CD PROJEKT

CONSOLIDATED FINANCIAL STATEMENT OF THE

CD PROJEKT CAPITAL GROUP

FOR 2018

Disclaimer

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

CD PROJEKT Capital Group – Selected financial highlights converted into EUR

	PLN		EUR	
	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017*	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017*
Net revenues from sales of products, services, goods and materials	362 901	463 184	85 050	109 121
Cost of services, products, goods and materials sold	106 254	82 174	24 902	19 359
Operating profit (loss)	112 392	240 940	26 340	56 763
Profit (loss) before tax	123 033	247 405	28 834	58 286
Net profit (loss) attributable to equity holders of parent entity	109 334	200 270	25 624	47 181
Net cash flows from operating activities	132 591	233 085	31 074	54 912
Net cash flows from investment activities	(94 994)	(282 114)	(22 263)	(66 463)
Net cash flows from financial activities	(706)	(101 353)	(165)	(23 878)
Total net cash flows	36 891	(150 382)	8 646	(35 428)
Stock volume (in thousands)	96 120	96 120	96 120	96 120
Net profit (loss) per ordinary share (PLN/EUR)	1.14	2.08	0.27	0.49
Diluted profit (loss) per ordinary share (PLN/EUR)	1.09	2.01	0,25	0.47
Book value per share (PLN/EUR)	10.43	9,19	2.43	2.20
Diluted book value per share (PLN/EUR)	9.97	8.87	2.32	2.13
Declared or paid out dividend per share (PLN/EUR)	-	1.05	-	0.25

** adjusted data*

	PLN		EUR	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total assets	1 126 838	981 513	262 055	235 324
Liabilities and provisions for liabilities (less accrued charges)	114 067	93 539	26 527	22 427
Long-term liabilities	6 691	4 130	1 556	990
Short-term liabilities	117 283	94 484	27 275	22 653
Equity	1 002 864	882 899	233 224	211 681
Share capital	96 120	96 120	22 353	23 045

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

- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.2669 PLN/EUR for the period between 1 January and 31 December 2018, and 4.2447 PLN/EUR for the period between 1 January and 31 December 2017 respectively.

- Assets and liabilities listed in the consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.3000 PLN/EUR on 31 December 2018 and 4.1709 PLN/EUR on 31 December 2017 respectively.

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Primary financial data of the CD PROJEKT Capital Group

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Consolidated profit and loss account

	Note	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017*
Sales revenues		**362 901**	**463 184**
Revenues from sales of products	1	235 919	346 841
Revenues from sales of services	1	108	98
Revenues from sales of goods and materials	1	126 874	116 245
Cost of products, goods and materials sold		**106 254**	**82 174**
Cost of products and services sold	2	12 692	1 273
Cost of goods and materials sold	2	93 562	80 901
Gross profit (loss) from sales		**256 647**	**381 010**
Other operating revenues	1,3	2 480	4 607
Selling costs	2	107 183	110 673
General and administrative costs	2	36 602	32 228
Other operating expenses	3	3 134	2 797
(Impairment)/reversal of impairment of financial instruments		184	1 021
Operating profit (loss)		**112 392**	**240 940**
Financial revenues	1,4	10 771	10 856
Financial expenses	4	130	4 391
Profit (loss) before tax		**123 033**	**247 405**
Income tax	5	13 699	47 135
Net profit (loss)		**109 334**	**200 270**
Net profit (loss) attributable to equity holders of parent entity		109 334	200 270
Net earnings per share (in PLN)			
Basic for the reporting period	7	1.14	2.08
Diluted for the reporting period	7	1.09	2.01

** adjusted data*

Consolidated statement of comprehensive income

	Note	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Net profit (loss)		**109 334**	**200 270**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria		**100**	**(3 800)**
exchange rate differences on valuation of foreign entities		100	(3 800)
Other comprehensive income which will not be entered as profit (loss)		**-**	**-**
Total comprehensive income		**109 434**	**196 470**
Comprehensive income attributable to minority interests		-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.	**9**	**109 434**	**196 470**

(all figures quoted in PLN thousands unless stated otherwise)

Consolidated statement of financial position

	Note	31.12.2018	31.12.2017*
FIXED ASSETS		**388 309**	**255 535**
Tangible assets	11	19 241	18 832
Intangibles	12	50 210	46 209
Expenditures on development projects	12	242 816	143 130
Investment properties	14	9 553	-
Perpetual usufruct of land	15	3 478	-
Goodwill	12,13	56 438	46 417
Shares in subsidiaries excluded from consolidation	16,41	3 683	452
Deferred income tax assets	5	2 320	-
Other long-term receivables	17,41	570	495
CURRENT ASSETS		**738 529**	**725 978**
Inventories	18	258	323
Fixed assets held for sale	19	49	-
Trade receivables	21,41	37 008	46 261
Current income tax receivables		1 611	-
Other receivables	22	19 231	17 582
Prepaid expenses	23	21 502	14 296
Cash and cash equivalents	24,41	103 878	66 987
Bank deposits (maturity beyond 3 months)	41	554 992	580 529
TOTAL ASSETS		**1 126 838**	**981 513**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

	Note	31.12.2018	31.12.2017
EQUITY		**1 002 864**	**882 899**
Equity attributable to shareholders of the parent entity		**1 002 864**	**882 899**
Share capital	25	96 120	96 120
Supplementary capital	27	739 724	549 335
Other reserve capital	27	26 145	15 212
Exchange rate differences		1 012	118
Retained earnings	28	30 529	21 844
Net profit (loss) for the reporting period		109 334	200 270
Minority interest equity	**29**	**-**	**-**
LONG-TERM LIABILITIES		**6 691**	**4 130**
Other financial liabilities	31,37,41	163	148
Deferred income tax liabilities	5	-	1 878
Deferred revenues	38	6 338	2 023
Provisions for employee benefits and similar liabilities	39	190	81
SHORT-TERM LIABILITIES		**117 283**	**94 484**
Other financial liabilities	31,37,41	246	190
Trade liabilities	33,41	49 914	37 374
Current income tax liabilities		-	3 457
Other liabilities	34,35	40 388	6 770
Deferred revenues	38	3 569	3 052
Provisions for employee benefits and similar liabilities	39	2	1
Other provisions	40	23 164	43 640
TOTAL EQUITY AND LIABILITIES		**1 126 838**	**981 513**

(all figures quoted in PLN thousands unless stated otherwise)

Statement of changes in consolidated equity

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2018 – 31.12.2018									
Equity as of 01.01.2018	**96 120**	**549 335**	**-**	**15 212**	**118**	**222 114**	**-**	**882 899**	**882 899**
Rectification of errors	-	(6 729)	-	-	794	6 082	-	147	147
Equity after adjustments	**96 120**	**542 606**	**-**	**15 212**	**912**	**228 196**	**-**	**883 046**	**883 046**
Cost of incentive program	-	-	-	10 384	-	-	-	10 384	10 384
Creation of reserves for purchase of own shares	-	(3 600)	-	3 600	-	-	-	-	-
Purchase of own shares	-	-	3 051	(3 051)	-	-	-	-	-
Transfer of own shares as partial payment for purchase of an enterprise	-	3 051	(3 051)	-	-	-	-	-	-
Allocation of net profit/ coverage of losses	-	197 667	-	-	-	(197 667)	-	-	-
Total comprehensive income	-	-	-	-	100	-	109 334	109 434	109 434
Equity as of 31.12.2018	**96 120**	**739 724**	**-**	**26 145**	**1 012**	**30 529**	**109 334**	**1 002 864**	**1 002 864**

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

(all figures quoted in PLN thousands unless stated otherwise)

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2017 – 31.12.2017									
Equity as of 01.01.2017	**96 120**	**403 001**	**-**	**4 795**	**3 918**	**269 104**	**-**	**776 938**	**776 938**
Cost of incentive program	-	-	-	10 417	-	-	-	10 417	10 417
Allocation of net profit/coverage of losses	-	146 334	-	-	-	(146 334)	-	-	-
Dividend payments	-	-	-	-	-	(100 926)	-	(100 926)	(100 926)
Total comprehensive income	-	-	-	-	(3 800)	-	200 270	196 470	196 470
Equity as of 31.12.2017	**96 120**	**549 335**	-	**15 212**	**118**	**21 844**	**200 270**	**882 899**	**882 899**

(all figures quoted in PLN thousands unless stated otherwise)

Consolidated statement of cash flows

	Note	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017*
OPERATING ACTIVITIES			
Net profit (loss)		**109 334**	**200 270**
Total adjustments:	**54**	**32 600**	**38 413**
Depreciation of fixed assets, intangibles and expenditures on development projects		4 768	4 906
Depreciation of expenditures on development projects recognized as cost of products and services sold		11 867	-
Interest and profit sharing (dividends)		(10 706)	(10 425)
Profit (loss) from investment activities		545	906
Change in provisions		(27 312)	(1 660)
Change in inventories		65	78
Change in receivables		8 310	28 911
Change in liabilities excluding credits and loans		37 668	6 890
Change in other assets and liabilities		(2 351)	1 695
Other adjustments		9 746	7 112
Cash flows from operating activities		**141 934**	**238 683**
Income tax on pre-tax profit (loss)		13 699	47 135
Income tax (paid)/reimbursed		(23 042)	(52 733)
Net cash flows from operating activities		**132 591**	**233 085**
INVESTMENT ACTIVITIES			
Inflows		**1 136 419**	**1 101 872**
Disposal of intangibles and fixed assets		230	65
Cash assets gained in acquisition of an enterprise		26	-
Closing bank deposits (maturity beyond 3 months)		1 125 444	1 091 382
Other inflows from investment activities		10 719	10 425
Outflows		**1 231 413**	**1 383 986**
Purchases of intangibles and fixed assets		15 176	13 893
Expenditures on development projects		98 475	76 625
Acquisition of an enterprise		10 550	-
Purchase of investment properties		4 078	-
Capital contributions to subsidiary		2 500	452
Advance payment for investment properties		727	940
Opening bank deposits (maturity beyond 3 months)		1 099 907	1 292 076
Net cash flows from investment activities		**(94 994)**	**(282 114)**

(all figures quoted in PLN thousands unless stated otherwise)

FINANCIAL ACTIVITIES

Inflows	**-**	**-**
Outflows	**706**	**101 353**
Dividends and other payments due to equity holders	-	100 926
Payment of liabilities under financial lease agreements	693	427
Interest payments	13	-
Net cash flows from financial activities	**(706)**	**(101 353)**
Total net cash flows	**36 891**	**(150 382)**
Change in cash and cash equivalents on balance sheet	**36 891**	**(150 382)**
Cash and cash equivalents at beginning of period	**66 987**	**217 369**
Cash and cash equivalents at end of period	**103 878**	**66 987**

** adjusted data*

(all figures quoted in PLN thousands unless stated 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 Capital Group which conducts its operations in two activity segments: CD PROJEKT RED and GOG.com
Keeper of records:	District Court for the City of Warsaw in Warsaw – Poland; 13th Commercial Department of the National Court Register (Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIII Wydział Gospodarczy Krajowego Rejestru Sądowego)
Statistical Identification Number (REGON):	492707333
Duration of the company	indefinite

Consolidation principles

Entities subjected to consolidation

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

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

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

The newly incorporated companies, along with CD PROJEKT Co., Ltd., are excluded from consolidation since they fail to meet the significance 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.

(all figures quoted in PLN thousands unless stated otherwise)

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.

Subsidiaries

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

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

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

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

Changes in accounting practices

The accounting practices applied in preparing this consolidated financial statement, the parent Company's Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2017, except for changes in accounting practices and presentation-related adjustments described in the section titled "Comparability of financial statements and changes in accounting policies".

Assumption of going concern

This consolidated financial statement is prepared under the assumption that the Group and its parent entity intend to continue as a going concern in the foreseeable future, i.e. at least throughout the 12-month period following the balance sheet date.

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

As of the day of preparation of this consolidated financial statement covering the period between 1 January and 31 December 2018 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

Compliance with International Financial Reporting Standards

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

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

Standards and interpretations applied for the first time

In preparing this consolidated financial statement for 2018 the Group applied the same accounting standards as in its consolidated financial statement for 2017 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 2018.:

- **IFRS 9 Financial instruments**

This financial statement marks the first time the Group has applied *IFRS 9 Financial instruments*. The Group has opted to forgo adjusting data representing past reporting periods, except for adjustments associated with changes introduced by IFRS in relation to *IAS 1 Preparation of financial statements*, which mandate recognition of impairment losses (including reversal of impairment loses or gains) on financial instrument as a separate line item in the profit and loss account. As a consequence of this change, the comparative data in the profit and loss account for the twelve-month period between 1 January and 31 December 2018 has been adjusted accordingly. The reported adjustment concerns presentation of data only and has no impact on the Group's operating profit. Previously, all such costs had been aggregated with other operating expenses.

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

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

- assets classified at amortized cost – this category comprises financial assets held under a business model whose aim is to collect contractual cash flows, where the business contract concerning these assets stipulates cash flows related solely to repayment of the principal and interests; in other words, assets which pass the so-called SPPI test (solely payment of principal and interest),

- assets classified at fair value reported in other comprehensive income (FVOCI) – this category comprises financial assets held under a business model whose aim is to both collect contractual cash flows and to potentially sell the relevant assets, where the business contract concerning these assets stipulates cash flows related solely to repayment of the principal and interests; in other words, assets which pass the so-called SPPI test (solely payment of principal and interest),

- assets classified at fair value through profit and loss – all other financial assets,

- financial hedges – derivative financial instruments designated as hedges.

Each financial asset is assigned to one of the above categories on initial recognition. This assignment may change only if the associated business model changes. Essential classes of business models are as follows: assets held to collect contractual cash flows; assets held to collect contractual cash flows and potentially sell the asset; assets held for reasons others than those listed previously (as a rule, this is construed as holding assets for trading). The Group has adopted a rule stating that the sale of a financial asset prior to its maturity does not, in itself, cause the underlying business model to shift from holding assets to collect contractual cash flows to holding assets to collect contractual cash flows and potentially sell the assets or to holding assets for other purposes.

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

IFRS 9 does not result in a change in the classification of the Group's financial liabilities, which will continue to be recognized at amortized cost.

The following table illustrates changes in the classification of financial instruments as of 1 January 2018 which is the date of initial application of IFRS 9 by the Group. Applying the new standard in place of IAS 39 has not resulted in a methodological change in the appraisal of financial assets and liabilities. The default appraisal method continues to be the amortized cost method; consequently, the balance of financial assets and liabilities on the initial application day of IFRS 9 remains unchanged in comparison with IAS 39.

Financial asset	Classification according to:		Balance sheet value under IAS 39 and IFRS 9 as of 1 January 2018
	IAS 39	IFRS 9	
Other long-term receivables	Loans and receivables recognized at amortized cost	Financial assets recognized at amortized cost	495
Trade receivables	Loans and receivables recognized at amortized cost	Financial assets recognized at amortized cost	46 261
Cash and cash equivalents	Loans and receivables recognized at amortized cost	Financial assets recognized at amortized cost	66 987
Bank deposits (maturity beyond 3 months)	Loans and receivables recognized at amortized cost	Financial assets recognized at amortized cost	580 529
Shares in subsidiaries excluded from consolidation	Assets held for trading recognized at purchase price (adjusted for impairment losses – according to IFRS 27)	Assets held for trading recognized at purchase price (adjusted for impairment losses – according to IFRS 27)	452

Financial liability	Classification according to:		Balance sheet value under IAS 39 and IFRS 9 as of 1 January 2018
	IAS 39	IFRS 9	
Trade liabilities	Financial liabilities recognized at amortized cost	Financial liabilities recognized at amortized cost	37 374
Other financial liabilities	Financial liabilities recognized at amortized cost	Financial liabilities recognized at amortized cost	338

Another major change introduced by IFRS 9 concerns recognition of credit risk in association with assets which constitute a financial instrument. The existing present losses model has been replaced by a new expected losses model.

The basis for determining loss allowances in the ECL (expected credit loss) model is a procedure under which the Group monitors changes in credit risk associated with each financial asset since its initial recognition, and assigns each financial asset to one of three stages (this method is applicable to financial assets held at amortized cost which are not trade receivables).

The following credit risk stages are defined:

- Stage 1 – performing (applicable to financial assets which show no significant deterioration in credit quality since initial recognition)
- Stage 2 – under-performing (applicable in cases of significant deterioration in credit quality when there are no objective reasons to suspect impairment)
- Stage 3 – impaired (applicable in cases where objective reasons to suspect impairment exist)

With regard to Stage 1 assets the Group calculates ECL over the upcoming 12 months and recognizes the appropriate allowance, whereas with regard to Stages 2 and 3 the Group recognizes a loss allowance corresponding to the ECL over the entire lifetime of the given financial asset.

For each balance sheet date the Group performs an assessment of its financial assets with respect to the presented ECL stages. In doing so, the Group acknowledges changes in the risk of default during the expected lifetime of the financial asset rather than the corresponding changes in expected credit losses. The procedure requires the Group to compare the risk of default for a given financial instrument on the balance sheet date with the corresponding risk on its initial recognition, taking into account all rational and documented information which may be acquired without undue cost or effort, and which suggests a significant increase in credit risk since initial recognition. Such information may include changes in the debtor's credit rating, awareness of the debtor's financial distress or of detrimental changes in the debtor's economic, legal, technological or market environment. When assessing ECLs the Group relies primarily on credit ratings and the corresponding likelihood of insolvency.

With regard to trade receivables the Group applies the simplified approach provided for by the standard and recognizes a loss allowance corresponding to the ECL over the entire lifetime of the given receivable. This approach is a consequence of the fact that the Group's receivables do not involve a significant financing element as defined by IFRS 15. When calculating the relevant loss allowances the Group applies the provision matrix method under which allowances are calculated separately for each overdue period bracket. This method acknowledges historical credit losses as well as identifiable future factors and (e.g. market or macroeconomic projections).

The likelihood of credit default is estimated on the basis of historical data concerning overdue receivables. In order to calculate non-performance coefficients the Group has decided upon five overdue period brackets:

1. Not overdue,
2. Overdue by 1-60 days,
3. Overdue by 61-90 days,

(all figures quoted in PLN thousands unless stated otherwise)

4. Overdue by 91-180 days,
5. Overdue by 181-360 days,
6. Overdue by more than 360 days.

For each of the above brackets the Group estimates a non-performance coefficient which acknowledges historical data concerning failure to settle invoices on the part of the Group's business partners throughout three years prior to the reporting period covered by the given financial statement. The expected credit loss is then computed by multiplying the aggregate receivables in a given bracket by the non-performance coefficient corresponding to that bracket.

With regard to trade receivables the Group also allows for custom appraisal of the expected credit losses. In particular this applies to:

- receivables from debtors undergoing liquidation or insolvency proceedings,
- receivables contested by the debtor or cases where the debtor is in arrears,
- other past-due receivables as well as receivables which are not overdue, but whose default risk is, in the parent entity's Board's opinion, significant (in particular, cases where the expected litigation and enforcement costs exceed the amount in controversy).

In the above cases the Group may recognize loss allowances corresponding to 100% of the given receivable.

The Company may refrain from recognizing loss allowances on receivables which are overdue by more than 360 days if, following individual analysis, the Group concludes that it is in possession of a credible and documented declaration of payment issued by the debtor.

Financial assets are written off in full once the Group has exhausted all feasible enforcement options and reached the conclusion that there are no longer any rational grounds to expect collection of the receivables. This usually occurs when a receivable is overdue by more than 360 days.

As of 31 December 2017 and as of 31 December 2018 the Group has not identified any financial assets for which it would be permitted to apply recognition at fair value through financial result so as to reduce or eliminate accounting mismatch (i.e. inconsistency between recognition and evaluation) which would otherwise arise as a result of recognition of financial assets at amortized cost or at fair value through other comprehensive income.

The Group has also not availed itself of the option to recognize financial liabilities at fair value. In such cases, changes in fair value which correspond to changes in credit risk would be aggregated with other comprehensive income while – once the given financial liability is derecognized – the value previously aggregated with other comprehensive income would not be allocated to the financial result.

- **IFRS 15 and clarifications regarding IFRS 15 – Revenues from contracts with customers**

This financial statement marks the Group's initial application of *IFRS 15 Revenues from contracts with customers*. This standard institutes the so-called Five Step Model when recognizing revenues from contracts with customers. According to IFRS 15, the revenue is recognized at the transaction price, which – in line with the entity's expectations – is payable in exchange for the products or services delivered to the customer. The new standard supersedes all existing requirements concerning recognition of revenues under IFRS.

Licensing royalties associated with distribution of videogames

Under the new regulation, entities which grant customers licenses to use their intellectual property must determine whether the license is transferred to the customer over a period of time or at a specific point in time. Licenses transferred at a point in time give the customer the right to use the entity's intellectual property as it existed at the moment the license was transferred. In order to recognize the corresponding revenue, the customer must possess the means to direct the use of the corresponding intellectual property, and gain all other essential benefits associated with its use. A license transferred over a period of time permits the client to use the intellectual property throughout the license period. During this period the client may expect that the entity will undertake actions which significantly affect the relevant intellectual property (i.e. significantly alter its form or content, with the client's ability to gain the benefits of its use dependent on actions undertaken by the owner). In such cases the revenue is recognized over the license period.

With regard to videogame licensing royalties, which represent the Group's main source of revenues, the actual value of revenues depends on the sales volume reported by the distributor during a given period. In light of this, revenues from sales of a specific product will be recognized over time once the distributor obtains all materials required in order to commence distribution. Consequently, no changes in the Group's accounting practices are necessary compared to IAS 18 (previously applied by the Group).

Revenues from sales of virtual goods via microtransactions

In the Group's view, IFRS 15 may affect recognition of revenues from sales of virtual goods in the framework of online F2P games with optional microtransactions, including GWENT: The Witcher Card Game. This conclusion indicates the need to conduct an analysis (mandated by IFRS 15) whether such products and services concerned are delivered to customers over time or at a specific point in time.

As a rule, virtual goods offered in videogames are divided into two categories: durable virtual goods (where the user gains the right to use an item indefinitely and the item is not consumed during use) and consumable virtual goods. With regard to the former category, revenues are recognized over time, based on in-game statistics (such as the usage period of a given item), while for the latter category, revenues are recognized either at the moment of use or in proportion to the amount of goods consumed.

With regard to revenues from sales of virtual currencies, the Group will recognize them at the moment the currency is consumed by the user.

In light of the above the Group has conducted an analysis of the structure of virtual goods sold, their corresponding usage statistics and the turnover of the game's virtual currency (meteorite dust). It was concluded that application of IFRS 15 does not produce a material change in the reported financial data. Consequently, the Board of the parent entity has opted not to recognize revenues from sales of virtual goods over time.

During the assessment of the impact of the new standard on the Group's financial statement it was determined that IFRS 15 does not materially alter the recognition of revenues by the Group given the existing mechanics and usage statistics of GWENT. It should, however, be noted that GWENT is a fairly new product and therefore the aforementioned assessment may change in the future.

Should the Group determine that, as a result of changes in game mechanics, recognition of revenues from microtransactions over time has become necessary, the corresponding values will be aggregated with deferred revenues.

Principal compensation vs. agent compensation in the GOG.com segment

In line with the new standard, when delivery of goods or services to the client involves a third party, it is necessary to determine whether the vendor's obligation is to ensure that certain goods or services are provisioned (in which case the vendor is the principal) or to subcontract delivery of goods or services to another party (in which case the vendor is an agent).

The vendor is the principal to the transaction if it exerts controls over the specified goods or services prior to their delivery to the client. A principal vendor may itself discharge the delivery promise and recognize gross revenues to which it is entitled in exchange for delivery of goods or services.

The vendor is an agent if its obligation is discharged by ensuring that the goods or services are delivered by another party. An agent vendor recognizes its revenues as any fees or royalties to which – in its own view – it will be entitled in exchange for facilitating delivery of goods or services by a third party.

The above considerations may have an effect only on those revenues which the Group obtains in its GOG.com segment in association with distribution of licenses obtained from third parties. In this activity segment the Group concludes contracts with end users in its own name and on its own account, on the basis of distribution licenses for the electronic content which is distributed to end users. The Group also directly maintains and distributes the electronic content in question (i.e. game files). This indicates that the nature of the Group's promise to the customer is to deliver specific goods or services and not to subcontract such delivery to a third party (i.e. the Group is the principal and not an agent).

Additional arguments which support the view that the Group acts as the principal and not an agent are as follows:

- corporate liability under the appropriate customer protection legislation;
- undertaking credit risk with regard to the payments owed by customers;
- pledge to provide technical support and liability for product defects;
- implementation of reward systems (such as store credit granted to customers) for which the Group is solely liable.

Sales with a right of return

According to IFRS 15 a sale with a right of return occurs when the vendor offers the customer a right of return of the purchased product. In line with the new standard, the right of return does not constitute a separate liability; however, potential returns may result in variable revenues since actual sales revenues will now depend on future events (i.e. returns).

The standard stipulates that the entity should avoid recognizing revenues for goods which, in its estimates, are going to be returned. In order to provide this estimate, the entity may apply either of two methods provided for by the standard:

- the expected value method,
- the most likely outcome method.

When estimating the value of returns the entity should acknowledge all available information, both historical and forward-looking. In light of the expected returns and the corresponding partial loss of revenues, the entity should recognize liabilities in correspondence with the appropriate reduction of revenues in its profit and loss account. In addition, the entity should recognize an asset which reflects the recovery of products or goods returned by clients. The value of this asset corresponds to the cost of creation or purchase of the relevant products of goods less any applicable recovery costs. Such assets are aggregated with inventories, in correspondence with the appropriate reduction in selling costs in the profit and loss account.

In its GOG.com segment the Group has instituted a returns policy under which any customer is entitled to return any games within 30 days of purchase in case of technical issues or errors which cannot be otherwise resolved and which prevent the customer from completing the game. The Group performs an assessment of the value of returns by applying the most likely outcome method, applying historical data to compute the expected average quantity of returns during a given period. If the value of actual returns is greater or lower than the expected average value, the Group does not adjust its selling costs or the corresponding cost of goods and materials sold.

In addition, the Group recognizes the obligation to return games in cases of unlawful activity or irregularities in the payment process. In such cases, the volume of returns is estimated on the basis of reports submitted by entities which process electronic payments on behalf of the Group. Such entities log reports which initiate returns, and present the Group with summaries of contested payments whose final status is verified within 90 days.

The Group had initially planned to aggregate the effects of initial application of IFRS 15 in its opening balance of retained earnings reported in previous years; however, given the fact that the assets and liabilities associated with returns calculated for 1 January 2018 in accordance with the new rules are not materially different from allowances already reported in the Group's financial statement for 31 December 2017, the Group has instead decided to forgo adjusting its opening balance of retained earnings in association with applying IFRS 15 for the first time.

Advance payments from clients

The Group obtains short-term advance payments from its clients. Prior to introduction of IFRS 15 such advance payments were reported as deferred revenues in the statement of financial position, and did not correspond to any cost item.

Following introduction of IFRS 15 the recognition of short-term advance payments follows the simplified procedure provided for by the new standard. With regard to such advance payments the Group will continue to forgo identifying the corresponding cost items as long as it expects that – at the moment the relevant agreement is concluded – the period between the collection of payment for the product or service and the actual delivery of said product of service to the client will not exceed 1 year.

Requirements related to presentation and disclosure of information

IFRS 15 introduces new requirements related to presentation and disclosure of information. In meeting these requirements the Group has decided to provide additional disclosures related to (see Note 1):

- own and external products,
- main distribution channels: physical and digital distribution,
- clients' countries of residence.

- **Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

Changes concern application of the new standard (*IFRS 9 Financial Instruments*) prior to implementation of a new standard concerning insurance contract which is currently under development. In order to mitigate temporal variations in financial reporting associated with implementation of IFRS 9, changes in IFRS 4 specify that two approaches are permissible: the overlay approach and the deferral approach. These changes complement options which existing standards already provide. They have no impact on the accounting practices in force at the Group or on its financial data.

- **Amendments to IFRS 2 – Share-based Payment**

Amendments clarify the classification and measurement of share-based cash-settled payment transactions and the effects of changes to an equity-settled share-based payment. They have no significant impact on the accounting practices in force at the Group or on its financial data.

- **Amendments to IFRS (2014-2016) adopted during the annual IFRS improvements cycle**

Amendments to *IFRS 1 First-time Adoption of IFRS* concern deletion of short-term exemptions provided for under §E3–E7 IFRS 1 since these exemptions were applicable to past reporting periods and have now served their purpose. Additional amendments have also been introduced in *IAS 28 Investments in Associates and Joint Ventures*, clarifying that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. These amendments have no significant impact on the accounting practices in force at the Group or on its financial data.

- **Amendments to IAS 40 Investment Property: Transfers of investment property**

The amendment provides clarifications and guidance on transfers to, or from, investment properties. In line with the amended standard, such a transfer should only be made only when there is evidence of a change in the use of the property. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. These amendments have no significant impact on the accounting practices in force at the Group or on its financial data.

- **IFRIC 22 Foreign currency transactions and advance considerations**

The IFRIC 22 interpretation concerns the exchange rate to be applied to foreign currency transactions which involve receipt or payment of advance consideration prior to recognition of the related asset, expense or income. This interpretation cannot be applied if the relevant asset, expense or income was initially estimated at fair value. This interpretation has no significant impact on the accounting practices in force at the Group or on its financial data.

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

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

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

  In January 2016 the International Accounting Standards Board published *IFRS 16 Leases*, which superseded *IAS 17 Leases*, IFRS 16 sets forth rules concerning assessment, presentation and disclosure of lease agreements. The major change is to introduce a uniform model for lessee accounting, forgoing the distinction between financial and operating lease agreements. Under the new regulation all agreements which meet the definition of a lease agreement or which include aspects of such are to be treated in accordance with the erstwhile financial lease model. Accordingly, the new standard will contribute to an increase in the value of non-financial assets and other financial liabilities in the statement of financial position, and to a decrease in operating expenditures along with an increase in financial expenditures in the profit and loss account. Regarding the statement of cash flows, a decrease in operating outflows and an increase in financial outflows can be expected.

  In 2018 the Group carried out a comprehensive analysis of the effects of introducing IFRS 16 upon the accounting practices in force at the Group with regard to its activities and financial results. It was concluded that the new standard will most significantly affect the presentation of fixed-term office space lease agreements, which, due to their economic content, had previously been classified as operating lease agreements in accordance with IAS 17. As a consequence, the Group had not previously recognized assets covered by these agreements in its financial statement. In 2019 these agreements will be treated as financial and subject to a uniform model of lessee accounting, requiring the Group to recognize its right to use the lease office space as an asset, along with liabilities which reflect the corresponding lease payments.

  On the day of initial application of IFRS 16 the Group intends to apply a retrospective approach to office space lease agreements scheduled to end later than 12 months after the aforementioned initial application date, recognizing the aggregate effect of applying the new standard on the initial application date without converting the relevant comparative data. The aggregate effect of applying the new standard will be recognized as an adjustment in the balance of retained earnings. Current projections indicate that application of the new standard will result in recognition of lease liabilities equivalent to the current balance of other lease agreements adjusted by the lessee's marginal interest rate on the date of initial application, yielding a total of 15 132 PLN, along with recognition of an equivalent asset which reflects the Group's right to use the leased office space.

  With regard to lease agreements scheduled to end earlier than 12 months following the initial application date of IFRS 16, the Group intends to apply the practical expedient foreseen in section C10 item c) of the standard. According to this regulation, a lessee may elect not to apply the previously specified requirements to leases for which the lease term ends within 12 months of the date of initial application. Consequently, the Group shall account for those leases in the same way as short-term leases, recognizing the cost associated with those leases throughout the duration of the lease agreement. In addition, the Group will disclose such costs as short-term lease costs in the annual reporting period that includes the date of initial application.

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

  With regard to other contracts not classified as either operating or financial lease agreements under IAS 17, the Group intends to apply another practical expedient foreseen in section C3 of the interim regulations of IFRS 16. According to this regulation, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the entity is permitted not to apply IFRS 16 to contracts that were not previously identified as containing a lease. Consequently, the Group will apply the new standard only to agreements concluded (or amended) on the date of initial application of IFRS 16 or thereafter.

  The approach adopted by the Group is justified by the fact that very few agreements to which the Group is a party might be regarded as containing a lease under IFRS 16 where no such designation would apply under IAS 17. Consequently, the effect of the above changes on the accounting practices in force at the Group or on its financial result may be regarded as negligible.

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

  The amendments concern recognition of long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. In line with the amended regulation, such interests should be recognized in accordance with the new IFRS 9 standard, particularly as concerns impairment.

  The Group does not expect these amendments to have a significant impact upon its accounting practices or financial result.

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

  The interpretation clarifies the recognition and measurement procedures specified in *IAS 12 Income Taxes* when there are uncertainties in the amount of income tax payable (recoverable). An uncertainty over income tax treatment emerges when there is doubt whether the applied treatment will be accepted by taxation authorities. If the entity regards such uncertainties as significant, they should be reflected in the tax disclosures for the period to which the treatment applies, e.g. by recognizing an additional tax liability or applying a higher tax rate. Measurement of such uncertainties should be based either on the most likely amount or the expected value of the tax treatment.

The Group does not expect this interpretation to have a significant impact upon its accounting practices or financial result.

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

  These amendments concern the accounting of prepayable financial assets with the so-called negative compensation. Such assets should be measured at amortized cost or fair value through other comprehensive income instead of at fair value through or loss.

  The Group does not expect these amendments to have a significant impact upon its accounting practices or financial result.

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

  These amendments affect amendment, curtailment or settlement of certain plans by specifying that it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

  The Group does not expect these amendments to have a significant impact upon its accounting practices or financial result.

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

  These amendments concern four standards: ***IAS 12*** *Income taxes* with regard to recognizing the income tax consequences of dividends, ***IAS 23*** *Borrowing costs* with regard to modified assets readied for intended use or sale, ***IFRS 3*** *Business combinations* with regard to acquisition of control of a business that is a joint operation, and ***IFRS 11*** *Joint arrangements* with regard to lack of control of a participant over a joint arrangement.

  The Group does not expect these amendments to have a significant impact upon its accounting practices or financial result.

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

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

- Amendments to **IAS 1** and **IAS 8** *Definition of 'material'* – applicable to reporting periods beginning on or after 1 January 2020,
- Amendments to **IFRS 3** *Business combinations* – applicable to reporting periods beginning on or after 1 January 2020,
- Amendments to references to the **Conceptual Framework in IFRS Standards** – applicable to reporting periods beginning on or after 1 January 2020,
- Amendments to **IFRS 10** *Consolidated financial statements* and **IAS 28** *Investments in associates and joint ventures* – effective date not set,
- **IFRS 14** *Regulatory deferral accounts* – applicable to annual reporting periods beginning on or after 1 January 2016. The European Commission has decided to withhold approval of this temporary standard for use in the UE until the final version of the standard is published,
- **IFRS 17** *Insurance Contracts* - applicable to reporting periods beginning on or after 1 January 2021.

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

Description of applicable accounting practices

Operating revenues and expenses

Revenues are defined as the gross receipts on any economic benefits from the reported period resulting from (ordinary) economic activities of the 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 to the client. The transaction price is defined as the remuneration which the company expects to receive in return for transfer of the pledged goods or services, less the applicable value added tax.

In accordance with the principle of matching revenues and expenses, expenses associated with consumption of materials, goods and finished products are reported in the same period as their corresponding sales revenues.

Further information regarding recognition of revenues can be found contained in Section 2, “Clarifications regarding the separate financial statement – Standards and interpretations applied for the first time” elsewhere in this financial statement.

Financial revenues and expenses

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

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

State subsidies

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

Current and deferred income tax

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

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

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

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

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

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

Value added tax

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

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

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

Fixed assets

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

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

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

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

Assets held under financial lease agreements are depreciated throughout their useful economic life in the same way as proprietary assets.

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

Intangibles – expenditures on development projects

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

Other intangibles

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

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

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

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

Goodwill

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

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

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

Business combinations under common control

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

Impairment of non-financial assets

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

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

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

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

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

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

Investment properties

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

Investment properties are estimated using the purchase cost method.

Perpetual usufruct of land

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

Perpetual usufruct purchased from third parties is recognized as a distinct asset estimated at purchase price. Following initial recognition, such assets are deprecated in proportion to the remaining duration of the usufruct.

Perpetual usufruct acquired under an agreement for letting land for usufruct, concluded with the State Treasury, local authorities, or combinations thereof, is recognized as a distinct asset estimated as the surplus of the initial payment over the corresponding annual payment. Following initial recognition, such assets are deprecated in proportion to the remaining duration of the usufruct.

Lease agreements

Lease agreements are considered to be financial in nature if the agreement transfers the totality of potential benefits and risks associated with the lease to the lessee. All other forms of lease agreements are considered operating.

Assets utilized on the basis of financial lease agreements are considered to belong to a Group member company and are accounted by their fair value on the date of acquisition. The reported value cannot, however, exceed the current minimum total of lease payments. The lease agreement establishes a liability due to the lessor, which is aggregated with Other financial liabilities in the Group's financial statement. Lease payments are divided into capital and interest payments in such a way that the interest rate for the remaining portion of the liability remains fixed. Financial costs are reported in the profit and loss account. In the context of operating lease agreements, payments are allocated to costs throughout the duration of lease using the straight-line method.

Investments in affiliates

Investments in affiliates are accounted on their effective date and at cost. Assessment of such investments for a given balance sheet date is performed on the basis of initial cost minus the write-down associated with any permanent impairment of assets.

Financial assets

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

- assets classified at amortized cost,
- assets classified at fair value reported in other comprehensive income (FVOCI),
- assets classified at fair value through profit and loss,
- financial hedges.

Each financial asset is assigned to one of the above categories on initial recognition. This assignment may change only if the associated business model changes. Assets are recognized at the moment the Group becomes a party to a binding agreement.

Further information regarding financial assets can be found contained in Section 2, "Clarifications regarding the consolidated financial statement – Standards and interpretations applied for the first time" elsewhere in this financial statement.

Financial liabilities

A financial liability is defined as any liability which:

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

On initial recognition Group member companies classify each of their financial liabilities as:

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

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

Inventories

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

Trade and other receivables

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

Accrued and deferred charges

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

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

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

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

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

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

Cash and other monetary assets

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

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

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

Assets held for sale and discontinued operations

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

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

Equity

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

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

Supplementary capital is derived from:

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

Provisions for liabilities

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

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

Bank credits and loans

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

Trade and other liabilities

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

Licenses

The value of licenses purchased by the Group is recognized as Prepaid expenses on the basis of invoices, and increased by the uninvoiced portion of minimum guarantees arising under the relevant contracts. These expenses are then recognized as costs in proportion to realized sales, with any amount exceeding the previously reported prepaid expenses reclassified as Trade liabilities.

Borrowing costs

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

Dividend payments

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

Functional currency and presentation currency

Functional currency and presentation currency

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

Transactions and balances

Transactions denominated in foreign currencies are converted to the functional currency according to the exchange rate on the date of the transaction. Exchange rate losses and gains on settlement of transactions and on valuation of assets and liabilities denominated in foreign currencies are reported in the profit and loss statement unless deferred in the equity capital as cash flow hedges and hedges of net investments.

Important values based on professional judgment and estimates

Professional judgment

In applying accounting practices (policies) to the issues listed below, a key aspect – in addition to accounting estimates – is the professional judgment of the parent Company's management.

Classification of lease agreements

Group member companies classify lease agreements as either operating or financial based on their assessment of the degree to which the risk and benefits from possessing the leased asset accrue to the lessee as opposed to the lessor. This assessment is based on the commercial substance of each agreement.

Uncertainty of estimates

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

Asset impairment

Goodwill and trademark impairment tests require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of the CD PROJEKT brand name, The Witcher trademark and of goodwill was conducted on 31 December 2018 and did not indicate impairment of any of those assets. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2018 No circumstances were identified which would suggest impairment of these assets.

Valuation of provisions

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

Deferred tax assets

Group member companies recognize deferred tax assets by anticipating future taxable revenues which may require recognition of such assets. A decrease in future economic performance might render such assumptions invalid.

Deferred tax provisions

Group member companies recognize deferred income tax provisions by anticipating future tax liabilities arising from positive temporary differences, enabling the given provision to be consumed.

Fair value of financial instruments

Financial instruments for which there is no active market are estimated using the appropriate valuation methods. In selecting the suitable methods and assumptions Group member companies apply their professional judgment.

Depreciation rates

Depreciation rates are determined on the basis of the expected useful economic life of tangible equity assets and intangible assets. Group member companies perform annual validation of the assumed useful economic life of its assets, based on current estimates.

Comparability of financial statements and changes in accounting policies

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 Capital Group for 2017, 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 2018 includes changes in the presentation of certain financial data. In order to ensure comparability of financial data, adjustments were also introduced with respect to reference data for the period between 1 January and 31 December 2017 as well as reference data for 31 December 2017. The following adjustments were made:

- In the profit and loss account for the period between 1 January and 31 December 2017 the presentation of revenues from revaluation of financial instruments was adjusted as follows:
  - (Impairment)/reversal of impairment of financial instruments – adjusted by 1 021 thousand PLN
  - Other operating revenues – adjusted by (1 038) thousand PLN
  - Other operating expenses – adjusted by (17) thousand PLN

These changes have no impact on the financial result or equity.

- In the statement of cash flows for the period between 1 January and 31 December 2017 the presentation of capital contributions to a subsidiary company was adjusted as follows:
  - Capital contributions at subsidiary (financial activities) – adjusted by (452) thousand PLN
  - Capital contributions at subsidiary (investment activities) – adjusted by 452 thousand PLN
- In the statement of cash flows for the period between 1 January and 31 December 2017 the presentation of advance payments for investment properties was adjusted as follows:
  - Advance payments for investment properties (investment activities) – adjusted by 940 thousand PLN
  - Changes in receivables (operating activities) – adjusted by 940 thousand PLN
- In the statement of cash flows for the period between 1 January and 31 December 2017 the presentation of liabilities associated with purchases of fixed assets was adjusted as follows:
  - Purchases of fixed assets and intangibles (investment activities) – adjusted by 457 thousand PLN
  - Changes in liabilities except credits and loans (operating activities) – adjusted by 457 thousand PLN
- In the statement of financial position for 31 December 2017 the presentation of development expenditures was adjusted as follows:
  - Intangibles – adjusted by (644) thousand PLN
  - Expenditures on development projects – adjusted by 644 thousand PLN

These changes have no impact on the financial result or equity.

Supplementary information –activity segments of the CD PROJEKT Capital Group

3

Activity segments

Presentation of results by activity segment

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

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

No changes in the differentiation of activity segments or in the assessment of per-segment profit or loss have been introduced by the Group compared to the financial statement for the period ending on 31 December 2017.

Disclosure of activity segments

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

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2017 – 31.12.2017				
Sales revenues	**330 304**	**169 550**	**(36 670)**	**463 184**
sales to external clients	293 634	169 550	-	463 184
sales between segments	36 670	-	(36 670)	-
Segment profit/(loss)	**184 272**	**15 998**	**-**	**200 270**

(all figures quoted in PLN thousands unless stated otherwise)

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

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

(all figures quoted in PLN thousands unless stated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2017 and 31.12.2017*

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**330 304**	**169 550**	**(36 670)**	**463 184**
Revenues from sales of products	319 481	13 469	13 891	346 841
Revenues from sales of services	4 237	-	(4 139)	98
Revenues from sales of goods and materials	6 586	156 081	(46 422)	116 245
Cost of products, goods and materials sold	**13 715**	**107 297**	**(38 838)**	**82 174**
Cost of products and services sold	7 312	268	(6 307)	1 273
Cost of goods and materials sold	6 403	107 029	(32 531)	80 901
Gross profit (loss) from sales	**316 589**	**62 253**	**2 168**	**381 010**
Other operating revenues	5 026	759	(1 178)	4 607
Selling costs	70 032	38 310	2 331	110 673
General and administrative costs	26 483	5 908	(163)	32 228
Other operating expenses	3 586	389	(1 178)	2 797
(Impairment) / reversal of impairment of financial instruments	1 034	(13)	-	1 021
Operating profit (loss)	**222 548**	**18 392**	**-**	**240 940**
Financial revenues	10 762	136	(42)	10 856
Financial expenses	4 069	364	(42)	4 391
Profit (loss) before taxation	**229 241**	**18 164**	**-**	**247 405**
Income tax	44 969	2 166	-	47 135
Net profit (loss)	**184 272**	**15 998**	**-**	**200 270**
Net profit (loss) attributable to equity holders of the parent entity	184 272	15 998	-	200 270

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

Segmented consolidated statement of financial position as of 31.12.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**375 012**	**29 520**	**(16 223)**	**388 309**
Tangible assets	16 867	2 374	-	19 241
Intangible assets	49 413	797	-	50 210
Expenditures on development projects	218 753	24 066	(3)	242 816
Investment properties	9 553	-	-	9 553
Perpetual usufruct of land	3 478	-	-	3 478
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	16 220	-	(16 220)	-
Shares in subsidiaries not subject to consolidation	3 683	-	-	3 683
Deferred income tax assets	37	2 283	-	2 320
Other long-term receivables	570	-	-	570
WORKING ASSETS	**677 133**	**91 017**	**(29 621)**	**738 529**
Inventories	258	-	-	258
Fixed assets held for sale	49	-	-	49
Trade receivables	31 714	6 607	(1 313)	37 008
Current income tax receivables	1 525	86	-	1 611
Other receivables	45 764	1 775	(28 308)	19 231
Prepaid expenses	1 272	20 230	-	21 502
Cash and cash equivalents	41 559	62 319	-	103 878
Bank deposits (maturity beyond 3 months)	554 992	-	-	554 992
TOTAL ASSETS	**1 052 145**	**120 537**	**(45 844)**	**1 126 838**

(all figures quoted in PLN thousands unless stated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
EQUITY	**978 340**	**40 747**	**(16 223)**	**1 002 864**
Equity attributable to shareholders of the parent company	**978 340**	**40 747**	**(16 223)**	**1 002 864**
Share capital	96 120	136	(136)	96 120
Supplementary capital	739 798	5 441	(5 515)	739 724
Other reserve capital	26 145	2 531	(2 531)	26 145
Exchange rate differences on valuation of foreign entities	63	(65)	1 014	1 012
Retained earnings	6 907	32 674	(9 052)	30 529
Net profit (loss) for the reporting period	109 307	30	(3)	109 334
Noncontrolling interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**6 648**	**43**	**-**	**6 691**
Other financial liabilities	163	-	-	163
Deferred revenues	6 301	37	-	6 338
Provisions for employee benefits and similar liabilities	184	6	-	190
SHORT-TERM LIABILITIES	**67 157**	**79 747**	**(29 621)**	**117 283**
Other financial liabilities	246	-	-	246
Trade liabilities	9 995	41 179	(1 260)	49 914
Other liabilities	34 960	33 736	(28 308)	40 388
Deferred revenues	187	3 382	-	3 569
Provisions for retirement benefits and similar liabilities	2	-	-	2
Other provisions	21 767	1 450	(53)	23 164
TOTAL EQUITY AND LIABILITIES	**1 052 145**	**120 537**	**(45 844)**	**1 126 838**

(all figures quoted in PLN thousands unless stated otherwise)

Segmented consolidated statement of financial position as of 31.12.2017*

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**258 617**	**13 150**	**(16 232)**	**255 535**
Tangible assets	16 022	2 810	-	18 832
Intangible assets	44 741	1 468	-	46 209
Expenditures on development projects	135 210	7 920	-	143 130
Goodwill	46 417	-	-	46 417
Investments in subsidiaries	15 280	-	(15 280)	-
Shares in subsidiaries not subject to consolidation	452	-	-	452
Deferred income tax assets	-	952	(952)	-
Other long-term receivables	495	-	-	495
WORKING ASSETS	**660 328**	**72 668**	**(7 018)**	**725 978**
Inventories	323	-	-	323
Trade receivables	37 253	10 208	(1 200)	46 261
Other receivables	22 278	1 122	(5 818)	17 582
Prepaid expenses	934	13 362	-	14 296
Cash and cash equivalents	19 011	47 976	-	66 987
Bank deposits (maturity beyond 3 months)	580 529	-	-	580 529
TOTAL ASSETS	**918 945**	**85 818**	**(23 250)**	**981 513**

(all figures quoted in PLN thousands unless stated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
EQUITY	**858 547**	**39 632**	**(15 280)**	**882 899**
Equity attributable to shareholders of the parent company	**858 547**	**39 632**	**(15 280)**	**882 899**
Share capital	96 120	136	(136)	96 120
Supplementary capital	550 780	3 227	(4 672)	549 335
Other reserve capital	15 212	1 592	(1 592)	15 212
Exchange rate differences on valuation of foreign entities	(581)	(315)	1 014	118
Retained earnings	12 744	18 994	(9 894)	21 844
Net profit (loss) for the reporting period	184 272	15 998	-	200 270
Noncontrolling interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**5 039**	**43**	**(952)**	**4 130**
Other financial liabilities	148	-	-	148
Deferred income tax liabilities	2 830	-	(952)	1 878
Deferred revenues	1 983	40	-	2 023
Provisions for employee benefits and similar liabilities	78	3	-	81
SHORT-TERM LIABILITIES	**55 359**	**46 143**	**(7 018)**	**94 484**
Other financial liabilities	190	-	-	190
Trade liabilities	9 256	29 469	(1 351)	37 374
Liabilities from current income tax	2 227	1 230	-	3 457
Other liabilities	2 058	10 379	(5 667)	6 770
Deferred revenues	587	2 465	-	3 052
Provisions for retirement benefits and similar liabilities	1	-	-	1
Other provisions	41 040	2 600	-	43 640
TOTAL EQUITY AND LIABILITIES	**918 945**	**85 818**	**(23 250)**	**981 513**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

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

4

Note 1. Sales revenues

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

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017*
Sales revenues	**362 901**	**463 184**
Revenues from sales of products	235 919	346 841
Revenues from sales of services	108	98
Revenues from sales of goods and materials	126 874	116 245
Other revenues	**13 251**	**15 463**
Other operating revenues	2 480	4 607
Financial revenues	10 771	10 856
Total	**376 152**	**478 647**

** adjusted data*

Sales revenues by territory

	01.01.2018 – 31.12.2018		01.01.2017 – 31.12.2017	
	PLN	%	PLN	%
Domestic sales	16 077	4.43%	24 443	5.28%
Exports, including:	**346 824**	**95.57%**	**438 741**	**94.72%**
Europe	105 541	29.08%	121 392	26.21%
North America	199 587	54.99%	247 659	53.46%
South America	2 712	0.75%	14 952	3.23%
Asia	30 942	8.53%	41 859	9.04%
Australia	7 186	1.98%	11 894	2.57%
Africa	856	0.24%	985	0.21%
Total	**362 901**	**100.00%**	**463 184**	**100.00%**

Sales revenues by product type

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Own products	235 919	346 841
External products	126 874	116 245
Other revenues	108	98
Total	**362 901**	**463 184**

Sales revenues by distribution channel

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Videogames – box editions	22 978	55 833
Videogames – digital editions	335 878	403 399
Other revenues	4 045	3 952
Total	**362 901**	**463 184**

(all figures quoted in PLN thousands unless stated otherwise)

Note 2. Operating expenses

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Depreciation of fixed assets, intangibles and development expenditures	4 768	4 906
Consumption of materials and energy	1 568	1 419
Bought-in services	74 351	60 982
Taxes and fees	693	606
Employee compensation, social security and other benefits	59 189	72 198
Business travel	2 867	1 910
Use of company cars	159	156
Value of goods and materials sold	93 562	80 901
Cost of products and services sold	12 692	1 273
Other expenses	190	724
Total	**250 039**	**225 075**
Selling costs	107 183	110 673
General and administrative costs	36 602	32 228
Cost of products, goods and materials sold	106 254	82 174
Total	**250 039**	**225 075**

Note 3. Other operating revenues and expenses

Other operating revenues

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017*
Dissolution of provisions for employee benefits	-	1 234
Dissolution of unused provisions for expenses	14	72
Subsidies	618	1 024
Writeoffs of expired receivables	-	34
Reinvoicing revenues	680	534
Profit from disposal of fixed assets	19	50
Withholding tax recovered at source	-	431
Dissolution of other provisions	98	21
Cost adjustments applicable to prior years	-	472
Repossession gains received	29	36
Compensation for damages received	18	120
Fixed assets and goods received free of charge	117	41
Current assets surplus	-	10
Disclosure of fixed assets	26	-
Other sales	817	457
Other miscellaneous operating revenues	44	71
Total operating revenues	**2 480**	**4 607**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

Other operating expenses

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017*
Expenses associated with receivable enforcement proceedings	4	92
Disposal of fixed assets	26	-
Donations	51	14
Reinvoicing expenses	680	537
Receivables written off	-	38
Fixed assets written off	251	743
Unrecoverable withholding tax	18	136
insurance costs	1	2
Disposal of materials and goods	76	28
Stocktaking shortages settlement	6	13
Writeoffs of unrecoverable receivables	12	-
VAT writeoffs	246	-
Loss from revaluation of own shares	96	-
Expenses associated with other sales	1 040	1 077
Other taxes and payments	549	-
Other miscellaneous expenses	78	117
Total operating expenses	**3 134**	**2 797**

** adjusted data*

Note 4. Financial revenues and expenses

Financial revenues

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Revenues from interest	**10 728**	**10 433**
on short-term bank deposits	10 719	10 425
on trade settlements	9	8
Other financial revenues	**43**	**423**
surplus positive exchange rate differences	36	-
forward currency transactions	-	41
profit from sales of shares	-	374
other miscellaneous financial revenues	7	8
Total financial revenues	**10 771**	**10 856**

Financial expenses

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Interest payments	**130**	**88**
on lease agreements	13	12
on budget commitments	117	76
Other financial expenses	**-**	**4 303**
surplus negative interest rate differences	-	4 303
Total financial expenses	**130**	**4 391**
Net balance of financial activities	**10 641**	**6 465**

(all figures quoted in PLN thousands unless stated otherwise)

Note 5. Current and deferred income tax

The principal components of the tax burden for the years ending on 31 December 2018 and 31 December 2017 respectively are as follows:

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Current income tax	**17 897**	**52 455**
For the fiscal year	17 355	52 514
Adjustments from preceding years	542	(59)
Deferred income tax	**(4 198)**	**(5 320)**
Due to creation and reversal of temporary differences	(4 198)	(5 320)
Tax burden reported in profit and loss account	**13 699**	**47 135**

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

Current income tax

	Income obtained from other sources	Income obtained from capital investments	Income obtained from other sources and capital investments
	01.01.2018 - 31.12.2018		01.01.2017 - 31.12.2017*
Pre-tax income	**122 751**	**282**	**247 405**
Revenues increasing the tax base	13 872	-	4 355
Revenues applicable to future reporting periods	4 221	-	31 501
Tax-exempt revenues	(9 375)	-	(5 529)
Expenses reducing the tax base	(54 001)	-	(45 632)
Non-deductible expenses	24 439	-	49 982
Taxable income	**101 907**	**282**	**282 082**
Deductions from income – losses	-	-	(1 047)
Deductions from income – donations	(6)	-	(2)
Deductions from income – R&D fiscal relief	(12 853)	-	(69)
Tax base	**89 048**	**282**	**280 964**
Income tax due (assumed rate: 19%)	17 242	54	53 383
Differences between tax rates applicable to foreign entities	**59**	**-**	**(869)**
Cyprus (12.5%)	-	-	(1 023)
USA (15.0%)	59	-	154
Total income tax due	**17 301**	**54**	**52 514**
Effective tax rate	**11.16%**	**19.15%**	**19.05%**

** adjusted data*

Current income tax is estimated by applying a tax rate of 19% to the reported tax base.

(all figures quoted in PLN thousands unless stated otherwise)

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2017	increases	reductions	31.12.2018
Provisions for other employee benefits	101	184	71	214
Provisions for compensation dependent on financial result	42 998	14 356	42 998	14 356
Tax loss	1 047	1 713	-	2 760
Negative exchange rate differences	935	1 785	2 704	16
Compensation and social security expenses payable in future reporting periods	3	8	5	6
Deferments associated with virtual wallet contributions and benefits programs	2 386	4 415	3 437	3 364
Other provisions	519	6 202	4 697	2 024
R&D fiscal relief	-	52 532	-	52 532
Other changes	-	32	32	-
Total negative temporary differences	**47 989**	**81 227**	**53 944**	**75 272**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets	**9 118**	**15 433**	**10 249**	**14 302**

Positive temporary differences requiring recognition of deferred tax liabilities

	31.12.2017	increases	reductions	31.12.2018
Difference between balance sheet value and tax value of fixed assets and intangibles	21 571	6 024	5 771	21 824
Income in the current period invoiced in the following period	34 950	88 101	92 258	30 793
Positive exchange rate differences	953	3 139	3 821	271
Difference between balance sheet value and tax value of R&D expenditures	-	16 172	6 488	9 684
Other sources	399	350	259	490
Total negative temporary differences	**57 873**	**113 786**	**108 597**	**63 062**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax liabilities	**10 996**	**21 619**	**20 633**	**11 982**

Net balance of deferred tax assets/liabilities

	31.12.2018	31.12.2017
Deferred tax assets	14 302	9 118
Deferred tax liabilities	11 982	10 996
Net deferred tax assets/(liabilities)	**2 320**	**(1 878)**

(all figures quoted in PLN thousands unless stated otherwise)

Note 6. Discontinued operations

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

Note 7. Earnings per share

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

During the 12-month period ending on 31 December 2018, as well as during the preceding 12-month period ending on 31 December 2017 dilutive instruments comprised entitlements issued under the incentive program and permitting certain parties to claim shares of the parent Company. Information regarding the quantity of entitlements issued is provided in Note 42.

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

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Average weighted number of shares for the purpose of calculating base earnings per share (units)	96 120 000	96 120 000
Average weighted number of shares for the purpose of calculating diluted earnings per share (units)	100 550 808	99 561 288
Net profit / (loss) for the purpose of calculating diluted earnings per share	109 334	200 270
Base net earnings per share (PLN)	**1.14**	**2.08**
Diluted net earnings per share (PLN)	**1.09**	**2.01**

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

No dividends were paid out or collected by Group member companies between 1 January and 31 December 2018.

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

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Net profit (loss)	**109 334**	**200 270**
Exchange rate differences on valuation of foreign entities	100	(3 800)
Total comprehensive income	**109 434**	**196 470**
Total comprehensive income attributable to minority interests	**-**	**-**
Total comprehensive income attributable to equity holders of parent entity	**109 434**	**196 470**

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

Not applicable.

(all figures quoted in PLN thousands unless stated otherwise)

Note 11. Fixed assets

Ownership structure of fixed assets

	31.12.2018	31.12.2017*
Wholly owned	18 343	18 311
Held under a hire purchase, hire or similar contract, including lease contracts	898	521
Total	**19 241**	**18 832**

** adjusted data*

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

	31.12.2018	31.12.2017
Held under a financial lease contract	898	521
Fixed assets subsidized by the EU	-	1 397
Value of fixed assets whose title is restricted and fixed assets pledged as collateral for liabilities	**898**	**1 918**

** adjusted data*

Contractual commitments for future acquisition of fixed assets

	31.12.2018	31.12.2017
Leasing of passenger cars	409	736
Total	**409**	**736**

(all figures quoted in PLN thousands unless stated otherwise)

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

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

(all figures quoted in PLN thousands unless stated otherwise)

Changes in fixed assets (by category) between 01.01.2017 and 31.12.2017

	Investments in third party buildings	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2017	**6 559**	**16 062**	**1 537**	**1 134**	**1 860**	**27 152**
Increases from:	**6 682**	**4 652**	**625**	**794**	**3 564**	**16 317**
purchases	1 631	4 484	-	471	3 564	10 150
lease agreements	-	-	625	-	-	625
reclassification from fixed assets under construction	4 421	53	-	313	-	4 787
other reclassification	630	80	-	10	-	720
acquisition free of charge	-	35	-	-	-	35
Reductions from:	**49**	**186**	**126**	**733**	**4 787**	**5 881**
sales	5	15	126	-	-	146
disposal	-	13	-	-	-	13
reclassification from fixed assets under construction	-	-	-	-	4 787	4 787
other reclassification	-	63	-	657	-	720
other	44	95	-	76	-	215
Gross carrying amount as of 31.12.2017	**13 192**	**20 528**	**2 036**	**1 195**	**637**	**37 588**
Depreciation as of 01.01.2017	**2 153**	**9 285**	**771**	**520**	**-**	**12 729**
Increases from:	**1 387**	**4 343**	**379**	**444**	**-**	**6 553**
depreciation	1 186	4 285	379	434	-	6 284
reclassification	201	58	-	10	-	269
Reductions from:	**23**	**146**	**115**	**242**	**-**	**526**
sales	1	15	115	-	-	131
disposal	-	13	-	-	-	13
reclassification	-	58	-	211	-	269
other	22	60	-	31	-	113
Depreciation as of 31.12.2017	**3 517**	**13 482**	**1 035**	**722**	**-**	**18 756**
Impairment allowances as of 01.01.2017	-	-	-	-	-	-
Impairment allowances as of 31.12.2017	-	-	-	-	-	-
Net carrying amount as of 01.01.2017	**4 406**	**6 777**	**766**	**614**	**1 860**	**14 423**
Net carrying amount as of 31.12.2017	**9 675**	**7 046**	**1 001**	**473**	**637**	**18 832**

(all figures quoted in PLN thousands unless stated otherwise)

Fixed assets under construction

	01.01.2018	Expenditures in fiscal year	Expenditure settlements	31.12.2018
Adaptation of office and social space	479	563	869	173
Redevelopment of parking lot	140	-	140	-
Project Green – improving workplace conditions	-	397	-	397
Other	18	96	26	88
Total	**637**	**1 056**	**1 035**	**658**

	01.01.2017	Expenditures in fiscal year	Expenditure settlements	31.12.2017
Adaptation of office and social space	1 611	3 246	4 378	479
Construction of motion capture studio	229	127	356	-
Redevelopment of parking lot	-	140	-	140
Other	20	51	53	18
Total	**1 860**	**3 564**	**4 787**	**637**

Fixed assets held under lease agreements

	31.12.2018			31.12.2017		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Vehicles	1 173	275	898	973	238	735
Total	**1173**	**275**	**898**	**973**	**238**	**735**

(all figures quoted in PLN thousands unless stated otherwise)

Note 12. Intangibles and expenditures on development projects

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

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

(all figures quoted in PLN thousands unless stated otherwise)

Changes in intangibles and expenditures on development projects between 01.01.2017 and 31.12.2017*

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Other	Total
Gross carrying amount as of 01.01.2017	**62 011**	**162 155**	**32 199**	**1 590**	**6 530**	**22 185**	**46 417**	**51**	**1**	**333 139**
Increases from:	**81 885**	**667**	**-**	**59**	**-**	**3 290**	**-**	**36**	**-**	**85 937**
purchases	-	-	-	59	-	3 259	-	36	-	3 354
reclassification from intangible assets under construction	-	-	-	-	-	31	-	-	-	31
reclassification from development projects in progress	-	667	-	-	-	-	-	-	-	667
own creation	81 885	-	-	-	-	-	-	-	-	81 885
Reductions from:	**1 410**	**-**	**-**	**3**	**-**	**1 177**	**-**	**33**	**-**	**2 623**
disposal	743	-	-	-	-	-	-	-	-	743
reclassification from intangibles under construction	-	-	-	-	-	-	-	31	-	31
reclassification from development projects in progress	667	-	-	-	-	-	-	-	-	667
other	-	-	-	3	-	1 177	-	2	-	1 182
Gross carrying amount as of 31.12.2017	**142 486**	**162 822**	**32 199**	**1 646**	**6 530**	**24 298**	**46 417**	**54**	**1**	**416 453**
Depreciation as of 01.01.2017	**-**	**162 155**	**-**	**533**	**-**	**14 910**	**-**	**-**	**1**	**177 599**
Increases from:	**-**	**23**	**-**	**231**	**-**	**3 728**	**-**	**-**	**-**	**3 982**
depreciation	-	23	-	222	-	3 728	-	-	-	3 973
other	-	-	-	9	-	-	-	-	-	9
Reductions from:	**-**	**-**	**-**	**-**	**-**	**884**	**-**	**-**	**-**	**884**
other	-	-	-	-	-	884	-	-	-	884
Depreciation as of 31.12.2017	**-**	**162 178**	**-**	**764**	**-**	**17 754**	**-**	**-**	**1**	**180 697**
Impairment allowances as of 01.01.2017	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2017	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2017	**62 011**	**-**	**32 199**	**1 057**	**6 530**	**7 275**	**46 417**	**51**	**-**	**155 540**
Net carrying amount as of 31.12.2017	**142 486**	**644**	**32 199**	**882**	**6 530**	**6 544**	**46 417**	**54**	**-**	**235 756**

** adjusted data*

(all figures quoted in PLN thousands unless stated otherwise)

Ownership structure of intangible assets

	31.12.2018	31.12.2017
Wholly owned	50 210	46 209
Total	**50 210**	**46 209**

Intangible assets under construction

	01.01.2018	Expenditures in fiscal year	Expenditure settlements	31.12.2018
Financial analytics system	36	472	-	508
Speech animation system	-	180	-	180
Game licenses, GOG	18	-	-	18
Total	**54**	**652**	**-**	**706**

	01.01.2017	Expenditures in fiscal year	Expenditure settlements	31.12.2017
Financial analytics system	-	36	-	36
Game licenses, GOG	51	-	33	18
Total	**51**	**36**	**33**	**54**

Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

Note 13. Goodwill

Goodwill acquired in business combinations and acquisition of enterprises

	CD Projekt Red sp. z o.o.	Strange New Things (enterprise)	**Total**
Gross goodwill as of 01.01.2018	**46 417**	**-**	**46 417**
Increases from:	**-**	**10 021**	**10 021**
acquisition of enterprise	-	10 021	10 021
Net goodwill as of 31.12.2018	**46 417**	**10 021**	**56 438**
Impairment allowances as of 01.01.2018	**-**	**-**	**-**
Impairment allowances as of 31.12.2018	**-**	**-**	**-**
Net carrying amount as of 01.01.2018	**46 417**	**-**	**46 417**
Net carrying amount as of 31.12.2018	**46 417**	**10 021**	**56 438**
Deductible goodwill for the purposes of calculating income tax	**-**	**10 021**	**10 021**

The fair-value payment remitted by the parent Company in exchange for the acquired enterprise was 10 181 thousand PLN. Of this amount 7 226 thousand PLN was settled in cash while 2 955 thousand PLN was settled in parent Company stock (21 105 shares).

(all figures quoted in PLN thousands unless stated otherwise)

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

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

Goodwill impairment tests require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of the goodwill was conducted on 31 December 2018 and did not indicate impairment.

Note 14. Investment properties

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

	31.12.2018	31.12.2017
Investment property in Warsaw at Jagiellońska 76	9 553	-
Activated costs related to the property	-	-
Total	**9 553**	**-**

Contractual commitments for acquisition of investment properties

	31.12.2018	31.12.2017
Purchase of investment property in Warsaw at Jagiellońska 76	10 952	-
Total	**10 952**	**-**

Note 15. Perpetual usufruct of land

Value and area of land subject to perpetual usufruct as of 31.12.2018

	Value of land as of 31.12.2018	Value of land as of 31.12.2017
Perpetual usufruct of land in Warsaw at Jagiellońska 76 (2 913 m^2)	3 478	-
Total	**3 478**	**-**

Note 16. Investments and shares in subsidiaries excluded from consolidation

Investments in subsidiaries held at purchase price

	31.12.2018	31.12.2017
Shares of affiliates (subsidiaries)	3 683	452
Total	**3 683**	**452**

Changes in investments in subsidiaries

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
At beginning of period	**452**	**-**
Increases from:	**3 231**	**452**
incorporation of affiliates	2 500	452
capital contributions mandated by the incentive program	731	-
Reductions	**-**	**-**
At end of period	**3 683**	**452**

Investments in subsidiaries as of 31.12.2018

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

** This company was incorporated on 14 January 2019. Further information can be found in the Management Board report on CD PROJEKT Capital Group and CD PROJEKT S.A. activities for the period between 1 January and 31 December 2018, in the section devoted to events occurring after the balance sheet date.*

Investments in subsidiaries as of 31.12.2017

	CD PROJEKT Co., Ltd.
Registered office	Shanghai
Percentage of shares held as of 31.12.2017	100%
Percentage of votes controlled as of 31.12.2017	100%
Capital investment	452

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

Note 17. Other long-term receivables

	31.12.2018	31.12.2017
Other receivables – office space rental deposit	570	495
Total	**570**	**495**

(all figures quoted in PLN thousands unless stated otherwise)

Note 18. Inventories

	31.12.2018	31.12.2017
Goods	249	300
Other materials	9	23
Gross inventories	**258**	**323**
Inventory impairment allowances	-	-
Net inventories	**258**	**323**

The “Other materials” line item comprises components (intermediates) of box editions of videogames as well as marketing materials.

Changes in inventory revaluation allowances

None reported.

Inventories pledged as collateral for liabilities

Not applicable.

Note 19. Fixed assets held for sale

	31.12.2018	31.12.2017
Passenger car	49	-
Total	**49**	**-**

Within the 12-month period following the balance sheet date the Group intends to sell one of its passenger cars. The vehicle is currently being offered for sale. In the parent Company Board’s opinion the fair value of this vehicle, calculated on the basis of the current market prices of similar vehicles discounted by selling costs, is greater than its carrying amount.

Note 20. Construction contracts

Not applicable.

Note 21. Trade receivables

	31.12.2018	31.12.2017
Net trade receivables	**37 008**	**46 261**
from affiliates	28	27
from external entities	36 980	46 234
Impairment allowances	180	2 349
Gross trade receivables	**37 188**	**48 610**

(all figures quoted in PLN thousands unless stated otherwise)

Changes in impairment allowances on trade receivables

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
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	**2 349**	**3 479**
Increases, including:	**3**	**17**
recognition of impairment allowances on past-due and contested receivables	3	17
Reductions, including:	**2 172**	**1 147**
elimination of impairment allowances due to collection of receivables	187	1 038
elimination of impairment allowances by write-offs	1 985	109
Impairment allowances at end of period	**180**	**2 349**
Aggregate impairment allowances at end of period	**180**	**2 349**

Current and overdue trade receivables as of 31.12.2018

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	28	17	11	-	-	-	-
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	-	-	-	-	-	-	-
total expected credit loss	-	-	-	-	-	-	-
Net receivables	**28**	**17**	**11**	**-**	**-**	**-**	**-**

(all figures quoted in PLN thousands unless stated otherwise)

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	37 160	36 711	52	85	91	41	180
non-fulfillment ratio		0%	0%	0%	0%	0%	6%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	180	-	-	-	-	-	180
total expected credit loss	180	-	-	-	-	-	180
Net receivables	**36 980**	**36 711**	**52**	**85**	**91**	**41**	**-**
Total							
gross receivables	37 188	36 728	63	85	91	41	180
impairment allowances	180	-	-	-	-	-	180
Net receivables	**37 008**	**36 728**	**63**	**85**	**91**	**41**	**-**

Current and overdue trade receivables as of 31.12.2017

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	27	2	12	13	-	-	-
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	**27**	**2**	**12**	**13**	**-**	**-**	**-**

(all figures quoted in PLN thousands unless stated otherwise)

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	48 583	45 540	652	-	27	18	2 346
non-fulfillment ratio		0%	0%	0.20%	2.18%	12.77%	6.37%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	2 349	-	3	-	-	-	2 346
total expected credit loss	2 349	-	3	-	-	-	2 346
Net receivables	**46 234**	**45 540**	**649**	**-**	**27**	**18**	**-**
Total							
gross receivables	48 610	45 542	664	13	27	18	2 346
impairment allowances	2 349	-	3	-	-	-	2 346
Net receivables	**46 261**	**45 542**	**661**	**13**	**27**	**18**	**-**

Trade receivables by currency

	31.12.2018		31.12.2017	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	30 123	30 123*	34 374	34 374*
USD	925	3 479	2 034	7 082
EUR	447	1 923	536	2 235
GBP	59	282	106	498
RUB	3 534	191	8 185	494
JPY	-	-	15 429	477
BRL	146	141	176	185
SEK	266	112	418	177
AUD	105	279	63	172
CAD	68	188	60	166
CNY	238	130	290	155
DKK	104	60	166	93
CHF	16	60	22	79
NOK	92	40	175	74
Total		**37 008**		**46 261**

** 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 stated otherwise)

CD PROJEKT

Note 22. Other receivables

	31.12.2018	31.12.2017
Other receivables, including:	**19 231**	**17 582**
tax returns except corporate income tax	15 311*	14 205
advance payments for supplies	1 085	2 195
deposits	480	125
employee compensation settlements	29	52
prepayments associated with licensing roayalties	620	51
prepayments associated with purchases of investment properties	1 667	940
others	39	14
Impairment allowances	**732**	**732**
Total other gross receivables	**19 963**	**18 314**

** This line item also aggregates withholding tax levied at source, in the amount of 9 191 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.*

	31.12.2018	31.12.2017
Other receivables, including:	**19 231**	**17 582**
from affiliates	3	18
from other entities	19 228	17 564
Impairment allowances	**732**	**732**
Other gross receivables	**19 963**	**18 314**

Other receivables subject to court proceedings

	31.12.2018	31.12.2017
Other receivables subject to court proceedings	732	732
Impairment allowances on contested receivables	732	732
Net other receivables subject to court proceedings	**-**	**-**

Other receivables by currency

	31.12.2018		31.12.2017	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	18 380	18 380*	17 373	17 373*
USD	175	671	38	136
CHF	8	31	8	31
EUR	20	84	6	23
JPY	18 585	65	584	19
Total		**19 231**		**17 582**

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

(all figures quoted in PLN thousands unless stated otherwise)

Trade and other receivables from affiliates

	31.12.2018	31.12.2017
Gross receivables from affiliates	**31**	**45**
trade receivables	28	27
other receivables	3	18
Impairment allowances	**-**	**-**
Net receivables from affiliates	**31**	**45**

Note 23. Prepaid expenses

	31.12.2018	31.12.2017*
Non-life insurance	117	122
Minimum guarantees and advance payments at GOG	19 670	12 714
Access to online legal support portal	6	12
Software, licenses	890	736
Business travel (airfare, accommodation, insurance)	113	60
IT security costs	282	415
Other prepaid expenses	424	237
Total prepaid expenses	**21 502**	**14 296**

** adjusted data*

Note 24. Cash and cash equivalents

	31.12.2018	31.12.2017
Cash on hand and bank deposits:	**9 202**	**16 633**
current bank accounts	9 202	16 633
Other monetary assets:	**94 676**	**50 354**
overnight deposits	3 226	148
short-term bank deposits (maturity up to 3 months)	91 450	50 206
Total	**103 878**	**66 987**

Restricted cash

Not applicable.

(all figures quoted in PLN thousands unless stated otherwise)

Note 25. Share capital

Share capital structure as of 31.12.2018

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

The share capital structure did not undergo changes compared to 31 December 2017.

Changes in share capital

Not applicable.

Note 26. Own shares

On 18 May 2018 an agreement was concluded under which CD PROJEKT S.A. acquired the Strange New Things (SNT) development studio based in Wrocław. The takeover of SNT proceeded by way of acquisition of an enterprise from Strange New Things sp z o.o. sp. k. In compliance with the relevant authorization granted by the General Meeting of CD PROJEKT S.A. of 8 May 2018, part of this transaction was settled in Company stock (21 105 shares) previously bought back on the open market. These shares were turned over to former partners of Strange New Things sp. z o.o. sp. k. and subjected to temporary lock-up.

Note 27. Other capital contributions

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Reserve capital	739 724	549 335
Other supplementary capital	549	-
Other reserve capital – incentive program	25 596	15 212
Total	**765 869**	**564 547**

(all figures quoted in PLN thousands unless stated otherwise)

Changes in other capital contributions

	Reserve capital	Supplementary capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2018	**549 335**	**-**	**-**	**15 212**	**564 547**
Rectification of errors	(6 729)	-	-	-	(6 729)
Adjusted capital	**542 606**	**-**	**-**	**15 212**	**557 818**
Increases from:	**203 159**	**3 600**	**3 051**	**10 384**	**220 194**
allocation of net profit / coverage of losses	200 108	-	-	-	200 108
capital contributions mandated by the incentive program	-	-	-	10 384	10 384
creation of supplementary capital for purchase of own shares	-	3 600	-	-	3 600
purchase of own shares	-	-	3 051	-	3 051
transfer of own shares as partial payment for purchase of an enterprise	3 051	-	-	-	3 051
Reductions from:	**6 041**	**3 051**	**3 051**	**-**	**12 143**
allocation of net profit / coverage of losses	2 441	-	-	-	2 441
creation of supplementary capital for purchase of own shares	3 600	-	-	-	3 600
purchase of own shares	-	3 051	-	-	3 051
transfer of own shares as partial payment for purchase of an enterprise	-	-	3 051	-	3 051
As of 31.12.2018	**739 724**	**549**	**-**	**25 596**	**765 869**

	Reserve capital	Supplementary capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2017	**403 001**	**-**	**-**	**4 795**	**407 796**
Increases from:	**146 334**	**-**	**-**	**10 417**	**156 751**
allocation of net profit / coverage of losses	146 334	-	-	-	146 334
capital contributions mandated by the incentive program	-	-	-	10 417	10 417
Reductions	**-**	**-**	**-**	**-**	**-**
As of 31.12.2017	**549 335**	**-**	**-**	**15 212**	**564 547**

Note 28. Retained earnings

	31.12.2018	31.12.2017
Retained earnings from preceding years	30 529	21 844
Total	**30 529**	**21 844**

(all figures quoted in PLN thousands unless stated otherwise)

Changes in retained earnings

	31.12.2018	31.12.2017
At beginning of period	**21 844**	**18 590**
Rectification of errors	**6 082**	**-**
Adjusted retained earnings	**27 926**	**18 590**
Increases from:	**202 711**	**250 514**
coverage of losses incurred in preceding years, from reserve capital	2 441	-
allocation of financial result from preceding years	200 270	250 514
Reductions from:	**200 108**	**247 260**
dividend payments	-	100 926
reclassification as reserve capital	200 108	146 334
At end of period	**30 529**	**21 844**

Note 29. Minority interest capital

None reported.

Note 30. Credits and loans

None reported.

Note 31. Other financial liabilities

	31.12.2018	31.12.2017
Lease liabilities	**409**	**338**
short-term (1 to 5 years)	163	148
long-term	246	190

Note 32. Other long-term liabilities

Not applicable.

Note 33. Trade liabilities

	31.12.2018	31.12.2017
Trade liabilities:	**49 914**	**37 374**
payable to affiliates	625	662
payable to external entities	49 289	36 712

Current and overdue trade liabilities

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

(all figures quoted in PLN thousands unless stated otherwise)

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2017	**37 374**	**34 950**	**2 390**	**22**	**-**	**-**	**12**
payable to affiliates	662	662	-	-	-	-	-
payable to external entities	36 712	34 288	2 390	22	-	-	12

Trade liabilities by currency

	31.12.2018		31.12.2017	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	12 010	45 099	8 805	30 653
PLN	2 167	2 167	2 674	2 674
EUR	435	1 869	624	2 604
CNY	1 141	625	2 237	1 196
GBP	3	17	26	121
JPY	3 503	120	3 556	110
BRL	11	11	15	16
CAD	2	6	-	-
Total		**49 914**		**37 374**

Note 34. Other liabilities

	31.12.2018	31.12.2017
Liabilities from other taxes, duties, social security payments and others, except corporation tax	**6 822**	**6 114**
Value added tax	5 186	4 508
Flat-rate withholding tax	17	159
Personal income tax	1 019	937
Social security (ZUS) payments	571	471
National Disabled Persons Rehabilitation Fund (PFRON) payments	26	22
PIT-8A settlements	3	17
Other liabilities	**33 566**	**656**
Employee remuneration	-	409
Other employee-related liabilities	9	2
Other liabilities payable to Capital Group company executives	30	6
Liabilities associated with purchase of investment properties	10 952	-
Other liabilities, incl. Internal Social Benefits Fund (ZFŚS)	(31)	(17)
Advance payments received from foreign clients	22 606	256
Total other liabilities	**40 388**	**6 770**

Current and overdue other short-term liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2018	**40 388**	**40 356**	**32**	**-**	**-**	**-**	**-**
payable to affiliates	30	2	28	-	-	-	-
payable to external entities	40 358	40 354	4	-	-	-	-

(all figures quoted in PLN thousands unless stated otherwise)

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2017	**6 770**	**6 767**	**3**	**-**	**-**	**-**	**-**
payable to affiliates	7	5	2	-	-	-	-
payable to external entities	6 763	6 762	1	-	-	-	-

Other short-term liabilities by currency

	31.12.2018		31.12.2017	
	currency units	PLN equivalent	currency units	PLN equivalent
EUR	3 674	15 773	581	2 450
PLN	12 721	12 721	1 946	1 946
USD	2 844	10 683	420	1 495
GBP	110	533	84	403
SEK	490	204	362	155
AUD	62	166	32	87
DKK	207	119	152	86
RUB	874	50	1 132	69
NOK	224	100	117	50
CHF	9	36	7	26
CNY	4	2	5	3
BRL	1	1	-	-
Total		**40 388**		**6 770**

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

	31.12.2018	31.12.2017
Cash assets	134	49
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	101	32
Balance	**33**	**17**
Internal Social Benefits Fund (ZFŚS) deductions in the financial year	**304**	**258**

Note 36. Contingent liabilities

Contingent liabilities from operating lease agreements

Not applicable.

Promissory note liabilities from loans received

Not applicable.

(all figures quoted in PLN thousands unless stated otherwise)

Contingent liabilities due to guarantees and sureties pledged

	Pledged in association with	Currency	31.12.2018	31.12.2017
mBank S.A.				
Declaration of submission to enforcement	Collateral for debit card agreement	PLN	920	920
Promissory note agreement	Collateral for framework agreement concerning forward and derivative transactions	PLN	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)				
Contract of guarantee	Guarantee of discharge of liabilities by GOG sp. z o.o.	EUR	155	155
Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)				
Promissory note agreement	Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2	PLN	-	798
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	1 234	1 234
Bank BGŻ BNP Paribas S.A. (formerly Raiffeisen Bank Polska S.A.)				
Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	-	25 000
Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)				
Promissory note agreement	Lease agreement no. CZ5/00019/2016	PLN	-	320
Promissory note agreement	Lease agreement no. CZ5/00013/2017	PLN	115	403
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	50	175

(all figures quoted in PLN thousands unless stated otherwise)

Promissory note agreement	Lease agreement no. CR1/01390/2018	PLN	299	-
Santander Bank Polska S.A. (formerly BZ WBK S.A.)				
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	6 500

Note 37. Short- and long-term financial lease liabilities

	31.12.2018		31.12.2017	
	Minimum payments	Payments outstanding	Minimum payments	Payments outstanding
Due within 1 year	258	246	197	190
Due between 1 and 5 years	165	163	149	148
Total minimum lease payments	**423**	**409**	**346**	**338**
Future interest	10	-	8	-
Current minimum value of lease payments, including:	**413**	**409**	**338**	**338**
short-term payments	250	246	190	190
long-term payments	163	163	148	148

Assets subject to financial leasing as of 31.12.2018

	Vehicles	Total
Passenger cars	409	409
Net value of leased assets	**409**	**409**

(all figures quoted in PLN thousands unless stated otherwise)

Financial lease agreements as of 31.12.2018

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
Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)	CZ5/00013/2017	436	436	PLN	2019-03-20	103	Lessee is entitled to buy out the leased asset – the contractual net residual value is 74 thousand PLN
Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)	CZ5/00036/2017	189	189	PLN	2019-03-20	45	Lessee is entitled to buy out the leased asset – the contractual net residual value is 32 thousand PLN
Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)	CR1/01390/2018	547	547	PLN	2020-08-25	266	Lessee is entitled to buy out the leased asset – the contractual net residual value is 93 thousand PLN
Total		**1 172**	**1 172**			**414**	

(all figures quoted in PLN thousands unless stated otherwise)

Note 38. Deferred revenues

	31.12.2018	31.12.2017
Dotacje	**6 510**	**2 603**
Construction of data processing and communications center of the CD PROJEKT Group	13	31
Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange	291	457
Cross Platform SDK (GameINN)	35	36
Animation Excellence (GameINN)	1 542	323
City Creation (GameINN)	2 969	967
Seamless Multiplayer (GameINN)	501	215
Cinematic Feel (GameINN)	1 159	176
Promised Land	-	398
Future period revenues	**3 397**	**2 472**
Future period sales	11	64
Official phone rental	18	9
Other	3 368	2 399
Total, including:	**9 907**	**5 075**
long-term deferrals	6 338	2 023
short-term deferrals	3 569	3 052

Note 39. Provisions for employee benefits and similar liabilities

	31.12.2018	31.12.2017
Provisions for retirement benefits and pensions	192	82
Total, including:	**192**	**82**
long-term provisions	190	81
short-term provisions	2	1

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

	31.12.2018	31.12.2017
Discount rate (%)	2.73	3.25
Projected inflation rate (%)	2.73	3.25
Employee turnover rate (%) – adjusted for age (CD PROJEKT S.A.)	8.4% at age 32	8.2% at age 31
Employee turnover rate (%) – adjusted for age (GOG sp. z o.o.)	21.4% at age 30	17% at age 30
Projected annual rate of salary growth (%)	5%	2.5%
Mortality rates published by the Central Statistical Office (year of estimation)	2017	2016
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 Group employees, based on the Multiple Decrement paradigm. The model was calibrated using historical data supplied by Group member companies. Based on publicly available statistical data and the actuary's own analysis, the mobility coefficient was assumed to decrease with age. The valuation model is highly sensitive to changes in mobility coefficients and should therefore be subject to frequent verifications and updates.

(all figures quoted in PLN thousands unless stated otherwise)

Changes in provisions for employee benefits and similar liabilities

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

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2017	**58**	**293**	**351**
Provisions created	24	-	24
Benefits paid out	-	219	219
Provisions dissolved	-	74	74
As of 31.12.2017, including:	**82**	**-**	**82**
long-term provisions	81	-	81
short-term provisions	1	-	1

Note 40. Other provisions

	31.12.2018	31.12.2017
Provisions for warranty-covered repairs and returns	**15**	**62**
Provisions for liabilities, including:	**23 149**	**43 578**
provisions for financial statement audit and review expenses	100	40
provisions for bought-in services	457	163
provisions for compensation contingent upon the Group's financial result, and other compensation	21 246	42 998
provisions for other expenses	1 346	377
Total, including:	**23 164**	**43 640**
long-term provisions	-	-
short-term provisions	23 164	43 640

Changes in other provisions

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

(all figures quoted in PLN thousands unless stated otherwise)

	Provisions for warranty-covered repairs and returns	Provisions for compensation contingent upon the Group's financial result	Other provisions	Total
As of 01.01.2017	**21**	**43 906**	**1 104**	**45 031**
Provisions created during fiscal year	62	42 998	2 035	45 095
Provisions used	21	42 678	2 555	45 254
Provisions dissolved	-	1 228	4	1 232
As of 31.12.2017, including:	**62**	**42 998**	**580**	**43 640**
long-term provisions	-	-	-	-
short-term provisions	62	42 998	580	43 640

Note 41. Disclosure of financial instruments

Fair value of financial instruments per class

Following an analysis of each class of financial instruments held by the parent Company the Management Board has reached the conclusion that their carrying amounts in all cases reflect their corresponding fair value, both as of 31 December 2018 and as of 31 December 2017.

Financial assets – classification and estimation

	31.12.2018	31.12.2017
Financial assets estimated at amortized cost	**696 448**	**694 272**
Other long-term receivables	570	495
Trade receivables	37 008	46 261
Cash and cash equivalents	103 878	66 987
Bank deposits (maturity beyond 3 months)	554 992	580 529
Capital market instruments estimated at purchase price	**3 683**	**452**
Shares in subsidiaries excluded from consolidation	3 683	452
Total financial assets	**700 131**	**694 724**

Financial liabilities – classification and estimation

	31.12.2018	31.12.2017
Financial liabilities estimated at amortized cost	**50 323**	**37 712**
Trade liabilities	49 914	37 374
Other financial liabilities	409	338

(all figures quoted in PLN thousands unless stated otherwise)

Profits and losses from financial assets and liabilities

01.01.2018 - 31.12.2018	Financial assets held at amortized cost				Financial assets held at purchase price	Financial liabilities held at amortized cost		Total
	Other receivables	Trade receivables	Other financial assets	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Capital market instruments	Trade liabilities	Other financial liabilities	
Revenues/(expenses) from interest	-	9	-	10 719	-	-	(13)	**10 715**
Creation of impairment allowances	-	(3)	-	-	-	-	-	**(3)**
Dissolution of impairment allowances	-	187	-	-	-	-	-	**187**
Profit/(loss) from sale of financial instruments	-	-	7	-	-	-	-	**7**
Total profit / (loss)	**-**	**193**	**7**	**10 719**	**-**	**-**	**(13)**	**10 906**

01.01.2017 - 31.12.2017	Financial assets held at amortized cost				Financial assets held at purchase price	Financial liabilities held at amortized cost		Total
	Other receivables	Trade receivables	Other financial assets	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Capital market instruments	Trade liabilities	Other financial liabilities	
Revenues/(expenses) from interest	-	8	-	10 425	-	-	(12)	**10 421**
Revenues from shares held	-	-	-	-	374	-	-	**374**
Creation of impairment allowances	(4)	(13)	-	-	-	-	-	**(17)**
Dissolution of impairment allowances	-	1 038	-	-	-	-	-	**1 038**
Profit/(loss) from sale of financial instruments	-	-	8	-	-	-	-	**8**
Forward contract valuation	-	-	41	-	-	-	-	**41**
Total profit / (loss)	**(4)**	**1 033**	**49**	**10 425**	**374**	**-**	**(12)**	**11 865**

(all figures quoted in PLN thousands unless stated otherwise)

Note 42. Equity management

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

The Group actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the parent Company 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 2018 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 43. Employee share programs

2016-2021 incentive program

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

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

As of the balance sheet date, a total of 5 625 000 entitlements have been granted under the incentive program. This corresponds to a conditional increase in the parent Company share capital by not more than 6 000 thousand PLN, representing 6.24% of the current share capital of the parent Company.

Incentive program estimation – assumed indicators

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

Grant date

In 2018 the parent Company issued grants of eligibility in a single batch. The fair value of assigned entitlements was calculated on the corresponding grant date using modern financial engineering methods and numerical algorithms 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.

(all figures quoted in PLN thousands unless stated otherwise)

Stock volume on grant date

As of 31 December 2018 the parent Company stock volume was 96 120 000 shares.

Status of the program

As of 31 December 2018 the 2016-2021 incentive program remains in force.

Changes in entitlements granted under the 2016-2021 incentive program

	01.01.2018-31.12.2018		01.01.2017-31.12.2017	
	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	5 790 000	-	5 690 000	-
Granted	10 000	25.70 or 22.35	220 000	25.70 or 22.35
Forfeited	175 000	25.70 or 22.35	120 000	25.70 or 22.35
Unexercised at end of period	6 000 000	25.70 or 22.35	6 000 000	25.70 or 22.35
Granted but unexercised at end of period	5 625 000	25.70 or 22.35	5 790 000	25.70 or 22.35

Note 44. Transactions with affiliates

Conditions governing transactions with affiliates

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

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

Given that entities comprising the CD PROJEKT Capital Group fulfill the Corporate Income Tax Act provisions regarding transfer prices, they are obligated to submit the relevant tax forms.

(all figures quoted in PLN thousands unless stated otherwise)

Transactions with affiliates following consolidation eliminations

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
SUBSIDIARIES								
CD PROJEKT Co., Ltd	29	36	4 141	2 738	-	25	625	663
Spokko sp. z o.o.	747	-	-	-	28	-	-	-
GROUP MEMBER COMPANY MANAGEMENT								
Marcin Iwiński	9	7	-	-	-	7	2	1
Adam Kiciński	3	5	-	-	-	1	28	1
Piotr Nielubowicz	5	5	-	-	-	-	-	-
Michał Nowakowski	10	12	-	-	3	7	-	-
Adam Badowski	2	2	-	-	-	3	-	-
Piotr Karwowski	-	2	-	-	-	2	-	-
Oleg Klapovskiy	1	-	-	-	-	-	-	4
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarc	-	-	-	5	-	-	-	-

(all figures quoted in PLN thousands unless stated otherwise)

Note 45. Mergers and changes in the structure of the CD PROJEKT Capital Group

Mergers between subsidiaries

Not applicable.

Incorporation of a new subsidiary

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

Note 46. Compensation of top management and Supervisory Board members

Benefits paid out to Management Board members at Capital Group member companies

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Base salaries	1 335	2 162
Compensation for duties performed	2 555	2 509
Bonuses and compensation contingent upon the Company's financial result for the previous year	25 194	29 798
Total	**29 084**	**34 469**

Benefits paid out to other top executives at the Capital Group

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Base salaries	2 611	2 743
Compensation for duties performed	322	94
Bonuses and compensation contingent upon the Group's financial result	1 540	740
Total	**4 473**	**3 577**

Benefits paid out to Supervisory Board members

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Compensation for duties performed	335	288
Total	**335**	**288**

Note 47. Employment

Average employment

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Average employment	263	226
Total	**263**	**226**

(all figures quoted in PLN thousands unless stated otherwise)

Employment turnover

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Employees hired	73	65
Employees dismissed	44	33
Total	**29**	**32**

Note 48. Operating lease agreements

The Group has concluded office space lease agreements which, in light of their substance, qualify as operating lease agreements. The Group does not report assets covered by these agreements in its financial statement. As of 31 December 2018 and 31 December 2017 future minimum payments associated with irrevocable operating lease agreements are as follows:

	31.12.2018	31.12.2017*
less than 1 year	6 464	4 971
between 1 and 5 years	7 114	9 527
more than 5 years	842	-
Total	**14 420**	**14 498**

** adjusted data*

Note 49. Activated borrowing costs

Not applicable.

Note 50. Disclosure of seasonal, cyclical or sporadic revenues

Not applicable.

Note 51. Fiscal settlements

Fiscal settlements and other areas of activity governed by legal regulations (such as import duties or currency exchange) may be subject to audits by administrative bodies authorized to impose high penalties and sanctions. The lack of entrenched legal regulations in Poland leads to numerous ambiguities and inconsistencies in this regard. Interpretation of existing tax law frequently varies from state organ to state organ as well as between state organs and business entities, giving rise to areas of uncertainty and conflict. These conditions elevate tax risks in Poland beyond the level encountered in states with more developed fiscal systems.

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

On 15 July 2016 the Tax Code was amended to reflect the stipulations of the General Anti-Avoidance Rule (GAAR). The goal of GAAR is to discourage creation and exploitation of fictitious legal structures which serve primarily as a means of avoiding taxation. GAAR is applicable to transactions carried out following its introduction as well as to preceding transactions, if such transactions continued to generate tax benefits on the date of introduction of GAAR. Implementation of the abovementioned rules enables Polish tax authorities to question legal agreements concluded by taxable entities, such as restructuring and reorganization of the Capital Group, as well as – in certain instances – refuse to issue binding interpretations securing fiscal settlements.

R&D tax relief and Research and Development Center status

Following fulfillment of the criteria specified in Art. 17 of the Act of 30 May 2008 on certain forms of support for innovative activities (unified text: Journal of Laws 2018, item 141, as amended), The Minister of Entrepreneurship and Technology conferred upon CD PROJEKT S.A. the status of a Research and Development Center (decision no. 4/CBR/18 issued on 19 June 2018). This status enables CD PROJEKT S.A. to make broader use of R&D tax relief as specified in the Corporate Income Tax Act of 15 February 1992 (unified text: JL 2018, item 1036, as amended).

(all figures quoted in PLN thousands unless stated otherwise)

Note 52. Events following the balance sheet date

A description of events occurring after the balance sheet date can be found in the Management Board Report on CD PROJEKT Capital Group activities for the period between 1 January and 31 December 2018. None of the events listed therein have an impact on this financial statement.

Note 53. Disclosure of transactions with entities contracted to perform audits of financial statements

Compensation paid out or payable during the fiscal year	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
for auditing annual financial statements and the consolidated financial statement	100	173
for reviewing financial statements and the consolidated financial statement	50	61
Total	**150**	**234**

Note 54. Clarifications regarding the cash flow statement

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017*
Cash and cash equivalents reported in cash flow statement	**103 878**	**66 987**
Cash on balance sheet	**103 878**	**66 987**
Depreciation:	**4 768**	**4 906**
Depreciation of intangibles	1 460	2 408
Depreciation of expenditures on development projects	237	18
Depreciation of fixed assets	3 071	2 480
Interest and share in profits (dividends) consist of:	**(10 706)**	**(10 425)**
Interest received	(10 719)	(10 425)
Interest on lease agreements	13	-
Profit (loss) from investment activities results from:	**545**	**906**
Revenues from sales of fixed assets	(222)	(65)
Net value of fixed assets sold	211	15
Net value of fixed assets disposed of	25	-
Net value of intangibles disposed of	1	-
Net value of shares sold	-	195
Fixed assets received free of charge	(117)	(35)
Revaluation of short-term financial assets	-	53
Fixed assets written off	251	743
Losses from revaluation of own shares	96	-
Expenses associated with purchase of investment properties	61	-
Disclosure of fixed assets and intangibles	(26)	-
Additional costs related to the acquisition of an enterprise and aggregated with general and administrative expenses	273	-
Settlement of expired lease agreements	(8)	-
Changes in provisions result from:	**(27 312)**	**(1 660)**
Balance of changes in provisions for liabilities	(20 476)	(1 391)
Balance of changes in provisions for employee benefits	110	(269)
Provisions for compensation contingent upon the Group's financial result aggregated with expenses on development projects	(6 946)	-
Changes in inventory status result from:	**65**	**78**
Balance of changes in inventory status	65	78

(all figures quoted in PLN thousands unless stated otherwise)

Changes in receivables result from:	**8 310**	**28 911**
Balance of changes in short-term receivables	5 993	28 091
Balance of changes in long-term receivables	(75)	(8)
Advance payment for investment properties	727	940
Income tax set against withholding tax	11 264	14 353
Current income tax adjustments	(9 651)	(14 465)
Receivables taken over in the acquisition of an enterprise	44	-
Receivables associated with withdrawal from a fixed asset purchase agreement	8	-
Changes in short-term liabilities except financial liabilities result from:	**37 668**	**6 890**
Balance of changes in short-term liabilities	42 757	6 233
Current income tax adjustments	3 429	395
Changes in financial liabilities	(56)	(127)
Adjustments for changes in liabilities attributable to deferred revenues	251	-
Adjustments for changes in liabilities due to purchase of fixed assets	36	136
Adjustments for changes in liabilities due to purchase of intangibles	267	253
Adjustment for liabilities related to purchase of investment properties	(9 015)	-
Liabilities taken over in the acquisition of an enterprise	(1)	-
Changes in other assets and liabilities result from:	**(2 351)**	**1 695**
Balance of changes in prepaid expenses	(7 206)	428
Balance of changes in deferred revenues	4 832	1 267
Prepaid expenses taken over in the acquisition of an enterprise	23	-
Other adjustments include:	**9 746**	**7 112**
Cost of incentive program	9 654	10 417
Depreciation aggregated with selling cost and consortium settlements	21	88
Exchange rate differences	71	(3 393)

** adjusted data*

Note 55. Cash flows and other changes resulting from financial activities

	01.01.2018	Cash flows	Other (non-cash) changes		31.12.2018
			Acquisition of leased assets	Interest charged	
Lease liabilities	338	(706)	764	13	409
Total	**338**	**(706)**	**764**	**13**	**409**

	01.01.2017	Cash flows	Other (non-cash) changes		31.12.2017
			Acquisition of leased assets	Interest charged	
Lease liabilities	139	(427)	626	-	338
Total	**139**	**(427)**	**626**	**-**	**338**

(all figures quoted in PLN thousands unless stated 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 Capital Group and that they constitute a true, unbiased and clear description of the finances and assets of the Capital Group as well as its current profit and loss balance.

This consolidated financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 31 December 2018. Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2018, item no. 395 as amended) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and the conditions for regarding as equivalent the information required under the laws of a non-member state (Journal of Laws of the Republic of Poland, 2018, item no. 757 as amended).

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

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

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 Capital Group for the fiscal year ending on 31 December 2018, as defined under the relevant legislation, standards of professional conduct and professional ethics guidelines,
- The CD PROJEKT Capital Group respects existing regulations governing rotation of auditing companies and head auditors, as well as mandatory grace periods,
- CD PROJEKT S.A. has instituted a policy regulating selection of auditing companies and procurement by CD PROJEKT S.A. from auditing companies, their affiliates or members of their business networks, of additional services not directly related to financial audits, including services which auditing companies are conditionally authorized to perform.

Approval of financial statement

This consolidated financial statement of the CD PROJEKT Capital Group was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 27 March 2019 and is duly submitted to the General Meeting of CD PROJEKT S.A. for approval.

Warsaw, 27 March 2019

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski
President of the Board	Vice President of the Board	Vice President of the Board	Board Member

Michał Nowakowski	Oleg Klapovskiy	Piotr Karwowski	Rafał Zuchowicz
Board Member	Board Member	Board Member	Chief Accountant


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