Disclaimer

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues from sales of products, services, goods and materials</td>
<td>225,232</td>
<td>328,235</td>
<td>52,786</td>
<td>77,328</td>
</tr>
<tr>
<td>Cost of services, products, goods and materials sold</td>
<td>13,753</td>
<td>9,011</td>
<td>3,223</td>
<td>2,123</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
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<td>222,625</td>
<td>26,601</td>
<td>52,448</td>
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<tr>
<td>Profit (loss) before tax</td>
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<td>229,344</td>
<td>29,130</td>
<td>54,031</td>
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<tr>
<td>Net profit (loss)</td>
<td>109,451</td>
<td>184,613</td>
<td>25,651</td>
<td>43,493</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>115,399</td>
<td>216,009</td>
<td>27,045</td>
<td>50,889</td>
</tr>
<tr>
<td>Net cash flows from investment activities</td>
<td>(92,043)</td>
<td>(275,640)</td>
<td>(21,571)</td>
<td>(64,937)</td>
</tr>
<tr>
<td>Net cash flows from financial activities</td>
<td>(706)</td>
<td>(102,418)</td>
<td>(165)</td>
<td>(24,128)</td>
</tr>
<tr>
<td>Total net cash flows</td>
<td>22,650</td>
<td>(162,049)</td>
<td>5,308</td>
<td>(38,177)</td>
</tr>
<tr>
<td>Stock volume (in thousands)</td>
<td>96,120</td>
<td>96,120</td>
<td>96,120</td>
<td>96,120</td>
</tr>
<tr>
<td>Net profit (loss) per ordinary share (PLN/EUR)</td>
<td>1.14</td>
<td>1.92</td>
<td>0.27</td>
<td>0.45</td>
</tr>
<tr>
<td>Diluted profit (loss) per ordinary share (PLN/EUR)</td>
<td>1.09</td>
<td>1.85</td>
<td>0.26</td>
<td>0.44</td>
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<tr>
<td>Book value per share (PLN/EUR)</td>
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<td>8.86</td>
<td>2.35</td>
<td>2.12</td>
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<tr>
<td>Diluted book value per share (PLN/EUR)</td>
<td>9.66</td>
<td>8.55</td>
<td>2.25</td>
<td>2.05</td>
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<td>Declared or paid out dividend per share (PLN/EUR)</td>
<td>-</td>
<td>1.05</td>
<td>-</td>
<td>0.25</td>
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</table>

*adjusted data

### Financial Position

<table>
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<tr>
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<tbody>
<tr>
<td>Total assets</td>
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<td>912,555</td>
<td>243,192</td>
<td>218,791</td>
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<td>Liabilities and provisions for liabilities (less accrued charges)</td>
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<td>58,306</td>
<td>15,749</td>
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<td>Long-term liabilities</td>
<td>6,853</td>
<td>5,280</td>
<td>1,594</td>
<td>1,266</td>
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<tr>
<td>Short-term liabilities</td>
<td>67,358</td>
<td>55,595</td>
<td>15,665</td>
<td>13,329</td>
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<tr>
<td>Equity</td>
<td>971,515</td>
<td>851,680</td>
<td>225,934</td>
<td>204,196</td>
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<tr>
<td>Share capital</td>
<td>96,120</td>
<td>96,120</td>
<td>22,353</td>
<td>23,045</td>
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</table>

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

- Elements of the separate profit and loss account and separate statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.2669 PLN/EUR for the period between 1 January and 31 December 2018, and 4.2447 PLN/EUR for the period between 1 January and 30 December 2017 respectively.

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

Primary financial data of CD PROJEKT S.A. ...................................................................................................................................................... 6
Profit and loss account ....................................................................................................................................................................................... 7
Statement of comprehensive income ............................................................................................................................................................... 7
Statement of financial position .............................................................................................................................................................................. 8
Statement of changes in equity ........................................................................................................................................................................... 9
Statement of cash flows ...................................................................................................................................................................................... 11

Clarifications regarding the separate financial statement ................................................................................................................................. 13
General information................................................................................................................................................................................................. 14
Changes in accounting practices ......................................................................................................................................................................... 14
Assumption of going concern .................................................................................................................................................................................. 14
Regulated market listings .................................................................................................................................................................................... 15
Compliance with International Financial Reporting Standards ........................................................................................................................... 15
Standards and interpretations applied for the first time ................................................................................................................................................. 15
Description of applicable accounting practices .................................................................................................................................................... 21
Operating revenues and expenses ............................................................................................................................................................................. 21
Financial revenues and expenses ........................................................................................................................................................................... 21
State subsidies ................................................................................................................................................................................................................. 22
Current and deferred income tax ........................................................................................................................................................................... 22
Value added tax ........................................................................................................................................................................................................ 22
Fixed assets ................................................................................................................................................................................................................... 22
Intangibles – expenditures on development projects ............................................................................................................................................... 23
Other intangibles ..................................................................................................................................................................................................... 23
Goodwill ....................................................................................................................................................................................................................... 23
Business combinations under common control ...................................................................................................................................................... 23
Impairment of non-financial assets ................................................................................................................................................................. 23
Investment properties .......................................................................................................................................................................................... 24
Perpetual usufruct of land ....................................................................................................................................................................................... 24
Lease agreements .......................................................................................................................................................................................................... 24
Investments in affiliates ........................................................................................................................................................................................ 24
Financial assets ............................................................................................................................................................................................................... 24
Financial liabilities ....................................................................................................................................................................................................... 25
Inventories ............................................................................................................................................................................................................... 25
Trade and other receivables .................................................................................................................................................................................. 25
Accrued and deferred charges .............................................................................................................................................................................. 25
Cash and other monetary assets ........................................................................................................................................................................... 25
Assets held for sale and discontinued operations .................................................................................................................................................. 26
Equity ....................................................................................................................................................................................................................... 26
Provisions for liabilities .......................................................................................................................................................................................... 26
Employee benefits ........................................................................................................................................................................................................... 26
Bank credits and loans ........................................................................................................................................................................................... 26
Trade and other liabilities .................................................................................................................................................................................... 27
Borrowing costs ......................................................................................................................................................................................................... 27
Dividend payments ........................................................................................................................................................................................................... 27
Functional currency and presentation currency ...................................................................................................................................................... 27
Functional currency and presentation currency ...................................................................................................................................................... 27
Transactions and balances .................................................................................................................................................................................... 27
Important values based on professional judgment and estimates .......................................................................................................................... 27
Professional judgment ........................................................................................................................................................................................................... 27
Uncertainty of estimates .................................................................................................................................................................................................. 27
Comparability of financial statements and changes in accounting policies ..................................................................................................... 29
Changes in accounting policies ............................................................................................................................................................................. 29
Presentation changes ......................................................................................................................................................................................................... 29
Supplementary information – additional notes and explanations concerning the separate financial statement ......................................................... 30
Note 1. Sales revenues .............................................................................................................................................................................................. 31
Note 2. Operating segments ................................................................................................................................................................................... 32
Note 3. Operating expenses .................................................................................................................................................................................... 32
Note 4. Other operating revenues and expenses ..................................................................................................................................................... 33
Note 5. Financial revenues and expenses .......................................................................................................................................................... 34
Note 6. Current and deferred income tax ............................................................................................................................................................. 34
Note 7. Discontinued operations ............................................................................................................................................................................ 36
Note 8. Earnings per share ....................................................................................................................................................................................... 36

Separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 December 2018
(all figures quoted in PLN thousands unless stated otherwise)
The appended information constitutes an integral part of this financial statement.
Primary financial data of CD PROJEKT S.A.
Profit and loss account

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<td>Sales revenues</td>
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<tr>
<td>Revenues from sales of products</td>
<td>1</td>
<td>220 641</td>
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<tr>
<td>Revenues from sales of services</td>
<td>1</td>
<td>1 811</td>
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<tr>
<td>Revenues from sales of goods and materials</td>
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<td>2 780</td>
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<td>Cost of products, goods and materials sold</td>
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<td>Cost of products and services sold</td>
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<td>11 133</td>
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<tr>
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<td>Gross profit (loss) from sales</td>
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<td>Other operating revenues</td>
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<tr>
<td>Other operating expenses</td>
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<td>3 634</td>
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<td>(Impairment)/reversal of impairment of financial instruments</td>
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<td>Operating profit (loss)</td>
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<td>Financial revenues</td>
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<td>Financial expenses</td>
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<td>Profit (loss) before tax</td>
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<td>Income tax</td>
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<td>14 844</td>
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<td>Net profit (loss)</td>
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<td>Basic for the reporting period</td>
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<td>1.14</td>
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<tr>
<td>Diluted for the reporting period</td>
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<td>1.09</td>
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Statement of comprehensive income

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</thead>
<tbody>
<tr>
<td>Net profit (loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria</td>
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<tr>
<td>Other comprehensive income which will not be entered as profit (loss)</td>
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<tr>
<td>Total comprehensive income</td>
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<td>109 451</td>
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## Statement of financial position

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<td>FIXED ASSETS</td>
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<td>Tangible assets</td>
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<td>Intangibles</td>
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<tr>
<td>Expenditures on development projects</td>
<td>13</td>
<td>218 795</td>
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<tr>
<td>Investment properties</td>
<td>15</td>
<td>9 553</td>
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<td>Perpetual usufruct of land</td>
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<td>3 478</td>
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<td>Investments in subsidiaries</td>
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<td>18</td>
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<td>Other long-term receivables</td>
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<td>CURRENT ASSETS</td>
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<td>Trade receivables</td>
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<td>Current income tax receivables</td>
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<td>Other receivables</td>
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<td>45 474</td>
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<td>Cash and cash equivalents</td>
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<td>Bank deposits (maturity beyond 3 months)</td>
<td>42</td>
<td>554 992</td>
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<td>TOTAL ASSETS</td>
<td>1 045 726</td>
<td>912 555</td>
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<tr>
<td>EQUITY</td>
<td>971 515</td>
<td>851 680</td>
</tr>
<tr>
<td>Share capital</td>
<td>27</td>
<td>96 120</td>
</tr>
<tr>
<td>Supplementary capital</td>
<td>29</td>
<td>739 799</td>
</tr>
<tr>
<td>Other reserve capital</td>
<td>29</td>
<td>26 145</td>
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<tr>
<td>Retained earnings</td>
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<td>Net profit (loss) for the reporting period</td>
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<tr>
<td>LONG-TERM LIABILITIES</td>
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<td>Other financial liabilities</td>
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<tr>
<td>Deferred income tax liabilities</td>
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<td>204</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>39</td>
<td>6 302</td>
</tr>
<tr>
<td>Provisions for employee benefits and similar liabilities</td>
<td>40</td>
<td>184</td>
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<td>SHORT-TERM LIABILITIES</td>
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<td>55 595</td>
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<td>Current income tax liabilities</td>
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<td>Other liabilities</td>
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<td>TOTAL EQUITY AND LIABILITIES</td>
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<td>912 555</td>
</tr>
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</table>

Separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 December 2018
(all figures quoted in PLN thousands unless stated otherwise)

The appended information constitutes an integral part of this financial statement.
### Statement of changes in equity

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Supplementary capital</th>
<th>Own shares</th>
<th>Other reserve capital</th>
<th>Retained earnings</th>
<th>Net profit (loss) for the reporting period</th>
<th>Total equity</th>
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<tr>
<td><strong>01.01.2018 – 31.12.2018</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td>Equity as of 01.01.2018</td>
<td>96 120</td>
<td>539 294</td>
<td>-</td>
<td>15 212</td>
<td>201 054</td>
<td>-</td>
<td>851 680</td>
</tr>
<tr>
<td>Cost of incentive program</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>10 384</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Creation of reserves for purchase of own shares</td>
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<td>-</td>
<td>3 600</td>
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<td>-</td>
<td></td>
</tr>
<tr>
<td>Purchase of own shares</td>
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<td>-</td>
<td>3 051</td>
<td>(3 051)</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Transfer of own shares as partial payment for purchase of an enterprise</td>
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<td>3 051</td>
<td>(3 051)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Allocation of net profit/coverage of losses</td>
<td>-</td>
<td>201 054</td>
<td>-</td>
<td>-</td>
<td>(201 054)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>109 451</td>
<td>109 451</td>
</tr>
<tr>
<td><strong>Equity as of 31.12.2018</strong></td>
<td>96 120</td>
<td>739 799</td>
<td>-</td>
<td>26 145</td>
<td>-</td>
<td>109 451</td>
<td>971 515</td>
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<td></td>
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<td>Supplementary capital</td>
<td>Other reserve capital</td>
<td>Retained earnings</td>
<td>Net profit (loss) for the reporting period</td>
<td>Total equity</td>
<td></td>
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<tr>
<td>---------------------------</td>
<td>---------------</td>
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<td>-----------------------</td>
<td>-------------------</td>
<td>------------------------------------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>01.01.2017 – 31.12.2017</td>
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<td>390 518</td>
<td>4 795</td>
<td>266 143</td>
<td>-</td>
<td>757 576</td>
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<td>96 120</td>
<td>390 518</td>
<td>4 795</td>
<td>266 143</td>
<td>-</td>
<td>757 576</td>
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<tr>
<td>Cost of incentive program</td>
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<td>-</td>
<td>-</td>
<td>10 417</td>
<td></td>
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<tr>
<td>Allocation of net profit/coverage of losses</td>
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<td>-</td>
<td>(148 776)</td>
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<td>Dividend payments</td>
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<td>-</td>
<td>(100 926)</td>
<td>-</td>
<td>(100 926)</td>
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<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>184 613</td>
<td>184 613</td>
<td></td>
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<tr>
<td>Equity as of 31.12.2017</td>
<td>96 120</td>
<td>539 294</td>
<td>15 212</td>
<td>16 441</td>
<td>184 613</td>
<td>851 680</td>
<td></td>
</tr>
</tbody>
</table>
## Statement of cash flows

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Net profit (loss)</td>
<td></td>
<td>109 451</td>
<td>184 613</td>
</tr>
<tr>
<td>Total adjustments:</td>
<td>53</td>
<td>12 340</td>
<td>37 573</td>
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<td>Depreciation of fixed assets, intangibles and expenditures on development projects</td>
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<td>2 730</td>
<td>1 892</td>
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<td>Depreciation of expenditures on development projects recognized as cost of products and services sold</td>
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<td>8 971</td>
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<td>Exchange rate profit (loss)</td>
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<td>Interest and profit sharing (dividends)</td>
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<td>Change in inventories</td>
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</tr>
<tr>
<td>Change in receivables</td>
<td></td>
<td>(768)</td>
<td>37 733</td>
</tr>
<tr>
<td>Change in liabilities excluding credits and loans</td>
<td></td>
<td>25 035</td>
<td>(306)</td>
</tr>
<tr>
<td>Change in other assets and liabilities</td>
<td></td>
<td>3 613</td>
<td>1 125</td>
</tr>
<tr>
<td>Other adjustments</td>
<td></td>
<td>8 844</td>
<td>9 027</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td>121 791</td>
<td>222 186</td>
</tr>
<tr>
<td>Income tax on pre-tax profit (loss)</td>
<td></td>
<td>14 844</td>
<td>44 731</td>
</tr>
<tr>
<td>Income tax (paid)/reimbursed</td>
<td></td>
<td>(21 236)</td>
<td>(50 908)</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td></td>
<td>115 399</td>
<td>216 009</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INVESTMENT ACTIVITIES</th>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflows</strong></td>
<td>1 136 575</td>
<td>1 103 322</td>
<td></td>
</tr>
<tr>
<td>Disposal of intangibles and fixed assets</td>
<td>229</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td>Cash assets gained in acquisition of an enterprise</td>
<td>26</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Repayment of long-term loans granted</td>
<td>584</td>
<td>1 519</td>
<td></td>
</tr>
<tr>
<td>Closing bank deposits (maturity beyond 3 months)</td>
<td>1 125 444</td>
<td>1 091 382</td>
<td></td>
</tr>
<tr>
<td>Other inflows from investment activities</td>
<td>10 292</td>
<td>10 358</td>
<td></td>
</tr>
<tr>
<td><strong>Outflows</strong></td>
<td>1 228 618</td>
<td>1 378 962</td>
<td></td>
</tr>
<tr>
<td>Purchases of intangibles and fixed assets</td>
<td>13 949</td>
<td>12 312</td>
<td></td>
</tr>
<tr>
<td>Expenditures on development projects</td>
<td>88 554</td>
<td>71 127</td>
<td></td>
</tr>
<tr>
<td>Expenditures on development projects transferred within a consortium framework</td>
<td>7 505</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Acquisition of an enterprise</td>
<td>10 550</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Purchase of investment properties</td>
<td>4 078</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Long-term loans granted</td>
<td>848</td>
<td>2 055</td>
<td></td>
</tr>
<tr>
<td>Capital contributions to subsidiary</td>
<td>2 500</td>
<td>452</td>
<td></td>
</tr>
<tr>
<td>Advance payment for investment properties</td>
<td>727</td>
<td>940</td>
<td></td>
</tr>
<tr>
<td>Opening bank deposits (maturity beyond 3 months)</td>
<td>1 099 907</td>
<td>1 292 076</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flows from investment activities</strong></td>
<td>(92 043)</td>
<td>(275 640)</td>
<td></td>
</tr>
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## FINANCIAL ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflows</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Outflows</strong></td>
<td>706</td>
<td>102 418</td>
</tr>
<tr>
<td>Dividends and other payments due to equity holders</td>
<td>-</td>
<td>100 926</td>
</tr>
<tr>
<td>Payment of liabilities under financial lease agreements</td>
<td>693</td>
<td>427</td>
</tr>
<tr>
<td>Interest payments</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Other outflows (incl. cash pool transactions)</td>
<td>-</td>
<td>1 065</td>
</tr>
<tr>
<td><strong>Net cash flows from financial activities</strong></td>
<td>(706)</td>
<td>(102 418)</td>
</tr>
<tr>
<td><strong>Total net cash flows</strong></td>
<td>22 650</td>
<td>(162 049)</td>
</tr>
<tr>
<td>Change in cash and cash equivalents on balance sheet</td>
<td>22 650</td>
<td>(162 049)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>18 499</td>
<td>180 548</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>41 149</td>
<td>18 499</td>
</tr>
</tbody>
</table>

*adjusted data
Clarifications regarding the separate financial statement
General information

Name: CD PROJEKT S.A.
Legal status: Joint-stock company
Headquarters: Jagiellorska 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

Changes in accounting practices

The accounting practices applied in preparing this separate financial statement, the Management Board’s professional judgment concerning the Company’s accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 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 financial statement is prepared under the assumption that the Company intends to continue as a going concern in the foreseeable future, i.e. at least throughout the 12-month period following the balance sheet date.

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

As of the day of preparation of this financial statement covering the period between 1 January and 31 December 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.
Regulated market listings

General information

Stock exchange

Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
Książęca 4
00-498 Warsaw

WSE ticker symbol

CDR

Depository and settlement system

Depositary and settlement system

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

Investor relations

Investor relations

gielda@cdprojekt.com

Compliance with International Financial Reporting Standards

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

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

Standards and interpretations applied for the first time

In preparing its separate financial statement for 2018 the Company applied the same accounting standards as in its separate 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 Company has applied IFRS 9 Financial instruments. The Company 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 losses 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 Company’s operating profit. Previously, all such costs had been aggregated with other operating expenses.

The Company 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 Company’s financial statement for 31 December 2017, the Company 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 Company has adopted a rule stating that the sale of a financial asset prior to its maturity does not, in itself, cause the underlying business model to shift from holding assets to collect contractual cash flows to holding assets to collect contractual cash flows and potentially sell the assets or to holding assets for other purposes.

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

IFRS 9 does not result in a change in the classification of the Company’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 Company. 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.

<table>
<thead>
<tr>
<th>Financial asset</th>
<th>Classification according to:</th>
<th>Balance sheet value under IAS 39 and IFRS 9 as of 1 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IAS 39</td>
<td>IFRS 9</td>
</tr>
<tr>
<td>Other long-term receivables</td>
<td>Loans and receivables</td>
<td>Financial assets recognized at amortized cost</td>
</tr>
<tr>
<td></td>
<td>recognized at amortized cost</td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>Loans and receivables</td>
<td>Financial assets recognized at amortized cost</td>
</tr>
<tr>
<td></td>
<td>recognized at amortized cost</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>Loans and receivables</td>
<td>Financial assets recognized at amortized cost</td>
</tr>
<tr>
<td></td>
<td>recognized at amortized cost</td>
<td></td>
</tr>
<tr>
<td>Bank deposits (maturity beyond 3 months)</td>
<td>Loans and receivables</td>
<td>Financial assets recognized at amortized cost</td>
</tr>
<tr>
<td></td>
<td>recognized at amortized cost</td>
<td>Assets held for trading recognized at purchase price (adjusted for impairment losses – according to IFRS 27)</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>Assets held for trading</td>
<td>Assets held for trading recognized at purchase price (adjusted for impairment losses – according to IFRS 27)</td>
</tr>
<tr>
<td></td>
<td>recognized at amortized cost</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liability</th>
<th>Classification according to:</th>
<th>Balance sheet value under IAS 39 and IFRS 9 as of 1 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IAS 39</td>
<td>IFRS 9</td>
</tr>
<tr>
<td>Trade liabilities</td>
<td>Financial liabilities</td>
<td>Financial liabilities recognized at amortized cost</td>
</tr>
<tr>
<td></td>
<td>recognized at amortized cost</td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>Financial liabilities</td>
<td>Financial liabilities recognized at amortized cost</td>
</tr>
<tr>
<td></td>
<td>recognized at amortized cost</td>
<td></td>
</tr>
</tbody>
</table>

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 Company monitors changes in credit risk associated with each financial asset since its initial recognition, and assigns each financial asset to one of three stages (this method is applicable to financial assets held at amortized cost which are not trade receivables).

The following credit risk stages are defined:
With regard to Stage 1 assets the Company calculates ECL over the upcoming 12 months and recognizes the appropriate allowance, whereas with regard to Stages 2 and 3 the Company recognizes a loss allowance corresponding to the ECL over the entire lifetime of the given financial asset.

For each balance sheet date the Company performs an assessment of its financial assets with respect to the presented ECL stages. In doing so, the Company 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 Company 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 Company relies primarily on credit ratings and the corresponding likelihood of insolvency.

With regard to trade receivables the Company 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 Company’s receivables do not involve a significant financing element as defined by IFRS 15. When calculating the relevant loss allowances the Company 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 Company has decided upon five overdue period brackets:

1. Not overdue,
2. Overdue by 1-60 days,
3. Overdue by 61-90 days,
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 Company estimates a non-performance coefficient which acknowledges historical data concerning failure to settle invoices on the part of the Company’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 Company 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 Board’s opinion, significant (in particular, cases where the expected litigation and enforcement costs exceed the amount in controversy).

In the above cases the Company 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 Company 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 Company 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 Company 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 Company 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 Company’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 Company’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 Company’s accounting practices are necessary compared to IAS 18 (previously applied by the Company).

Revenues from sales of virtual goods via microtransactions

In the Company’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 Company will recognize them at the moment the currency is consumed by the user.

In light of the above the Company 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 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 Company’s financial statement it was determined that IFRS 15 does not materially alter the recognition of revenues by the Company given the existing mechanics and usage statistics of GWENT. It should, however, be noted that GWENT remains a relatively new product and, consequently, the aforementioned assessment may change in the future.

Should the Company 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.

Advance payments from clients

The Company 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 Company 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 Company 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 Company 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 Company 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 Company or on its financial data.

Amendments to 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 Company or on its financial data.

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

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

- 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 Company carried out a comprehensive analysis of the effects of introducing IFRS 16 upon the accounting practices in force at the Company 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 Company 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 Company to recognize its right to use the lease office space as an asset, along with liabilities which reflect the corresponding lease payments.

On the day of initial application of IFRS 16 the Company 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 PLN 3,851, along with recognition of an equivalent asset which reflects the Company’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 Company 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 Company 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 Company 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 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 Company 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 Company 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 Company is justified by the fact that very few agreements to which the Company 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 Company 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 Company 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 Company 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 profit or loss.

The Company 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 Company 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 Company 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 Company 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 Company is performing an assessment of the effect these new standards and amendments to standards upon the Company’s financial statement.

**Description of applicable accounting practices**

**Operating revenues and expenses**

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

The Company recognizes revenues by applying the so-called Five Step Model described in IFRS 15. Revenues only cover amounts received or receivable by the Company, equivalent to the transaction prices payable to the Company following (or during) discharge of its liability to transfer the contractually pledged goods or services 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 Company will fulfill the necessary criteria and receive the subsidy. State subsidies predicated on the condition that the recipient purchases or produces certain fixed assets are recognized in the statement of financial position in the deferred revenues line item and charged to the financial result systematically throughout the anticipate economic life of such assets.

Current and deferred income tax

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

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

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

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

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

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

Value added tax

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

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

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

Fixed assets

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

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>5 – 10 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2 – 10 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>2 – 10 years</td>
</tr>
</tbody>
</table>
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 Company reports expenses associated with development of videogames as “Expenditures on development projects”. Videogame development expenses incurred prior to the commencement of sales or application of new solutions are recognized as “Development projects in progress”. Once development has completed and the relevant costs are recognized, said expenses are transferred to the “Development projects completed” line item. In the case of projects for which a reliable estimate of sales volume and budget can be provided, the Company 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patents and licenses</td>
<td>2 – 15 years</td>
</tr>
<tr>
<td>Computer software</td>
<td>2 – 10 years</td>
</tr>
</tbody>
</table>

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

**Goodwill**

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

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

Combinations with external entities, except for combinations under common control, are accounted for using the purchase method according to which the takeover cost, calculated as the fair value of payment incurred for acquiring control over a corporate entity or part thereof (i.e. an enterprise), is allocated to identifiable assets and liabilities (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 Company performs an inventory of the net value of all of its fixed assets in order to determine whether impairment of assets may have occurred.

If asset impairment is suspected, the recoverable amount of each asset is calculated to determine the potential write-down. If a given asset does not produce a cash flow that is substantially separate from cash flows produced by other assets, analysis is performed for the whole group of cash producing assets to which the given asset belongs.
For intangible assets with an indefinite useful economic life this impairment test is performed on a yearly basis and, additionally, whenever impairment is suspected.

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

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

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

**Investment properties**

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

Investment properties are estimated using the purchase cost method.

**Perpetual usufruct of land**

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

Perpetual usufruct purchased from third parties is recognized as a distinct asset estimated at purchase price. Following initial recognition, such assets are depreciated 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 depreciated 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 the 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 Company’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 Company assigns each of its financial assets into one of four categories, depending on the Company’s business model related to management of financial assets and the specific nature of contractual cash flows associated therewith:

- assets classified at amortized cost,
- assets classified at fair value reported in other comprehensive income (FVOCI),
- assets classified at fair value through profit and loss,
- financial hedges.
Each financial asset is assigned to one of the above categories on initial recognition. This assignment may change only if the associated business model changes. Assets are recognized at the moment the Company becomes a party to a binding agreement.

Further information regarding financial assets 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 liabilities**

A financial liability is defined as any liability which:

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

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

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

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

**Inventories**

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

**Trade and other receivables**

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

**Accrued and deferred charges**

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

Deferred charges are recognized by the Company 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.

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

**Equity**

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

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

Supplementary capital is derived from:

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

**Provisions for liabilities**

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

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

**Employee benefits**

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

On 24 May 2016 the Extraordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to institute an incentive program for persons viewed as crucially important for the Company’s 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 Company’s share capital. Details are presented in Current Report no. 18/2016 of 24 May 2016. The incentive program is settled in accordance with IFRS 2 Share-based payment rules.

**Bank credits and loans**

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

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

Borrowing costs

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

Dividend payments

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

Functional currency and presentation currency

Functional currency and presentation currency

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

Transactions and balances

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

Important values based on professional judgment and estimates

Professional judgment

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

Classification of lease agreements

The Company classifies 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

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

Deferred tax provisions

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

Fair value of financial instruments

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

Depreciation rates

Depreciation rates are determined on the basis of the expected useful economic life of tangible equity assets and intangible assets. The Company performs annual validation of the assumed useful economic life of its assets, based on current estimates.
Comparability of financial statements 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 Company’s accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2017, except for changes in accounting policies and presentation-related adjustments described below.

Presentation changes

This separate financial statement for the period between 1 January and 31 December 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 1,032 thousand PLN
  - Other operating revenues – adjusted by (1,036) thousand PLN
  - Other operating expenses – adjusted by (4) 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
Supplementary information – additional notes and explanations concerning the separate financial statement

3
Note 1. Sales revenues

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

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Sales revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>225 232</td>
<td>328 235</td>
</tr>
<tr>
<td>incl. from R&amp;D activities</td>
<td>79 587</td>
<td>102 507</td>
</tr>
<tr>
<td>Revenues from sales of products</td>
<td>220 641</td>
<td>319 481</td>
</tr>
<tr>
<td>Revenues from sales of services</td>
<td>1 811</td>
<td>2 168</td>
</tr>
<tr>
<td>Revenues from sales of goods and materials</td>
<td>2 780</td>
<td>6 586</td>
</tr>
<tr>
<td><strong>Other revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>14 347</td>
<td>15 867</td>
</tr>
<tr>
<td>Financial revenues</td>
<td>3 450</td>
<td>5 078</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>239 579</td>
<td>344 102</td>
</tr>
</tbody>
</table>

*adjusted data

Sales revenues by territory

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic sales</td>
<td>14 098</td>
<td>19 135</td>
</tr>
<tr>
<td>Exports, including:</td>
<td>211 134</td>
<td>309 100</td>
</tr>
<tr>
<td>Europe</td>
<td>40 900</td>
<td>75 477</td>
</tr>
<tr>
<td>North America</td>
<td>145 912</td>
<td>200 919</td>
</tr>
<tr>
<td>South America</td>
<td>824</td>
<td>755</td>
</tr>
<tr>
<td>Asia</td>
<td>22 044</td>
<td>29 774</td>
</tr>
<tr>
<td>Australia</td>
<td>1 137</td>
<td>1 692</td>
</tr>
<tr>
<td>Africa</td>
<td>317</td>
<td>483</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>225 232</td>
<td>328 235</td>
</tr>
</tbody>
</table>

Sales revenues by product type

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Own products</td>
<td>220 641</td>
<td>319 481</td>
</tr>
<tr>
<td>External products</td>
<td>2 780</td>
<td>6 586</td>
</tr>
<tr>
<td>Other revenues</td>
<td>1 811</td>
<td>2 168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>225 232</td>
<td>328 235</td>
</tr>
</tbody>
</table>

Sales revenues by distribution channel

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Videogames – box editions</td>
<td>22 980</td>
<td>55 833</td>
</tr>
<tr>
<td>Videogames – digital editions</td>
<td>196 504</td>
<td>266 379</td>
</tr>
<tr>
<td>Other revenues</td>
<td>5 748</td>
<td>6 023</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>225 232</td>
<td>328 235</td>
</tr>
</tbody>
</table>
Note 2. Operating segments

Information concerning the Company’s operating segments is provided in Section 3 “Supplementary information – operating segments” of the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2018.

Note 3. Operating expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of fixed assets, intangibles and development expenditures</td>
<td>2 730</td>
<td>1 892</td>
</tr>
<tr>
<td>Consumption of materials and energy</td>
<td>1 006</td>
<td>858</td>
</tr>
<tr>
<td>Bought-in services</td>
<td>50 029</td>
<td>38 544</td>
</tr>
<tr>
<td>Taxes and fees</td>
<td>553</td>
<td>432</td>
</tr>
<tr>
<td>Employee compensation, social security and other benefits</td>
<td>41 451</td>
<td>55 647</td>
</tr>
<tr>
<td>Business travel</td>
<td>1 850</td>
<td>1 104</td>
</tr>
<tr>
<td>Use of company cars</td>
<td>159</td>
<td>156</td>
</tr>
<tr>
<td>Value of goods and materials sold</td>
<td>2 620</td>
<td>6 403</td>
</tr>
<tr>
<td>Cost of products and services sold</td>
<td>11 133</td>
<td>2 608</td>
</tr>
<tr>
<td>Other expenses</td>
<td>186</td>
<td>440</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>111 717</strong></td>
<td><strong>108 084</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling costs</td>
<td>69 929</td>
<td>75 714</td>
</tr>
<tr>
<td>General and administrative costs</td>
<td>28 035</td>
<td>23 359</td>
</tr>
<tr>
<td>Cost of products, goods and materials sold</td>
<td>13 753</td>
<td>9 011</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>111 717</strong></td>
<td><strong>108 084</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Items aggregated with selling costs</td>
<td>1 238</td>
<td>445</td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>766</td>
<td>292</td>
</tr>
<tr>
<td>Depreciation of intangible assets</td>
<td>472</td>
<td>153</td>
</tr>
<tr>
<td>Items aggregated with general and administrative costs</td>
<td>1 492</td>
<td>1 447</td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>1 000</td>
<td>971</td>
</tr>
<tr>
<td>Depreciation of intangible assets</td>
<td>492</td>
<td>476</td>
</tr>
</tbody>
</table>

Employee benefits

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation</td>
<td>38 265</td>
<td>53 480</td>
</tr>
<tr>
<td>Social security and other similar expenses</td>
<td>1 434</td>
<td>1 062</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>1 752</td>
<td>1 105</td>
</tr>
<tr>
<td><strong>Total employee benefits</strong></td>
<td><strong>41 451</strong></td>
<td><strong>55 647</strong></td>
</tr>
</tbody>
</table>

Items aggregated with selling costs 22 364 38 878
Items aggregated with general and administrative costs 19 087 16 769

Separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 December 2018
(all figures quoted in PLN thousands unless stated otherwise)
The appended information constitutes an integral part of this financial statement.
## Note 4. Other operating revenues and expenses

### Other operating revenues

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dissolution of unused provisions for employee benefits</td>
<td>-</td>
<td>1 234</td>
</tr>
<tr>
<td>Dissolution of provisions for expenses</td>
<td>14</td>
<td>72</td>
</tr>
<tr>
<td>Subsidies</td>
<td>615</td>
<td>638</td>
</tr>
<tr>
<td>Re invoicing revenues</td>
<td>1 866</td>
<td>1 483</td>
</tr>
<tr>
<td>Profit from disposal of fixed assets</td>
<td>19</td>
<td>48</td>
</tr>
<tr>
<td>Withholding tax recovered at source</td>
<td>-</td>
<td>431</td>
</tr>
<tr>
<td>Cost adjustments applicable to prior years</td>
<td>-</td>
<td>472</td>
</tr>
<tr>
<td>Repossession gains received</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td>Compensation for damages received</td>
<td>18</td>
<td>120</td>
</tr>
<tr>
<td>Fixed assets and goods received free of charge</td>
<td>117</td>
<td>41</td>
</tr>
<tr>
<td>Current assets surplus</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Disclosure of assets</td>
<td>26</td>
<td>-</td>
</tr>
<tr>
<td>Other sales</td>
<td>716</td>
<td>442</td>
</tr>
<tr>
<td>Other miscellaneous operating revenues</td>
<td>30</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>3 450</strong></td>
<td><strong>5 078</strong></td>
</tr>
</tbody>
</table>

*adjusted data

### Other operating expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses associated with receivable enforcement proceedings</td>
<td>4</td>
<td>92</td>
</tr>
<tr>
<td>Disposal of fixed assets</td>
<td>26</td>
<td>-</td>
</tr>
<tr>
<td>Donations</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Re invoicing expenses</td>
<td>1 866</td>
<td>1 483</td>
</tr>
<tr>
<td>Receivables written off</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Fixed assets written off</td>
<td>189</td>
<td>743</td>
</tr>
<tr>
<td>Unrecoverable withholding tax</td>
<td>14</td>
<td>123</td>
</tr>
<tr>
<td>Insurance costs</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Disposal of materials and goods</td>
<td>76</td>
<td>28</td>
</tr>
<tr>
<td>Stocktaking shortages settlement</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>VAT writeoffs</td>
<td>246</td>
<td>-</td>
</tr>
<tr>
<td>Loss from revaluation of own shares</td>
<td>96</td>
<td>-</td>
</tr>
<tr>
<td>Expenses associated with other sales</td>
<td>1 040</td>
<td>1 065</td>
</tr>
<tr>
<td>Other miscellaneous expenses</td>
<td>61</td>
<td>76</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>3 634</strong></td>
<td><strong>3 636</strong></td>
</tr>
</tbody>
</table>

*adjusted data
Note 5. Financial revenues and expenses

Financial revenues

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>on short-term bank deposits</td>
<td>10 301</td>
<td>10 366</td>
</tr>
<tr>
<td>on trade settlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>on loans (incl. cash pool loans)</td>
<td>10 282</td>
<td>10 291</td>
</tr>
<tr>
<td>Other financial revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>surplus positive exchange rate differences</td>
<td>591</td>
<td>-</td>
</tr>
<tr>
<td>revenues from sureties granted</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>forward currency transactions</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>profit from sales of shares</td>
<td>-</td>
<td>374</td>
</tr>
<tr>
<td>other miscellaneous financial revenues</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total financial revenues</td>
<td>10 897</td>
<td>10 789</td>
</tr>
</tbody>
</table>

Financial expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>on lease agreements</td>
<td>104</td>
<td>87</td>
</tr>
<tr>
<td>on budget commitments</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>surplus negative interest rate differences</td>
<td>-</td>
<td>3 983</td>
</tr>
<tr>
<td>Total financial expenses</td>
<td>104</td>
<td>4 070</td>
</tr>
<tr>
<td>Net balance of financial activities</td>
<td>10 793</td>
<td>6 719</td>
</tr>
</tbody>
</table>

Note 6. Current and deferred income tax

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For the fiscal year</td>
<td>17 711</td>
<td>49 298</td>
</tr>
<tr>
<td>Adjustments from preceding years</td>
<td>17 151</td>
<td>49 356</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to creation and reversal of temporary differences</td>
<td>(2 867)</td>
<td>(4 567)</td>
</tr>
<tr>
<td>Tax burden reported in profit and loss account</td>
<td>14 844</td>
<td>44 731</td>
</tr>
</tbody>
</table>
### Current income tax

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-tax income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues increasing the tax base</td>
<td>3 499</td>
<td>-</td>
</tr>
<tr>
<td>Revenues applicable to future reporting periods</td>
<td>5 078</td>
<td>31 546</td>
</tr>
<tr>
<td>Tax-exempt revenues</td>
<td>(612)</td>
<td>(3 744)</td>
</tr>
<tr>
<td>Expenses reducing the tax base</td>
<td>(48 096)</td>
<td>(48 107)</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>18 963</td>
<td>50 775</td>
</tr>
<tr>
<td><strong>Taxable income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deductions from income – donations</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Deductions from income – R&amp;D fiscal relief</td>
<td>12 853</td>
<td>43</td>
</tr>
<tr>
<td><strong>Tax base</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax due (assumed rate: 19%)</td>
<td>17 151</td>
<td>49 356</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>11.94%</td>
<td>19.50%</td>
</tr>
</tbody>
</table>

Current income tax is estimated by applying a tax rate of 19% to the reported tax base. In the fiscal year ended December 31, 2018, the Company only generated income from other sources of income.

### Negative temporary differences requiring recognition of deferred tax assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for other employee benefits</td>
<td>101</td>
<td>181</td>
<td>71</td>
<td>211</td>
</tr>
<tr>
<td>Provisions for compensation dependent on financial result</td>
<td>40 663</td>
<td>13 411</td>
<td>40 663</td>
<td>13 411</td>
</tr>
<tr>
<td>Negative exchange rate differences</td>
<td>309</td>
<td>463</td>
<td>763</td>
<td>9</td>
</tr>
<tr>
<td>Other provisions</td>
<td>289</td>
<td>4 174</td>
<td>3 335</td>
<td>1 128</td>
</tr>
<tr>
<td>R&amp;D fiscal relief</td>
<td>-</td>
<td>43 745</td>
<td>-</td>
<td>43 745</td>
</tr>
<tr>
<td>Other changes</td>
<td>-</td>
<td>32</td>
<td>32</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total negative temporary differences</strong></td>
<td><strong>41 362</strong></td>
<td><strong>62 006</strong></td>
<td><strong>44 864</strong></td>
<td><strong>58 504</strong></td>
</tr>
<tr>
<td>Tax rate (Poland)</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>7 858</td>
<td>11 781</td>
<td>8 523</td>
<td>11 116</td>
</tr>
</tbody>
</table>

### Positive temporary differences requiring recognition of deferred tax liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between balance sheet value and tax value of fixed assets and intangibles</td>
<td>22 424</td>
<td>5 308</td>
<td>4 752</td>
<td>22 980</td>
</tr>
<tr>
<td>Income in the current period invoiced in the following period</td>
<td>34 619</td>
<td>86 261</td>
<td>91 335</td>
<td>29 545</td>
</tr>
<tr>
<td>Positive exchange rate differences</td>
<td>81</td>
<td>163</td>
<td>184</td>
<td>60</td>
</tr>
<tr>
<td>Difference between balance sheet value and tax value of R&amp;D expenditures</td>
<td>-</td>
<td>12 818</td>
<td>6 311</td>
<td>6 507</td>
</tr>
<tr>
<td>Other sources</td>
<td>398</td>
<td>350</td>
<td>259</td>
<td>489</td>
</tr>
<tr>
<td><strong>Total negative temporary differences</strong></td>
<td><strong>57 522</strong></td>
<td><strong>104 900</strong></td>
<td><strong>102 841</strong></td>
<td><strong>59 581</strong></td>
</tr>
<tr>
<td>Tax rate (Poland)</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>10 929</td>
<td>19 931</td>
<td>19 540</td>
<td>11 320</td>
</tr>
</tbody>
</table>
Net balance of deferred tax assets/liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>11 166</td>
<td>7 858</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>11 320</td>
<td>10 929</td>
</tr>
<tr>
<td>Net deferred tax assets/liabilities</td>
<td>(204)</td>
<td>(3 071)</td>
</tr>
</tbody>
</table>

Note 7. Discontinued operations

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

Note 8. Earnings per share

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

During the 12-month period ending on 31 December 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 Company. Information regarding the quantity of entitlements issued is provided in Note 44.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average weighted number of shares for the purpose of calculating base earnings per share (units)</td>
<td>96 120 000</td>
<td>96 120 000</td>
</tr>
<tr>
<td>Average weighted number of shares for the purpose of calculating diluted earnings per share (units)</td>
<td>100 550 808</td>
<td>99 561 288</td>
</tr>
<tr>
<td>Net profit / (loss) for the purpose of calculating diluted earnings per share</td>
<td>109 451</td>
<td>184 613</td>
</tr>
<tr>
<td>Base net earnings per share (PLN)</td>
<td>1.14</td>
<td>1.92</td>
</tr>
<tr>
<td>Diluted net earnings per share (PLN)</td>
<td>1.09</td>
<td>1.85</td>
</tr>
</tbody>
</table>

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

No dividends were paid out or collected by the Company between 1 January and 31 December 2018.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit (loss)</td>
<td>109 451</td>
<td>184 613</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>109 451</td>
<td>184 613</td>
</tr>
</tbody>
</table>

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

Not applicable.
**Note 12. Fixed assets**

**Ownership structure of fixed assets**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly owned</td>
<td>15 609</td>
<td>15 128</td>
</tr>
<tr>
<td>Held under a hire purchase, hire or similar contract, including lease contracts</td>
<td>898</td>
<td>521</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16 507</strong></td>
<td><strong>15 649</strong></td>
</tr>
</tbody>
</table>

*adjusted data

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Held under a financial lease contract</td>
<td>898</td>
<td>521</td>
</tr>
<tr>
<td>Fixed assets subsidized by the EU</td>
<td>-</td>
<td>1 397</td>
</tr>
<tr>
<td><strong>Value of fixed assets whose title is restricted and fixed assets pledged as collateral for liabilities</strong></td>
<td><strong>898</strong></td>
<td><strong>1 918</strong></td>
</tr>
</tbody>
</table>

*adjusted data

**Contractual commitments for future acquisition of fixed assets**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasing of passenger cars</td>
<td>409</td>
<td>736</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>409</strong></td>
<td><strong>736</strong></td>
</tr>
</tbody>
</table>
## Changes in fixed assets (by category) between 01.01.2018 and 31.12.2018

<table>
<thead>
<tr>
<th>Gross carrying amount as of 01.01.2018</th>
<th>Investments in third party buildings</th>
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Changes in intangibles and expenditures on development projects between 01.01.2018 and 31.12.2018

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<td></td>
</tr>
<tr>
<td>Impairment allowances as of 01.01.2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment allowances as of 31.12.2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net carrying amount as of 01.01.2018</td>
<td>135 229</td>
<td>- 33 467</td>
<td>392</td>
<td>6 530</td>
<td>5 583</td>
<td>39 147</td>
<td>36</td>
<td>220 384</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net carrying amount as of 31.12.2018</td>
<td>170 695</td>
<td>48 100</td>
<td>33 467</td>
<td>513</td>
<td>11 318</td>
<td>4 694</td>
<td>49 168</td>
<td>688</td>
<td>-</td>
<td>318 643</td>
</tr>
</tbody>
</table>
Changes in intangibles and expenditures on development projects between 01.01.2017 and 31.12.2017

<table>
<thead>
<tr>
<th>Development projects in progress</th>
<th>Development projects completed</th>
<th>Trademarks</th>
<th>Patents and licenses</th>
<th>Copyrights</th>
<th>Computer software</th>
<th>Goodwill</th>
<th>Intangible assets under construction</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross carrying amount as of 01.01.2017</td>
<td>60 049</td>
<td>162 155</td>
<td>33 467</td>
<td>963</td>
<td>6 530</td>
<td>15 851</td>
<td>39 147</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Increases from: purchases</td>
<td>-</td>
<td>-</td>
<td>58</td>
<td>-</td>
<td>3 246</td>
<td>-</td>
<td>36</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>own creation</td>
<td>75 923</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 246</td>
<td>-</td>
<td>36</td>
<td>-</td>
</tr>
<tr>
<td>Reductions from: disposal</td>
<td>743</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross carrying amount as of 31.12.2017</td>
<td>135 229</td>
<td>162 155</td>
<td>33 467</td>
<td>1 021</td>
<td>6 530</td>
<td>19 097</td>
<td>39 147</td>
<td>36</td>
<td>1</td>
</tr>
<tr>
<td>Depreciation as of 01.01.2017</td>
<td>-</td>
<td>162 155</td>
<td>-</td>
<td>522</td>
<td>-</td>
<td>11 361</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Increases from: depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>107</td>
<td>-</td>
<td>2 153</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reductions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation as of 31.12.2017</td>
<td>-</td>
<td>162 155</td>
<td>-</td>
<td>629</td>
<td>-</td>
<td>13 514</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Impairment allowances as of 01.01.2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment allowances as of 31.12.2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net carrying amount as of 01.01.2017</td>
<td>60 049</td>
<td>-</td>
<td>33 467</td>
<td>441</td>
<td>6 530</td>
<td>4 490</td>
<td>39 147</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net carrying amount as of 31.12.2017</td>
<td>135 229</td>
<td>-</td>
<td>33 467</td>
<td>392</td>
<td>6 530</td>
<td>5 583</td>
<td>39 147</td>
<td>36</td>
<td>-</td>
</tr>
</tbody>
</table>

Ownership structure of intangible assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly owned</td>
<td>99 848</td>
<td>85 155</td>
</tr>
<tr>
<td>Total</td>
<td>99 848</td>
<td>85 155</td>
</tr>
</tbody>
</table>

Intangible assets under construction

<table>
<thead>
<tr>
<th></th>
<th>01.01.2018</th>
<th>Expenditures in fiscal year</th>
<th>Expenditure settlements</th>
<th>31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial analytics system</td>
<td>36</td>
<td>472</td>
<td>-</td>
<td>508</td>
</tr>
<tr>
<td>Speech animation system</td>
<td>-</td>
<td>180</td>
<td>-</td>
<td>180</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>652</td>
<td>-</td>
<td>688</td>
</tr>
</tbody>
</table>
Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

Note 14. Goodwill

Goodwill acquired in business combinations and acquisition of enterprises

<table>
<thead>
<tr>
<th>CD Projekt Red sp. z o.o.</th>
<th>Strange New Things (enterprise)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross goodwill as of 01.01.2018</td>
<td>39 147</td>
<td>-</td>
</tr>
<tr>
<td>Increases from:</td>
<td>-</td>
<td>10 021</td>
</tr>
<tr>
<td>acquisition of enterprise</td>
<td>-</td>
<td>10 021</td>
</tr>
<tr>
<td>Net goodwill as of 31.12.2018</td>
<td>39 147</td>
<td>10 021</td>
</tr>
<tr>
<td>Impairment allowances as of 01.01.2018</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment allowances as of 31.12.2018</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net carrying amount as of 01.01.2018</td>
<td>39 147</td>
<td>-</td>
</tr>
<tr>
<td>Net carrying amount as of 31.12.2018</td>
<td>39 147</td>
<td>10 021</td>
</tr>
<tr>
<td>Deductible goodwill for the purposes of calculating income tax</td>
<td>-</td>
<td>10 021</td>
</tr>
</tbody>
</table>

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).

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>Fair value on date of acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>69</td>
</tr>
<tr>
<td>Other receivables</td>
<td>44</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>23</td>
</tr>
<tr>
<td>Cash assets</td>
<td>26</td>
</tr>
<tr>
<td>Total assets</td>
<td>162</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other liabilities</td>
<td>1</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1</td>
</tr>
<tr>
<td>Additional costs related to purchase of an enterprise and aggregated with general and administrative expenses</td>
<td>273</td>
</tr>
</tbody>
</table>

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.

**Business combinations**

None reported.

**Note 15. Investment properties**

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment property in Warsaw at Jagielloniska 76</td>
<td>9 553</td>
<td>-</td>
</tr>
<tr>
<td>Activated costs related to the property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9 553</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**Contractual commitments for acquisition of investment properties**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investment property in Warsaw at Jagielloniska 76</td>
<td>10 952</td>
<td>-</td>
</tr>
<tr>
<td><strong>Razem</strong></td>
<td><strong>10 952</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**Note 16. Perpetual usufruct of land**

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual usufruct of land in Warsaw at Jagielloniska 76 (2 913 m²)</td>
<td>3 478</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 478</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**Note 17. Investments in subsidiaries**

**Investments in affiliates held at purchase price**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares of affiliates (subsidiaries)</td>
<td>20 279</td>
<td>16 023</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20 279</strong></td>
<td><strong>16 023</strong></td>
</tr>
</tbody>
</table>
Changes in investments in affiliates

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>incorporation of affiliates</td>
<td>4,256</td>
<td>2,173</td>
</tr>
<tr>
<td>capital contributions mandated by the incentive program</td>
<td>2,500</td>
<td>452</td>
</tr>
<tr>
<td>Reductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At end of period</td>
<td>20,279</td>
<td>16,023</td>
</tr>
</tbody>
</table>

Investments in affiliates as of 31.12.2018

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

* 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 affiliates as of 31.12.2017

<table>
<thead>
<tr>
<th>Registered office</th>
<th>GOG sp. z o.o.</th>
<th>CD PROJEKT INC.</th>
<th>CD PROJEKT Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Warsaw</td>
<td>Los Angeles, Venice</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Percentage of shares held as of 31.12.2017</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage of votes controlled as of 31.12.2017</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Capital investment</td>
<td>15,280</td>
<td>291</td>
<td>452</td>
</tr>
</tbody>
</table>

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 18. Other assets and receivables

Other receivables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>570</td>
<td>495</td>
</tr>
</tbody>
</table>
Other assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>719</td>
<td>444</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total, including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>short-term</td>
</tr>
<tr>
<td>long-term</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>421</td>
</tr>
<tr>
<td>298</td>
</tr>
</tbody>
</table>

CD PROJEKT S.A. granted a loan to its subsidiary, CD PROJEKT Inc. The loan was granted in two batches, the former due by the end of May 2020 at 2.16% annual interest, while the latter due by the end of October 2020 at 2.52% annual interest.

Note 19. Joint ventures

The Company participates in the following significant joint ventures:

<table>
<thead>
<tr>
<th>Name of venture</th>
<th>Principal site of activity</th>
<th>Contract concluded in</th>
<th>Scope of activity</th>
<th>Entities involved</th>
<th>Main responsibilities in the framework of the joint venture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consortium</td>
<td>Warsaw</td>
<td>2016</td>
<td>Collaboration in the scope of development, release, distribution and maintenance of the GWENT and Thronebreaker videogames</td>
<td>CD PROJEKT S.A.</td>
<td>Conceptual development, gameplay mechanics, graphics, front-end programming, localization, marketing and communication Back-end programming, in-game sales, maintenance of server infrastructure</td>
</tr>
</tbody>
</table>

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

Note 20. Inventories

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other materials</td>
<td>9</td>
<td>23</td>
</tr>
</tbody>
</table>

Gross inventories

| Inventory impairment allowances | - | - |

Net inventories

<table>
<thead>
<tr>
<th>Goods</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>249</td>
<td>300</td>
</tr>
<tr>
<td>9</td>
<td>23</td>
</tr>
<tr>
<td>258</td>
<td>323</td>
</tr>
</tbody>
</table>

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

Inventories between 01.01.2018 and 31.12.2018

<table>
<thead>
<tr>
<th>Goods</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of inventories recognized as cost during the reporting period</td>
<td>2 620</td>
</tr>
<tr>
<td>Total</td>
<td>2 620</td>
</tr>
</tbody>
</table>

Inventories between 01.01.2017 and 31.12.2017

<table>
<thead>
<tr>
<th>Goods</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of inventories recognized as cost during the reporting period</td>
<td>6 403</td>
</tr>
<tr>
<td>Total</td>
<td>6 403</td>
</tr>
</tbody>
</table>
Changes in inventory revaluation allowances

None reported.

Inventories pledged as collateral for liabilities

Not applicable.

**Note 21. Fixed assets held for sale**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger car</td>
<td>49</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>-</td>
</tr>
</tbody>
</table>

Within the 12-month period following the balance sheet date the Company intends to sell one of its passenger cars. The vehicle is currently being offered for sale. In the 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 22. Construction contracts**

Not applicable.

**Note 23. Trade receivables**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net trade receivables</td>
<td>31 397</td>
<td>37 058</td>
</tr>
<tr>
<td>from affiliates</td>
<td>977</td>
<td>974</td>
</tr>
<tr>
<td>from external entities</td>
<td>30 420</td>
<td>36 084</td>
</tr>
<tr>
<td>Impairment allowances</td>
<td>180</td>
<td>2 337</td>
</tr>
<tr>
<td>Gross trade receivables</td>
<td>31 577</td>
<td>39 395</td>
</tr>
</tbody>
</table>

Changes in impairment allowances on trade receivables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FROM AFFILIATES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment allowances at beginning of period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increases</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reductions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment allowances at end of period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FROM OTHER ENTITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment allowances at beginning of period</td>
<td>2 337</td>
<td>3 478</td>
</tr>
<tr>
<td>Increases, including:</td>
<td>2 337</td>
<td>3 478</td>
</tr>
<tr>
<td>recognition of impairment allowances on past-due and contested receivables</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Reductions, including:</td>
<td>1 986</td>
<td>1 036</td>
</tr>
<tr>
<td>elimination of impairment allowances due to collection of receivables</td>
<td>171</td>
<td>1 036</td>
</tr>
<tr>
<td>elimination of impairment allowances by write-offs</td>
<td>1 986</td>
<td>109</td>
</tr>
<tr>
<td>Impairment allowances at end of period</td>
<td>180</td>
<td>2 337</td>
</tr>
<tr>
<td>Aggregate impairment allowances at end of period (affiliates and other entities)</td>
<td>180</td>
<td>2 337</td>
</tr>
</tbody>
</table>
## Current and overdue trade receivables as of 31.12.2018

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Not overdue</th>
<th>Days overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 – 60</td>
</tr>
<tr>
<td><strong>AFFILIATES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>gross receivables</td>
<td>977</td>
<td>966</td>
<td>11</td>
</tr>
<tr>
<td>non-fulfillment ratio</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>impairment allowances as determined by non-fulfillment ratio</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>impairment allowances as individually assessed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>total expected credit loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net receivables</td>
<td>977</td>
<td>966</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Not overdue</th>
<th>Days overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 – 60</td>
</tr>
<tr>
<td><strong>OTHER ENTITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>gross receivables</td>
<td>30 600</td>
<td>30 371</td>
<td>49</td>
</tr>
<tr>
<td>non-fulfillment ratio</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>impairment allowances as determined by non-fulfillment ratio</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>impairment allowances as individually assessed</td>
<td>180</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>total expected credit loss</td>
<td>180</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net receivables</td>
<td>30 420</td>
<td>30 371</td>
<td>49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Not overdue</th>
<th>Days overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 – 60</td>
</tr>
<tr>
<td><strong>Current and overdue trade receivables as of 31.12.2017</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>gross receivables</td>
<td>974</td>
<td>949</td>
<td>12</td>
</tr>
<tr>
<td>non-fulfillment ratio</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>impairment allowances as determined by non-fulfillment ratio</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>impairment allowances as individually assessed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>total expected credit loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net receivables</td>
<td>974</td>
<td>949</td>
<td>12</td>
</tr>
<tr>
<td>Days overdue</td>
<td>Total</td>
<td>Not overdue</td>
<td>1 – 60</td>
</tr>
<tr>
<td>-------------</td>
<td>-------</td>
<td>-------------</td>
<td>--------</td>
</tr>
<tr>
<td>OTHER ENTITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>gross receivables</td>
<td>38 421</td>
<td>35 460</td>
<td>625</td>
</tr>
<tr>
<td>non-fulfilment ratio</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>impairment allowances as determined by non-fulfilment ratio</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>impairment allowances as individually assessed</td>
<td>2 337</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>total expected credit loss</td>
<td>2 337</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Net receivables</td>
<td>36 084</td>
<td>35 460</td>
<td>621</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>gross receivables</td>
<td>39 395</td>
<td>36 409</td>
<td>637</td>
<td>14</td>
<td>2</td>
<td>-</td>
<td>2 333</td>
</tr>
<tr>
<td>impairment allowances</td>
<td>2 337</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 333</td>
</tr>
<tr>
<td>Net receivables</td>
<td>37 058</td>
<td>36 409</td>
<td>633</td>
<td>14</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Trade receivables by currency

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>currency units</td>
<td>PLN equivalent</td>
</tr>
<tr>
<td>PLN</td>
<td>31 188</td>
</tr>
<tr>
<td>USD</td>
<td>9</td>
</tr>
<tr>
<td>JPY</td>
<td>-</td>
</tr>
<tr>
<td>EUR</td>
<td>41</td>
</tr>
<tr>
<td>CNY</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>31 397</td>
</tr>
</tbody>
</table>

* 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.

Note 24. Other receivables

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables, including:</td>
<td>45 474</td>
</tr>
<tr>
<td>tax returns except corporate income tax</td>
<td>14 272*</td>
</tr>
<tr>
<td>advance payments for supplies</td>
<td>1 047</td>
</tr>
<tr>
<td>consortium settlements</td>
<td>28 308</td>
</tr>
<tr>
<td>deposits</td>
<td>160</td>
</tr>
<tr>
<td>employee compensation settlements</td>
<td>16</td>
</tr>
<tr>
<td>prepayments associated with purchases of fixed assets</td>
<td>1 667</td>
</tr>
<tr>
<td>others</td>
<td>4</td>
</tr>
<tr>
<td>Impairment allowances</td>
<td>732</td>
</tr>
<tr>
<td>Total other gross receivables</td>
<td>46 206</td>
</tr>
</tbody>
</table>

* This line item also aggregates withholding tax levied at source, in the amount of 9 191 thousand PLN, subject to deduction in the Company’s annual CIT declaration following receipt of certificates stating that this tax has been paid abroad by the Company’s foreign partners.
Separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 December 2018

(all figures quoted in PLN thousands unless stated otherwise)

The appended information constitutes an integral part of this financial statement.

### Other receivables, including:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>from affiliates</td>
<td>28 311</td>
<td>5 837</td>
</tr>
<tr>
<td>from other entities</td>
<td>17 163</td>
<td>16 382</td>
</tr>
<tr>
<td>Impairment allowances</td>
<td>732</td>
<td>732</td>
</tr>
<tr>
<td>Other gross receivables</td>
<td>46 206</td>
<td>22 951</td>
</tr>
</tbody>
</table>

### Other receivables subject to court proceedings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables subject to court proceedings</td>
<td>732</td>
<td>732</td>
</tr>
<tr>
<td>Impairment allowances on contested receivables</td>
<td>732</td>
<td>732</td>
</tr>
<tr>
<td><strong>Net other receivables subject to court proceedings</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

### Other receivables by currency

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>currency units</td>
<td>PLN equivalent</td>
<td>currency units</td>
</tr>
<tr>
<td>PLN</td>
<td>45 011</td>
<td>45 011*</td>
</tr>
<tr>
<td>USD</td>
<td>82</td>
<td>317</td>
</tr>
<tr>
<td>JPY</td>
<td>18 514</td>
<td>63</td>
</tr>
<tr>
<td>EUR</td>
<td>19</td>
<td>83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45 474</strong></td>
<td><strong>22 219</strong></td>
</tr>
</tbody>
</table>

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

### Trade and other receivables from affiliates

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross receivables from affiliates</td>
<td>29 288</td>
<td>6 811</td>
</tr>
<tr>
<td>trade receivables</td>
<td>977</td>
<td>974</td>
</tr>
<tr>
<td>other receivables</td>
<td>28 311</td>
<td>5 837</td>
</tr>
<tr>
<td>Impairment write-downs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net receivables from affiliates</strong></td>
<td><strong>29 288</strong></td>
<td><strong>6 811</strong></td>
</tr>
</tbody>
</table>

### Note 25. Prepaid expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-life insurance</td>
<td>108</td>
<td>114</td>
</tr>
<tr>
<td>Access to online legal support portal</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Software, licenses</td>
<td>752</td>
<td>585</td>
</tr>
<tr>
<td>Business travel (airfare, accommodation, insurance)</td>
<td>102</td>
<td>29</td>
</tr>
<tr>
<td>Other prepaid expenses</td>
<td>294</td>
<td>192</td>
</tr>
<tr>
<td><strong>Total prepaid expenses</strong></td>
<td><strong>1 262</strong></td>
<td><strong>932</strong></td>
</tr>
</tbody>
</table>

*adjusted data
Note 26. Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and bank deposits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>current bank accounts</td>
<td>2 248</td>
<td>108</td>
</tr>
<tr>
<td>Other monetary assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>overnight deposits</td>
<td>3 226</td>
<td>148</td>
</tr>
<tr>
<td>short-term bank deposits (maturity up to 3 months)</td>
<td>35 675</td>
<td>18 243</td>
</tr>
<tr>
<td>Total</td>
<td>41 149</td>
<td>18 499</td>
</tr>
</tbody>
</table>

Restricted cash

Not applicable.

Note 27. Share capital

Share capital structure as of 31.12.2018

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

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

Changes in share capital

Not applicable.

Note 28. 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 29. Other capital contributions

#### Changes in other capital contributions

<table>
<thead>
<tr>
<th></th>
<th>Reserve capital</th>
<th>Supplementary capital</th>
<th>Own shares</th>
<th>Other reserve capital – incentive program</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of 01.01.2018</strong></td>
<td>539 294</td>
<td>-</td>
<td>-</td>
<td>15 212</td>
<td>554 506</td>
</tr>
<tr>
<td><strong>Increases from:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>allocation of net profit / coverage of losses</td>
<td>-</td>
<td>3 600</td>
<td>3 051</td>
<td>10 384</td>
<td>221 140</td>
</tr>
<tr>
<td>capital contributions mandated by the incentive program</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10 384</td>
<td>10 384</td>
</tr>
<tr>
<td>creation of supplementary capital for purchase of own shares</td>
<td>-</td>
<td>3 600</td>
<td>-</td>
<td>-</td>
<td>3 600</td>
</tr>
<tr>
<td>purchase of own shares</td>
<td>-</td>
<td>-</td>
<td>3 051</td>
<td>-</td>
<td>3 051</td>
</tr>
<tr>
<td>transfer of own shares as partial payment for purchase of an enterprise</td>
<td>3 051</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 051</td>
</tr>
<tr>
<td><strong>Reductions from:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>creation of supplementary capital for purchase of own shares</td>
<td>3 600</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 600</td>
</tr>
<tr>
<td>purchase of own shares</td>
<td>-</td>
<td>3 051</td>
<td>-</td>
<td>-</td>
<td>3 051</td>
</tr>
<tr>
<td>transfer of own shares as partial payment for purchase of an enterprise</td>
<td>-</td>
<td>-</td>
<td>3 051</td>
<td>-</td>
<td>3 051</td>
</tr>
<tr>
<td><strong>As of 31.12.2018</strong></td>
<td>739 799</td>
<td>549</td>
<td>-</td>
<td>25 596</td>
<td>765 944</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Reserve capital</th>
<th>Supplementary capital</th>
<th>Own shares</th>
<th>Other reserve capital – incentive program</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of 01.01.2017</strong></td>
<td>390 518</td>
<td>-</td>
<td>-</td>
<td>4 795</td>
<td>395 313</td>
</tr>
<tr>
<td><strong>Increases from:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>allocation of net profit / coverage of losses</td>
<td>148 776</td>
<td>-</td>
<td>-</td>
<td>10 417</td>
<td>159 193</td>
</tr>
<tr>
<td>capital contributions mandated by the incentive program</td>
<td>148 776</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>148 776</td>
</tr>
<tr>
<td><strong>Reductions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>As of 31.12.2017</strong></td>
<td>539 294</td>
<td>-</td>
<td>-</td>
<td>15 212</td>
<td>554 506</td>
</tr>
</tbody>
</table>
Note 30. Retained earnings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial result of acquiree in preceding years</td>
<td>-</td>
<td>16 441</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>16 441</td>
</tr>
</tbody>
</table>

Changes in retained earnings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of period</td>
<td>16 441</td>
<td>16 441</td>
</tr>
<tr>
<td>Increases from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>allocation of profit from preceding years</td>
<td>184 613</td>
<td>249 701</td>
</tr>
<tr>
<td>Reductions from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>dividend payments</td>
<td>-</td>
<td>100 926</td>
</tr>
<tr>
<td>reclassification as reserve capital</td>
<td>201 054</td>
<td>148 775</td>
</tr>
<tr>
<td>At end of period</td>
<td>-</td>
<td>16 441</td>
</tr>
</tbody>
</table>

Note 31. Credits and loans

None reported.

Note 32. Other financial liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease liabilities</td>
<td>409</td>
<td>338</td>
</tr>
<tr>
<td>short-term (1 to 5 years)</td>
<td>163</td>
<td>148</td>
</tr>
<tr>
<td>long-term</td>
<td>246</td>
<td>190</td>
</tr>
</tbody>
</table>

Note 33. Other long-term liabilities

Not applicable.

Note 34. Trade liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade liabilities:</td>
<td>10 429</td>
<td>9 972</td>
</tr>
<tr>
<td>payable to affiliates</td>
<td>1 133</td>
<td>1 443</td>
</tr>
<tr>
<td>payable to external entities</td>
<td>9 296</td>
<td>8 529</td>
</tr>
</tbody>
</table>

Current and overdue trade liabilities

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Not overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 – 60</td>
</tr>
<tr>
<td>As of 31.12.2018</td>
<td>10 429</td>
<td>6 669</td>
</tr>
<tr>
<td>payable to affiliates</td>
<td>1 133</td>
<td>1 124</td>
</tr>
<tr>
<td>payable to external entities</td>
<td>9 296</td>
<td>5 545</td>
</tr>
</tbody>
</table>
## Trade liabilities by currency

<table>
<thead>
<tr>
<th>Currency</th>
<th>31.12.2018 currency units</th>
<th>PLN equivalent currency units</th>
<th>31.12.2017 currency units</th>
<th>PLN equivalent currency units</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>1 601</td>
<td>6 020</td>
<td>1 187</td>
<td>4 134</td>
</tr>
<tr>
<td>PLN</td>
<td>2 498</td>
<td>2 498</td>
<td>2 556</td>
<td>2 556</td>
</tr>
<tr>
<td>EUR</td>
<td>271</td>
<td>1 166</td>
<td>469</td>
<td>1 957</td>
</tr>
<tr>
<td>CNY</td>
<td>1 100</td>
<td>603</td>
<td>2 144</td>
<td>1 147</td>
</tr>
<tr>
<td>JPY</td>
<td>3 503</td>
<td>120</td>
<td>3 441</td>
<td>106</td>
</tr>
<tr>
<td>GBP</td>
<td>3</td>
<td>16</td>
<td>15</td>
<td>72</td>
</tr>
<tr>
<td>CAD</td>
<td>2</td>
<td>6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10 429</strong></td>
<td></td>
<td><strong>9 972</strong></td>
<td></td>
</tr>
</tbody>
</table>

## Note 35. Other liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities from other taxes, duties, social security payments and others, except corporation tax</td>
<td>1 400</td>
<td>1 436</td>
</tr>
<tr>
<td>Flat-rate withholding tax</td>
<td>15</td>
<td>147</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>907</td>
<td>823</td>
</tr>
<tr>
<td>Social security (ZUS) payments</td>
<td>455</td>
<td>431</td>
</tr>
<tr>
<td>National Disabled Persons Rehabilitation Fund (PFRON) payments</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>PIT-8A settlements</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td><strong>33 560</strong></td>
<td><strong>214</strong></td>
</tr>
<tr>
<td>Other employee-related liabilities</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Other liabilities payable to Management Board members</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Liabilities associated with purchase of investment properties</td>
<td>10 952</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities, incl. Internal Social Benefits Fund (ZFŚS)</td>
<td>(32)</td>
<td>(14)</td>
</tr>
<tr>
<td>Advance payments received from foreign clients</td>
<td>22 603</td>
<td>225</td>
</tr>
<tr>
<td><strong>Total other liabilities</strong></td>
<td><strong>34 960</strong></td>
<td><strong>1 650</strong></td>
</tr>
</tbody>
</table>

## Current and overdue other short-term liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Not overdue</th>
<th>Days overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 – 60</td>
<td>61 – 90</td>
</tr>
<tr>
<td>As of 31.12.2018</td>
<td>34 960</td>
<td>34 928</td>
<td>32</td>
</tr>
<tr>
<td>payable to affiliates</td>
<td>30</td>
<td>2</td>
<td>28</td>
</tr>
<tr>
<td>payable to external entities</td>
<td>34 930</td>
<td>34 926</td>
<td>4</td>
</tr>
</tbody>
</table>
### Total Not overdue

<table>
<thead>
<tr>
<th>Days overdue</th>
<th>1 – 60</th>
<th>61 – 90</th>
<th>91 – 180</th>
<th>181 – 360</th>
<th>&gt;360</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of 31.12.2017</strong></td>
<td>1 650</td>
<td>1 647</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>payable to affiliates</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>payable to external entities</td>
<td>1 647</td>
<td>1 646</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Other short-term liabilities by currency

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PLN</td>
<td>12 356</td>
<td>12 356</td>
<td>1 426</td>
<td>1 426</td>
</tr>
<tr>
<td>EUR</td>
<td>3 000</td>
<td>12 876</td>
<td>53</td>
<td>224</td>
</tr>
<tr>
<td>USD</td>
<td>2 589</td>
<td>9 728</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34 960</strong></td>
<td><strong>1 650</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Note 36. Internal Social Benefits Fund (ZFŚS): assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash assets</td>
<td>98</td>
<td>28</td>
</tr>
<tr>
<td>Liabilities associated with the Internal Social Benefits Fund (ZFŚS)</td>
<td>64</td>
<td>13</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td><strong>34</strong></td>
<td><strong>15</strong></td>
</tr>
<tr>
<td>Internal Social Benefits Fund (ZFŚS) deductions in the financial year</td>
<td>251</td>
<td>218</td>
</tr>
</tbody>
</table>

### Note 37. Contingent liabilities

**Contingent liabilities from operating lease agreements**

Not applicable.

**Promissory note liabilities from loans received**

Not applicable.
## Contingent liabilities due to guarantees and sureties pledged

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>mBank S.A.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Declaration of submission to enforcement</td>
<td>Collateral for debit card agreement</td>
<td>PLN</td>
<td>920</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Collateral for framework agreement concerning forward and derivative transactions</td>
<td>PLN</td>
<td>7 710</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Collateral for lease agreement</td>
<td>PLN</td>
<td>667</td>
</tr>
<tr>
<td><strong>Ingenico Group S.A. (formerly Global Collect Services BV)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract of guarantee</td>
<td>Guarantee of discharge of liabilities by GOG sp. z o.o.</td>
<td>EUR</td>
<td>155</td>
</tr>
<tr>
<td><strong>Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2</td>
<td>PLN</td>
<td>-</td>
</tr>
<tr>
<td><strong>National Center for Research and Development (Narodowe Centrum Badań i Rozwoju)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Co-financing agreement no. POIR.01.02.00-00-0105/16</td>
<td>PLN</td>
<td>7 934</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Co-financing agreement no. POIR.01.02.00-00-0110/16</td>
<td>PLN</td>
<td>5 114</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Co-financing agreement no. POIR.01.02.00-00-0112/16</td>
<td>PLN</td>
<td>3 857</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Co-financing agreement no. POIR.01.02.00-00-0118/16</td>
<td>PLN</td>
<td>5 324</td>
</tr>
<tr>
<td><strong>Bank BGŻ BNP Paribas S.A. (formerly Raiffeisen Bank Polska S.A.)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Declaration of submission to enforcement</td>
<td>Framework agreement concerning forward and derivative transactions</td>
<td>PLN</td>
<td>-</td>
</tr>
<tr>
<td><strong>Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Lease agreement no. C25/00019/2016</td>
<td>PLN</td>
<td>-</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Lease agreement no. C25/00013/2017</td>
<td>PLN</td>
<td>115</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Lease agreement no. C25/00036/2017</td>
<td>PLN</td>
<td>50</td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Lease agreement no. CR1/01390/2018</td>
<td>PLN</td>
<td>299</td>
</tr>
<tr>
<td><strong>Santander Bank Polska S.A. (formerly BZ WBK S.A.)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory note agreement</td>
<td>Framework agreement concerning treasury transactions</td>
<td>PLN</td>
<td>6 500</td>
</tr>
</tbody>
</table>
### Note 38. Short- and long-term financial lease liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Payments</td>
<td>Minimum</td>
<td>Payments</td>
</tr>
<tr>
<td></td>
<td>payments</td>
<td>outstanding</td>
<td>payments</td>
<td>outstanding</td>
</tr>
<tr>
<td>Due within 1 year</td>
<td>258</td>
<td>246</td>
<td>197</td>
<td>190</td>
</tr>
<tr>
<td>Due between 1 and 5 years</td>
<td>165</td>
<td>163</td>
<td>149</td>
<td>148</td>
</tr>
<tr>
<td><strong>Total minimum lease payments</strong></td>
<td><strong>423</strong></td>
<td><strong>409</strong></td>
<td><strong>346</strong></td>
<td><strong>338</strong></td>
</tr>
<tr>
<td>Future interest</td>
<td>10</td>
<td>-</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current minimum value of lease payments, including:</strong></td>
<td><strong>413</strong></td>
<td><strong>409</strong></td>
<td><strong>338</strong></td>
<td><strong>338</strong></td>
</tr>
<tr>
<td>short-term payments</td>
<td>250</td>
<td>246</td>
<td>190</td>
<td>190</td>
</tr>
<tr>
<td>long-term payments</td>
<td>163</td>
<td>163</td>
<td>148</td>
<td>148</td>
</tr>
</tbody>
</table>

### Assets subject to financial leasing as of 31.12.2018

<table>
<thead>
<tr>
<th></th>
<th>Vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger cars</td>
<td>409</td>
<td>409</td>
</tr>
<tr>
<td><strong>Net value of leased assets</strong></td>
<td><strong>409</strong></td>
<td><strong>409</strong></td>
</tr>
</tbody>
</table>
### Financial lease agreements as of 31.12.2018

<table>
<thead>
<tr>
<th>Financier</th>
<th>Contract no.</th>
<th>Base value</th>
<th>Base value in currency units</th>
<th>Currency</th>
<th>Contract expiration date</th>
<th>Payments outstanding at end of reporting period</th>
<th>Prolongation conditions and buyout options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)</td>
<td>CZ5/00013/2017</td>
<td>436</td>
<td>436</td>
<td>PLN</td>
<td>2019-03-20</td>
<td>103</td>
<td>Lessee is entitled to buy out the leased asset – the contractual net residual value is 74 thousand PLN</td>
</tr>
<tr>
<td>Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)</td>
<td>CZ5/00036/2017</td>
<td>189</td>
<td>189</td>
<td>PLN</td>
<td>2019-03-20</td>
<td>45</td>
<td>Lessee is entitled to buy out the leased asset – the contractual net residual value is 32 thousand PLN</td>
</tr>
<tr>
<td>Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)</td>
<td>CR1/01390/2018</td>
<td>547</td>
<td>547</td>
<td>PLN</td>
<td>2020-08-25</td>
<td>266</td>
<td>Lessee is entitled to buy out the leased asset – the contractual net residual value is 93 thousand PLN</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1 172</strong></td>
<td><strong>1 172</strong></td>
<td></td>
<td><strong>414</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(all figures quoted in PLN thousands unless stated otherwise)

The appended information constitutes an integral part of this financial statement.
Note 39. Deferred revenues

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subsidies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction of data processing and communications center of the CD PROJEKT Group</td>
<td>6 471</td>
<td>2 560</td>
</tr>
<tr>
<td>Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange</td>
<td>9</td>
<td>24</td>
</tr>
<tr>
<td>Animation Excellence (GameINN)</td>
<td>1 542</td>
<td>323</td>
</tr>
<tr>
<td>City Creation (GameINN)</td>
<td>2 969</td>
<td>967</td>
</tr>
<tr>
<td>Seamless Multiplayer (GameINN)</td>
<td>501</td>
<td>215</td>
</tr>
<tr>
<td>Cinematic Feel (GameINN)</td>
<td>1 159</td>
<td>176</td>
</tr>
<tr>
<td>Promised Land</td>
<td>-</td>
<td>398</td>
</tr>
<tr>
<td><strong>Future period revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official phone rental</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total, including:</strong></td>
<td>6 489</td>
<td>2 569</td>
</tr>
<tr>
<td>long-term deferrals</td>
<td>6 302</td>
<td>1 983</td>
</tr>
<tr>
<td>short-term deferrals</td>
<td>187</td>
<td>586</td>
</tr>
</tbody>
</table>

Note 40. Provisions for employee benefits and similar liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for retirement benefits and pensions</td>
<td>186</td>
<td>79</td>
</tr>
<tr>
<td><strong>Total, including:</strong></td>
<td>186</td>
<td>79</td>
</tr>
<tr>
<td>long-term provisions</td>
<td>184</td>
<td>78</td>
</tr>
<tr>
<td>short-term provisions</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate (%)</td>
<td>2.73</td>
<td>3.25</td>
</tr>
<tr>
<td>Projected inflation rate (%)</td>
<td>2.73</td>
<td>3.25</td>
</tr>
<tr>
<td>Employee turnover rate (%) – adjusted for age</td>
<td>8.4% at age 32</td>
<td>8.2% at age 31</td>
</tr>
<tr>
<td>Projected annual rate of salary growth (%)</td>
<td>5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Mortality rates published by the Central Statistical Office (year of estimation)</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Likelihood of disability during the fiscal year</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Provisions for retirement benefits and pensions</th>
<th>Provisions for other employee benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 01.01.2018</td>
<td>79</td>
<td>-</td>
<td>79</td>
</tr>
<tr>
<td>Provisions created</td>
<td>107</td>
<td>-</td>
<td>107</td>
</tr>
<tr>
<td><strong>As of 31.12.2018, including:</strong></td>
<td><strong>186</strong></td>
<td>-</td>
<td><strong>186</strong></td>
</tr>
<tr>
<td>long-term provisions</td>
<td>184</td>
<td>-</td>
<td>184</td>
</tr>
<tr>
<td>short-term provisions</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Provisions for retirement benefits and pensions</th>
<th>Provisions for other employee benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 01.01.2017</td>
<td>55</td>
<td>181</td>
<td>236</td>
</tr>
<tr>
<td>Provisions created</td>
<td>24</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Benefits paid out</td>
<td>-</td>
<td>122</td>
<td>122</td>
</tr>
<tr>
<td>Provisions dissolved</td>
<td>-</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td><strong>As of 31.12.2017, including:</strong></td>
<td><strong>79</strong></td>
<td>-</td>
<td><strong>79</strong></td>
</tr>
<tr>
<td>long-term provisions</td>
<td>78</td>
<td>-</td>
<td>78</td>
</tr>
<tr>
<td>short-term provisions</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

**Note 41. Other provisions**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>provisions for financial statement audit and review expenses</td>
<td>21 534</td>
<td>41 038</td>
</tr>
<tr>
<td>provisions for bought-in services</td>
<td>75</td>
<td>-</td>
</tr>
<tr>
<td>provisions for compensation contingent upon the Company’s financial result, and other compensation</td>
<td>45</td>
<td>-</td>
</tr>
<tr>
<td>provisions for other expenses</td>
<td>20 071</td>
<td>40 663</td>
</tr>
<tr>
<td><strong>Total, including:</strong></td>
<td><strong>21 534</strong></td>
<td><strong>41 038</strong></td>
</tr>
<tr>
<td>long-term provisions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>short-term provisions</td>
<td>21 534</td>
<td>41 038</td>
</tr>
</tbody>
</table>

Changes in other provisions

<table>
<thead>
<tr>
<th></th>
<th>Provisions for compensation contingent upon the Company’s financial result</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 01.01.2018</td>
<td>40 663</td>
<td>375</td>
<td>41 038</td>
</tr>
<tr>
<td>Provisions created during fiscal year</td>
<td>20 071</td>
<td>7 149</td>
<td>27 220</td>
</tr>
<tr>
<td>Provisions used</td>
<td>40 663</td>
<td>5 977</td>
<td>46 640</td>
</tr>
<tr>
<td>Provisions dissolved</td>
<td>-</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td><strong>As of 31.12.2018, including:</strong></td>
<td><strong>20 071</strong></td>
<td><strong>1 463</strong></td>
<td><strong>21 534</strong></td>
</tr>
<tr>
<td>long-term provisions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>short-term provisions</td>
<td>20 071</td>
<td>1 463</td>
<td>21 534</td>
</tr>
</tbody>
</table>
Provisions for compensation contingent upon the Company’s financial result | Other provisions | Total
--- | --- | ---
As of 01.01.2017 | 43 044 | 455 | 43 499
Provisions created during fiscal year | 40 663 | 1 401 | 42 064
Provisions used | 41 821 | 1 480 | 43 301
Provisions dissolved | 1 223 | 1 | 1 224
As of 31.12.2017, including: | 40 663 | 375 | 41 038
long-term provisions | - | - | -
short-term provisions | 40 663 | 375 | 41 038

Note 42. Disclosure of financial instruments

Fair value of financial instruments per class

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

Financial assets – classification and estimation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets estimated at amortized cost</td>
<td>628 108</td>
<td>636 581</td>
</tr>
<tr>
<td>Other long-term receivables</td>
<td>570</td>
<td>495</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>31 397</td>
<td>37 058</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>41 149</td>
<td>18 499</td>
</tr>
<tr>
<td>Bank deposits (maturity beyond 3 months)</td>
<td>554 992</td>
<td>580 529</td>
</tr>
<tr>
<td>Capital market instruments estimated at purchase price</td>
<td>20 279</td>
<td>16 023</td>
</tr>
<tr>
<td>Shares in subsidiaries</td>
<td>20 279</td>
<td>16 023</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>648 387</td>
<td>652 604</td>
</tr>
</tbody>
</table>

Financial liabilities – classification and estimation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities estimated at amortized cost</td>
<td>10 838</td>
<td>10 310</td>
</tr>
<tr>
<td>Trade liabilities</td>
<td>10 429</td>
<td>9 972</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>409</td>
<td>338</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td></td>
<td>Other receivables</td>
<td>Trade receivables</td>
</tr>
<tr>
<td>Revenues/(expenses) from interest</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Dissolution of impairment allowances</td>
<td>-</td>
<td>171</td>
</tr>
<tr>
<td>Profit/(loss) from sale of financial instruments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total profit / (loss)</td>
<td>-</td>
<td>180</td>
</tr>
<tr>
<td>Revenues/(expenses) from interest</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Revenues from shares held</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Creation of impairment allowances</td>
<td>(4)</td>
<td>-</td>
</tr>
<tr>
<td>Dissolution of impairment allowances</td>
<td>-</td>
<td>1 036</td>
</tr>
<tr>
<td>Profit/(loss) from sale of financial instruments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Forward contract valuation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total profit / (loss)</td>
<td>(4)</td>
<td>1 044</td>
</tr>
</tbody>
</table>
Note 43. Equity management

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

The Company actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the Company may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Company monitors its capital status by applying a leverage ratio which is calculated as the ratio of net borrowing versus total equity increased by net borrowing. As of 31 December 2018 the value of cash assets held by the Company is in excess of its sum of trade liabilities and other liabilities. Consequently, the Company reports a positive cash balance.

Note 44. Employee share programs

2016-2021 incentive program

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

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

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

Incentive program estimation – assumed indicators

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

Grant date

In 2018 the 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 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.
Stock volume on grant date

As of 31 December 2018 the 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

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Entitlements granted</td>
<td>Entitlements granted</td>
</tr>
<tr>
<td>Exercise price (PLN)</td>
<td>Exercise price (PLN)</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Unexercised at beginning of period</td>
<td>6 000 000</td>
</tr>
<tr>
<td>Granted but unexercised at beginning of period</td>
<td>5 790 000</td>
</tr>
<tr>
<td>Granted</td>
<td>10 000</td>
</tr>
<tr>
<td>25.70 or 22.35</td>
<td>25.70 or 22.35</td>
</tr>
<tr>
<td>Forfeited</td>
<td>175 000</td>
</tr>
<tr>
<td>25.70 or 22.35</td>
<td>25.70 or 22.35</td>
</tr>
<tr>
<td>Unexercised at end of period</td>
<td>6 000 000</td>
</tr>
<tr>
<td>Granted but unexercised at end of period</td>
<td>5 625 000</td>
</tr>
<tr>
<td>25.70 or 22.35</td>
<td>25.70 or 22.35</td>
</tr>
</tbody>
</table>

Note 45. Transactions with affiliates

Conditions governing transactions with affiliates

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

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

<table>
<thead>
<tr>
<th></th>
<th>Sales to affiliates</th>
<th>Purchases from affiliates</th>
<th>Receivables from affiliates</th>
<th>Liabilities due to affiliates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUBSIDIARIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GOG sp. z o.o. (formerly GOG Poland sp. z o.o.)</td>
<td>7 905</td>
<td>3 956</td>
<td>133</td>
<td>68</td>
</tr>
<tr>
<td>GOG Ltd.*</td>
<td>-</td>
<td>31 353</td>
<td>-</td>
<td>146</td>
</tr>
<tr>
<td>CD PROJEKT Inc.</td>
<td>8</td>
<td>306</td>
<td>4 391</td>
<td>5 702</td>
</tr>
<tr>
<td>CD PROJEKT Co., Ltd.</td>
<td>29</td>
<td>36</td>
<td>3 700</td>
<td>2 436</td>
</tr>
<tr>
<td>Spokko sp. z o.o.</td>
<td>747</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**MANAGEMENT BOARD MEMBERS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Marcin Iwiński</td>
<td>9</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Adam Kiciński</td>
<td>3</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>28</td>
</tr>
<tr>
<td>Piotr Nielubowicz</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Michał Nowakowski</td>
<td>10</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Adam Badowski</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Piotr Karwowski</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
</tbody>
</table>

**SUPERVISORY BOARD MEMBERS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Katarzyna Szwarc</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>-</td>
</tr>
</tbody>
</table>

*up until the merger date
### Note 46. Compensation of top management and Supervisory Board members

#### Benefits paid out to Management Board members

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation for duties performed</td>
<td>1,980</td>
<td>1,933</td>
</tr>
<tr>
<td>Bonuses and compensation contingent upon the Company’s financial result for the previous year</td>
<td>23,592</td>
<td>29,654</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,572</strong></td>
<td><strong>31,587</strong></td>
</tr>
</tbody>
</table>

#### Benefits paid out to other top executives

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salaries</td>
<td>2,586</td>
<td>1,944</td>
</tr>
<tr>
<td>Compensation for duties performed</td>
<td>210</td>
<td>37</td>
</tr>
<tr>
<td>Bonuses and compensation contingent upon the Company’s financial result</td>
<td>1,540</td>
<td>726</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,336</strong></td>
<td><strong>2,707</strong></td>
</tr>
</tbody>
</table>

*adjusted data

#### Benefits paid out to Supervisory Board members

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation for duties performed</td>
<td>335</td>
<td>288</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>335</strong></td>
<td><strong>288</strong></td>
</tr>
</tbody>
</table>

### Note 47. Employment

#### Average employment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average employment</td>
<td>212</td>
<td>185</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>212</strong></td>
<td><strong>185</strong></td>
</tr>
</tbody>
</table>

#### Employment turnover

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees hired</td>
<td>50</td>
<td>46</td>
</tr>
<tr>
<td>Employees dismissed</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

#### Employment in the scope of R&D activities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>84</td>
<td>87</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
<td><strong>87</strong></td>
</tr>
</tbody>
</table>
Note 48. Operating lease agreements

The Company has concluded office space lease agreements which, in light of their substance, qualify as operating lease agreements. The Company 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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 1 year</td>
<td>5,716</td>
<td>4,971</td>
</tr>
<tr>
<td>between 1 and 5 years</td>
<td>4,732</td>
<td>9,527</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,448</strong></td>
<td><strong>14,498</strong></td>
</tr>
</tbody>
</table>

*adjusted data

Note 49. Activated borrowing costs

Not applicable.

Note 50. 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 the Company the status of a Research and Development Center (decision no. 4/CBR/18 issued on 19 June 2018). This status enables the Company 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).

Note 51. 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 52. Disclosure of transactions with entities contracted to perform audits of financial statements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>for auditing the annual financial statement and the consolidated financial statement</td>
<td>75</td>
<td>122</td>
</tr>
<tr>
<td>for reviewing financial statements and the consolidated financial statement</td>
<td>50</td>
<td>61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>183</strong></td>
</tr>
</tbody>
</table>
Note 53. Clarifications regarding the cash flow statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash on balance sheet</td>
<td>41 149</td>
<td>18 499</td>
</tr>
<tr>
<td></td>
<td></td>
<td>41 149</td>
<td>18 499</td>
</tr>
<tr>
<td></td>
<td>Depreciation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depreciation of intangibles</td>
<td>963</td>
<td>629</td>
</tr>
<tr>
<td></td>
<td>Depreciation of fixed assets</td>
<td>1 767</td>
<td>1 263</td>
</tr>
<tr>
<td></td>
<td>Profit (loss) from exchange rate differences</td>
<td>(11)</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>Exchange rate differences on valuation of loans granted at end of period</td>
<td>(11)</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>Interest and share in profits (dividends) consist of:</td>
<td>(10 279)</td>
<td>(10 358)</td>
</tr>
<tr>
<td></td>
<td>Interest received</td>
<td>(10 292)</td>
<td>(10 358)</td>
</tr>
<tr>
<td></td>
<td>Interest on lease agreements</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Profit (loss) from investment activities results from:</td>
<td>483</td>
<td>908</td>
</tr>
<tr>
<td></td>
<td>Revenues from sales of fixed assets</td>
<td>(221)</td>
<td>(63)</td>
</tr>
<tr>
<td></td>
<td>Net value of fixed assets sold</td>
<td>210</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Net value of fixed assets disposed of</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Net value of intangibles disposed of</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Net value of shares sold</td>
<td>-</td>
<td>195</td>
</tr>
<tr>
<td></td>
<td>Fixed assets received free of charge</td>
<td>(117)</td>
<td>(35)</td>
</tr>
<tr>
<td></td>
<td>Revaluation of short-term financial assets</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Fixed assets written off</td>
<td>189</td>
<td>743</td>
</tr>
<tr>
<td></td>
<td>Losses from revaluation of own shares</td>
<td>96</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Expenses associated with purchase of investment properties</td>
<td>61</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Disclosure of fixed assets and intangibles</td>
<td>(26)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Additional costs related to the acquisition of an enterprise and aggregated with general and administrative expenses</td>
<td>273</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Settlement of expired lease agreements</td>
<td>(8)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Changes in provisions result from:</td>
<td>(26 343)</td>
<td>(2 618)</td>
</tr>
<tr>
<td></td>
<td>Balance of changes in provisions for liabilities</td>
<td>(19 504)</td>
<td>(2 461)</td>
</tr>
<tr>
<td></td>
<td>Balance of changes in provisions for employee benefits</td>
<td>107</td>
<td>(157)</td>
</tr>
<tr>
<td></td>
<td>Provisions for compensation contingent upon the Company’s financial result aggregated with expenses on development projects</td>
<td>(6 946)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Changes in inventory status result from:</td>
<td>65</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>Balance of changes in inventory status</td>
<td>65</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>Changes in receivables result from:</td>
<td>(768)</td>
<td>37 733</td>
</tr>
<tr>
<td></td>
<td>Balance of changes in short-term receivables</td>
<td>(18 990)</td>
<td>37 796</td>
</tr>
<tr>
<td></td>
<td>Balance of changes in long-term receivables</td>
<td>(75)</td>
<td>(8)</td>
</tr>
<tr>
<td></td>
<td>Advance payment for investment properties</td>
<td>727</td>
<td>940</td>
</tr>
<tr>
<td></td>
<td>Adjustment in receivables related to reassignment of development activities under a consortium agreement</td>
<td>16 122</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Income tax set against withholding tax</td>
<td>11 264</td>
<td>14 353</td>
</tr>
<tr>
<td></td>
<td>Cash pool eliminations</td>
<td>-</td>
<td>(995)</td>
</tr>
<tr>
<td></td>
<td>Current income tax adjustments</td>
<td>(9 868)</td>
<td>(14 353)</td>
</tr>
<tr>
<td></td>
<td>Receivables taken over in the acquisition of an enterprise</td>
<td>44</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Receivables associated with withdrawal from a fixed asset purchase agreement</td>
<td>8</td>
<td>-</td>
</tr>
</tbody>
</table>
Changes in short-term liabilities except financial liabilities result from:

<table>
<thead>
<tr>
<th>Description</th>
<th>25 035</th>
<th>(206)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of changes in short-term liabilities</td>
<td>31 665</td>
<td>(4 010)</td>
</tr>
<tr>
<td>Current income tax adjustments</td>
<td>2 130</td>
<td>1 610</td>
</tr>
<tr>
<td>Changes in financial liabilities</td>
<td>(56)</td>
<td>(127)</td>
</tr>
<tr>
<td>Adjustments for changes in liabilities due to purchase of fixed assets</td>
<td>46</td>
<td>(93)</td>
</tr>
<tr>
<td>Adjustments for changes in liabilities due to purchase of intangibles</td>
<td>266</td>
<td>254</td>
</tr>
<tr>
<td>Adjustment for liabilities related to purchase of investment properties</td>
<td>(9 015)</td>
<td>-</td>
</tr>
<tr>
<td>Adjustments for cash pool liabilities</td>
<td>-</td>
<td>2 060</td>
</tr>
<tr>
<td>Liabilities taken over in the acquisition of an enterprise</td>
<td>(1)</td>
<td>-</td>
</tr>
</tbody>
</table>

Changes in other assets and liabilities result from:

<table>
<thead>
<tr>
<th>Description</th>
<th>3 613</th>
<th>1 125</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of changes in prepaid expenses</td>
<td>(330)</td>
<td>80</td>
</tr>
<tr>
<td>Balance of changes in deferred revenues</td>
<td>3 920</td>
<td>1 045</td>
</tr>
<tr>
<td>Prepaid expenses taken over in the acquisition of an enterprise</td>
<td>23</td>
<td>-</td>
</tr>
</tbody>
</table>

Other adjustments include:

<table>
<thead>
<tr>
<th>Description</th>
<th>8 844</th>
<th>9 027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of incentive program</td>
<td>8 628</td>
<td>8 697</td>
</tr>
<tr>
<td>Depreciation aggregated with selling cost and consortium settlements</td>
<td>216</td>
<td>330</td>
</tr>
</tbody>
</table>

*adjusted data
Note 54. Cash flows and other changes resulting from financial activities

<table>
<thead>
<tr>
<th></th>
<th>01.01.2018</th>
<th>Cash flows</th>
<th>Other (non-cash) changes</th>
<th>31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Acquisition of leased assets</td>
<td>Interest charged</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>338</td>
<td>(706)</td>
<td>764</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>338</td>
<td>(706)</td>
<td>764</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>01.01.2017</th>
<th>Cash flows</th>
<th>Other (non-cash) changes</th>
<th>31.12.2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Acquisition of leased assets</td>
<td>Interest charged</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>139</td>
<td>(427)</td>
<td>626</td>
<td>-</td>
</tr>
<tr>
<td>Cash pool liabilities</td>
<td>2 060</td>
<td>(2 060)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash pool receivables</td>
<td>(995)</td>
<td>995</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1 204</td>
<td>(1 492)</td>
<td>626</td>
<td>-</td>
</tr>
</tbody>
</table>

Note 55. Research and development expenditures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee remuneration</td>
<td>12 600</td>
<td>10 806</td>
</tr>
<tr>
<td>Compensation of collaborators and external personnel</td>
<td>52 219</td>
<td>39 630</td>
</tr>
<tr>
<td>Investments, including:</td>
<td>4 500</td>
<td>5 311</td>
</tr>
<tr>
<td>- buildings and structures</td>
<td>-</td>
<td>361</td>
</tr>
<tr>
<td>- machinery and equipment</td>
<td>2 731</td>
<td>1 826</td>
</tr>
<tr>
<td>- computer software</td>
<td>1 662</td>
<td>3 102</td>
</tr>
<tr>
<td>- intangibles</td>
<td>107</td>
<td>-</td>
</tr>
<tr>
<td>- other assets</td>
<td>-</td>
<td>22</td>
</tr>
<tr>
<td>Other expenses</td>
<td>23 485</td>
<td>20 691</td>
</tr>
<tr>
<td><strong>Total R&amp;D expenditures</strong></td>
<td><strong>92 804</strong></td>
<td><strong>76 438</strong></td>
</tr>
</tbody>
</table>

Information regarding the Company's R&D activities 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.
Statement of the Management Board

With regard to the correctness of the annual separate financial statement

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

This separate financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 31 December 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 annual separate financial statement

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adam Kiciński</td>
<td>President of the Board</td>
</tr>
<tr>
<td>Marcin Iwiński</td>
<td>Vice President of the Board</td>
</tr>
<tr>
<td>Piotr Nielubowicz</td>
<td>Vice President of the Board</td>
</tr>
<tr>
<td>Adam Badowski</td>
<td>Board Member</td>
</tr>
<tr>
<td>Michał Nowakowski</td>
<td>Board Member</td>
</tr>
<tr>
<td>Oleg Klapovskiy</td>
<td>Board Member</td>
</tr>
<tr>
<td>Piotr Karwowski</td>
<td>Board Member</td>
</tr>
<tr>
<td>Rafał Zuchowicz</td>
<td>Chief Accountant</td>
</tr>
</tbody>
</table>
Separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 December 2018
(all figures quoted in PLN thousands unless stated otherwise)

The appended information constitutes an integral part of this financial statement.