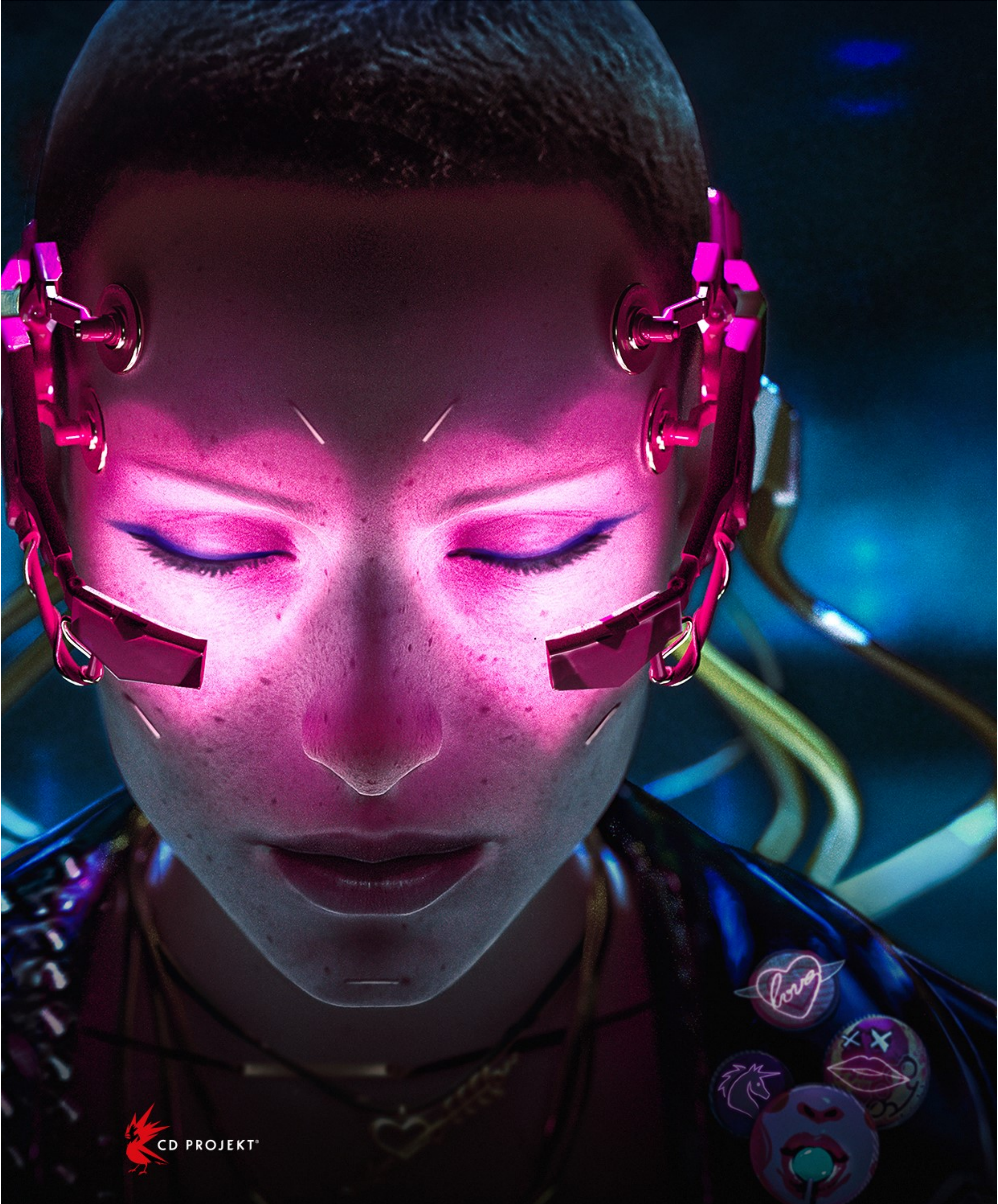

CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT GROUP FOR 2019

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.

CD PROJEKT Group – 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*
Revenues from sales of products, services, goods and materials	521 272	362 901	121 175	85 050
Cost of services, products, goods and materials sold	161 308	106 254	37 498	24 902
Operating profit (loss)	180 286	112 392	41 909	26 340
Profit (loss) before tax	189 162	123 033	43 973	28 834
Net profit (loss) attributable to parent entity	175 315	109 334	40 754	25 624
Net cash flows from operating activities	216 706	132 591	50 376	31 074
Net cash flows from investment activities	(164 498)	(94 494)	(38 239)	(22 146)
Net cash flows from financial activities	(107 180)	(706)	(24 916)	(165)
Total net cash flows	(54 972)	37 391	(12 779)	8 763
Stock volume (in thousands)	96 120	96 120	96 120	96 120
Net profit (loss) per ordinary share (PLN/EUR)	1.82	1.14	0.42	0.27
Diluted profit (loss) per ordinary share (PLN/EUR)	1.74	1.09	0.40	0.25
Book value per share (PLN/EUR)	11.50	10.43	2.70	2.43
Diluted book value per share (PLN/EUR)	10.98	9.97	2.58	2.32
Declared or paid out dividend per share (PLN/EUR)	1.05	-	0.24	-

** adjusted data*

	PLN		EUR	
	31.12.2019	31.12.2018*	31.12.2019	31.12.2018*
Total assets	1 404 108	1 126 838	329 719	262 055
Liabilities and provisions for liabilities (less accrued charges)	136 729	91 464	32 107	21 271
Long-term liabilities	25 158	6 691	5 908	1 556
Short-term liabilities	273 299	117 283	64 177	27 275
Equity	1 105 651	1 002 864	259 634	233 224
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 consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.3018 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 consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.2585 PLN/EUR on 31 December 2019 and 4.3000 PLN/EUR on 31 December 2018 respectively.

CD PROJEKT

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Primary financial data of the CD PROJEKT Group

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Consolidated profit and loss account

	Note	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Sales revenues		**521 272**	**362 901**
Revenues from sales of products	1	304 475	235 919
Revenues from sales of services	1	38 304	108
Revenues from sales of goods and materials	1	178 493	126 874
Cost of products, services, goods and materials sold		**161 308**	**106 254**
Cost of products and services sold	2	31 657	12 692
Cost of goods and materials sold	2	129 651	93 562
Gross profit (loss) from sales		**359 964**	**256 647**
Selling costs	2	125 341	107 183
General and administrative costs	2	57 113	36 602
Other operating revenues	1,3	8 274	2 480
Other operating expenses	3	5 503	3 134
(Impairment)/reversal of impairment of financial instruments		5	184
Operating profit (loss)		**180 286**	**112 392**
Financial revenues	1,4	9 463	10 771
Financial expenses	4	587	130
Profit (loss) before tax		**189 162**	**123 033**
Income tax	5	13 847	13 699
Net profit (loss)		**175 315**	**109 334**
Net profit/(loss) attributable to parent entity		175 315	109 334
Net earnings per share (in PLN)			
Basic for the reporting period	7	1.82	1.14
Diluted for the reporting period	7	1.74	1.09

Consolidated statement of comprehensive income

	Note	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Net profit/(loss)		**175 315**	**109 334**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria		**(114)**	**100**
Exchange rate differences from valuation of foreign entities		(114)	100
Other comprehensive income which will not be entered as profit (loss)		**-**	**-**
Total comprehensive income		**175 201**	**109 434**
Total comprehensive income attributable to minority interests		-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.	**9**	**175 201**	**109 434**

(all figures quoted in PLN thousands unless indicated otherwise)

Consolidated statement of financial position

	Note	31.12.2019	31.12.2018*
FIXED ASSETS		**679 097**	**396 431**
Tangible assets	11	105 267	19 241
Intangibles	12	59 763	50 210
Expenditures on development projects	12	385 848	242 816
Investment properties	14	44 960	9 553
Perpetual usufruct of land		-	3 478
Goodwill	12,13	56 438	56 438
Shares in affiliates excluded from consolidation	15,38	8 025	3 183
Deferred income tax assets	5	-	2 320
Deferrals	21	18 730	8 622
Other receivables	20,38	66	570
WORKING ASSETS		**725 011**	**730 407**
Inventories	16	12 862	258
Fixed assets held for sale	17	-	49
Trade receivables	19,38	129 573	37 008
Current income tax receivables		20 349	1 611
Other receivables	20	60 370	19 231
Deferrals	21	19 556	12 880
Cash and cash equivalents	22,38	49 406	104 378
Bank deposits (maturity beyond 3 months)	38	432 895	554 992
TOTAL ASSETS		**1 404 108**	**1 126 838**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	31.12.2019	31.12.2018*
EQUITY		**1 105 651**	**1 002 864**
Equity attributable to shareholders of the parent entity		**1 105 651**	**1 002 864**
Share capital	23	96 120	96 120
Supplementary capital	24	780 951	739 724
Other reserve capital	24	54 657	26 145
Exchange rate differences		898	1 012
Retained earnings	25	(2 290)	30 529
Net profit (loss) for the reporting period		175 315	109 334
Minority interest equity	**26**	**-**	**-**
LONG-TERM LIABILITIES		**25 158**	**6 691**
Other financial liabilities	28,34,38	17 751	163
Other liabilities	29	3 340	-
Deferred income tax liabilities	5	2 935	-
Deferred revenues	35	364	6 338
Provisions for employee benefits and similar liabilities	36	255	190
Other provisions	37	513	-
SHORT-TERM LIABILITIES		**273 299**	**117 283**
Other financial liabilities	28,34,38	2 154	246
Trade liabilities	30,38	59 866	49 914
Current income tax liabilities		118	-
Other liabilities	31,32	11 122	17 785
Deferred revenues	35	161 364	26 172
Provisions for employee benefits and similar liabilities	36	2	2
Other provisions	37	38 673	23 164
TOTAL EQUITY AND LIABILITIES		**1 404 108**	**1 126 838**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of changes in consolidated equity

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2019 – 31.12.2019									
Equity as of 01.01.2019	**96 120**	**739 724**	**-**	**26 145**	**1 012**	**139 863**	**-**	**1 002 864**	**1 002 864**
Cost of incentive program	-	-	-	28 512	-	-	-	28 512	28 512
Allocation of net profit/coverage of losses	-	41 227	-	-	-	(41 227)	-	-	-
Dividend payments	-	-	-	-	-	(100 926)	-	(100 926)	(100 926)
Total comprehensive income	-	-	-	-	(114)	-	175 315	175 201	175 201
Equity as of 31.12.2019	**96 120**	**780 951**	**-**	**54 657**	**898**	**(2 290)**	**175 315**	**1 105 651**	**1 105 651**

(all figures quoted in PLN thousands unless indicated otherwise)

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2018 – 31.12.2018									
Equity as of 01.01.2018	**96 120**	**549 335**	**-**	**15 212**	**118**	**222 114**	**-**	**882 899**	**882 899**
Rectification of errors	-	(6 729)	-	-	794	6 082	-	147	147
Equity after adjustments	**96 120**	**542 606**	**-**	**15 212**	**912**	**228 196**	**-**	**883 046**	**883 046**
Cost of incentive program	-	-	-	10 384	-	-	-	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	-	197 667	-	-	-	(197 667)	-	-	-
Total comprehensive income	-	-	-	-	100	-	109 334	109 434	109 434
Equity as of 31.12.2018	**96 120**	**739 724**	**-**	**26 145**	**1 012**	**30 529**	**109 334**	**1 002 864**	**1 002 864**

The Group rectified its accounting of the merger between companies comprising the GOG.com segment as well as erroneous recognition of income tax and coverage of losses for 2016 in the financial statement of GOG sp. z o.o. for 31 December 2017. These adjustments resulted in a reduction in equity by 147 thousand PLN. The Group also rectified its previous accounting of transactions altering the composition of the Group and payment of dividends by Group member companies to the parent entity. These changes had no impact on equity.

(all figures quoted in PLN thousands unless indicated otherwise)

Consolidated statement of cash flows

	Note	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018*
OPERATING ACTIVITIES			
Net profit (loss)		**175 315**	**109 334**
Total adjustments:	**50**	**54 769**	**32 600**
Depreciation of fixed assets, intangibles, expenditures on development projects and investment properties		8 117	4 768
Depreciation of expenditures on development projects recognized as cost of products and services sold		29 370	11 867
Interest and profit sharing		(8 788)	(10 706)
Profit (loss) from investment activities		(1 283)	545
Change in provisions		10 585	(27 312)
Change in inventories		(12 604)	65
Change in receivables		(126 397)	8 310
Change in liabilities excluding credits and loans		11 421	15 290
Change in other assets and liabilities		115 774	20 027
Other adjustments		28 574	9 746
Cash flows from operating activities		**230 084**	**141 934**
Income tax on pre-tax profit (loss)		13 847	13 699
Income tax (paid)/reimbursed		(27 225)	(23 042)
Net cash flows from operating activities		**216 706**	**132 591**
INVESTMENT ACTIVITIES			
Inflows		**881 888**	**1 136 419**
Reimbursement of advance payment for investment properties and perpetual usufruct of land		1 667	-
Disposal of intangibles and fixed assets		136	230
Cash assets gained in acquisition of an enterprise		-	26
Closing bank deposits (maturity beyond 3 months)		870 742	1 125 444
Other inflows from investment activities		9 343	10 719
Outflows		**1 046 386**	**1 230 913**
Purchases of intangibles and other fixed assets		91 509	15 176
Expenditures on development projects		164 990	98 475
Purchase of investment properties		36 743	4 078
Capital contributions to subsidiary		4 500	2 000
Acquisition of an enterprise		-	10 550
Advance payment for investment properties		-	727
Opening bank deposits (maturity beyond 3 months)		748 644	1 099 907
Net cash flows from investment activities		**(164 498)**	**(94 494)**

(all figures quoted in PLN thousands unless indicated otherwise)

FINANCIAL ACTIVITIES

Inflows		**-**	**-**
Outflows		**107 180**	**706**
Dividends and other payments due to equity holders		100 926	-
Payment of liabilities arising from lease agreements		5 708	693
Interest payments		546	13
Net cash flows from financial activities		**(107 180)**	**(706)**
Total net cash flows		**(54 972)**	**37 391**
Change in cash and cash equivalents on balance sheet		**(54 972)**	**37 391**
Cash and cash equivalents at beginning of period		**104 378**	**66 987**
Cash and cash equivalents at end of period		**49 406**	**104 378**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Clarifications regarding the consolidated financial statement

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General information

Name:	CD PROJEKT S.A.
Legal status:	Joint-stock company
Headquarters:	Jagiellońska 74, 03-301 Warsaw
Country of registration:	Poland
Principal scope of activity:	CD PROJEKT S.A. is the holding company of the CD PROJEKT Group which conducts its operations in two activity segments: CD PROJEKT RED and GOG.com
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 Group is established for an indefinite duration.

Consolidation principles

Entities subjected to consolidation

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

On 14 January 2019 a new company was established in the framework of the CD PROJEKT Group under the name CD PROJEKT RED STORE sp. z o.o. The new company is responsible for development and online marketing of tie-in products associated with CD PROJEKT Group games.

Two member companies are excluded from consolidation since they fail to meet the significance criteria. In accordance with the accounting policies in force within the Group, the parent entity may elect to exclude certain subsidiaries from consolidation as long as each of these subsidiaries:

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

Note that the above values are exclusive of any transactions between the subsidiary and the parent company which would have otherwise been subject to consolidation eliminations.

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

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

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

(all figures quoted in PLN thousands unless indicated otherwise)

Subsidiaries

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

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

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

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

Changes in accounting practices

The accounting practices applied in preparing this consolidated financial statement, the parent Company's Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Group 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 consolidated financial statement is prepared under the assumption that the Group and its parent entity intend to continue as a going concern in the foreseeable future, i.e. at least throughout the 12-month period following the balance sheet date.

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

As of the day of preparation of this consolidated 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.

Compliance with International Financial Reporting Standards

This consolidated financial statement was 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 Group 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 Group 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 Group or its financial result.

- **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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group'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:	19 241	14 443	33 684	-	33 684
- lease of buildings	-	14 443	14 443	-	14 443
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	8 556	8 719	4 435	13 154
- lease of buildings	-	8 556	8 556	-	8 556
- lease of land	-	-	-	4 435	4 435
Short-term liabilities					
Other financial liabilities, including:	246	5 887	6 133	14	6 147
- lease of buildings	-	5 887	5 887	-	5 887
- 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 Group (as the lessee) to such liabilities are as follows:

Future minimum lease payments arising from operating lease agreements reported on 31.12.2018	14 420
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	**23 091**
Discount	(3 790)
Current value of lease liabilities as of 01.01.2019	**19 301**
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	**18 892**
Weighted average marginal interest rate applied by the Group (as the lessee) to liabilities arising from lease agreement as disclosed in the statement of financial position for 01.01.2019	**4.37%**

With regard to space lease agreements scheduled to end earlier than 12 months following the initial application date of IFRS 16, the Group 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 Group 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 2.

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.

(all figures quoted in PLN thousands unless indicated otherwise)

The Group 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 Group does not apply the provisions of the new standards to intangibles.

- **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 Group'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 Group'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 Group'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 of the parent entity has carried out an assessment of the effect of new standards upon future consolidated financial statements of the Group. In approving this financial statement, the Group 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 Group does not expect these amendments to have a significant impact on the Group'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 Group does not expect these amendments to have a significant impact on the Group'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 Group does not expect these amendments to have a significant impact on the Group'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 Group 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 Group is performing an assessment of the effect these new standards and amendments to standards upon the Group'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 Group and leading to an increase in its equity other than from capital increases obtained through shareholder contributions.

The Group recognizes revenues by applying the so-called Five Step Model described in IFRS 15. Revenues only cover amounts received or receivable by the Group, equivalent to the transaction prices payable to the Group 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 Group 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 Group'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 Group 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 Group 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 Group'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 Group 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 Group'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 from sale/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 Group 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 case of projects for which a reliable estimate of sales volume and budget can be provided, the Group 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 consolidated financial statement the Group 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 annual 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 (including contingent liabilities) of the entity being acquired. Any surplus resulting from this allocation procedure is assumed to represent goodwill. Any negative difference between the acquisition cost and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is treated as revenues and disaggregated in the profit and loss account as other operating revenues.

Business combinations under common control

Legal mergers between the parent company and a subsidiary 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 Group 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 a Group member 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 Group 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 Group 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 Group also decided to also fold this asset into the reported investment properties. The effect of application of IFRS 16 and the change in the Group'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 Group 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 minus the write-down associated with any permanent impairment of assets.

Financial assets

On initial recognition the Group assigns each of its financial assets into one of four categories, depending on the Group'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 Group has adopted a rule stating that the sale of a financial asset prior to its maturity does not, in itself, cause the underlying business model to shift from holding assets to collect contractual cash flows to holding assets to collect contractual cash flows and potentially sell the assets or to holding assets for other purposes.

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

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 Group 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 Group member companies classify each of their 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

Group member companies include in their statements of deferred and accrued charges any prepayments and charges related in part or in full to subsequent reporting periods.

Deferred charges are recognized by the Group 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.

In the GOG.com segment advance payments are remitted on future commitments related to distribution of videogames. These payments are initially recognized as prepaid expenses. This applies specifically to the so-called minimum guarantees, which are governed by licensing contracts and payable to the copyright holder immediately upon conclusion of each contract. Following commencement of sales these expenses are progressively reassigned to cost of products and services sold (note that expenses associated with minimum guarantees are dependent on the realized sales revenues).

When expenses resulting from realized sales exceed the previously recognized minimum guarantees, they are recognized as trade liabilities. The basis for computing such liabilities is the number of units sold or the corresponding revenues obtained by the Group.

Fair Price Package (Store Credit) is a type of gift card granted to users who, as a result of being residents of specific countries, are forced to pay more for GOG.com content than residents of other countries. The recognized difference in price may be redeemed when making further purchases on GOG.com. Initially, funds allocated under the Fair Price Package program are recognized as deferred revenues. Following their redemption they are reassigned to revenues in correspondence with deferred revenues. These funds expire within one year of being allocated, and any unused funds are reassigned to revenues. The Fair Price Package program was discontinued in April 2019.

GOG.com provides its users with access to a virtual account called the GOG Wallet which can be used to make purchases on the digital platform. GOG Wallet and funds allocated therein are not recognized as a digital currency as they cannot be transferred, exchanged or withdrawn. Funds transferred to the GOG Wallet by GOG.com users do not expire and may be redeemed at any time; thus, any such funds are recognized as deferred revenues until such time as they are actually redeemed by users.

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 Group member 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 a Group member company is a party.

Share capital is reported at nominal value, in the amount consistent with the parent 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 a Group member company faces a liability (whether legal or customary) resulting from past events, it is likely that discharging said liability will reduce the Group'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 a Group member company has revealed a detailed and formalized restructuring plan to all stakeholders.

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 Group 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 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 parent Company's share capital. Details are presented in Current Report no. 18/2016 of 24 May 2016. The incentive program is settled in accordance with *IFRS 2 Share-based payment rules*.

Bank credits and loans

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

Trade and other liabilities

Liabilities pertaining to supplies and services are reported in their 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 Group's equity less any applicable liabilities.

Licenses

The value of licenses purchased by the Group is recognized as Prepaid expenses on the basis of invoices, and increased by the uninvoiced portion of minimum guarantees arising under the relevant contracts. These expenses are then recognized as costs in proportion to realized sales, with any amount exceeding the previously reported prepaid expenses reclassified as trade 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 parent 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 Group carries outs its activities (functional currency). The functional currency and the presentation currency of the Group and its parent 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 Group did not identify any issues which would be primarily affected by the parent 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

Group member companies recognize 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

Group member companies recognize 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 Group member companies apply their professional judgment.

Depreciation rates

Depreciation rates are determined on the basis of the expected useful economic life of tangible equity assets and intangible assets. Group member companies perform 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 consolidated financial statement, the Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Group for 2018, except for changes in accounting policies, changes in the structure of companies subjected to consolidation, and presentation-related adjustments described below.

Changes in the structure of companies subjected to consolidation

This financial statement marks the first time the Group has subjected CD PROJEKT RED STORE sp. z o.o. to consolidation. In order to ensure comparability of financial data, figures for 31 December 2018 have been adjusted appropriately.

Presentation changes

This consolidated 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 Group's financial result or equity.

- In the statement of financial position for 31 December 2018 the presentation of prepaid expenses was adjusted as follows:
    - Short-term prepaid expenses – adjusted by (8 622) thousand PLN
    - Long-term prepaid expenses – adjusted by 8 622 thousand PLN

  These changes have no effect on the Group'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 (with regard to entitlements attributable to the CD PROJEKT RED segment), 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.

Additionally, in light of validation of the fulfillment of additional sub-goals in the GOG.com segment, occurring not later than during validation of goals set for the entire Group, in the fourth quarter of 2019 a change in projections regarding possible attainment of result and market goals in the GOG.com segment occurred. The Management Board of the parent Company determined that the likely outcome would involve early fulfillment of only the market goal of the incentive program in force in the GOG.com segment (during the 2016-2019 period). Consequently, in the accounts of the GOG sp. z o.o. subsidiary for Q4 2019, costs associated with the result sub-goal were disaggregated while those related to the market sub-goal were recognized in line with the change in projections.

In line with the Board's updated projections, both the result and the market goal of the incentive program were achieved at the end of 2019 on the level of the Group, while in the GOG.com segment only the market goal was achieved. Further information regarding fulfillment of the program's goals by the Group 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 – activity segments of the CD PROJEKT Group

3

Activity segments

Presentation of results by activity segment

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

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

No changes in the differentiation of activity segments or in the assessment of per-segment profit or loss have been introduced by the Group compared to the financial statement for the period ending on 31 December 2018. The financial data of CD PROJEKT RED STORE sp. z o.o., incorporated on 14 January 2019, is aggregated with the CD PROJEKT RED activity segment.

Disclosure of activity segments

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2019 – 31.12.2019				
Sales revenues	**369 332**	**162 256**	**(10 316)**	**521 272**
sales to external clients	359 261	162 011	-	521 272
sales between segments	10 071	245	(10 316)	-
Segment profit/(loss)	**172 347**	**2 983**	**(15)**	**175 315**

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2018 – 31.12.2018				
Sales revenues	**227 830**	**144 317**	**(9 246)**	**362 901**
sales to external clients	218 584	144 317	-	362 901
sales between segments	9 246	-	(9 246)	-
Segment profit/(loss)	**109 307**	**30**	**(3)**	**109 334**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2019 and 31.12.2019

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**369 332**	**162 256**	**(10 316)**	**521 272**
Revenues from sales of products	292 386	7 633	4 456	304 475
Revenues from sales of services	41 945	250	(3 891)	38 304
Revenues from sales of goods and materials	35 001	154 373	(10 881)	178 493
Cost of products, goods and materials sold	**53 763**	**114 275**	**(6 730)**	**161 308**
Cost of products and services sold	25 606	6 361	(310)	31 657
Cost of goods and materials sold	28 157	107 914	(6 420)	129 651
Gross profit (loss) from sales	**315 569**	**47 981**	**(3 586)**	**359 964**
Selling costs	86 476	41 029	(2 164)	125 341
General and administrative costs	54 132	4 400	(1 419)	57 113
Other operating revenues	8 085	1 424	(1 235)	8 274
Other operating expenses	6 308	399	(1 204)	5 503
(Impairment) / reversal of impairment of financial instruments	5	-	-	5
Operating profit (loss)	**176 743**	**3 577**	**(34)**	**180 286**
Financial revenues	9 673	466	(676)	9 463
Financial expenses	547	735	(695)	587
Profit (loss) before taxation	**185 869**	**3 308**	**(15)**	**189 162**
Income tax	13 522	325	-	13 847
Net profit (loss)	**172 347**	**2 983**	**(15)**	**175 315**
Net profit (loss) attributable to equity holders of the parent entity	172 347	2 983	(15)	175 315

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2018 and 31.12.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**227 830**	**144 317**	**(9 246)**	**362 901**
Revenues from sales of products	220 641	12 782	2 496	235 919
Revenues from sales of services	4 409	15	(4 316)	108
Revenues from sales of goods and materials	2 780	131 520	(7 426)	126 874
Cost of products, goods and materials sold	**13 752**	**98 766**	**(6 264)**	**106 254**
Cost of products and services sold	11 132	2 896	(1 336)	12 692
Cost of goods and materials sold	2 620	95 870	(4 928)	93 562
Gross profit (loss) from sales	**214 078**	**45 551**	**(2 982)**	**256 647**
Selling costs	69 750	40 185	(2 752)	107 183
General and administrative costs	30 794	6 035	(227)	36 602
Other operating revenues	3 442	428	(1 390)	2 480
Other operating expenses	3 628	896	(1 390)	3 134
(Impairment) / reversal of impairment of financial instruments	171	13	-	184
Operating profit (loss)	**113 519**	**(1 124)**	**(3)**	**112 392**
Financial revenues	10 887	427	(543)	10 771
Financial expenses	104	569	(543)	130
Profit (loss) before taxation	**124 302**	**(1 266)**	**(3)**	**123 033**
Income tax	14 995	(1 296)	-	13 699
Net profit (loss)	**109 307**	**30**	**(3)**	**109 334**
Net profit (loss) attributable to equity holders of the parent entity	109 307	30	(3)	109 334

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated statement of financial position as of 31.12.2019

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**650 260**	**47 760**	**(18 923)**	**679 097**
Tangible assets	103 305	4 243	(2 281)	105 267
Intangible assets	59 270	493	-	59 763
Expenditures on development projects	359 989	25 878	(19)	385 848
Investment properties	44 960	-	-	44 960
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	14 688	-	(14 688)	-
Shares in subsidiaries excluded from consolidation	8 025	-	-	8 025
Deferred income tax assets	-	1 935	(1 935)	-
Prepaid expenses	3 519	15 211	-	18 730
Other receivables	66	-	-	66
WORKING ASSETS	**675 818**	**69 275**	**(20 082)**	**725 011**
Inventories	12 862	-	-	12 862
Trade receivables	124 040	8 924	(3 391)	129 573
Current income tax receivables	19 298	1 051	-	20 349
Other receivables	62 476	2 031	(4 137)	60 370
Prepaid expenses	7 485	24 625	(12 554)	19 556
Cash and cash equivalents	16 762	32 644	-	49 406
Bank deposits (maturity beyond 3 months)	432 895	-	-	432 895
TOTAL ASSETS	**1 326 078**	**117 035**	**(39 005)**	**1 404 108**

(all figures quoted in PLN thousands unless indicated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
EQUITY	**1 078 159**	**42 198**	**(14 706)**	**1 105 651**
Equity attributable to shareholders of the parent company	**1 078 159**	**42 198**	**(14 706)**	**1 105 651**
Share capital	96 120	136	(136)	96 120
Supplementary capital	748 323	38 143	(5 515)	780 951
Other reserve capital	54 657	999	(999)	54 657
Exchange rate differences	(51)	(65)	1 014	898
Retained earnings	6 763	2	(9 055)	(2 290)
Net profit (loss) for the reporting period	172 347	2 983	(15)	175 315
Noncontrolling interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**26 156**	**2 790**	**(3 788)**	**25 158**
Other financial liabilities	17 694	1 910	(1 853)	17 751
Other liabilities	3 340	-	-	3 340
Deferred income tax liabilities	4 870	-	(1 935)	2 935
Deferred revenues	6	358	-	364
Provisions for employee benefits and similar liabilities	246	9	-	255
Other provisions	-	513	-	513
SHORT-TERM LIABILITIES	**221 763**	**72 047**	**(20 511)**	**273 299**
Other financial liabilities	2 123	460	(429)	2 154
Trade liabilities	25 764	37 493	(3 391)	59 866
Current income tax liabilities	118	-	-	118
Other liabilities	5 152	10 107	(4 137)	11 122
Deferred revenues	152 750	21 168	(12 554)	161 364
Provisions for retirement benefits and similar liabilities	2	-	-	2
Other provisions	35 854	2 819	-	38 673
TOTAL EQUITY AND LIABILITIES	**1 326 078**	**117 035**	**(39 005)**	**1 404 108**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated statement of financial position as of 31.12.2018*

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**374 512**	**38 142**	**(16 223)**	**396 431**
Tangible assets	16 867	2 374	-	19 241
Intangible assets	49 413	797	-	50 210
Expenditures on development projects	218 753	24 066	(3)	242 816
Investment properties	9 553	-	-	9 553
Perpetual usufruct of land	3 478	-	-	3 478
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	16 220	-	(16 220)	-
Shares in subsidiaries excluded from consolidation	3 183	-	-	3 183
Deferred income tax assets	37	2 283	-	2 320
Prepaid expenses	-	8 622	-	8 622
Other receivables	570	-	-	570
WORKING ASSETS	**677 633**	**82 395**	**(29 621)**	**730 407**
Inventories	258	-	-	258
Fixed assets held for sale	49	-	-	49
Trade receivables	31 714	6 607	(1 313)	37 008
Current income tax receivables	1 525	86	-	1 611
Other receivables	45 764	1 775	(28 308)	19 231
Prepaid expenses	1 272	11 608	-	12 880
Cash and cash equivalents	42 059	62 319	-	104 378
Bank deposits (maturity beyond 3 months)	554 992	-	-	554 992
TOTAL ASSETS	**1 052 145**	**120 537**	**(45 844)**	**1 126 838**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
EQUITY	**978 340**	**40 747**	**(16 223)**	**1 002 864**
Equity attributable to shareholders of the parent company	**978 340**	**40 747**	**(16 223)**	**1 002 864**
Share capital	96 120	136	(136)	96 120
Supplementary capital	739 798	5 441	(5 515)	739 724
Other reserve capital	26 145	2 531	(2 531)	26 145
Exchange rate differences	63	(65)	1 014	1 012
Retained earnings	6 907	32 674	(9 052)	30 529
Net profit (loss) for the reporting period	109 307	30	(3)	109 334
Noncontrolling interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**6 648**	**43**	**-**	**6 691**
Other financial liabilities	163	-	-	163
Deferred revenues	6 301	37	-	6 338
Provisions for employee benefits and similar liabilities	184	6	-	190
SHORT-TERM LIABILITIES	**67 157**	**79 747**	**(29 621)**	**117 283**
Other financial liabilities	246	-	-	246
Trade liabilities	9 995	41 179	(1 260)	49 914
Other liabilities	12 357	33 736	(28 308)	17 785
Deferred revenues	22 790	3 382	-	26 172
Provisions for retirement benefits and similar liabilities	2	-	-	2
Other provisions	21 767	1 450	(53)	23 164
TOTAL EQUITY AND LIABILITIES	**1 052 145**	**120 537**	**(45 844)**	**1 126 838**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

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

4

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 Group'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	**521 272**	**362 901**
Revenues from sales of products	304 475	235 919
Revenues from sales of services	38 304	108
Revenues from sales of goods and materials	178 493	126 874
Other revenues	**17 737**	**13 251**
Other operating revenues	8 274	2 480
Financial revenues	9 463	10 771
Total	**539 009**	**376 152**

Sales revenues by territory

	01.01.2019 – 31.12.2019		01.01.2018 – 31.12.2018	
	PLN	%	PLN	%
Domestic sales	17 497	3.36	16 077	4.43%
Exports, including:	**503 775**	**96.64%**	**346 824**	**95.57%**
Europe	131 615	25.25%	105 541	29.08%
North America	312 501	59.95%	199 587	54.99%
South America	3 491	0.67%	2 712	0.75%
Asia	44 802	8.59%	30 942	8.53%
Australia	10 715	2.06%	7 186	1.98%
Africa	651	0.12%	856	0.24%
Total	**521 272**	**100.00%**	**362 901**	**100.00%**

Sales revenues by product type

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Own products	304 475	235 919
External products	178 493	126 874
Other revenues	38 304	108
Total	**521 272**	**362 901**

Sales revenues by distribution channel

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Videogames – box editions	50 066	22 978
Videogames – digital editions	421 789	335 878
Other revenues	49 417	4 045
Total	**521 272**	**362 901**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 2. 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:	8 117	4 768
- depreciation of leased buildings	1 928	-
- depreciation of leased vehicles	165	-
Consumption of materials and energy	2 487	1 568
Bought-in services, including:	71 035	74 351
- short-term leases and leases of low-value assets	570	-
Taxes and fees	948	693
Employee compensation, social security and other benefits	95 976	59 189
Business travel	3 597	2 867
Use of company cars	119	159
Value of goods and materials sold	129 651	93 562
Cost of products and services sold	31 657	12 692
Other expenses	175	190
Total	**343 762**	**250 039**
Selling costs	125 341	107 183
General and administrative costs	57 113	36 602
Cost of products, goods and materials sold	161 308	106 254
Total	**343 762**	**250 039**

Note 3. Other operating revenues and expenses

Other operating revenues

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018*
Reinvoicing revenues	4 570	680
Fixed assets and goods received free of charge	1 150	117
Revenues from lease contracts	1 007	-
Subsidies	200	618
Profit from disposal of fixed assets	86	11
Provisioning of IT and marketing services	1 094	296
Settlement of financial liabilities arising from lease agreements	49	8
Other sales	28	521
Repossession gains received	5	29
Dissolution of unused provisions for expenses	2	14
Withholding tax recovered at source	1	-
Dissolution of other provisions	-	98
Compensation for damages received	-	18
Disclosure of fixed assets	-	26
Other miscellaneous operating revenues	82	44
Total operating revenues	**8 274**	**2 480**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Other operating expenses

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Reinvoicing expenses	4 572	680
Own cost of other sales	472	1 040
Depreciation of investment properties	283	-
Other taxes and fees	107	549
Unrecoverable withholding tax	19	18
Donations	7	51
Disposal of materials and goods	14	76
Settlement of stocktaking shortages	3	6
Disposal of fixed assets and intangibles	2	26
VAT writeoffs	1	246
Inventory revaluations	1	-
Insurance premiums	-	1
Losses from revaluation of own shares	-	96
Expenses associated with receivable enforcement proceedings	-	4
Fixed assets written off	-	251
Unrecoverable receivables written off	-	12
Other miscellaneous expenses	22	78
Total operating expenses	**5 503**	**3 134**

Note 4. Financial revenues and expenses

Financial revenues

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Revenues from interest	**9 341**	**10 728**
on short-term bank deposits	9 334	10 719
on trade settlements	7	9
Other financial revenues	**122**	**43**
surplus positive exchange rate differences	122	36
other miscellaneous financial revenues	-	7
Total financial revenues	**9 463**	**10 771**

Financial expenses

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Interest payments	**587**	**130**
on lease agreements	546	13
on budget commitments	41	117
Other financial expenses	**-**	**-**
Total financial expenses	**587**	**130**
Net balance of financial activities	**8 876**	**10 641**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 5. Current and deferred income tax

The principal 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	**8 592**	**17 897**
For the fiscal year	8 594	17 355
Adjustments from preceding years	(2)	542
Deferred income tax	**5 255**	**(4 198)**
Due to creation and reversal of temporary differences	5 255	(4 198)
Tax burden reported in profit and loss account	**13 847**	**13 699**

The deferred tax reported in the profit and loss account represents the difference between the balance of deferred tax provisions and assets respectively at the end and beginning of each reporting period.

Current income tax

	Income obtained from other sources	Income obtained from capital investments	Income obtained from other sources	Income obtained from capital investments
	01.01.2019 – 31.12.2019		01.01.2018 – 31.12.2018*	
Pre-tax income	**188 945**	**216**	**122 751**	**282**
Revenues increasing the tax base	24 192	-	13 872	-
Revenues applicable to future reporting periods	(56 577)	-	4 221	-
Tax-exempt revenues	(9 375)	-	(9 375)	-
Expenses reducing the tax base	(31 037)	-	(54 001)	-
Non-deductible expenses	63 028	-	24 452	-
Taxable income	**179 176**	**216**	**101 920**	**282**
Deductions from income – losses	(1 408)	(216)	-	-
Deductions from income – donations	-	-	(6)	-
Deductions from income – R&D fiscal relief	(9 928)	-	(12 853)	-
Tax base, including:	**167 840**	**-**	**89 061**	**282**
tax base (rate: 5%)	**166 926**	**-**	**-**	**-**
tax base (rate: 8.84%)**	**691**	**-**	**506**	
tax base (rate: 19%)	**223**	**-**	**88 555**	**282**
tax base (rate: 21%)**	**691**	**-**	**506**	**-**
Income tax due (rate: 5%)	8 346	-	-	-
Income tax due (rate: 8.84%)	61	-	45	-
Income tax due (rate: 19%)	42	-	17 150	54
Income tax due (rate: 21%)	145	-	106	-
Total income tax due	**8 594**	**-**	**17 301**	**54**
Effective tax rate	**7.33%**	**-**	**11.16%**	**19%**

** adjusted data*

*** Given the fact that one of the Group's member companies is registered in the United States of America, which has a federal system of government, its income is subject to dual taxation (on the state and federal level).*

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.

(all figures quoted in PLN thousands unless indicated otherwise)

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2018*	increases	reductions	31.12.2019
Provisions for other employee benefits	192	66	-	258
Provisions for compensation dependent on financial result	14 356	25 149	14 522	24 983
Tax loss	2 760	-	1 897	863
Negative exchange rate differences	16	2 622	1 933	705
Difference between balance sheet value and tax value of expenditures on development projects	-	6 958	-	6 958
Compensation and social security expenses payable in future reporting periods	28	128	114	42
Deferrals associated with virtual wallet contributions and benefits programs	3 364	6 119	7 737	1 746
Other provisions	2 024	3 986	3 011	2 999
R&D fiscal relief	52 532	-	35 143	17 389
Advance payments recognized as taxable income	-	13 836	2 729	11 107
Total negative temporary differences	**75 272**	**58 864**	**67 086**	**67 050**
subject to 5% tax rate	-	37 561	-	37 561
subject to 19% tax rate	75 272	21 303	67 086	29 489
Deferred tax assets	**14 302**	**5 926**	**12 747**	**7 481**

** adjusted data*

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	26 210	4 555	19 108	11 657
Income in the current period invoiced in the following period	30 793	142 495	86 320	86 968
Positive exchange rate differences	271	2 640	2 173	738
Difference between balance sheet value and tax value of expenditures on development projects	5 298	7 389	2 091	10 596
Other sources	490	218	492	216
Total negative temporary differences	**63 062**	**157 297**	**110 184**	**110 175**
subject to 5% tax rate	-	75 122	-	75 122
subject to 19% tax rate	63 062	82 175	110 184	35 053
Deferred tax liabilities	**11 982**	**19 369**	**20 935**	**10 416**

** 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 Group 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	7 481	14 302
Deferred tax liabilities	10 416	11 982
Net deferred tax assets/(liabilities)	**(2 935)**	**2 320**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 6. Discontinued operations

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

Note 7. 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 parent 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 parent 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 issued under the incentive program and permitting certain parties to claim shares of the parent Company. Information regarding the quantity of entitlements issued is provided in Note 40.

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	175 315	109 334
Base net earnings per share (PLN)	**1.82**	**1.14**
Diluted net earnings per share (PLN)	**1.74**	**1.09**

Note 8. 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 parent Company's profit obtained in 2018 to a dividend payable to shareholders of the parent Company. In line with the adopted resolution, on 13 June 2019, the parent 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 parent Company stock.

Note 9. Disclosure of other components of the reported comprehensive income

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Net profit (loss)	**175 315**	**109 334**
Exchange rate differences on valuation of foreign entities	(114)	100
Total comprehensive income	**175 201**	**109 434**
Total comprehensive income attributable to minority interests	**-**	**-**
Total comprehensive income attributable to equity holders of parent entity	**175 201**	**109 434**

Note 10. Tax effects of other components of the reported comprehensive income

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 11. Fixed assets

Ownership structure of fixed assets

	31.12.2019	31.12.2018
Wholly owned	85 241	18 343
Held under a hire purchase, hire or similar contract, including lease contracts	20 026	898
Total	**105 267**	**19 241**

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	20 026	898
Value of fixed assets whose title is restricted and fixed assets pledged as collateral for liabilities	**20 026**	**898**

Contractual commitments for future acquisition of fixed assets

	31.12.2019	31.12.2018*
Leasing of passenger cars	144	245
Total	**144**	**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	**-**	**14 724**	**141**	**24 810**	**2 057**	**1 572**	**658**	**43 962**
Increases from:	**35 986**	**56 377**	**1 446**	**7 184**	**181**	**1 051**	**1 186**	**103 411**
purchase	25 894	42 761	1 440	6 001	5	626	1 186	77 913
lease agreements concluded*	10 091	12 493	-	-	176	-	-	22 760
reclassification from fixed assets under construction	1	1 123	6	33	-	425	-	1 588
acquisition free of charge	-	-	-	1 150	-	-	-	1 150
Reductions from:	**-**	**5 164**	**-**	**951**	**4**	**-**	**1 693**	**7 812**
sale	-	-	-	198	4	-	-	202
disposal	-	-	-	753	-	-	-	753
lease agreements dissolved	-	5 134	-	-	-	-	-	5 134
reclassification from fixed assets under construction	-	-	-	-	-	-	1 588	1 588
reclassification as investment properties	-	-	-	-	-	-	105	105
other	-	30	-	-	-	-	-	30
Gross carrying amount as of 31.12.2019	**35 986**	**65 937**	**1 587**	**31 043**	**2 234**	**2 623**	**151**	**139 561**
Depreciation as of 01.01.2019	**-**	**5 062**	**15**	**17 708**	**962**	**974**	**-**	**24 721**
Increases from:	**84**	**7 474**	**38**	**5 187**	**369**	**589**	**-**	**13 741**
depreciation	84	7 474	38	5 186	369	589	-	13 740
other	-	-	-	1	-	-	-	1
Reductions from:	**-**	**3 214**	**-**	**950**	**4**	**-**	**-**	**4 168**
sale	-	-	-	197	4	-	-	201
disposal	-	-	-	753	-	-	-	753
lease agreements dissolved	-	3 208	-	-	-	-	-	3 208
other	-	6	-	-	-	-	-	6
Depreciation as of 31.12.2019	**84**	**9 322**	**53**	**21 945**	**1 327**	**1 563**	**-**	**34 294**
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2019	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	**-**	**9 662**	**126**	**7 102**	**1 095**	**598**	**658**	**19 241**
Net carrying amount as of 31.12.2019	**35 902**	**56 615**	**1 534**	**9 098**	**907**	**1 060**	**151**	**105 267**

** 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, changes in accounting policies and projections".*

(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	**13 192**	**-**	**20 528**	**2 036**	**1 195**	**637**	**37 588**
Increases from:	**1 532**	**141**	**5 041**	**764**	**444**	**1 057**	**8 979**
purchases	612	1	4 817	-	443	1 057	6 930
acquisition of enterprise	-	-	69	-	-	-	69
lease agreements	-	-	-	764	-	-	764
reclassification from fixed assets under construction	869	140	26	-	-	-	1 035
acquisition free of charge	-	-	117	-	-	-	117
other	51	-	12	-	1	-	64
Reductions from:	**-**	**-**	**759**	**743**	**67**	**1 036**	**2 605**
sales	-	-	74	315	-	-	389
disposal	-	-	685	5	67	-	757
reclassification from fixed assets under construction	-	-	-	-	-	1 036	1 036
reclassification to fixed assets held for sale	-	-	-	423	-	-	423
Gross carrying amount as of 31.12.2018	**14 724**	**141**	**24 810**	**2 057**	**1 572**	**658**	**43 962**
Depreciation as of 01.01.2018	**3 517**	**-**	**13 482**	**1 035**	**722**	**-**	**18 756**
Increases from:	**1 545**	**15**	**4 959**	**411**	**319**	**-**	**7 249**
depreciation	1 516	15	4 954	411	319	-	7 215
other	29	-	5	-	-	-	34
Reductions from:	**-**	**-**	**733**	**484**	**67**	**-**	**1 284**
sales	-	-	73	105	-	-	178
disposal	-	-	660	5	67	-	732
reclassification to fixed assets held for sale	-	-	-	374	-	-	374
Depreciation as of 31.12.2018	**5 062**	**15**	**17 708**	**962**	**974**	**-**	**24 721**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2018	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**9 675**	**-**	**7 046**	**1 001**	**473**	**637**	**18 832**
Net carrying amount as of 31.12.2018	**9 662**	**126**	**7 102**	**1 095**	**598**	**658**	**19 241**

(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	88	63	54	97
Total	**658**	**1 068**	**1 575**	**151**

	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	18	96	26	88
Total	**637**	**1 056**	**1 035**	**658**

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	7 322	2 337	4 985	-	-	-
Vehicles	723	167	556	1 173	275	898
Total	**22 585**	**2 559**	**20 026**	**1 173**	**275**	**898**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 12. 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	**177 817**	**239 385**	**32 199**	**1 926**	**11 318**	**26 065**	**56 438**	**706**	**1**	**545 855**
Increases from:	**172 845**	**13 084**	**1 000**	**1 367**	**6 400**	**4 837**	**-**	**1 247**	**-**	**200 780**
purchases	-	-	1 000	1 367	6 400	4 112	-	1 247	-	14 126
reclassification from intangible assets under construction	-	-	-	-	-	725	-	-	-	725
reclassification from development projects in progress	-	13 084	-	-	-	-	-	-	-	13 084
own creation	172 845	-	-	-	-	-	-	-	-	172 845
Reductions from:	**13 084**	**-**	**-**	**-**	**-**	**603**	**-**	**725**	**-**	**14 412**
sales	-	-	-	-	-	1	-	-	-	1
disposal	-	-	-	-	-	602	-	-	-	602
reclassification from intangible assets under construction	-	-	-	-	-	-	-	725	-	725
reclassification from development projects in progress	13 084	-	-	-	-	-	-	-	-	13 084
Gross carrying amount as of 31.12.2019	**337 578**	**252 469**	**33 199**	**3 293**	**17 718**	**30 299**	**56 438**	**1 228**	**1**	**732 223**
Depreciation as of 01.01.2019	**-**	**174 386**	**-**	**1 048**	**-**	**20 956**	**-**	**-**	**1**	**196 391**
Increases from:	**-**	**29 813**	**-**	**562**	**-**	**4 009**	**-**	**-**	**-**	**34 384**
depreciation	-	29 813	-	562	-	4 009	-	-	-	34 384
Reductions from:	**-**	**-**	**-**	**-**	**-**	**601**	**-**	**-**	**-**	**601**
sales	-	-	-	-	-	1	-	-	-	1
disposal	-	-	-	-	-	600	-	-	-	600
Depreciation as of 31.12.2019	**-**	**204 199**	**-**	**1 610**	**-**	**24 364**	**-**	**-**	**1**	**230 174**
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2019	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	**177 817**	**64 999**	**32 199**	**878**	**11 318**	**5 109**	**56 438**	**706**	**-**	**349 464**
Net carrying amount as of 31.12.2019	**337 578**	**48 270**	**33 199**	**1 683**	**17 718**	**5 935**	**56 438**	**1 228**	**-**	**502 049**

(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	Other	Total
Gross carrying amount as of 01.01.2018	**142 486**	**162 822**	**32 199**	**1 646**	**6 530**	**24 298**	**46 417**	**54**	**1**	**416 453**
Increases from:	**112 145**	**76 563**	**-**	**280**	**4 788**	**2 245**	**10 021**	**652**	**-**	**206 694**
purchases	-	-	-	280	4 788	2 229	-	652	-	7 949
acquisition of enterprise	-	-	-	-	-	-	10 021	-	-	10 021
own creation	112 145	-	-	-	-	-	-	-	-	112 145
reclassification from development projects in progress	-	76 563	-	-	-	-	-	-	-	76 563
other	-	-	-	-	-	16	-	-	-	16
Reductions from:	**76 814**	**-**	**-**	**-**	**-**	**478**	**-**		**-**	**77 292**
disposal	251	-	-	-	-	478	-	-	-	729
reclassification from development projects in progress	76 563	-	-	-	-	-	-	-	-	76 563
Gross carrying amount as of 31.12.2018	**177 817**	**239 385**	**32 199**	**1 926**	**11 318**	**26 065**	**56 438**	**706**	**1**	**545 855**
Depreciation as of 01.01.2018	**-**	**162 178**	**-**	**764**	**-**	**17 754**	**-**	**-**	**1**	**180 697**
Increases from:	**-**	**12 208**	**-**	**284**	**-**	**3 679**	**-**	**-**	**-**	**16 171**
depreciation	-	12 208	-	284	-	3 679	-	-	-	16 171
Reductions from:	**-**	**-**	**-**	**-**	**-**	**477**	**-**	**-**	**-**	**477**
disposal	-	-	-	-	-	477	-	-	-	477
Depreciation as of 31.12.2018	**-**	**174 386**	**-**	**1 048**	**-**	**20 956**	**-**	**-**	**1**	**196 391**
Impairment allowances as of 01.01.2018	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2018	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2018	**142 486**	**644**	**32 199**	**882**	**6 530**	**6 544**	**46 417**	**54**	**-**	**235 756**
Net carrying amount as of 31.12.2018	**177 817**	**64 999**	**32 199**	**878**	**11 318**	**5 109**	**56 438**	**706**	**-**	**349 464**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Ownership structure of intangible assets

	31.12.2019	31.12.2018
Wholly owned	59 630	50 210
Held under a rent or lease agreement, or other type of agreement	133	-
Total	**59 763**	**50 210**

Intangible assets under construction

	01.01.2019	Expenditures in fiscal year	Expenditure settlements	31.12.2019
Financial analytics system	341	104	384	61
Speech animation system	180	161	341	-
HR support system	167	488	-	655
Musical score	-	77	-	77
Document flow system	-	323	-	323
Game licenses, GOG	18	-	-	18
E-commerce platform	-	94	-	94
Total	**706**	**1 247**	**725**	**1 228**

	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
Game licenses, GOG	18	-	-	18
Total	**54**	**652**	**-**	**706**

** adjusted data*

Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 13. 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	**46 417**	**10 021**	**56 438**
Gross goodwill as of 31.12.2019	**46 417**	**10 021**	**56 438**
Impairment allowances as of 01.01.2019	**-**	**-**	**-**
Impairment allowances as of 31.12.2019	**-**	**-**	**-**
Net goodwill as of 01.01.2019	**46 417**	**10 021**	**56 438**
Net goodwill as of 31.12.2019	**46 417**	**10 021**	**56 438**

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.

Note 14. Investment properties

On 31 December 2018 the parent Company concluded a purchase agreement concerning one of two immovable properties located at Jagiellońska 76 in Warsaw, directly adjacent to the current headquarters of the parent Company. According to the agreement, the parent 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 parent Company intends to lease the property to other entities, it has decided to report it as an investment property.

On 31 October 2019 the parent Company concluded a purchase agreement concerning the immovable property located at Jagiellońska 74 in Warsaw, previously leased by the parent Company as its own headquarters and that of its subsidiaries. According to the agreement, the parent Company purchased perpetual usufruct of the land and all buildings and structures located thereupon. Most structures comprising this property are office buildings. As the parent 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 parent Company will be classified at purchase cost less depreciation.

	31.12.2019	**31.12.2018**
Investment property in Warsaw at Jagiellońska street	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**

(all figures quoted in PLN thousands unless indicated otherwise)

	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**

Nota 15. Investments and shares in subsidiaries excluded from consolidation

Investments in subsidiaries held at purchase price

	31.12.2019	31.12.2018*
Shares of affiliates (subsidiaries)	8 025	3 183
Total	**8 025**	**3 183**

** adjusted data*

Changes in investments in subsidiaries

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018*
At beginning of period	**3 183**	**452**
Increases from:	**5 529**	**2 731**
incorporation of affiliates	-	2 000
capital contributions mandated by the incentive program	1 029	731
capital contributions to subsidiary	4 500	-
Reductions from:	**687**	**-**
capital contributions mandated by the incentive program	687	-
At end of period	**8 025**	**3 183**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Investments in subsidiaries as of 31.12.2019

	CD PROJEKT Co., Ltd.	Spokko sp. z o.o.
Registered office	Shanghai	Warsaw
Percentage of shares held as of 31.12.2019	100%	75%
Percentage of votes controlled as of 31.12.2019	100%	75%
Capital investment	1 525	6 500

Investments in subsidiaries as of 31.12.2018

	CD PROJEKT Co., Ltd.	Spokko sp. z o.o.
Registered office	Shanghai	Warsaw
Percentage of shares held as of 31.12.2018	100%	75%
Percentage of votes controlled as of 31.12.2018	100%	75%
Capital investment	1 183	2 000

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 provides the new company with access to its intellectual property, backed up by the creative and commercial muscle of the CD PROJEKT RED studio. The newly established company is working on a new, unannounced project targeting mobile gaming platforms.

Note 16. Inventories

	31.12.2019	31.12.2018
Goods	12 668	249
Other materials	194	9
Gross inventories	**12 862**	**258**
Inventory impairment allowances	-	-
Net inventories	**12 862**	**258**

The “Other materials” line item comprises components marketing materials.

Changes in inventory revaluation allowances

None reported.

Inventories pledged as collateral for liabilities

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 17. Fixed assets held for sale

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

One of the passenger cars belonging to the Group 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 18. Construction contracts

Not applicable.

Note 19. Trade receivables

	31.12.2019	31.12.2018
Net trade receivables	**129 573**	**37 008**
from affiliates	49	28
from external entities	129 524	36 980
Impairment allowances	29	180
Gross trade receivables	**129 602**	**37 188**

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**	**2 349**
Increases, including:	**-**	**3**
recognition of impairment allowances on past-due and contested receivables	-	3
Reductions, including:	**151**	**2 172**
elimination of impairment allowances due to collection of receivables	5	187
elimination of impairment allowances by write-offs	146	1 985
Impairment allowances at end of period	**29**	**180**
Aggregate impairment allowances at end of period	**29**	**180**

(all figures quoted in PLN thousands unless indicated otherwise)

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	49	44	5	-	-	-	-
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	**49**	**44**	**5**	**-**	**-**	**-**	**-**

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	129 553	126 764	2 639	-	4	78	68
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	**129 524**	**126 764**	**2 639**	**-**	**4**	**78**	**39**
Total							
gross receivables	129 602	126 808	2 644	-	4	78	68
impairment allowances	29	-	-	-	-	-	29
Net receivables	**129 573**	**126 808**	**2 644**	**-**	**4**	**78**	**39**

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	28	17	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	**28**	**17**	**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	37 160	36 711	52	85	91	41	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	**36 980**	**36 711**	**52**	**85**	**91**	**41**	**-**
Total							
gross receivables	37 188	36 728	63	85	91	41	180
impairment allowances	180	-	-	-	-	-	180
Net receivables	**37 008**	**36 728**	**63**	**85**	**91**	**41**	**-**

Trade receivables by currency

	31.12.2019		31.12.2018	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	91 605	91 605*	30 123	30 123*
USD	6 411	24 346	925	3 479
EUR	2 745	11 688	447	1 923
CAD	139	404	68	188
RUB	5 648	345	3 534	191
GBP	63	315	59	282
BRL	205	193	146	141
AUD	68	181	105	279
CNY	326	178	238	130
SEK	299	122	266	112
DKK	131	75	104	60
CHF	18	69	16	60
NOK	121	52	92	40
Total		**129 573**		**37 008**

** This line item 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 20. Other receivables

	31.12.2019	31.12.2018*
Other gross receivables, including:	**61 168**	**20 533**
tax returns except corporate income tax	40 047**	15 311
advance payments for supplies	10 882	1 085
prepayments associated with expenditures on development projects	8 087	-
deposits	518	1 050
prepayments associated with licensing liabilities	487	620
prepayments associated with purchases of fixed assets and intangibles	377	-
employee compensation settlements	27	29
prepayments associated with purchases of investment properties	-	1 667
other	11	39
Impairment allowances	**732**	**732**
Total other gross receivables	**60 436**	**19 801**
short-term	60 370	19 231
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:	**60 436**	**19 801**
from affiliates	3	3
from other entities	60 433	19 798
Impairment allowances	**732**	**732**
Other gross receivables	**61 168**	**20 533**

** 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	**-**	**-**

Other receivables by currency

	31.12.2019		31.12.2018*	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	44 148	44 148**	18 950	18 950**
USD	2 633	10 035	175	671
JPY	166 092	5 728	18 585	65
EUR	116	494	20	84
CHF	8	31	8	31
Razem		**60 436**		**19 801**

** 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.*

(all figures quoted in PLN thousands unless indicated otherwise)

Trade and other receivables from affiliates

	31.12.2019	31.12.2018
Gross receivables from affiliates	**52**	**31**
trade receivables	49	28
other receivables	3	3
Impairment write-downs	**-**	**-**
Net receivables from affiliates	**52**	**31**

Note 21. Prepaid expenses

	31.12.2019	31.12.2018
Minimum guarantees and advance payments at GOG	25 857	19 670
Marketing campaign	5 327	-
Expenses associated with future marketing activities	2 000	-
Fees associated with right of first refusal	1 600	-
Software, licenses	1 726	890
Transaction fees	672	-
IT security	291	282
Non-life insurance	258	117
Access to marketing platforms	227	-
Business travel (airfare, accommodation, insurance)	82	113
Access to online legal support portal	2	6
Other prepaid expenses	244	424
Total prepaid expenses	**38 286**	**21 502**
short-term	19 556	12 880
long-term	18 730	8 622

Nota 22. Cash and cash equivalents

	31.12.2019	31.12.2018*
Cash on hand and bank deposits:	**1 997**	**9 702**
cash on hand	1	1
current bank account	1 996	9 701
Other monetary assets:	**47 409**	**94 676**
cash in transit	50	-
overnight deposits	1 388	3 226
short-term bank deposits (maturity up to 3 months)	45 971	91 450
Total	**49 406**	**104 378**

** adjusted data*

Restricted cash

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

Nota 23. 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

None reported.

Note 24. Other capital contributions

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Reserve capital	780 951	739 724
Other supplementary capital	549	549
Other reserve capital – incentive program	54 108	25 596
Total	**835 608**	**765 869**

(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	**739 724**	**549**	**-**	**25 596**	**765 869**
Increases from:	**41 227**	**-**	**-**	**32 663**	**73 890**
allocation of net profit / coverage of losses	41 227	-	-	-	41 227
capital contributions mandated by the incentive program	-	-	-	32 663	32 663
Reductions from:	**-**	**-**	**-**	**4 151**	**4 151**
capital contributions mandated by the incentive program	-	-	-	4 151	4 151
As of 31.12.2019	**780 951**	**549**	**-**	**54 108**	**835 608**

	Reserve capital	Supplementary capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2018	**549 335**	**-**	**-**	**15 212**	**564 547**
Rectification of errors	(6 729)	-	-	-	(6 729)
Adjusted capital	**542 606**	**-**	**-**	**15 212**	**557 818**
Increases from:	**203 159**	**3 600**	**3 051**	**10 384**	**220 194**
allocation of net profit / coverage of losses	200 108	-	-	-	200 108
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:	**6 041**	**3 051**	**3 051**	**-**	**12 143**
allocation of net profit / coverage of losses	2 441	-	-	-	2 441
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	**739 724**	**549**	**-**	**25 596**	**765 869**

Note 25. Retained earnings

	31.12.2019	31.12.2018
Retained earnings from preceding years	(2 290)	30 529
Total	**(2 290)**	**30 529**

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in retained earnings

	31.12.2019	31.12.2018
At beginning of period	**30 529**	**21 844**
Rectification of errors	**-**	**6 082**
Adjusted retained earnings	**30 529**	**27 926**
Increases from:	**109 334**	**202 711**
coverage of losses incurred in preceding years, from reserve capital	-	2 441
allocation of financial result from preceding years	109 334	200 270
Reductions from:	**142 153**	**200 108**
dividend payments	100 926	-
reclassification as reserve capital	41 227	200 108
At end of period	**(2 290)**	**30 529**

Note 26. Minority interest capital

None reported.

Note 27. Credits and loans

None reported.

Note 28. Other financial liabilities

	31.12.2019	31.12.2018
Lease liabilities	**19 905**	**409**
Short-term	**2 154**	**246**
Long-term, including:	**17 751**	**163**
between 1 and 5 years	3 723	163
beyond 5 years	14 028	-

As a lessee the Group 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 34, 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 34, 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 29. 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	-

(all figures quoted in PLN thousands unless indicated otherwise)

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	-

Note 30. Trade liabilities

	31.12.2019	31.12.2018
Trade liabilities:	**59 866**	**49 914**
payable to affiliates	247	625
payable to external entities	59 619	49 289

Current and overdue trade liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2019	**59 866**	**54 758**	**4 777**	**205**	**114**	**9**	**3**
payable to affiliates	247	247	-	-	-	-	-
payable to external entities	59 619	54 511	4 777	205	114	9	3

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2018	**49 914**	**45 966**	**3 302**	**197**	**425**	**10**	**14**
payable to affiliates	625	625	-	-	-	-	-
payable to external entities	49 289	45 341	3 302	197	425	10	14

(all figures quoted in PLN thousands unless indicated otherwise)

Trade liabilities by currency

	31.12.2019		31.12.2018	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	11 606	44 076	12 010	45 099
PLN	6 847	6 847	2 167	2 167
EUR	1 371	5 838	435	1 869
JPY	47 003	1 643	3 503	120
GBP	155	772	3	17
CNY	654	357	1 141	625
CAD	109	318	2	6
BRL	16	15	11	11
Total		**59 866**		**49 914**

Note 31. Other liabilities

	31.12.2019	31.12.2018*
Liabilities from other taxes, duties, social security payments and others, except corporation tax	**10 439**	**6 822**
VAT	5 459	5 186
Flat-rate withholding tax	348	17
Personal income tax	3 715	1 019
Social security (ZUS) payments	860	571
National Disabled Persons Rehabilitation Fund (PFRON) payments	31	26
PIT-8A settlements	26	3
Other liabilities	**683**	**10 963**
Other employee-related liabilities	9	9
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	(33)
Advance payments received from foreign clients	262	5
Total other liabilities	**11 122**	**17 785**

** 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	**11 122**	**11 113**	**9**	**-**	**-**	**-**	**-**
payable to affiliates	4	1	3	-	-	-	-
payable to external entities	11 118	11 112	6	-	-	-	-

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2018*	**17 785**	**17 753**	**32**	**-**	**-**	**-**	**-**
payable to affiliates	30	2	28	-	-	-	-
payable to external entities	17 755	17 751	4	-	-	-	-

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Other short-term liabilities by currency

	31.12.2019		31.12.2018*	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	5 828	5 828	12 721	12 721
EUR	743	3 185	674	2 897
USD	207	800	255	956
GBP	108	537	110	533
SEK	480	194	490	204
AUD	69	183	62	166
DKK	213	122	207	119
NOK	248	106	224	100
RUB	1 234	75	874	50
CAD	16	47	-	-
CHF	11	42	9	36
BRL	3	3	1	1
CNY	-	-	4	2
Total		**11 122**		**17 785**

** adjusted data*

Note 32. Internal Social Benefits Fund (ZFŚS): assets and liabilities

	31.12.2019	31.12.2018
Cash assets	23	134
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	23	101
Balance	**-**	**33**
Internal Social Benefits Fund (ZFŚS) deductions in the financial year	**-**	**304**

Note 33. Contingent liabilities

Promissory note liabilities from loans received

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

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
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0120/16	PLN	1 204	1 234
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 34. Lease agreements

Information concerning depreciation of leased assets is presented in note 2, while interest on lease agreements is discussed in note 4. 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 11. Note 51 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	2 154	246
Due between 1 and 5 years	3 723	163
Due later than in 5 years	14 028	-
Current minimum lease payments outstanding:	**19 905**	**409**
short-term	2 154	246
long-term	17 751	163

Income from subleasing of leased assets (usufruct)

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Revenues	23	-
Expenses	23	-
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 31.10.2019	1 468	1 468	PLN	2100-04-12	1 467	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
Passenger car	Santander Leasing S.A.	CR1/03717/2019	176	176	PLN	2021-10-08	89	Lessee is entitled to buy out the leased asset – the contractual net residual value is 30 thousand PLN
Los Angeles office	Cushman & Wakefield	Lease agreement concluded on 01.04.2018	3 104	817	USD	2023-03-31	2 468	Lessee is not entitled to buy out the leased asset
Total			**22 585**				**19 905**	

(all figures quoted in PLN thousands unless indicated otherwise)

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

The Group 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 Group 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	549	-
due between 1 and 5 years	273	-
due later than in 5 years	-	-
Total	**822**	**-**

Note 35. Deferred revenues

	31.12.2019	31.12.2018*
Dotacje	**13 527**	**6 510**
Construction of data processing and communications center of the CD PROJEKT Group	2	13
Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange	125	291
Cross Platform SDK (GameINN)	358	35
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	**148 201**	**26 000**
Future period sales	145 663	22 614
Official phone rental	22	18
Other	2 516	3 368
Total, including:	**161 728**	**32 510**
short-term deferrals	161 364	26 172
long-term deferrals	364	6 338

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Nota 36. Provisions for employee benefits and similar liabilities

	31.12.2019	31.12.2018
Provisions for retirement benefits and pensions	257	192
Total, including:	**257**	**192**
short-term provisions	2	2
long-term provisions	255	190

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 (%)	18.6% at age 31	21.4% at age 30
Mortality rates published by the Central Statistical Office (year of estimation)	8% in 2020-2021; 5% in later years	5%
Likelihood of disability during the fiscal year	2018	2017
Discount rate (%)	0.1%	0.1%

Statistical methods were employed by an actuary to construct and calibrate a mobility model for Group employees, based on the Multiple Decrement paradigm. The model was calibrated using historical data supplied by Group member companies. 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	**192**	**-**	**192**
Provisions created	65	-	65
As of 31.12.2019, including:	**257**	**-**	**257**
short-term provisions	2	-	2
long-term provisions	255	-	255

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2018	**82**	**-**	**82**
Provisions created	110	-	110
As of 31.12.2018, including:	**192**	**-**	**192**
short-term provisions	2	-	2
long-term provisions	190	-	190

(all figures quoted in PLN thousands unless indicated otherwise)

Note 37. Other provisions

	31.12.2019	31.12.2018
Provisions for warranty-covered repairs and returns	**-**	**15**
Provisions for liabilities, including:	**39 186**	**23 149**
provisions for financial statement audit and review expenses	100	100
provisions for bought-in services	541	457
provisions for compensation contingent upon the Group's financial result, and other compensation	36 038	21 246
provisions for other expenses	2 507	1 346
Total, including:	**39 186**	**23 164**
short-term provisions	38 673	23 164
long-term provisions	513	-

Changes in other provisions

	Provisions for warranty-covered repairs and returns	Provisions for compensation contingent upon the Company's financial result and other compensation	Other provisions	Total
As of 01.01.2019	**15**	**21 246**	**1 903**	**23 164**
Provisions created during fiscal year	3	36 292	6 439	42 734
Provisions consumed	3	21 500	5 098	26 601
Provisions dissolved	15	-	96	111
As of 31.12.2019, including:	**-**	**36 038**	**3 148**	**39 186**
short-term provisions	-	35 525	3 148	38 673
long-term provisions	-	513	-	513

	Provisions for warranty-covered repairs and returns	Provisions for compensation contingent upon the Company's financial result and other compensation	Other provisions	Total
As of 01.01.2018	**62**	**42 998**	**581**	**43 641**
Provisions created during fiscal year	56	21 246	8 103	29 405
Provisions consumed	78	42 998	6 697	49 773
Provisions dissolved	25	-	84	109
As of 31.12.2018, including:	**15**	**21 246**	**1 903**	**23 164**
short-term provisions	15	21 246	1 903	23 164
long-term provisions	-	-	-	-

(all figures quoted in PLN thousands unless indicated otherwise)

Note 38. Disclosure of financial instruments

Fair value of financial instruments per class

Following an analysis of each class of financial instruments held by the parent 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.

Financial assets – classification and estimation

	31.12.2019	31.12.2018*
Financial assets estimated at amortized cost	**611 940**	**696 948**
Other long-term receivables	66	570
Trade receivables	129 573	37 008
Cash and cash equivalents	49 406	104 378
Bank deposits (maturity beyond 3 months)	432 895	554 992
Capital market instruments estimated at purchase price	**8 025**	**3 183**
Shares in subsidiaries excluded from consolidation	8 025	3 183
Total financial assets	**619 965**	**700 131**

** adjusted data*

Financial liabilities – classification and estimation

	31.12.2019	31.12.2018
Financial liabilities estimated at amortized cost	**79 771**	**50 323**
Trade liabilities	59 866	49 914
Other financial liabilities	19 905	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	-	7	-	9 334	-	-	(546)	**8 795**
Dissolution of impairment allowances	-	5	-	-	-	-		**5**
Total profit / (loss)	**-**	**12**	**-**	**9 334**	**-**	**-**	**(546)**	**8 800**

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	-	10 719	-	-	(13)	**10 715**
Creation of impairment allowances	-	(3)	-	-	-	-	-	**(3)**
Dissolution of impairment allowances	-	187	-	-	-	-	-	**187**
Profit/(loss) from sale of financial instruments	-	-	7	-	-	-	-	**7**
Total profit / (loss)	**-**	**193**	**7**	**10 719**	**-**	**-**	**(13)**	**10 906**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 39. Equity management

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

The Group actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the parent entity may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Group 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 Group is in excess of its sum of trade liabilities and other liabilities. Consequently, the Group reports a positive cash balance.

Note 40. Employee share programs

2016-2021 incentive program

On 24 May 2016 the General Meeting of Shareholders of the parent Company 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 parent Company shares issued as a conditional increase in the parent Company share capital, or by presenting entitled parties with an offer to buy existing shares which the parent Company will have previously bought back on the open market. In either case, implementation of the program is contingent upon meeting specific result goals (80% of entitlements) and market goals (20% of entitlements), in addition to a loyalty criterion which applies to each entitled party until such time as the attainment of either goal is officially declared.

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

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 parent Company share capital by not more than 6 000 thousand PLN, representing 6.24% of the current share capital of the parent 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 parent 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 parent 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 parent Company had issued 96 120 000 shares.

Status of the program

As of 31 December 2019 the result and market goals of the incentive program on the level of the Group have been achieved, while in the GOG.com segment – which has its own result sub-goal – only the market goal has been achieved. Further information 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.

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 41. 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 CD PROJEKT 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 following consolidation eliminations

	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								
CD PROJEKT Co., Ltd.	-	29	3 725	4 141	-	-	247	625
Spokko sp. z o.o.	288	747	-	-	49	28	-	-
GROUP MEMBER COMPANY MANAGEMENT								
Marcin Iwiński	15	9	-	-	-	-	3	2
Adam Kiciński	7	3	-	-	1	-	1	28
Piotr Nielubowicz	9	5	-	-	-	-	-	-
Michał Nowakowski	13	10	-	-	1	3	-	-
Adam Badowski	4	2	-	-	1	-	-	-
Piotr Karwowski	1	-	-	-	-	-	-	-
Oleg Klapovskiy	1	1	-	-	-	-	-	-

(all figures quoted in PLN thousands unless indicated otherwise)

Note 42. Mergers and changes in the structure of the CD PROJEKT Group

Mergers between subsidiaries

Not applicable.

Incorporation of new subsidiaries

On 14 January 2019 a new company was established in the framework of the CD PROJEKT Group under the name CD PROJEKT RED STORE sp. z o.o. CD PROJEKT S.A. is the sole owner of the newly incorporated company and holds 100% of its shares. The new company is responsible for online marketing of tie-in products associated with CD PROJEKT RED games throughout the European Union.

Note 43. Compensation of top management and Supervisory Board members

Benefits paid out to Management Board members at Group member companies

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Base salaries	1 652	1 335
Compensation for duties performed	2 555	2 555
Bonuses and compensation contingent upon the Company's financial result for the previous year	10 933	25 194
Total	**15 140**	**29 084**

Benefits paid out to other top executives at the Group

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Base salaries	2 825	2 611
Compensation for duties performed	493	322
Bonuses and compensation contingent upon the Company's financial result for the previous year	931	1 540
Total	**4 249**	**4 473**

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 44. Employment

Average employment

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Average employment	302	263
Total	**302**	**263**

(all figures quoted in PLN thousands unless indicated otherwise)

Employment turnover

	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Employees hired	91	73
Employees dismissed	59	44
Total	**32**	**29**

Note 45. Activated borrowing costs

Not applicable.

Note 46. Disclosure of seasonal, cyclical or sporadic revenues

Not applicable.

Note 47. 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 parent 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 parent Company the status of an R&D center. This status entitles the parent 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 Group will be able to apply the preferential rate to certain sources of its income.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 48. Events following the balance sheet date

Events which have an effect on the financial statement for 2019

On 24 January 2020 the Group 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 Group'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 Group'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 49. 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	100	100
for reviewing financial statements and the consolidated financial statement	50	50
Total	**150**	**150**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 50. 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	**49 406**	**104 378**
Cash on balance sheet	**49 406**	**104 378**
Depreciation:	**8 117**	**4 768**
Depreciation of intangibles	1 631	1 460
Depreciation of expenditures on development projects	297	237
Depreciation of fixed assets	6 176	3 071
Depreciation of investment properties	13	-
Interest and share in profits (dividends) consist of:	**(8 788)**	**(10 706)**
Interest received	(9 334)	(10 719)
Interest received from lease agreements	546	13
Profit (loss) from investment activities results from:	**(1 283)**	**545**
Revenues from sales of fixed assets	(136)	(222)
Net value of fixed assets sold	50	211
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	-	251
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	(49)	(8)
Changes in provisions result from:	**10 585**	**(27 312)**
Balance of changes in provisions for liabilities	16 022	(20 476)
Balance of changes in provisions for employee benefits	65	110
Provisions for compensation contingent upon the Company's financial result aggregated with expenses on development projects	(5 502)	(6 946)
Changes in inventory status result from:	**(12 604)**	**65**
Balance of changes in inventory status	(12 604)	65
Changes in receivables result from:	**(126 397)**	**8 310**
Balance of changes in short-term receivables	(152 442)	5 993
Balance of changes in long-term receivables	504	(75)
Advance payment for investment properties	(1 667)	727
Income tax set against withholding tax	8 249	11 264
Current income tax adjustments	10 503	(9 651)
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:	**11 421**	**15 290**
Balance of changes in short-term liabilities	5 315	20 379
Current income tax adjustments	(118)	3 429
Changes in financial liabilities	(1 908)	(56)
Adjustment for changes in liabilities aggregated with retained earnings	-	251
Adjustments for changes in liabilities due to purchase of fixed assets	202	36
Adjustments for changes in liabilities due to purchase of intangibles	(998)	267
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:	**115 774**	**20 027**
Balance of changes in prepaid expenses	(16 784)	(7 206)
Balance of changes in deferred revenues	129 218	27 210
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:	**28 574**	**9 746**
Cost of incentive program	28 169	9 654
Depreciation aggregated with selling cost and consortium settlements	527	21
Exchange rate differences	(122)	71

** adjusted data*

Note 51. Cash flows and other changes resulting from financial activities

	Lease liabilities	Liabilities payable to shareholders (dividends)	Total
As of 01.01.2019	**409**	**-**	**409**
Cash flows	**(6 255)**	**(100 926)**	**(107 181)**
Non-cash changes, including:	**25 751**	**100 926**	**126 677**
acquisition of fixed assets under lease agreements	27 209	-	27 209
exchange rate differences	(30)	-	(30)
accrued interest	546	-	546
dissolution of lease agreements	(1 974)	-	(1 974)
resolution concerning dividend payment	-	100 926	100 926
As of 31.12.2019	**19 905**	**-**	**19 905**

	Lease liabilities	Liabilities payable to shareholders (dividends)	Total
As of 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)

Statement of the Management Board of the parent entity

With regard to the correctness of the consolidated financial statement

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

This consolidated 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 as amended).

With regard to the entity contracted to audit the consolidated financial statement

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

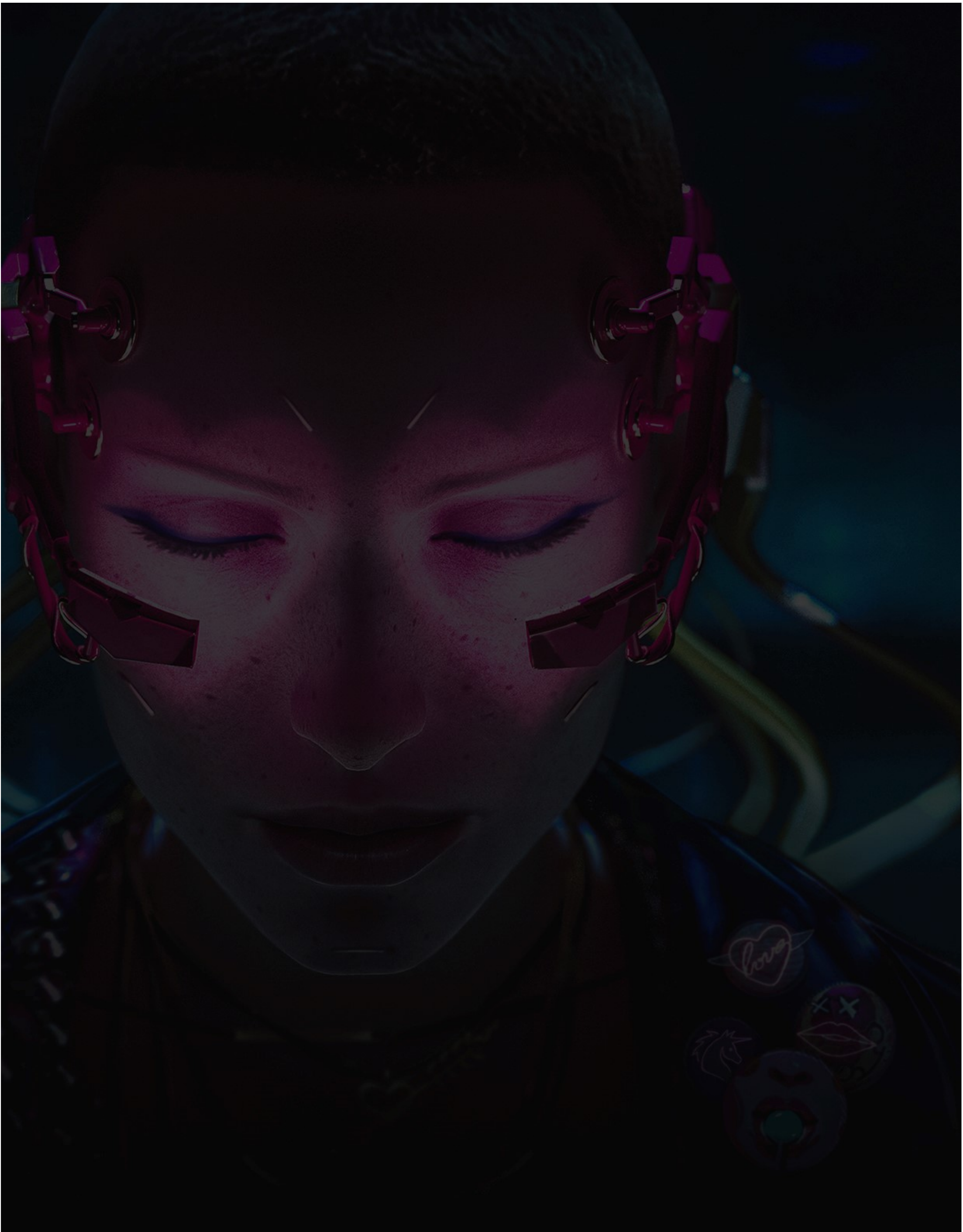
Approval of financial statement

This consolidated financial statement of the CD PROJEKT Group 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.

Warsaw, 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



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