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Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of CD PROJEKT S.A.

Report on the Annual Financial Statements

Opinion

We have audited the annual financial statements of *CD PROJEKT S.A.* (the Company) with its registered office in Warsaw, Jagiellońska 74 Street, which comprise the statement of financial position/balance sheet as of December 31, 2018 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year from January 1, 2018 to December 31, 2018, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2018 and of its financial performance and of its cash flows for the financial year from January 1, 2018 to December 31, 2018 in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of books of account maintained properly in accordance with section 2 of the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2019, item 351) (the Accounting Act),
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

The audit opinion is consistent with the additional report to the Audit Committee submitted on March 25, 2019.

Audit – Tax – Accounting – Advisory
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Basis for Opinion

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (Journal of Laws of 2017, item 1089 as amended) (the Act on Statutory Auditors),
- National Standards on Auditing (NSA) consistent with International Standards on Auditing adopted by the National Council of Statutory Auditors' resolutions No. 2039/37a/2018 of February 19, 2018 and 2041/37a/2018 of March 5, 2018 and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April, 16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our report.

We are independent of the Company in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* (IFAC Code) adopted by the National Council of Statutory Auditors' resolution No. 2042/38/2018 of March 13, 2018 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the Company in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

The risk of improper recognition of revenues in the relevant reporting period	How the matter was addressed in our audit
<i>Recognition and recognition of revenues from sales generated by granting a license for the distribution of games</i>	<i>As part of the study, we documented our understanding of the revenue recognition process and identified key elements of internal control as part of this process.</i>
<i>Due to the valuable significance of this revenue item and the use of information from an external entity in the valuation process, this has been identified as one of the key risks of the audit.</i>	<i>The audit procedures carried out in this area included:</i>
<i>Disclosures about sales revenues are presented in note 1 to the financial statements.</i>	<ul style="list-style-type: none"> • <i>review of the accounting policy in the part concerning the recognition of revenues and related estimates,</i> • <i>review of license agreements for specific conditions,</i> • <i>analysis of the implementation of IFRS 15, including the role of agent / principal in transactions performed,</i>



- detailed substantive tests, including analysis of transactions at the turn of reporting periods,
- analytical procedures consist in particular in the analysis of sales and margins and their trends, broken down into months and years (2017/2018).

Expenses for development works (ongoing and completed)

How the matter was addressed in our audit

The company has significant expenditures for unfinished and completed development works.

As part of the study, we documented our understanding of the process of allocating expenditures for development works, the moment of acceptance for use, and the depreciation methods and rates for completed development works.

There is a risk of improper capitalization of expenditures on development works, assumed period of use and impairment.

The procedures carried out in this area also included:

There is a risk of improper capitalization of expenditures on development works, assumed period of use and impairment.

• detailed substantive tests of the correctness of the allocation of outlays for development works (verification of internal control and correctness of the ARK system operation),

• assessment of indication of and impairment tests of finished development works (Gwent) and work in progress,

• assessment of adopted depreciation rates for completed projects.

Responsibilities of Management Board and Supervisory Board for the Annual Financial Statements

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained books of account, of these annual financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Company's articles of association. The Management Board of the Company is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act, the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Company.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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Other Information including the Report on the Company's operations

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2018, the Corporate Governance Statement and the Annual Report for the year ended December 31, 2018 (but does not include the financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the preparation of the other information in accordance with the Accounting Act and other legal regulations. The Management Board and the Supervisory Board of the Company are obliged to assure compliance of the Report on the Company's operations with the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Company's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual financial statements. Moreover, we are obliged to and to express an opinion on whether the Company included the required information in the Corporate Governance Statement. We obtained the Report on the Company's operations prior to the date of this auditor's report, while the remaining parts of the Annual Report will be delivered later. If we conclude that there is a material misstatement in the Annual Report, we are required to communicate the matter to the Supervisory Board.

Opinion on the Report on the Company's operations

In our opinion, the Report on the Company's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 of the Accounting Act and the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual financial statements. Moreover, taking into account our knowledge of the Company and its environment obtained during the audit of the annual financial statements, we state that we have not identified any material misstatements in the Report on the Company's operations.

Opinion on the Corporate Governance Statement

In our opinion, the Corporate Governance Statement includes the information required by Paragraph 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in Paragraph 70 clause 6 point 5 letters c-f, h and i of the Regulation on current and periodic information included in the Corporate Governance Statement complies with applicable regulations and is consistent with the information included in the annual financial statements.



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Report on Other Legal and Regulatory Requirements

Statement on non-audit services

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014.

Appointment of the Audit Firm

We were appointed to audit the annual financial statements of the Company by the Supervisory Board's resolution of June 14, 2018. This is the first annual financial report of the Company that we examine.

Jan Letkiewicz

Statutory Auditor No.9530

Key Audit Partner

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, 27 March 2019

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.