CD PROJEKT®

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENT OF THE CD PROJEKT CAPITAL GROUP

FOR THE PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2019

Disclaimer

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

	PLN		EUR	
	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018*	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018*
Revenues from sales of products, services, goods and materials	307 958	235 601	71 475	55 390
Cost of products, goods and materials sold	104 504	63 350	24 255	14 894
Operating profit (loss)	76 697	79 582	17 801	18 710
Profit (loss) before tax	83 400	86 743	19 357	20 393
Net profit (loss) attributable to equity holders of parent entity	66 435	67 917	15 419	15 967
Net cash flows from operating activities	157 550	52 076	36 566	12 244
Net cash flows from investment activities	(30 876)	(70 232)	(7 166)	(16 512)
Net cash flows from financial activities	(106 086)	(649)	(24 622)	(153)
Total net cash flows	20 588	(18 805)	4 778	(4 421)
Stock volume (thousands)	96 120	96 120	96 120	96 120
Net earnings per share (PLN/EUR)	0.69	0.71	0.16	0.17
Diluted net earnings per share (PLN/EUR)	0.66	0.67	0.15	0.16
Book value per share (PLN/EUR)	10.35	9.98	2.37	2.34
Diluted book value per share (PLN/EUR)	9.85	9.39	2.25	2.20
Declared or paid out dividend per share (PLN/EUR)	1.05	-	0.24	-

** adjusted data*

	PLN		EUR	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Total assets	1 208 056	1 126 838	276 215	262 055
Liabilities and provisions for liabilities (less accrued charges)	82 535	91 464	18 871	21 271
Long-term liabilities	6 185	6 691	1 414	1 556
Short-term liabilities	207 228	117 283	47 382	27 275
Equity	994 643	1 002 864	227 420	233 224
Share capital	96 120	96 120	21 977	22 353

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

- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.3086 PLN/EUR for the period between 1 January and 30 September 2019, and 4.2535 PLN/EUR for the period between 1 January and 30 September 2018 respectively.

- Assets and liabilities listed in the consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.3736 PLN/EUR on 30 September 2019 and 4.3000 PLN/EUR on 31 December 2018 respectively.

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Primary Financial Data of the CD PROJEKT Capital Group

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Condensed interim consolidated profit and loss account

	Note	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Sales revenues		**92 871**	**307 958**	**67 167**	**235 601**
Revenues from sales of products	17	47 147	156 922	40 675	149 447
Revenues from sales of services	17	2 381	34 238	37	62
Revenues from sales of goods and materials	17	43 343	116 798	26 455	86 092
Cost of products, goods and materials sold		**37 880**	**104 504**	**19 521**	**63 350**
Cost of products and services sold	18	6 362	21 423	700	791
Value of goods and materials sold	18	31 518	83 081	18 821	62 559
Gross profit (loss) from sales		**54 991**	**203 454**	**47 646**	**172 251**
Selling costs	18	27 334	82 538	20 235	66 884
General and administrative costs	18	11 698	46 047	8 729	25 276
Other operating revenues	19	4 421	6 312	304	912
Other operating expenses	19	3 558	4 488	638	1 600
(Impairment losses)/reversal of impairment losses of financial instruments		1	4	(54)	179
Operating profit (loss)		**16 823**	**76 697**	**18 294**	**79 582**
Financial revenues	20	2 483	7 415	1 946	7 340
Financial expenses	20	147	712	92	179
Profit (loss) before tax		**19 159**	**83 400**	**20 148**	**86 743**
Income tax	11	4 264	16 965	4 661	18 826
Net profit (loss)		**14 895**	**66 435**	**15 487**	**67 917**
Net profit (loss) attributable to equity holders of parent entity		14 895	66 435	15 487	67 917
Net earnings per share (in PLN)					
Basic for the reporting period		0.15	0.69	0.16	0.71
Diluted for the reporting period		0.15	0.66	0.15	0.67

The Group's aggregate **Sales revenues** in the third quarter of the year were 92 871 thousand PLN, i.e. 38% more than during the reference period in 2018.

The greatest contribution to the CD PROJEKT Capital Group's revenues in the third quarter of 2019 was from **Revenues from sales of products**, mostly comprising:

a) licensing royalties associated with continuing strong sales of The Witcher 3: Wild Hunt along with its expansion packs (Hearts of Stone and Blood and Wine) – sold separately as well as in the Game of the Year Edition bundle;

b) licensing royalties associated with digital distribution of Thronebreaker: The Witcher Tales and in-game sales in GWENT: The Witcher Card Game.

Another important contribution to revenues was from **Revenues from sales of goods and materials**, comprising mostly:

a) revenues from digital distribution of videogames licensed from external suppliers directly to end users, carried out by GOG.com;

b) revenues obtained by CD PROJEKT RED in association with sales of components of physical editions of the Studio's own videogames (carrier media, boxes etc.) to external distributors, including in particular components of the physical edition of the collector's edition of Cyberpunk 2077, as well as The Witcher 3 for Nintendo Switch;

c) revenues from sales of tie-in products based on the Group's franchises, carried out by CD PROJEKT RED in the framework of its online store at www.store.cdprojektred.com.

The aggregate increase in Revenues from sales of goods and materials over the third quarter of the current year, compared to the third quarter of 2018, was mostly due to transactions which fall within the scope of item b) as described above, associated with the upcoming release of Cyberpunk 2077 and The Witcher 3: Wild Hunt for Nintendo Switch; increased sales on GOG.com (see item a) and revenues obtained by the new online store, launched earlier this year and – for the first time – aggregated with the consolidated financial result of the Capital Group (see item c).

(all figures quoted in PLN thousands unless indicated otherwise)

The **Cost of products and services sold** in the third quarter of the year represents mostly ongoing depreciation of development expenses associated with GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales, which commenced in October 2018 along with the official release of both games.

The **Value of goods and materials sold** corresponds mainly to costs incurred by GOG.com in association with digital sales (item a) – see above), own costs related to sales of physical videogame components (item b) and – to a lesser degree – costs of selling tie-in products to individual customers via the online store at www.store.cdprojektred.com (item c).

Regarding current-period costs, the largest contribution to the aggregate figure was from **Selling costs**, which include advertising and promotional expenses incurred in each of the Group's activity segments. Most of these costs were borne by the CD PROJEKT RED segment in the scope of promoting Cyberpunk 2077, GWENT: The Witcher Card Game and The Witcher 3: Wild Hunt.

A notable part of Q3 Selling costs was related to maintenance and development of GWENT: The Witcher Card Game (including work on its mobile edition, published in the fourth quarter of the current year). These costs are split proportionately between CD PROJEKT RED and GOG.com, in line with their consortium agreement.

In the GOG.com segment selling costs correspond to marketing expenses related to operation of the GOG.com platform as well as transaction processing costs related to digital distribution of videogames.

The above category also comprises remuneration (both fixed and dependent on the Group's financial result) of its internal publishing departments, as well as the costs of other bought-in sales support services.

The reported increase in selling costs compared to the reference period in 2018 is mainly due to intensive promotional activities surrounding the upcoming release of Cyberpunk 2077.

The largest contribution to **General and administrative expenses** of the CD PROJEKT Group in Q3 2019 was from compensation and provisions for compensation dependent on the Group's financial result (including liabilities associated with evaluation of the incentive program, attributable to the current reporting period) along with the costs of bought-in services which qualify as general and administrative expenses. The reported increase compared to the reference period in 2018 is mainly due to a reassessment of the likely implementation timeframe of the Group's internal incentive program. As a result of said reassessment, the costs of the program (resulting from appraisal of the assignable entitlements) are spread over a shorter period and, consequently, generate proportionately greater costs during the current quarter as well as in future quarters. Furthermore, general and administrative expenses have increased as a result of the Group's expansion and recruitment of additional personnel over the past 12 months.

The notable increase in **Other operating revenues/expenses** is due to recognition of revenues and expenses associated with reinvoicing the costs of Cyberpunk 2077 promotional materials and services by CD PROJEKT RED to its distribution partners.

The Group's consolidated **Net profit** in the third quarter of 2019 was 14 895 thousand PLN, which is comparable to the net profit obtained in Q3 2018 (15 487 thousand PLN). This slightly lower profit results from an increase in sales revenues and gross profit from sales, offset by a surplus of costs related to GWENT (related to maintenance, upkeep and promotion of the project along with further development of the game, including work on additional expansions and the mobile release of GWENT, all taking place in Q3, in addition to depreciation of its earlier development costs). The reported decrease in net profit is also related to CD PROJEKT RED's distribution schedule, which currently calls for large-scale expenses related to promotion of Cyberpunk 2077.

Condensed interim consolidated statement of comprehensive income

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Net profit (loss)	**14 895**	**66 435**	**15 487**	**67 917**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	**65**	**51**	**(12)**	**74**
exchange rate differences on valuation of foreign entities	65	51	(12)	74
Other comprehensive income which will not be entered as profit (loss)	**-**	**-**	**-**	**-**
Total comprehensive income	**14 960**	**66 486**	**15 475**	**67 991**
Minority interest equity	-	-	-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.	**14 960**	**66 486**	**15 475**	**67 991**

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim consolidated statement of financial position

	Note	30.09.2019	30.06.2019	31.12.2018*
FIXED ASSETS		**502 645**	**454 348**	**387 809**
Tangible assets	2	31 299	31 987	19 241
Intangibles	4	51 648	51 600	50 210
Expenditures on development projects	4	333 124	291 803	242 816
Investment properties	6	9 688	9 640	9 553
Perpetual usufruct of land	7	3 482	3 478	3 478
Goodwill	4,5	56 438	56 438	56 438
Shares in subsidiaries excluded from consolidation	16	6 934	6 257	3 183
Deferred income tax assets	11	9 458	2 571	2 320
Other long-term receivables	16	574	574	570
WORKING ASSETS		**705 411**	**683 367**	**739 029**
Inventories	8	10 922	1 087	258
Fixed assets held for sale	3	-	-	49
Trade receivables	9,16	39 312	90 308	37 008
Current income tax receivables		1 008	3 765	1 611
Other receivables	9	42 091	36 494	19 231
Prepaid expenses	10	18 449	21 203	21 502
Cash and cash equivalents	16	124 966	69 224	104 378
Bank deposits (maturity beyond 3 months)	16	468 663	461 286	554 992
TOTAL ASSETS		**1 208 056**	**1 137 715**	**1 126 838**

** adjusted data*

In Q3 2019 the bulk of the Group's consolidated **Fixed assets** was represented by **Expenditures on development projects** which aggregate the Group's ongoing expenses on development of new videogames and technologies. The reported increase in this line item comes mainly from development of Cyberpunk 2077, which has now entered its final, most intensive pre-release stage. More specifically, the main reason behind the reported increase involved expenses related to localization of Cyberpunk and recording of each soundtrack, as well as adapting The Witcher 3: Wild Hunt for Nintendo Switch.

The reported increase in **Inventories** in the CD PROJEKT RED segment came from:

a) initiating production of physical components of box editions of The Witcher 3: Wild Hunt for Nintendo Switch (released in October 2019);

b) initiating production of physical components of box editions of Cyberpunk 2077 (release scheduled for 16 April 2020);

c) recognition of inventories held by the Company store at www.store.cdprojektred.com, which began distributing products to European customers in May 2019 and to Northern American customers in September 2019.

The reported reduction in the Group's **Trade receivables** at the end of September 2019 compared to the first half of 2019 is mostly due to collection of receivables previously reported at the end of June 2019. During that period the Group obtained strong sales revenues and launched the Cyberpunk 2077 preorder campaign, which translated into an increased value of trade receivables as of 30 June 2019.

Other receivables also increased compared to 30 June 2019. This is due to an increase in current withholding tax receivables from foreign purchasers of CD PROJEKT S.A. licenses, reportable by the Company in its annual financial statement, a shift in the VAT settlement balance and a general increase in the volume of advances on future supplies and services, remitted by CD PROJEKT RED.

Over the third quarter of 2019 the group's **Prepaid expenses** decreased mainly due to a change in the balance of minimum guarantees, i.e. advances remitted by GOG sp. z o.o. to external suppliers on licensing royalties associated with distribution of videogames on the GOG.com platform.

The aggregate value of **Cash and cash equivalents** and **Bank deposits (maturity beyond 3 months)** was 593 629 thousand PLN at the end of the reporting period. Despite ongoing large-scale expenses related to development of new videogames and technologies, this figure increased by 63 119 thousand PLN compared to 30 June 2019.

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	30.09.2019	30.06.2019	31.12.2018*
EQUITY		**994 643**	**975 190**	**1 002 864**
Equity attributable to equity holders of parent entity		**994 643**	**975 190**	**1 002 864**
Share capital	22	96 120	96 120	96 120
Supplementary capital		780 951	780 951	739 724
Other reserve capital		52 364	47 872	26 145
Exchange rate differences		1 063	997	1 012
Retained earnings		(2 290)	(2 290)	30 529
Net profit (loss) for the reporting period		66 435	51 540	109 334
Minority interest equity		-	-	-
LONG-TERM LIABILITIES		**6 185**	**6 678**	**6 691**
Other financial liabilities	16	5 810	6 262	163
Deferred revenues	15	185	226	6 338
Provisions for employee benefits and similar liabilities	12	190	190	190
SHORT-TERM LIABILITIES		**207 228**	**155 847**	**117 283**
Other financial liabilities	16	4 748	5 462	246
Trade liabilities	16	43 916	45 812	49 914
Current income tax liabilities		3 301	19	-
Other liabilities	14	9 033	9 222	17 785
Deferred revenues	15	130 693	84 545	26 172
Provisions for employee benefits and similar liabilities	12	2	2	2
Other provisions	13	15 535	10 785	23 164
TOTAL EQUITY AND LIABILITIES		**1 208 056**	**1 137 715**	**1 126 838**

** adjusted data*

At the end of Q3 2019 the Group's **Equity** was 994 643 thousand PLN, having increased mostly due to current-period profit.

Compared to the end of June, **Short-term liabilities** increased in value mainly as a result of an increase in the balance of **Deferred revenues**, which comprise mainly the following:

a) in the CD PROJEKT RED segment – future-period sales:

- the so-called minimum guarantees, i.e. advances on royalties associated with distribution of future releases, collected from publishers and distribution partners – mostly related to Cyberpunk 2077;

- royalties received or receivable, related to preorders of videogames scheduled for release in future reporting periods for the PC (mostly Cyberpunk 2077 and the GWENT expansion titled Iron Judgement) and Nintendo Switch (The Witcher 3: Wild Hunt);

b) in the CD PROJEKT RED segment – expenses related to production of physical copies of The Witcher 3: Wild Hunt for Nintendo Switch, incurred by the Company's external distribution partner and subject to deduction from future-period royalties;

c) in the GOG.com segment – value of preorders of videogames scheduled for release in future reporting periods (mostly Cyberpunk 2077);

d) in both segments – deferred revenues associated with subsidies;

e) in the GOG.com segment – deferred revenues from settlements with the Company's customers (including Store Credit and Wallet).

The **Other provisions** line item mainly aggregates provisions for future liabilities, including compensation contingent upon the Group's financial result.

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim statement of changes in consolidated equity

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2019 – 30.09.2019									
Equity as of 01.01.2019	**96 120**	**739 724**	**-**	**26 145**	**1 012**	**139 863**	**-**	**1 002 864**	**1 002 864**
Incentive program costs	-	-	-	26 219	-	-	-	26 219	26 219
Allocation of net profit / coverage of losses	-	41 227	-	-	-	(41 227)	-	-	-
Dividend payments	-	-	-	-	-	(100 926)	-	(100 926)	(100 926)
Total comprehensive income	-	-	-	-	51	-	66 435	66 486	66 486
Equity as of 30.09.2019	**96 120**	**780 951**	**-**	**52 364**	**1 063**	**(2 290)**	**66 435**	**994 643**	**994 643**

(all figures quoted in PLN thousands unless indicated otherwise)

	Share capital	Supplementary capital	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Parent entity shareholders' equity	Total equity
01.01.2018 – 30.09.2018									
Equity as of 01.01.2018	**96 120**	**549 335**	**-**	**15 212**	**118**	**222 114**	**-**	**882 899**	**882 899**
Rectification of fundamental errors	-	(6 729)	-	-	794	6 082	-	147	147
Equity after adjustments	**96 120**	**542 606**		**15 212**	**912**	**228 196**	**-**	**883 046**	**883 046**
Cost of incentive program	-	-	-	7 795	-	-	-	7 795	7 795
Creation of reserve capital to finance purchase of own shares	-	(3 600)	-	3 600	-	-	-	-	-
Purchase of own shares	-	-	3 051	(3 051)	-	-	-	-	-
Transfer of own shares as partial payment for the purchase of an enterprise	-	3 051	(3 051)	-	-	-	-	-	-
Allocation of net profit/coverage of losses	-	197 667	-	-	-	(197 667)	-	-	-
Total comprehensive income	-	-	-	-	74	-	67 917	67 991	67 991
Equity as of 30.09.2018	**96 120**	**739 724**	**-**	**23 556**	**986**	**30 529**	**67 917**	**958 832**	**958 832**

The Group had rectified the recognition of the merger which took place within the GOG.com segment, as well as the recognition of income tax and coverage of losses for 2016 in the financial statement of GOG sp. z o.o. for 31 December 2017. This rectification resulted in an increase in equity by 147 thousand PLN. Furthermore, the Group had also rectified the recognition of past transactions which produced changes in the Group's composition, as well as payment of dividends by Group member companies to the parent company. This rectification had no effect on the Group's equity.

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim consolidated statement of cash flows

	Note	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018*	01.01.2018 – 30.09.2018*
OPERATING ACTIVITIES					
Net profit (loss)		**14 895**	**66 435**	**15 487**	**67 917**
Total adjustments:	**30**	**98 067**	**94 365**	**11 180**	**(11 589)**
Depreciation of fixed assets, intangibles, expenditures on development projects and investment properties		2 192	6 156	1 114	3 464
Depreciation of expenditures on development projects recognized as cost of products and services sold		5 892	19 083	-	-
Interest and profit sharing (dividends)		(2 078)	(6 947)	(1 549)	(7 319)
Profit (loss) from investment activities		(415)	(1 236)	23	322
Change in provisions		3 699	(6 412)	2 068	(34 666)
Change in inventories		(9 835)	(10 664)	(97)	(26)
Change in receivables		45 399	(26 829)	11 210	20 409
Change in liabilities excluding credits and loans		(768)	(6 377)	(7 394)	(6 884)
Change in other assets and liabilities		48 861	101 421	3 077	5 833
Other adjustments		5 120	26 170	2 728	7 278
Cash flows from operating activities		**112 962**	**160 800**	**26 667**	**56 328**
Income tax on pre-tax profit (loss)		4 264	16 965	4 661	18 826
Income tax (paid)/collected		(5 117)	(20 215)	(3 240)	(23 078)
Net cash flows from operating activities		**112 109**	**157 550**	**28 088**	**52 076**
INVESTMENT ACTIVITIES					
Inflows		**202 281**	**701 026**	**477 141**	**787 391**
Reimbursement of advance payment for investment properties and perpetual usufruct of land		-	1 667	-	-
Sale of intangibles and fixed assets		6	136	188	228
Cash assets gained in acquisition of enterprise		-	-	-	26
Closing bank deposits (maturity beyond 3 months)		200 061	691 804	475 400	779 809
Other inflows from investment activities		2 214	7 419	1 553	7 328
Outflows		**256 918**	**731 902**	**589 136**	**857 623**
Purchases of intangibles and fixed assets		4 671	10 494	2 777	12 760
Expenditures on development projects		43 462	103 232	26 963	74 910
Purchase of investment properties and perpetual usufruct of land		147	9 201	-	-
Capital contributions to subsidiary		1 200	3 500	2 000	2 000
Advance payment for investment properties and perpetual usufruct of land		-	-	4 000	4 727
Acquisition of enterprise		-	-	-	10 550
Opening bank deposits (maturity beyond 3 months)		207 438	605 475	553 396	752 676
Net cash flows from investment activities		**(54 637)**	**(30 876)**	**(111 995)**	**(70 232)**

(all figures quoted in PLN thousands unless indicated otherwise)

FINANCIAL ACTIVITIES

Inflows	**8**	**21**	**-**	**-**
Collection of receivables arising from financial lease agreements	7	19	-	-
Interest collected	1	2	-	-
Outflows	**1 738**	**106 107**	**408**	**649**
Dividends and other payments to equity holders	-	100 926	-	-
Payment of liabilities arising from lease agreements	1 602	4 715	404	640
Interest payments	136	466	4	9
Net cash flows from financial activities	**(1 730)**	**(106 086)**	**(408)**	**(649)**
Total net cash flows	**55 742**	**20 588**	**(84 315)**	**(18 805)**
Balance of changes in cash and cash equivalents	**55 742**	**20 588**	**(84 315)**	**(18 805)**
Cash and cash equivalents at beginning of period	**69 224**	**104 378**	**132 497**	**66 987**
Cash and cash equivalents at end of period	**124 966**	**124 966**	**48 182**	**48 182**

** adjusted data*

In the third quarter of 2019 the Group's net profit of 14 895 thousand PLN was accompanied by 112 962 thousand PLN in **Net cash flows from operating activities**. The greatest contribution to the difference between these two figures (i.e. to adjustments in the calculation of cash flows), discounting the effects of depreciation, was from:

a) **Change in other assets and liabilities** (mostly increases in Deferred revenues), primarily due to the continuation of the Cyberpunk 2077 preorder campaign, which occurred in June, as well as minimum guarantees associated with the expected release of The Witcher 3: Wild Hunt for Nintendo Switch;

b) **Change in receivables** (mostly trade receivables), primarily due to collection of the sizeable receivables which the Company had reported at the end of June 2019;

c) **Change in inventories** resulting mainly from production of physical components of videogames in the CD PROJEKT RED segment and production of tie-in products for the Company online store at www.store.cdprojektred.com;

d) **Depreciation of fixed assets**.

Net cash flows from investment activities in Q3 2019 were dominated by **Expenditures of development projects**. The reported increase by 43 462 thousand PLN comprises mainly expenditures related to ongoing development of Cyberpunk 2077, other CD PROJEKT RED products and technologies utilized in the GOG.com segment). Additionally, in the scope if its Q3 investment activities, the Group carried on with active allocation of surplus cash (produced by its operating activities) in bank deposits. The value of bank deposits with maturity terms exceeding 3 months, created in the third quarter of 2019 and recognized as "outflows" was 496 263 thousand PLN, while the value of bank deposits which matured during this period and reverted to the Group's checking accounts, recognized as "inflows", was 488 886 thousand PLN. Altogether, the balance of bank deposits with maturity terms exceeding 3 months increased by 7 377 thousand PLN.

The CD PROJEKT Capital Group did not generate appreciable **Net cash flows from financial activities** during the reporting period. The reported increase in the value of **Payment of liabilities arising from lease agreements** was mostly due to initial application of IFRS 16 and payments associated with office space lease agreements.

In the third quarter of 2019 the group's **Cash balance** (excluding deposits with maturity terms exceeding 3 months) increased by 55 742 thousand PLN, while the balance of long-term bank deposits (with maturity terms exceeding 3 months) increased by 7 377 thousand PLN, for an aggregate increase in the value of cash and bank deposits of 63 119 thousand PLN. This is despite the fact that the Group continued to finance development of new videogames and technologies, and engaged in intensive promotional activities related to its products.

(all figures quoted in PLN thousands unless indicated otherwise)

Clarifications regarding the condensed interim consolidated financial statement

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General information

Name:	CD PROJEKT S.A.
Legal status:	Joint-stock company
Headquarters:	Jagiellońska 74, 03-301 Warsaw
Country of registration:	Poland
Principal scope of activity:	CD PROJEKT S.A. is the holding company of the CD PROJEKT Capital Group which conducts its operations in two activity segments: CD PROJEKT RED and GOG.com
Keeper of records:	District Court for the City of Warsaw in Warsaw – Poland; 13th Commercial Department of the National Court Register (Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIII Wydział Gospodarczy Krajowego Rejestru Sądowego)
Statistical Identification Number (REGON):	492707333
Waste Database Registration Number (BDO)	000141053

The Group is established for an indefinite duration.

Structure of the Capital Group

Affiliates

CD PROJEKT S.A.

- GOG sp. z o.o.
- CD PROJEKT Inc.
- CD PROJEKT Co., Ltd.
- Spokko sp. z o.o.
- CD PROJEKT RED STORE sp. z o.o.

Consolidation principles

Entities subject to consolidation

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

** This is the first financial statement in which the Group has included CD PROJEKT RED STORE sp. z o.o. in consolidation.*

In accordance with the accounting policies in force within the Group, the parent entity may elect to exclude certain subsidiaries from consolidation as long as each of these subsidiaries:

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

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

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

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

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

The above criteria are met by CD PROJEKT Co., Ltd. and Spokko sp. z o.o.

Subsidiaries

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

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

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

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

(all figures quoted in PLN thousands unless indicated otherwise)

Basis for the preparation of the condensed interim consolidated financial statement

This condensed interim consolidated financial statement is prepared in compliance with International Accounting Standard 34 (IAS 34) *Interim financial reporting*, approved for use within the EU.

The condensed interim consolidated financial statement does not contain all the information and disclosures which would otherwise be required in an annual financial statement. Accordingly, this statement should be read in conjunction with the Consolidated Financial Statement of the CD PROJEKT Capital Group for the year ending 31 December 2018, approved for publication on 27 March 2019.

Assumption of going concern

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

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

As of the day of preparation of this consolidated financial statement covering the period between 1 July and 30 September 2019 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

Compliance with International Financial Reporting Standards

This condensed interim consolidated financial statement conforms to International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as well as to International Financial Reporting Standards (IFRS) applicable to interim financial reporting, endorsed by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and 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, valid for 30 September 2019.

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.

Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2019, item. 351 as amended) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and 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 757).

The Group intends to apply amendments to IFRS which have been published but have not yet entered into force on the publication date of this condensed interim consolidated financial statement, depending on their date of entry into force. Information regarding standards and interpretations applied for the first time, early application of new standards, standards which have entered into force on or after 1 January 2019 and the effect of changes in IFRS upon the Group's future financial statements is provided in Section 2 of the Group's Consolidated Financial Statement for 2018.

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

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

- Amendments to ***IAS 1*** and ***IAS 8*** *Definition of 'material'* – applicable to reporting periods beginning on or after 1 January 2020,
- Amendments to ***IFRS 9***, ***IAS 39*** and ***IFRS 7*** *Interest rate benchmark reform* – 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,
- ***IFRS 14*** *Regulatory deferral accounts* – applicable to annual reporting periods beginning on or after 1 January 2016. The European Commission has decided to withhold approval of this temporary standard for use in the UE until the final version of the standard is published,
- ***IFRS 17*** *Insurance Contracts* - applicable to reporting periods beginning on or after 1 January 2021.

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

Functional currency and presentation currency

Functional currency and presentation currency

The functional currency of the Group and its parent entity, and the presentation currency of this financial statement is the Polish Zloty (PLN). Unless specified otherwise, all figures are quoted in PLN thousands.

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.

Assumption of comparability of financial statements and changes in accounting policies

The accounting practices applied in preparing this condensed interim consolidated financial statement, the Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2018, except for changes in accounting policies and presentation-related adjustments described below. This condensed interim consolidated financial statement should be read in conjunction with the consolidated financial statement for the period ending 31 December 2018.

Changes in accounting policies

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

  These amendments concern the accounting of prepayable financial assets with the so-called negative compensation. Such assets should be measured at amortized cost or fair value through other comprehensive income instead of at fair value through or loss. These amendments do not affect the Group's accounting practices or its financial result.

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

  These amendments affect amendment, curtailment or settlement of certain plans by specifying that it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. These amendments do not have a significant impact on the Group's accounting practices or its financial result.

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

  The current year marks the first time the Group has applied IFRS 16 *Leases*, which supersedes *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 contributes to an increase in the value of non-financial assets and other financial liabilities in the statement of financial position, and to a decrease in operating expenditures along with an increase in financial expenditures in the profit and loss account. Regarding the statement of cash flows, a decrease in operating and investment outflows and an increase in financial outflows can be observed.

  The new standard most significantly affects the presentation of fixed-term building lease agreements, which, due to their economic content, had previously been classified as operating lease agreements in accordance with IAS 17. As a consequence, the Group had not previously recognized assets covered by these agreements in its financial statement. In 2019 these agreements are treated as financial and subject to a uniform model of lessee accounting, requiring the Group to recognize its right to use the leased buildings as an asset, along with liabilities which reflect the corresponding lease payments.

  On the day of initial application of IFRS 16 the Group applied a retrospective approach to building 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. Disclosure of leased assets and the corresponding liabilities has not resulted in an adjustment in the balance of retained earnings (i.e. the value of assets recognized is equivalent to the value of the corresponding liabilities). Assets and liabilities related to lease agreements are recognized at the current value of other lease payments adjusted by the lessee's marginal interest rate on the date of initial application.

  The Group also recognizes subleasing of office space wherein a leased asset (master agreement) is subject to further leasing. With regard to such agreements the Group does not directly recognize the leased asset; instead, it recognizes a lease liability and the corresponding receivables under the relevant sublease agreement. If the subleasing agreement involves transferring (reinvoicing) expenses to another entity, the liability arising under the master agreement is equivalent to the receivables arising under the subleasing agreement, adjusted for the discount rate applicable to the master agreement. In such circumstances the liabilities related to the master agreement and the receivables related to the subleasing agreement, as well as the related financial expenses and revenues due to interest, are offset prior to being reported, as this form of presentation best reflects the nature of the agreement (according to Art. 32-33 of IAS 1 and Art. 42-50 of IAS 32 with regard to financial instruments). As a rule, offsetting assets and liabilities or revenues and expenses is, in principle, forbidden unless it reflects the nature of a given transaction.

The application of IFRS 16 affects the following line items in the financial statement for the period between 1 January and 30 September 2019:

	As of 31.12.2018	Adjustments related to implementation of IFRS 16	As of 01.01.2019
Fixed assets			
Tangible fixed assets, including:	19 241	14 443	33 684
- lease of buildings	-	14 443	14 443
Long-term liabilities			
Other financial liabilities, including:	163	8 556	8 719
- lease of buildings	-	8 556	8 556
Short-term liabilities			
Other financial liabilities, including:	246	5 887	6 133
- lease of buildings	-	5 887	5 887

With regard to space lease agreements scheduled to end earlier than 12 months following the initial application date of IFRS 16, the Group has applied the practical expedient foreseen in section C10 item c) of the standard. According to this regulation, a lessee may elect not to apply the previously specified requirements to leases for which the lease term ends within 12 months of the date of initial application. Consequently, the Group accounts for those leases in the same way as short-term leases, recognizing the cost associated with those leases throughout the duration of the lease agreement. The costs associated with these agreements are presented in Note 18.

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

The Group does not apply the provisions of IFRS 16 to short-term lease agreements and to agreements where the value of the leased asset is low, as permitted under Art. 5 of the new standard. In these cases lease payments are recognized as costs using the straight-line method or another applicable method which best reflects the distribution of payments throughout the duration of the agreement.

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

As permitted under Art. 4 of IFRS 16, the Group does not apply the provisions of the new standards to intangibles.

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

The amendments concern recognition of long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. In line with the amended regulation, such interests should be recognized in accordance with the new IFRS 9 standard, particularly as concerns impairment. These amendments do not have a significant impact on the Group's accounting practices or its financial result.

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

These amendments concern four standards: IAS 12 *Income taxes* with regard to recognizing the income tax consequences of dividends, IAS 23 *Borrowing costs* with regard to modified assets readied for intended use or sale, IFRS 3 *Business combinations* with regard to acquisition of control of a business that is a joint operation, and IFRS 11 *Joint arrangements* with regard to lack of control of a participant over a joint arrangement. These amendments do not have a significant impact on the Group's accounting practices or its financial result.

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

(all figures quoted in PLN thousands unless indicated otherwise)

The interpretation clarifies the recognition and measurement procedures specified in IAS 12 *Income Taxes* when there are uncertainties in the amount of income tax payable (recoverable). An uncertainty over income tax treatment emerges when there is doubt whether the applied treatment will be accepted by taxation authorities. If the entity regards such uncertainties as significant, they should be reflected in the tax disclosures for the period to which the treatment applies, e.g. by recognizing an additional tax liability or applying a higher tax rate. Measurement of such uncertainties should be based either on the most likely amount or the expected value of the tax treatment. This interpretation does not have a significant impact on the Group's accounting practices or its financial result.

Changes in composition of companies subjected to consolidation

This reporting period marks the first time the Group has included CD PROJEKT RED STORE sp. z o.o. in its consolidated results. In order to maintain comparability of financial data, the reference data for 31 December 2018 and 30 June 2019 was adjusted accordingly.

Presentation changes

This condensed interim consolidated financial statement for the period between 1 July and 30 September 2019 includes certain adjustments in the presentation of financial data, introduced in order to maintain comparability of financial statements. The following presentation changes have been introduced with regard to financial data for the reference period between 1 July and 30 September 2018 as well as for 31 December 2018:

- In the statement of financial position for 31 December 2018 and in the statement of cash flows for the period between 1 July and 30 September 2018 and between 1 January and 30 September 2018 the presentation of future period revenues was adjusted as follows:
    - Statement of financial position for 31 December 2018
        - Other liabilities – adjusted by (22 603) thousand PLN
        - Deferred revenues – adjusted by 22 603 thousand PLN.
    - Statement of cash flows for the period between 1 July and 30 September 2018
        - Change in liabilities except credits and loans – adjusted by (90) thousand PLN
        - Change in other assets and liabilities – adjusted by 90 thousand PLN.
    - Statement of cash flows for the period between 1 January and 30 September 2018
        - Change in liabilities except credits and loans – adjusted by 135 thousand PLN
        - Change in other assets and liabilities – adjusted by (135) thousand PLN.

  This change has no effect on the Group's financial result or equity.

- In the statement of cash flows for the period between 1 July and 30 September 2018 and between 1 January and 30 September 2018 the presentation of advance payments for investment properties was adjusted as follows:
    - Statement of cash flows for the period between 1 July and 30 September 2018
        - Advance payments for investment properties and perpetual usufruct of land – adjusted by 4 000 thousand PLN
        - Purchase of intangibles and fixed assets – adjusted by (4 000) thousand PLN.
    - Statement of cash flows for the period between 1 January and 30 September 2018
        - Advance payments for investment properties and perpetual usufruct of land – adjusted by 4 727 thousand PLN
        - Purchase of intangibles and fixed assets – adjusted by (4 727) thousand PLN.

- In the statement of cash flows for the period between 1 July and 30 September 2018 and between 1 January and 30 September 2018 the presentation of provisions for compensation contingent upon the Group's financial result, capitalized upon expenditures on development projects was adjusted as follows:
    - Statement of cash flows for the period between 1 July and 30 September 2018
        - Change in provisions – adjusted by (1 208) thousand PLN
        - Expenditures on development projects – adjusted by (1 208) thousand PLN.
    - Statement of cash flows for the period between 1 January and 30 September 2018
        - Change in provisions – adjusted by (5 085) thousand PLN
        - Expenditures on development projects – adjusted by (5 085) thousand PLN.

Financial audit

This condensed interim consolidated financial statement with elements of the condensed interim separate financial statement was not submitted to a formal review or audit by a licensed auditor.

Supplementary information – CD PROJEKT Capital Group activity segments

3

Activity segments

Presentation of results by activity segment

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

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

No changes in the differentiation of activity segments occurred during the reporting period as compared to 31 December 2018.

Data related to sales of tie-in products based on CD PROJEKT RED's videogames and brands, carried out via the online store at www.store.cdprojektred.com, is aggregated with the results of the CD PROJEKT RED segment.

Disclosure of activity segments

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.07.2019 – 30.09.2019				
Sales revenues	**63 239**	**31 542**	**(1 910)**	**92 871**
sales to external clients	61 329	31 542	-	92 871
sales between segments	1 910	-	(1 910)	-
Segment net profit (loss)	**16 812**	**(1 905)**	**(12)**	**14 895**

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2019 – 30.09.2019				
Sales revenues	**202 644**	**112 651**	**(7 337)**	**307 958**
sales to external clients	195 307	112 651	-	307 958
sales between segments	7 337	-	(7 337)	-
Segment net profit (loss)	**67 709**	**(1 262)**	**(12)**	**66 435**

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.07.2018 – 30.09.2018				
Sales revenues	**40 914**	**28 109**	**(1 856)**	**67 167**
sales to external clients	39 058	28 109	-	67 167
sales between segments	1 856	-	(1 856)	-
Segment net profit (loss)	**16 049**	**(561)**	**(1)**	**15 487**

	Continuing operations		Consolidation eliminations	Total (continuing operations)
	CD PROJEKT RED	GOG.com		
01.01.2018 – 30.09.2018				
Sales revenues	**149 425**	**92 685**	**(6 509)**	**235 601**
sales to external clients	142 916	92 685	-	235 601
sales between segments	6 509	-	(6 509)	-
Segment net profit (loss)	**69 659**	**(1 739)**	**(3)**	**67 917**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.07.2019 and 30.09.2019

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**63 239**	**31 542**	**(1 910)**	**92 871**
Revenues from sales of products	45 731	958	458	47 147
Revenues from sales of services	3 258	4	(881)	2 381
Revenues from sales of goods and materials	14 250	30 580	(1 487)	43 343
Cost of products, goods and materials sold	**16 879**	**22 636**	**(1 635)**	**37 880**
Cost of products and services sold	5 520	1 447	(605)	6 362
Value of goods and materials sold	11 359	21 189	(1 030)	31 518
Gross profit (loss) from sales	**46 360**	**8 906**	**(275)**	**54 991**
Selling costs	18 199	9 387	(252)	27 334
General and administrative costs	10 018	1 722	(42)	11 698
Other operating revenues	4 348	554	(481)	4 421
Other operating expenses	3 923	85	(450)	3 558
(Impairment)/reversal of impairment of financial instruments	1	-	-	1
Operating profit (loss)	**18 569**	**(1 734)**	**(12)**	**16 823**
Financial revenues	3 086	111	(714)	2 483
Financial expenses	188	673	(714)	147
Profit (loss) before taxation	**21 467**	**(2 296)**	**(12)**	**19 159**
Income tax	4 655	(391)	-	4 264
Net profit (loss)	**16 812**	**(1 905)**	**(12)**	**14 895**
Net profit (loss) attributable to equity holders of the parent entity	**16 812**	**(1 905)**	**(12)**	**14 895**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2019 and 30.09.2019

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**202 644**	**112 651**	**(7 337)**	**307 958**
Revenues from sales of products	150 191	4 691	2 040	156 922
Revenues from sales of services	36 944	5	(2 711)	34 238
Revenues from sales of goods and materials	15 509	107 955	(6 666)	116 798
Cost of products, goods and materials sold	**30 872**	**80 049**	**(6 417)**	**104 504**
Cost of products and services sold	18 531	4 683	(1 791)	21 423
Value of goods and materials sold	12 341	75 366	(4 626)	83 081
Gross profit (loss) from sales	**171 772**	**32 602**	**(920)**	**203 454**
Selling costs	54 342	28 997	(801)	82 538
General and administrative costs	41 241	4 944	(138)	46 047
Other operating revenues	6 553	694	(935)	6 312
Other operating expenses	5 199	193	(904)	4 488
(Impairment)/reversal of impairment of financial instruments	4	-	-	4
Operating profit (loss)	**77 547**	**(838)**	**(12)**	**76 697**
Financial revenues	7 878	405	(868)	7 415
Financial expenses	463	1 117	(868)	712
Profit (loss) before taxation	**84 962**	**(1 550)**	**(12)**	**83 400**
Income tax	17 253	(288)	-	16 965
Net profit (loss)	**67 709**	**(1 262)**	**(12)**	**66 435**
Net profit (loss) attributable to equity holders of the parent entity	**67 709**	**(1 262)**	**(12)**	**66 435**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.07.2018 and 30.09.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**40 914**	**28 109**	**(1 856)**	**67 167**
Revenues from sales of products	39 529	715	431	40 675
Revenues from sales of services	1 017	6	(986)	37
Revenues from sales of goods and materials	368	27 388	(1 301)	26 455
Cost of products, goods and materials sold	**1 385**	**19 348**	**(1 212)**	**19 521**
Cost of products and services sold	1 042	-	(342)	700
Value of goods and materials sold	343	19 348	(870)	18 821
Gross profit (loss) from sales	**39 529**	**8 761**	**(644)**	**47 646**
Selling costs	12 570	8 276	(611)	20 235
General and administrative costs	7 366	1 395	(32)	8 729
Other operating revenues	571	126	(393)	304
Other operating expenses	983	48	(393)	638
(Impairment)/reversal of impairment of financial instruments	(51)	(3)	-	(54)
Operating profit (loss)	**19 130**	**(835)**	**(1)**	**18 294**
Financial revenues	1 525	421	-	1 946
Financial expenses	73	19	-	92
Profit (loss) before taxation	**20 582**	**(433)**	**(1)**	**20 148**
Income tax	4 533	128	-	4 661
Net profit (loss)	**16 049**	**(561)**	**(1)**	**15 487**
Net profit (loss) attributable to equity holders of the parent entity	**16 049**	**(561)**	**(1)**	**15 487**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2018 and 30.09.2018

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
Sales revenues	**149 425**	**92 685**	**(6 509)**	**235 601**
Revenues from sales of products	144 210	3 622	1 615	149 447
Revenues from sales of services	3 257	10	(3 205)	62
Revenues from sales of goods and materials	1 958	89 053	(4 919)	86 092
Cost of products, goods and materials sold	**3 655**	**64 050**	**(4 355)**	**63 350**
Cost of products and services sold	1 842	-	(1 051)	791
Value of goods and materials sold	1 813	64 050	(3 304)	62 559
Gross profit (loss) from sales	**145 770**	**28 635**	**(2 154)**	**172 251**
Selling costs	43 440	25 426	(1 982)	66 884
General and administrative costs	21 077	4 368	(169)	25 276
Other operating revenues	1 558	348	(994)	912
Other operating expenses	2 031	563	(994)	1 600
(Impairment)/reversal of impairment of financial instruments	170	9	-	179
Operating profit (loss)	**80 950**	**(1 365)**	**(3)**	**79 582**
Financial revenues	7 295	354	(309)	7 340
Financial expenses	100	388	(309)	179
Profit (loss) before taxation	**88 145**	**(1 399)**	**(3)**	**86 743**
Income tax	18 486	340	-	18 826
Net profit (loss)	**69 659**	**(1 739)**	**(3)**	**67 917**
Net profit (loss) attributable to equity holders of the parent entity	**69 659**	**(1 739)**	**(3)**	**67 917**

(all figures quoted in PLN thousands unless indicated otherwise)

Commentary regarding the results of GOG.com

During the third quarter of 2019 the value of **Revenues from sales of goods and materials** (corresponding to the basic activity profile of GOG.com, i.e. digital distribution of videogames via the GOG.com online platform and the GOG GALAXY application) increased by 12% compared to the reference period (from 27 388 thousand PLN to 30 580 thousand PLN). This increase in sales, coupled with greater profit margins, resulted in an increase in taxable profit from sales of goods and materials to 9 391 thousand PLN, i.e. 17% more than during the reference period in 2018.

The reported revenues from sales of goods and materials mainly reflect distribution of goods licensed from external suppliers. In this scope, in terms of revenues, Q3 2019 was the best-ever third quarter in GOG.com's history.

Compared to Q3 2018 an increase was also observed in **Revenues from sales of products**, mostly corresponding to GOG.com's share in sales carried out in the framework of GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales (governed by the relevant consortium agreement). Nevertheless, the volume of sales attributable to both of these projects was lower than in Q1 and Q2. This is mainly due to the fact that the release of the third expansion – Iron Judgement – was scheduled for 2 October, i.e. after the balance sheet date; consequently, revenues associated with this expansion (including preorders placed in the third quarter) will be recognized during the final quarter of the year. Note that the preceding expansions were released in the first and second quarter respectively (Crimson Curse – 28 March; Novigrad – 27 June).

During the reporting period, (i.e. during the third quarter of 2019), future period sales reported by GOG.com corresponding to preorders – mainly of Cyberpunk 2077 (not reportable in Q3 2019) increased by 4 032 thousand PLN.

A new cost item appearing in the current period (compared to the reference period in 2018) was the **Cost of products and services sold**, resulting mainly from depreciation of past development expenses related to GWENT: The Witcher Card Game and Thronebreaker: The Witcher Tales.

The reported increase (by 1 111 thousand PLN) in **Selling costs** (compared to the third quarter of the previous year) was mostly due to costs related to the GWENT project, including the promotion, upkeep and further development of the game. Since the release of the full version of GWENT, which took place in October 2018, the Group has ceased to capitalize further development expenses related to the game. Following transition to this new project phase, expenses incurred by the GWENT development team are recognized directly as selling costs (this concerns maintenance and development costs, including work on the game's mobile edition – note that the iOS version was released on 29 October, i.e. after the close of the reporting period).

The surplus of GWENT-related costs attributable to the GOG.com segment in line with the consortium agreement (including costs incurred during the third quarter of 2019 as well as depreciation of past development expenses) over the corresponding revenues negatively affected the segment's current-period result. Concurrently, GOG.com carried on with intensive development work on the important GOG GALAXY 2.0 project. The initial release of this new technology, carried out in the framework of closed beta tests, occurred on 24 June 2019, met with enthusiastic reception on the part of invitees. Activities related directly to digital distribution of videogames on the GOG.com platform and in the GOG GALAXY application – i.e. the core business activities of the GOG.com segment – retained their upward trend, ensuring a positive net result for the whole GOG.com segment in Q3 2019.

Segmented consolidated statement of financial position as of 30.09.2019

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**488 883**	**30 745**	**(16 983)**	**502 645**
Tangible assets	28 907	2 402	(10)	31 299
Intangibles	51 124	524	-	51 648
Expenditures on development projects	307 767	25 363	(6)	333 124
Investment properties	9 688	-	-	9 688
Perpetual usufruct of land	3 482	-	-	3 482
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	16 967	-	(16 967)	-
Shares in subsidiaries not subject to consolidation	6 934	-	-	6 934
Deferred income tax assets	7 002	2 456	-	9 458
Other long-term receivables	574	-	-	574
WORKING ASSETS	**656 999**	**62 901**	**(14 489)**	**705 411**
Inventories	10 922	-	-	10 922
Trade receivables	36 409	4 842	(1 939)	39 312
Current income tax receivables	22	986	-	1 008
Other receivables	40 002	4 306	(2 217)	42 091
Prepaid expenses	1 549	27 233	(10 333)	18 449
Cash and cash equivalents	99 432	25 534	-	124 966
Bank deposits (maturity beyond 3 months)	468 663	-	-	468 663
TOTAL ASSETS	**1 145 882**	**93 646**	**(31 472)**	**1 208 056**

(all figures quoted in PLN thousands unless indicated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
EQUITY	**971 393**	**40 233**	**(16 983)**	**994 643**
Equity attributable to equity holders of parent entity	**971 393**	**40 233**	**(16 983)**	**994 643**
Share capital	96 120	136	(136)	96 120
Supplementary capital	748 323	38 143	(5 515)	780 951
Other reserve capital	52 364	3 279	(3 279)	52 364
Exchange rate differences on valuation of foreign entities	114	(65)	1 014	1 063
Retained earnings	6 763	2	(9 055)	(2 290)
Net profit (loss) for the reporting period	67 709	(1 262)	(12)	66 435
Minority interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**5 933**	**252**	**-**	**6 185**
Other financial liabilities	5 745	65	-	5 810
Deferred revenues	4	181	-	185
Provisions for employee benefits and similar liabilities	184	6	-	190
SHORT-TERM LIABILITIES	**168 556**	**53 161**	**(14 489)**	**207 228**
Other financial liabilities	4 405	343	-	4 748
Trade liabilities	18 653	27 169	(1 906)	43 916
Current income tax liabilities	3 301	-	-	3 301
Other liabilities	5 262	5 988	(2 217)	9 033
Deferred revenues	122 241	18 785	(10 333)	130 693
Provisions for employee benefits and similar liabilities	2	-	-	2
Other provisions	14 692	876	(33)	15 535
TOTAL EQUITY AND LIABILITIES	**1 145 882**	**93 646**	**(31 472)**	**1 208 056**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated statement of financial position as of 30.06.2019

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**440 808**	**30 267**	**(16 727)**	**454 348**
Tangible assets	29 473	2 514	-	31 987
Intangibles	50 983	617	-	51 600
Expenditures on development projects	266 851	24 955	(3)	291 803
Investment properties	9 640	-	-	9 640
Perpetual usufruct of land	3 478	-	-	3 478
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	16 724	-	(16 724)	-
Shares in subsidiaries excluded from consolidation	6 257	-	-	6 257
Deferred income tax assets	390	2 181	-	2 571
Other long-term receivables	574	-	-	574
WORKING ASSETS	**621 238**	**82 572**	**(20 443)**	**683 367**
Inventories	1 087	-	-	1 087
Trade receivables	95 141	5 164	(9 997)	90 308
Current income tax receivables	3 172	593	-	3 765
Other receivables	35 437	3 597	(2 540)	36 494
Prepaid expenses	2 375	26 734	(7 906)	21 203
Cash and cash equivalents	22 740	46 484	-	69 224
Bank deposits (maturity beyond 3 months)	461 286	-	-	461 286
TOTAL ASSETS	**1 062 046**	**112 839**	**(37 170)**	**1 137 715**

(all figures quoted in PLN thousands unless indicated otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
EQUITY	**950 024**	**41 893**	**(16 727)**	**975 190**
Equity attributable to equity holders of parent entity	**950 024**	**41 893**	**(16 727)**	**975 190**
Share capital	96 120	136	(136)	96 120
Supplementary capital	748 324	38 142	(5 515)	780 951
Other reserve capital	47 872	3 035	(3 035)	47 872
Exchange rate differences on valuation of foreign entities	48	(65)	1 014	997
Retained earnings	6 763	2	(9 055)	(2 290)
Net profit (loss) for the reporting period	50 897	643	-	51 540
Minority interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**6 490**	**188**	**-**	**6 678**
Other financial liabilities	6 262	-	-	6 262
Deferred revenues	44	182	-	226
Provisions for employee benefits and similar liabilities	184	6	-	190
SHORT-TERM LIABILITIES	**105 532**	**70 758**	**(20 443)**	**155 847**
Other financial liabilities	5 020	442	-	5 462
Trade liabilities	11 146	44 656	(9 990)	45 812
Current income tax liabilities	19	-	-	19
Other liabilities	1 796	9 966	(2 540)	9 222
Deferred revenues	77 513	14 938	(7 906)	84 545
Provisions for employee benefits and similar liabilities	2	-	-	2
Other provisions	10 036	756	(7)	10 785
TOTAL EQUITY AND LIABILITIES	**1 062 046**	**112 839**	**(37 170)**	**1 137 715**

(all figures quoted in PLN thousands unless indicated otherwise)

Segmented consolidated statement of financial position as of 31.12.2018*

	CD PROJEKT RED	GOG.com	Consolidation eliminations	Total
FIXED ASSETS	**374 512**	**29 520**	**(16 223)**	**387 809**
Tangible assets	16 867	2 374	-	19 241
Intangibles	49 413	797	-	50 210
Expenditures on development projects	218 753	24 066	(3)	242 816
Investment properties	9 553	-	-	9 553
Perpetual usufruct of land	3 478	-	-	3 478
Goodwill	56 438	-	-	56 438
Investments in subsidiaries	16 220	-	(16 220)	-
Shares in subsidiaries excluded from consolidation	3 183	-	-	3 183
Deferred income tax assets	37	2 283	-	2 320
Other long-term receivables	570	-	-	570
WORKING ASSETS	**677 633**	**91 017**	**(29 621)**	**739 029**
Inventories	258	-	-	258
Fixed assets held for sale	49	-	-	49
Trade receivables	31 714	6 607	(1 313)	37 008
Current income tax receivables	1 525	86	-	1 611
Other receivables	45 764	1 775	(28 308)	19 231
Prepaid expenses	1 272	20 230	-	21 502
Cash and cash equivalents	42 059	62 319	-	104 378
Bank deposits (maturity beyond 3 months)	554 992	-	-	554 992
TOTAL ASSETS	**1 052 145**	**120 537**	**(45 844)**	**1 126 838**

(all figures quoted in PLN thousands unless indicated otherwise)

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

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Activity segments

In the third quarter of 2019 the Capital Group engaged in business activities in two segments:

- CD PROJEKT RED,
- GOG.com.

CD PROJEKT RED

Target and scope of business activity

Videogame development is the main area of activity of the CD PROJEKT RED studio, which is a subunit of CD PROJEKT S.A. (domestic holding company of the CD PROJEKT Capital Group), CD PROJEKT Inc. (USA), CD PROJEKT Co., Ltd. (China) and CD PROJEKT RED STORE sp. z o.o. (online store).

Videogame development is based on two brands owned by the Company: The Witcher and Cyberpunk. This activity covers creation and publication of videogames, licensing the associated distribution rights as well as manufacturing, distributing or licensing tie-in products which exploit the commercial appeal of brands held by the Company.

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

Key products

The Studio's main product portfolio includes videogames – The Witcher, The Witcher 2: Assassins of Kings and The Witcher 3: Wild Hunt, together with two expansions (Hearts of Stone and Blood and Wine), an online multiplayer videogame – GWENT: The Witcher Card Game, as well as Thronebreaker: The Witcher Tales which bases upon GWENT mechanics (both games developed in consortium with GOG sp. z o.o.).

After the close of the reporting period, on 15 October 2019, the Studio released The Witcher 3: Wild Hunt for Nintendo Switch, while on 29 October GWENT: The Witcher Card Game was released on iOS devices.

CD PROJEKT RED is also continuing its development work on the largest RPG release in the Studio's history: Cyberpunk 2077, set in a vibrant, technologically advanced world. Players assume the role of V – a cyberpunk who has recently migrated to the most crime-ridden city of the future. Cyberpunk 2077 is based on the Cyberpunk 2020 pen-and-paper RPG system created by Mike Pondsmith.

GOG.com

Target and scope of business activity

GOG.com currently ranks among the world's foremost independent digital entertainment distribution platform, with over 3 400 handpicked games licensed from over 600 developers and publishers worldwide. All games are distributed free of cumbersome DRM[1]restrictions. Videogame distribution also takes place via GOG's proprietary technology stack called GOG GALAXY, designed to maximize customer comfort and support a broad range of functionality associated with purchasing, playing and updating videogames offered by GOG.com, including support for online cross-platform gameplay.

The GOG.com platform is offered in English, French, German, Russian, Chinese and Polish – this includes full game localizations as well as dedicated customer support and integration with locally popular payment channels, accepting payments in thirteen currencies. GOG.com carries releases for Windows as well as macOS and Linux operating systems.

The Group relies on GOG.com to market its own products directly to end users – this includes The Witcher and The Witcher 2: Assassins of Kings, The Witcher 3: Wild Hunt (along with its expansion packs – Hearts of Stone and Blood and Wine), Thronebreaker: The Witcher Tales and The Witcher Adventure Game. Since the announcement of the Cyberpunk 2077 release date GOG.com also accepts preorders of this game.

The GOG.com team has formed a consortium with CD PROJEKT RED to jointly develop and operate GWENT: The Witcher Card Game. In the framework of this consortium, GOG.com is responsible for the game's server infrastructure and networking features as well as for player support (jointly with CD PROJEKT RED). In addition, GOG GALAXY provides support for in-game sales and payment processing in the PC edition of GWENT.

The GOG.com team is currently working on further development of GOG GALAXY 2.0 which will enable players to integrate all their game shelves into a single library, communicate with friends and track their progress regardless of their preferred gaming platforms. This application is currently in the closed beta stage.

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[1] Digital Rights Management – general term which refers to technologies restricting who is allowed to access digital content (videogames, music, motion pictures, books) as well as when and how access is permitted.

Disclosure of the issuer's significant accomplishments and shortcomings in each activity segment in the third quarter of 2019

CD PROJEKT RED

Cyberpunk 2077 – intensive promotional campaign

In the third quarter of 2019 the Company continued its far-reaching promotional activities related to Cyberpunk 2077, aiming to introduce as many players worldwide as possible to this new title and its in-game universe.

On 20-24 August the Company took part in Gamescom in Cologne – the largest such event on the European videogame market. In a series of invitational presentations held for selected media and business partners CD PROJEKT RED representatives showcased nearly hourlong gameplay demos of Cyberpunk 2077. These presentations attracted over 2 000 participants. In addition, in the public section of the fair, 25-minute gameplay trailers were attended by over 10,000 participants. Several days after the close of gamescom, on 30 August 2019, a 15-minute gameplay demo was released on Twitch.tv and Bilibili.com (Chinese streaming platform), featuring content unveiled at the fair, along with a discussion panel with Studio representatives. This stream was spectated live by nearly one million users.

As of the publication date of this statement, Cyberpunk 2077 has been showcased, among others, at Tokyo Game Show, Milan Games Week, Paris Games Week, Poznań Game Arena, Igromir (Moscow), Madrid Games Week, EGX London, PAX Australia, Zurich Game Show and Lucca Comics & Games.

On 19 August 2019 the Company announced that Cyberpunk 2077 would support Google Stadia – a cloud gaming service supporting a wide array of hardware platforms.

On 28 September 2019 at the International Festival of Comics and Games in Łódź, during a discussion panel devoted to the Polish language edition of Cyberpunk 2077, the Studio revealed the voice actors who play the main characters. The male and female incarnations of V are voiced by Kamil Kula and Lidia Sadowa respectively, while Johnny Silverhand is voiced by Michał Żebrowski.

The Witcher 3: Wild Hunt – Nintendo Switch release

On 19 August CD PROJEKT announced that The Witcher 3: Wild Hunt (physical and digital editions) would be released on Nintendo Switch on 15 October. The Witcher 3: Wild Hunt is CD PROJEKT RED's first-ever release targeting this mobile console.

GWENT (collaboration by CD PROJEKT RED and GOG.com in the framework of a consortium)

On 12 September the Studio announced the iOS release date of GWENT: The Witcher Card Game. This event also marked the beginning of the corresponding App Store pre-registration campaign, allowing the game to be immediately installed upon release.

After the close of the reporting period, on 11 October, the Studio began accepting registrations for participation in the GWENT iOS closed beta. This also marked the first time gamers could access the game on their mobile devices. The official release followed on 29 October. The game was well received by gamers, garnering high average ratings in its respective markets.

Another GWENT Challenger tournament (part of the GWENT Masters) was held on 14-15 September. Concurrently, the Company also announced its next expansion pack for the game, titled Iron Judgement. The expansion was released on 2 October, after the close of the reporting period.

GOG.com

GOG GALAXY 2.0

In the third quarter of 2019 GOG carried on with its closed beta tests of GOG GALAXY 2.0. The application is being developed in response to the growing fragmentation of the gaming market, where new digital distribution platforms are emerging and an increasing number of games are released on a platform-exclusive basis. The goal of the application is to enable players to integrate all their game shelves into a single library, communicate with friends and track their progress regardless of their preferred gaming platforms. The functionality of GOG GALAXY 2.0 will span PC and console platforms, extending beyond GOG.com's existing user base.

Activities related to the digital distribution platform

As of the publication date of this statement the catalogue of videogames and expansions available on GOG.com numbers over 3 400 items. The third quarter of the year saw numerous additions, including brand-new releases as well as older games requested by users. Highlights of the period include Age of Wonders: Planetfall, Bloodstained: Ritual of the Night, Children of Morta, The Surge, They Are Billions and Venetica.

The most popular products of Q3 2019 were: Cyberpunk 2077 preorders (with the corresponding revenues deferred until the release date), The Witcher 3: Wild Hunt, Diablo + Hellfire, No Man's Sky and Divinity: Original Sin 2.

Sales support

Videogame sales support activities comprise mainly adding new, attractive items to the GOG.com catalogue and organizing seasonal sale campaigns.

During the reporting period, in addition to weekly sales, GOG.com conducted two special campaigns: Games Come True (August) and Back to School (September).

Disclosure of factors which, in the Issuer's opinion, may affect its future results in the scope of at least the coming quarter

The upcoming final quarter of the year is traditionally marked by an uptick in trade-related activities which translate into a seasonal increase in sales volume.

In the fourth quarter the Group expanded its offering with the following:

- Nintendo Switch release of The Witcher 3: Wild Hunt (Complete Edition) – released on 15 October,
- mobile (iOS) release of GWENT: The Witcher Card Game – released on 29 October.

Releasing existing products on new hardware platforms allows the Group to reach new customers which should positively affect its sales revenues and financial result in the upcoming period.

The Group's income tax settlement, and thereby its financial result (particularly regarding CD PROJEKT S.A.) may be positively affected by new preferential taxation regulations called IP Box. These regulations, introduced in 2019, provide for a preferential tax rate of 5% on revenues from exploitation of eligible intellectual property rights (in place of the standard CIT rate of 19%). The Company will be able to initially apply IP Box in its annual financial statement for 2019. The scope and range of application of these new regulations will depend on a variety of factors, including individual interpretations of tax law sought by the Company.

With regard to the coming year, the most important anticipated event affecting the Group's result is the release of Cyperpunk 2077, scheduled for 16 April 2020.

Disclosure of seasonal or cyclical activities

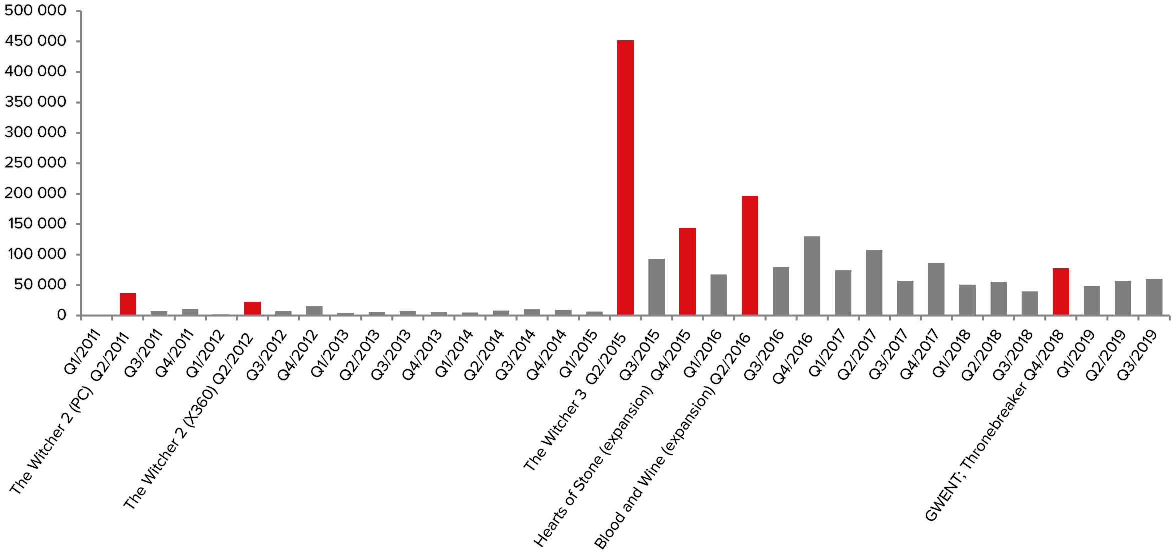
CD PROJEKT RED

The revenues and financial result of the CD PROJEKT RED segment are strongly affected by the videogame release schedule. CD PROJEKT RED usually takes between 2 and 4 years to produce a game. Initial development work occurs before the previous game in the series is complete and ready to be released.

CD PROJEKT RED also engages in smaller-scale projects – such as add-ons for its own games or adapting existing products to work on new gaming platforms. Such projects may be carried out directly by the Company or by its external partners, and their implementation may take several months (up to around a year).

With regard to games which have already been released, their yearly sales distribution is dependent on the schedule of periodic sales campaign. In most cases, strong sales are reported in the second and fourth quarter, while the first and the third quarter see weaker sales.

Figure 1 CD PROJEKT RED release quarters – revenues from sales of products, goods and materials (PLN thousands); 2011-2019



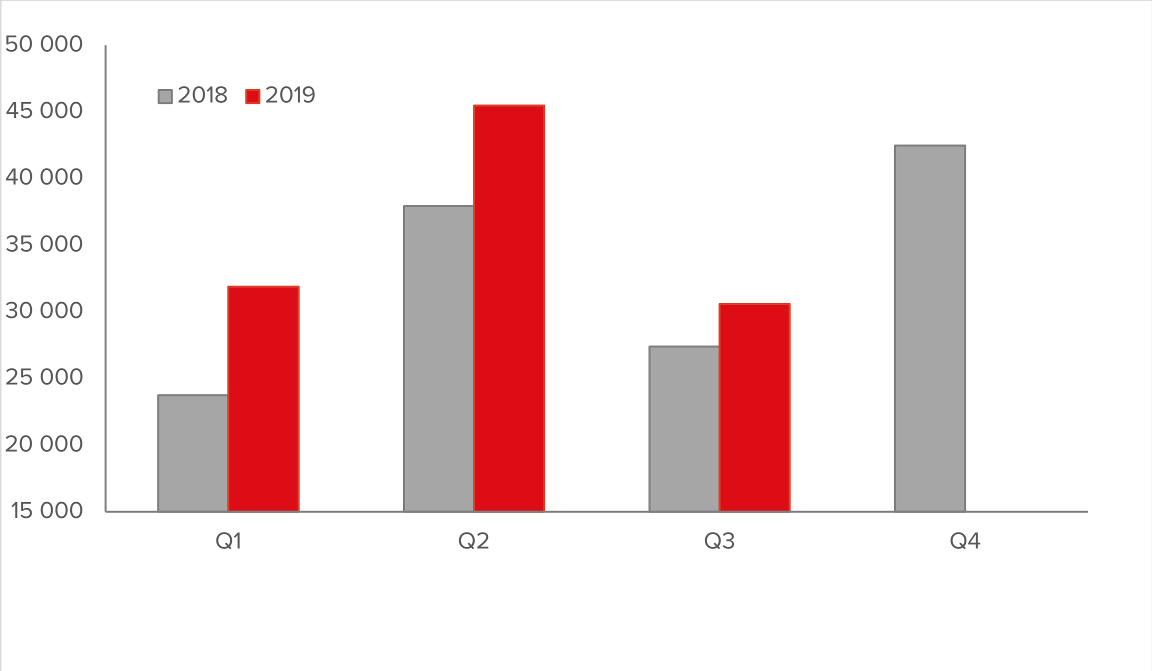
GOG.com

The digital videogame distribution market, which is the main area of activity of GOG.com, is characterized by seasonal fluctuations in revenues. On an annual basis, the highest revenues are typically obtained in the fourth quarter while the lowest revenues correspond to the third quarter. Sales in Q2 and Q4 are boosted by promotional activities organized in these periods.

The sales volume is also strongly dependent on the timing of new releases in each reporting period.

GOG.com also obtains revenues from microtransactions carried out within GWENT: The Witcher Card Game. The volume of such revenues depends, among others, on the game's popularity and on new content released to gamers during each period.

Figure 2 GOG.com quarterly sales of goods and materials; 2018-2019 (PLN thousands)



Disclosure of key clients

The CD PROJEKT Capital Group collaborates with external clients whose share in revenues exceeds 10% of the consolidated sales revenues of the Capital Group.

Within the CD PROJEKT RED segment the activities of CD PROJEKT S.A. carried out in collaboration with two external clients, evaluated incrementally until the close of Q3 2019, generated revenues which exceeded 10% of the consolidated sales revenues of the CD PROJEKT Capital Group – specifically, 66 040 thousand PLN and 49 396 thousand PLN. This respectively corresponds to 21.4% and 16.0% of the Group's consolidated sales revenues for this period.

The abovementioned clients are not affiliated with CD PROJEKT S.A. or any of its subsidiaries. In other activity segments no single client accounted for more than 10% of the consolidated sales revenues of the Capital Group.

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

4

Note 1. Disclosure of circumstances affecting assets, liabilities, equity, net financial result and cash flows which are unusual due to their type, size or effect

No circumstances affecting assets, liabilities, equity, net financial result or cash flows which might be regarded as unusual were reported by the CD PROJEKT Capital Group in its Q3 financial statement.

Note 2. Tangible fixed assets

Changes in fixed assets (by category) between 01.01.2019 and 30.09.2019

	Buildings and structures	Civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2019	**14 724**	**141**	**24 810**	**2 057**	**1 572**	**658**	**43 962**
Increases from:	**15 980**	**-**	**5 888**	**176**	**867**	**1 043**	**23 954**
purchases	209	-	4 707	-	448	1 043	6 407
lease agreements*	14 560	-	-	176	-	-	14 736
reclassification from fixed assets under construction	1 035	-	16	-	419	-	1 470
acquisition free of charge	-	-	1 150	-	-	-	1 150
other	176	-	15	-	-	-	191
Reductions from:	**-**	**-**	**234**	**4**	**-**	**1 470**	**1 708**
sales	-	-	94	4	-	-	98
disposal	-	-	140	-	-	-	140
reclassification from fixed assets under construction	-	-	-	-	-	1 470	1 470
others	-	-	-	-	-	-	-
Gross carrying amount as of 30.09.2019	**30 704**	**141**	**30 464**	**2 229**	**2 439**	**231**	**66 208**
Depreciation as of 01.01.2019	**5 062**	**15**	**17 708**	**962**	**974**	**-**	**24 721**
Increases from:	**5 881**	**11**	**3 802**	**283**	**448**	**-**	**10 425**
depreciation	5 824	11	3 792	283	448	-	10 358
other	57	-	10	-	-	-	67
Reductions from:	**-**	**-**	**233**	**4**	**-**	**-**	**237**
sales	-	-	93	4	-	-	97
disposal	-	-	140	-	-	-	140
others	-	-		-	-	-	-
Depreciation as of 30.09.2019	**10 943**	**26**	**21 277**	**1 241**	**1 422**	**-**	**34 909**
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-
Impairment allowances as of 30.09.2019	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	**9 662**	**126**	**7 102**	**1 095**	**598**	**658**	**19 241**
Net carrying amount as of 30.09.2019	**19 761**	**115**	**9 187**	**988**	**1 017**	**231**	**31 299**

** In addition to agreements concluded during the reporting period this item also covers agreements which meet the disclosure obligations associated with initial applications of IFRS 16 Leasing, as described in the section titled Assumption of comparability of financial statements and changes in accounting policies.*

(all figures quoted in PLN thousands unless indicated otherwise)

Contractual commitments for future acquisition of fixed assets

	30.09.2019	30.06.2019	31.12.2018*
Leasing of passenger cars	30	114	245
Total	**30**	**114**	**245**

** adjusted data*

Fixed assets held under lease agreements

	30.09.2019		
	Gross carrying amount	Depreciation	Net carrying amount
Buildings and structures	14 689	4 632	10 057
Vehicles	723	131	592
Total	**15 412**	**4 763**	**10 649**

	30.06.2019		
	Gross carrying amount	Depreciation	Net carrying amount
Buildings and structures	14 394	3 057	11 337
Vehicles	547	100	447
Total	**14 941**	**3 157**	**11 784**

	31.12.2018		
	Gross carrying amount	Depreciation	Net carrying amount
Vehicles	1 173	275	898
Total	**1 173**	**275**	**898**

Note 3. Fixed assets held for sale

	30.09.2019	30.06.2019	31.12.2018
Passenger car	-	-	49
Total	**-**	**-**	**49**

One of the passenger cars belonging to the Group was offered for sale. The sale transaction was carried out on 15 April 2019. The sale price, discounted by selling costs, was higher than the corresponding balance sheet value.

(all figures quoted in PLN thousands unless indicated otherwise)

Note 4. Intangibles and expenditures on development projects

Changes in intangibles and expenditures on development projects between 01.01.2019 and 30.09.2019

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangibles under construction	Others	Total
Gross carrying amount as of 01.01.2019	**177 817**	**239 385**	**32 199**	**1 926**	**11 318**	**26 065**	**56 438**	**706**	**1**	**545 855**
Increases from:	**109 724**	**2 445**	**-**	**1 219**	**-**	**3 405**	**-**	**832**	**-**	**117 625**
purchases	-	-	-	1 219	-	2 680	-	832	-	4 731
reclassification from intangibles under construction	-	-	-	-	-	725	-	-	-	725
reclassification from development projects in progress	-	2 445	-	-	-	-	-	-	-	2 445
acquisition of enterprise	-	-	-	-	-	-	-	-	-	-
own creation	109 724	-	-	-	-	-	-	-	-	109 724
Reductions from:	**2 445**	**-**	**-**	**-**	**-**	**484**	**-**	**725**	**-**	**3 654**
sale	-	-	-	-	-	1	-	-	-	1
disposal	-	-	-	-	-	483	-	-	-	483
reclassification from intangibles under construction	-	-	-	-	-	-	-	725	-	725
reclassification from development projects in progress	2 445	-	-	-	-	-	-	-	-	2 445
Gross carrying amount as of 30.09.2019	**285 096**	**241 830**	**32 199**	**3 145**	**11 318**	**28 986**	**56 438**	**813**	**1**	**659 826**
Depreciation as of 01.01.2019	**-**	**174 386**	**-**	**1 048**	**-**	**20 956**	**-**	**-**	**1**	**196 391**
Increases from:	**-**	**19 416**	**-**	**374**	**-**	**2 919**	**-**	**-**	**-**	**22 709**
depreciation	-	19 416	-	374	-	2 919	-	-	-	22 709
Reductions from:	**-**	**-**	**-**	**-**	**-**	**484**	**-**	**-**	**-**	**484**
sale	-	-	-	-	-	1	-	-	-	1
disposal	-	-	-	-	-	483	-	-	-	483
Depreciation as of 30.09.2019	**-**	**193 802**	**-**	**1 422**	**-**	**23 391**	**-**	**-**	**1**	**218 616**
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 30.09.2019	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	**177 817**	**64 999**	**32 199**	**878**	**11 318**	**5 109**	**56 438**	**706**	**-**	**349 464**
Net carrying amount as of 30.09.2019	**285 096**	**48 028**	**32 199**	**1 723**	**11 318**	**5 595**	**56 438**	**813**	**-**	**441 210**

(all figures quoted in PLN thousands unless indicated otherwise)

Contractual commitments for future acquisition of intangibles

None reported.

Note 5. Goodwill

No changes in goodwill occurred between 1 July and 30 September 2019.

Note 6. Investment properties

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

	30.09.2019	30.06.2019	31.12.2018
Investment property in Warsaw at Jagiellońska 76	9 736	9 640	9 553
Activated costs related to the property	-	-	-
Investment properties – gross total	**9 736**	**9 640**	**9 553**
Depreciation	48	-	-
Revaluation of investment properties	-	-	-
Investment properties – net total	**9 688**	**9 640**	**9 553**

Contractual commitments for acquisition of investment properties

	30.09.2019	30.06.2019	31.12.2018
Purchase of investment property in Warsaw at Jagiellońska 76	-	-	10 952
Total	**-**	**-**	**10 952**

Note 7. Perpetual usufruct of land

Value and area of land subject to perpetual usufruct

	30.09.2019	30.06.2019	31.12.2018
Perpetual usufruct of land in Warsaw at Jagiellońska 76 (2 913 m^2)	3 482	3 478	3 478
Total	**3 482**	**3 478**	**3 478**

Note 8. Inventories

Changes in inventories

	30.09.2019	30.06.2019	31.12.2018
Goods	10 723	1 076	249
Other materials	199	11	9
Gross inventories	**10 922**	**1 087**	**258**
Inventory impairment allowances	-	-	-
Net inventories	**10 922**	**1 087**	**258**

Changes in inventory impairment allowances

None reported.

Note 9. Trade and other receivables

Changes in receivables

	30.09.2019	30.06.2019	31.12.2018
Trade and other receivables	**81 403**	**126 802**	**56 239**
from affiliates	49	77	31
from external entities	81 354	126 725	56 208
Impairment allowances	**762**	**909**	**912**
Gross receivables (trade and other)	**82 165**	**127 711**	**57 151**

Changes in impairment allowances on receivables

	Trade receivables	Other receivables	Total
OTHER ENTITIES			
Impairment allowances as of 01.01.2019	**180**	**732**	**912**
Increases	**-**	**-**	**-**
Reductions from:	**150**	**-**	**150**
dissolution of allowances due to collection of receivables	4	-	4
dissolution of allowances due to write-offs of receivables	146	-	146
Impairment allowances as of 30.09.2019	**30**	**732**	**762**

Current and overdue trade receivables as of 30.09.2019

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	39	24	-	15	-	-	-
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	-	-	-	-	-	-	-
total expected credit loss	-	-	-	-	-	-	-
Net receivables	**39**	**24**	**-**	**15**	**-**	**-**	**-**

(all figures quoted in PLN thousands unless indicated otherwise)

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	39 303	35 122	2 138	1	1 928	83	31
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	30	-	-	-	-	-	30
total expected credit loss	30	-	-	-	-	-	30
Net receivables	**39 273**	**35 122**	**2 138**	**1**	**1 928**	**83**	**1**
Total							
gross receivables	39 342	35 146	2 138	16	1 928	83	31
impairment allowances	30	-	-	-	-	-	30
Net receivables	**39 312**	**35 146**	**2 138**	**16**	**1 928**	**83**	**1**

Other receivables

	30.09.2019	30.06.2019	31.12.2018
Other receivables, including:	**42 091**	**36 494**	**19 231**
tax returns except corporate income tax	15 702	11 803	15 311
advance payments for supplies	25 262	23 589	1 085
deposits	473	446	480
prepaid licensing royalties	587	589	620
advance payment for investment properties and perpetual usufruct of land	-	-	1 667
employee settlements	55	52	29
others	12	15	39
Impairment allowances	**732**	**732**	**732**
Other gross receivables	**42 823**	**37 226**	**19 963**

Note 10. Prepaid expenses

	30.09.2019	30.06.2019	31.12.2018
Non-life insurance	218	167	117
Minimum guarantees; payments advanced to GOG	15 722	17 841	19 670
Software, licenses	1 102	1 472	890
Business travel (airfare, accommodation, insurance)	72	140	113
Transaction costs	548	381	-
Marketing platform costs	272	328	-
IT security	204	190	282
Expenditures related to participation in fairs	6	387	-
Other prepaid expenses	305	297	430
Total prepaid expenses	**18 449**	**21 203**	**21 502**

(all figures quoted in PLN thousands unless indicated otherwise)

Note 11. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2018*	increases	reductions	30.09.2019
Provisions for other employee benefits	192	-	-	192
Provisions for compensation dependent on financial result	14 356	9 206	14 401	9 161
Tax loss	2 760	-	302	2 458
Negative exchange rate differences	16	1 893	797	1 112
Employee compensation and social security expenses payable in future reporting periods	28	116	95	49
Deferred revenues associated with adding funds to virtual wallets and participation in the additional benefits program	3 364	4 741	5 605	2 500
Other provisions	2 024	2 577	2 439	2 162
R&D tax relief	52 532	-	-	52 532
Provisions for lease expenses	-	7	-	7
Advances recognized as taxable income	-	13 355	-	13 355
Total negative temporary differences	**75 272**	**31 895**	**23 639**	**83 528**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets	**14 302**	**6 060**	**4 491**	**15 871**

** adjusted data*

Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2018*	increases	reductions	30.09.2019
Difference between net carrying value and net tax value of fixed assets and intangibles	21 596	1 726	19 098	4 224
Income in the current period invoiced in the following period, and sales returns in the current period	30 793	66 910	75 397	22 306
Positive exchange rate differences	271	1 904	1 539	636
Difference between balance sheet value and tax value of R&D expenditures	9 912	-	3 511	6 401
Conversion of operating lease agreements into financial lease agreements	-	76	-	76
Other sources	490	101	483	108
Total positive temporary differences	**63 062**	**70 717**	**100 028**	**33 751**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax provisions	**11 982**	**13 436**	**19 005**	**6 413**

** adjusted data*

Balance of deferred tax assets/provisions

	30.09.2019	30.06.2019	31.12.2018
Deferred tax assets	15 871	12 567	14 302
Deferred tax provisions	6 413	9 996	11 982
Net deferred tax assets/(provisions)	**9 458**	**2 571**	**2 320**

(all figures quoted in PLN thousands unless indicated otherwise)

Income tax reported in profit/loss account

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Current income tax	11 151	24 103	7 403	14 613
Changes in deferred income tax	(6 887)	(7 138)	(2 742)	4 213
Income tax reported in profit/loss account	**4 264**	**16 965**	**4 661**	**18 826**

Note 12. Provisions for employee benefits and similar liabilities

	30.09.2019	30.06.2019	31.12.2018
Provisions for retirement benefits and pensions	192	192	192
Total, including:	**192**	**192**	**192**
long-term provisions	190	190	190
short-term provisions	2	2	2

No changes in provisions for employee benefits and similar liabilities occurred between 1 January and 30 September 2019.

Note 13. Other provisions

	30.09.2019	30.06.2019	31.12.2018
Provisions for warranty-covered repairs and returns	**-**	**3**	**15**
Provisions for liabilities, including:	**15 535**	**10 782**	**23 149**
financial statement audit and review expenses	-	50	100
provisions for bought-in services	347	355	457
provisions for bonuses dependent on financial result	13 499	10 375	21 246
provisions for other expenses	1 689	2	1 346
Total, including:	**15 535**	**10 785**	**23 164**
long-term provisions	-	-	-
short-term provisions	15 535	10 785	23 164

Changes in other provisions

	Provisions for warranty-covered repairs and returns	Provisions for bonuses dependent on financial result	Other provisions	Total
As of 01.01.2019	**15**	**21 246**	**1 903**	**23 164**
Provisions created during fiscal year	-	13 633	3 195	16 828
Provisions consumed	15	21 380	3 029	24 424
Provisions dissolved	-	-	33	33
As of 30.09.2019, including:	**-**	**13 499**	**2 036**	**15 535**
long-term provisions	-	-	-	-
short-term provisions	-	13 499	2 036	15 535

(all figures quoted in PLN thousands unless indicated otherwise)

Note 14. Other liabilities

	30.09.2019	30.06.2019	31.12.2018*
Liabilities associated with other taxation, duties, social security and other payments, except corporate income tax	**5 152**	**9 099**	**6 822**
VAT	3 340	7 090	5 186
Flat-rate tax deducted at source	64	9	17
Personal income tax	892	890	1 019
Social security (ZUS) payments	794	1 073	571
National Fund for the Rehabilitation of the Disabled (PFRON) payments	30	29	26
PIT-8A settlements	32	8	3
Other liabilities	**3 881**	**123**	**10 963**
Uninvoiced supplies	3 562	-	-
Other settlements with employees	43	15	9
Other settlements with members of the management boards of Capital Group member companies	9	13	30
Liabilities associated with purchase of investment properties	-	-	10 952
Social Benefits Fund (ZFŚS) – other settlements	38	17	(31)
Advance payments from foreign clients	229	78	3
Total other liabilities	**9 033**	**9 222**	**17 785**

** adjusted data*

Note 15. Deferred revenues

	30.09.2019	30.06.2019*	31.12.2018*
Subsidies	9 536	7 744	6 510
Future period sales	136 015	74 028	22 614
Expenses deductible from royalties in future periods – The Witcher 3 for Nintendo Switch	(17 490)	-	-
Official mobile phone rental	16	13	18
Others	2 801	2 986	3 368
Total, including:	**130 878**	**84 771**	**32 510**
long-term deferrals	185	226	6 338
short-term deferrals	130 693	84 545	26 172

** adjusted data*

Note 16. Disclosure of financial instruments

Fair value of financial instruments per class

The Management Board of the Group has performed an analysis of each class of financial instruments and came to the conclusion that the carrying amount of each instrument matches their respective fair value as of 30 September 2019, 30 June 2019 and 31 December 2018 respectively.

(all figures quoted in PLN thousands unless indicated otherwise)

Financial assets – classification and appraisal

	30.09.2019	30.06.2019	31.12.2018
Financial assets held at amortized cost	**633 515**	**621 392**	**696 948**
Other long-term receivables	574	574	570
Trade receivables	39 312	90 308	37 008
Cash and cash equivalents	124 966	69 224	104 378
Bank deposits (maturity beyond 3 months)	468 663	461 286	554 992
Capital market instruments held at purchase price	**6 934**	**6 257**	**3 183**
Shares in entities excluded from consolidation	6 934	6 257	3 183
Total financial assets	**640 449**	**627 649**	**700 131**

Financial liabilities – classification and appraisal

	30.09.2019	30.06.2019	31.12.2018
Financial liabilities held at amortized cost	**54 474**	**57 536**	**50 323**
Trade liabilities	43 916	45 812	49 914
Other financial liabilities	10 558	11 724	409

Note 17. Sales revenues

Sales revenues by territory (2019)

	01.07.2019 – 30.09.2019		01.01.2019 – 30.09.2019	
	PLN	%	PLN	%
Domestic sales	3 374	3.63%	10 719	3.49%
Exports, including:	**89 497**	**96.37%**	**297 239**	**96.51%**
Europe	23 310	25.10%	75 962	24.67%
North America	54 721	58.92%	195 423	63.46%
South America	621	0.67%	2 106	0.68%
Asia	6 715	7.23%	15 928	5.17%
Australia	4 011	4.32%	7 374	2.39%
Africa	119	0.13%	446	0.14%
Total	**92 871**	**100%**	**307 958**	**100%**

Sales revenues by territory (2018)

	01.07.2018 – 30.09.2018		01.01.2018 – 30.09.2018	
	PLN	%	PLN	%
Domestic sales	2 512	3.74%	10 044	4.26%
Exports, including:	**64 655**	**96.26%**	**225 557**	**95.74%**
Europe	20 021	29.81%	69 096	29.33%
North America	38 841	57.83%	138 213	58.66%
South America	427	0.64%	1 790	0.76%
Asia	3 882	5.78%	11 015	4.68%
Australia	1 364	2.03%	4 937	2.10%
Africa	120	0.17%	506	0.21%
Total	**67 167**	**100%**	**235 601**	**100%**

(all figures quoted in PLN thousands unless indicated otherwise)

Sales revenues by product type

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Own products	47 147	156 922	40 675	149 447
External products	43 343	116 798	26 455	86 092
Other revenues	2 381	34 238	37	62
Total	**92 871**	**307 958**	**67 167**	**235 601**

Sales revenues by distribution channel

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Box editions of videogames	17 644	25 386	2 904	16 606
Digital editions of videogames	69 629	242 661	62 777	216 120
Other revenues	5 598	39 911	1 486	2 875
Total	**92 871**	**307 958**	**67 167**	**235 601**

Note 18. Operating expenses

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018*	01.01.2018 – 30.09.2018*
Depreciation and impairment of fixed assets, intangibles and development projects, including:	2 171	6 135	1 114	3 464
- depreciation of buildings held under lease agreements	570	1 684	-	-
- depreciation of vehicles held under lease agreements	30	130	46	129
Consumption of materials and energy	584	1 743	516	1 179
Bought-in services, including:	16 930	50 949	13 202	43 773
- costs associated with short-term lease agreements and leasing of low-value assets	78	263	-	-
Taxes and fees	187	659	162	515
Employee compensation, social security and other benefits	18 027	66 230	13 197	40 756
Business travel	1 052	2 668	741	2 244
Use of company cars	22	80	28	96
Value of goods and materials sold	31 518	83 081	18 821	62 559
Cost of products and services sold	6 362	21 423	700	791
Other expenses	59	121	4	133
Total	**76 912**	**233 089**	**48 485**	**155 510**
Selling costs	27 334	82 538	20 235	66 884
General and administrative costs	11 698	46 047	8 729	25 276
Cost of products, goods and materials sold	37 880	104 504	19 521	63 350
Total	**76 912**	**233 089**	**48 485**	**155 510**

** adjusted data*

(all figures quoted in PLN thousands unless indicated otherwise)

Note 19. Other operating revenues and expenses

Other operating revenues

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018*	01.01.2018 – 30.09.2018*
Subsidies	45	143	46	138
Reinvoicing revenues	3 487	4 344	153	461
Dissolution of unused provisions	-	2	37	115
Fixed assets and goods received free of charge	410	1 150	-	29
Profit from sales of fixed assets	5	86	-	18
Withholding tax recovered at source	-	1	-	-
Other miscellaneous operating revenues	17	74	11	67
Other sales	457	512	57	84
Total operating revenues	**4 421**	**6 312**	**304**	**912**

** adjusted data*

Other operating expenses

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Depreciation of investment properties	21	21	-	-
Losses from sale of fixed assets	-	-	23	-
Donations	-	6	2	43
Reinvoicing expenses	3 487	4 346	153	461
Unrecoverable withholding tax	3	16	8	34
Insurance premiums	-	-	1	1
Disposal of materials and goods	8	8	4	73
Recognition of shortfall in working assets	-	-	3	3
Losses from revaluation of own shares	-	-	-	96
VAT write-offs	-	-	244	244
Expenses associated with other sales	37	82	200	313
Other taxes and fees	-	-	-	315
Inventory revaluations	1	1	-	-
Other miscellaneous operating expenses	1	8	-	17
Total operating expenses	**3 558**	**4 488**	**638**	**1 600**

Note 20. Financial revenues and expenses

Financial revenues

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Revenues from interest:	**2 214**	**7 415**	**1 553**	**7 333**
on short-term bank deposits	2 214	7 411	1 553	7 328
on trade settlements	-	4	-	5
Other financial revenues, including:	**269**	**-**	**393**	**7**
surplus positive exchange rate differences	269	-	386	-
other miscellaneous financial revenues	-	-	7	7
Total financial revenues	**2 483**	**7 415**	**1 946**	**7 340**

(all figures quoted in PLN thousands unless indicated otherwise)

Financial expenses

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Interest payments:	**147**	**496**	**92**	**125**
on lease agreements	136	464	4	9
on budget commitments	11	32	88	116
Other financial expenses, including:	**-**	**216**	**-**	**54**
surplus negative exchange rate differences	-	216	-	54
Total financial expenses	**147**	**712**	**92**	**179**
Net balance of financial activities	**2 336**	**6 703**	**1 854**	**7 161**

Note 21. Short-term lease agreements and lease of low-value assets

The Group has entered into agreements concerning leasing of office equipment (multipurpose photocopiers, kitchen equipment) as well as apartments which potentially meet the criteria of lease agreements under IFRS 16. However, the Group regards these agreements as either short-term or concerning low-value assets and, consequently, does not apply the new standard to these agreements in line with the exemption specified in Art. 5 of the new standard. In such cases lease payments are reported as costs during the period in which they are incurred, using either the straight-line method or another method which best reflects the breakdown of payments throughout the duration of the agreement (information regarding costs related to such agreements, incurred between 1 January and 30 September 2019, can be found in Note 18).

As of 30 September 2019 and 30 June 2019 future minimum payments associated with irrevocable short-term lease agreements and lease agreements concerning low-value assets are as follows:

	30.09.2019	30.06.2019
less than 1 year	261	269
between 1 and 5 years	272	867
more than 5 years	-	-
Total	**533**	**1 136**

Note 22. Issue, buyback and redemption of debt and capital securities

Issue of debt securities

Not applicable.

Issue of capital securities

	30.09.2019	30.06.2019	31.12.2018
Stock volume (thousands)	96 120	96 120	96 120
Nominal value per share (PLN)	1	1	1
Share capital	**96 120**	**96 120**	**96 120**

Note 23. Dividends declared or paid out and collected

On 23 May 2019 the Ordinary General Meeting of CD PROJEKT S.A. adopted a resolution directing the Company to allocate part of its profit obtained in 2018 to a dividend payable to shareholders. In line with this resolution, on 13 June 2019, the parent Company paid out a dividend in the amount of 100 926 000 PLN, i.e. 1.05 PLN per share. The dividend applied to 96 120 000 parent Company shares.

Note 24. Transactions with affiliates

Rules governing transactions with affiliates

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

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

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

Transactions with affiliates following consolidation eliminations

	Sales to affiliates				Purchases from affiliates			
	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
SUBSIDIARIES								
CD PROJEKT Co., Ltd.	-	-	-	29	1 464	3 119	889	2 934
Spokko sp. z o.o.	61	206	694	694	-	-	-	-
CD PROJEKT RED STORE sp. z o.o.	-	-	-	-	-	-	-	-
GROUP MEMBER COMPANY EXECUTIVES								
Marcin Iwiński	2	12	4	8	-	-	-	-
Adam Kiciński	1	6	1	2	-	-	-	-
Piotr Nielubowicz	3	6	1	4	-	-	-	-
Michał Nowakowski	5	10	2	7	-	-	-	-
Adam Badowski	1	3	-	1	-	-	-	-
Oleg Klapovskiy	-	1	-	1	-	-	-	-

(all figures quoted in PLN thousands unless indicated otherwise)

	Receivables from affiliates			Liabilities due to affiliates		
	30.09.2019	30.06.2019	31.12.2018	30.09.2019	30.06.2019	31.12.2018
SUBSIDIARIES						
CD PROJEKT Co., Ltd.	-	-	-	281	281	625
Spokko sp. z o.o.	39	58	28	-	-	-
GROUP MEMBER COMPANY EXECUTIVES						
Marcin Iwiński	9	19	-	4	-	2
Adam Kiciński	-	-	-	2	3	28
Piotr Nielubowicz	-	-	-	2	9	-
Michał Nowakowski	1	-	3	1	-	-
Adam Badowski	-	-	-	-	1	-

(all figures quoted in PLN thousands unless indicated otherwise)

Note 25. Bad loans and credits, and breaches of loan and credit agreements not subject to remedial proceedings as of the balance sheet date

Not applicable.

Note 26. Changes in conditional liabilities and assets since the close of the most recent fiscal year

Conditional liabilities from sureties and collateral pledged

	Type of agreement	Currency	30.09.2019	30.06.2019	31.12.2018
mBank S.A.					
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920	920
Promissory note agreement	Framework agreement concerning forward and derivative transactions	PLN	7 710	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)					
Contract of guarantee	Guarantee of discharge of liabilities by GOG sp. z o.o.	EUR	155	155	155
National Centre for Research and Development (Narodowe Centrum Badań i Rozwoju)					
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0105/16	PLN	7 934	7 934	7 934
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	5 114	5 114
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	3 857	3 857
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	5 324	5 324	5 324
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0120/16	PLN	1 234	1 234	1 234

(all figures quoted in PLN thousands unless indicated otherwise)

Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)					
Promissory note agreement	Lease agreement no. CZ5/00013/2017	PLN	138	-	115
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	60	-	50
Promissory note agreement	Lease agreement no. CR1/01390/2018	PLN	212	241	299
Santander Bank Polska S.A. (formerly BZ WBK S.A.)					
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	6 500	6 500

(all figures quoted in PLN thousands unless indicated otherwise)

Note 27. Changes in the structure of the Capital Group and its member entities occurring during the reporting period

On 14 January 2019 a new company was incorporated in the framework of the Capital Group under the name CD PROJEKT RED STORE sp. z o.o. CD PROJEKT S.A. holds 100% of shares of the new company. The mission of the newly established company is to carry out online marketing of tie-in products associated with CD PROJEKT RED videogames.

Note 28. Agreements which may, in the future, result in changes in the proportion of shares held by shareholders and bondholders

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.

Note 29. Fiscal settlements

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

As a rule, fiscal settlements may be subject to state audits within five years following the end of the period 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.

Note 30. Clarifications regarding the condensed interim consolidated statement of cash flows

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018*	01.01.2018 – 30.09.2018*
Total cash and cash equivalents reported in the cash flow statement	**124 966**	**124 966**	**48 182**	**48 182**
Cash on balance sheet	124 966	124 966	48 182	48 182
Depreciation	**2 192**	**6 156**	**1 114**	**3 464**
Depreciation of intangibles	437	1 152	329	1 136
Depreciation of expenditures on development projects	74	223	74	161
Depreciation of fixed assets	1 650	4 750	711	2 167
Depreciation of investment properties	31	31	-	-
Interest and profit sharing consists of:	**(2 078)**	**(6 947)**	**(1 549)**	**(7 319)**
Interest accrued	(2 214)	(7 411)	(1 553)	(7 328)
Interest on lease agreements	136	464	4	9
Profit (loss) from investment activities consists of:	**(415)**	**(1 236)**	**23**	**322**
Sales of fixed assets	(6)	(136)	(179)	(220)
Net value of tangible fixed assets sold	1	50	210	210
Fixed assets received free of charge	(410)	(1 150)	-	(29)
Losses from revaluation of own shares	-	-	-	96
Other costs related to acquisition of an enterprise, aggregated with general and administrative expenses	-	-	-	273
Settlements associated with expiration of lease agreements	-	-	(8)	(8)
Changes in provisions consist of:	**3 699**	**(6 412)**	**2 068**	**(34 666)**
Changes in provisions for liabilities	4 750	(7 629)	3 276	(29 581)
Changes in provisions for compensation contingent upon the Group's financial result capitalized upon expenditures on development projects	(1 051)	1 217	(1 208)	(5 085)
Changes in inventories consist of:	**(9 835)**	**(10 664)**	**(97)**	**(26)**
Changes in inventories	(9 835)	(10 664)	(97)	(26)
Changes in receivables consist of:	**45 399**	**(26 829)**	**11 210**	**20 409**
Balance of changes in short-term receivables	48 156	(24 561)	11 643	10 718
Balance of changes in long-term receivables	-	(4)	-	(11)
Advance payments for investment properties and perpetual usufruct of land	-	(1 667)	4 000	4 727
Income tax set against withholding tax	-	8 249	-	11 263
Adjustments for current income tax	(2 757)	(8 838)	(4 433)	(6 332)
Receivables taken over in acquisition of enterprise	-	-	-	44
Changes in receivables associated with withdrawal from an agreement concerning purchase of fixed assets	-	(8)	-	-

(all figures quoted in PLN thousands unless indicated otherwise)

Changes in short-term liabilities except financial liabilities consist of:	**(768)**	**(6 377)**	**(7 394)**	**(6 884)**
Balance of changes in short-term liabilities	483	(6 947)	(7 653)	(10 270)
Adjustments for current income tax	(3 282)	(3 301)	272	3 428
Changes in financial liabilities	714	(4 502)	(30)	(84)
Adjustment for changes in liabilities aggregated with retained earnings	-	-	-	251
Changes in liabilities associated with purchases of fixed assets	(8)	119	(646)	(414)
Changes in liabilities associated with purchases of intangibles	1 277	(761)	663	206
Changes in liabilities associated with purchases of investment properties	48	9 015	-	-
Liabilities taken over in acquisition of enterprise	-	-	-	(1)
Changes in other assets and liabilities consist of:	**48 861**	**101 421**	**3 077**	**5 833**
Balance of changes in prepaid expenses	2 754	3 053	1 791	1 689
Balance of changes in deferred revenues	46 107	98 368	1 286	4 121
Balance of prepaid expenses and deferred revenues taken over in acquisition of enterprise	-	-	-	23
Other adjustments consist of:	**5 120**	**26 170**	**2 728**	**7 278**
Costs of incentive program	5 015	25 968	2 725	7 165
Depreciation aggregated with cost of sales and consortium settlements	52	165	10	60
Exchange rate differences	53	37	(7)	53

** adjusted data*

Note 31. Cash flows and other non-monetary changes associated with financial liabilities

	01.07.2019	Cash flows	Non-monetary changes				30.09.2019
			Acquisitions of fixed assets under lease agreements	Changes in exchange rate differences	Accrued interest	Adoption of resolution concerning dividend payment	
Lease liabilities	11 724	(1 730)	176	252	136	-	10 558
Total	**11 724**	**(1 730)**	**176**	**252**	**136**	**-**	**10 558**

	01.01.2019	Cash flows	Non-monetary changes				30.09.2019
			Acquisitions of fixed assets under lease agreements	Changes in exchange rate differences	Accrued interest	Adoption of resolution concerning dividend payment	
Lease liabilities	409	(5 160)	14 692	153	464	-	10 558
Liabilities due to shareholders in conjunction with dividend payments	-	(100 926)	-	-	-	100 926	-
Total	**409**	**(106 086)**	**14 692**	**153**	**464**	**100 926**	**10 558**

(all figures quoted in PLN thousands unless indicated otherwise)

	01.07.2018	Cash flows	Non-monetary changes				30.09.2018
			Acquisitions of fixed assets under lease agreements	Changes in exchange rate differences	Accrued interest	Adoption of resolution concerning dividend payment	
Lease liabilities	318	(408)	547	-	4	-	461
Total	**318**	**(408)**	**547**	**-**	**4**	**-**	**461**

	01.01.2018	Cash flows	Non-monetary changes				30.09.2018
			Acquisitions of fixed assets under lease agreements	Changes in exchange rate differences	Accrued interest	Adoption of resolution concerning dividend payment	
Lease liabilities	338	(649)	764	-	8	-	461
Total	**338**	**(649)**	**764**	**-**	**8**	**-**	**461**

Note 32. Events following the balance sheet date

On 31 October 2019 the Company purchased the immovable property located in Warsaw at Jagiellońska 74, consisting of a plot of land with a total area of 2.1 ha, and a building complex located thereupon, with a total useful floor area of 15 thousand sq.m. (mostly office space). Prior to the transaction the Company had rented part of the property over a period of many years, thereby investing in an asset which belonged to a third party. The purchase effectively satisfies office space requirements associated with the Capital Group's dynamic growth and also enables the property to be comprehensively adapted to the Group's specific needs.

(all figures quoted in PLN thousands unless indicated otherwise)

Supplementary information

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Legal proceedings

No significant legal, arbitration or administrative proceedings which would involve the parent Company or its subsidiaries as parties were initiated in the reporting period. Regarding other pending legal proceedings, no significant changes occurred in relation to the status presented in the semiannual financial statement for the first half of 2019.

Shareholding structure

Shareholders who control, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of the parent entity as of the publication date of this quarterly statement

	Qty. of votes at the GM	% share in total number of votes at the GM
Marcin Iwiński	12 150 000	12.64%
Michał Kiciński [1]	10 486 106	10.91%
Piotr Nielubowicz	6 135 197	6.38%
Other shareholders	67 348 697	70.07%

1 As disclosed in Current Report no. 49/2016 of 6 December 2016

The percentage share in the share capital of the parent entity held by the above listed parties is equivalent to the amount of votes controlled by these parties at the General Meeting.

Changes in shareholding structure of the parent entity

None reported.

Company shares held by members of the Management Board and Supervisory Board

Changes in number of shares held by members of the Management Board and the Supervisory Board

Name	Position	As of 01.01.2019	As of 30.09.2019	As of 21.11.2019
Adam Kiciński	President of the Board	3 322 481	3 322 481	3 322 481
Marcin Iwiński	Vice President of the Board	12 150 000	12 150 000	12 150 000
Piotr Nielubowicz	Vice President of the Board	6 135 197	6 135 197	6 135 197
Adam Badowski	Board Member	150 000	150 000	150 000
Michał Nowakowski	Board Member	37 650	37 650	37 650
Piotr Karwowski	Board Member	8 000	3 100	3 100
Katarzyna Szwarc	Chairwoman of the Supervisory Board	10	10	10
Maciej Nielubowicz	Supervisory Board Member	51	51	51

On 3 September 2019 in Current Report no. 3/2019 the Company disclosed a sale of Company stock carried out by a member of its Management Board. In line with the notification received by the Company, on 3 September 2019 Mr. Piotr Karwowski sold 4 900 shares of the Company on the regulated market of the Warsaw Stock Exchange at the average sale price of 255.44 PLN per share.

(all figures quoted in PLN thousands unless indicated otherwise)

Validation of published projections

The Group had not published any projections referring to the reporting period.

Condensed interim separate financial statement of CD PROJEKT S.A.

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Condensed interim separate profit and loss account

	Note	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Sales revenues		**61 033**	**198 714**	**40 358**	**147 564**
Revenues from sales of products		45 400	149 860	39 529	144 211
Revenues from sales of services		2 453	34 992	461	1 395
Revenues from sales of goods and materials		13 180	13 862	368	1 958
Cost of products, goods and materials sold		**15 411**	**28 391**	**1 385**	**3 656**
Cost of products and services sold		4 813	17 132	1 042	1 843
Value of goods and materials sold		10 598	11 259	343	1 813
Gross profit (loss) from sales		**45 622**	**170 323**	**38 973**	**143 908**
Selling costs		18 358	55 319	12 388	43 559
General and administrative costs		9 200	38 636	6 684	19 017
Other operating revenues		4 357	6 654	572	1 566
Other operating expenses		3 924	5 293	983	2 038
(Impairment losses)/reversal of impairment of financial instruments		1	4	(50)	171
Operating profit (loss)		**18 498**	**77 733**	**19 440**	**81 031**
Financial revenues		3 077	7 946	1 544	7 301
Financial expenses		96	355	73	103
Profit (loss) before tax		**21 479**	**85 324**	**20 911**	**88 229**
Income tax	A	4 625	16 924	4 607	18 372
Net profit (loss)		**16 854**	**68 400**	**16 304**	**69 857**
Net earnings per share (in PLN)					
Basic for the reporting period		0.18	0.71	0.17	0.73
Diluted for the reporting period		0.17	0.68	0.16	0.68

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim separate statement of comprehensive income

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Net profit (loss)	**16 854**	**68 400**	**16 304**	**69 857**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	-	-	-	-
Other comprehensive income which will not be entered as profit (loss)	-	-	-	-
Total comprehensive income	**16 854**	**68 400**	**16 304**	**69 857**

Condensed interim separate statement of financial position

	Note	30.09.2019	30.06.2019	31.12.2018
FIXED ASSETS		**481 009**	**432 956**	**369 328**
Tangible assets		25 932	26 493	16 507
Intangibles		101 513	101 365	99 848
Expenditures on development projects		307 808	266 892	218 795
Investment properties		9 688	9 640	9 553
Perpetual usufruct of land		3 482	3 478	3 478
Investments in subsidiaries	F	24 986	24 033	20 279
Other financial assets		26	95	298
Deferred income tax assets	A	7 000	386	-
Other long-term receivables	F	574	574	570
WORKING ASSETS		**654 245**	**619 182**	**676 398**
Inventories		7 862	348	258
Fixed assets held for sale		-	-	49
Trade receivables	E,F	36 553	95 075	31 397
Current income tax receivables		-	3 171	1 396
Other receivables	E	39 158	34 880	45 474
Other financial assets		2 086	784	421
Prepaid expenses		1 497	2 332	1 262
Cash and cash equivalents	F	98 426	21 306	41 149
Bank deposits (maturity beyond 3 months)	F	468 663	461 286	554 992
TOTAL ASSETS		**1 135 254**	**1 052 138**	**1 045 726**

(all figures quoted in PLN thousands unless indicated otherwise)

	Note	30.09.2019	30.06.2019	31.12.2018*
EQUITY		**965 208**	**943 861**	**971 515**
Share capital	22**	96 120	96 120	96 120
Supplementary capital		748 324	748 324	739 799
Other reserve capital		52 364	47 871	26 145
Net profit (loss) for the reporting period		68 400	51 546	109 451
LONG-TERM LIABILITIES		**3 873**	**4 394**	**6 853**
Other financial liabilities	F	3 685	4 166	163
Deferred income tax provisions	A	-	-	204
Deferred revenues		4	44	6 302
Provisions for employee benefits and similar liabilities		184	184	184
SHORT-TERM LIABILITIES		**166 173**	**103 883**	**67 358**
Other financial liabilities	F	3 684	4 358	246
Trade liabilities	F	18 119	10 879	10 429
Current income tax liabilities		3 250	-	-
Other liabilities		5 200	1 796	12 357
Deferred revenues		121 230	76 813	22 790
Provisions for employee benefits and similar liabilities		2	2	2
Other provisions		14 688	10 035	21 534
TOTAL EQUITY AND LIABILITIES		**1 135 254**	**1 052 138**	**1 045 726**

** adjusted data*

*** Detailed information concerning these items can be found in explanatory notes appended to the condensed interim consolidated financial statement.*

(all figures quoted in PLN thousands unless indicated otherwise)

Condensed interim statement of changes in separate equity

	Share capital	Supplementary capital	Own shares	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2019 – 30.09.2019							
Equity as of 01.01.2019	**96 120**	**739 799**	**-**	**26 145**	**109 451**	**-**	**971 515**
Cost of incentive program	-	-	-	26 219	-	-	26 219
Allocation of net profit / coverage of losses	-	8 525	-	-	(8 525)	-	-
Dividend payments	-	-	-	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	-	-	68 400	68 400
Equity as of 30.09.2019	**96 120**	**748 324**	**-**	**52 364**	**-**	**68 400**	**965 208**

(all figures quoted in PLN thousands unless indicated otherwise)

	Share capital	Supplementary capital	Own shares	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2018 – 30.09.2018							
Equity as of 01.01.2018	**96 120**	**539 294**	**-**	**15 212**	**201 054**	**-**	**851 680**
Cost of incentive program	-	-	-	7 795	-	-	7 795
Creation of reserve capital to finance purchase of own shares	-	(3 600)	-	3 600	-	-	-
Purchase of own shares	-	-	3 051	(3 051)	-	-	-
Transfer of own shares as partial payment for purchase of an enterprise	-	3 051	(3 051)	-	-	-	-
Allocation of net profit / coverage of losses	-	201 054	-	-	(201 054)	-	-
Total comprehensive income	-	-	-	-	-	69 857	69 857
Equity as of 30.09.2018	**96 120**	**739 799**	**-**	**23 556**	**-**	**69 857**	**929 332**

(all figures quoted in PLN thousands unless indicated otherwise)

CD PROJEKT

Condensed interim statement of changes in separate cash flows

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018*	01.01.2018 – 30.09.2018*
OPERATING ACTIVITIES				
Net profit (loss)	**16 854**	**68 400**	**16 304**	**69 857**
Total adjustments:	**115 738**	**106 627**	**19 584**	**(11 040)**
Depreciation of fixed assets, intangibles, development projects and investment properties	1 392	3 806	614	1 934
Depreciation of development projects recognized as cost of products and services sold	4 445	14 401	-	-
Profit (loss) from exchange rate differences	(74)	(63)	(5)	4
Interest and profit sharing	(2 012)	(6 733)	(1 434)	(6 974)
Profit (loss) from investment activities	(410)	(1 231)	23	322
Change in provisions	3 602	(5 629)	2 169	(32 677)
Change in inventories	(7 514)	(7 604)	(97)	(26)
Change in receivables	54 244	(16 626)	14 234	19 502
Change in liabilities excluding credits and loans	11 921	8 910	868	(1 630)
Change in other assets and liabilities	45 212	91 907	703	1 972
Other adjustments	4 932	25 489	2 509	6 533
Cash flows from operating activities	**132 592**	**175 027**	**35 888**	**58 817**
Income tax on profit (loss) before taxation	4 625	16 924	4 607	18 372
Income tax (paid)/reimbursed	(4 816)	(19 496)	(2 968)	(21 233)
Net cash flows from operating activities	**132 401**	**172 455**	**37 527**	**55 956**
INVESTMENT ACTIVITIES				
Inflows	**202 368**	**726 868**	**477 191**	**787 417**
Development expenditures reimbursed under the consortium agreement	-	16 122	-	-
Reimbursement of advance payment for investment properties and perpetual usufruct of land	-	1 667	-	-
Sales of intangibles and tangible fixed assets	-	130	187	228
Cash assets gained in acquisition of enterprise	-	-	-	26
Repayment of loans granted	199	10 069	166	371
Closing bank deposits (maturity beyond 3 months)	200 061	691 804	475 400	779 809
Other inflows from investment activities	2 108	7 076	1 438	6 983

(all figures quoted in PLN thousands unless indicated otherwise)

Outflows	**256 338**	**737 039**	**586 079**	**849 274**
Purchases of intangibles and fixed assets	4 524	10 070	2 376	11 763
Expenditures on development projects	41 671	97 394	24 307	67 278
Purchase of investment properties and perpetual usufruct of land	147	9 201	-	-
Acquisition of enterprise	-	-	-	10 550
Capital contributions to subsidiary	1 200	3 500	2 000	2 000
Advance payment for investment properties and perpetual usufruct of land	-	-	4 000	4 727
Loans granted	1 358	11 399	-	280
Opening bank deposits (maturity beyond 3 months)	207 438	605 475	553 396	752 676
Net cash flows from investment activities	**(53 970)**	**(10 171)**	**(108 888)**	**(61 857)**
FINANCIAL ACTIVITIES				
Inflows	**146**	**435**	**-**	**-**
Collection of receivables under financial lease agreements	140	412	-	-
Interest payments	6	23	-	-
Outflows	**1 457**	**105 442**	**408**	**649**
Dividends and other payments to equity holders	-	100 926	-	-
Payment of liabilities under lease agreements	1 356	4 158	404	640
Interest payments	101	358	4	9
Net cash flows from financial activities	**(1 311)**	**(105 007)**	**(408)**	**(649)**
Total net cash flows	**77 120**	**57 277**	**(71 769)**	**(6 550)**
Balance of changes in cash and cash equivalents	**77 120**	**57 277**	**(71 769)**	**(6 550)**
Cash and cash equivalents at beginning of period	**21 306**	**41 149**	**83 718**	**18 499**
Cash and cash equivalents at end of period	**98 426**	**98 426**	**11 949**	**11 949**

** adjusted data*

Clarifications regarding the separate statement of cash flows

	01.07.2019 – 30.09.2019	**01.01.2019 – 30.09.2019**	**01.07.2018 – 30.09.2018**	**01.01.2018 – 30.09.2018**
The “other adjustments” line item comprises:	**4 932**	**25 489**	**2 509**	**6 533**
Cost of incentive program	4 740	25 012	2 442	6 379
Depreciation aggregated with cost of sales and consortium settlements	192	477	67	154

(all figures quoted in PLN thousands unless indicated otherwise)

Assumption of comparability of financial statements and changes in accounting policies

The accounting practices applied in preparing this condensed interim 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 2018, except for changes in practices and presentation-related adjustments described below. This condensed interim separate financial statement should be read in conjunction with the Company's separate financial statement for the year ending 31 December 2018.

Changes in accounting policies

Changes in accounting practices applicable to the Company are in all matters analogous to those described in the section titled "Assumption of comparability of financial statements and changes in accounting policies" of the consolidated financial statement for the period between 1 January and 30 September 2019.

The application of IFRS 16 affects the following line items in the separate financial statement for the period between 1 January and 30 September 2019:

	As of 31.12.2018	Adjustments related to implementation of IFRS 16	As of 01.01.2019
Fixed assets			
Tangible fixed assets, including:	16 507	10 674	27 181
- lease of buildings	-	10 674	10 674
Long-term liabilities			
Other financial liabilities, including:	163	5 932	6 095
- lease of buildings	-	5 932	5 932
Short-term liabilities			
Other financial liabilities, including:	246	4 742	4 988
- lease of buildings	-	4 742	4 742

Presentation changes

This condensed interim separate financial statement for the period between 1 January and 30 September 2019 includes certain adjustments in the presentation of financial data, introduced in order to maintain comparability of financial statements. The following presentation changes have been introduced with regard to financial data for the reference period between 1 January and 30 September 2018, as well as for 31 December 2018:

- In the statement of financial position for 31 December 2018 and in the statement of cash flows for the period between 1 July and 30 September 2018 and between 1 January and 30 September 2018 the presentation of future period revenues was adjusted as follows:
  - Statement of financial position for 31 December 2018
    - Other liabilities – adjusted by (22 603) thousand PLN
    - Deferred revenues – adjusted by 22 603 thousand PLN.
  - Statement of cash flows for the period between 1 July and 30 September 2018
    - Change in liabilities except credits and loans – adjusted by (90) thousand PLN
    - Change in other assets and liabilities – adjusted by 90 thousand PLN.
  - Statement of cash flows for the period between 1 January and 30 September 2018
    - Change in liabilities except credits and loans – adjusted by 135 thousand PLN
    - Change in other assets and liabilities – adjusted by (135) thousand PLN.

  This change has no effect on the Company's financial result or equity.

(all figures quoted in PLN thousands unless indicated otherwise)

- In the statement of cash flows for the period between 1 July and 30 September 2018 and between 1 January and 30 September 2018 the presentation of advance payments for investment properties was adjusted as follows:
  - Statement of cash flows for the period between 1 July and 30 September 2018
    - Advance payments for investment properties and perpetual usufruct of land – adjusted by 4 000 thousand PLN
    - Purchase of intangibles and fixed assets – adjusted by (4 000) thousand PLN.
  - Statement of cash flows for the period between 1 January and 30 September 2018
    - Advance payments for investment properties and perpetual usufruct of land – adjusted by 4 727 thousand PLN
    - Purchase of intangibles and fixed assets – adjusted by (4 727) thousand PLN.

- In the statement of cash flows for the period between 1 July and 30 September 2018 and between 1 January and 30 September 2018 the presentation of provisions for compensation contingent upon the Company's financial result, capitalized upon expenditures on development projects was adjusted as follows:
  - Statement of cash flows for the period between 1 July and 30 September 2018
    - Change in provisions – adjusted by (1 208) thousand PLN
    - Expenditures on development projects – adjusted by (1 208) thousand PLN.
  - Statement of cash flows for the period between 1 January and 30 September 2018
    - Change in provisions – adjusted by (5 085) thousand PLN
    - Expenditures on development projects – adjusted by (5 085) thousand PLN.

Supplementary information concerning the separate financial statement of CD PROJEKT S.A.

Changes in allowances and provisions in the condensed interim separate financial statement of CD PROJEKT S.A. for the period between 1 January and 30 September 2019 are as follows:

- 1 thousand PLN – dissolution of impairment allowances due to collection of receivables,
- 146 thousand PLN – dissolution of impairment allowances due to write-offs of receivables,
- 2 302 thousand PLN – creation of other provisions,
- 673 thousand PLN – reduction in other provisions due to partial use,
- 3 024 thousand PLN – creation of provisions for compensation dependent on financial result.

A. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2018*	increases	reductions	30.09.2019
Provisions for other employee benefits	185	-	-	185
Provisions for compensation dependent on financial result	13 411	8 716	13 461	8 666
Negative exchange rate differences	9	439	230	218
Compensation and social security payable in future reporting periods	26	106	80	52
Other provisions	1 128	1 952	1 289	1 791
Advance payments recognized as taxable income	-	13 355	-	13 355
R&D tax relief	43 745	-	-	43 745
Total negative temporary differences	**58 504**	**24 568**	**15 060**	**68 012**
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax assets	**11 116**	**4 668**	**2 861**	**12 923**

** adjusted data*

Positive temporary differences requiring creation of deferred tax provisions

	31.12.2018*	increases	reductions	30.09.2019
Difference between net carrying amount and net tax value of fixed assets and intangibles	22 752	1 415	18 818	5 349
Revenues obtained in the current period but invoiced in future periods	29 545	65 612	73 137	22 020
Positive exchange rate differences	60	512	208	364
Difference between balance sheet value and tax value of R&D expenditures	6 735	-	3 403	3 332
Other sources	489	101	483	107
Total positive temporary differences	**59 581**	**67 640**	**96 049**	**31 172**
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax provisions	**11 320**	**12 852**	**18 249**	**5 923**

** adjusted data*

Balance of deferred tax assets/provisions

	30.09.2019	30.06.2019	31.12.2018
Deferred tax assets	12 923	9 652	11 116
Deferred tax provisions	5 923	9 266	11 320
Net deferred tax assets (provisions)	**7 000**	**386**	**(204)**

Income tax reported in profit and loss account

	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018
Current income tax	11 238	24 128	7 476	14 488
Change in deferred income tax	(6 613)	(7 204)	(2 869)	3 884
Income tax reported in profit and loss account	**4 625**	**16 924**	**4 607**	**18 372**

(all figures quoted in PLN thousands unless indicated otherwise)

B. Goodwill

No changes in goodwill occurred between 1 July and 30 September 2019.

C. Business combinations

The Company did not merge with any other entity between 1 July and 30 September 2019.

D. Dividends paid out (or declared) and collected

The Company did not collect any dividends between 1 July and 30 September 2019.

On 23 May 2019 the Ordinary General Meeting of CD PROJEKT S.A. adopted a resolution directing the Company to allocate part of its profit obtained in 2018 to a dividend payable to shareholders. In line with this resolution, on 13 June 2019, the Company paid out a dividend in the amount of 100 926 000 PLN, i.e. 1.05 PLN per share. The dividend applied to 96 120 000 parent Company shares.

E. Trade and other receivables

Changes in receivables

	30.09.2019	30.06.2019	31.12.2018
Trade and other receivables	**75 711**	**129 955**	**76 871**
from affiliates	4 278	12 563	29 288
from external entities	71 433	117 392	47 583
Impairment allowances	**762**	**909**	**912**
Gross trade and other receivables	**76 473**	**130 864**	**77 783**

Changes in impairment allowances on receivables

	Trade receivables	Other receivables
OTHER ENTITIES		
Impairment allowances as of 01.01.2019	**180**	**732**
Increases	**-**	**-**
Reductions, including:	**150**	**-**
dissolution of allowances due to collection of receivables	4	-
dissolution of allowances due to write-offs of receivables	146	-
Impairment allowances as of 30.09.2019	**30**	**732**

(all figures quoted in PLN thousands unless indicated otherwise)

Current and past-due trade receivables as of 30.09.2019

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	2 050	2 032	3	15	-	-	-
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	-	-	-	-	-	-	-
total expected credit loss	-	-	-	-	-	-	-
Net receivables	**2 050**	**2 032**	**3**	**15**	**-**	**-**	**-**

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	34 533	30 758	1 739	-	1 924	82	30
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	30	-	-	-	-	-	30
total expected credit loss	30	-	-	-	-	-	30
Net receivables	**34 503**	**30 758**	**1 739**	**-**	**1 924**	**82**	**-**
Total							
gross receivables	36 583	32 790	1 742	15	1 924	82	30
Impairment allowances	30	-	-	-	-	-	30
Net receivables	**36 553**	**32 790**	**1 742**	**15**	**1 924**	**82**	**-**

Other receivables

	30.09.2019	30.06.2019	31.12.2018
Other receivables, including:	**39 158**	**34 880**	**45 474**
tax returns except corporate income tax	11 874	8 858	14 272
advance payments for supplies	24 892	23 306	1 047
consortium settlements	2 217	2 540	28 308
deposits	133	128	160
advance payment for investment properties and perpetual usufruct of land	-	-	1 667
employee settlements	38	41	16
others	4	7	4
Impairment allowances	**732**	**732**	**732**
Other gross receivables	**39 890**	**35 612**	**46 206**

(all figures quoted in PLN thousands unless indicated otherwise)

F. Disclosure of financial instruments

Fair value of financial instruments per class

The Company Board has assessed each class of financial instruments held by the Company and reached the conclusion that their carrying amount does not significantly differ from their corresponding fair value as of 30 September 2019, 30 June 2019 and 31 December 2018 respectively.

Financial assets – classification and appraisal

	30.09.2019	30.06.2019	31.12.2018
Financial assets held at amortized cost	**604 216**	**578 241**	**628 108**
Other long-term receivables	574	574	570
Trade receivables	36 553	95 075	31 397
Cash and cash equivalents	98 426	21 306	41 149
Bank deposits (maturity beyond 3 months)	468 663	461 286	554 992
Capital market instruments held at purchase price	**24 986**	**24 033**	**20 279**
Investments in subsidiaries	24 986	24 033	20 279
Total financial assets	**629 202**	**602 274**	**648 387**

Financial liabilities – classification and appraisal

	30.09.2019	30.06.2019	31.12.2018
Financial liabilities held at amortized cost	**25 488**	**19 403**	**10 838**
Trade liabilities	18 119	10 879	10 429
Other financial liabilities	7 369	8 524	409

(all figures quoted in PLN thousands unless indicated otherwise)

G. Transactions with affiliates

	Sales to affiliates				Purchases from affiliates			
	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018	01.07.2019 – 30.09.2019	01.01.2019 – 30.09.2019	01.07.2018 – 30.09.2018	01.01.2018 – 30.09.2018*
SUBSIDIARIES								
GOG sp. z o.o.	1 811	6 590	1 666	5 529	162	202	29	112
CD PROJEKT Inc.	76	76	-	8	1 232	3 341	617	3 223
CD PROJEKT Co., Ltd.	-	-	-	29	1 464	3 099	819	2 544
Spokko sp. z o.o.	61	206	694	694	-	-	-	-
CD PROJEKT RED STORE sp. z o.o.	234	492	-	-	2	2	-	-
COMPANY EXECUTIVES								
Marcin Iwiński	2	12	4	8	-	-	-	-
Adam Kiciński	1	6	1	2	-	-	-	-
Piotr Nielubowicz	3	6	1	4	-	-	-	-
Michał Nowakowski	5	10	2	7	-	-	-	-
Adam Badowski	1	3	-	1	-	-	-	-

** The Company has rectified a manifest clerical error. In its condensed interim separate financial statement for the period between 1 July and September 2018 the Company had reported purchases from CD Projekt Co., Ltd. for the period between 1 January and 30 September 2018 at 12 544 thousand PLN.*

(all figures quoted in PLN thousands unless indicated otherwise)

	Receivables from affiliates			Liabilities due to affiliates		
	30.09.2019	30.06.2019	31.12.2018	30.09.2019	30.06.2019	31.12.2018
SUBSIDIARIES						
GOG sp. z o.o.	4 239	12 793	29 257	56	8	48
CD PROJEKT Inc.	2 188	880	719	438	303	482
CD PROJEKT Co., Ltd.	-	-	-	281	281	603
Spokko sp. z o.o.	39	58	28	-	-	-
CD PROJEKT RED STORE sp. z o.o.	233	147	-	-	-	-
COMPANY EXECUTIVES						
Marcin Iwiński	9	19	-	4	-	2
Adam Kiciński	-	-	-	2	3	28
Piotr Nielubowicz	-	-	-	2	9	-
Michał Nowakowski	1	-	3	1	-	-
Adam Badowski	-	-	-	-	1	-

(all figures quoted in PLN thousands unless indicated otherwise)

Statement of the Management Board of the parent entity

With regard to the correctness of the condensed interim consolidated financial statement

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

This condensed interim consolidated financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 1 January 2019. Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2019, item no. 351 as amended) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and the conditions for regarding as equivalent the information required under the laws of a non-member state (Journal of Laws of the Republic of Poland, 2018, item no. 757).

With regard to the entity contracted to review the condensed interim consolidated financial statement

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

Approval of the financial statement

This statement, covering the period between 1 July and 30 September 2019, was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 21 November 2019.

Warsaw, 21 November 2019

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

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

(all figures quoted in PLN thousands unless indicated otherwise)


WHERE THERE IS
SMOKE THERE IS
VARGAS
HEALTH WARNING
Smoking increases your risk
of developing cancers.
NOTICE
DO NOT
BLOCK DOOR
NOTICE
DO NOT
BLOCK DOOR
W HARBOR
NIGHT CITY ORIENTATION
YOUR DADDY IS THE HERO