CD PROJEKT®

CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT GROUP FOR 2020

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

CD PROJEKT Group – selected financial highlights (converted into EUR)

	PLN		EUR	
	01.01.2020 - 31.12.2020	**01.01.2019 - 31.12.2019**	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**
Revenues from sales of products, services, goods and materials	2 138 875	521 272	478 046	121 175
Cost of products, services, goods and materials sold	491 364	161 308	109 822	37 498
Operating profit (loss)	1 157 077	180 286	258 611	41 909
Profit (loss) before tax	1 164 949	189 162	260 370	43 973
Net profit (loss) attributable to equity holders of parent entity	1 154 327	175 315	257 996	40 754
Net cash flows from operating activities	711 708	216 706	159 069	50 376
Net cash flows from investment activities	(106 386)	(164 498)	(23 778)	(38 239)
Net cash flows from financial activities	(91 393)	(107 180)	(20 426)	(24 916)
Total net cash flows	513 929	(54 972)	114 865	(12 779)
Stock volume (thousands)	96 461	96 120	96 461	96 120
Net earnings per share (PLN/EUR)	11.97	1.82	2.67	0.42
Diluted net earnings per share (PLN/EUR)	11.49	1.74	2.57	0.40
Book value per share (PLN/EUR)	22.68	11.50	4.91	2.70
Diluted book value per share (PLN/EUR)	21.77	10.98	4.72	2.58
Declared or paid out dividend per share (PLN/EUR)	-	1.05	-	0.24

	PLN		EUR	
	31.12.2020	**31.12.2019***	**31.12.2020**	**31.12.2019***
Total assets	2 894 478	1 404 108	627 216	329 719
Liabilities and provisions for liabilities (less accrued charges)	658 401	136 729	142 672	32 107
Long-term liabilities	166 153	25 239	36 004	5 927
Short-term liabilities	540 969	273 218	117 225	64 158
Equity	2 187 356	1 105 651	473 987	259 634
Share capital	100 655	96 120	21 811	22 571

** adjusted*

The above 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 the National Bank of Poland. The corresponding exchange rates were: 4.4742 PLN/EUR for the period between 1 January and 31 December 2020, and 4.3018 PLN/EUR for the period between 1 January and 31 December 2019 respectively.
- Assets and liabilities listed in the consolidated statement of financial position 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: 4.6148 PLN/EUR on 31 December 2020 and 4.2585 PLN/EUR on 31 December 2019 respectively.

Validation of published estimates

The published estimates are consistent with the Group's earnings.

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Primary financial data of the CD PROJEKT Group

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Consolidated profit and loss account

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Sales revenues		**2 138 875**	**521 272**
Revenues from sales of products	1	1 839 932	304 475
Revenues from sales of services	1	2 242	38 304
Revenues from sales of goods and materials	1	296 701	178 493
Cost of products, services, goods and materials sold		**491 364**	**161 308**
Cost of products and services sold	2	256 105	31 657
Cost of goods and materials sold	2	235 259	129 651
Gross profit (loss) from sales		**1 647 511**	**359 964**
Selling costs	2	408 016	125 341
General and administrative costs	2	66 435	57 113
Other operating revenues	1,3	8 535	8 274
Other operating expenses	3	24 421	5 503
(Impairment)/reversal of impairment of financial instruments		(97)	5
Operating profit (loss)		**1 157 077**	**180 286**
Financial revenues	1,4	17 081	9 463
Financial expenses	4	9 209	587
Profit (loss) before tax		**1 164 949**	**189 162**
Income tax	5	10 622	13 847
Net profit (loss)		**1 154 327**	**175 315**
Net profit (loss) attributable to equity holders of parent entity		1 154 327	175 315
Net earnings per share (in PLN)			
Basic for the reporting period	7	11.97	1.82
Diluted for the reporting period	7	11.49	1.74

Consolidated statement of comprehensive income

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Net profit/(loss)		**1 154 327**	**175 315**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	**9**	**635**	**(114)**
Exchange rate differences from valuation of foreign entities		193	(114)
Estimation of financial instruments at fair value through other comprehensive income, adjusted for tax effects		442	-
Other comprehensive income which will not be entered as profit (loss)	**9**	**-**	**-**
Total comprehensive income		**1 154 962**	**175 201**
Total comprehensive income attributable to minority interests		-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.		**1 154 962**	**175 201**

(all figures quoted in PLN thousands unless indicated otherwise)

Consolidated statement of financial position

	Note	31.12.2020	31.12.2019*
FIXED ASSETS		**764 178**	**679 389**
Property, plant and equipment	10	105 349	105 267
Intangibles	11	59 790	59 763
Expenditures on development projects	11	406 798	385 848
Investment properties	13	48 841	44 960
Goodwill	11,12	56 438	56 438
Shares in subsidiaries excluded from consolidation	14	8 195	8 025
Deferrals	19	11 676	18 730
Other financial assets	15,36	51 588	-
Deferred income tax assets	5	15 182	-
Other receivables	18,36	321	358
WORKING ASSETS		**2 130 300**	**724 719**
Inventories	16	6 957	12 862
Trade receivables	17,36	1 205 603	129 573
Current income tax receivables		-	20 349
Other receivables	18	70 210	60 078
Deferrals	19	13 383	19 556
Other financial assets	15,36	106 444	-
Bank deposits (maturity beyond 3 months)	36	164 368	432 895
Cash and cash equivalents	20,36	563 335	49 406
TOTAL ASSETS		**2 894 478**	**1 404 108**

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	31.12.2020	31.12.2019*
EQUITY		**2 187 356**	**1 105 651**
Parent entity shareholders' equity		**2 187 356**	**1 105 651**
Share capital	21	100 655	96 120
Supplementary capital	22	774 851	777 090
Supplementary capital from sale of shares above nominal value	22	113 844	3 861
Other reserve capital	22	45 547	54 657
Exchange rate differences		1 091	898
Retained earnings	23	(2 959)	(2 290)
Net profit (loss) for the reporting period		1 154 327	175 315
Minority interest equity	24	-	-
LONG-TERM LIABILITIES		**166 153**	**25 239**
Other financial liabilities	26,32,36	16 006	17 751
Other liabilities	27	3 173	3 421
Deferred income tax liabilities	5	-	2 935
Deferred revenues	33	963	364
Provisions for employee benefits and similar liabilities	34	398	255
Other provisions	35	145 613	513
SHORT-TERM LIABILITIES		**540 969**	**273 218**
Other financial liabilities	26,32,36	2 933	2 154
Trade liabilities	28,36	115 444	59 866
Current income tax liabilities		1 742	118
Other liabilities	29	33 134	11 041
Deferred revenues	33	47 758	161 364
Provisions for employee benefits and similar liabilities	34	4	2
Other provisions	35	339 954	38 673
TOTAL EQUITY AND LIABILITIES		**2 894 478**	**1 404 108**

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of changes in consolidated equity

	Share capital	Supplementary capital	Supplementary capital from sale of shares above nominal value	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2020 – 31.12.2020*										
Equity as of 01.01.2020	**96 120**	**777 090**	**3 861**	**-**	**54 657**	**898**	**173 025**	**-**	**1 105 651**	**1 105 651**
Cost of incentive program	-	-	-	-	14 877	-	-	-	14 877	14 877
Dissolution of reserve capital created in past years and earmarked for purchase of own shares	-	549	-	-	(549)	-	-	-	-	-
Creation of reserve capital for purchase of own shares	-	(250 000)	-	-	250 000	-	-	-	-	-
Purchase of own shares in the framework of implementing the incentive program	-	214 259	-	(214 259)	(214 259)	-	-	-	(214 259)	(214 259)
Payment in own shares	4 535	(143 031)	109 983	214 259	(59 621)	-	-	-	126 125	126 125
Allocation of net profit/ coverage of losses	-	175 984	-	-	-	-	(175 984)	-	-	-
Total comprehensive income	-	-	-	-	442	193	-	1 154 327	1 154 962	1 154 962
Equity as of 31.12.2020	**100 655**	**774 851**	**113 844**	**-**	**45 547**	**1 091**	**(2 959)**	**1 154 327**	**2 187 356**	**2 187 356**

** adjusted*

The Group has adjusted the presentation of the settlement of its incentive program for the years 2012-2015. As a result, Supplementary capital was adjusted downward by 3 861 thousand PLN while Supplementary capital from sale of shares above nominal value was adjusted upward by the same amount.

(all figures quoted in PLN thousands unless indicated otherwise)

	Share capital	Supplementary capital	Supplementary capital from sale of shares above nominal value	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**	**735 863**	**3 861**	**-**	**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 payment	-	-	-	-	-	-	(100 926)	-	(100 926)	(100 926)
Total comprehensive income	-	-	-	-	-	(114)	-	175 315	175 201	175 201
Equity as of 31.12.2019	**96 120**	**777 090**	**3 861**	**-**	**54 657**	**898**	**(2 290)**	**175 315**	**1 105 651**	**1 105 651**

** adjusted*

The Group has adjusted the presentation of the settlement of its incentive program for the years 2012-2015. As a result, Supplementary capital was adjusted downward by 3 861 thousand PLN while Supplementary capital from sale of shares above nominal value was adjusted upward by the same amount.

(all figures quoted in PLN thousands unless indicated otherwise)

Consolidated statement of cash flows

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
OPERATING ACTIVITIES			
Net profit (loss)		**1 154 327**	**175 315**
Total adjustments:	**48**	**(460 131)**	**54 769**
Depreciation of PP&E, intangibles, expenditures on development projects and investment properties		13 559	8 117
Depreciation of expenditures on development projects recognized as cost of products and services sold		254 105	29 370
Profit (loss) from exchange rate differences		2 220	-
Interest and profit sharing		(7 188)	(8 788)
Profit (loss) from investment activities		(5 440)	(1 283)
Change in provisions		366 499	10 585
Change in inventories		5 905	(12 604)
Change in receivables		(1 083 890)	(126 397)
Change in liabilities excluding credits and loans		77 319	11 421
Change in other assets and liabilities		(100 033)	115 774
Other adjustments		16 813	28 574
Cash flows from operating activities		**694 196**	**230 084**
Income tax on pre-tax profit (loss)		(3 140)	13 847
Withholding tax paid abroad		13 762	-
Income tax (paid)/reimbursed		6 890	(27 225)
Net cash flows from operating activities		**711 708**	**216 706**
INVESTMENT ACTIVITIES			
Inflows		**823 545**	**881 888**
Reimbursement of advance payment for investment properties and perpetual usufruct of land		-	1 667
Sales of intangibles and PP&E		22	136
Closing bank deposits (maturity beyond 3 months)		754 581	870 742
Maturation of bonds		59 426	-
Interest on bonds		115	-
Inflows from forward contracts		1 801	-
Other inflows from investment activities		7 600	9 343
Outflows		**929 931**	**1 046 386**
Purchases of intangibles and PP&E		18 516	91 509
Expenditures on development projects		203 076	164 990
Purchase of investment properties and activation of future costs		8 336	36 743
Capital contributions to subsidiary		-	4 500
Loans granted		4 500	-
Purchase of bonds and the associated purchasing costs		209 441	-
Opening bank deposits (maturity beyond 3 months)		486 054	748 644
Other outflows from investment activities		8	-
Net cash flows from investment activities		**(106 386)**	**(164 498)**

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
FINANCIAL ACTIVITIES			
Inflows		**126 124**	**-**
Net inflows from sale of own shares and issue of stock in the exercise of options granted under the incentive program		126 124	-
Outflows		**217 517**	**107 180**
Purchase of own shares in order to enable exercise of options granted under the incentive program		214 259	-
Dividends and other payments due to equity holders		-	100 926
Payment of liabilities arising from lease agreements		2 857	5 708
Interest payments		401	546
Net cash flows from financial activities		**(91 393)**	**(107 180)**
Total net cash flows		**513 929**	**(54 972)**
Balance of changes in cash and cash equivalents		**513 929**	**(54 972)**
Cash and cash equivalents at beginning of period		**49 406**	**104 378**
Cash and cash equivalents at end of period		**563 335**	**49 406**

(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; 14th Commercial Department of the National Court Register (Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIV Wydział Gospodarczy Krajowego Rejestru Sądowego)
Statistical identification number (REGON):	492707333
Tax identification number (NIP):	7342867148
Waste disposal database (BDO) number:	000141053
Duration of the Group	Indefinite

Consolidation principles

Entities subject 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

Two companies were excluded from consolidation since they failed to meet the materiality criterion. 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 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 2019, except for changes in accounting policies and presentation-related adjustments described in the section titled "Comparability of financial statements, changes in accounting policies and changes in estimates".

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.

As of the date of signing this financial statement 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 2020 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 related to the preceding years were included in this statement.

Compliance with International Financial Reporting Standards

The Group's consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as "IFRS") approved by the EU and applicable to annual reporting periods beginning on 1 January 2020.

Changes in standards or interpretations in force, applied by the Group starting in 2020

In preparing its consolidated financial statement for 2020 the Group applied the same accounting standards as in its consolidated financial statement for 2019 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 2020:

- **Amendments to IFRS 3 *Business combinations* - definition of a business - applicable to reporting periods beginning on or after 1 January 2020**

  These amendments introduce a new definition of a business. In order to be considered a business, an acquired set of activities and assets must include, at a minimum, an input (contribution) and a substantive process that together significantly contribute to the ability to create outputs (products). Additionally, the amendments add guidance and illustrative examples to help entities assess whether a substantive process has been acquired, and also narrow down the definitions of outputs.

  These amendments have no significant impact on the Group's accounting practices as relates to the Group's activities or its financial result.

- **Amendments to IAS 1 and IAS 8 concerning the 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.

  These amendments have no significant impact on the Group's accounting practices as relates to the Group's activities 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.

  These amendments have no significant impact on the Group's accounting practices as relates to the Group's activities or its financial result.

- **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.

  These amendments have no significant impact on the Group's accounting practices as relates to the Group's activities or its financial result.

Published standards and interpretations which have not entered into force with respect to reporting periods beginning on 1 January 2020

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 9***, ***IAS 39***, ***IFRS 7***, ***IFRS 4*** and ***IFRS 16*** - *Interest rate benchmark reform - phase 2* - applicable to reporting periods beginning or on after 1 January 2021,
- Amendments to ***IFRS 4*** *Insurance contracts: extension of the temporary exemption from applying IFRS 9* - applicable to reporting periods beginning on or after 1 January 2021,
- Amendments to ***IFRS 1***, ***IFRS 9***, ***IFRS 16*** and ***IAS 41*** introduced in the framework of annual improvements to IFRS standards (2018-2020) - applicable to reporting periods beginning on or after 1 January 2022,
- Amendments to ***IFRS 3*** - *Business combinations - Reference to the conceptual framework* - applicable to reporting periods beginning on or after 1 January 2022,
- Amendments to ***IAS 16*** - *Property, plant and equipment - proceeds before intended use* - applicable to reporting periods beginning on or after 1 January 2022,
- Amendments to ***IFRS 16*** - *Leases - Covid-19-related rent concessions* - applicable to reporting periods beginning on or after 1 June 2020,
- Amendments to ***IAS 37*** - *Onerous contracts - costs of fulfilling a contract* - applicable to reporting periods beginning on or after 1 January 2022,
- Amendments introduced in the framework of annual improvements to IFRS Standards (2018–2020): ***IFRS 1*** - *First-time Adoption of International Financial Reporting Standards - subsidiary as a first-time adopter* - applicable to reporting periods beginning on or after 1 January 2022,
- Amendments introduced in the framework of annual improvements to IFRS Standards (2018–2020): ***IFRS 9*** - *Financial instruments - fees in the "10 per cent" test for derecognition of financial liabilities* - applicable to reporting periods beginning on or after 1 January 2022,
- New edition of ***IFRS 17*** - *Insurance contracts* - applicable to reporting periods beginning on or after 1 January 2023,
- Amendments to ***IAS 1*** - *Classification of liabilities as current or non-current* - applicable to reporting periods beginning on or after 1 January 2023,
- Amendments to ***IAS 8*** - *Accounting Policies, Changes in Accounting Estimates and Errors* - applicable to reporting periods beginning on or after 1 January 2023,
- Amendments to ***IAS 1*** *and Practice Statement 2: disclosure of accounting policies* (published on 12 February 2021) - applicable to reporting periods beginning or on after 1 January 2023,
- ***IFRS 14*** - *Regulatory deferral accounts* (published on 30 January 2014) - according to a decision of the European Commission the endorsement process of the interim version of this standard will not be initiated until the final version has been published - not approved for publication by the EU as of the approval date of this financial statement - applicable to reporting periods beginning on or after 1 January 2016,
- Amendments to ***IFRS 10*** and ***IAS 28*** - *sale or contribution of assets between an investor and its associate or joint venture* (published on 11 September 2014) - work on endorsing these amendments by the EU has been delayed indefinitely and the date of entry into force of the amended standard has been indefinitely postponed by the International Accounting Standards Board.

The Group has decided against application of any standard, interpretation or amendment which has been published but has not yet entered into force.

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, along with costs of services, 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 financial investments, 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 allowances on interest owed, short-term investment valuations, discounts and exchange rate differences related to financial activities (balance), 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 PP&E 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 (tax base) for 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 original recognition 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.

Property, plant and equipment

PP&E 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 assets up until the beginning of their useful economic life. Revenues from short-term investment of borrowings related to construction of PP&E 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 PP&E assets under construction, throughout their expected useful economic life, using the straight-line method.

The expected useful life for individual categories of PP&E assets is as follows:

Category	Useful life
Buildings and structures	5 – 25 years
Machinery and equipment	2 – 10 years
Vehicles	5 years
Other PP&E	2 – 10 years

Low-value PP&E assets, i.e. assets whose initial unit value does not exceed 5 000 PLN, are depreciated in a simplified manner by way of a one-time write-down.

Profits or losses on sales/disposal or cessation of use of PP&E 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 the 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

Intangibles with a low opening value, not exceeding 5 000 PLN, are depreciated in a simplified way through a one-time deduction.

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*. The useful economic life of both assets is regarded as indefinite. Trademark valuation is subject to yearly impairment tests.

Goodwill

Goodwill is computed by calculating the difference between the following two values:

- total payment remitted in exchange for control, noncontrolling interests (estimated in proportion to net assets taken over) and fair value of shares of the acquired entity held prior to the date of its acquisition,
- fair value of identifiable net assets acquired.

The surplus between the total calculated according to the above formula and the fair value of identifiable net assets acquired is recognized in the consolidated statement of financial position as a distinct asset, i.e. goodwill. Goodwill represents the payment made by the acquirer in exchange for future economic benefits yielded by the acquired assets which cannot be individually identified or estimated. Following initial recognition, goodwill is estimated at purchase price less any impairment write-downs.

Any negative difference between the aforementioned figure and the net value of identifiable assets acquired is directly represented on the balance sheet. The Group aggregates profit from business combinations with its 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 Group member companies perform an inventory of the net value of all of their PP&E 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.

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 any member company of the Group.

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.

Perpetual usufruct of land is reported as a lease, in line with IFRS 16. The Group represents the usufruct of such leases, in accordance with its nature, as either Investment properties or Property, Plant and Equipment.

Lease agreements

The Group, when acting as the lessee, regards a contract as a lease agreement or an agreement which includes a lease if it essentially transfers the totality of risks and benefits associated with a given base asset for a given period, in exchange for remuneration.

When acting as the lessor, the Group regards a contracts as a financial lease agreement if it essentially transfers the totality of risks and benefits associated with a given asset. When such risks and benefits are not transferred in their totality, the contract is instead regarded as an operating lease agreement.

The usufruct of an asset held under a lease agreement entails mainly the right to acquire all economic benefits associated with its use, as well as the right to control the manner in which it is used.

Risks associated with leases comprise losses incurred due to the non-use of production capabilities, loss of technical suitability or reduction in returns resulting from changes in economic conditions. Benefits may include the expected profitable operation of a given asset throughout its useful economic life or the expected profit resulting from increases in the asset's value or recovery of its final value.

On the date of initial recognition the Group recognizes an asset representing the usufruct of the lease, and a corresponding lease liability. Usufruct is initially estimated at purchase price, which consists of the initial value of the lease liability, initial direct costs, estimated costs related to disposal of the base asset, and lease payments remitted on or before the initial date, less lease incentives (if any).

The Group depreciates usufruct using the straight-line method between the initial date and the end of the usufruct or the end of the lease period, whichever comes first. When deemed justifiable, usufruct of leased assets is subjected to impairment tests, pursuant to IAS 36.

On the initial date the Group recognizes a lease liability which is equivalent to the lease payments outstanding, adjusted for the lease interest rate, if easily determinable. If not, the lessee's marginal interest rate is applied instead.

Lease payments which affect the corresponding lease liability consist of fixed lease payments, variable lease payments (dependent on the applicable indexation or interest rate), expected payments corresponding to the asset's guaranteed residual value, and expected payments related to buyout of leased assets, when such buyout can reasonably be regarded as certain. In each successive reporting period the lease liability is lowered by the amount paid, and increased to account for accrued interest. Estimation of lease liabilities is updated to reflect contractual changes and reassessments related to lease periods, buyout options, guaranteed residual value or lease payments dependent on the applicable indexation or interest rate. As a rule, revaluation of lease liabilities is recognized as an update of the line item which represents the usufruct of the leased asset.

The Group applies the practical expedient allowed by the standard to account for short-term leases and leases of low-value assets. In relation such assets, instead of recognizing usufruct and a corresponding lease liability, lease payments are aggregated with the financial result using the straight-line method throughout the lease period.

Shares and investments in subsidiaries excluded from consolidation

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

Financial assets

On initial recognition the 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 Group 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 (used in relation to assets whose credit risk has not increased substantially since initial recognition); stage 2 – under-performing (used in relation to assets whose credit risk has increased substantially since initial recognition, but for which there is no objective reason to suspect impairment); stage 3 – impaired (used in relation to assets for which there is objective reason to suspect impairment).

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 achievable net sale price, whichever is lower. The achievable 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.

Deferrals and accruals

The Group recognizes as deferred revenues those revenues which corresponds to future reporting periods, at the moment these revenues are realized.

In the CD PROJEKT RED segment future period sales represent mainly royalties obtained or obtainable in association with customer preorders of digital editions of PC games scheduled for release in future reporting periods, prepayments related to royalties, advance payments for goods received from suppliers, and settlements carried out over time in relation to subsidies.

In the GOG.com segment future period sales represent the value of customer preorders of games scheduled for release in future reporting periods as well as deferrals involving customers of the online store in the framework of the so-called GOG Wallet.

Accrued expenses represent liabilities related to goods and services which have been received or rendered, invoiced or formally agreed upon with suppliers.

Group member companies recognize as prepaid expenses costs borne upfront, associated – in whole or in part – with future reporting periods.

In the GOG.com segment GOG sp. z o.o. purchases distribution licenses, which are initially regarded as prepaid expenses. This initial recognition applies to the so-called minimum guarantees: payments contractually remitted to copyright holders upon conclusion of a contract. Minimum guarantees are aggregated with cost of goods sold following commencement of sales; thus, costs related to minimum guarantees correlate with sales revenues.

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 and reported as cash flows from financial activities.

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 the given Group member company is a party.

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

Supplementary capital is derived from profit earned.

Supplementary capital from sale of shares above nominal value 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.

The reported Other capital contributions aggregate costs related to its incentive program, supplementary capital created to finance the buy-back of own shares, and revaluation capital.

Provisions for liabilities

Provisions are created whenever the 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 the given Group member company has revealed a detailed and formalized restructuring plan to all interested parties.

Employee benefits

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

On 28 July 2020 the General Meeting of Shareholders of CD PROJEKT S.A. voted to institute an incentive program for 2020-2025 for the benefit of selected individuals at CD PROJEKT S.A. and other member companies of the Group. A set of targets was established and the Management Board and Supervisory Board of the parent Company selected a number of persons who, assuming these profit and marketing goals are met, are rewarded with subscription warrants entitling them to acquire parent Company shares by way of a conditional increase in the parent Company's share capital. The incentive program complies with *IFRS 2 Share-based payment rules*.

Loans granted

Loans granted are estimated at their amortized cost adjusted by applying the effective interest rate.

Trade and other liabilities

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

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.

Important values based on professional judgment and estimates

Professional judgment

An important aspect of the parent Company's projections regarding long-term provisions for expected licensing reports related to sales of Cyberpunk 2077 in the fourth quarter of 2020 – other than information obtained from distributors regarding sales to retail distribution networks, retail sales to end customers and number of copies present in various distribution channels and warehouses at the end of 2020 – was the management's professional judgment regarding the expected sell-through to final customers and the average retail price of the game in 2021.

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

Impairment tests which concern goodwill, trademarks and similar assets 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 2020. No impairment of any of the aforementioned assets or goodwill was identified. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2020. No circumstances were identified which would suggest impairment of these assets.

Assumptions made in the assessment of the CD PROJEKT brand name, The Witcher trademark and goodwill:

	Trademarks	Goodwill
Cash flow projection period	2021-2024 (4 years)	2021-2024 (4 years)
Weighted Average Cost of Capital (WACC)	8.37%	6.20%
Residual value growth rate (g)	3.10%	5.00%

Estimation of provisions

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

The Group recognizes provisions for compensation dependent on its financial result, and other bonuses. Provisions for compensation dependent on financial result are recognized jointly for each group of employees. As a rule, provisions are computed (depending on the specific group of employees) on the basis of net earnings reported by the Group, by a specific activity segment or by a smaller set of operations disaggregated for the purpose of calculating such provisions. Provisions for compensation dependent on the Group's financial result are computed using the recursion principle – the value of provisions decreases the result upon which such provisions are computed.

The Group also recognizes provisions for returns, expected adjustments of licensing reports or expenses which have not been invoiced by suppliers as of the balance sheet date.

Deferred income tax assets

Group member companies recognize deferred income 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 income tax liabilities

Group member companies recognize deferred income tax liabilities 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.

(all figures quoted in PLN thousands unless indicated otherwise)

Comparability of financial statements, changes in accounting policies and changes in estimates

Changes in accounting policies

The accounting practices applied in preparing this separate 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 2019, except for changes in accounting policies and presentation-related adjustments described below.

Presentation changes

This consolidated financial statement for the period between 1 January and 31 December 2020 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 31 December 2019. The following adjustments were made:

- In the statement of financial position for 31 December 2019 the presentation of fees paid was adjusted as follows:
    - Other long-term receivables – adjusted by 292 thousand PLN
    - Other short-term receivables – adjusted by (292) thousand PLN.

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

- In the statement of financial position for 31 December 2019 the presentation of fees received was adjusted as follows:
    - Other long-term liabilities – adjusted by 81 thousand PLN
    - Other short-term liabilities – adjusted by (81) thousand PLN.

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

- In line with the requirements of IAS 1, in the statement of financial position for 31 December 2019 the presentation of supplementary capital from sale of shares above nominal value, created in 2016 following the vesting of the incentive program, was adjusted as follows:
    - Supplementary capital from sale of shares above nominal value – adjusted by 3 861 thousand PLN
    - Supplementary capital – adjusted by (3 861) thousand PLN.

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

Supplementary information – CD PROJEKT Group activity segments

3

Activity segments

Presentation of results by activity segment

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

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

No changes in the differentiation of activity segments or in the assessment of per-segment profit or loss occurred in comparison with the Group's financial statement for the year ending on 31 December 2019.

There are no differences in the assessment of assets, liabilities, profits and losses for each segment separately and for the Group as a whole.

Activity segments

In 2020 the Group carried out its activities in two activity segments:

- CD PROJEKT RED,
- GOG.com.

CD PROJEKT RED

Target and scope of business activity

The CD PROJEKT RED Studio carries out its activities in the framework of CD PROJEKT S.A. (domestic holding company of the CD PROJEKT Group), CD PROJEKT Inc. (USA), CD PROJEKT Co., Ltd. (China) and CD PROJEKT RED STORE sp. z o.o. (online merch store).

This activity bases upon brands held by the Company: The Witcher and Cyberpunk. It entails development and publishing videogames, licensing the associated distribution rights, coordinating promotional activities and manufacturing, distributing or licensing tie-in products which exploit the appeal of the Company's brands.

In the scope of its publishing activities the Company also assumes responsibility for promotional and advertising campaigns related to its products, and maintains direct relations with the player base via electronic and social media channels as well as through regular participation in trade fairs.

The Studio has formed a consortium with GOG sp. z o.o. to jointly develop GWENT: The Witcher Card Game (PC, iOS, Android) as well as Thronebreaker: The Witcher Tales, based on similar gameplay mechanics (PC, iOS, Nintendo Switch, Xbox One, PlayStation 4).

Since 2019 the Group also operates an online merch store for fans of CD PROJEKT RED videogames, available at gear.cdprojektred.com.

GOG.com

Target and scope of business activity

The GOG.com platform was launched in August 2008. Its initial mission was to revitalize major PC cult classics and offer them for sale to international customers with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia. The platform is now offered in English, French, German, Russian, Chinese and Polish – this includes full game localizations as well as dedicated customer support and integration with locally popular payment channels, accepting payments in thirteen currencies. GOG.com also carries releases for the macOS and Linux operating systems.

GOG.com activities focus on:

- digital distribution of videogames via the Company's proprietary GOG.com distribution platform and the GOG GALAXY application. The platform enables customers to purchase games, remit payment and download game files to their personal devices.
- development and support for the Company's proprietary GOG GALAXY application to provide user-friendly and straightforward purchase, launch and update features for all games from the GOG.com catalog, and to facilitate cross-platform online gameplay. GOG GALAXY is currently responsible for all networking features of GWENT, including in-game sales and payment processing in the PC edition.
- Participation of GOG sp. z o.o. in a consortium with CD PROJEKT S.A., responsible for creating and maintaining GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales. In the framework of this consortium, GOG sp. z o.o. is responsible for processing sales in the PC edition of GWENT, for upkeep of the game's technical infrastructure and for networking features in the PC, iOS and Android editions.

Disclosure of activity segments

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2020 – 31.12.2020				
Sales revenues	**1 895 913**	**343 748**	**(100 786)**	**2 138 875**
sales to external clients	1 795 313	343 562	-	2 138 875
sales between segments	100 600	186	(100 786)	-
Segment net profit (loss)	**1 133 629**	**20 655**	**43**	**1 154 327**

	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 net profit (loss)	**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 01.01.2020 and 31.12.2020

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**1 895 913**	**343 748**	**(100 786)**	**2 138 875**
Revenues from sales of products	1 786 145	12 937	40 850	1 839 932
Revenues from sales of services	5 251	132	(3 141)	2 242
Revenues from sales of goods and materials	104 517	330 679	(138 495)	296 701
Cost of products, services, goods and materials sold	**347 436**	**243 653**	**(99 725)**	**491 364**
Cost of products and services sold	252 340	5 963	(2 198)	256 105
Cost of goods and materials sold	95 096	237 690	(97 527)	235 259
Gross profit (loss) from sales	**1 548 477**	**100 095**	**(1 061)**	**1 647 511**
Selling costs	341 633	67 344	(961)	408 016
General and administrative costs	59 426	7 195	(186)	66 435
Other operating revenues	8 835	1 469	(1 769)	8 535
Other operating expenses	25 243	813	(1 635)	24 421
(Impairment)/reversal of impairment of financial instruments	(97)	-	-	(97)
Operating profit (loss)	**1 130 913**	**26 212**	**(48)**	**1 157 077**
Financial revenues	15 912	1 169	-	17 081
Financial expenses	6 278	3 032	(101)	9 209
Profit (loss) before taxation	**1 140 547**	**24 349**	**53**	**1 164 949**
Income tax	6 918	3 694	10	10 622
Net profit (loss)	**1 133 629**	**20 655**	**43**	**1 154 327**
Net profit (loss) attributable to parent entity	1 133 629	20 655	43	1 154 327

(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, services, 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 parent entity	172 347	2 983	(15)	175 315

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated statement of financial position as of 31.12.2020

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**748 623**	**32 750**	**(17 195)**	**764 178**
Property, plant and equipment	102 971	4 185	(1 807)	105 349
Intangibles	59 576	214	-	59 790
Expenditures on development projects	384 601	22 210	(13)	406 798
Investment properties	48 841	-	-	48 841
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	15 079	-	(15 079)	-
Shares in subsidiaries excluded from consolidation	8 195	-	-	8 195
Prepaid expenses	5 535	6 141	-	11 676
Other financial assets	51 588	-	-	51 588
Deferred income tax assets	15 478	-	(296)	15 182
Other receivables	321	-	-	321
WORKING ASSETS	**2 012 477**	**179 990**	**(62 167)**	**2 130 300**
Inventories	6 957	-	-	6 957
Trade receivables	1 255 595	10 102	(60 094)	1 205 603
Other receivables	50 135	22 148	(2 073)	70 210
Prepaid expenses	3 478	9 905	-	13 383
Other financial assets	106 365	79	-	106 444
Bank deposits (maturity beyond 3 months)	164 368	-	-	164 368
Cash and cash equivalents	425 579	137 756	-	563 335
TOTAL ASSETS	**2 761 100**	**212 740**	**(79 362)**	**2 894 478**

(all figures quoted in PLN thousands unless indicated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
EQUITY	**2 139 166**	**63 245**	**(15 055)**	**2 187 356**
Equity attributable to shareholders of the parent Company	**2 139 166**	**63 245**	**(15 055)**	**2 187 356**
Share capital	100 655	136	(136)	100 655
Supplementary capital	738 225	42 141	(5 515)	774 851
Supplementary capital from sale of shares above nominal value	113 844	-	-	113 844
Other reserve capital	46 560	378	(1 391)	45 547
Exchange rate differences	142	(65)	1 014	1 091
Retained earnings	6 111	-	(9 070)	(2 959)
Net profit (loss) for the reporting period	1 133 629	20 655	43	1 154 327
Noncontrolling interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**166 079**	**1 764**	**(1 690)**	**166 153**
Other financial liabilities	16 006	1 403	(1 403)	16 006
Other liabilities	3 173	-	-	3 173
Deferred income tax provisions	-	287	(287)	-
Deferred revenues	910	53	-	963
Provisions for employee benefits and similar liabilities	377	21	-	398
Other provisions	145 613	-	-	145 613
SHORT-TERM LIABILITIES	**455 855**	**147 731**	**(62 617)**	**540 969**
Other financial liabilities	2 875	508	(450)	2 933
Trade liabilities	73 633	101 888	(60 077)	115 444
Current income tax liabilities	1 384	358	-	1 742
Other liabilities	4 980	30 227	(2 073)	33 134
Deferred revenues	43 611	4 147	-	47 758
Provisions for retirement benefits and similar liabilities	3	1	-	4
Other provisions	329 369	10 602	(17)	339 954
TOTAL EQUITY AND LIABILITIES	**2 761 100**	**212 740**	**(79 362)**	**2 894 478**

(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	**650 552**	**47 760**	**(18 923)**	**679 389**
Property, plant and equipment	103 305	4 243	(2 281)	105 267
Intangibles	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	358	-	-	358
WORKING ASSETS	**675 526**	**69 275**	**(20 082)**	**724 719**
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	62 184	2 031	(4 137)	60 078
Prepaid expenses	7 485	24 625	(12 554)	19 556
Bank deposits (maturity beyond 3 months)	432 895	-	-	432 895
Cash and cash equivalents	16 762	32 644	-	49 406
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	744 462	38 143	(5 515)	777 090
Supplementary capital from sale of shares above nominal value	3 861	-	-	3 861
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	**26 237**	**2 790**	**(3 788)**	**25 239**
Other financial liabilities	17 694	1 910	(1 853)	17 751
Other liabilities	3 421	-	-	3 421
Deferred income tax provisions	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	**221 682**	**72 047**	**(20 511)**	**273 218**
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	5 071	10 107	(4 137)	11 041
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**

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

CD PROJEKT

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.

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Sales revenues	**2 138 875**	**521 272**
Revenues from sales of products	1 839 932	304 475
Revenues from sales of services	2 242	38 304
Revenues from sales of goods and materials	296 701	178 493
Other revenues	**25 616**	**17 737**
Other operating revenues	8 535	8 274
Financial revenues	17 081	9 463
Total	**2 164 491**	**539 009**

Sales revenues by territory*

	01.01.2020 – 31.12.2020		01.01.2019 – 31.12.2019	
	PLN	%	PLN	%
Domestic sales	**79 528**	**3.72%**	**17 497**	**3.36%**
Exports, including:	**2 059 347**	**96.28%**	**503 775**	**96.64%**
Europe	354 293	16.56%	131 615	25.25%
North America	1 500 985	70.18%	312 501	59.95%
South America	7 028	0.33%	3 491	0.67%
Asia	157 833	7.38%	44 802	8.59%
Australia	35 965	1.68%	10 715	2.06%
Africa	3 243	0.15%	651	0.12%
Total	**2 138 875**	**100%**	**521 272**	**100%**

** The presented data reflects the territories of residence of the immediate clients of Group member companies. For CD PROJEKT S.A. this means distributors, while in the scope of retail distribution carried out by GOG.com sp. z o.o., CD PROJEKT RED STORE sp. z o.o. and CD PROJEKT Inc. – final customers.*

Sales revenues by product type

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Own products	1 839 932	304 475
External products	296 701	178 493
Other revenues	2 242	38 304
Total	**2 138 875**	**521 272**

Sales revenues by distribution channel

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Videogames – box editions	163 645	50 066
Videogames – digital editions	1 943 240	421 789
Other revenues	31 990	49 417
Total	**2 138 875**	**521 272**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 2. Operating expenses

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Depreciation of PP&E, intangibles, expenditures on development projects and investment properties, including:	13 559	8 117
depreciation of leased buildings	1 297	1 928
depreciation of leased vehicles	268	165
Consumption of materials and energy	3 443	2 487
Bought-in services, including:	213 558	71 035
short-term leases and leases of low-value assets	667	570
Taxes and fees	1 391	948
Employee compensation, social security and other benefits	240 666	95 976
Business travel	424	3 597
Use of company cars	176	119
Value of goods and materials sold	235 259	129 651
Cost of products and services sold	256 105	31 657
Other expenses	1 234	175
Total	**965 815**	**343 762**
Selling costs	408 016	125 341
General and administrative costs	66 435	57 113
Cost of products, services, goods and materials sold	491 364	161 308
Total	**965 815**	**343 762**

Note 3. Other operating revenues and expenses

Other operating revenues

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019*
Revenues from lease contracts	5 688	1 007
Reinvoicing revenues	992	4 570
Subsidies	816	200
PP&E and goods received free of charge	505	1 150
Other sales	270	28
Compensation for damages received	169	-
Profit from sale of PP&E	19	86
Dissolution of unused provisions for expenses	18	2
Provisioning of IT and marketing services	-	1 094
Settlement of financial liabilities arising from lease agreements	-	49
Other miscellaneous operating revenues	58	88
Total operating revenues	**8 535**	**8 274**

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

Other operating expenses

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019*
Donations	2 300	7
Help Me Refund campaign – refunds	8 238	-
Disposal of materials and goods	6 068	14
Own cost of leases	3 429	472
Liquidation of investment properties	1 630	-
Depreciation of investment properties	1 462	283
Reinvoicing expenses	991	4 572
Disposal of PP&E and intangibles	52	2
Inventory stocktaking shortages	24	3
Other miscellaneous expenses	227	150
Total other operating expenses	**24 421**	**5 503**

** adjusted*

Note 4. Financial revenues and expenses

Financial revenues

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Revenues from interest	**7 812**	**9 341**
on short-term bank deposits	7 582	9 334
on bonds	193	-
on loans	37	-
on trade settlements	-	7
Other financial revenues	**9 269**	**122**
settlement and assessment of derivative financial instruments	9 265	-
surplus positive exchange rate differences	-	122
other miscellaneous financial revenues	4	-
Total financial revenues	**17 081**	**9 463**

(all figures quoted in PLN thousands unless indicated otherwise)

Financial expenses

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Interest payments	**659**	**587**
on lease agreements	400	546
on bonds	224	-
on budget commitments	35	41
Other financial expenses	**8 550**	**-**
surplus negative exchange rate differences	7 339	-
losses from maturation of bonds	1 081	-
bond purchase fees	128	-
other miscellaneous financial expenses	2	-
Total financial expenses	**9 209**	**587**
Net balance of financial activities	**7 872**	**8 876**

Note 5. Current and deferred income tax

The main components of the tax burden for the years ending on 31 December 2020 and 31 December 2019 respectively are as follows:

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Current income tax	**28 842**	**8 592**
For the fiscal year	15 088	8 594
Withholding tax paid abroad	13 762	-
Adjustments from preceding years	(8)	(2)
Deferred income tax	**(18 220)**	**5 255**
Due to creation and reversal of temporary differences	(18 220)	5 255
Tax burden reported in profit and loss account	**10 622**	**13 847**

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

(all figures quoted in PLN thousands unless indicated otherwise)

Current income tax

	01.01.2020 – 31.12.2020		01.01.2019 – 31.12.2019	
	Income from other sources	Income from capital investments	Income from other sources	Income from capital investments
Pre-tax income	**1 157 658**	**7 291**	**188 945**	**216**
Revenues increasing the tax base	13 249	11 722	24 192	-
Revenues applicable to future reporting periods	(972 621)	-	(56 577)	-
Tax-exempt revenues	(2 776)	(7 024)	(9 375)	-
Expenses reducing the tax base	(518 259)	(214 259)	(31 037)	-
Non-deductible expenses	467 969	580	63 028	-
Income obtained by foreign entities	(785)	-	-	-
Income taxable in Poland	**144 435**	**(201 690)**	**179 176**	**216**
Deductions from income – losses	(1 674)	-	(1 408)	(216)
Deductions from income – donations	(2 200)	-	-	-
Deductions from income – R&D fiscal relief	(91 048)	-	(9 928)	-
Deductions from income – tax-exempt income	(1 707)	-	-	-
Tax base in Poland, including:	**47 806**	**(201 690)**	**167 840**	**-**
Subject to 5% tax rate (profit)	**265 533**	**-**	**166 926**	**-**
Subject to 5% tax rate (loss)	**(226 106)**	**-**	**-**	**-**
Subject to 19% tax rate (profit)	**8 376**	**282**	**223**	**-**
Subject to 19% tax rate (loss)	**-**	**(201 971)**	**-**	**-**
Income tax due in Poland (rate: 5%)	13 277	-	8 346	-
Income tax due in Poland (rate: 19%)	1 591	54	42	-
Income tax due abroad	166	-	206	-
Income tax	**15 034**	**54**	**8 594**	**-**
Effective tax rate	**0.91%**	**0.74%**	**7.33%**	**-**

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

	31.12.2019	Differences affecting deferred tax aggregated with financial result	Differences affecting deferred tax aggregated with other comprehensive income	31.12.2020
Provisions for other employee benefits	258	144	-	402
Provisions for compensation dependent on financial result and other compensation	24 983	174 834	-	199 817
Tax loss	863	226 165	-	227 028
Negative exchange rate differences	705	23 554	-	24 259
Difference between balance sheet value and tax value of expenditures on development projects	6 958	(3 913)	-	3 045
Compensation and social security payable in future reporting periods	42	(17)	-	25
Deferred revenues associated with adding funds to virtual wallets and participation in the additional benefits programs	1 746	1 074	-	2 820
Other provisions	2 999	16 623	-	19 622
R&D tax relief	17 389	292 437	-	309 826
Advances recognized as taxable income	11 107	(7 071)	-	4 036
Total negative temporary differences	**67 050**	**723 830**	**-**	**790 880**
subject to 5% tax rate	37 561	378 122	-	415 683
subject to 19% tax rate	29 489	345 708	-	375 197
Deferred tax assets	**7 481**	**84 591**	**-**	**92 072**

Positive temporary differences requiring creation of deferred tax provisions

	31.12.2019*	Differences affecting deferred tax aggregated with financial result	Differences affecting deferred tax aggregated with other comprehensive income	31.12.2020
Difference between net balance sheet value and net tax value of PP&E and intangibles	12 925	389	-	13 314
Revenues obtained in the current period but invoiced in future periods	86 968	911 751	-	998 719
Positive exchange rate differences	738	21 379	-	22 117
Estimation of bonds	-	65	545	610
Estimation of forward contracts	-	6 914	-	6 914
Difference between balance sheet value and tax value of expenditures on development projects	9 328	296 011	-	305 339
Other sources	216	(80)	-	136
Total positive temporary differences	**110 175**	**1 236 429**	**545**	**1 347 149**
subject to 5% tax rate	75 122	1 203 940	-	1 279 062
subject to 19% tax rate	35 053	32 489	545	68 087
Deferred tax provisions	**10 416**	**66 370**	**104**	**76 890**

** adjusted*

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.

(all figures quoted in PLN thousands unless indicated otherwise)

Net balance of deferred tax assets/provisions

	31.12.2020	31.12.2019
Deferred tax assets	92 072	7 481
Deferred tax provisions	76 890	10 416
Net deferred tax – assets/(provisions)	**15 182**	**(2 935)**

Note 6. Discontinued operations

No operations were discontinued by the Group in either the current or the preceding financial 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 (following deduction of interest on redeemable privileged shares converted into ordinary shares) 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 2020 dilutive instruments comprised entitlements and subscription warrants assigned under the incentive programs and permitting certain parties to claim shares of the parent Company. Information regarding the quantity of entitlements assigned is provided in Note 38.

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

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Average weighted number of shares for the purpose of calculating base earnings per share (units)	96 461 316	96 120 000
Average weighted number of shares for the purpose of calculating diluted earnings per share (units)	100 465 283	100 662 234
Net profit/ (loss) for the purpose of calculating diluted earnings per share	1 154 327	175 315
Base net earnings per share (PLN)	**11.97**	**1.82**
Diluted net earnings per share (PLN)	**11.49**	**1.74**

Note 8. Dividends paid out (or declared) and collected

No dividend was paid out or collected by any member company of the Group between 1 January and 31 December 2020.

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

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Net profit (loss)	**1 154 327**	**175 315**
Exchange rate differences on estimation of foreign entities	193	(114)
Estimation of foreign treasury bonds	545	-
Tax effect of bond estimation	(103)	-
Total comprehensive income	**1 154 962**	**175 201**
Total comprehensive income attributable to noncontrolling interests	**-**	**-**
Total comprehensive income attributable to parent entity	**1 154 962**	**175 201**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 10. Property, plant and equipment

Ownership structure of property, plant and equipment

	31.12.2020	31.12.2019
Wholly owned	86 487	85 241
Held under a lease contracts	18 862	20 026
Total	**105 349**	**105 267**

PP&E whose title is restricted

	31.12.2020	31.12.2019
Held under a financial lease contract	18 862	20 026
Total	**18 862**	**20 026**

Contractual commitments for future acquisition of PP&E

	31.12.2020	31.12.2019
Leasing of passenger cars	195	144
Total	**195**	**144**

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in PP&E (by category) between 01.01.2020 and 31.12.2020

	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 01.01.2020	**35 986**	**65 937**	**1 587**	**31 043**	**2 234**	**2 623**	**151**	**139 561**
Increases from:	**-**	**2 401**	**251**	**8 836**	**874**	**532**	**2 103**	**14 997**
purchase	-	323	27	8 726	-	279	2 103	11 458
lease agreements concluded	-	927	94	-	874	-	-	1 895
reassignment from PP&E under construction	-	-	130	48	-	253	-	431
reassignment from investment properties	-	1 151	-	-	-	-	-	1 151
receipt free of charge	-	-	-	62	-	-	-	62
Reductions from:	**-**	**543**	**4**	**138**	**147**	**10**	**583**	**1 425**
sale	-	-	-	129	137	-	-	266
disposal	-	503	4	6	-	10	41	564
reassignment from PP&E under construction	-	-	-	-	-	-	542	542
other	-	40	-	3	10	-	-	53
Gross carrying amount as of 31.12.2020	**35 986**	**67 795**	**1 834**	**39 741**	**2 961**	**3 145**	**1 671**	**153 133**
Depreciation as of 01.01.2020	**84**	**9 322**	**53**	**21 945**	**1 327**	**1 563**	**-**	**34 294**
Increases from:	**504**	**5 538**	**223**	**7 061**	**523**	**466**	**-**	**14 315**
depreciation	504	5 513	223	7 061	523	466	-	14 290
reassignment from investment properties	-	25	-	-	-	-	-	25
Reductions from:	**-**	**549**	**1**	**130**	**140**	**5**	**-**	**825**
sale	-	-	-	127	137	-	-	264
disposal	-	503	1	-	-	5	-	509
other	-	46	-	3	3	-	-	52
Depreciation as of 31.12.2019	**588**	**14 311**	**275**	**28 876**	**1 710**	**2 024**	**-**	**47 784**
Impairment allowances as of 01.01.2020	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2020	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2020	**35 902**	**56 615**	**1 534**	**9 098**	**907**	**1 060**	**151**	**105 267**
Net carrying amount as of 31.12.2020	**35 398**	**53 484**	**1 559**	**10 865**	**1 251**	**1 121**	**1 671**	**105 349**

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in PP&E (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
reassignment from PP&E 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
reassignment from PP&E under construction	-	-	-	-	-	-	1 588	1 588
reassignment 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**

(all figures quoted in PLN thousands unless indicated otherwise)

PP&E under construction

	01.01.2020	Expenditures in fiscal year	Expenditure settlements	31.12.2020
Redevelopment of property at Jagiellońska 74	54	2 054	494	1 614
Other	97	49	89	57
Total	**151**	**2 103**	**583**	**1 671**

	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**

Usufruct of PP&E held under lease agreements

	31.12.2020			31.12.2019		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Land holdings	14 540	260	14 280	14 540	55	14 485
Immovable properties	7 635	3 962	3 673	7 322	2 337	4 985
Civil engineering objects	94	-	94	-	-	-
Vehicles	1 029	214	815	723	167	556
Total	**23 298**	**4 436**	**18 862**	**22 585**	**2 559**	**20 026**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 11. Intangibles and expenditures on development projects

Changes in intangibles and expenditures on development projects between 01.01.2020 and 31.12.2020

	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 01.01.2020	**337 578**	**252 469**	**33 199**	**3 293**	**17 718**	**30 299**	**56 438**	**1 228**	**1**	**732 223**
Increases from:	**280 448**	**589 139**	**-**	**2 086**	**613**	**5 347**	**-**	**1 330**	**-**	**878 963**
purchases	-	-	-	1 803	613	4 230	-	1 330	-	7 976
reassignment from intangible assets under construction	-	-	-	283	-	1 117	-	-	-	1 400
reassignment from development projects in progress	-	589 139	-	-	-	-	-	-	-	589 139
own creation	280 448	-	-	-	-	-	-	-	-	280 448
Reductions from:	**589 139**	**-**	**-**	**3 225**	**-**	**3 352**	**-**	**1 400**	**1**	**597 117**
disposal	-	-	-	3 225	-	3 352	-	-	1	6 578
reassignment from intangible assets under construction	-	-	-	-	-	-	-	1 400	-	1 400
reassignment from development projects in progress	589 139	-	-	-	-	-	-	-	-	589 139
Gross carrying amount as of 31.12.2020	**28 887**	**841 608**	**33 199**	**2 154**	**18 331**	**32 294**	**56 438**	**1 158**	**-**	**1 014 069**
Depreciation as of 01.01.2020	**-**	**204 199**	**-**	**1 610**	**-**	**24 364**	**-**	**-**	**1**	**230 174**
Increases from:	**-**	**259 498**	**-**	**3 241**	**48**	**4 659**	**-**	**-**	**-**	**267 446**
depreciation	-	259 498	-	3 241	48	4 659	-	-	-	267 446
Reductions from:	**-**	**-**	**-**	**3 225**	**-**	**3 349**	**-**	**-**	**1**	**6 575**
disposal	-	-	-	3 225	-	3 349	-	-	1	6 575
Depreciation as of 31.12.2020	**-**	**463 697**	**-**	**1 626**	**48**	**25 674**	**-**	**-**	**-**	**491 045**
Impairment allowances as of 01.01.2020	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2020	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2020	**337 578**	**48 270**	**33 199**	**1 683**	**17 718**	**5 935**	**56 438**	**1 228**	**-**	**502 049**
Net carrying amount as of 31.12.2020	**28 887**	**377 911**	**33 199**	**528**	**18 283**	**6 620**	**56 438**	**1 158**	**-**	**523 024**

(all figures quoted in PLN thousands unless indicated otherwise)

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
reassignment from intangible assets under construction	-	-	-	-	-	725	-	-	-	725
reassignment from development projects in progress	-	13 084	-	-	-	-	-	-	-	13 084
own creation	172 845	-	-	-	-	-	-	-	-	172 845
Reductions from:	**13 084**	**-**	**-**	**-**	**-**	**603**	**-**	**725**	**-**	**14 412**
sale	-	-	-	-	-	1	-	-	-	1
disposal	-	-	-	-	-	602	-	-	-	602
reassignment from intangible assets under construction	-	-	-	-	-	-	-	725	-	725
reassignment 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**
sale	-	-	-	-	-	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)

Ownership structure of intangible assets

	31.12.2020	31.12.2019
Wholly owned	59 072	59 630
Held under lease contracts	718	133
Total	**59 790**	**59 763**

Intangible assets under construction

	01.01.2020	Expenditures incurred in financial year	Expenditure settlements	31.12.2020
Financial analytics system	61	29	79	11
HR support system	655	474	-	1 129
Musical score	77	126	203	-
Document flow system	323	76	399	-
Game licenses, GOG	18	-	-	18
E-commerce platform	94	625	719	-
Total	**1 228**	**1 330**	**1 400**	**1 158**

	01.01.2019	Expenditures incurred in financial 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**

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 12. 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 01.01.2020	**46 417**	**10 021**	**56 438**
Gross goodwill as of 31.12.2020	**46 417**	**10 021**	**56 438**
Impairment allowances as of 01.01.2020	**-**	**-**	**-**
Impairment allowances as of 31.12.2020	**-**	**-**	**-**
Net goodwill as of 01.01.2020	**46 417**	**10 021**	**56 438**
Net goodwill as of 31.12.2020	**46 417**	**10 021**	**56 438**

Goodwill impairment tests require an assessment of the value in use of each cash generating unit. In performing this assessment the parent Company developed projections of future cash flows generated by individual cash generating units and estimated the discount rate applied when conducting pending assessment of the value of said flows. The latest test of goodwill was conducted by the parent Company on 31 December 2020. No impairment of goodwill was identified.

Note 13. Investment properties

The parent Company is the owner of an immovable property located at Jagiellońska 76 in Warsaw. As the Group leases the property to other entities, it has decided to report it as an investment property.

The parent Company is also the owner of the immovable property complex located at Jagiellońska 74 in Warsaw. As the Group leases portions of the property to other entities, including other member companies of the CD PROJEKT Group, it has decided to partly report it as an investment property. The remaining portion of the property is used by the Group for its own purposes.

Properties purchased by the Group are estimated at purchase cost less depreciation.

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in the value of investment properties between 01.01.2020 and 31.12.2020, and between 01.01.2019 and 31.12.2019

	31.12.2020	31.12.2019
Gross value at beginning of period	**45 296**	**9 553**
Increases from:	**8 179**	**35 743**
purchase of properties	-	27 438
lease agreements concluded	-	4 449
activation of future costs	8 179	272
reassignment from perpetual usufruct of land and PP&E	-	3 483
reassignment of expenses from PP&E following handover of investment property	-	101
Reductions from:	**2 825**	**-**
disposal	1 674	-
reassignment to other asset categories	1 151	-
Gross value at end of period	**50 650**	**45 296**
Depreciation at beginning of period	**336**	**-**
Increases from:	**1 541**	**336**
depreciation	1 541	336
Reductions from:	**68**	**-**
disposal	43	-
reassignment to other asset categories	25	-
Depreciation at end of period	**1 809**	**336**
Impairment allowances at beginning of period	**-**	**-**
Increases	**-**	**-**
Reductions	**-**	**-**
Impairment allowances at end of period	**-**	**-**
Net value at end of period	**48 841**	**44 960**

Contractual commitments for acquisition of investment properties

None reported.

Note 14. Investments in subsidiaries excluded from consolidation

Investments in subsidiaries held at purchase price

	31.12.2020	31.12.2019
Shares in affiliates (subsidiaries)	8 195	8 025
Total	**8 195**	**8 025**

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in investments in affiliates

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
At beginning of period	**8 025**	**3 183**
Increases from:	**170**	**5 529**
capital contributions mandated by the incentive program	170	1 029
capital contributions to subsidiaries	-	4 500
Reductions from:	**-**	**687**
capital contributions mandated by the incentive program	-	687
At end of period	**8 195**	**8 025**

Investments in subsidiaries as of 31.12.2020

	CD PROJEKT Co., Ltd.	Spokko sp. z o.o.
Registered office	Shanghai	Warsaw
Percentage of shares held as of 31.12.2020	100%	75%
Percentage of votes controlled as of 31.12.2020	100%	75%
Capital investment	1 695	6 500

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

Note 15. Other financial assets

	31.12.2020	31.12.2019
Loans granted	4 520	-
Bonds	146 985	-
Derivative financial instruments	6 527	-
Other financial assets, including:	**158 032**	**-**
short-term assets	106 444	-
long-term assets	51 588	-

In 2020 CD PROJEKT S.A. granted two loans to its affiliate – Spokko sp. z o.o. Each loan was paid out in three batches. The loan granted on 25 May 2020 was paid out on 28 May 2020, 29 June 2020 and 10 August 2020. This loan is repayable by 31 October 2021. The loan granted on 12 November 2020 was paid out on 27 November 2020, 25 February 2021 and 30 March 2021. This loan is repayable by 31 December 2021. Both loans carry variable interest which is subject to quarterly updates.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 16. Inventories

	31.12.2020	31.12.2019
Goods	6 875	12 668
Other materials	82	194
Gross inventories	**6 957**	**12 862**
Inventory impairment allowances	-	-
Net inventories	**6 957**	**12 862**

The “Other materials” line item represents marketing materials.

Changes in inventory impairment allowances

None reported.

Inventories pledged as collateral for liabilities

Not applicable.

Note 17. Trade receivables

	31.12.2020	31.12.2019
Gross trade receivables	**1 205 729**	**129 602**
Impairment allowances	**126**	**29**
Trade receivables	**1 205 603**	**129 573**
from affiliates	81	49
from external entities	1 205 522	129 524

Changes in impairment allowances on trade receivables

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
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	**29**	**180**
Increases, including:	**107**	**-**
recognition of impairment allowances on past-due and contested receivables	107	-
Reductions, including:	**10**	**151**
elimination of impairment allowances due to collection of receivables	2	5
elimination of impairment allowances by write-offs	-	146
dissolution of impairment allowances	8	-
Impairment allowances at end of period	**126**	**29**
Aggregate impairment allowances at end of period (affiliates and other entities)	**126**	**29**

(all figures quoted in PLN thousands unless indicated otherwise)

Current and overdue trade receivables as of 31.12.2020

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	81	81	-	-	-	-	-
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	**81**	**81**	**-**	**-**	**-**	**-**	**-**

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	1 205 648	1 205 333	144	2	36	1	132
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	126	-	-	-	-	-	126
total expected credit loss	126	-	-	-	-	-	126
Net receivables	**1 205 522**	**1 205 333**	**144**	**2**	**36**	**1**	**6**
Total							
gross receivables	1 205 729	1 205 414	144	2	36	1	132
impairment allowances	126	-	-	-	-	-	126
Net receivables	**1 205 603**	**1 205 414**	**144**	**2**	**36**	**1**	**6**

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

(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	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**

Trade receivables by currency

	31.12.2020		31.12.2019	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN*	1 144 283	1 144 283	91 605	91 605
USD	11 115	41 775	6 411	24 346
EUR	3 621	16 708	2 745	11 688
RUB	13 550	679	5 648	345
BRL	670	485	205	193
GBP	91	465	63	315
CAD	129	382	139	404
AUD	92	266	68	181
SEK	411	189	299	122
CHF	29	125	18	69
DKK	169	105	131	75
CNY	132	76	326	178
NOK	148	65	121	52
Total		**1 205 603**		**129 573**

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

(all figures quoted in PLN thousands unless indicated otherwise)

Note 18. Other receivables

	31.12.2020	31.12.2019*
Other gross receivables, including:	**71 263**	**61 168**
tax returns except corporate income tax	36 342**	40 047
advance payments associated with expenditures on development projects	24 353	8 087
advance payments for supplies	4 643	10 882
settlements with operators of payment processing platforms	4 173	-
deposits	619	518
provisions for sales revenues - advances	119	-
prepayments associated with licensing royalties	86	487
prepayments associated with purchases of PP&E and intangibles	38	377
prepayments associated with purchases of investment properties	70	-
employee compensation settlements	26	24
Settlements with board members at the Group's member companies	7	3
others	55	11
Impairment allowances	**732**	**732**
Total other gross receivables	**70 531**	**60 436**
short-term	70 210	60 078
long-term	321	358

** adjusted*

*** This line item also aggregates withholding tax levied at source, in the amount of 15 592 thousand PLN, subject to deduction in the parent Company's annual CIT declaration following receipt of certificates stating that this tax has been paid abroad by the Group's foreign partners.*

	31.12.2020	31.12.2019
Other gross receivables	**71 263**	**61 168**
Impairment allowances	**732**	**732**
Other receivables, including	**70 531**	**60 436**
from affiliates	7	3
from external entities	70 524	60 433

Other receivables subject to court proceedings

	31.12.2020	31.12.2019
Other receivables subject to court proceedings	732	732
Impairment allowances on contested receivables	732	732
Net other receivables subject to court proceedings	**-**	**-**

(all figures quoted in PLN thousands unless indicated otherwise)

Other receivables by currency

	31.12.2020		31.12.2019	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN*	37 363	37 363	44 148	44 148
JPY	496 092	17 215	166 092	5 728
USD	4 093	15 344	2 633	10 035
EUR	104	464	116	494
GBP	22	110	-	-
CHF	7	32	8	31
CNY	3	2	-	-
DKK	2	1	-	-
Total		**70 531**		**60 436**

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

Trade and other receivables from affiliates

	31.12.2020	31.12.2019
Gross receivables from affiliates	**88**	**52**
trade receivables	81	49
other receivables	7	3
Impairment allowances	**-**	**-**
Net receivables from affiliates	**88**	**52**

Note 19. Prepaid expenses

	31.12.2020	31.12.2019*
Minimum guarantees and advance payments at GOG	14 630	25 857
Software, licenses	4 183	1 953
Expenses associated with future marketing activities	1 861	2 000
Repairs and renovations	1 651	-
Fees associated with right of first refusal	1 484	1 600
IT security	653	291
Non-life insurance	289	258
Marketing campaigns	54	5 327
Business travel (airfare, accommodation, insurance)	7	82
Transaction fees	-	672
Other prepaid expenses	247	246
Total prepaid expenses	**25 059**	**38 286**
short-term	13 383	19 556
long-term	11 676	18 730

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

Note 20. Cash and cash equivalents

	31.12.2020	31.12.2019
Cash on hand and bank deposits:	**543 249**	**1 997**
cash on hand	-	1
current bank account	543 249	1 996
Other monetary assets:	**20 086**	**47 409**
cash in transit	12 051	50
overnight deposits	2 071	1 388
short-term bank deposits (maturity up to 3 months)	940	45 971
monetary assets in investment accounts	5 024	-
Total	**563 335**	**49 406**

Restricted cash

Not applicable.

Note 21. Share capital

Share capital structure as of 31.12.2020

Series	Shares outstanding	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
M	4 534 624	4 534 624	Cash
Total	**100 654 624**	**100 654 624**	**-**

On 4 December 2020 the Warsaw Stock Exchange issued a decision whereby 4 534 624 Series M shares were admitted to trading on the organized market and concurrently deposited in the securities accounts belonging to parties which had previously been assigned these shares in light of the vesting of the parent Company incentive program for 2016-2019.

In line with the above and pursuant to Art. 452 § 1 of the Commercial Companies Code, on the day of deposition of the above-mentioned Company shares claimed by shareholders in the framework of a conditional increase in the Company share capital, the Company share capital was duly increased by 4 534 624 thousand PLN. Following this increase, the Company share capital amounted to 100 654 624 PLN, divided into 100 654 624 shares with a nominal value of 1 PLN per share. The total number of votes afforded by Company shares as of 31 December 2020 is 100 654 624.

As of 31 December 2020 there remain 116 176 unexercised Series B subscription warrants, entitling their holders to claim an equivalent number of Series M shares, issued in the framework of a conditional increase in the Company share capital in order to facilitate the vesting of the incentive program for 2016-2019.

In March 2021 84 176 subscription warrants were exercised. Following the corresponding increase, the parent Company share capital amounts to 100 738 800 PLN, divided into 100 738 800 shares with a nominal value of 1 PLN per share.

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in share capital

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Share capital at beginning of period	**96 120**	**96 120**
Increases from:	**4 535**	**-**
issue of shares paid up in cash – incentive program	4 535	-
Reductions	**-**	**-**
Share capital at end of period	**100 655**	**96 120**

Note 22. Other capital contributions

	31.12.2020	31.12.2019*
Supplementary capital	774 851	777 090
Supplementary capital from sale of shares above nominal value	113 844	3 861
Revaluation capital	442	-
Other reserve capital	35 741	549
Other reserve capital – incentive program	9 364	54 108
Total	**934 242**	**835 608**

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

Change in other capital contributions

	Supplementary capital	Supplementary capital from sale of shares above nominal value	Revaluation capital	Reserve capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2020*	**777 090**	**3 861**	**-**	**549**	**-**	**54 108**	**835 608**
Increases from:	**392 314**	**109 983**	**442**	**250 000**	**214 259**	**14 936**	**981 934**
creation of reserve capital to finance purchase of own shares	-	-	-	250 000	-	-	250 000
allocation of net profit / coverage of losses	175 984	-	-	-	-	-	175 984
dissolution of reserve capital created to finance purchase of own shares in past years	549	-	-	-	-	-	549
payment in own shares	1 522	109 983	-	-	214 259	-	325 764
capital contributions mandated by the incentive program	-	-	-	-	-	14 936	14 936
purchase of own shares in the course of implementing the incentive program	214 259	-	-	-	-	-	214 259
total comprehensive income	-	-	442	-	-	-	442
Reductions from:	**394 553**	**-**	**-**	**214 808**	**214 259**	**59 680**	**883 300**
creation of reserve capital to finance purchase of own shares	250 000	-	-	-	-	-	250 000
dissolution of reserve capital created to finance purchase of own shares in past years	-	-	-	549	-	-	549
payment in own shares	144 553	-	-	-	-	59 621	204 174
capital contributions mandated by the incentive program	-	-	-	-	-	59	59
purchase of own shares in the course of implementing the incentive program	-	-	-	214 259	214 259	-	428 518
As of 31.12.2020	**774 851**	**113 844**	**442**	**35 741**	**-**	**9 364**	**934 242**

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

	Supplementary capital	Supplementary capital from sale of shares above nominal value	Revaluation capital	Reserve capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2019*	**735 863**	**3 861**	**-**	**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	**777 090**	**3 861**	**-**	**549**	**-**	**54 108**	**835 608**

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

Note 23. Retained earnings

	31.12.2020	31.12.2019
Retained earnings from preceding years	(2 959)	(2 290)
Total	**(2 959)**	**(2 290)**

Changes in retained earnings

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
At beginning of period	**(2 290)**	**30 529**
Increases from:	**175 315**	**109 334**
allocation of financial result from preceding years	175 315	109 334
Reductions from:	**175 984**	**142 153**
dividend payments	-	100 926
reassignment as reserve capital	175 984	41 227
At end of period	**(2 959)**	**(2 290)**

Note 24. Minority interest capital

None reported.

Note 25. Credits and loans

None reported.

Note 26. Other financial liabilities

	31.12.2020	31.12.2019
Lease liabilities	**18 939**	**19 905**
Short-term	**2 933**	**2 154**
Long-term, including:	**16 006**	**17 751**
between 1 and 5 years	2 081	3 723
beyond 5 years	13 925	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 32, 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 32, 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.

- With regard to the agreement reported in Note 32, concerning office space in Wrocław, 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.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 27. Other long-term liabilities

	31.12.2020	31.12.2019*
Other long-term liabilities, including:	**3 173**	**3 421**
liabilities related to marketing expenses	1 722	1 856
liabilities related to right of first refusal	1 378	1 484
deposits received	73	81

** adjusted*

Other long-term liabilities by due date

	31.12.2020	31.12.2019
Other long-term liabilities, including:	**3 173**	**3 421**
due between 1 and 3 years	553	561
due between 3 and 5 years	480	480
due later than in 5 years	2 140	2 380

Other long-term liabilities by currency

	31.12.2020		31.12.2019	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	3 173	3 173	3 421	3 421
Total		**3 173**		**3 421**

Note 28. Trade liabilities

	31.12.2020	31.12.2019
Trade liabilities:	**115 444**	**59 866**
payable to affiliates	557	247
payable to external entities	114 887	59 619

Current and overdue trade liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2020	**115 444**	**111 982**	**3 075**	**114**	**153**	**27**	**93**
payable to affiliates	557	557	-	-	-	-	-
payable to external entities	114 887	111 425	3 075	114	153	27	93

	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

(all figures quoted in PLN thousands unless indicated otherwise)

Trade liabilities by currency

	31.12.2020		31.12.2019	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	15 699	59 005	11 606	44 076
EUR	7 583	34 993	1 371	5 838
PLN	16 843	16 843	6 847	6 847
CNY	3 847	2 209	654	357
RUB	32 902	1 648	-	-
SEK	546	251	-	-
CAD	59	172	109	318
JPY	4 043	148	47 003	1 643
GBP	22	111	155	772
AUD	12	35	-	-
BRL	40	29	16	15
Total		**115 444**		**59 866**

Note 29. Other short-term liabilities

	31.12.2020	31.12.2019*
Liabilities from other taxes, duties, social security payments and others, except corporation tax	**32 789**	**10 439**
VAT	27 790	5 459
Flat-rate withholding tax	982	348
Personal income tax	2 370	3 715
Social security (ZUS) payments	1 557	860
National Disabled Persons Rehabilitation Fund (PFRON) payments	45	31
PIT-8A settlements	45	26
Other liabilities	**345**	**602**
Other employee-related liabilities	15	9
Other liabilities payable to board members of the Group's member companies	1	4
Other liabilities, incl. Internal Social Benefits Fund (ZFŚS)	329	327
Advance payments received from foreign clients	-	262
Total other short-term liabilities	**33 134**	**11 041**

** adjusted*

Current and overdue other short-term liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2020	**33 134**	**33 122**	**12**	**-**	**-**	**-**	**-**
payable to affiliates	1	-	1	-	-	-	-
payable to external entities	33 133	33 122	11	-	-	-	-

(all figures quoted in PLN thousands unless indicated otherwise)

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2019*	**11 041**	**11 032**	**9**	**-**	**-**	**-**	**-**
payable to affiliates	4	1	3	-	-	-	-
payable to external entities	11 037	11 031	6	-	-	-	-

** adjusted*

Other short-term liabilities by currency

	31.12.2020		31.12.2019*	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	19 779	19 779	5 747	5 747
EUR	1 890	8 480	743	3 185
GBP	303	1 506	108	537
USD	367	1 377	207	800
AUD	201	551	69	183
SEK	1 141	499	480	194
DKK	524	316	213	122
NOK	598	251	248	106
CHF	34	141	11	42
CAD	47	135	16	47
RUB	1 932	97	1 234	75
BRL	1	2	3	3
Total		**33 134**		**11 041**

** adjusted*

Note 30. Internal Social Benefits Fund (ZFŚS): assets and liabilities

	31.12.2020	31.12.2019
Cash assets	23	23
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	23	23
Balance	**-**	**-**
Internal Social Benefits Fund (ZFŚS) deductions in the financial year	**-**	**-**

Note 31. Contingent liabilities

Promissory note liabilities from loans received

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

Contingent liabilities from guarantees, sureties and collateral pledged

	Type of agreement	Currency	31.12.2020	31.12.2019
mBank S.A.				
Declaration of submission to enforcement	Collateral for debit card agreement	PLN	920	920
Promissory note agreement	Collateral for framework concerning financial market transactions	PLN	50 000	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	115	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	1 204
Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)				
Promissory note agreement	Lease agreement no. CR1/01390/2018	PLN	-	182
Santander Bank Polska S.A. (formerly BZ WBK S.A.)				
Promissory note agreement	Framework agreement concerning financial market transactions	PLN	13 000	6 500
Bank Polska Kasa Opieki Spółka Akcyjna				
Promissory note agreement	Framework agreement concerning financial market transactions	PLN	20 000	-
BNP Paribas				
Promissory note agreement	Framework agreement concerning financial market transactions	PLN	75 000	-

(all figures quoted in PLN thousands unless indicated otherwise)

Note 32. Lease and sublease agreements

Information concerning depreciation of leased assets is included in Note 2. Interest on lease agreements is presented in Note 4. Information concerning disclosure of assets related to usufruct and the balance sheet value of such assets at the close of the reporting period, divided into base asset categories, is presented in Note 10. Note 49 contains information regarding the total cash outflows related to lease agreements.

Liabilities from lease agreements

Payments outstanding	31.12.2020	31.12.2019
Due within 1 year	2 933	2 154
Due between 1 and 5 years	2 081	3 723
Due later than in 5 years	13 925	14 028
Total lease payments outstanding, including:	**18 939**	**19 905**
short-term liabilities	2 933	2 154
long-term liabilities	16 006	17 751

Gross liabilities from lease agreements (prior to deduction of financial costs)

	31.12.2020	31.12.2019
Due within 1 year	3 375	3 064
Due between 1 and 5 years	3 266	6 911
Due later than in 5 years	24 770	25 191
Total, including:	**31 411**	**35 166**
short-term liabilities	3 375	3 064
long-term liabilities	28 036	32 102

Income from subleasing of leased assets (usufruct)

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Revenues	-	23
Expenses	-	23
Income	**-**	**-**

(all figures quoted in PLN thousands unless indicated otherwise)

Lease agreements in force as of 31.12.2020

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
Lease agreements								
Passenger car	Pekao Leasing sp. z o.o.	37/0410/20	616	616	PLN	2022-03-12	269	Lessee is entitled to buy out the leased asset – the contractual net buyout charge is 135 thousand PLN
Passenger car	Santander Leasing S.A.	CR1/03717/2019	176	176	PLN	2021-10-08	58	Lessee is entitled to buy out the leased asset – the contractual net buyout charge is 30 thousand PLN
Passenger car	Tesla Financial	RN111270740-1581877310	454	121	USD	2023-02-18	153	Lessee is entitled to buy out the leased asset – the contractual buyout charge is 71 thousand USD
Jagiellońska 74 – plots no. 12 and 13	State Treasury	Deed issued on 31.10.2019	8 623	8 623	PLN	2089-12-05	8 557	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	1 587	Lessee is not entitled to buy out the leased asset
Wrocław office	Wisher Enterprise sp. z o.o.	Lease agreement concluded on 24.10.2019	806	180	EUR	2022-01-31	560	Lessee is not entitled to buy out the leased asset
Los Angeles office	1011 OFW Owner LLC	Lease agreement concluded on 01.04.2018	3 072	817	USD	2023-03-31	1 758	Lessee is not entitled to buy out the leased asset
Parking lot at Jagiellońska 78	Sokołowo sp. z o.o.	Lease agreement concluded on 01.01.2020	174	174	PLN	2022-12-31	174	Lessee is not entitled to buy out the leased asset
Sublease agreements								
Parking lot at Jagiellońska 78	CD Projekt S.A.	Lease agreement no. WPA 469/17 concluded on 31.07.2017	79	79	PLN	2022-12-31	79	Lessee is not entitled to buy out the leased asset
Total			**23 474**				**18 939**	

(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 2020, can be found in Note 2).

As of 31 December 2020 and 31 December 2019 future payments associated with irrevocable short-term lease agreements and lease agreements concerning low-value assets are as follows:

	31.12.2020	31.12.2019
Due within 1 year	179	549
Due between 1 and 5 years	170	273
Due later than in 5 years	-	-
Total	**349**	**822**

Note 33. Deferred revenues

	31.12.2020	31.12.2019
Subsidies	**14 867**	**13 527**
Construction of CD PROJEKT data processing and communications center	-	2
Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange	-	125
Cross Platform SDK (GameINN)	118	358
Animation Excellence (GameINN)	3 730	3 101
City Creation (GameINN)	6 977	6 538
Seamless Multiplayer (GameINN)	905	905
Cinematic Feel (GameINN)	3 137	2 498
Future period revenues	**33 854**	**148 201**
Future period sales	30 985	145 663
GOG Wallet	2 847	2 516
Official phone rental	22	22
Total, including:	**48 721**	**161 728**
short-term deferrals	47 758	161 364
long-term deferrals	963	364

In the CD PROJEKT RED segment future period sales represent mainly royalties obtained or obtainable in association with customer preorders of digital editions of PC games scheduled for release in future reporting periods, prepayments related to royalties collected from publishers and distribution partners, as well as advance payments for goods received from suppliers.

In the GOG.com segment future period sales represent the value of customer preorders of games scheduled for release in future reporting periods.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 34. Provisions for employee benefits and similar liabilities

	31.12.2020	31.12.2019
Provisions for retirement benefits and pensions	402	257
Total, including:	**402**	**257**
short-term provisions	4	2
long-term provisions	398	255

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

	31.12.2020	31.12.2019
Discount rate (%)	1.59	2.02
Projected inflation rate (%)	1.59	2.02
Employee turnover rate (%) – average age (CD PROJEKT S.A.)	9,2% - age 33	9.6% - age 32
Employee turnover rate (%) – adjusted for age (GOG sp. z o.o.)	14.7% - age 32	18.6% - age 31
Projected annual rate of salary growth – CD PROJEKT S.A. (%)	8% in 2021 - 2022; 5% in later years	8% in 2020 - 2021; 5% in later years
Projected annual rate of salary growth – GOG sp. z o.o. (%)	8.1% in 2021 - 2022; 5% in later years	8% in 2020 - 2021; 5% in later years
Mortality rates published by the Central Statistical Office (year of estimation)	2019	2018
Likelihood of disability during the fiscal year	0.1%	0.1%

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

Changes in provisions for employee benefits and similar liabilities

	Provisions for retirement benefits and pensions	Total
As of 01.01.2020	**257**	**257**
Provisions created	145	145
As of 31.12.2020, including:	**402**	**402**
short-term provisions	4	4
long-term provisions	398	398

	Provisions for retirement benefits and pensions	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

(all figures quoted in PLN thousands unless indicated otherwise)

Note 35. Other provisions

	31.12.2020	31.12.2019
Provisions for returns	**194 537**	**-**
Provisions for liabilities, including:	**291 030**	**39 186**
provisions for compensation contingent upon the Group's financial result, and other compensation	256 130	36 038
provisions for financial statement audit and review expenses	73	100
provisions for bought-in services	740	541
provisions for other expenses	34 087	2 507
Total, including:	**485 567**	**39 186**
short-term provisions	339 954	38 673
long-term provisions	145 613	513

The parent Company has recognized provisions for returns and expected adjustments of licensing reports related to sales of Cyberpunk 2077 in its release window, in Q4 2020. These provisions are represented as Other provisions and further disaggregated into long- and short-term provisions.

Long-term provisions for expected adjustments of licensing reports in light of the contractual settlement periods which cover four full quarters since initiation of sales, were estimated at 145 613 thousand PLN. This estimate was based on information obtained from distributors concerning sales to retail distribution networks, retail sales to end customers, number of copies present in various distribution channels and warehouses, as well as the distributors' professional judgment concerning expected sales throughout 2021.

Short-term provisions for returns, estimated at 40 465 thousand PLN, are based on adjustments of orders or licensing reports concerning Q4 sales, either already performed or agreed upon with distributors in the first quarter of 2021.

The remaining short-term provisions for returns, at 8 459 thousand PLN, are related to the "Help Me Refund" campaign. These provisions are based on the quantity of refunds requested by customers, and the estimated operating and financial expenses related to the campaign.

Changes in other provisions

	Provisions for returns	Provisions for compensation contingent upon the Group's financial result and other compensation	Other provisions	Total
As of 01.01.2020	**-**	**36 038**	**3 148**	**39 186**
Provisions created during the financial year	194 537	255 923	37 977	488 437
Provisions consumed	-	35 526	6 225	41 751
Provisions dissolved	-	305	-	305
As of 31.12.2020, including:	**194 537**	**256 130**	**34 900**	**485 567**
short-term provisions	48 924	256 130	34 900	339 954
long-term provisions	145 613	-	-	145 613

(all figures quoted in PLN thousands unless indicated otherwise)

	Provisions for returns	Provisions for compensation contingent upon the Group's financial result and other compensation	Other provisions	Total
As of 01.01.2019	**15**	**21 246**	**1 903**	**23 164**
Provisions created during the financial 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

Note 36. Disclosure of financial instruments

Fair value of financial instruments per class

Following an analysis of each class of financial instruments the Management Board of the parent Company has reached the conclusion that their carrying amounts in all cases reflect their corresponding fair value, both as of 31 December 2020 and as of 31 December 2019 respectively.

	31.12.2020	31.12.2019
LEVEL 1		
Assets estimated at fair value		
Financial assets estimated at fair value through other comprehensive income	**97 397**	**-**
foreign government bonds – CHF	32 023	-
foreign government bonds – EUR	20 829	-
foreign government bonds – USD	44 545	-
LEVEL 2		
Assets estimated at fair value through financial result		
Derivative instruments:	**6 527**	**-**
forward currency contracts – CHF	1 231	-
forward currency contracts – EUR	(202)	-
forward currency contracts – USD	5 498	-

Financial assets estimated at fair value are classified according to a three-tier fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – fair value estimated on the basis of observable market inputs.

Level 3 – fair value estimated on the basis of unobservable market inputs.

(all figures quoted in PLN thousands unless indicated otherwise)

Financial assets – classification and estimation

	31.12.2020	31.12.2019*
Financial assets estimated at amortized cost	**1 987 735**	**612 232**
Other long-term receivables	321	358
Trade receivables	1 205 603	129 573
Cash and cash equivalents	563 335	49 406
Bank deposits (maturity beyond 3 months)	164 368	432 895
State Treasury bonds	49 588	-
Loans granted	4 520	-
Financial assets estimated at fair value through other comprehensive income	**97 397**	**-**
Foreign government bonds	97 397	-
Financial assets estimated at fair value through financial result	**6 527**	**-**
Derivative financial instruments	6 527	-
Total financial assets	**2 091 659**	**612 232**

** adjusted*

Financial liabilities – classification and estimation

	31.12.2020	31.12.2019
Financial liabilities held at amortized cost	**134 383**	**79 771**
Trade liabilities	115 444	59 866
Other financial liabilities	18 939	19 905

(all figures quoted in PLN thousands unless indicated otherwise)

Profits and losses from financial assets and liabilities

01.01.2020 – 31.12.2020	Financial assets estimated at amortized cost				Financial assets estimated at fair value through financial result	Financial liabilities estimated at amortized cost	Total
	Trade receivables	State Treasury bonds and bonds issued by foreign governments	Loans granted	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Derivative financial instruments	Other financial liabilities	
Revenues/(expenses) from interest	-	(31)	37	7 582	-	(400)	7 188
Creation of impairment allowances	(107)	-	-	-	-	-	(107)
Dissolution of impairment allowances	10	-	-	-	-	-	10
Profit (loss) from sale of debt instruments	-	(1 081)	-	-	-	-	(1 081)
Fees and commission on purchases of debt instruments	-	(128)	-	-	-	-	(128)
Forward contract estimation	-	-	-	-	9 265	-	9 265
Total profit / (loss)	**(97)**	**(1 240)**	**37**	**7 582**	**9 265**	**(400)**	**15 147**

(all figures quoted in PLN thousands unless indicated otherwise)

01.01.2019 – 31.12.2019*	Financial assets estimated at amortized cost				Financial assets estimated at fair value through financial result	Financial liabilities estimated at amortized cost	Total
	Trade receivables	State Treasury bonds and bonds issued by foreign governments	Loans granted	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Derivative financial instruments	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**

** adjusted*

Note 37. Equity management

The main goal of equity management at the Group is to retain a good credit rating and safe capital indicators, facilitating 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 2020 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 38. Employee share programs

2016-2019 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, for the benefit of individuals deemed to have a key influence on the Group's activities, as described in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities in 2020. Implementation of this program entailed a conditional increase in the parent Company share capital by not more than 6 000 thousand PLN, representing 6% of the share capital of the parent Company at the time.

Throughout the duration of the 2016-2019 incentive program, a total of 5 535 500 entitlements were assigned. Following verification of the attainment of the program's goals, 5 167 500 of these entitlements became exercisable. In the course of implementing the program the parent Company sold to entitled parties a total of 516 700 shares of its own stock, previously bought back on the open market. The remaining entitlements vested by way of issuing 4 650 800 subscription warrants, of which 4 534 624 were exercised by 31 December 2020, while 116 176 remained unexercised on that date. 84 176 subscription warrants were subsequently exercised after the balance sheet date (by the day of publication of this financial statement). There remain 32 000 unexercised subscription warrants (entitling holders to claim the equivalent number of shares), which will expire on 31 October 2022.

Incentive program estimation – assumed indicators

Grant date	CDR volatility index	WIG volatility index	WIG/CDR correlation coefficient	Risk-free rate
Entitlements granted on 29.06.2020	41%	19%	51%	0.2%
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

Throughout the duration of the program the parent Company issued grants of eligibility in 11 batches. The fair value of assigned entitlements was, in each case, 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).

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 (i.a. 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.

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in entitlements assigned under the incentive program in force between 2016 and 2019

	01.01.2020 – 31.12.2020		01.01.2019 – 31.12.2019	
	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	5 535 000	-	5 625 000	-
Granted	500	25.70 or 22.35	30 000	25.70 or 22.35
Forfeited	368 000	25.70 or 22.35	120 000	25.70 or 22.35
Exercised	5 167 500	25.70 or 22.35	-	25.70 or 22.35
Unexercised at end of period	-	25.70 or 22.35	6 000 000	25.70 or 22.35
Granted but unexercised at end of period	-	25.70 or 22.35	5 535 000	25.70 or 22.35

2020-2025 incentive program

As mandated by the General Meetings of the parent Company held on 28 July 2020 and 22 September 2020, the Group instituted another (third) edition of its incentive program, covering the years 2020-2025. In line with the adopted stipulations, a total of 4 000 000 entitlements may be granted under the program, each entitling its holder to conditionally claim subscription warrants which incorporate the right to acquire parent Company shares issued in the framework of a conditional increase in the Company share capital, or, alternatively, purchase the parent Company's own shares on preferential terms. Acquisition and exercise of subscription warrants or the purchase of the parent Company's own shares by the entitled parties, as appropriate, is predicated upon attaining certain goals and criteria defined under the program. These include earnings goals (80% of entitlements), market goals (20% of entitlements), additional individual goals (in selected cases) as well as – in all circumstances – fulfillment of a loyalty criterion up until the day the attainment of the program's goals and criteria is declared. As of the balance sheet date, 2 617 000 entitlements have been granted under the 2020-2025 incentive program.

Incentive program estimation – assumed indicators

Grant date	CDR volatility index	WIG volatility index	WIG/CDR correlation coefficient	Risk-free rate
Entitlements granted on 30.10.2020	38%	17%	44%	0.7%
Entitlements granted on 10.11.2020	38%	17%	44%	0.7%

Grant date

In 2020 the parent Company issued grants of eligibility in two batches. In each case 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).

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

On each grant date the parent Company had 96 120 000 shares outstanding.

Status of the program

As of 31 December 2020 the goals of the 2020-2025 incentive program have not yet been met.

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in entitlements granted under the 2020-2025 incentive program

	01.01.2020 – 31.12.2020	
	Entitlements granted	**Exercise price (PLN)**
Unexercised at beginning of period	-	-
Granted but unexercised at beginning of period	-	-
Granted	2 617 000	390.59 or 371.06
Forfeited	25 000	390.59 or 371.06
Unexercised at end of period	4 000 000	390.59 or 371.06
Granted but unexercised at end of period	2 592 000	390.59 or 371.06

Note 39. 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 in controlled transactions are estimated by CD PROJEKT Group member companies in accordance with OECD guidelines and national legislation, including the so-called *safe harbor* regulations. 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	
	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
SUBSIDIARIES								
CD PROJEKT Co., Ltd.	-	-	3 707	3 725		-	557	247
Spokko sp. z o.o.	495	288	-	-	4 601	49	-	-
MANAGEMENT BOARD MEMBERS AT GROUP MEMBER COMPANIES								
Marcin Iwiński	10	15	-	-	5	-	-	3
Adam Kiciński	4	7	-	-	-	1	-	1
Piotr Nielubowicz	10	9	-	-	2	-	-	-
Michał Nowakowski	11	13	-	-	-	1	1	-
Adam Badowski	4	4	-	-	-	1	-	-
Piotr Karwowski	-	1	-	-	-	-	-	-
Oleg Klapovskiy	2	1	-	-	-	-	-	-
Urszula Jach-Jaki	4	-	-	-	-	-	-	-

(all figures quoted in PLN thousands unless indicated otherwise)

Note 40. Mergers and changes in the structure of the CD PROJEKT Group

Mergers between subsidiaries

Not applicable.

Incorporation of new subsidiaries

Not applicable.

Note 41. Compensation of top management and Supervisory Board members

Benefits paid out to Management Board members at Group member companies

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019*
Base salaries	86	32
Compensation for duties performed	2 826	2 555
Bonuses and compensation contingent upon the Group's financial result for the previous year	17 374	10 933
Total	**20 286**	**13 520**

** adjusted*

Benefits paid out to other top executives at the Group

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019*
Base salaries	15 490	4 446
Compensation for duties performed	353	493
Bonuses and compensation contingent upon the Group's financial result for the previous year	5 299	931
Total	**21 142**	**5 870**

** adjusted*

Benefits paid out to Supervisory Board members

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Compensation for duties performed	408	389
Total	**408**	**389**

Note 42. Employment

Average employment

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Average employment	406	302
Total	**406**	**302**

Employment turnover

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Employees hired	165	91
Employees dismissed	41	59
Total	**124**	**32**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 43. Activated borrowing costs

Not applicable.

Note 44. Disclosure of seasonal, cyclical or sporadic revenues

Not applicable.

Note 45. Fiscal settlements

Fiscal settlements and other areas of activity governed by fiscal regulations 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.

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

Given that the Company meets the requirements expressed in Art. 19 of the Act of 30 May 2008 on certain forms of supporting innovative activity (JL 2019 item 1402), on 10 September 2020, the Minister for Entrepreneurship and Technology issued decision no. DNP-IV.4241.18.2020, upholding the previous decision no. 4/CBR/18 of 19 June 2018 which bestowed upon the Company the status of an R&D center. This status entitles the Company to apply broader R&D tax relief options specified in the Corporate Income Tax Act of 15 February 1992 (JL 2020, item 1406, as amended).

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

Note 46. Events following the balance sheet date

- Receipt of notification concerning the filing of a class action lawsuit in the USA, previously disclosed by the parent Company in Current report no. 4/2021

The plaintiffs (holders of US securities traded under the ticker symbols “OTGLY” and “OTGLF” and based on parent Company stock) ask the court to adjudicate whether the actions undertaken by the Company and members of its Management Board in conjunction with the release of Cyberpunk 2077 have infringed federal laws, i.a. by misleading investors and thereby causing them to incur losses.

- Change in the decision concerning the diversification of surplus cash allocation, previously disclosed by the parent Company in Current report no. 5/2021

The parent Company has decided to allocate up to 50% of its cash assets to debt instruments. For the purpose of this statement, cash assets are defined as the sum of cash on hand, near-cash, bank deposits with maturity periods in excess of 3 months, Polish State Treasury bonds, other bonds guaranteed by the Polish State Treasury and bonds issued by foreign governments, estimated at the purchase price of the corresponding forward hedge transactions. The aforementioned assets may be allocated to the following low-risk debt instruments: domestic State Treasury bonds, other domestic bonds guaranteed by the State Treasury, and foreign treasury bonds issued by the USA, Germany or Switzerland.

- Receipt of notification concerning the filing of a class action lawsuit in the USA, previously disclosed by the parent Company in Current report no. 8/2021

The plaintiffs, who had purchased videogames via the Steam platform which is owned by Valve Corporation, alleged that Valve (in addition to other defendants, including CD PROJEKT S.A. and CD PROJEKT Inc.) had infringed US competition law and abused its dominant market position to compel videogame developers to accede to a so-called “Most Favored Nations” provision in the Steam Distribution Agreement. The complaint went on to allege that this provision led to improper functioning of the market by hampering the ability of other platforms to compete on price with Steam.

On 9 April 2021 the parent Company was notified that in a filing made on 8 April 2021 the allegations made against CD PROJEKT S.A. and CD PROJEKT Inc. were dropped from the lawsuit, and that therefore these two entities were excluded from the ongoing litigation, as disclosed by the parent Company in Current report no. 17/2021 of 9 April 2021.

- Hacking attack targeting the parent Company's IT infrastructure

In February 2021 the Company fell victim to a hacking attack, targeting its servers and CD PROJEKT RED resources stored thereupon. The incident resulted in a brief slowdown in the Company's work and operations. As a result of prompt action, which involved, among others, restoring encrypted data from up-to-date backups, scanning all personal computers in use at the Company for malware, and deploying new solutions which enhance the Group's IT security, the functionality of the affected IT infrastructure was fully restored. Further information can be found in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities in 2020.

- Increase in the parent Company share capital, previously disclosed by the parent Company in Current report no. 13/2021

On 26 March 2021 84 176 Series M shares were admitted to trading on the regulated market of the Warsaw Stock Exchange and deposited in the securities accounts belonging to individuals who had taken up these shares in the exercise of rights assigned under the parent Company incentive program in force between 2016 and 2019.

Pursuant to the above and in line with Art. 452 § 1 of the Commercial Companies Code, on the day the aforementioned parent Company shares were deposited in the securities accounts of shareholders, in the framework of a conditional increase in share capital, the share capital of the parent Company was duly increased by 84 176 thousand PLN. Following this increase the share capital of the parent Company amounts to 100 738 800 PLN, divided into 100 738 800 shares with a nominal value of 1 PLN per share. The total number of votes afforded by parent Company shares as of 31 December 2020 was 100 738 800.

As of the publication date of this financial statement, there remain 32 000 unexercised Series B subscription warrants entitling holders to claim the equivalent number of Series M shares issued in the framework of a conditional increase in the parent Company share capital as a means of implementing the incentive program in force between 2016 and 2019.

Further information concerning 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 in 2020.

Note 47. Disclosure of transactions with entities contracted to perform audits of financial statements

Compensation paid out or payable during the fiscal year	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
for auditing the annual financial statement and the consolidated financial statement	148	100
for other attestation services, including reviewing financial statements and the consolidated financial statement	60	50
Total	**208**	**150**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 48. Clarifications regarding the cash flow statement

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Cash and cash equivalents reported in cash flow statement	**563 335**	**49 406**
Cash on balance sheet	**563 335**	**49 406**
Depreciation:	**13 559**	**8 117**
Depreciation of intangibles	1 963	1 631
Depreciation of expenditures on development projects	5 418	297
Depreciation of PP&E	6 099	6 176
Depreciation of investment properties	79	13
Profit (loss) from exchange rate differences	**2 220**	**-**
Exchange rate differences on valuation of bonds	2 220	-
Interest and share in profits consist of:	**(7 188)**	**(8 788)**
Interest on bank deposits	(7 582)	(9 334)
Interest on bonds	31	-
Interest charged on loans granted	(37)	-
Interest on lease agreements collected	400	546
Profit (loss) from investment activities results from:	**(5 440)**	**(1 283)**
Revenues from sales of PP&E	(21)	(136)
Net value of PP&E sold	2	50
Net value of PP&E liquidated	49	-
Net value of intangibles liquidated	3	2
Net value of investment properties liquidated	1 630	-
Fixed assets received free of charge	(62)	(1 150)
Settlement and estimation of derivative instruments	(8 250)	-
Bond purchase fees	128	-
Revenues from maturation of bonds	(59 429)	-
Value of bonds held to maturity	60 510	-
Settlement of expired lease agreements	-	(49)
Changes in provisions result from:	**366 499**	**10 585**
Balance of changes in provisions for liabilities	446 381	16 022
Balance of changes in provisions for employee benefits	145	65
Provisions for compensation contingent upon the Group's financial result aggregated with expenses on development projects	(80 027)	(5 502)
Changes in inventory status result from:	**5 905**	**(12 604)**
Balance of changes in inventory status	5 905	(12 604)

(all figures quoted in PLN thousands unless indicated otherwise)

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Changes in receivables result from:	**(1 083 890)**	**(126 397)**
Balance of changes in short-term receivables	(1 065 813)	(152 442)
Balance of changes in long-term receivables	37	504
Advance payment for investment properties	70	(1 667)
Income tax set against withholding tax	3 878	8 249
Withholding tax paid abroad	(13 762)	-
Current income tax adjustments	(24 227)	10 503
Changes in receivables associated with withdrawal from a PP&E purchase agreement	-	(8)
Changes in advance payments related to expenditures on development projects	16 266	8 087
Changes in advance payments related to purchase of PP&E and intangibles	(339)	377
Changes in short-term liabilities except financial liabilities result from:	**77 319**	**11 421**
Balance of changes in short-term liabilities	80 074	5 315
Current income tax adjustments	(1 624)	(118)
Changes in financial liabilities	(779)	(1 908)
Adjustments for changes in liabilities due to purchase of PP&E	(1 137)	202
Adjustments for changes in liabilities due to purchase of intangibles	678	(998)
Adjustment for liabilities related to purchase of investment properties	87	8 928
Adjustment for liabilities booked on the other side as deferrals	20	-
Changes in other assets and liabilities result from:	**(100 033)**	**115 774**
Balance of changes in prepaid expenses	13 227	(16 784)
Balance of changes in deferred revenues	(113 007)	129 218
Adjustment for prepaid expenses booked on the other side as liabilities	(260)	3 340
Adjustment for depreciation aggregated with deferrals	7	-
Other adjustments include:	**16 813**	**28 574**
Cost of incentive program	14 707	28 169
Estimation of financial derivative instruments	(79)	-
Depreciation aggregated with cost of products, services, goods and materials sold, consortium settlements and other operating expenses	1 991	527
Exchange rate differenes	194	(122)

(all figures quoted in PLN thousands unless indicated otherwise)

Note 49. Cash flows and other changes resulting from financial activities

			Non-cash changes							
	01.01.2020	Cash flows	Acquisition of PP&E under lease agreements	Exchange rate differences	Accrued interest	Dissolution of lease agreements	Assignment of own shares	Resolution concerning purchase of own shares	Resolution concerning dividend payout	31.12.2020
Lease liabilities	19 905	(3 258)	1 775	116	401	-	-	-	-	18 939
Liabilities associated with purchase of own shares	-	(214 259)	-	-	-	-	-	214 259	-	-
Receivables from entitled parties under the incentive program	-	126 124	-	-	-	-	(126 124)	-	-	-
Total	**19 905**	**(91 393)**	**1 775**	**116**	**401**	**-**	**(126 124)**	**214 259**	**-**	**18 939**

			Non-cash changes							
	01.01.2019	Cash flows	Acquisition of PP&E under lease agreements	Exchange rate differences	Accrued interest	Dissolution of lease agreements	Assignment of own shares	Resolution concerning purchase of own shares	Resolution concerning dividend payout	31.12.2019*
Lease liabilities	409	(6 254)	27 209	(31)	546	(1 974)	-	-	-	19 905
Liabilities due to shareholders in association with dividend payouts	-	(100 926)	-	-	-	-	-	-	100 926	-
Total	**409**	**(107 180)**	**27 209**	**(31)**	**546**	**(1 974)**	**-**	**-**	**100 926**	**19 905**

** adjusted*

(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 2020. Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2019, item no. 351 as amended) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and the conditions for regarding as equivalent the information required under the laws of a non-member state (Journal of Laws of the Republic of Poland, 2018, item no. 757).

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

On 14 May 2020 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 2020 and 2021. 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 2020, 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.

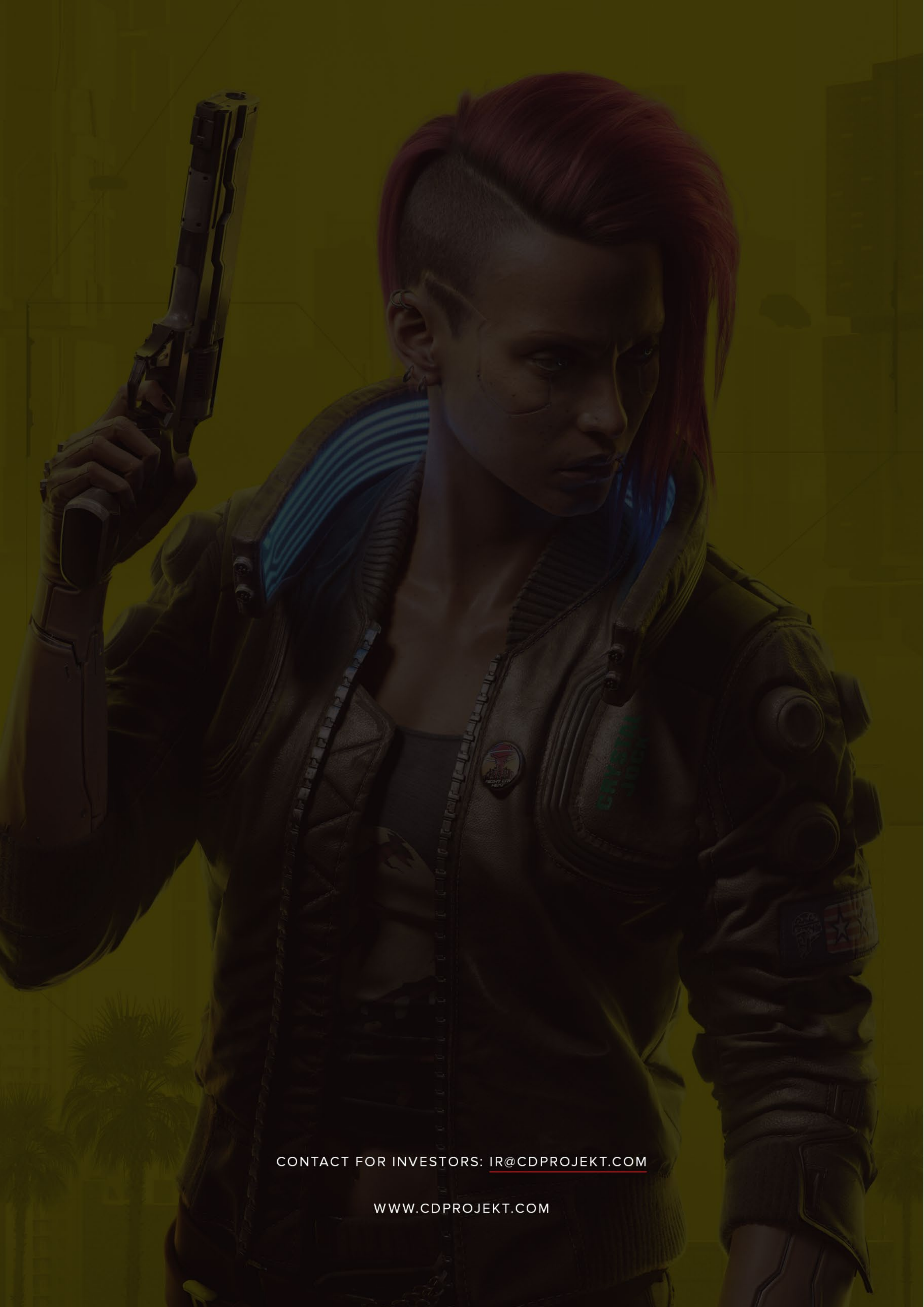
Approval of financial statement

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 22 April 2021 and is duly submitted to the General Meeting of CD PROJEKT S.A. for approval.

Warsaw, 22 April 2021

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	Krystyna Cybulska
Board Member	Board Member	Chief Accountant



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