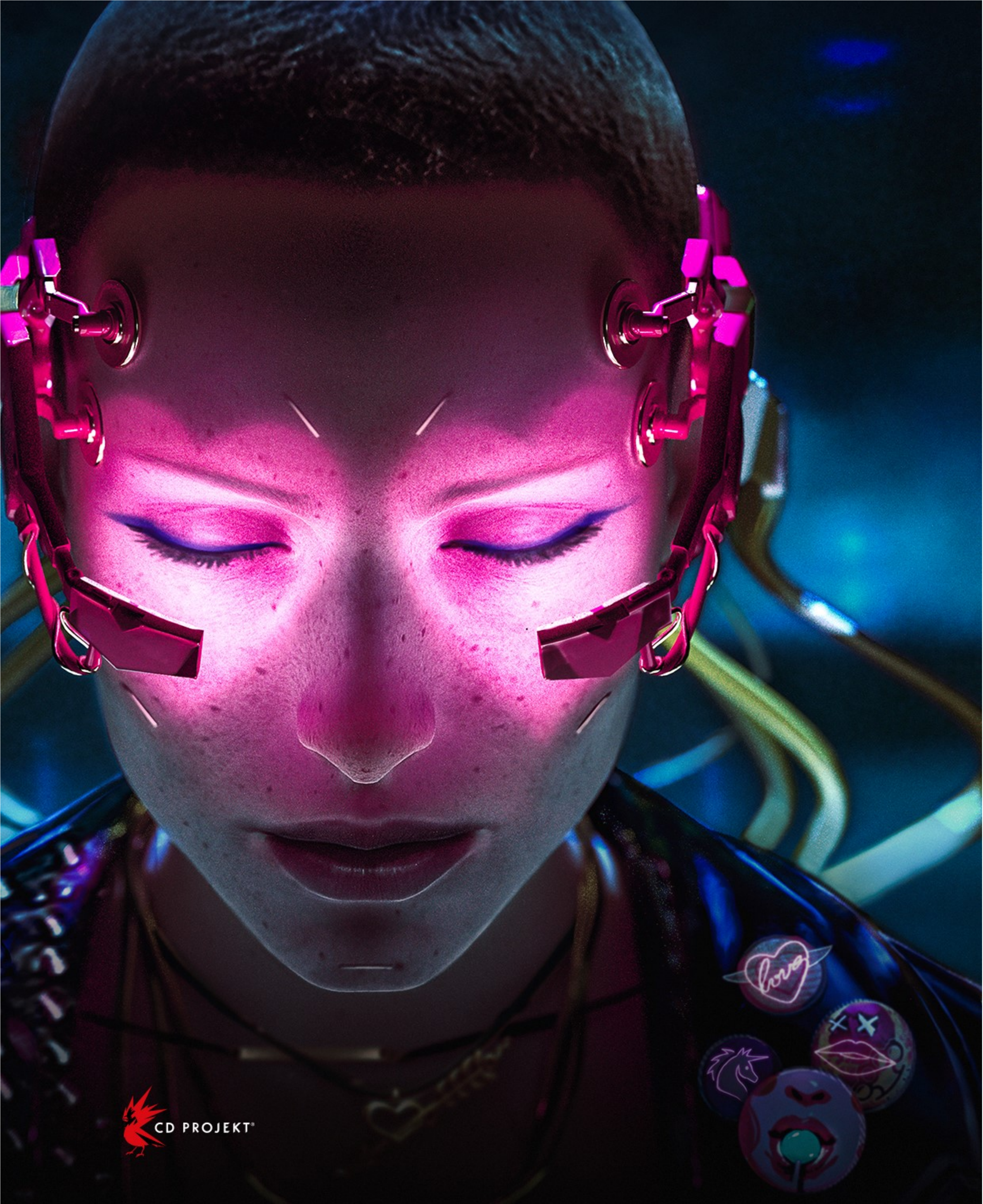

SEPARATE FINANCIAL STATEMENT OF CD PROJEKT S.A. FOR 2019

Disclaimer

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

Selected financial highlights (converted into EUR)

	PLN		EUR	
	01.01.2019 - 31.12.2019	**01.01.2018 - 31.12.2018**	**01.01.2019 - 31.12.2019**	**01.01.2018 - 31.12.2018**
Net revenues from sales of products, services, goods and materials	361 381	225 232	84 007	52 786
Cost of services, products, goods and materials sold	50 600	13 753	11 763	3 223
Operating profit (loss)	176 448	113 502	41 017	26 601
Profit (loss) before tax	185 862	124 295	43 206	29 130
Net profit (loss) attributable to parent entity	172 826	109 451	40 175	25 651
Net cash flows from operating activities	221 983	115 399	51 602	27 045
Net cash flows from investment activities	(143 097)	(92 043)	(33 264)	(21 571)
Net cash flows from financial activities	(105 849)	(706)	(24 606)	(165)
Total net cash flows	(26 963)	22 650	(6 268)	5 308
Stock volume (in thousands)	96 120	96 120	96 120	96 120
Net profit (loss) per ordinary share (PLN/EUR)	1.80	1.14	0.42	0.27
Diluted profit (loss) per ordinary share (PLN/EUR)	1.72	1.09	0.40	0.26
Book value per share (PLN/EUR)	11.15	10.11	2.62	2.35
Diluted book value per share (PLN/EUR)	10.65	9.66	2.50	2.25
Declared or paid out dividend per share (PLN/EUR)	1.05	-	0.24	-

	PLN		EUR	
	31.12.2019	**31.12.2018***	**31.12.2019**	**31.12.2018***
Total assets	1 315 368	1 045 726	308 881	243 192
Liabilities and provisions for liabilities (less accrued charges)	91 841	45 119	21 567	10 493
Long-term liabilities	24 378	6 853	5 725	1 594
Short-term liabilities	219 065	67 358	51 442	15 665
Equity	1 071 925	971 515	251 714	225 934
Share capital	96 120	96 120	22 571	22 353

** adjusted data*

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

- Elements of the separate profit and loss account and separate statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.3018 PLN/EUR for the period between 1 January and 31 December 2019, and 4.2669 PLN/EUR for the period between 1 January and 31 December 2018 respectively.

- Assets and liabilities listed in the separate statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.2585 PLN/EUR on 31 December 2019 and 4.3000 PLN/EUR on 31 December 2018 respectively.

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Primary financial data of CD PROJEKT S.A.

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Profit and loss account

	Note	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Sales revenues		**361 381**	**225 232**
Revenues from sales of products	1	292 385	220 641
Revenues from sales of services	1	39 060	1 811
Revenues from sales of goods and materials	1	29 936	2 780
Cost of products, services, goods and materials sold		**50 600**	**13 753**
Cost of products and services sold	3	25 735	11 133
Cost of goods and materials sold	3	24 865	2 620
Gross profit (loss) from sales		**310 781**	**211 479**
Selling costs	3	86 779	69 929
General and administrative costs	3	49 344	28 035
Other operating revenues	1,4	8 210	3 450
Other operating expenses	4	6 425	3 634
(Impairment)/reversal of impairment of financial instruments		5	171
Operating profit (loss)		**176 448**	**113 502**
Financial revenues	1,5	9 821	10 897
Financial expenses	5	407	104
Profit (loss) before tax		**185 862**	**124 295**
Income tax	6	13 036	14 844
Net profit (loss)		**172 826**	**109 451**
Net earnings per share (in PLN)			
Basic for the reporting period	8	1.80	1.14
Diluted for the reporting period	8	1.72	1.09

Statement of comprehensive income

	Note	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Net profit (loss)		**172 826**	**109 451**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria		-	-
Other comprehensive income which will not be entered as profit (loss)		-	-
Total comprehensive income	**10**	**172 826**	**109 451**

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of financial position

	Note	31.12.2019	31.12.2018
FIXED ASSETS		**645 312**	**369 328**
Tangible assets	12	100 684	16 507
Intangibles	13	109 573	99 848
Expenditures on development projects	13	360 030	218 795
Investment properties	15	44 960	9 553
Perpetual usufruct of land		-	3 478
Investments in subsidiaries	16,41	23 830	20 279
Other financial assets	17	2 650	298
Prepaid expenses	24	3 519	-
Other receivables	17,41	66	570
WORKING ASSETS		**670 056**	**676 398**
Inventories	19	8 485	258
Fixed assets held for sale	20	-	49
Trade receivables	23,41	124 853	31 397
Current income tax receivables		19 236	1 396
Other receivables	23	67 252	45 474
Other financial assets	17	1 037	421
Prepaid expenses	24	2 112	1 262
Cash and cash equivalents	25,41	14 186	41 149
Bank deposits (maturity beyond 3 months)	41	432 895	554 992
TOTAL ASSETS		**1 315 368**	**1 045 726**

	Note	31.12.2019	31.12.2018*
EQUITY		**1 071 925**	**971 515**
Share capital	26	96 120	96 120
Supplementary capital	28	748 324	739 799
Other reserve capital	28	54 655	26 145
Net profit (loss) for the reporting period		172 826	109 451
LONG-TERM LIABILITIES		**24 378**	**6 853**
Other financial liabilities	31,37,41	15 915	163
Other liabilities	32	3 340	-
Deferred income tax liabilities	6	4 870	204
Deferred revenues	38	7	6 302
Provisions for employee benefits and similar liabilities	39	246	184
SHORT-TERM LIABILITIES		**219 065**	**67 358**
Other financial liabilities	31,37,41	1 432	246
Trade liabilities	33,41	25 067	10 429
Other liabilities	34,35	5 132	12 357
Deferred revenues	38	151 595	22 790
Provisions for employee benefits and similar liabilities	39	2	2
Other provisions	40	35 837	21 534
TOTAL EQUITY AND LIABILITIES		**1 315 368**	**1 045 726**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of changes in equity

	Share capital	Supplementary capital	Own shares	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2019 – 31.12.2019							
Equity as of 01.01.2019	**96 120**	**739 799**	**-**	**26 145**	**109 451**	**-**	**971 515**
Cost of incentive program	-	-	-	28 510	-	-	28 510
Allocation of net profit/ coverage of losses	-	8 525	-	-	(8 525)	-	-
Dividend payment	-	-	-	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	-	-	172 826	172 826
Equity as of 31.12.2019	**96 120**	**748 324**	**-**	**54 655**	**-**	**172 826**	**1 071 925**

	Share capital	Supplementary capital	Own shares	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2018 – 31.12.2018							
Equity as of 01.01.2018	**96 120**	**539 294**	**-**	**15 212**	**201 054**	**-**	**851 680**
Cost of incentive program	-	-	-	10 384	-	-	10 384
Creation of reserves for 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	-	-	-	-	-	109 451	109 451
Equity as of 31.12.2018	**96 120**	**739 799**	**-**	**26 145**	**-**	**109 451**	**971 515**

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of cash flows

	Note	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018*
OPERATING ACTIVITIES			
Net profit (loss)		**172 826**	**109 451**
Total adjustments:	**51**	**62 345**	**12 340**
Depreciation of fixed assets, intangibles and expenditures on development projects		5 059	2 730
Depreciation of expenditures on development projects recognized as cost of products and services sold		23 009	8 971
Exchange rate profit (loss)		42	(11)
Interest and profit sharing		(8 572)	(10 279)
Profit (loss) from investment activities		(1 270)	483
Change in provisions		8 905	(26 343)
Change in inventories		(8 227)	65
Change in receivables		(124 052)	(768)
Change in liabilities excluding credits and loans		15 540	2 657
Change in other assets and liabilities		121 481	25 991
Other adjustments		30 430	8 844
Cash flows from operating activities		**235 171**	**121 791**
Income tax on pre-tax profit (loss)		13 036	14 844
Income tax (paid)/reimbursed		(26 224)	(21 236)
Net cash flows from operating activities		**221 983**	**115 399**
INVESTMENT ACTIVITIES			
Inflows		**908 223**	**1 136 575**
Expenditures on development projects transferred in the framework of consortium settlements		16 122	-
Reimbursement of advance payment for investment properties and perpetual usufruct of land		1 667	-
Disposal of intangibles and fixed assets		130	229
Cash assets gained in acquisition of an enterprise		-	26
Repayment of long-term loans granted		10 605	584
Closing bank deposits (maturity beyond 3 months)		870 742	1 125 444
Other inflows from investment activities		8 957	10 292
Outflows		**1 051 320**	**1 228 618**
Purchases of intangibles and fixed assets		90 751	13 949
Expenditures on development projects		157 072	88 554
Purchase of investment properties		36 743	4 078
Expenditures on development projects transferred in the framework of consortium settlements		-	7 505
Acquisition of an enterprise		-	10 550
Long-term loans granted		13 610	848
Capital contributions to subsidiary		4 500	2 500
Advance payment for investment properties		-	727
Opening bank deposits (maturity beyond 3 months)		748 644	1 099 907
Net cash flows from investment activities		**(143 097)**	**(92 043)**

(all figures quoted in PLN thousands unless indicated otherwise)

FINANCIAL ACTIVITIES

Inflows	**484**	**-**
Collected receivables arising from financial lease agreements	459	-
Interest collected	25	-
Outflows	**106 333**	**706**
Dividends and other payments due to equity holders	100 926	-
Payment of liabilities arising from lease agreements	5 000	693
Interest paid	407	13
Net cash flows from financial activities	**(105 849)**	**(706)**
Total net cash flows	**(26 963)**	**22 650**
Change in cash and cash equivalents on balance sheet	**(26 963)**	**22 650**
Cash and cash equivalents at beginning of period	**41 149**	**18 499**
Cash and cash equivalents at end of period	**14 186**	**41 149**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Clarifications regarding the separate financial statement

2

General information

Name:	CD PROJEKT S.A.
Legal status:	Joint-stock company
Headquarters:	Jagiellońska 74, 03-301 Warsaw
Country of registration:	Poland
Principal scope of activity:	Development and publishing of videogames and tie-in products
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
Waste disposal database (BDO) number:	000141053

The Company is established for an indefinite duration.

Changes in accounting practices

The accounting practices applied in preparing this separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2018, except for changes in accounting practices and presentation-related adjustments described in the section titled "Comparability of financial statements and changes in accounting policies".

Assumption of going concern

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

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

As of the day of preparation of this financial statement covering the period between 1 January and 31 December 2019 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

(all figures quoted in PLN thousands unless indicated otherwise)

Regulated market listings

General information

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

Depository and settlement system

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

Investor relations

Investor relations	gielda@cdprojekt.com

Compliance with International Financial Reporting Standards

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

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

Standards and interpretations applied for the first time

In preparing its separate financial statement for 2019 the Company applied the same accounting standards as in its separate financial statement for 2018 with exception of the following new and amended standards and interpretations approved by the European Union and applicable to reporting periods beginning on or after 1 January 2019:

- **Amendments to IFRS 9 – Prepayment Features with Negative Compensation - applicable to reporting periods beginning on or after 1 January 2019**

  These amendments concern the accounting of prepayable financial assets with the so-called negative compensation. Such assets should be measured at amortized cost or fair value through other comprehensive income instead of at fair value through or loss. These amendments do not affect the accounting practices in force at the Company or its financial result.

- **Amendments to IAS 19 – Plan amendment, curtailment or settlement - applicable to reporting periods beginning on or after 1 January 2019**

  These amendments affect amendment, curtailment or settlement of certain plans by specifying that it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. These amendments do not have a significant effect upon the accounting practices in force at the Company or its financial result.

(all figures quoted in PLN thousands unless indicated otherwise)

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

This financial statement marks the first application of *IFRS 16 Leases*, which superseded *IAS 17 Leases*. IFRS 16 sets forth rules concerning assessment, presentation and disclosure of lease agreements. The major change is to introduce a uniform model for lessee accounting, forgoing the distinction between financial and operating lease agreements. Under the new regulation all agreements which meet the definition of a lease agreement or which include aspects of such are treated in accordance with the erstwhile financial lease model. Accordingly, the new standard contributes to an increase in the value of non-financial assets and other financial liabilities in the statement of financial position, and to a decrease in operating expenditures along with an increase in financial expenditures in the profit and loss account. Regarding the statement of cash flows, a decrease in operating outflows and an increase in financial outflows can be observed.

The application of the new standard most significantly affects the presentation of fixed-term office space lease agreements, which, due to their economic content, had previously been classified as operating lease agreements in accordance with IAS 17. As a consequence, the Company had not previously recognized assets covered by these agreements in its financial statement. In 2019, in line with the new regulations, these agreements are treated as financial and subject to a uniform model of lessee accounting, requiring the Company to recognize its right to use the lease office space as an asset, along with liabilities which reflect the corresponding lease payments.

On the day of initial application of IFRS 16 the Company applied a retrospective approach to office space lease agreements scheduled to end later than 12 months after the aforementioned initial application date, recognizing the aggregate effect of applying the new standard on the initial application date without converting the relevant comparative data. The aggregate effect of applying the new standard, i.e. recognition of the corresponding assets and liabilities, did not result in a change in the initial balance of retained earnings (the value of newly recognized assets is equal to the value of the corresponding liabilities). Assets and liabilities arising from lease agreements were recognized as the current balance of other lease agreements adjusted by the lessee's marginal interest rate on the date of initial application of the new standard.

In the financial statement for the year ending on 31 December 2018, as well as in interim financial statements published throughout 2019, the perpetual usufruct of land purchased from third parties on 31 December 2018 was recognized as a distinct assets, initially estimated at purchase price and subsequently subject to gradual depreciation throughout the period for which this right had been granted. On 31 December 2019 the Company acquired perpetual usufruct of additional land plots, which, under IFRS 16, should be recognized as a lease. In order to avoid a situation where identical rights would be presented as two distinct categories of assets, depending on acquisition date, the Company decided to apply a uniform reporting policy in this financial statement: specifically, with regard to perpetual usufruct of land acquired on 31 December 2018 the decision was made to apply *IFRS 16 Leases* in the same manner as if the regulation had initially been applied on 1 January 2019. Thus, with regard to all aforementioned rights, the assets and liabilities arising from lease agreements were recognized as the current balance of other lease agreements adjusted by the lessee's marginal interest rate.

The Company has also begun to recognize subleasing of office space wherein a leased asset (master agreement) is subject to further leasing. With regard to such agreements the Company does not directly recognize the leased asset; instead, it recognizes a lease liability and the corresponding receivables under the relevant sublease agreement. If the subleasing agreement involves transferring (reinvoicing) expenses to another entity, the liability arising under the master agreement is equivalent to the receivables arising under the subleasing agreement, adjusted for the discount rate applicable to the master agreement. In such circumstances the liabilities related to the master agreement and the receivables related to the subleasing agreement, as well as the related financial expenses and revenues due to interest, are offset prior to being reported, as this form of presentation best reflects the nature of the agreement (according to Art. 32-33 of IAS 1 and Art. 42-50 of IAS 32 with regard to financial instruments). As a rule, offsetting assets and liabilities or revenues and expenses is forbidden unless it reflects the nature of the given transaction.

The application of new regulations embodied by IFRS 16, along with the abovementioned change in presentation of perpetual usufruct of land acquired on 31 December 2018 (including the consequent folding of this asset into the reported investment properties) has the following effect on the Company's financial statement for the period between 1 January and 31 December 2019:

	As of 31.12.2018	Adjustments related to application of IFRS 16	As of 01.01.2019	Adjustments related to application of IFRS 16 and other adjustments introduced in 2019	Adjusted balance
Fixed assets					
Tangible fixed assets, including:	16 507	10 674	27 181	-	27 181
- lease of buildings	-	10 674	10 674	-	10 674
Investment properties, including:	9 553	-	9 553	7 927	17 480
- buildings and structures	9 553	-	9 553	-	9 553
- land holdings	-	-	-	3 478	3 478
- lease of land	-	-	-	4 449	4 449
Perpetual usufruct of land	3 478	-	3 478	(3 478)	-
Long-term liabilities					
Other financial liabilities, including:	163	5 932	6 095	4 435	10 530
- lease of buildings	-	5 932	5 932	-	5 932
- lease of land	-	-	-	4 435	4 435
Short-term liabilities					
Other financial liabilities, including:	246	4 742	4 988	14	5 002
- lease of buildings	-	4 742	4 742	-	4 742
- lease of land	-	-	-	14	14

The reconciliation of future minimum payments under lease agreements reported on 31 December 2018 with lease liabilities recognized in the statement of financial position for 1 January 2019, as well as the weighted average marginal interest rate applied by the Company (as the lessee) to such liabilities are as follows:

Future minimum lease payments arising from operating lease agreements reported on 31.12.2018	10 448
Value of agreements recognized as lease agreements under IFRS 16 (perpetual usufruct of land)	8 258
Future minimum lease payments arising from financial lease agreements reported on 31.12.2018	413
Contractual liabilities arising from lease agreements as of 31.12.2018	**19 119**
Discount	(3 587)
Current value of lease liabilities as of 01.01.2019	**15 532**
Current value of contractual liabilities arising from financial lease agreements reported on 31.12.2018	(409)
Contractual liabilities arising from lease agreements – effect of application of IFRS 16 as of 01.01.2019	**15 123**
Weighted average marginal interest rate applied by the Company (as the lessee) to liabilities arising from lease agreement as disclosed in the statement of financial position for 01.01.2019	**4.05%**

With regard to space lease agreements scheduled to end earlier than 12 months following the initial application date of IFRS 16, the Company has applied the practical expedient foreseen in section C10 item c) of the standard. According to this regulation, a lessee may elect not to apply the previously specified requirements to leases for which the lease term ends within 12 months of the date of initial application. Consequently, the Company accounts for those leases in the same way as short-term leases, recognizing the cost associated with those leases throughout the duration of the lease agreement. The costs associated with these agreements are presented in Note 3.

With regard to lease agreements classified as financial under IAS 17, on the date of initial application of IFRS 16 the balance sheet value of assets which represent the right to use the leased object, as well as the corresponding liabilities, correspond to the balance sheet value of such assets and liabilities on the day preceding the initial application date and evaluated in accordance with IAS 17. In 2019 all such agreements are subject to the provisions of IFRS 16.

The Company does not apply the provisions of IFRS 16 to short-term lease agreements and to agreements where the value of the leased asset is low, as permitted under Art. 5 of the new standard. In these cases, lease payments are recognized as costs using the straight-line method or another applicable method which best reflects the distribution of payments throughout the duration of the agreement.

As permitted under Art. 4 of IFRS 16, the Company does not apply the provisions of the new standards to intangibles.

(all figures quoted in PLN thousands unless indicated otherwise)

- **Amendments to MSR 28 – Long-term Interests in Associates and Joint Ventures - applicable to reporting periods beginning on or after 1 January 2019**

  The amendments concern recognition of long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. In line with the amended regulation, such interests should be recognized in accordance with the new IFRS 9 standard, particularly as concerns impairment. These amendments do not have a significant impact on the Company's accounting practices or its financial result.

- **Amendments to IFRS (2015-2017) adopted under the annual IFRS improvements cycle - applicable to reporting periods beginning on or after 1 January 2019**

  These amendments concern four standards: *IAS 12 Income taxes* with regard to recognizing the income tax consequences of dividends, *IAS 23 Borrowing costs* with regard to modified assets readied for intended use or sale, *IFRS 3 Business combinations* with regard to acquisition of control of a business that is a joint operation, and *IFRS 11 Joint arrangements* with regard to lack of control of a participant over a joint arrangement. These amendments do not have a significant impact on the Company's accounting practices or its financial result.

- **IFRIC 23 – Uncertainty over Income Tax Treatments - applicable to reporting periods beginning on or after 1 January 2019**

  The interpretation clarifies the recognition and measurement procedures specified in *IAS 12 Income Taxes* when there are uncertainties in the amount of income tax payable (recoverable). An uncertainty over income tax treatment emerges when there is doubt whether the applied treatment will be accepted by taxation authorities. If the entity regards such uncertainties as significant, they should be reflected in the tax disclosures for the period to which the treatment applies, e.g. by recognizing an additional tax liability or applying a higher tax rate. Measurement of such uncertainties should be based either on the most likely amount or the expected value of the tax treatment. This interpretation does not have a significant impact on the Company's accounting practices or its financial result.

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

The Board has carried out an assessment of the effect of new standards upon future financial statements of the Company. In approving this financial statement, the Company did not apply the following standards, amendments and interpretations which have been published and approved for use in the EU. but have not yet entered into force:

- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform - applicable to reporting periods beginning on or after 1 January 2020**

  These amendments are associated with the IBOR reform and provide temporary, narrowly defined reliefs related to hedge accounting, which will enable enterprises to remain compliant under the assumption that existing reference interest rates will not change as a result of the inter-bank offered rate reform.

  The Company does not expect these amendments to have a significant impact on the Company's accounting practices or its financial result.

- **Amendments to IAS 1 and IAS 8 – Definition of „Materiality" - applicable to reporting periods beginning on or after 1 January 2020**

  These amendments concern the definition of "materiality" of information which is understood to apply if omitting, misstating or obscuring such information could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The Company does not expect these amendments to have a significant impact on the Company's accounting practices or its financial result.

- **Amendments to References to the Conceptual Framework in IFRS standards - applicable to reporting periods beginning on or after 1 January 2020**

  These amendments involve replacing references to the previous conceptual framework in various standards and interpretations with references to the amended conceptual framework published in 2018.

  The Company does not expect these amendments to have a significant impact on the Company's accounting practices or its financial result.

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

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

- Amendments to ***IFRS 3*** *Business combinations* - 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,
- Amendments to ***IAS 1*** *Presentation of financial statements: classification of short- and long-term liabilities* - applicable to reporting periods beginning on or after 1 January 2022.
- ***IFRS 14*** *Regulatory deferral accounts* – applicable to reporting periods beginning on or after 1 January 2016. The European Commission has decided to withhold approval of this interim standard for use within the EU until the final version of the standard is published.

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

Description of applicable accounting practices

Operating revenues and expenses

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

The Company recognizes revenues by applying the so-called Five Step Model described in IFRS 15. Revenues only cover amounts received or receivable by the Company, equivalent to the transaction prices payable to the Company following (or during) discharge of its liability to transfer the contractually pledged goods or services (i.e. asset) to the client. The transaction price is defined as the remuneration which the Company expects to receive in return for transfer of the pledged goods or services, less the applicable value added tax.

With regard to licensing royalties associated with distribution of videogames, which constitute the Company's main source of revenues, these depend on the volume of sales carried out by each distributor throughout the reporting period. Consequently, for each product, the corresponding sales revenues can be recognized only after the Company has supplied all necessary materials enabling the finished game to be distributed, and the reported figures depend on sales reports periodically submitted by distributors.

In accordance with the principle of matching revenues and expenses, expenses associated with consumption of materials, goods and finished products are reported in the same period as their corresponding sales revenues or revenues from services which these assets are part of.

Financial revenues and expenses

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

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

State subsidies

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

Current and deferred income tax

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

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

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

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

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

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

Value added tax

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

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

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

Fixed assets

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

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

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

Category	Useful life
Buildings and structures	5 – 25 years
Machinery and equipment	2 – 10 years
Vehicles	5 years
Other fixed assets	2 – 10 years

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

Intangibles - expenditures on development projects

The Company reports expenses associated with development of videogames as "Expenditures on development projects". Videogame development expenses incurred prior to the commencement of sales or application of new solutions are recognized as "Development projects in progress". Once development has completed and the relevant costs are recognized, said expenses are transferred to the "Development projects completed" line item. In the case of projects for which a reliable estimate of sales volume and budget can be provided, the Company recognizes depreciation on the basis of economic benefits associated with the expected sales volume. In all other cases, the straight-line method is applied instead. Depreciation of development expenditures is presented in the profit and loss account as the cost of products and services sold.

Other intangibles

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

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

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

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

Goodwill

Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

Business combinations under common control

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

Impairment of non-financial assets

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

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

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

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

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

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

Investment properties

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

Investment properties are estimated using the purchase cost method.

Perpetual usufruct of land

Perpetual usufruct may apply to land owned by the State Treasury, local authorities, or combinations thereof. Perpetual usufruct is a special type of property law which entitles physical or legal entities to use a given plot of land on an exclusive basis. Perpetual usufruct is fully transferable and usually granted for a period of 99 years, although in exceptional cases shorter grants (of at least 40 years) are permitted when the economic rationale for establishing the usufruct does not justify a longer grant.

In the financial statement for the year ending on 31 December 2018, as well as in interim financial statements published throughout 2019, the perpetual usufruct of land purchased from third parties on 31 December 2018 was recognized as a distinct asset, initially estimated at purchase price and subsequently subject to gradual depreciation throughout the period for which this right had been granted. On 31 December 2019 the Company acquired perpetual usufruct of additional land plots, which, under IFRS 16, should be recognized as a lease. In order to avoid a situation where identical rights would be presented as two distinct categories of assets, depending on acquisition date, the Company decided to apply a uniform reporting policy in this financial statement: specifically, with regard to perpetual usufruct of land acquired on 31 December 2018 the decision was made to apply *IFRS 16 Leases* in the same manner as if the regulation had initially been applied on 1 January 2019.

In addition to the above, the decision to no longer recognize perpetual usufruct of land as a distinct asset and instead aggregate it with leases means that it such rights should now be reported in accordance with their intended use. Accordingly, the Company also decided to also fold this asset into the reported investment properties. The effect of application of IFRS 16 and the change in the Company's approach to reporting perpetual usufruct of land acquired prior to 1 January 2019 upon this financial statement is discussed in the section titled *"Standards and interpretations applied for the first time"*.

Lease agreements

Given the fact that this financial statement marks the initial application of the new edition of *IFRS* 16 *Leases*, the corresponding accounting practices in force at the Company are described in the section titled *"Standards and interpretations applied for the first time"*.

Investments in subsidiaries

Investments in subsidiaries are accounted on their effective date and at cost. Assessment of such investments for a given balance sheet date is performed on the basis of initial cost less write-downs associated with impairment of assets, if any.

Financial assets

On initial recognition the Company assigns each of its financial assets into one of four categories, depending on the Company's business model related to management of financial assets and the specific nature of contractual cash flows associated therewith:

- assets classified at amortized cost,
- assets classified at fair value reported in other comprehensive income (FVOCI),
- assets classified at fair value through profit and loss,
- financial 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 other than those listed previously (as a rule, this is construed as holding assets for trading). The Company 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 Company does not engage in hedge accounting, the corresponding IFRS 9 provisions do not apply to the Company's activities.

Credit risk associated with assets which constitute financial instruments is estimated by the Company on the basis of the expected credit loss (ECL) model. The basic method for determining loss allowances in the ECL model is a procedure under which the Company monitors changes in credit risk associated with each financial asset since its initial recognition, and assigns each financial asset to one of three stages (stage 1 – performing; stage 2 – under-performing; stage 3 – impaired). This method is applied to financial assets held at amortized cost other than trade receivables.

Financial liabilities

A financial liability is defined as any liability which:

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

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

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

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

Inventories

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

Trade and other receivables

Receivables associated with delivery of products and services are entered in the accounts at their transaction prices, adjusted for impairment allowances under the expected credit loss model.

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

Accrued and deferred charges

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

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

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

Cash and other monetary assets

Cash assets are defined as cash on hand, deposits payable on demand and bank deposits with maturity periods of up to 3 months. Other monetary assets represent highly liquid short-term investments easily exchangeable for a known quantity of cash and subject to low depreciation risk.

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

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

Assets held for sale and discontinued operations

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

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

Equity

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

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

Supplementary capital is derived from:

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

Provisions for liabilities

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

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

Employee benefits

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

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

Bank credits and loans

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

Trade and other liabilities

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

Borrowing costs

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

Dividend payments

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

Functional currency and presentation currency

Functional currency and presentation currency

Figures reported in this financial statement are denominated in the currency of the primary economic environment in which the Company carries outs its activities (functional currency). The functional currency and the presentation currency of the Company is the Polish Zloty (PLN).

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.

Important values based on professional judgment and estimates

Professional judgment

In applying accounting practices (policies) the Company did not identify any issues which would be primarily affected by the Company management's professional judgment as opposed to accounting considerations.

Uncertainty of estimates

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

Asset impairment

Goodwill and trademark impairment tests require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of the CD PROJEKT brand name, The Witcher trademark and of goodwill was conducted on 31 December 2018. As of 31 December 2019 an analysis of input data for models utilized in the preceding year had been carried out, and in light of the conclusion that existing data would doubtlessly produce results greater than those obtained in 2018, no impairment of any of the aforementioned assets or goodwill was identified. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2019. No circumstances were identified which would suggest impairment of these assets.

Valuation of provisions

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

Deferred tax assets

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

Deferred tax provisions

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

Fair value of financial instruments

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

Depreciation rates

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

Comparability of financial statements, changes in accounting policies and projections

Changes in accounting policies

The accounting practices applied in preparing this separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2018, except for changes in accounting policies and presentation-related adjustments described below.

Presentation changes

This separate financial statement for the period between 1 January and 31 December 2019 includes changes in the presentation of certain financial data. In order to ensure comparability of financial data, adjustments were also introduced with respect to reference data for the period between 1 January and 31 December 2018 as well as reference data for 31 December 2018. The following adjustments were made:

- In the statement of financial position for 31 December 2018 and in the statement of cash flows for the period between 1 January and 31 December 2018 the presentation of future period sales was adjusted as follows:
    - Statement of financial position for 31 December 2018
        - Other liabilities – adjusted by (22 603) thousand PLN
        - Deferred revenues – adjusted by 22 603 thousand PLN
    - Statement of cash flows for the period between 1 January and 31 December 2018
        - Changes in liabilities except credits and loans – adjusted by (22 378) thousand PLN
        - Change in other assets and liabilities – adjusted by 22 378 thousand PLN

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

Change in projections

The aggregate consolidated basic net earnings per share from continuing operations of the CD PROJEKT Group for the period between 1 January 2016 and 30 June 2019 was 6.39 PLN, which is 0.12 PLN below the goal of the incentive program for 2016-2019 in force at the Group. Given the Company's stock volume, this corresponds to a difference of 11 534 thousand PLN in the Group's consolidated net profit from continuing operations. Validation of attainment of the program's goals is based solely on annual results; however, in light of the results obtained by the end of the first half of 2019, along with the Company's release schedule for the second half of the year, the Board decided in mid-2019 to alter its projections regarding the likely attainment of the program goals in the years 2016-2021 and assume that the goals of the program would likely be met as defined for the period between 2016 and 2019.

This change in projections necessitated recognition of costs related to the expected entitlements over a shorter timeframe than originally anticipated. Earlier recognition of costs associated with the incentive program in relation to past reporting periods was reflected in the Company's accounts at the moment of the reported change in projections, i.e. during the second quarter of 2019. In later reporting periods costs associated with the incentive program are recognized in accordance with the updated projections.

In line with the Board's updated projections, the goals of the incentive program were achieved at the end of 2019. Further information regarding attainment of the incentive program's goals by the Company can be found in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities in the period between 1 January and 31 December 2019.

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

3

Note 1. Sales revenues

Pursuant to **IFRS 15** revenues from sales of products, goods and services, less the applicable value added tax and any discounts or rebates, are recognized following (or during) discharge of the Company's contractual duty to transfer the pledged goods or services (assets) to the client.

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Sales revenues	**361 381**	**225 232**
incl. from R&D activities	116 153	79 587
Revenues from sales of products	292 385	220 641
Revenues from sales of services	39 060	1 811
Revenues from sales of goods and materials	29 936	2 780
Other revenues	**18 031**	**14 347**
Other operating revenues	8 210	3 450
Financial revenues	9 821	10 897
Total	**379 412**	**239 579**

Sales revenues by territory

	01.01.2019 – 31.12.2019		01.01.2018 – 31.12.2018	
	PLN	%	PLN	%
Domestic sales	15 267	4.22%	14 098	6.26%
Exports, including:	**346 114**	**95.78%**	**211 134**	**93.74%**
Europe	53 151	14.71%	40 900	18.16%
North America	247 446	68.47%	145 912	64.78%
South America	1 216	0.34%	824	0.37%
Asia	39 821	11.02%	22 044	9.79%
Australia	4 396	1.22%	1 137	0.50%
Africa	84	0.02%	317	0.14%
Total	**361 381**	**100.00%**	**225 232**	**100.00%**

Sales revenues by product type

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Own products	292 385	220 641
External products	29 936	2 780
Other revenues	39 060	1 811
Total	**361 381**	**225 232**

Sales revenues by distribution channel

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Videogames – box editions	50 066	22 980
Videogames – digital editions	267 238	196 504
Other revenues	44 077	5 748
Total	**361 381**	**225 232**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 2. Operating segments

Information concerning the Company's operating segments is provided in Section 3 "Supplementary information – operating segments" of the Consolidated Financial Statement of the CD PROJEKT Group for the period between 1 January and 31 December 2019.

Note 3. Operating expenses

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Depreciation of fixed assets, intangibles, expenditures on development projects and investment properties, including:	5 059	2 730
- depreciation of leased buildings	1 522	-
- depreciation of leased vehicles	154	188
Consumption of materials and energy	1 767	1 006
Bought-in services, including:	46 925	50 029
- short-term leases and leases of low-value assets	568	-
Taxes and fees	796	553
Employee compensation, social security and other benefits	78 700	41 451
Business travel	2 632	1 850
Use of company cars	113	159
Value of goods and materials sold	24 865	2 620
Cost of products and services sold	25 735	11 133
Other expenses	131	186
Total	**186 723**	**111 717**
Selling costs	86 779	69 929
General and administrative costs	49 344	28 035
Cost of products, goods and materials sold	50 600	13 753
Total	**186 723**	**111 717**

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

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Items aggregated with selling costs	**2 960**	**1 238**
Depreciation of fixed assets	2 321	766
Depreciation of intangible assets	639	472
Items aggregated with general and administrative costs	**2 099**	**1 492**
Depreciation of fixed assets	1 543	1 000
Depreciation of intangible assets	556	492

Employee benefits

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Employee compensation	74 391	38 265
Social security and other similar expenses	2 497	1 434
Other employee benefits	1 812	1 752
Total employee benefits	**78 700**	**41 451**
Items aggregated with selling costs	37 249	22 364
Items aggregated with general and administrative costs	41 451	19 087

(all figures quoted in PLN thousands unless indicated otherwise)

Note 4. Other operating revenues and expenses

Other operating revenues

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018*
Reinvoicing revenues	5 493	1 866
Fixed assets and goods received free of charge	1 150	117
Revenues from lease contracts	1 126	-
Subsidies	175	615
Profit from sale of fixed assets	80	11
Provisioning of IT and marketing services	50	204
Settlement of financial liabilities arising from lease agreements	42	8
Other sales	26	512
Repossession gains received	5	29
Dissolution of unused provisions for expenses	2	14
Withholding tax recovered at source	1	-
Compensation for damages received	-	18
Disclosure of assets	-	26
Other miscellaneous operating revenues	60	30
Total operating revenues	**8 210**	**3 450**

** adjusted data*

Other operating expenses

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Reinvoicing expenses	5 496	1 866
Own cost of other sales	595	1 040
Depreciation of investment properties	283	-
Unrecoverable withholding tax	19	14
Donations	7	9
Disposal of materials and goods	6	76
Settlement of stocktaking shortages	3	6
Disposal of fixed assets and intangibles	2	26
VAT writeoffs	1	246
Insurance premiums	-	1
Loss from revaluation of own shares	-	96
Costs associated with receivable enforcement proceedings	-	4
Fixed assets written off	-	189
Other miscellaneous expenses	13	61
Total operating expenses	**6 425**	**3 634**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 5. Financial revenues and expenses

Financial revenues

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Revenues from interest	**8 961**	**10 301**
on short-term bank deposits	8 864	10 282
on trade settlements	7	9
on loans	90	10
Other financial revenues	**860**	**596**
surplus positive exchange rate differences	860	591
other miscellaneous financial revenues	-	5
Total financial revenues	**9 821**	**10 897**

Financial expenses

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Interest payments	**407**	**104**
on lease agreements	382	13
on budget commitments	25	91
Other financial expenses	**-**	**-**
Total financial expenses	**407**	**104**
Net balance of financial activities	**9 414**	**10 793**

Note 6. Current and deferred income tax

The main components of the tax burden for the years ending on 31 December 2019 and 31 December 2018 respectively are as follows:

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Current income tax	**8 371**	**17 711**
For the fiscal year	8 346	17 151
Adjustments from preceding years	25	560
Deferred income tax	**4 665**	**(2 867)**
Due to creation and reversal of temporary differences	4 665	(2 867)
Tax burden reported in profit and loss account	**13 036**	**14 844**

Deferred tax reported in the profit and loss account represent the difference between deferred tax assets and liabilities at the beginning and end of each reporting period.

(all figures quoted in PLN thousands unless indicated otherwise)

Current income tax

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Pre-tax income	**185 862**	**124 295**
Revenues increasing the tax base	18 462	3 499
Revenues applicable to future reporting periods	(56 577)	5 078
Tax-exempt revenues	(1 554)	(612)
Expenses reducing the tax base	(25 378)	(48 096)
Non-deductible expenses	54 676	18 963
Taxable income	**175 491**	**103 127**
Deductions from income – donations	-	(6)
Deductions from income – R&D fiscal relief	(8 565)	(12 853)
Tax base (rate: 5%)	**166 926**	**-**
Tax base (rate: 19%)	**-**	**90 268**
Income tax due (rate: 5%)	8 346	-
Income tax due (rate: 19%)	-	17 151
Effective tax rate	**7.01%**	**11.94%**

Current income tax is estimated by applying a rate of 19% to the reported tax base from revenues from other sources, and a rate of 5% to the reported tax base from eligible IP-related revenues as specified in the IP BOX tax relief regulation. In the fiscal year ending on 31 December 2019 the Company did not obtain revenue from capital investments.

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2018*	increases	reductions	31.12.2019
Provisions for other employee benefits	185	63	-	248
Provisions for compensation dependent on financial result	13 411	22 468	13 582	22 297
Negative exchange rate differences	9	834	452	391
Difference between balance sheet value and tax value of R&D expenditures	-	6 958	-	6 958
Compensation and social security expenses payable in future reporting periods	26	114	98	42
Other provisions	1 128	2 948	1 548	2 528
R&D fiscal relief	43 745	-	33 782	9 963
Prepayments recognized as taxable income	-	13 836	2 729	11 107
Total negative temporary differences	**58 504**	**47 221**	**52 191**	**53 534**
subject to 5% tax rate	-	37 561	-	37 561
subject to 19% tax rate	58 504	9 660	52 191	15 973
Deferred tax assets	**11 116**	**3 713**	**9 916**	**4 913**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Positive temporary differences requiring recognition of deferred tax liabilities

	31.12.2018*	increases	reductions	31.12.2019
Difference between balance sheet value and tax value of fixed assets and intangibles	22 752	4 215	18 818	8 149
Income in the current period invoiced in the following period	29 545	139 824	83 327	86 042
Positive exchange rate differences	60	687	573	174
Difference between balance sheet value and tax value of R&D expenditures	6 735	7 237	1 638	12 334
Other sources	489	146	490	145
Total negative temporary differences	**59 581**	**152 109**	**104 846**	**106 844**
subject to 5% tax rate	-	75 122	-	75 122
subject to 19% tax rate	59 581	76 987	104 846	31 722
Deferred tax liabilities	**11 320**	**18 384**	**19 921**	**9 783**

** adjusted data*

Deferred income tax was estimated in part by applying the standard corporate income tax rate of 19% (applicable to revenues from other sources) and in part by applying the preferential rate of 5% (applicable to eligible IP-related revenues under the IP BOX tax relief regulation). In determining the correct rate to apply to temporary differences, the Company relied on projections regarding the tax base to which each temporary difference is likely to apply.

Net balance of deferred tax assets/liabilities

	31.12.2019	31.12.2018
Deferred tax assets	4 913	11 116
Deferred tax liabilities	9 783	11 320
Net deferred tax assets/(liabilities)	**(4 870)**	**(204)**

Note 7. Discontinued operations

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

Note 8. Earnings per share

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

During the 12-month period ending on 31 December 2019 dilutive instruments comprised entitlements assigned under the incentive program and permitting certain parties to claim shares of the Company. Information regarding the quantity of entitlements assigned is provided in Note 43.

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

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Average weighted number of shares for the purpose of calculating base earnings per share (units)	96 120 000	96 120 000
Average weighted number of shares for the purpose of calculating diluted earnings per share (units)	100 662 234	100 550 808
Net profit/ (loss) for the purpose of calculating diluted earnings per share	172 826	109 451
Base net earnings per share (PLN)	**1.80**	**1.14**
Diluted net earnings per share (PLN)	**1.72**	**1.09**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 9. Dividends paid out (or declared) and collected

On 23 May 2019 the Ordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to allocate part of the Company's profit obtained in 2018 to a dividend payable to Company shareholders. In line with the adopted resolution, on 13 June 2019, the Company paid out a dividend in the aggregate amount of 100 926 thousand PLN, i.e. 1.05 PLN per share. The dividend applied to 96 120 000 shares of Company stock.

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

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Net profit (loss)	**172 826**	**109 451**
Total comprehensive income	**172 826**	**109 451**

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

Not applicable.

Note 12. Fixed assets

Ownership structure of fixed assets

	31.12.2019	31.12.2018
Wholly owned	83 196	15 609
Held under a hire purchase, hire or similar contract, including lease contracts	17 488	898
Total	**100 684**	**16 507**

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

	31.12.2019	31.12.2018
Held under a financial lease contract	17 488	898
Value of fixed assets whose title is restricted and fixed assets pledged as collateral for liabilities	**17 488**	**898**

Contractual commitments for future acquisition of fixed assets

	31.12.2019	31.12.2018*
Leasing of passenger cars	114	245
Total	**114**	**245**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in fixed assets (by category) between 01.01.2019 and 31.12.2019

	Land holdings	Buildings and structures	Civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2019	**-**	**12 238**	**141**	**18 752**	**2 058**	**1 513**	**648**	**35 350**
Increases from:	**35 986**	**52 488**	**1 446**	**6 704**	**5**	**1 050**	**1 148**	**98 827**
purchase	25 894	42 727	1 440	5 549	5	625	1 148	77 388
lease agreements concluded*	10 091	8 638	-	-	-	-	-	18 729
reclassification from fixed assets under construction	1	1 123	6	5	-	425	-	1 560
acquisition free of charge	-	-	-	1 150	-	-	-	1 150
Reductions from:	**-**	**4 421**	**-**	**769**	**4**	**-**	**1 665**	**6 859**
sale	-	-	-	143	4	-	-	147
disposal	-	-	-	626	-	-	-	626
lease agreements dissolved	-	4 421	-	-	-	-	-	4 421
reclassification from fixed assets under construction	-	-	-	-	-	-	1 560	1 560
reclassification as investment properties	-	-	-	-	-	-	105	105
Gross carrying amount as of 31.12.2019	**35 986**	**60 305**	**1 587**	**24 687**	**2 059**	**2 563**	**131**	**127 318**
Depreciation as of 01.01.2019	**-**	**3 984**	**15**	**12 959**	**962**	**923**	**-**	**18 843**
Increases from:	**84**	**5 959**	**38**	**4 303**	**358**	**586**	**-**	**11 328**
depreciation	84	5 959	38	4 303	358	586	-	11 328
Reductions from:	**-**	**2 764**	**-**	**769**	**4**	**-**	**-**	**3 537**
sale	-	-	-	143	4	-	-	147
disposal	-	-	-	626	-	-	-	626
lease agreements dissolved	-	2 764	-	-	-	-	-	2 764
Depreciation as of 31.12.2019	**84**	**7 179**	**53**	**16 493**	**1 316**	**1 509**	**-**	**26 634**
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2019	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	**-**	**8 254**	**126**	**5 793**	**1 096**	**590**	**648**	**16 507**
Net carrying amount as of 31.12.2019	**35 902**	**53 126**	**1 534**	**8 194**	**743**	**1 054**	**131**	**100 684**

** In addition to agreements concluded during the reporting period this item also aggregates agreements disclosed as a result of applying IFRS 16 Leases, as described in the section titled "Comparability of financial statements and changes in accounting policies".*

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in fixed assets (by category) between 01.01.2018 and 31.12.2018

	Investments in third party buildings	Civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2018	**11 076**	**-**	**15 130**	**2 037**	**1 108**	**619**	**29 970**
Increases from:	**1 162**	**141**	**4 159**	**764**	**418**	**1 038**	**7 682**
purchases	293	1	3 973	-	417	1 038	5 722
acquisition of enterprise	-	-	69	-	-	-	69
lease agreements	-	-	-	764	-	-	764
reclassification from fixed assets under construction	869	140	-	-	-	-	1 009
acquisition free of charge	-	-	117	-	-	-	117
others	-	-	-	-	1	-	1
Reductions from:	**-**	**-**	**537**	**743**	**13**	**1 009**	**2 302**
sales	-	-	62	315	-	-	377
disposal	-	-	475	5	13	-	493
reclassification from fixed assets under construction	-	-	-	-	-	1 009	1 009
reclassification to fixed assets held for sale	-	-	-	423	-	-	423
Gross carrying amount as of 31.12.2018	**12 238**	**141**	**18 752**	**2 058**	**1 513**	**648**	**35 350**
Depreciation as of 01.01.2018	**2 772**	**-**	**9 877**	**1 035**	**637**	**-**	**14 321**
Increases from:	**1 212**	**15**	**3 594**	**411**	**299**	**-**	**5 531**
depreciation	1 212	15	3 594	411	299	-	5 531
Reductions from:	**-**	**-**	**512**	**484**	**13**	**-**	**1 009**
sales	-	-	62	105	-	-	167
disposal	-	-	450	5	13	-	468
reclassification to fixed assets held for sale	-	-	-	374	-	-	374
Depreciation as of 31.12.2018	**3 984**	**15**	**12 959**	**962**	**923**	**-**	**18 843**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2018	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**8 304**	**-**	**5 253**	**1 002**	**471**	**619**	**15 649**
Net carrying amount as of 31.12.2018	**8 254**	**126**	**5 793**	**1 096**	**590**	**648**	**16 507**

(all figures quoted in PLN thousands unless indicated otherwise)

Fixed assets under construction

	01.01.2019	Expenditures in fiscal year	Expenditure settlements	31.12.2019
Redevelopment of property at Jagiellońska 74	-	54	-	54
Adaptation of office and social space	173	951	1 124	-
Project Green – improving workplace conditions	397	-	397	-
Other	78	18	19	77
Total	**648**	**1 023**	**1 540**	**131**

	01.01.2018	Expenditures in fiscal year	Expenditure settlements	31.12.2018
Adaptation of office and social space	479	563	869	173
Redevelopment of parking lot	140	-	140	-
Project Green – improving workplace conditions	-	397	-	397
Other	-	78	-	78
Total	**619**	**1 038**	**1 009**	**648**

Fixed assets held under lease agreements

	31.12.2019			31.12.2018		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Land holdings	14 540	55	14 485	-	-	-
Immovable properties	4 218	1 607	2 611	-	-	-
Vehicles	547	155	392	1 173	275	898
Total	**19 305**	**1 817**	**17 488**	**1 173**	**275**	**898**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 13. Intangibles and expenditures on development projects

Changes in intangibles and expenditures on development projects between 01.01.2019 and 31.12.2019

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2019	**170 695**	**219 226**	**33 467**	**1 301**	**11 318**	**20 839**	**49 168**	**688**	**1**	**506 703**
Increases from:	**164 245**	**10 408**	**1 000**	**1 367**	**6 400**	**4 764**	**-**	**1 092**	**-**	**189 276**
purchases	-	-	1 000	1 367	6 400	4 039	-	1 092	-	13 898
reclassification from intangible assets under construction	-	-	-	-	-	725	-	-	-	725
reclassification from development projects in progress	-	10 408	-	-	-	-	-	-	-	10 408
own creation	164 245	-	-	-	-	-	-	-	-	164 245
Reductions from:	**10 408**	**-**	**-**	**-**	**-**	**602**	**-**	**725**	**-**	**11 735**
disposal	-	-	-	-	-	602	-	-	-	602
reclassification from intangible assets under construction	-	-	-	-	-	-	-	725	-	725
reclassification from development projects in progress	10 408	-	-	-	-	-	-	-	-	10 408
Gross carrying amount as of 31.12.2019	**324 532**	**229 634**	**34 467**	**2 668**	**17 718**	**25 001**	**49 168**	**1 055**	**1**	**684 244**
Depreciation as of 01.01.2019	**-**	**171 126**	**-**	**788**	**-**	**16 145**	**-**	**-**	**1**	**188 060**
Increases from:	**-**	**23 010**	**-**	**437**	**-**	**3 734**	**-**	**-**	**-**	**27 181**
depreciation	-	23 010	-	437	-	3 734	-	-	-	27 181
Reductions from:	**-**	**-**	**-**	**-**	**-**	**600**	**-**	**-**	**-**	**600**
disposal	-	-	-	-	-	600	-	-	-	600
Depreciation as of 31.12.2019	**-**	**194 136**	**-**	**1 225**	**-**	**19 279**	**-**	**-**	**1**	**214 641**
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2019	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	**170 695**	**48 100**	**33 467**	**513**	**11 318**	**4 694**	**49 168**	**688**	**-**	**318 643**
Net carrying amount as of 31.12.2019	**324 532**	**35 498**	**34 467**	**1 443**	**17 718**	**5 722**	**49 168**	**1 055**	**-**	**469 603**

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in intangibles and expenditures on development projects between 01.01.2018 and 31.12.2018

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2018	**135 229**	**162 155**	**33 467**	**1 021**	**6 530**	**19 097**	**39 147**	**36**	**1**	**396 683**
Increases from:	**108 847**	**57 071**	**-**	**280**	**4 788**	**2 216**	**10 021**	**652**	**-**	**183 875**
purchases	-	-	-	280	4 788	2 199	-	652	-	7 919
acquisition of enterprise	-	-	-	-	-	-	10 021	-	-	10 021
own creation	101 342	-	-	-	-	-	-	-	-	101 342
reclassification from development projects in progress	-	57 071	-	-	-	-	-	-	-	57 071
reassignment of development expenditures under a consortium agreement	7 505	-	-	-	-	-	-	-	-	7 505
others	-	-	-	-	-	17	-	-	-	17
Reductions from:	**73 381**	**-**	**-**	**-**	**-**	**474**	**-**	**-**	**-**	**73 855**
disposal	251	-	-	-	-	474	-	-	-	725
reclassification from development projects in progress	57 071	-	-	-	-	-	-	-	-	57 071
reassignment of development expenditures under a consortium agreement	16 059	-	-	-	-	-	-	-	-	16 059
Gross carrying amount as of 31.12.2018	**170 695**	**219 226**	**33 467**	**1 301**	**11 318**	**20 839**	**49 168**	**688**	**1**	**506 703**
Depreciation as of 01.01.2018	**-**	**162 155**	**-**	**629**	**-**	**13 514**	**-**	**-**	**1**	**176 299**
Increases from:	**-**	**8 971**	**-**	**159**	**-**	**3 104**	**-**	**-**	**-**	**12 234**
depreciation	-	8 971	-	159	-	3 104	-	-	-	12 234
Reductions from:	**-**	**-**	**-**	**-**	**-**	**473**	**-**	**-**	**-**	**473**
disposal	-	-	-	-	-	473	-	-	-	473
Depreciation as of 31.12.2018	**-**	**171 126**	**-**	**788**	**-**	**16 145**	**-**	**-**	**1**	**188 060**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2018	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**135 229**	**-**	**33 467**	**392**	**6 530**	**5 583**	**39 147**	**36**	**-**	**220 384**
Net carrying amount as of 31.12.2018	**170 695**	**48 100**	**33 467**	**513**	**11 318**	**4 694**	**49 168**	**688**	**-**	**318 643**

(all figures quoted in PLN thousands unless indicated otherwise)

Ownership structure of intangible assets

	31.12.2019	31.12.2018
Wholly owned	109 573	99 848
Total	**109 573**	**99 848**

Intangible assets under construction

	01.01.2019	Expenditures in fiscal year	Expenditure settlements	31.12.2019
Financial analytics system	341	43	384	-
Speech animation system	180	161	341	-
HR support system	167	488	-	655
Musical score	-	77	-	77
Document flow system	-	323	-	323
Total	**688**	**1 092**	**725**	**1 055**

	01.01.2018*	Expenditures in fiscal year	Expenditure settlements	31.12.2018*
Financial analytics system	16	325	-	341
Speech animation system	-	180	-	180
HR support system	20	147	-	167
Total	**36**	**652**	**-**	**688**

** adjusted data*

Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

Note 14. Goodwill

Goodwill acquired in business combinations and acquisition of enterprises

	CD Projekt Red sp. z o.o.	Strange New Things (enterprise)	**Total**
Gross goodwill as of 01.01.2019	**39 147**	**10 021**	**49 168**
Gross goodwill as of 31.12.2019	**39 147**	**10 021**	**49 168**
Impairment allowances as of 01.01.2019	**-**	**-**	**-**
Impairment allowances as of 31.12.2019	**-**	**-**	**-**
Net goodwill as of 01.01.2019	**39 147**	**10 021**	**49 168**
Net goodwill as of 31.12.2019	**39 147**	**10 021**	**49 168**

Goodwill impairment tests require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of goodwill was conducted on 31 December 2018. As of 31 December 2019 an analysis of input data for models utilized in the preceding year had been carried out, and in light of the conclusion that existing data would doubtlessly produce results greater than those obtained in 2018, no impairment of goodwill was identified.

(all figures quoted in PLN thousands unless indicated otherwise)

Business combinations

None reported.

Note 15. Investment properties

On 31 December 2018 the Company concluded a purchase agreement concerning one of two immovable properties located at Jagiellońska 76 in Warsaw, directly adjacent to the current Company headquarters. According to the agreement, the Company purchased perpetual usufruct of the land and all buildings and structures located thereupon. The main structure which comprises the property is an office building. As the Company intends to lease the property to other entities, it has decided to report it as an investment property.

On 31 October 2019 the Company concluded a purchase agreement concerning the immovable property located at Jagiellońska 74 in Warsaw, previously leased by the Company as its own headquarters and that of its subsidiaries. According to the agreement, the Company purchased perpetual usufruct of the land and all buildings and structures located thereupon. Most structures comprising this property are office buildings. As the Company intends to lease portions of the property to other entities, including other member companies of the CD PROJEKT Group, it has decided to report it as an investment property.

Properties purchased by the Company will be classified at purchase cost less depreciation.

	31.12.2019	31.12.2018
Investment property in Warsaw at Jagiellońska	44 923	9 553
Activated costs related to the property	373	-
Gross value of investment properties	**45 296**	**9 553**
Depreciation	336	-
Write-downs on investment properties	-	-
Net value of investment properties	**44 960**	**9 553**

	31.12.2019	31.12.2018
Gross value at beginning of period	**9 553**	**-**
Increases from:	**35 743**	**9 553**
purchase of properties	27 438	9 553
lease agreements concluded	4 449	-
activation of future costs	272	-
reassignment from perpetual usufruct of land and fixed assets	3 483	-
reassignment of expenses from fixed assets following handover of investment property	101	-
Reductions	**-**	**-**
Net value at end of period	**45 296**	**9 553**
Depreciation at beginning of period	**-**	**-**
Increases from:	**336**	**-**
depreciation	336	-
Reductions	**-**	**-**
Depreciation at end of period	**336**	**-**
Net value at end of period	**44 960**	**9 553**

Contractual commitments for acquisition of investment properties

	31.12.2019	31.12.2018
Purchase of property in Warsaw at Jagiellońska 76	-	10 952
Total	**-**	**10 952**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 16. Investments in affiliates

Investments in affiliates held at purchase price

	31.12.2019	31.12.2018
Shares of affiliates (subsidiaries)	23 830	20 279
Total	**23 830**	**20 279**

Changes in investments in affiliates

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
At beginning of period	**20 279**	**16 023**
Increases from:	**6 997**	**4 256**
incorporation of affiliates	-	2 500
capital contributions mandated by the incentive program	2 497	1 756
capital contributions to affiliates	4 500	-
Reductions from:	**3 446**	**-**
capital contributions mandated by the incentive program	3 446	-
At end of period	**23 830**	**20 279**

Investments in affiliates as of 31.12.2019

	GOG sp. z o.o.	CD PROJEKT INC.	CD PROJEKT Co., Ltd.	Spokko sp. z o.o.	CD PROJEKT RED STORE sp. z o.o.
Registered office	Warsaw	Los Angeles, Venice	Shanghai	Warsaw	Warsaw
Percentage of shares held as of 31.12.2019	100%	100%	100%	75%	100%
Percentage of votes controlled as of 31.12.2019	100%	100%	100%	75%	100%
Capital investment	14 688	617	1 525	6 500	500

On 14 January 2019 a new company was incorporated in the framework of the Group under the name CD PROJEKT RED STORE sp. z o.o. CD PROJEKT S.A. holds 100% of shares of the new company. The mission of the newly established company is to carry out online marketing of tie-in products associated with CD PROJEKT RED videogames.

Investments in affiliates as of 31.12.2018

	GOG sp. z o.o.	CD PROJEKT INC.	CD PROJEKT Co., Ltd.	Spokko sp. z o.o.	CD PROJEKT RED STORE sp. z o.o.*
Registered office	Warsaw	Los Angeles, Venice	Shanghai	Warsaw	Warsaw
Percentage of shares held as of 31.12.2018	100%	100%	100%	75%	100%
Percentage of votes controlled as of 31.12.2018	100%	100%	100%	75%	100%
Capital investment	16 220	376	1 183	2 000	500

** This company was incorporated on 14 January 2019; however the share capital was paid up prior to that date.*

On 16 August 2018 a new company was established in the framework of the CD PROJEKT 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.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 17. Other assets

	31.12.2019	31.12.2018
Loans granted	3 687	719
Total, including:	**3 687**	**719**
short-term	1 037	421
long-term	2 650	298

CD PROJEKT S.A. granted loans to its affiliates – CD PROJEKT INC. and CD PROJEKT RED STORE sp. z o.o. The loan granted to CD PROJEKT INC. was issued in six batched. The batch issued on 30 May 2018 is repayable by the end of May 2020, with an annual interest rate of 2.16%. The batch issued on 29 October 2018 is repayable by the end of October 2020, with an annual interest rate of 2.52%. Batches issued on 19 June 2019, 12 September 2019, 18 September 2019 and 23 December 2019 are repayable by the end of December 2022, with an annual interest rate of 3.908%.

The loan granted to CD PROJEKT RED STORE sp. z o.o. was issued in two batches. The batch issued on 25 October 2019 is fully repayable by 31 October 2021. The batch issued on 23 December 2019 is fully repayable by 31 December 2021.

Note 18. Joint ventures

The Company participates in the following significant joint ventures:

Name of venture	Principal site of activity	Contract concluded in	Scope of activity	Entities involved	Main responsibilities in the framework of the joint venture
Consortium	Warsaw	2016	Collaboration in the scope of development, release, distribution and maintenance of the GWENT and Thronebreaker videogames	CD PROJEKT S.A.	Conceptual development, gameplay mechanics, graphics, front-end programming, localization, marketing and communication
				GOG sp. z o.o. (formerly GOG Poland sp. z o.o.)	Back-end programming, in-game sales, maintenance of server infrastructure

Joint activities carried out by CD PROJEKT S.A. and GOG sp. z o.o. in the context of the GWENT and Thronebreaker development consortium are settled in monthly cycles. The basis for each settlement, alongside the predetermined share ratio, is the aggregate profit or loss generated by the project during the given month, inclusive of all revenues and expenses directly associated with GWENT and Thronebreaker.

Note 19. Inventories

	31.12.2019	31.12.2018
Goods	8 477	249
Other materials	8	9
Gross inventories	**8 485**	**258**
Inventory impairment allowances	-	-
Net inventories	**8 485**	**258**

The “Other materials” line item represents marketing materials.

(all figures quoted in PLN thousands unless indicated otherwise)

Inventories between 01.01.2019 and 31.12.2019

	Goods	Total
Value of inventories recognized as expense during the reporting period	24 865	24 865
Total	**24 865**	**24 865**

Inventories between 01.01.2018 and 31.12.2018

	Goods	Total
Value of inventories recognized as expense during the reporting period	2 620	2 620
Total	**2 620**	**2 620**

Changes in inventory revaluation allowances

None reported.

Inventories pledged as collateral for liabilities

Not applicable.

Note 20. Fixed assets held for sale

	31.12.2019	31.12.2018
Passenger car	-	49
Total	**-**	**49**

One of the passenger cars belonging to the Company was offered for sale. The sale transaction was carried out on 15 April 2019. The sale price, discounted by selling costs, was higher than the corresponding balance sheet value.

Note 21. Construction contracts

Not applicable.

Note 22. Trade receivables

	31.12.2019	31.12.2018
Net trade receivables	**124 853**	**31 397**
from affiliates	3 910	977
from external entities	120 943	30 420
Impairment allowances	**29**	**180**
Gross trade receivables	**124 882**	**31 577**

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in impairment allowances on trade receivables

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
FROM AFFILIATES		
Impairment allowances at beginning of period	**-**	**-**
Increases	**-**	**-**
Reductions	**-**	**-**
Impairment allowances at end of period	**-**	**-**
FROM OTHER ENTITIES		
Impairment allowances at beginning of period	**180**	**2 337**
Increases, including:	**-**	**-**
recognition of impairment allowances on past-due and contested receivables	-	-
Reductions, including:	**151**	**2 157**
elimination of impairment allowances due to collection of receivables	5	171
elimination of impairment allowances by write-offs	146	1 986
Impairment allowances at end of period	**29**	**180**
Aggregate impairment allowances at end of period (affiliates and other entities)	**29**	**180**

Current and overdue trade receivables as of 31.12.2019

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	3 910	3 521	122	267	-	-	-
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	**3 910**	**3 521**	**122**	**267**	**-**	**-**	**-**

(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	120 972	118 229	2 628	-	4	78	33
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	29	-	-	-	-	-	29
total expected credit loss	29	-	-	-	-	-	29
Net receivables	**120 943**	**118 229**	**2 628**	**-**	**4**	**78**	**4**
Total							
gross receivables	**124 882**	121 750	2 750	267	4	78	33
impairment allowances	29	-	-	-	-	-	29
Net receivables	**124 853**	**121 750**	**2 750**	**267**	**4**	**78**	**4**

Current and overdue trade receivables as of 31.12.2018

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	977	966	11	-	-	-	-
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	**977**	**966**	**11**	**-**	**-**	**-**	**-**

(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	30 600	30 371	49	-	-	-	180
non-fulfillment ratio		0%	0%	0%	0%	0%	6%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	180	-	-	-	-	-	180
total expected credit loss	180	-	-	-	-	-	180
Net receivables	**30 420**	**30 371**	**49**	**-**	**-**	**-**	**-**
Total							
gross receivables	31 577	31 337	60	-	-	-	180
impairment allowances	180	-	-	-	-	-	180
Net receivables	**31 397**	**31 337**	**60**	**-**	**-**	**-**	**-**

Trade receivables by currency

	31.12.2019		31.12.2018	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	94 572	94 572	31 188	31 188*
USD	5 515	20 945	9	32
EUR	2 158	9 189	41	177
CAD	50	147	-	-
Razem		**124 853**		**31 397**

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

(all figures quoted in PLN thousands unless indicated otherwise)

Note 23. Other receivables

	31.12.2019	31.12.2018*
Other gross receivables, including:	**68 050**	**46 766**
tax returns except corporate income tax	38 170**	14 272
advance payments for supplies	16 323	1 047
prepayments associated with expenditures on development projects	8 087	-
consortium settlements	4 137	28 308
deposits	195	730
prepayments associated with purchases of fixed assets and intangibles	377	-
employee compensation settlements	25	16
prepayments associated with purchases of investment properties	-	1 667
others	4	4
Impairment allowances	**732**	**732**
Total other gross receivables	**67 318**	**46 044**
short-term	67 252	45 474
long-term	66	570

** adjusted data*

*** This line item also aggregates withholding tax levied at source, in the amount of 10 198 thousand PLN, subject to deduction in the Company's annual CIT declaration following receipt of certificates stating that this tax has been paid abroad by the Company's foreign partners.*

	31.12.2019	31.12.2018*
Other receivables, including:	**67 318**	**46 044**
from affiliates	9 752	28 311
from other entities	57 566	17 733
Impairment allowances	**732**	**732**
Other gross receivables	**68 050**	**46 776**

** adjusted data*

Other receivables subject to court proceedings

	31.12.2019	31.12.2018
Other receivables subject to court proceedings	732	732
Impairment allowances on contested receivables	732	732
Net other receivables subject to court proceedings	**-**	**-**

(all figures quoted in PLN thousands unless indicated otherwise)

Other receivables by currency

	31.12.2019		31.12.2018*	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	45 814	45 814**	45 581	45 581**
USD	3 985	15 272	82	317
JPY	166 092	5 728	18 514	63
EUR	118	504	19	83
Total		**67 318**		**46 044**

** adjusted data*

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

Trade and other receivables from affiliates

	31.12.2019	31.12.2018
Gross receivables from affiliates	**13 662**	**29 288**
trade receivables	3 910	977
other receivables	9 752	28 311
Impairment write-downs	**-**	**-**
Net receivables from affiliates	**13 662**	**29 288**

Note 24. Prepaid expenses

	31.12.2019	31.12.2018
Expenses associated with future marketing activities	2 000	-
Fees associated with right of first refusal	1 600	-
Software, licenses	1 689	752
Non-life insurance	123	108
Business travel (airfare, accommodation, insurance)	61	102
Access to online legal support portal	2	6
Other prepaid expenses	156	294
Total prepaid expenses	**5 631**	**1 262**
short-term	2 112	1 262
long-term	3 519	-

Note 25. Cash and cash equivalents

	31.12.2019	31.12.2018
Cash on hand and bank deposits:	**111**	**2 248**
current bank accounts	111	2 248
Other monetary assets:	**14 075**	**38 901**
overnight deposits	1 388	3 226
short-term bank deposits (maturity up to 3 months)	12 687	35 675
Total	**14 186**	**41 149**

(all figures quoted in PLN thousands unless indicated otherwise)

Restricted cash

Not applicable.

Note 26. Share capital

Share capital structure as of 31.12.2019

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

The share capital structure did not undergo changes compared to 31 December 2018.

Changes in share capital

Not applicable.

Note 27. Own shares

None reported.

Note 28. Other capital contributions

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Reserve capital	748 324	739 799
Other supplementary capital	549	549
Other reserve capital – incentive program	54 106	25 596
Total	**802 979**	**765 944**

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in other capital contributions

	Reserve capital	Supplementary capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2019	**739 799**	**549**	**-**	**25 596**	**765 944**
Increases from:	**8 525**	**-**	**-**	**32 661**	**41 186**
allocation of net profit / coverage of losses	8 525	-	-	-	8 525
capital contributions mandated by the incentive program	-	-	-	32 661	32 661
Reductions from:	**-**	**-**	**-**	**4 151**	**4 151**
capital contributions mandated by the incentive program	-	-	-	4 151	4 151
As of 31.12.2019	**748 324**	**549**	**-**	**54 106**	**802 979**

	Reserve capital	Supplementary capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2018	**539 294**	**-**	**-**	**15 212**	**554 506**
Increases from:	**204 105**	**3 600**	**3 051**	**10 384**	**221 140**
allocation of net profit / coverage of losses	201 054	-	-	-	201 054
capital contributions mandated by the incentive program	-	-	-	10 384	10 384
creation of supplementary capital for 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
Reductions from:	**3 600**	**3 051**	**3 051**	**-**	**9 702**
creation of supplementary capital for 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
As of 31.12.2018	**739 799**	**549**	**-**	**25 596**	**765 944**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 29. Retained earnings

Changes in retained earnings

	31.12.2019	31.12.2018
At beginning of period	**-**	**16 441**
Increases from:	**109 451**	**184 613**
allocation of profit from preceding years	109 451	184 613
Reductions from:	**109 451**	**201 054**
dividend payments	100 926	-
reclassification as reserve capital	8 525	201 054
At end of period	**-**	**-**

Note 30. Credits and loans

None reported.

Note 31. Other financial liabilities

	31.12.2019	31.12.2018
Lease liabilities	**17 347**	**409**
Short-term	**1 432**	**246**
Long-term, including:	**15 915**	**163**
between 1 and 5 years	1 887	163
beyond 5 years	14 028	-

As a lessee the Company may potentially incur cash outflows which are not currently included in its valuation of lease liabilities, including:

- With regard to lease agreements reported in Note 37, concerning perpetual usufruct of land comprising the properties at Jagiellońska 74 and 76 – changes in lease fees may result from revaluation of annual payments related to perpetual usufruct of land by adjusting them to reflect the current value of the property or by modifying the base rate upon which fees are calculated.

- With regard to the agreement reported in Note 37, concerning office space in Kraków, which effectively constitutes a lease agreement – changes in lease fees may result from indexation accounting for increases in the retail price index, to which the lessor is contractually entitled.

Note 32. Other long-term liabilities

	31.12.2019	31.12.2018
Other long-term liabilities, including:	**3 340**	**-**
liabilities related to marketing expenses	1 856	-
liabilities related to right of first refusal	1 484	-

Other long-term liabilities by due date

	31.12.2019	31.12.2018
Other long-term liabilities, including:	**3 340**	**-**
due between 1 and 3 years	480	-
due between 3 and 5 years	480	-
due later than in 5 years	2 380	

(all figures quoted in PLN thousands unless indicated otherwise)

Note 33. Trade liabilities

	31.12.2019	31.12.2018
Trade liabilities:	**25 067**	**10 429**
payable to affiliates	1 224	1 133
payable to external entities	23 843	9 296

Current and overdue trade liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2019	**25 067**	**20 226**	**4 667**	**164**	**1**	**9**	**-**
payable to affiliates	1 224	1 224	-	-	-	-	-
payable to external entities	23 843	19 002	4 667	164	1	9	-

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2018	**10 429**	**6 669**	**3 163**	**194**	**392**	**9**	**2**
payable to affiliates	1 133	1 124	9	-	-	-	-
payable to external entities	9 296	5 545	3 154	194	392	9	2

Trade liabilities by currency

	31.12.2019		31.12.2018	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	2 571	9 765	1 601	6 020
PLN	6 475	6 475	2 498	2 498
EUR	1 347	5 737	271	1 166
JPY	47 003	1 643	3 503	120
GBP	155	772	3	16
CNY	654	357	1 100	603
CAD	109	318	2	6
Total		**25 067**		**10 429**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 34. Other liabilities

	31.12.2019	31.12.2018*
Liabilities from other taxes, duties, social security payments and others, except corporation tax	**4 712**	**1 400**
Flat-rate withholding tax	331	15
Personal income tax	3 625	907
Social security (ZUS) payments	706	455
National Disabled Persons Rehabilitation Fund (PFRON) payments	24	20
PIT-8AR settlements	26	3
Other liabilities	**420**	**10 957**
Other employee-related liabilities	8	7
Other liabilities payable to Management Board members	4	30
Liabilities associated with purchase of investment properties	-	10 952
Other liabilities, incl. Internal Social Benefits Fund (ZFŚS)	408	(32)
Total other liabilities	**5 132**	**12 357**

** adjusted data*

Current and overdue other short-term liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2019	**5 132**	**5 123**	**9**	**-**	**-**	**-**	**-**
payable to affiliates	4	1	3	-	-	-	-
payable to external entities	5 128	5 122	6	-	-	-	-

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2018*	**12 357**	**12 325**	**32**	**-**	**-**	**-**	**-**
payable to affiliates	30	2	28	-	-	-	-
payable to external entities	12 327	12 323	4	-	-	-	-

** adjusted data*

Other short-term liabilities by currency

	31.12.2019		31.12.2018*	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	5 132	5 132	12 357	12 357
Total		**5 132**		**12 357**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

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

	31.12.2019	31.12.2018
Cash assets	-	98
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	-	64
Balance	**-**	**34**
Internal Social Benefits Fund (ZFŚS) deductions in the financial year	**-**	**251**

Note 36. Contingent liabilities

Promissory note liabilities from loans received

Not applicable.

Contingent liabilities from guarantees and sureties pledged

	Pledged in association with	Currency	31.12.2019	31.12.2018
mBank S.A.				
Declaration of submission to enforcement	Collateral for debit card agreement	PLN	920	920
Promissory note agreement	Collateral for framework agreement concerning forward and derivative transactions	PLN	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)				
Contract of guarantee	Guarantee of discharge of liabilities by GOG sp. z o.o.	EUR	155	155
Mazovian Unit for Implementation of EU Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych)				
Contractual pledge	Pledge to cover maintenance and renovation expenses related to leased space	PLN	1 998	-
National Center for Research and Development (Narodowe Centrum Badań i Rozwoju)				
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0105/16	PLN	7 934	7 934
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	5 114
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	3 857
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	5 324	5 324
Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)				
Promissory note agreement	Lease agreement no. CZ5/00013/2017	PLN	-	115
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	-	50
Promissory note agreement	Lease agreement no. CR1/01390/2018	PLN	182	299
Santander Bank Polska S.A. (formerly BZ WBK S.A.)				
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	6 500

(all figures quoted in PLN thousands unless indicated otherwise)

Note 37. Lease agreements

Information concerning depreciation of leased assets is presented in note 3, while interest on lease agreements is discussed in note 5. Information concerning increases in assets corresponding to usufruct and the balance sheet value of such assets as of the close of the reporting period, subdivided into base asset classes, is presented in note 12. Note 52 describes the net effect of cash assets related to lease agreements.

Liabilities from lease agreements and lease agreements with buyout options

Payments outstanding	31.12.2019	31.12.2018
Due within 1 year	1 432	246
Due between 1 and 5 years	1 887	163
Due later than in 5 years	14 028	-
Current minimum lease payments outstanding:	**17 347**	**409**
short-term	1 432	246
long-term	15 915	163

Income from subleasing of leased assets (usufruct)

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Revenues	484	-
Expenses	484	-
Income	**-**	**-**

(all figures quoted in PLN thousands unless indicated otherwise)

Lease agreements as of 31.12.2019

Subject	Financier	Contract no.	Base value	Base value in currency units	Currency	Contract expiration date	Payments outstanding at end of reporting period	Prolongation conditions and buyout options
Passenger car	Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)	CR1/01390/2018	547	547	PLN	2020-08-25	163	Lessee is entitled to buy out the leased asset – the contractual net residual value is 93 thousand PLN
Jagiellońska 74 – plots no. 12 and 13	State Treasury	Deed issued on 31.10.2019	8 623	8 623	PLN	2089-12-05	8 614	Lessee is not entitled to buy out the leased asset
Jagiellońska 74 – plot no. 14	Municipality of Warsaw	Deed issued on 31.12.2018	1 468	1 468	PLN	2100-04-12	1 466	Lessee is not entitled to buy out the leased asset
Jagiellońska 76	State Treasury	Deed issued on 31.12.2018	4 449	4 449	PLN	2089-12-05	4 435	Lessee is not entitled to buy out the leased asset
Kraków office	Prestige Property Group Sp. z o.o.	Lease agreement concluded on 20.07.2016	3 715	864	EUR	2022-03-31	2 629	Lessee is not entitled to buy out the leased asset
Wrocław office	Luxoft Poland Sp. z o.o.	Lease agreement concluded on 12.04.2018	503	503	PLN	2020-01-31	40	Lessee is not entitled to buy out the leased asset
Total			**19 305**				**17 347**	

(all figures quoted in PLN thousands unless indicated otherwise)

Short-term lease agreements and lease of low-value assets

The Company has entered into agreements concerning leasing of office equipment (multipurpose photocopiers, kitchen equipment) as well as apartments which potentially meet the criteria of lease agreements under IFRS 16. However, the Company regards these agreements as either short-term or concerning low-value assets and, consequently, does not apply the new standard to these agreements in line with the practical expedient specified in Art. 5 of the new standard. In such cases lease payments are reported as costs during the period in which they are incurred, using either the straight-line method or another method which best reflects the breakdown of payments throughout the duration of the agreement (information regarding costs related to such agreements, incurred between 1 January and 31 December 2019, can be found in Note 3).

As of 31 December 2019 and 31 December 2018 future payments associated with irrevocable short-term lease agreements and lease agreements concerning low-value assets are as follows:

	31.12.2019	31.12.2018
due within 1 year	547	-
due between 1 and 5 years	273	-
due later than in 5 years	-	-
Total	**820**	**-**

Note 38. Deferred revenues

	31.12.2019	31.12.2018*
Subsidies	**13 167**	**6 471**
Construction of data processing and communications center of the CD PROJEKT Group	-	9
Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange	125	291
Animation Excellence (GameINN)	3 101	1 542
City Creation (GameINN)	6 538	2 969
Seamless Multiplayer (GameINN)	905	501
Cinematic Feel (GameINN)	2 498	1 159
Future period revenues	**138 435**	**22 621**
Future period sales	138 414	22 603
Official phone rental	21	18
Total, including:	**151 602**	**29 092**
short-term deferrals	151 595	22 790
long-term deferrals	7	6 302

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Note 39. Provisions for employee benefits and similar liabilities

	31.12.2019	31.12.2018
Provisions for retirement benefits and pensions	248	186
Total, including:	**248**	**186**
short-term provisions	2	2
long-term provisions	246	184

The following assumptions were made by the actuary when calculating provisions:

	31.12.2019	31.12.2018
Discount rate (%)	2.02	2.73
Projected inflation rate (%)	2.02	2.73
Employee turnover rate (%) – adjusted for age	9.6% at age 32	8.4% at age 32
Projected annual rate of salary growth (%)	8% in 2020-2021; 5% in later years	5%
Mortality rates published by the Central Statistical Office (year of estimation)	2018	2017
Likelihood of disability during the fiscal year	0.1%	0.1%

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

Changes in provisions for employee benefits and similar liabilities

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2019	**185**	**-**	**185**
Provisions created	63	-	63
As of 31.12.2019, including:	**248**	**-**	**248**
short-term provisions	2	-	2
long-term provisions	246	-	246

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2018	**79**	**-**	**79**
Provisions created	107	-	107
As of 31.12.2018, including:	**186**	**-**	**186**
short-term provisions	2	-	2
long-term provisions	184	-	184

(all figures quoted in PLN thousands unless indicated otherwise)

Note 40. Other provisions

	31.12.2019	31.12.2018
Provisions for liabilities, including:	**35 837**	**21 534**
provisions for financial statement audit and review expenses	75	75
provisions for bought-in services	69	45
provisions for compensation contingent upon the Company's financial result, and other compensation	33 310	20 071
provisions for other expenses	2 383	1 343
Total, including:	**35 837**	**21 534**
short-term provisions	35 837	21 534
long-term provisions	-	-

Changes in other provisions

	Provisions for compensation contingent upon the Company's financial result and other compensation	Other provisions	Total
As of 01.01.2019	**20 071**	**1 463**	**21 534**
Provisions created during fiscal year	33 569	5 274	38 843
Provisions consumed	20 330	4 178	24 508
Provisions dissolved	-	32	32
As of 31.12.2019, including:	**33 310**	**2 527**	**35 837**
short-term provisions	33 310	2 527	35 837
long-term provisions	-	-	-

	Provisions for compensation contingent upon the Company's financial result	Other provisions	Total
As of 01.01.2018	**40 663**	**375**	**41 038**
Provisions created during fiscal year	20 071	7 149	27 220
Provisions consumed	40 663	5 977	46 640
Provisions dissolved	-	84	84
As of 31.12.2018, including:	**20 071**	**1 463**	**21 534**
short-term provisions	20 071	1 463	21 534
long-term provisions	-	-	-

Note 41. Disclosure of financial instruments

Fair value of financial instruments per class

Following an analysis of each class of financial instruments held by the Company the Management Board has reached the conclusion that their carrying amounts in all cases reflect their corresponding fair value, both as of 31 December 2019 and as of 31 December 2018.

(all figures quoted in PLN thousands unless indicated otherwise)

Financial assets – classification and estimation

	31.12.2019	31.12.2018
Financial assets estimated at amortized cost	**572 000**	**628 108**
Other long-term receivables	66	570
Trade receivables	124 853	31 397
Cash and cash equivalents	14 186	41 149
Bank deposits (maturity beyond 3 months)	432 895	554 992
Capital market instruments estimated at purchase price	**23 830**	**20 279**
Shares in subsidiaries	23 830	20 279
Total financial assets	**595 830**	**648 387**

Financial liabilities – classification and estimation

	31.12.2019	31.12.2018
Financial liabilities estimated at amortized cost	**42 414**	**10 838**
Trade liabilities	25 067	10 429
Other financial liabilities	17 347	409

(all figures quoted in PLN thousands unless indicated otherwise)

Profits and losses from financial assets and liabilities

01.01.2019 – 31.12.2019	Financial assets estimated at amortized cost				Financial assets estimated at purchase price	Financial liabilities estimated at amortized cost		Total
	Other receivables	Trade receivables	Other financial assets	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Capital market instruments	Trade liabilities	Other financial liabilities	
Revenues/(expenses) from interest	90	7	-	8 864	-	-	(382)	**8 579**
Dissolution of impairment allowances	-	5	-	-	-	-	-	**5**
Total profit / (loss)	**90**	**12**	**-**	**8 864**	**-**	**-**	**(382)**	**8 584**

01.01.2018 – 31.12.2018	Financial assets estimated at amortized cost				Financial assets estimated at purchase price	Financial liabilities estimated at amortized cost		Total
	Other receivables	Trade receivables	Other financial assets	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Capital market instruments	Trade liabilities	Other financial liabilities	
Revenues/(expenses) from interest	-	9	-	10 282	-	-	(13)	**10 278**
Dissolution of impairment allowances	-	171	-	-	-	-	-	**171**
Profit/(loss) from sale of financial instruments	-	-	5	-	-	-	-	**5**
Total profit / (loss)	**-**	**180**	**5**	**10 282**	**-**	**-**	**(13)**	**10 454**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 42. Equity management

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

The Company actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the Company may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Company monitors its capital status by applying a leverage ratio which is calculated as the ratio of net borrowing versus total equity increased by net borrowing. As of 31 December 2019 the value of cash assets held by the Company is in excess of its sum of trade liabilities and other liabilities. Consequently, the Company reports a positive cash balance.

Note 43. Employee share programs

2016-2021 incentive program

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

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

As of the balance sheet date, a total of 5 535 000 entitlements have been granted under the incentive program. This corresponds to a conditional increase in the Company share capital by not more than 6 000 thousand PLN, representing 6.24% of the current share capital of the Company.

Incentive program estimation – assumed indicators

Grant date	CDR volatility index	WIG volatility index	WIG/CDR correlation coefficient	Risk-free rate
Entitlements granted on 17.06.2019	38%	14%	41%	1.8%
Entitlements granted on 08.01.2019	38%	15%	41%	2.1%
Entitlements granted on 11.06.2018	34%	14%	38%	2.3%
Entitlements granted on 04.12.2017	32%	14%	37%	2.6%
Entitlements granted on 06.09.2017	32%	14%	37%	2.5%
Entitlements granted on 29.08.2017	32%	14%	37%	2.6%
Entitlements granted on 18.05.2017	32%	15%	38%	2.8%
Entitlements granted on 05.01.2017	32%	16%	37%	3.0%
Entitlements granted on 17.11.2016	32%	16%	37%	2.4%
Entitlements granted on 05.07.2016	32%	16%	39%	2.5%

Grant date

In 2019 the Company issued grants of eligibility in two batches. The fair value of assigned entitlements was calculated on the corresponding grant date using modern financial engineering methods and numerical algorithms (an extension of the so-called Black-Scholes-Morton model) by a licensed actuary entered in the register of actuaries maintained by the Financial Supervision Authority (cf. above table).

(all figures quoted in PLN thousands unless indicated otherwise)

Classification of estimation conditions

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

Shares outstanding on grant date

As of 31 December 2019 the Company had issued 96 120 000 shares.

Status of the program

As of 31 December 2019 the goals of the incentive program for 2016-2021 have been achieved. Further information regarding the incentive program can be found in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities for the period between 1 January and 31 December 2019.

Changes in entitlements granted under the 2016-2021 incentive program

	01.01.2019 – 31.12.2019		01.01.2018 – 31.12.2018	
	Entitlements granted	Exercise price (PLN)	Entitlements granted	Exercise price (PLN)
Unexercised at beginning of period	6 000 000	-	6 000 000	-
Granted but unexercised at beginning of period	5 625 000	-	5 790 000	-
Granted	30 000	25.70 or 22.35	10 000	25.70 or 22.35
Forfeited	120 000	25.70 or 22.35	175 000	25.70 or 22.35
Unexercised at end of period	6 000 000	25.70 or 22.35	6 000 000	25.70 or 22.35
Granted but unexercised at end of period	5 535 000	25.70 or 22.35	5 625 000	25.70 or 22.35

Note 44. Transactions with affiliates

Conditions governing transactions with affiliates

Intragroup transactions are conducted at market prices on the basis of the so-called *arm's length principle*. The principle stipulates that transactions between affiliated entities should be carried out under conditions similar to those which would otherwise apply to transactions carried out by unaffiliated entities.

The prices of goods and services exchanged within the Group are estimated in accordance with OECD guidelines and national legislation. Transfer method selection is preceded by a thorough analysis of each transaction, which includes, among others, the assignment of responsibilities to each party, the assets involved and the corresponding allocation of risks and costs. In each case, the method regarded as most appropriate for the given transaction type is applied so that transactions between member companies of the CD PROJEKT Group are carried out under conditions approximating those which unaffiliated entities could be expected to agree upon.

(all figures quoted in PLN thousands unless indicated otherwise)

Transactions with affiliates

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
SUBSIDIARIES								
GOG sp. z o.o.	9 503	7 905	526	133	6 970	29 257	12 917	48
CD PROJEKT Inc.	279	8	4 536	4 391	8 471	719	594	482
CD PROJEKT Co., Ltd.	-	29	3 705	3 700	-	-	246	603
Spokko sp. z o.o.	288	747	-	-	48	28	-	-
CD PROJEKT RED STORE sp. z o.o.	975	-	19	-	1 858	-	21	-
MANAGEMENT BOARD MEMBERS								
Marcin Iwiński	14	9	-	-	-	-	3	2
Adam Kiciński	7	3	-	-	1	-	1	28
Piotr Nielubowicz	7	5	-	-	-	-	-	-
Michał Nowakowski	12	10	-	-	1	3	-	-
Adam Badowski	3	2	-	-	-	-	-	-

(all figures quoted in PLN thousands unless indicated otherwise)

Note 45. Compensation of top management and Supervisory Board members

Benefits paid out to Management Board members

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Compensation for duties performed	1 944	1 980
Bonuses and compensation contingent upon the Company's financial result for the previous year	10 059	23 592
Total	**12 003**	**25 572**

Benefits paid out to other top executives

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Base salaries	2 788	2 586
Compensation for duties performed	228	210
Bonuses and compensation contingent upon the Company's financial result	931	1 540
Total	**3 947**	**4 336**

Benefits paid out to Supervisory Board members

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Compensation for duties performed	389	335
Total	**389**	**335**

Note 46. Employment

Average employment

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Average employment	238	212
Total	**238**	**212**

Employment turnover

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Employees hired	72	50
Employees dismissed	37	30
Total	**35**	**20**

Employment in the scope of R&D activities

	31.12.2019	31.12.2018
Employees	97	84
Total	**97**	**84**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 47. Activated borrowing costs

Not applicable.

Note 48. 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 elevate tax risks in Poland beyond the level encountered in states with more developed fiscal systems.

As a rule, fiscal settlements may be subject to state audits within five years following the end of the calendar year in which tax payment was due.

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 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 restructuring and reorganization of the Group, as well as – in certain instances – refuse to issue binding interpretations securing fiscal settlements.

R&D tax relief and R&D center status; IP Box preference

Given that the Company meets the requirements expressed in Art. 19 of the Act of 30 May 2008 on certain forms of supporting innovative activity (JL 2019 item 1402), on 9 September 2019, the Minister for Entrepreneurship and Technology issued decision no. DNP-IV.4241.18.2019, upholding the previous decision no. 4/CBR/18 of 19 June 2018 which bestowed upon the Company the status of an R&D center. This status entitles the Company to apply broader R&D tax relief options specified in the Corporate Income Tax Act of 15 February 1992 (JL 2019, item 865, as amended).

On 1 January 2019, the Corporate Income Tax Act was amended with regulations which enable taxpayers to apply a preferential tax rate of 5% to eligible income derived from intellectual property rights. Having fulfilled the conditions and formal stipulations expressed in the aforementioned legislation, the Company is able to apply the preferential rate to certain sources of its income.

Note 49. Events following the balance sheet date

Events which have an effect on the financial statement for 2019

On 24 January 2020 the Company received a favorable interpretation of tax law concerning its ability – subject to other legal provisions – to apply the preferential 5% tax rate to revenues obtained from commercialization of intellectual property rights associated with its videogames (the so-called IP BOX preference). This interpretation has an effect on the corporate income tax reported in the Company's financial statement for the period between 1 January and 31 December 2019.

Events which do not have an effect on the financial statement for 2019

Notable events which have occurred after the balance sheet date and do not have an effect on the Company's financial statement for the period between 1 January and 31 December 2019 are as follows:

- rescheduling the release of Cyberpunk 2077 to 17 September 2020,
- release (on 28 January 2020) of Thronebreaker: The Witcher Tales for the Nintendo Switch portable gaming console,
- release (on 24 March 2020) of GWENT for Android devices,
- outbreak of the COVID-19 pandemic.

Detailed information about events which have occurred after the balance sheet date can be found in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities for the period between 1 January and 31 December 2019.

Note 50. Disclosure of transactions with entities contracted to perform audits of financial statements

Compensation paid out or payable during the fiscal year	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
for auditing the annual financial statement and the consolidated financial statement	75	75
for reviewing financial statements and the consolidated financial statement	50	50
Total	**125**	**125**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 51. Clarifications regarding the cash flow statement

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018*
Cash and cash equivalents reported in cash flow statement	**14 186**	**41 149**
Cash on balance sheet	**14 186**	**41 149**
Depreciation:	**5 059**	**2 730**
Depreciation of intangibles	1 196	963
Depreciation of fixed assets	3 850	1 767
Depreciation of investment properties	13	-
Profit (loss) from exchange rate differences	**42**	**(11)**
Exchange rate differences on valuation of loans granted at end of period	42	(11)
Interest and share in profits (dividends) consist of:	**(8 572)**	**(10 279)**
Interest received	(8 949)	(10 292)
Interest received from lease agreements	(25)	-
Interest charged on loans granted	(5)	-
Interest from lease agreements	407	13
Profit (loss) from investment activities results from:	**(1 270)**	**483**
Revenues from sales of fixed assets	(129)	(221)
Net value of fixed assets sold	49	210
Net value of fixed assets disposed of	-	25
Net value of intangibles disposed of	2	1
Fixed assets received free of charge	(1 150)	(117)
Fixed assets written off	-	189
Losses from revaluation of own shares	-	96
Expenses associated with purchase of investment properties	-	61
Disclosure of fixed assets and intangibles	-	(26)
Additional costs related to the acquisition of an enterprise and aggregated with general and administrative expenses	-	273
Settlement of expired lease agreements	(42)	(8)
Changes in provisions result from:	**8 905**	**(26 343)**
Balance of changes in provisions for liabilities	14 303	(19 504)
Balance of changes in provisions for employee benefits	62	107
Provisions for compensation contingent upon the Company's financial result aggregated with expenses on development projects	(5 460)	(6 946)
Changes in inventory status result from:	**(8 227)**	**65**
Balance of changes in inventory status	(8 227)	65
Changes in receivables result from:	**(124 052)**	**(768)**
Balance of changes in short-term receivables	(133 074)	(18 990)
Balance of changes in long-term receivables	504	(75)
Advance payment for investment properties	(1 667)	727
Adjustment in receivables related to reassignment of development activities under a consortium agreement	(16 122)	16 122
Income tax set against withholding tax	8 249	11 264
Current income tax adjustments	9 602	(9 868)
Receivables taken over in the acquisition of an enterprise	-	44
Receivables associated with withdrawal from a fixed asset purchase agreement	(8)	8
Changes in advance payments related to expenditures on development projects	8 087	-
Changes in advance payments related to purchase of fixed assets and intangibles	377	-

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in short-term liabilities except financial liabilities result from:	**15 540**	**2 657**
Balance of changes in short-term liabilities	8 599	9 287
Current income tax adjustments	-	2 130
Changes in financial liabilities	(1 186)	(56)
Adjustments for changes in liabilities due to purchase of fixed assets	197	46
Adjustments for changes in liabilities due to purchase of intangibles	(998)	266
Adjustment for liabilities related to purchase of investment properties	8 928	(9 015)
Liabilities taken over in the acquisition of an enterprise	-	(1)
Changes in other assets and liabilities result from:	**121 481**	**25 991**
Balance of changes in prepaid expenses	(4 369)	(330)
Balance of changes in deferred revenues	122 510	26 298
Adjustment for prepaid expenses booked on the other side as liabilities	3 340	-
Prepaid expenses taken over in the acquisition of an enterprise	-	23
Other adjustments include:	**30 430**	**8 844**
Cost of incentive program	29 459	8 628
Depreciation aggregated with selling cost and consortium settlements	971	216

** adjusted data*

Nota 52. Cash flows and other changes resulting from financial activities

	Lease liabilities	Liabilities payable to equity holders (dividends)	Total
As of 01.01.2019	**409**	**-**	**409**
Cash flows	**(4 923)**	**(100 926)**	**(105 849)**
Non-cash changes, including:	**21 861**	**100 926**	**122 787**
acquisition of fixed assets under lease agreements	23 179	-	23 179
accrued interest	382	-	382
dissolution of lease agreements	(1 700)	-	(1 700)
resolution concerning dividend payment	-	100 926	100 926
As of 31.12.2019	**17 347**	**-**	**17 347**

	Lease liabilities	Liabilities payable to equity holders (dividends)	Total
Stan na 01.01.2018	**338**	**-**	**338**
Cash flows	**(706)**	**-**	**(706)**
Non-cash changes, including:	**777**	**-**	**777**
acquisition of fixed assets under lease agreements	764	-	764
accrued interest	13	-	13
As of 31.12.2018	**409**	**-**	**409**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 53. Expenditures on development projects

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Employee remuneration	13 437	12 600
Compensation of collaborators and external personnel	65 343	52 219
Investments, including:	8 646	4 500
- machinery and equipment	4 344	2 731
- computer software	2 976	1 662
- intangibles	1 326	107
Other expenses	65 018	23 485
Total expenditures on development projects	**152 444**	**92 804**

Information regarding the Company's R&D activities can be found in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities for the period between 1 January and 31 December 2019.

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of the Management Board

With regard to the correctness of the annual separate financial statement

Pursuant to the directive of the Finance Minister of 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 separate financial statement and comparative data contained herein have been prepared in accordance with all accounting regulations applicable to CD PROJEKT S.A. and that they constitute a true, unbiased and clear description of the finances and assets of the Company as well as its current profit and loss balance.

This separate financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 31 December 2019. 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, 2019, item no. 351 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 audit the annual separate financial statement

On 14 June 2018 the Supervisory Board of the parent company concurred with the Audit Committee recommendation and selected Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań as the entity contracted to review the semiannual financial statements and to perform an audit of the annual financial statements of the Company and its 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).

As declared by the Supervisory Board of the Company:

- Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań, along with members of the audit team, fulfill the necessary criteria to ensure preparation of an unbiased and independent audit of the annual separate financial statement of CD PROJEKT S.A. and the consolidated statement of the CD PROJEKT Group for the fiscal year ending on 31 December 2019, as defined under the relevant legislation, standards of professional conduct and professional ethics guidelines,
- The CD PROJEKT Group respects existing regulations governing rotation of auditing companies and head auditors, as well as mandatory grace periods,
- CD PROJEKT S.A. has instituted a policy regulating selection of auditing companies and procurement by CD PROJEKT S.A. from auditing companies, their affiliates or members of their business networks, of additional services not directly related to financial audits, including services which auditing companies are conditionally authorized to perform.

Approval of financial statement

This separate financial statement of CD PROJEKT S.A. was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 8 April 2020 and is duly submitted to the General Meeting of CD PROJEKT S.A. for approval.

Warszawa, 8 April 2020

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	Piotr Karwowski	Rafał Zuchowicz
Board Member	Board Member	Chief Accountant