.06.2018	31.12.2017
Non-life insurance	178	165	122
Minimum guarantees; payments advanced to GOG	10 611	11 950	12 714
Access to online legal support portal	12	18	12
Software, licenses	665	940	736
Business travel (airfare, accommodation, insurance)	316	103	60
IT security	406	474	415
Production of marketing materials	28	278	-
Expenditures related to participation in fairs	42	116	-
Other prepaid expenses	349	354	237
Total prepaid expenses	**12 607**	**14 398**	**14 296**

Note 8. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2017	increases	reductions	30.09.2018
Provisions for other employee benefits	101	51	43	109
Provisions for compensation dependent on financial result	42 998	8 472	42 998	8 472
Tax loss	1 047	-	-	1 047
Negative exchange rate differences	935	1 768	2 566	137
Employee compensation and social security expenses payable in future reporting periods	3	7	5	5
Deferred revenues associated with adding funds to virtual wallets and participation in the additional benefits program	2 386	3 254	2 203	3 437
Other provisions	519	2 670	2 686	503
Other sources	-	43	43	-
Total negative temporary differences	**47 989**	**16 265**	**50 544**	**13 710**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets	**9 118**	**3 090**	**9 603**	**2 605**

Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2017	increases	reductions	30.09.2018
Difference between net carrying value and net tax value of fixed assets and intangibles	21 571	6 872	5 053	23 390
Income in the current period invoiced in the following period, and sales returns in the current period	34 950	60 106	73 982	21 074
Positive exchange rate differences	953	2 863	3 002	814
Other sources	399	344	255	488
Total positive temporary differences	**57 873**	**70 185**	**82 292**	**45 766**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax provisions	**10 996**	**13 335**	**15 635**	**8 696**

(all figures quoted in PLN thousands unless indicated otherwise)

Balance of deferred tax assets/provisions

	30.09.2018	30.06.2018	31.12.2017
Deferred tax assets	2 605	2 326	9 118
Deferred tax provisions	8 696	11 159	10 996
Net deferred tax assets (provisions)	**(6 091)**	**(8 833)**	**(1 878)**

Income tax reported in profit/loss account

	01.07.2018 - 30.09.2018	01.01.2018 - 30.09.2018	01.07.2017 - 30.09.2017	01.01.2017 - 30.09.2017
Current income tax	7 403	14 613	17 352	46 363
Changes in deferred income tax	(2 742)	4 213	(8 624)	(10 040)
Income tax reported in profit/loss account	**4 661**	**18 826**	**8 728**	**36 323**

Note 9. Provisions for employee benefits and similar liabilities

	30.09.2018	30.06.2018	31.12.2017
Provisions for retirement benefits and pensions	82	82	82
Total, including:	**82**	**82**	**82**
long-term provisions	81	81	81
short-term provisions	1	1	1

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

Note 10. Other provisions

	30.09.2018	30.06.2018	31.12.2017
Provisions for warranty-covered repairs and returns	**16**	**24**	**62**
Provisions for liabilities, including:	**14 043**	**10 759**	**43 578**
financial statement audit and review expenses	-	50	40
provisions for bought-in services	50	274	163
provisions for bonuses dependent on the financial result	13 557	10 388	42 998
provisions for other expenses	436	47	377
Total, including:	**14 059**	**10 783**	**43 640**
long-term provisions	-	-	-
short-term provisions	14 059	10 783	43 640

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	40	13 557	3 194	16 791
Provisions consumed	62	42 998	3 279	46 339
Provisions dissolved	24	-	9	33
As of 30.09.2018, including:	**16**	**13 557**	**486**	**14 059**
long-term provisions	-	-	-	-
short-term provisions	16	13 557	486	14 059

(all figures quoted in PLN thousands unless indicated otherwise)

Note 11. Other liabilities

	30.09.2018	30.06.2018*	31.12.2017
Liabilities due to other taxes, duties, social security and similar expenses except corporate income tax	**4 518**	**5 541**	**6 114**
VAT	3 012	3 775	4 508
Flat-rate tax deducted at source	25	41	159
Personal income tax	772	840	937
Social security (ZUS) payments	625	815	471
National Fund for the Rehabilitation of the Disabled (PFRON) payments	25	25	22
PIT-8A settlements	59	45	17
Other liabilities	**97**	**46**	**656**
Liabilities associated with employee compensation	-	-	409
Other settlements with employees	10	7	2
Other settlements with members of the management boards of Capital Grop member companies	7	45	6
Social Benefits Fund (ZFŚS) – other settlements	(18)	(14)	(17)
Advance payments from foreign clients	98	8	256
Total other liabilities	**4 615**	**5 587**	**6 770**

** adjusted data*

Note 12. Disclosure of financial instruments

Fair value of financial instruments per class

The Management Board of the Group has performed an analysis of each class of financial instruments and came to the conclusion that the carrying amount of each instrument matches their respective fair value as of 30 September 2018, 30 June 2018 and 31 December 2017 respectively.

Financial assets – classification and appraisal

	30.09.2018	30.06.2018	31.12.2017
Financial assets held at amortized cost	**628 516**	**645 955**	**694 272**
Other long-term receivables	506	506	495
Trade receivables	26 432	37 552	46 261
Cash and cash equivalents	48 182	132 497	66 987
Bank deposits (maturity beyond 3 months)	553 396	475 400	580 529
Capital market instruments held at purchase price	**3 082**	**981**	**452**
Shares in entities excluded from consolidation	3 082	981	452
Total financial assets	**631 598**	**646 936**	**694 724**

Financial liabilities – classification and appraisal

	30.09.2018	30.06.2018	31.12.2017
Financial liabilites held at amortized cost	**32 958**	**39 164**	**37 712**
Trade liabilities	32 497	38 846	37 374
Other financial liabilities	461	318	338

(all figures quoted in PLN thousands unless indicated otherwise)

Note 13. Sales revenues

Sales revenues by territory – 2018

	01.07.2018 - 30.09.2018		01.01.2018 - 30.09.2018	
	PLN	%	PLN	%
Domestic sales	2 512	3.74%	10 044	4.26%
Exports, including:	**64 655**	**96.26%**	**225 557**	**95.74%**
Europe	20 021	29.81%	69 096	29.33%
North America	38 841	57.83%	138 213	58.66%
South America	427	0.64%	1 790	0.76%
Asia	3 882	5.78%	11 015	4.68%
Australia	1 364	2.03%	4 937	2.10%
Africa	120	0.17%	506	0.21%
Total	**67 167**	**100%**	**235 601**	**100%**

Sales revenues by territory – 2017

	01.07.2017 - 30.09.2017		01.01.2018 - 30.09.2018	
	PLN	%	PLN	%
Domestic sales	6 932	8.17%	14 725	4.34%
Exports, including:	**77 957**	**91.83%**	**324 846**	**95.66%**
Europe	25 064	29.53%	91 644	26.99%
North America	44 771	52.74%	186 540	54.93%
South America	933	1.10%	4 238	1.25%
Asia	4 869	5.74%	35 045	10.32%
Australia	2 020	2.38%	6 512	1.92%
Africa	300	0.34%	867	0.25%
Total	**84 889**	**100%**	**339 571**	**100%**

Sales revenues by production type

	01.07.2018 - 30.09.2018	01.01.2018 - 30.09.2018	01.07.2017 - 30.09.2017	01.01.2017 - 30.09.2017
Own products	40 675	149 447	59 087	258 583
External products	26 455	86 092	25 772	80 890
Other revenues	37	62	30	98
Total	**67 167**	**235 601**	**84 889**	**339 571**

Sales revenues by distribution channel

	01.07.2018 - 30.09.2018	01.01.2018 - 30.09.2018	01.07.2017 - 30.09.2017	01.01.2017 - 30.09.2017
Box editions of videogames	2 904	16 606	13 849	47 096
Digital editions of videogames	62 777	216 120	68 578	278 537
Other revenues	1 486	2 875	2 462	13 938
Total	**67 167**	**235 601**	**84 889**	**339 571**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 14. Operating expenses

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
Depreciation and impairment of fixed assets and intangibles	1 040	3 303	1 268	3 619
Depreciation of development projects	74	161	-	-
Consumption of materials and energy	516	1 179	439	936
Bought-in services	13 202	43 773	5 427	38 888
Taxes and fees	162	515	162	441
Employee compensation, social security and other benefits	13 197	40 756	15 097	52 064
Business travel	741	2 244	587	1 415
Use of company cars	28	96	33	99
Value of goods and materials sold	18 821	62 559	18 430	56 047
Cost of products and services sold	700	791	403	891
Other expenses	4	133	160	538
Total	**48 485**	**155 510**	**42 006**	**154 938**
Selling costs	20 235	66 884	15 535	73 823
General and administrative costs	8 729	25 276	7 638	24 177
Cost of products, goods and materials sold	19 521	63 350	18 833	56 938
Total	**48 485**	**155 510**	**42 006**	**154 938**

Note 15. Other operating revenues and expenses

Other operating revenues

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017*	01.01.2017 – 30.09.2017*
Dissolution of provisions for employee benefits	-	-	-	1 234
Dissolution of provisions for liabilities	37	115	-	10
Subsidies	46	138	503	595
Write-downs on expired liabilities	-	-	-	31
Insurance claims and compensation for damages	-	-	1	119
Reinvoicing revenues	153	461	148	375
Profit from sales of fixed assets	-	18	2	48
Withholding tax recovered	-	-	-	235
Other miscellaneous operating revenues	68	180	296	416
Total operating revenues	**304**	**912**	**950**	**3 063**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Other operating expenses

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
Enforcement of receivables	-	-	29	77
Loss from sales of fixed assets	23	-	-	-
Donations	2	43	9	14
Reinvoicing expenses	153	461	148	375
Receivables written off	-	-	-	31
Fixed assets written off	-	-	-	743
Unrecoverable withholding tax	8	34	63	70
Insurance costs	1	1	-	2
Disposal of materials and goods	4	73	-	-
Inventory shortfalls	3	3	-	-
Loss from revaluation of own shares	-	96	-	-
VAT writeoffs	244	244	-	-
Expenses associated with other sales	200	313	777	991
Other taxes and fees	-	315	-	-
Other miscellaneous operating expenses	-	17	38	48
Total operating expenses	**638**	**1 600**	**1 064**	**2 351**

Note 16. Financial revenues and expenses

Financial revenues

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
Revenues from interest:	**1 553**	**7 333**	**2 180**	**7 226**
on short-term bank deposits	1 553	7 328	2 180	7 222
on trade settlements	-	5	-	4
Other financial revenues, including:	**393**	**7**	**7**	**422**
surplus positive exchange rate differences	386	-	-	-
forward currency contracts	-	-	-	41
profit from sales of shares	-	-	-	374
other miscellaneous financial revenues	7	7	7	7
Total financial revenues	**1 946**	**7 340**	**2 187**	**7 648**

Financial expenses

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
Interest payments:	**92**	**125**	**5**	**46**
on lease agreements	4	9	4	9
on budget commitments	88	116	1	37
Other financial expenses, including:	**-**	**54**	**893**	**3 125**
surplus negative exchange rate differences	-	54	893	3 125
Total financial expenses	**92**	**179**	**898**	**3 171**
Net balance of financial activities	**1 854**	**7 161**	**1 289**	**4 477**

(all figures quoted in PLN thousands unless indicated otherwise)

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

Issue of debt securities

Not applicable.

Issue of capital securities

	30.09.2018	30.06.2018	31.12.2017
Stock volume (thousands)	96 120	96 120	96 120
Nominal value per share (PLN)	1	1	1
Share capital	**96 120**	**96 120**	**96 120**

Note 18. Dividends declared or paid out and collected

No dividends were declared or paid out by the Group Companies between 1 July and 30 September 2018.

Note 19. Transactions with affiliates

Transactions with affiliates following consolidation eliminations

	Sales to affiliates				Purchases from affiliates			
	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09 .2017	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09 .2017
SUBSIDIARIES								
CD PROJEKT Co., Ltd	-	29	24	24	889	2 934	538	1 211
Spokko sp. z o.o.	694	694	-	-	-	-	-	-
GROUP MEMBER COMPANY EXECUTIVES								
Marcin Iwiński	4	8	1	4	-	-	-	-
Adam Kiciński	1	2	1	2	-	-	-	-
Piotr Nielubowicz	1	4	1	4	-	-	-	-
Michał Nowakowski	2	7	2	7	-	-	-	-
Adam Badowski	-	1	-	-	-	-	-	-
Oleg Klapovskiy	-	1	-	-	-	-	-	-
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarc	-	-	-	-	-	-	-	5

(all figures quoted in PLN thousands unless indicated otherwise)

	Receivables from affiliates			Liabilities due to affiliates		
	30.09.2018	30.06.2018	31.12.2017	30.09.2018	30.06.2018	31.12.2017
SUBSIDIARIES						
CD PROJEKT Co., Ltd	-	57	25	343	322	663
Spokko sp. z o.o.	854	-	-	-	-	-
GROUP MEMBER COMPANY EXECUTIVES						
Marcin Iwiński	8	7	7	4	13	1
Adam Kiciński	-	-	1	3	2	1
Michał Nowakowski	1	37	7	-	1	-
Adam Badowski	-	-	3	-	-	-
Piotr Karwowski	-	-	2	-	-	-
Oleg Klapovskiy	5	-	-	-	29	4

(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

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.

Conditional liabilities from sureties and collateral pledged

	Type of agreement	Currency	30.09.2018	30.06.2018	31.12.2017
mBank S.A.					
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920	920
Promissory note agreement	Framework agreement concerning forward and derivative transactions	PLN	7 710	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)					
Contract of guarantee	Guarantee of discharge of liabilities by GOG Ltd.	EUR	155	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	798
National Centre for Research and Development (Narodowe Centrum Badań i Rozwoju)					
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0105/16	PLN	7 934	7 934	7 934
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	5 114	5 114
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	3 857	3 857

(all figures quoted in PLN thousands unless indicated otherwise)

Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	5 324	5 324	5 324
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0120/16	PLN	1 234	1 234	1 234
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	138	161	403
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	60	70	175
Promissory note agreement	Lease agreement no. KZ7/00127/2018	PLN	-	130	-
Promissory note agreement	Lease agreement no. CR/01390/2018	PLN	328	-	-
BZ WBK S.A.					
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	6 500	6 500

(all figures quoted in PLN thousands unless indicated otherwise)

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

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 former 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.

On 16 August 2018 a new company was established in the framework of the CD PROJEKT Capital Group under the name Spokko sp. z o.o. CD PROJEKT S.A. acquired a majority stake in the new entity (75%) with the remaining shares in possession of key persons responsible for the development and conceptual design of projects carried out at Spokko. The Group will provide the new company with access to its intellectual property, backed up by the creative and commercial muscle of the CD PROJEKT RED studio. Spokko will work on a new, unannounced project targeting mobile gaming platforms.

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

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

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.

Recognition as a Research and Development Center

Having fulfilled the criteria specified in Art. 17 of the Act of 30 May 2008 on certain forms of support for innovative activities (unified text: Journal of Laws 2018, item 141), CD PROJEKT S.A. was granted the status of a research and development center by the Minister of Entrepreneurship and Technology (decision no. 4/CBR/18 issued on 19 June 2018).

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

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
Total cash and cash equivalents reported in the cash flow statement	**48 182**	**48 182**	**50 446**	**50 446**
Cash on balance sheet	48 182	48 182	50 446	50 446
Depreciation	**1 114**	**3 464**	**1 268**	**3 619**
Depreciation of intangible	329	1 136	617	1 850
Depreciation of development projects	74	161	-	-
Depreciation of fixed assets	711	2 167	651	1 769
Interest and profit sharing consists of:	**(1 549)**	**(7 319)**	**(2 180)**	**(7 222)**
Interest collected	(1 553)	(7 328)	(2 180)	(7 222)
Interest on lease agreements	4	9	-	-
Profit (loss) from investment activities consists of:	**23**	**322**	**(2)**	**908**
Revenues from sales of fixed assets	(179)	(220)	(4)	(64)
Net value of fixed assets sold	210	210	2	16
Net value of shares sold	-	-	-	195
Fixed assets received free of charge	-	(29)	-	(35)
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	-	-
Settlement of expires lease agreements	(8)	(8)	-	-
Changes in provisions consist of:	**3 276**	**(29 581)**	**5 747**	**13 718**
Balance of changes in provisions for liabilities	3 276	(29 581)	5 749	13 960
Balance of changes in provisions for employee benefits	-	-	(2)	(242)
Changes in inventories consist of:	**(97)**	**(26)**	**54**	**(100)**
Balance of changes in inventories	(97)	(26)	54	(100)
Changes in receivables consist of:	**11 210**	**20 409**	**44 355**	**43 529**
Balance of changes in short-term receivables	11 643	10 718	46 783	43 588
Balance of changes in long-term receivables	-	(11)	-	(35)
Advance payments for fixed assets	4 000	4 727	-	-
Income tax set against withholding tax	-	11 263	-	14 316
Adjustments for current income tax	(4 433)	(6 332)	(2 428)	(14 340)
Receivables taken over in acquisition of an enterprise	-	44	-	-
Changes in short-term liabilities except financial liabilities consist of:	**(7 304)**	**(7 019)**	**(14 135)**	**(10 337)**
Balance of changes in short-term liabilities	(7 563)	(10 405)	(10 174)	(8 570)
Adjustments for current income tax	272	3 428	(3 735)	(1 470)
Adjustments for changes in financial liabilities	(30)	(84)	15	(142)
Adjustments for change in liabilities aggregated with retained earnings	-	251	-	-
Adjustments for liabilities associated with purchases of fixed assets	(646)	(414)	(223)	263
Adjustments for liabilities associated with purchases of intangible assets	663	206	(18)	(418)
Liabilities taken over in acquisition of an enterprise	-	(1)	-	-
Changes in other assets and liabilities consist of:	**2 987**	**5 968**	**3 294**	**3 407**
Balance of changes in prepaid expenses	1 791	1 689	2 759	3 559
Balance of changes in deferred revenues	1 196	4 256	535	(152)

(all figures quoted in PLN thousands unless indicated otherwise)

Prepaid expenses taken over in acquisition of an enterprise	-	23	-	-
Other adjustments consist of:	**2 728**	**7 278**	**2 401**	**4 562**
Costs of incentive program	2 725	7 165	2 640	7 622
Depreciation aggregated with cost of sales	10	60	23	62
Exchange rate differences	(7)	53	(262)	(3 122)

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

	01.07.2018	Cash flows	Non-monetary changes		30.09.2018
			Acquisitions of fixed assets under lease agreements	Accrued interest	
Lease liabilities	318	(408)	547	4	461
Total	**318**	**(408)**	**547**	**4**	**461**

	01.01.2018	Cash flows	Non-monetary changes		30.09.2018
			Acquisitions of fixed assets under lease agreements	Accrued interest	
Lease liabilities	338	(649)	764	8	461
Total	**338**	**(649)**	**764**	**8**	**461**

Note 27. Events occurring after the balance sheet data

In **Current Report no. 15/2018** of 2 October the Management Board disclosed that it had received a demand for payment submitted by parties representing Mr. Andrzej Sapkowski. The demand specifies that Mr. Sapkowski expects payment of additional royalties beyond what had been contractually agreed upon by himself and the Company. In the Company's opinion these demands are groundless both with regard to their merit and the stipulated amount. The Company had legitimately and legally acquired copyright to Mr. Andrzej Sapkowski's work, i.a. insofar as is required for its use in games developed by the Company. All liabilities payable by the Company in association therewith have been properly discharged. The Board will go to great lengths to ensure amicable resolution of this dispute; however, any such resolution must be respectful of previously expressed intents of both parties, as well as existing contracts. The parties have engaged in discussions aimed at resolving the existing differences of opinion.

Following the balance sheet date CD PROJEKT concluded two distribution agreements concerning Cyberpunk 2077. On 3 October 2018, in **Current Report no. 17/2018**, the Company announced that it had reached a distribution agreement with Warner Bros. Home Entertainment Inc. covering distribution of box editions of the game throughout the United States, Canada and Mexico. Subsequently, on 16 October 2018, in **Current Report no. 20/2018**, the Company announced that a similar agreement had been reached with BANDAI NAMCO Entertainment Europe S.A.S. covering distribution of box editions of the game in 24 European countries.

Both agreements detail the responsibilities of all relevant parties with respect to the license grant, basic conditions governing distribution of the game as well as the distributors' obligations with regard to the corresponding marketing campaign, including their minimum financial commitment thereto.

Licensing royalties payable to the Company in association with the license grant will be calculated on the basis of sales revenues obtained by the distributor, less the agreed-upon distribution fees, costs and provisions for expenses related to the game's distribution and promotion. These royalties will be settled on a quarterly basis in accordance with sales reports submitted by the distributor.

The Company regards both agreements as significant.

On 8 October 2018 CD PROJEKT announced the commencement of long-term strategic collaboration with the Digital Scapes development studio based in Canada. The goal of this collaboration is to involve Digital Scapes in creating and optimizing certain technologies used in the development of Cyberpunk 2077.

(all figures quoted in PLN thousands unless indicated otherwise)

On 23 October 2018 GOG.com released GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales for the PC. Thronehreaker: The Witcher Tales was also released on Steam on 9 November 2018. The release was preceded by the publication of a 37-minute Thronebreaker gameplay trailer (occurring on 12 October 2018) as well as by publication of the game's initial reviews by global gaming media (on 18 October 2018).

Supplementary information

5

Legal proceedings

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

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

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

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

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

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

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

The case is currently pending before the Appellate Court in Kraków, which, having heard statements by both Parties and by the court expert whose opinion constituted the grounds for the judgment of the court of first instance, decided to appoint another expert to prepare a second opinion. This new opinion was prepared on 19 March 2018 and delivered to the relevant court. Another hearing was subsequently scheduled for 17 December 2018.

No other significant legal, arbitration or administrative proceedings which would involve the parent Company or its subsidiaries as parties were initiated in the reporting period. Regarding other pending legal proceedings, no significant changes occurred in relation to the status presented in the annual financial statement for 2017.

Shareholder structure

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

	Qty, of votes at the GM	% share in total number of votes at the GM
Marcin Iwiński	12 150 000	12.64%
Michał Kiciński [1]	10 486 106	10.91%
Piotr Nielubowicz	6 135 197	6.38%
Nationale-Nederlanden PTE [2]	4 998 520	5.20%
Free float	62 350 177	64.87%

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

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

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

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in shareholder structure of the parent entity

In **Current Report no. 18/2018** of 5 October 2018 the Company announced that it had been formally notified by Swedbank Robur Fonder AB, with a registered office in Sweden, that, as a result of a series of stock disposal transactions the investment funds controlled by the notifying company decreased their joint share in the Company share capital to less than 5%. Following settlement of the abovementioned transactions, as of 2 October 2018 the investment funds controlled by Swedbank Robur Fonder AB held 4 804 421 (four million eight hundred and four thousand four hundred and twenty-one) shares of Company stock, which constituted 4.998% of the Company share capital and afforded 4 804 421 (four million eight hundred and four thousand four hundred and twenty-one) votes at the General Meeting, which constituted 4.998% of the total number of votes.

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

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

Name	Position	As of 01.01.2018	As of 30.09.2018	As of 14.11.2018
Adam Kiciński	President of the Board	3 322 481	3 322 481	3 322 481
Marcin Iwiński	Vice President of the Board	12 150 000	12 150 000	12 150 000
Piotr Nielubowicz	Vice President of the Board	6 135 197	6 135 197	6 135 197
Adam Badowski	Board Member	150 000	150 000	150 000
Michał Nowakowski	Board Member	101 149	101 149	37 650
Piotr Karwowski	Board Member	8 000	8 000	8 000
Oleg Klapovskiy	Board Member	1 042	1 042	1 042
Katarzyna Szwarc	Chairwoman of the Supervisory Board	10 010	10	10
Maciej Nielubowicz	Supervisory Board Member	51	51	51

In Current Report no. 12/2018 of 19 July 2018 the Company announced a stock sale transaction carried out by the Chairwoman of the Supervisory Board. In line with the notification received by the Company, on 19 July 2018 Ms. Katarzyna Szwarc sold 10 000 shares of Company stock at 200 PLN per share on the regulated market of the Warsaw Stock Exchange.

In Current Report no. 21/2018 of 18 October 2018 the Company announced a stock sale transaction carried out by a Board Member. In line with the notification received by the Company, on 18 October 2018 Mr. Michał Nowakowski sold 63 499 shares of Company stock at 165.74 PLN per share on the regulated market of the Warsaw Stock Exchange.

Validation of published projections

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

(all figures quoted in PLN thousands unless indicated otherwise)

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

6

Condensed interim separate profit and loss account

	Note	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017*	01.01.2017 – 30.09.2017*
Sales revenues		**40 358**	**147 564**	**57 455**	**241 261**
Revenues from sales of products		39 529	144 211	55 004	234 674
Revenues from sales of services		461	1 395	488	1 713
Revenues from sales of goods and materials		368	1 958	1 963	4 874
Cost of products, goods and materials sold		**1 385**	**3 656**	**2 620**	**6 451**
Cost of products and services sold		1 042	1 843	787	1 890
Value of goods and materials sold		343	1 813	1 833	4 561
Gross profit (loss) from sales		**38 973**	**143 908**	**54 835**	**234 810**
Other operating revenues		572	1 566	1 420	3 685
Selling costs		12 388	43 559	8 781	49 151
General and administrative costs		6 684	19 017	5 647	17 848
Other operating expenses		983	2 038	1 496	2 967
(Impairment losses)/reversal of impairment of financial instruments		(50)	171	401	881
Operating profit (loss)		**19 440**	**81 031**	**40 732**	**169 410**
Financial revenues		1 544	7 301	2 178	7 622
Financial expenses		73	103	912	3 515
Profit (loss) before tax		**20 911**	**88 229**	**41 998**	**173 517**
Income tax	A	4 607	18 372	8 343	33 935
Net profit (loss)		**16 304**	**69 857**	**33 655**	**139 582**
Net earnings per share (in PLN)					
Basic for the reporting period		0.17	0.73	0.35	1.45
Diluted for the reporting period		0.16	0.68	0.34	1.40

** dane przekształcone*

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim separate statement of comprehensive income

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
Net profit (loss)	**16 304**	**69 857**	**33 655**	**139 582**
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	**16 304**	**69 857**	**33 655**	**139 582**

Condensed interim separate statement of financial position

	Note	30.09.2018	30.06.2018	31.12.2017
FIXED ASSETS		**349 004**	**319 084**	**252 551**
Tangible assets		17 036	16 166	15 649
Intangibles		99 879	100 221	85 155
Expenditures on development projects		212 007	185 008	135 229
Investments in subsidiaries	F	19 439	17 056	16 023
Other financial assets	F	137	127	-
Other long-term receivables	F	506	506	495
CURRENT ASSETS		**616 355**	**625 305**	**660 004**
Inventories		349	252	323
Trade receivables	E,F	22 650	36 162	37 058
Current income tax receivables		4 616	9 125	-
Other receivables	E,F	21 885	18 607	22 219
Other financial assets	F	211	382	444
Prepaid expenses		1 299	1 659	932
Cash and cash equivalents	F	11 949	83 718	18 499
Bank deposits (maturity beyond 3 months)	F	553 396	475 400	580 529
TOTAL ASSETS		**965 359**	**944 389**	**912 555**

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	30.09.2018	30.06.2018	31.12.2017
EQUITY		**929 332**	**910 202**	**851 680**
Equity attributable to shareholders of the entity		**929 332**	**910 202**	**851 680**
Share capital	17*	96 120	96 120	96 120
Supplementary capital		739 799	739 799	539 294
Other reserve capital		23 556	20 730	15 212
Retained earnings		-	-	16 441
Net profit (loss) for the reporting period		69 857	53 553	184 613
LONG-TERM LIABILITIES		**11 656**	**14 159**	**5 280**
Other financial liabilities	F	187	74	148
Deferred income tax liabilities	A	6 955	9 825	3 071
Deferred revenues		4 436	4 182	1 983
Provisions for employee benefits and similar liabilities		78	78	78
SHORT-TERM LIABILITIES		**24 371**	**20 028**	**55 595**
Other financial liabilities	F	274	244	190
Trade liabilities	F	8 681	7 551	9 972
Current income tax liabilities		-	-	2 158
Other liabilities		1 385	1 578	1 650
Deferred revenues		584	585	586
Provisions for employee benefits and similar liabilities		1	1	1
Other provisions		13 446	10 069	41 038
TOTAL EQUITY AND LIABILITIES		**965 359**	**944 389**	**912 555**

* *Detailed information concerning changes in this line item can be found in explanatory notes appended to 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 – 30.09.2018							
Equity as of 01.01.2018	**96 120**	**539 294**	**-**	**15 212**	**201 054**	**-**	**851 680**
Cost of incentive program	-	-	-	7 795	-	-	7 795
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	-	-	-	-	-	69 857	69 857
Equity as of 30.09.2018	**96 120**	**739 799**	**-**	**23 556**	**-**	**69 857**	**929 332**

(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 – 30.09.2017						
Equity as of 01.01.2017	**96 120**	**390 518**	**4 795**	**266 143**	**-**	**757 576**
Cost of incentive program	-	-	7 622	-	-	7 622
Allocation of net profit/coverage of losses	-	148 776	-	(148 776)	-	-
Dividend payments	-	-	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	-	139 582	139 582
Equity as of 30.09.2017	**96 120**	**539 294**	**12 417**	**16 441**	**139 582**	**803 854**

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim statement of changes in separate cash flows

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017*	01.01.2017 – 30.09.2017*
OPERATING ACTIVITIES				
Net profit (loss)	**16 304**	**69 857**	**33 655**	**139 582**
Total adjustments:	**20 792**	**(5 955)**	**45 347**	**61 596**
Depreciation of fixed assets and intangibles	614	1 934	473	1 345
Profit (loss) from exchange rate differences	(5)	4	(105)	85
Interest and profit sharing (dividends)	(1 434)	(6 974)	(2 173)	(7 196)
Profit (loss) from investment activities	23	322	(2)	907
Change in provisions	3 377	(27 592)	5 563	13 084
Change in inventories	(97)	(26)	54	(100)
Change in receivables	14 234	19 502	50 998	50 521
Change in liabilities excluding credits and loans	958	(1 765)	(12 056)	(3 246)
Change in other assets and liabilities	613	2 107	125	(778)
Other adjustments	2 509	6 533	2 470	6 974
Cash flows from operating activities	**37 096**	**63 902**	**79 002**	**201 178**
Income tax on profit (loss) before taxation	4 607	18 372	8 343	33 935
Income tax (paid)/reimbursed	(2 968)	(21 233)	(10 141)	(43 583)
Net cash flows from operating activities	**38 735**	**61 041**	**77 204**	**191 530**
INVESTMENT ACTIVITIES				
Inflows	**477 191**	**787 417**	**229 931**	**697 084**
Disposal of intangibles and fixed assets	187	228	4	63
Cash assets gained in the acquisition of an enterprise	-	26	-	-
Repayment of long-term loans granted	166	371	1 154	1 390
Closing bank deposits (maturity beyond 3 months)	475 400	779 809	226 600	688 435
Other inflows from investment activities	1 438	6 983	2 173	7 196
Outflows	**587 287**	**854 359**	**335 497**	**955 727**
Purchases of intangibles and fixed assets	6 376	16 490	1 805	9 526
Expenditures on development projects	25 515	72 363	16 610	47 517
Purchase of enterprise	-	10 550	-	-
Long-term loans granted	-	280	-	2 055
Capital contributions to subsidiary	2 000	2 000	452	452
Opening bank deposits (maturity beyond 3 months)	553 396	752 676	316 630	896 177
Net cash flows from investment activities	**(110 096)**	**(66 942)**	**(105 566)**	**(258 643)**

(all figures quoted in PLN thousands unless indicated otherwise)

FINANCIAL ACTIVITIES

Inflows	**-**	**-**	**2 311**	**-**
Other financial inflows	-	-	2 311	-
Outflows	**408**	**649**	**43**	**105 522**
Dividends and other payments due to shareholders	-	-	-	100 926
Payment of liabilities under financial lease agreements	404	640	43	383
Interest payments	4	9	-	-
Other outflows from financial activities (incl. cash pool)	-	-	-	4 213
Net cash flows from financial activities	**(408)**	**(649)**	**2 268**	**(105 522)**
Total net cash flows	**(71 769)**	**(6 550)**	**(26 094)**	**(172 635)**
Change in cash and cash equivalents on balance sheet	**(71 769)**	**(6 550)**	**(26 094)**	**(172 635)**
Cash and cash equivalents at beginning of period	**83 718**	**18 499**	**34 007**	**180 548**
Cash and cash equivalents at end of period	**11 949**	**11 949**	**7 913**	**7 913**

** adjusted data*

Clarifications regarding the separate statement of cash flows

	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
The “other adjustments” line item comprises:	**2 509**	**6 533**	**2 470**	**6 974**
Cost of incentive program	2 442	6 379	2 349	6 759
Depreciation aggregated with cost of sales and consortium settlements	67	154	121	215

(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 September 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

This condensed interim separate financial statement for the period between 1 July and 30 September 2018 includes certain adjustments in the presentation of financial data, introduced in order to maintain comparability of financial statements. The following presentation changes have been introduced with regard to financial data for the reference periods between 1 July and 30 September 2017 and between 1 January and 30 September 2017:

- In the separate profit and loss account for the period between 1 July and 30 September 2017 and for the period between 1 January and 30 September 2017 the presentation of revenues from revaluation of financial instruments was adjusted as follows:
  - Profit and loss account for the period between 1 July and 30 September 2017:
    - (Impairment)/reversal of impairment of financial instruments – adjusted by 401 thousand PLN
    - Other operating revenues – adjusted by (401) thousand PLN
  - Profit and loss account for the period between 1 January and 30 September 2017:
    - (Impairment)/reversal of impairment of financial instruments – adjusted by 881 thousand PLN
    - Other operating revenues – adjusted by (881) thousand PLN

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

- In the separate statement of cash flows for the period between 1 July and 30 September 2017 and for the period between 1 January and 30 September 2017 the presentation of capital contributions to subsidiary company was adjusted as follows:
    - Capital contributions to subsidiary (financial activities) – adjusted by (452) thousand PLN
    - Capital contributions to subsidiary (investment activities) – adjusted by 452 thousand PLN

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

Changes in allowances and provisions in the condensed interim separate financial statement of CD PROJEKT S.A. for the period betwee 1 July and 30 September 2018 are as follows:

- 50 thousand PLN – dissolution of impairment allowances due to collection of receivables,
- 1 981 thousand PLN – dissolution of impairment allowances due to writeoffs of unrecoverable receivables,
- 11 thousand PLN – dissolution of other provisions,
- 2 078 thousand PLN – creation of other provisions,
- 1 735 thousand PLN – reduction in other provisions due to partial use,
- 3 045 thousand PLN – creation of provisions for compensation dependent on financial result.

A. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2017	increases	reductions	30.09.2018
Provisions for other employee benefits	101	51	43	109
Provisions for compensation dependent on financial result	40 663	7 929	40 663	7 929
Negative exchange rate differences	309	454	739	24
Other provisions	289	1 905	1 868	326
Other sources	-	32	32	-
Total negative temporary differences	**41 362**	**10 371**	**43 345**	**8 388**
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax assets	**7 858**	**1 970**	**8 236**	**1 592**

Positive temporary differences requiring creation of deferred tax provisions

	31.12.2017	increases	reductions	30.09.2018
Difference between net carrying amount and net tax value of fixed assets and intangibles	22 424	4 999	3 891	23 532
Revenues obtained in the current period but invoiced in future periods	34 619	59 493	73 175	20 937
Positive exchange rate differences	81	100	150	31
Other sources	398	344	255	487
Total positive temporary differences	**57 522**	**64 936**	**77 471**	**44 987**
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax provisions	**10 929**	**12 338**	**14 719**	**8 548**

Balance of deferred tax assets/provisions

	30.09.2018	30.06.2018	31.12.2017
Deferred tax assets	1 593	1 221	7 858
Deferred tax provisions	8 548	11 046	10 929
Net deferred tax assets (provisions)	**(6 955)**	**(9 825)**	**(3 071)**

(all figures quoted in PLN thousands unless indicated otherwise)

Income tax reported in profit and loss account

	01.07.2017 - 30.09.2017	01.01.2017 - 30.09.2017	01.07.2016 - 30.09.2016	01.01.2016 - 30.09.2016
Current income tax	7 476	14 488	16 518	43 875
Change in deferred income tax	(2 869)	3 884	(8 175)	(9 940)
Income tax reported in profit and loss account	**4 607**	**18 372**	**8 343**	**33 935**

B. Goodwill

A change in goodwill occurred between 1 January and 30 September 2018 as a result of the purchase of an enterprise from Strange New Things sp. z o.o. 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 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 September 2018.

Goodwill acquired in business combinations and purchase of enterprises

	CD Projekt Red sp. z o.o.	Strange New Things (enterprise)	**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 30.09.2018	**39 147**	**10 021**	**49 168**
Impairment allowances as of 01.01.2018	**-**	**-**	**-**
Impairment allowances as of 30.09.2018	**-**	**-**	**-**
Net carrying amount as of 01.01.2018	**39 147**	**-**	**39 147**
Net carrying amount as of 30.09.2018	**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).

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 July and 30 September 2018.

D. Dividends declared or paid out and collected

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

E. Trade and other receivables

Changes in receivables

	30.09.2018	30.06.2018	31.12.2017
Trade and other receivables	**44 535**	**54 769**	**59 277**
from affiliates	4 556	3 832	6 811
from external entities	39 979	50 937	52 466
Impairment allowances	**916**	**2 847**	**3 069**
Gross trade and other receivables	**45 451**	**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	**-**	**-**
creation of allowances for past-due and contested receivables	-	-
Reductions from:	**2 153**	**-**
dissolution of allowances due to collection of receivables	171	-
dissolution of allowances (writeoffs)	1 982	-
Impairment allowances as of 30.09.2018	**184**	**732**

Calculation of impairment allowances as of 30.09.2018

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	1 516	1 516	-	-	-	-	-
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	**1 516**	**1 516**	**-**	**-**	**-**	**-**	**-**

(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	21 318	21 081	2	-	51	-	184
non-fulfillment ratio		0%	0%	0%	0%	0.39%	6.37%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	184	-	-	-	-	-	184
total expected credit loss	184	-	-	-	-	-	184
Net receivables	**21 134**	**21 081**	**2**	**-**	**51**	**-**	**-**
Total							
gross receivables	22 834	22 597	2	-	51	-	184
Impairment allowances	184	-	-	-	-	-	184
Net receivables	**22 650**	**22 597**	**2**	**-**	**51**	**-**	**-**

Other receivables

	30.09.2018	30.06.2018	31.12.2017
Other receivables, including:	**21 885**	**18 607**	**22 219**
tax returns except corporate income tax	10 388	11 149	13 181
advance payments for supplies	2 640	2 790	2 183
consortium settlements	3 031	2 809	5 818
deposits	101	92	35
advance payments for fixed assets	5 667	1 667	940
employee settlements	46	90	52
others	12	10	10
Impairment allowances	**732**	**732**	**732**
Other gross receivables	**22 617**	**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 September 2018, 30 June 2018 and 31 December 2017 respectively.

(all figures quoted in PLN thousands unless indicated otherwise)

Financial assets – classification and appraisal

	30.09.2018	30.06.2018	31.12.2017
Financial assets held at amortized cost	**588 849**	**596 295**	**637 025**
Other long-term receivables	506	506	495
Trade receivables	22 650	36 162	37 058
Other financial assets	348	509	444
Cash and cash equivalents	11 949	83 718	18 499
Bank deposits (maturity beyond 3 months)	553 396	475 400	580 529
Capital market instruments held at purchase price	**19 439**	**17 056**	**16 023**
Shares in subsidiaries	19 439	17 056	16 023
Total financial assets	**608 288**	**613 351**	**653 048**

Financial liabilities – classification and appraisal

	30.09.2018	30.06.2018	31.12.2017
Financial liabilities held at amortized cost	**9 142**	**7 869**	**10 310**
Trade liabilities	8 681	7 551	9 972
Other financial liabilities	461	318	338

(all figures quoted in PLN thousands unless indicated otherwise)

G. Transactions with affiliates

	Sales to affiliates				Purchases from affiliates			
	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2017 – 30.09.2017	01.01.2017 – 30.09.2017
SUBSIDIARIES								
GOG sp. z o.o. (formerly GOG Poland sp. z o.o.)	1 666	5 529	751	1 860	29	112	11	20
GOG Ltd.*	-	-	5 675	29 276	-	-	45	146
CD PROJEKT Inc.	-	8	30	297	617	3 223	1 127	4 019
CD Projekt Co., Ltd.	-	29	24	24	819	12 544	394	1 060
Spokko sp. z o.o.	694	694	-	-	-	-	-	-
COMPANY EXECUTIVES								
Marcin Iwiński	4	8	1	4	-	-	-	-
Adam Kiciński	1	2	1	2	-	-	-	-
Piotr Nielubowicz	1	4	1	4	-	-	-	-
Michał Nowakowski	2	7	2	7	-	-	-	-
Adam Badowski	-	1	-	-		-	-	-
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarc	-	-	-	-	-	-	-	5

** up until the merger date*

(all figures quoted in PLN thousands unless indicated otherwise)

	Receivables from affiliates			Liabilities due to affiliates		
	30.09.2018	30.06.2018	31.12.2017	30.09.2018	30.06.2018	31.12.2017
SUBSIDIARIES						
GOG sp. z o.o. (formerly GOG Poland sp. z o.o.)	3 693	3 731	6 765	7	11	58
CD PROJEKT Inc.	348	509	444	67	349	773
CD Projekt Co., Ltd.	-	57	25	319	304	613
Spokko sp. z o.o.	854	-	-	-	-	-
COMPANY EXECUTIVES						
Marcin Iwiński	8	7	8	4	13	1
Adam Kiciński	-	-	1	3	2	1
Michał Nowakowski	1	37	7	-	1	-
Adam Badowski	-	-	3	-	-	-
Piotr Karwowski	-	-	2	-	-	-

** up until the merger date*

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of the Management Board of the parent entity

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

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

This condensed interim consolidated financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 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 Commitee 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 financial statement covering the period between 1 July and 30 September 2018 was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 14 November 2018.

Warszaw, 14 November 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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