



**SEPARATE FINANCIAL STATEMENT
OF CD PROJEKT S.A. FOR 2020**

Disclaimer

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

Selected financial highlights (converted into EUR)

	PLN		EUR	
	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Revenues from sales of products, services, goods and materials	1 883 645	361 381	421 002	84 007
Cost of products, services, goods and materials sold	338 760	50 600	75 714	11 763
Operating profit (loss)	1 128 943	176 448	252 323	41 017
Profit (loss) before tax	1 138 836	185 862	254 534	43 206
Net profit (loss) attributable to equity holders of parent entity	1 132 235	172 826	253 059	40 175
Net cash flows from operating activities	595 080	221 983	133 003	51 602
Net cash flows from investment activities	(95 911)	(143 097)	(21 437)	(33 264)
Net cash flows from financial activities	(90 441)	(105 849)	(20 214)	(24 606)
Total net cash flows	408 728	(26 963)	91 352	(6 268)
Stock volume (thousands)	96 461	96 120	96 461	96 120
Net earnings per share (PLN/EUR)	11.74	1.80	2.62	0.42
Diluted net earnings per share (PLN/EUR)	11.27	1.72	2.52	0.40
Book value per share (PLN/EUR)	22.10	11.15	4.79	2.62
Diluted book value per share (PLN/EUR)	21.21	10.65	4.60	2.50
Declared or paid out dividend per share (PLN/EUR)	-	1.05	-	0.24

	PLN		EUR	
	31.12.2020	31.12.2019*	31.12.2020	31.12.2019*
Total assets	2 749 262	1 315 368	595 749	308 881
Liabilities and provisions for liabilities (less accrued charges)	574 722	91 841	124 539	21 567
Long-term liabilities	164 990	24 459	35 752	5 744
Short-term liabilities	452 928	218 984	98 147	51 423
Equity	2 131 344	1 071 925	461 850	251 714
Share capital	100 655	96 120	21 811	22 571

* adjusted

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

- Elements of the separate profit and loss account and separate statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by the National Bank of Poland. The corresponding exchange rates were: 4.4742 PLN/EUR for the period between 1 January and 31 December 2020, and 4.3018 PLN/EUR for the period between 1 January and 31 December 2019 respectively.
- Assets and liabilities listed in the separate statement of financial position were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.6148 PLN/EUR on 31 December 2020 and 4.2585 PLN/EUR on 31 December 2019 respectively.

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CD PROJEKT

Primary financial data of CD PROJEKT S.A.

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Profit and loss account

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Sales revenues		1 883 645	361 381
Revenues from sales of products	1	1 786 270	292 385
Revenues from sales of services	1	1 840	39 060
Revenues from sales of goods and materials	1	95 535	29 936
Cost of products, services, goods and materials sold		338 760	50 600
Cost of products and services sold	3	249 476	25 735
Cost of goods and materials sold	3	89 284	24 865
Gross profit (loss) from sales		1 544 885	310 781
Selling costs	3	344 565	86 779
General and administrative costs	3	54 875	49 344
Other operating revenues	1,4	8 904	8 210
Other operating expenses	4	25 309	6 425
(Impairment)/reversal of impairment of financial instruments		(97)	5
Operating profit (loss)		1 128 943	176 448
Financial revenues	1,5	16 013	9 821
Financial expenses	5	6 120	407
Profit (loss) before tax		1 138 836	185 862
Income tax	6	6 601	13 036
Net profit (loss)		1 132 235	172 826
Net earnings per share (in PLN)			
Basic for the reporting period	8	11.74	1.80
Diluted for the reporting period	8	11.27	1.72

Statement of comprehensive income

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Net profit/(loss)		1 132 235	172 826
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	10	442	-
Estimation of financial instruments at fair value through other comprehensive income, adjusted for tax effects		442	-
Other comprehensive income which will not be entered as profit (loss)	10	-	-
Total comprehensive income		1 132 677	172 826

Statement of financial position

	Note	31.12.2020	31.12.2019
FIXED ASSETS		742 873	645 312
Property, plant and equipment	11	101 050	100 684
Intangibles	12	109 293	109 573
Expenditures on development projects	12	384 625	360 030
Investment properties	14	48 841	44 960
Investments in subsidiaries	15	24 567	23 830
Deferrals	21	5 535	3 519
Other financial assets	16,38	53 465	2 650
Deferred income tax assets	6	15 465	-
Other receivables	20,38	32	66
WORKING ASSETS		2 006 389	670 056
Inventories	18	3 827	8 485
Trade receivables	19,38	1 255 867	124 853
Current income tax receivables		-	19 236
Other receivables	20	48 922	67 252
Deferrals	21	3 366	2 112
Other financial assets	16,38	107 125	1 037
Bank deposits (maturity beyond 3 months)	38	164 368	432 895
Cash and cash equivalents	22,38	422 914	14 186
TOTAL ASSETS		2 749 262	1 315 368
	Note	31.12.2020	31.12.2019*
EQUITY		2 131 344	1 071 925
Share capital	23	100 655	96 120
Supplementary capital	25	737 542	744 463
Supplementary capital from sale of shares above nominal value	25	113 844	3 861
Other reserve capital	25	47 068	54 655
Net profit (loss) for the reporting period		1 132 235	172 826
LONG-TERM LIABILITIES		164 990	24 459
Other financial liabilities	28,34,38	14 917	15 915
Other liabilities	29	3 173	3 421
Deferred income tax liabilities	6	-	4 870
Deferred revenues	35	910	7
Provisions for employee benefits and similar liabilities	36	377	246
Other provisions	37	145 613	-
SHORT-TERM LIABILITIES		452 928	218 984
Other financial liabilities	28,34,38	2 053	1 432
Trade liabilities	30,38	73 024	25 067
Current income tax liabilities		1 296	-
Other liabilities	31	4 933	5 051
Deferred revenues	35	42 286	151 595
Provisions for employee benefits and similar liabilities	36	3	2
Other provisions	37	329 333	35 837
TOTAL EQUITY AND LIABILITIES		2 749 262	1 315 368

* adjusted

Statement of changes in equity

	Share capital	Supplementary capital	Supplementary capital from sale of shares above nominal value	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Total equity
01.01.2020 – 31.12.2020*								
Equity as of 01.01.2020	96 120	744 463	3 861	-	54 655	172 826	-	1 071 925
Cost of incentive program	-	-	-	-	14 877	-	-	14 877
Dissolution of reserve capital created in past years and earmarked for purchase of own shares	-	549	-	-	(549)	-	-	-
Creation of reserve capital for purchase of own shares	-	(250 000)	-	-	250 000	-	-	-
Purchase of own shares in the framework of implementing the incentive program	-	214 259	-	(214 259)	(214 259)	-	-	(214 259)
Payment in own shares	4 535	(144 555)	109 983	214 259	(58 098)	-	-	126 124
Allocation of net profit/coverage of losses	-	172 826	-	-	-	(172 826)	-	-
Total comprehensive income	-	-	-	-	442	-	1 132 235	1 132 677
Equity as of 31.12.2020	100 655	737 542	113 844	-	47 068	-	1 132 235	2 131 344

* adjusted

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

	Share capital	Supplementary capital	Supplementary capital from sale of shares above nominal value	Own shares	Other reserve capital	Exchange rate differences	Retained earnings	Total equity
01.01.2019 – 31.12.2019*								
Equity as of 01.01.2019	96 120	735 938	3 861	-	26 145	109 451	-	971 515
Cost of incentive program	-	-	-	-	28 510	-	-	28 510
Allocation of net profit/coverage of losses	-	8 525	-	-	-	(8 525)	-	-
Dividend payments	-	-	-	-	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	-	-	-	172 826	172 826
Equity as of 31.12.2019	96 120	744 463	3 861	-	54 655	-	172 826	1 071 925

* adjusted

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

Statement of cash flows

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
OPERATING ACTIVITIES			
Net profit (loss)		1 132 235	172 826
Total adjustments:	48	(551 010)	62 345
Depreciation of PP&E, intangibles, expenditures on development projects and investment properties		5 647	5 059
Depreciation of expenditures on development projects recognized as cost of products and services sold		248 164	23 009
Profit (loss) from exchange rate differences		2 223	42
Interest and profit sharing		(7 246)	(8 572)
Profit (loss) from investment activities		(5 438)	(1 270)
Change in provisions		359 214	8 905
Change in inventories		4 658	(8 227)
Change in receivables		(1 110 415)	(124 052)
Change in liabilities excluding credits and loans		47 553	15 540
Change in other assets and liabilities		(111 936)	121 481
Other adjustments		16 566	30 430
Cash flows from operating activities		581 225	235 171
Income tax on pre-tax profit (loss)		(7 161)	13 036
Withholding tax paid abroad		13 762	-
Income tax (paid)/reimbursed		7 254	(26 224)
Net cash flows from operating activities		595 080	221 983
INVESTMENT ACTIVITIES			
Inflows		824 849	908 223
Expenditures on development projects reassigned in the framework of a consortium agreement		312	16 122
Reimbursement of advance payment for investment properties and perpetual usufruct of land		-	1 667
Sales of intangibles and PP&E		17	130
Repayment of loans granted		1 049	10 605
Closing bank deposits (maturity beyond 3 months)		754 581	870 742
Maturation of bonds		59 426	-
Interest on bonds		115	-
Inflows from forward contracts		1 801	-
Other inflows from investment activities		7 548	8 957
Outflows		920 760	1 051 320
Purchases of intangibles and PP&E		16 321	90 751
Expenditures on development projects		196 100	157 072
Purchase of investment properties and activation of future costs		8 336	36 743
Capital contributions to subsidiary		-	4 500
Loans granted		4 500	13 610
Purchase of bonds and the associated purchasing costs		209 441	-
Opening bank deposits (maturity beyond 3 months)		486 054	748 644
Other outflows from investment activities		8	-
Net cash flows from investment activities		(95 911)	(143 097)

	Note	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
FINANCIAL ACTIVITIES			
Inflows		126 124	484
Net inflows from sale of own shares and issue of stock in the exercise of options granted under the incentive program		126 124	-
Collection of receivables arising from financial lease agreements		-	459
Interest collected		-	25
Outflows		216 565	106 333
Purchase of own shares in order to enable exercise of options granted under the incentive program		214 259	-
Dividends and other payments due to equity holders		-	100 926
Payment of liabilities arising from lease agreements		2 015	5 000
Interest payments		291	407
Net cash flows from financial activities		(90 441)	(105 849)
Total net cash flows		408 728	(26 963)
Balance of changes in cash and cash equivalents		408 728	(26 963)
Cash and cash equivalents at beginning of period		14 186	41 149
Cash and cash equivalents at end of period		422 914	14 186



CD PROJEKT

Clarifications regarding the separate 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:	Development and publishing of videogames and the associated tie-in products
Keeper of records:	District Court for the City of Warsaw in Warsaw – Poland; 14th Commercial Department of the National Court Register (Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIV Wydział Gospodarczy Krajowego Rejestru Sądowego)
Statistical Identification Number (REGON)	492707333
Tax Identification Number (NIP)	7342867148
Waste disposal database (BDO) number:	000141053
Duration of the company	Indefinite

Changes in accounting policies

The accounting practices applied in preparing this separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2019, except for changes in accounting policies and presentation-related adjustments described in the section entitled "Comparability of financial statements, changes in accounting policies and changes in estimates".

Assumption of going concern

This separate financial statement is prepared under the assumption that the Company intends to continue as a going concern in the foreseeable future, i.e. at least throughout the 12-month period following the balance sheet date.

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

As of the day of preparation of this separate financial statement covering the period between 1 January and 31 December 2020 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events related to the preceding years were included in this statement.

Regulated market listings

General information

Stock exchange	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) Książęca 4 00-498 Warsaw
WSE ticker symbol	CDR

Depository and settlement system

Depository and settlement system	National Deposit for Securities (Krajowy Depozyt Papierów Wartościowych S.A.; KDPW) Książęca 4 00-498 Warsaw
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Investor relations

Investor relations	gieluda@cdprojekt.com
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Compliance with International Financial Reporting Standards

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

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

In preparing its separate financial statement for 2020 the Company applied the same accounting standards as in its separate financial statement for 2019 with exception of the following new and amended standards and interpretations approved by the European Union and applicable to reporting periods beginning on or after 1 January 2020:

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

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

The Company does not expect these amendments to have a significant impact on the Company's accounting practices or its financial result.

- **Amendments to IAS 1 and IAS 8 concerning the definition of „materiality” - applicable to reporting periods beginning on or after 1 January 2020**

These amendments concern the definition of "materiality" of information which is understood to apply if omitting, misstating or obscuring such information could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

▪ **Amendments to References to the Conceptual Framework in IFRS standards - applicable to reporting periods beginning on or after 1 January 2020**

These amendments involve replacing references to the previous conceptual framework in various standards and interpretations with references to the amended conceptual framework published in 2018.

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

▪ **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform - applicable to reporting periods beginning on or after 1 January 2020**

These amendments are associated with the IBOR reform and provide temporary, narrowly defined reliefs related to hedge accounting, which will enable enterprises to remain compliant under the assumption that existing reference interest rates will not change as a result of the inter-bank offered rate reform.

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

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

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

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

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

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

Description of applicable accounting practices

Operating revenues and expenses

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

The Company recognizes revenues by applying the so-called Five Step Model described in IFRS 15. Revenues only cover amounts received or receivable by the Company, equivalent to the transaction prices payable to the Company following (or during) discharge of its liability to transfer the contractually pledged goods or services (i.e. asset) to the client. The transaction price is defined as the remuneration which the Company expects to receive in return for transfer of the pledged goods or services, less the applicable value added tax.

With regard to licensing royalties associated with distribution of videogames, which constitute the Company's main source of revenues, these depend on the volume of sales carried out by each distributor throughout the reporting period. Consequently, for each product, the corresponding sales revenues can be recognized only after the Company has supplied all necessary materials enabling the finished game to be distributed, and the reported figures depend on sales reports periodically submitted by distributors.

In accordance with the principle of matching revenues and expenses, expenses associated with consumption of materials, goods and finished products, as well as costs of services, are reported in the same period as their corresponding sales revenues or revenues from services which these assets are part of.

Financial revenues and expenses

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

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

State subsidies

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

Current and deferred income tax

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

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

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

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

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

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

Value added tax

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Intangibles - expenditures on development projects

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

Other intangibles

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

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

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

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

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

Goodwill

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

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

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

Any negative difference between the aforementioned figure and the net value of identifiable assets acquired is directly represented on the balance sheet. The Company aggregates profit from business combinations with its Other operating revenues.

Business combinations under common control

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

Impairment of non-financial assets

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

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

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

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

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

At the moment of reversal of asset impairment, the net value of the asset (or group of assets) is increased to match the newly estimated recoverable amount; it cannot, however, exceed the net value of the asset which would have been reported had the impairment not been recognized during previous fiscal years. Reversal of asset impairment is recognized as revenues.

Investment properties

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

Investment properties are estimated using the purchase cost method.



Perpetual usufruct of land

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

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

Lease agreements

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

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

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

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

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

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

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

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

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

Investments in subsidiaries

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

Financial assets

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

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

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

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

Credit risk associated with assets which constitute financial instruments is estimated by the Company on the basis of the expected credit loss (ECL) model. The basic method for determining loss allowances in the ECL model is a procedure under which the Company monitors changes in credit risk associated with each financial asset since its initial recognition, and assigns each financial asset to one of three stages: stage 1 – performing (used in relation to assets whose credit risk has not increased substantially since initial recognition); stage 2 – under-performing (used in relation to assets whose credit risk has increased substantially since initial recognition, but for which there is no objective reason to suspect impairment); stage 3 – impaired (used in relation to assets for which there is objective reason to suspect impairment).

Financial liabilities

A financial liability is defined as any liability which:

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

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

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

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

Inventories

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

Trade and other receivables

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

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

Deferrals and accruals

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

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

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

The Company recognizes as prepaid expenses costs borne upfront, associated – in whole or in part – with future reporting periods.

Cash and other monetary assets

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

Overdraft on any current bank account is aggregated with credits and loans and reported as cash flows from financial activities.

Assets held for sale and discontinued operations

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

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

Equity

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

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

Supplementary capital is derived from profit earned.

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

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

Provisions for liabilities

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

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

Employee benefits

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

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

Loans granted

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

Trade and other liabilities

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

Dividend payments

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

Functional currency and presentation currency

Functional currency and presentation currency

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

Transactions and balances

Transactions denominated in foreign currencies are converted to the functional currency according to the exchange rate on the date of the transaction. Exchange rate losses and gains on settlement of transactions and on valuation of assets and liabilities denominated in foreign currencies are reported in the profit and loss statement.

Important values based on professional judgment and estimates

Professional judgment

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

Uncertainty of estimates

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

Asset impairment

Impairment tests which concern goodwill, trademarks and similar assets require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of the CD PROJEKT brand name, The Witcher trademark and of goodwill was conducted on 31 December 2020. No impairment of any of the aforementioned assets or goodwill was identified. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2020. No circumstances were identified which would suggest impairment of these assets.

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

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

Estimation of provisions

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

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

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

Deferred income tax assets

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

Deferred income tax liabilities

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

Fair value of financial instruments

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

Depreciation rates

Depreciation rates are determined on the basis of the expected useful economic life of tangible equity assets and intangible assets. The Company performs annual validation of the assumed useful economic life of its assets, based on current estimates.

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

Changes in accounting policies

The accounting practices applied in preparing this separate financial statement, the Management Board's professional judgment concerning the 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 2019, except for changes in accounting policies and presentation-related adjustments described below.

Presentation changes

This separate financial statement for the period between 1 January and 31 December 2020 includes changes in the presentation of certain financial data. In order to ensure comparability of financial data, adjustments were also introduced with respect to reference data for 31 December 2019. The following adjustments were made:

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

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

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

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



CD PROJEKT

**Supplementary information –
additional notes and explanations
concerning the separate financial
statement**

3

Note 1. Sales revenues

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

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Sales revenues	1 883 645	361 381
incl. from R&D activities	911 222	116 153
Revenues from sales of products	1 786 270	292 385
Revenues from sales of services	1 840	39 060
Revenues from sales of goods and materials	95 535	29 936
Other revenues	24 917	18 031
Other operating revenues	8 904	8 210
Financial revenues	16 013	9 821
Total	1 908 562	379 412

Sales revenues by territory*

	01.01.2020 – 31.12.2020		01.01.2019 – 31.12.2019	
	PLN	%	PLN	%
Domestic sales	157 785	8.38%	15 267	4.22%
Exports, including:	1 725 860	91.62%	346 114	95.78%
Europe	197 277	10.47%	53 151	14.71%
North America	1 369 724	72.72%	247 446	68.47%
South America	989	0.05%	1 216	0.34%
Asia	132 217	7.02%	39 821	11.02%
Australia	23 423	1.24%	4 396	1.22%
Africa	2 230	0.12%	84	0.02%
Total	1 883 645	100%	361 381	100%

* The presented data reflects the territories of residence of the Company's immediate clients (distributors), not final customers.

Sales revenues by product type

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Own products	1 786 270	292 385
External products	95 535	29 936
Other revenues	1 840	39 060
Total	1 883 645	361 381

Sales revenues by distribution channel

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Videogames – box editions	163 303	50 066
Videogames – digital editions	1 699 283	267 238
Other revenues	21 059	44 077
Total	1 883 645	361 381

Note 2. Activity segments

Information concerning the Company's operating segments is provided in Section 3 "Supplementary information – activity segments" of the Consolidated Financial Statement of the CD PROJEKT Group for the period between 1 January and 31 December 2020.

Note 3. Operating expenses

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Depreciation of PP&E, intangibles, expenditures on development projects and investment properties, including:	5 647	5 059
depreciation of leased buildings	609	1 522
depreciation of leased vehicles	158	154
Consumption of materials and energy	2 820	1 767
Bought-in services, including:	180 113	46 925
short-term leases and leases of low-value assets	665	568
Taxes and fees	1 191	796
Employee compensation, social security and other benefits	208 632	78 700
Business travel	262	2 632
Use of company cars	147	113
Value of goods and materials sold	89 284	24 865
Cost of products and services sold	249 476	25 735
Other expenses	628	131
Total	738 200	186 723
Selling costs	344 565	86 779
General and administrative costs	54 875	49 344
Cost of products, services, goods and materials sold	338 760	50 600
Total	738 200	186 723

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

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Items aggregated with cost of products, services, goods and materials sold	791	532
Depreciation of PP&E	603	361
Depreciation of intangibles	188	171
Items aggregated with selling costs	3 452	2 960
Depreciation of PP&E	2 488	2 321
Depreciation of intangibles	964	639
Items aggregated with general and administrative costs	2 195	2 099
Depreciation of PP&E	1 583	1 543
Depreciation of intangibles	612	556
Items aggregated with other operating expenses	1 462	283
Depreciation of investment properties	1 462	283
Total	7 900	5 874

Employee benefits

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Employee remuneration	201 859	74 391
Social security and other similar expenses	4 600	2 497
Other employee benefits	2 173	1 812
Total employee benefits	208 632	78 700
Items aggregated with selling costs	166 663	37 249
Items aggregated with general and administrative costs	41 969	41 451

Note 4. Other operating revenues and expenses

Other operating revenues

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019*
Revenue from lease contracts	6 416	1 126
Reinvoicing revenues	1 471	5 493
PP&E and goods received free of charge	503	1 150
Compensation for damages received	168	-
Other sales	156	26
Subsidies	128	175
Profit from sale of PP&E	17	80
Provisioning of IT and marketing services	-	50
Settlement of financial liabilities arising from lease agreements	-	42
Dissolution of unused provisions for expenses	-	2
Other miscellaneous operating revenues	45	66
Total operating revenues	8 904	8 210

* adjusted

Other operating expenses

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019*
Help Me Refund campaign – refunds	8 238	-
Donations	2 300	7
Disposal of materials and goods	6 063	-
Own cost of leases	4 040	595
Liquidation of investment properties	1 630	-
Reinvoicing expenses	1 470	5 496
Depreciation of investment properties	1 462	283
Disposal of PP&E and intangibles	52	-
Settlement of stocktaking shortages	22	-
Other miscellaneous expenses	32	44
Total operating expenses	25 309	6 425

* adjusted

Note 5. Financial revenues and expenses

Financial revenues

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Revenues from interest	7 761	8 961
on short-term bank deposits	7 426	8 864
on bonds	193	-
on loans	142	90
on trade settlements	-	7
Other financial revenues	8 252	860
Settlement and estimation of derivative financial instruments	8 250	-
surplus positive exchange rate differences	-	860
Other miscellaneous financial revenues	2	-
Total financial revenues	16 013	9 821

Financial expenses

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Interest payments	539	407
on lease agreements	291	382
on bonds	224	-
on budget commitments	24	25
Other financial expenses	5 581	-
surplus negative exchange rate differences	4 372	-
losses from maturation of bonds	1 081	-
bond purchase fees	128	-
Total financial expenses	6 120	407
Net balance of financial activities	9 893	9 414

Note 6. Current and deferred income tax

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

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Current income tax	27 039	8 371
For the fiscal year	13 277	8 346
Withholding tax paid abroad	13 762	-
Adjustments from preceding years	-	25
Deferred income tax	(20 438)	4 665
Due to creation and reversal of temporary differences	(20 438)	4 665
Tax burden reported in profit and loss account	6 601	13 036

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

Current income tax

	01.01.2020 – 31.12.2020		01.01.2019 – 31.12.2019	
	Income from other sources	Income from capital investments	Income from other sources	Income from capital investments
Pre-tax income	1 131 826	7 010	185 862	-
Revenues increasing the tax base	5 744	11 722	18 462	-
Revenues applicable to future reporting periods	(972 621)	-	(56 577)	-
Tax-exempt revenues	(1 061)	(7 024)	(1 554)	-
Expenses reducing the tax base	(494 253)	(214 259)	(25 378)	-
Non-deductible expenses	453 385	580	54 676	-
Taxable income	123 020	(201 971)	175 491	-
Deductions from income – donations	(2 200)	-	-	-
Deductions from income – R&D fiscal relief	(79 686)	-	(8 565)	-
Deductions from income – tax-exempt income	(1 707)	-	-	-
Tax base in Poland, including:	39 427	(201 971)	166 926	-
Subject to 5% tax rate (profit)	265 533	-	166 926	-
Subject to 5% tax rate (loss)	(226 106)	-	-	-
Subject to 19% tax rate (loss)	-	(201 971)	-	-
Income tax due in Poland (rate: 5%)	13 277	-	8 346	-
Income tax	13 277	-	8 346	-
Effective tax rate	0.58%	-	7.01%	-

Current income tax is estimated by applying a rate of 19% to the reported tax base from revenues from other sources, and a rate of 5% to the reported tax base from eligible IP-related revenues as specified in the IP BOX tax relief regulation.

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2019	Differences affecting deferred tax aggregated with financial result	Differences affecting deferred tax aggregated with other comprehensive income	31.12.2020
Provisions for other employee benefits	248	132	-	380
Provisions for compensation dependent on financial result, and other compensation	22 297	167 743	-	190 040
Tax loss	-	226 106	-	226 106
Negative exchange rate differences	391	23 419	-	23 810
Difference between balance sheet value and tax value of expenditures on development projects	6 958	(3 915)	-	3 043
Compensation and social security payable in future reporting periods	42	(19)	-	23
Other provisions	2 528	16 141	-	18 669
R&D tax relief	9 963	299 863	-	309 826
Advance payments recognized as taxable income	11 107	(7 071)	-	4 036
Total negative temporary differences	53 534	722 399	-	775 933
subject to 5% tax rate	37 561	378 032	-	415 593
subject to 19% tax rate	15 973	344 367	-	360 340
Deferred tax assets	4 913	84 332	-	89 245

Positive temporary differences requiring creation of deferred tax provisions

	31.12.2019*	Differences affecting deferred tax aggregated with financial result	Differences affecting deferred tax aggregated with other comprehensive income	31.12.2020
Difference between net balance sheet value and net tax value of PP&E and intangibles	12 762	454	-	13 216
Revenues obtained in the current period but invoiced in future periods	86 042	913 413	-	999 455
Positive exchange rate differences	174	21 403	-	21 577
Estimation of bonds	-	65	545	610
Estimation of forward contracts	-	6 835	-	6 835
Difference between balance sheet value and tax value of expenditures on development projects	7 721	281 298	-	289 019
Other sources	145	(75)	-	70
Total positive temporary differences	106 844	1 223 393	545	1 330 782
subject to 5% tax rate	75 122	1 203 940	-	1 279 062
subject to 19% tax rate	31 722	19 453	545	51 720
Deferred tax provisions	9 783	63 893	104	73 780

* adjusted

Deferred income tax was estimated in part by applying the standard corporate income tax rate of 19% (applicable to revenues from other sources) and in part by applying the preferential rate of 5% (applicable to eligible IP-related revenues under the IP BOX tax relief regulation). In determining the correct rate to apply to temporary differences, the Company relied on projections regarding the tax base to which each temporary difference is likely to apply.

Net balance of deferred tax assets/provisions

	31.12.2020	31.12.2019
Deferred tax assets	89 245	4 913
Deferred tax provisions	73 780	9 783
Net deferred tax – assets/(provisions)	15 465	(4 870)

Note 7. Discontinued operations

No operations were discontinued by the Company in either the current or the preceding financial year.

Note 8. Earnings per share

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

During the 12-month period ending on 31 December 2020 dilutive instruments comprised entitlements and subscription warrants assigned under the incentive programs and permitting certain parties to claim shares of the Company. Information regarding the quantity of entitlements assigned is provided in Note 40.

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

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Average weighted number of shares for the purpose of calculating base earnings per share (units)	96 461 316	96 120 000
Average weighted number of shares for the purpose of calculating diluted earnings per share (units)	100 465 283	100 662 234
Net profit/ (loss) for the purpose of calculating diluted earnings per share	1 132 235	172 826
Base net earnings per share (PLN)	11.74	1.80
Diluted net earnings per share (PLN)	11.27	1.72

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

No dividends were paid out or collected by the Company between 1 January and 31 December 2020.

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

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Net profit (loss)	1 132 235	172 826
Estimation of foreign treasury bonds	545	-
Tax effect of bond estimation	(103)	-
Total comprehensive income	1 132 677	172 826



Note 11. Property, plant and equipment

Ownership structure of property, plant and equipment

	31.12.2020	31.12.2019
Wholly owned	84 115	83 196
Held under lease contracts	16 935	17 488
Total	101 050	100 684

PP&E whose title is restricted

	31.12.2020	31.12.2019
Held under a financial lease contract	16 935	17 488
Total	16 935	17 488

Contractual commitments for future acquisition of PP&E

	31.12.2020	31.12.2019
Leasing of passenger cars	165	114
Total	165	114

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

	Land holdings	Buildings and structures	Civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2020	35 986	60 305	1 587	24 687	2 059	2 563	131	127 318
Increases from:	-	2 343	251	7 301	616	530	2 057	13 098
purchase	-	265	27	7 239	-	277	2 057	9 865
lease agreements concluded	-	927	94	-	616	-	-	1 637
reassignment from PP&E under construction	-	-	130	-	-	253	-	383
reassignment from investment properties	-	1 151	-	-	-	-	-	1 151
receipt free of charge	-	-	-	62	-	-	-	62
Reductions from:	-	503	4	125	137	10	537	1 316
sale	-	-	-	119	137	-	-	256
disposal	-	503	4	6	-	10	41	564
reassignment from PP&E under construction	-	-	-	-	-	-	496	496
Gross carrying amount as of 31.12.2020	35 986	62 145	1 834	31 863	2 538	3 083	1 651	139 100
Depreciation as of 01.01.2020	84	7 179	53	16 493	1 316	1 509	-	26 634
Increases from:	504	4 505	223	6 080	409	460	-	12 181
depreciation	504	4 480	223	6 080	409	460	-	12 156
reassignment from investment properties	-	25	-	-	-	-	-	25
Reductions from:	-	503	1	119	137	5	-	765
sale	-	-	-	119	137	-	-	256
disposal	-	503	1	-	-	5	-	509
Depreciation as of 31.12.2020	588	11 181	275	22 454	1 588	1 964	-	38 050
Impairment allowances as of 01.01.2020	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2020	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2020	35 902	53 126	1 534	8 194	743	1 054	131	100 684
Net carrying amount as of 31.12.2020	35 398	50 964	1 559	9 409	950	1 119	1 651	101 050

Changes in PP&E (by category) between 01.01.2019 and 31.12.2019

	Land holdings	Buildings and structures	Civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2019	-	12 238	141	18 752	2 058	1 513	648	35 350
Increases from:	35 986	52 488	1 446	6 704	5	1 050	1 148	98 827
purchase	25 894	42 727	1 440	5 549	5	625	1 148	77 388
lease agreements concluded	10 091	8 638	-	-	-	-	-	18 729
reassignment from PP&E under construction	1	1 123	6	5	-	425	-	1 560
acquisition free of charge	-	-	-	1 150	-	-	-	1 150
Reductions from:	-	4 421	-	769	4	-	1 665	6 859
sale	-	-	-	143	4	-	-	147
disposal	-	-	-	626	-	-	-	626
lease agreements dissolved	-	4 421	-	-	-	-	-	4 421
reassignment from PP&E under construction	-	-	-	-	-	-	1 560	1 560
reassignment as investment properties	-	-	-	-	-	-	105	105
Gross carrying amount as of 31.12.2019	35 986	60 305	1 587	24 687	2 059	2 563	131	127 318
Depreciation as of 01.01.2019	-	3 984	15	12 959	962	923	-	18 843
Increases from:	84	5 959	38	4 303	358	586	-	11 328
depreciation	84	5 959	38	4 303	358	586	-	11 328
Reductions from:	-	2 764	-	769	4	-	-	3 537
sale	-	-	-	143	4	-	-	147
disposal	-	-	-	626	-	-	-	626
lease agreements dissolved	-	2 764	-	-	-	-	-	2 764
Depreciation as of 31.12.2019	84	7 179	53	16 493	1 316	1 509	-	26 634
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2019	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	-	8 254	126	5 793	1 096	590	648	16 507
Net carrying amount as of 31.12.2019	35 902	53 126	1 534	8 194	743	1 054	131	100 684

PP&E under construction

	01.01.2020	Expenditures in fiscal year	Expenditure settlements	31.12.2020
Redevelopment of property at Jagiellońska 74	54	2 054	496	1 612
Other	77	3	41	39
Total	131	2 057	537	1 651

	01.01.2019	Expenditures in fiscal year	Expenditure settlements	31.12.2019
Redevelopment of property at Jagiellońska 74	-	54	-	54
Adaptation of office and social space	173	951	1 124	-
Project Green – improving workplace conditions	397	-	397	-
Other	78	18	19	77
Total	648	1 023	1 540	131

Usufruct of PP&E held under lease agreements

	31.12.2020			31.12.2019		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Land holdings	14 540	260	14 280	14 540	55	14 485
Immovable properties	4 641	2 595	2 046	4 218	1 607	2 611
Civil engineering objects	94	-	94	-	-	-
Vehicles	616	103	513	547	155	392
Total	19 891	2 958	16 933	19 305	1 817	17 488

Note 12. Intangibles and expenditures on development projects

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

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2020	324 532	229 634	34 467	2 668	17 718	25 001	49 168	1 055	1	684 244
Increases from:	273 071	568 401	-	1 992	613	4 628	-	676	-	849 381
purchases	-	-	-	1 789	613	4 229	-	676	-	7 307
reassignment from intangible assets under construction	-	-	-	203	-	399	-	-	-	602
reassignment from development projects in progress	-	568 401	-	-	-	-	-	-	-	568 401
own creation	273 071	-	-	-	-	-	-	-	-	273 071
Reductions from:	568 713	-	-	3 225	-	3 352	-	602	1	575 893
disposal	-	-	-	3 225	-	3 352	-	-	1	6 578
reassignment from intangible assets under construction	-	-	-	-	-	-	-	602	-	602
reassignment from development projects in progress	568 401	-	-	-	-	-	-	-	-	568 401
reassignment of expenditures on development projects under consortium agreement	312	-	-	-	-	-	-	-	-	312
Gross carrying amount as of 31.12.2020	28 890	798 035	34 467	1 435	18 331	26 277	49 168	1 129	-	957 732
Depreciation as of 01.01.2020	-	194 136	-	1 225	-	19 279	-	-	1	214 641
Increases from:	-	248 164	-	3 043	48	4 493	-	-	-	255 748
depreciation	-	248 164	-	3 043	48	4 493	-	-	-	255 748
Reductions from:	-	-	-	3 225	-	3 349	-	-	1	6 575
disposal	-	-	-	3 225	-	3 349	-	-	1	6 575
Depreciation as of 31.12.2020	-	442 300	-	1 043	48	20 423	-	-	-	463 814
Impairment allowances as of 01.01.2020	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2020	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2020	324 532	35 498	34 467	1 443	17 718	5 722	49 168	1 055	-	469 603
Net carrying amount as of 31.12.2020	28 890	355 735	34 467	392	18 283	5 854	49 168	1 129	-	493 918

Changes in intangibles and expenditures on development projects between 01.01.2019 and 31.12.2019

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2019	170 695	219 226	33 467	1 301	11 318	20 839	49 168	688	1	506 703
Increases from:	164 245	10 408	1 000	1 367	6 400	4 764	-	1 092	-	189 276
purchases	-	-	1 000	1 367	6 400	4 039	-	1 092	-	13 898
reassignment from intangible assets under construction	-	-	-	-	-	725	-	-	-	725
reassignment from development projects in progress	-	10 408	-	-	-	-	-	-	-	10 408
own creation	164 245	-	-	-	-	-	-	-	-	164 245
Reductions from:	10 408	-	-	-	-	602	-	725	-	11 735
disposal	-	-	-	-	-	602	-	-	-	602
reassignment from intangible assets under construction	-	-	-	-	-	-	-	725	-	725
reassignment from development projects in progress	10 408	-	-	-	-	-	-	-	-	10 408
Gross carrying amount as of 31.12.2019	324 532	229 634	34 467	2 668	17 718	25 001	49 168	1 055	1	684 244
Depreciation as of 01.01.2019	-	171 126	-	788	-	16 145	-	-	1	188 060
Increases from:	-	23 010	-	437	-	3 734	-	-	-	27 181
depreciation	-	23 010	-	437	-	3 734	-	-	-	27 181
Reductions from:	-	-	-	-	-	600	-	-	-	600
disposal	-	-	-	-	-	600	-	-	-	600
Depreciation as of 31.12.2019	-	194 136	-	1 225	-	19 279	-	-	1	214 641
Impairment allowances as of 01.01.2019	-	-	-	-	-	-	-	-	-	-
Impairment allowances as of 31.12.2019	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 01.01.2019	170 695	48 100	33 467	513	11 318	4 694	49 168	688	-	318 643
Net carrying amount as of 31.12.2019	324 532	35 498	34 467	1 443	17 718	5 722	49 168	1 055	-	469 603

**Ownership structure of intangible assets**

	31.12.2020	31.12.2019
Wholly owned	109 293	109 573
Total	109 293	109 573

Intangible assets under construction

	01.01.2020	Expenditures incurred in financial year	Expenditure settlements	31.12.2020
HR support system	655	474	-	1 129
Musical score	77	126	203	-
Document flow system	323	76	399	-
Total	1 055	676	602	1 129

	01.01.2019	Expenditures incurred in financial year	Expenditure settlements	31.12.2019
Financial analytics system	341	43	384	-
Speech animation system	180	161	341	-
HR support system	167	488	-	655
Musical score	-	77	-	77
Document flow system	-	323	-	323
Total	688	1 092	725	1 055

Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

Note 13. Goodwill

Goodwill acquired in business combinations and acquisition of enterprises

	CD Projekt Red sp. z o.o.	Strange New Things (enterprise)	Total
Gross goodwill as of 01.01.2020	39 147	10 021	49 168
Gross goodwill as of 31.12.2020	39 147	10 021	49 168
Impairment allowances as of 01.01.2020	-	-	-
Impairment allowances as of 31.12.2020	-	-	-
Net goodwill as of 01.01.2020	39 147	10 021	49 168
Net goodwill as of 31.12.2020	39 147	10 021	49 168

Goodwill impairment tests require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of goodwill was conducted on 31 December 2020. No impairment of goodwill was identified.

Business combinations

None reported.

Note 14. Investment properties

The Company owns the property at Jagiellońska 76 in Warsaw. Since the property is being leased to other entities, the Company has decided to report it as an investment property.

The Company also owns the industrial campus located at Jagiellońska 74 in Warsaw. Since part of this property is being leased to other entities, including other member companies of the CD PROJEKT Group, the Company has decided to report it in part as an investment property. The remaining part is used by the Company for its own purposes.

Properties purchased by the Company are estimated at purchase price less depreciation.

**Change in value of investment properties between 1 January 2020 and 31 December 2020,
and between 1 January 2019 and 31 December 2019**

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

Contractual commitments for acquisition of investment properties

None reported.

Note 15. Investments in affiliates

Investments in affiliates held at purchase price

	31.12.2020	31.12.2019
Shares in affiliates (subsidiaries)	24 567	23 830
Total	24 567	23 830

Changes in investments in affiliates

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
At beginning of period	23 830	20 279
Increases from:	737	6 997
capital contributions mandated by the incentive program	737	2 497
capital contributions to affiliates	-	4 500
Reductions from:	-	3 446
capital contributions mandated by the incentive program	-	3 446
At end of period	24 567	23 830

Investments in affiliates as of 31.12.2020

	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.
Registered office	Warsaw	Los Angeles, Venice	Shanghai	Warsaw	Warsaw
Percentage of shares held as of 31.12.2020	100%	100%	100%	75%	100%
Percentage of votes controlled as of 31.12.2020	100%	100%	100%	75%	100%
Capital investment	15 078	794	1 695	6 500	500

Investments in affiliates as of 31.12.2019

	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.
Registered office	Warsaw	Los Angeles, Venice	Shanghai	Warsaw	Warsaw
Percentage of shares held as of 31.12.2019	100%	100%	100%	75%	100%
Percentage of votes controlled as of 31.12.2019	100%	100%	100%	75%	100%
Capital investment	14 688	617	1 525	6 500	500

Note 16. Other financial assets

	31.12.2020	31.12.2019
Loans granted	7 156	3 687
Bonds	146 985	-
Derivative financial instruments	6 449	-
Other financial assets, including:	160 590	3 687
short-term assets	107 125	1 037
long-term assets	53 465	2 650

CD PROJEKT S.A. has granted loans to its affiliates – CD PROJEKT INC. and CD PROJEKT RED STORE sp. z o.o., as well as to Spokko sp. z o.o.

In 2018-2019 five loans were granted to CD PROJEKT INC. The loan granted on 30 May 2018 was repaid by the end of May 2020. The loan granted on 29 October 2018 was repaid by the end of October 2020. Loans granted on 19 June 2019, and two batches paid out on 12 September 2019 and 18 September 2019 in relation to the loan granted on 12 September 2019 were repaid in February 2021. The loan granted on 23 December 2019 is repayable by the end of December 2022. It carries variable interest which is updated on a quarterly basis.

In 2019 two loans were granted to CD PROJEKT RED STORE sp. z o.o. The loan granted on 25 October 2019 is fully repayable by 31 October 2021. The loan granted on 23 December 2019 is fully repayable by 31 December 2021. Both loans carry variable interest which is subject to quarterly updates.

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

Note 17. Joint ventures

The Company participates in the following significant joint ventures:

Name of venture	Principal site of activity	Contract concluded in	Scope of activity	Entities involved	Main responsibilities in the framework of the joint venture
Consortium	Warsaw	2016	Collaboration in the scope of development, release, distribution and maintenance of the GWENT and Thronebreaker videogames	CD PROJEKT S.A.	Conceptual development, gameplay mechanics, graphics, front-end programming, localization, marketing and communication
				GOG sp. z o.o. (formerly GOG Poland sp. z o.o.)	Back-end programming, in-game sales, maintenance of server infrastructure

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



Note 18. Inventories

	31.12.2020	31.12.2019
Goods	3 816	8 477
Other materials	11	8
Gross inventories	3 827	8 485
Inventory impairment allowances	-	-
Net inventories	3 827	8 485

The "Other materials" line item represents marketing materials.

Inventories between 01.01.2020 and 31.12.2020

	Goods	Total
Value of inventories recognized as expenses during the reporting period	89 284	89 284
Total	89 284	89 284

Inventories between 01.01.2019 and 31.12.2019

	Goods	Total
Value of inventories recognized as expenses during the reporting period	24 865	24 865
Total	24 865	24 865

Changes in inventory impairment allowances

None reported.

Inventories pledged as collateral for liabilities

Not applicable.

Note 19. Trade receivables

	31.12.2020	31.12.2019
Gross trade receivables	1 255 993	124 882
Impairment allowances	126	29
Trade receivables	1 255 867	124 853
from affiliates	60 289	3 910
from external entities	1 195 578	120 943

Changes in impairment allowances on trade receivables

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

Current and overdue trade receivables as of 31.12.2020

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	60 289	60 283	6	-	-	-	-
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	60 289	60 283	6	-	-	-	-



	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	1 195 704	1 195 470	64	-	38	-	132
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	126	-	-	-	-	-	126
total expected credit loss	126	-	-	-	-	-	126
Net receivables	1 195 578	1 195 470	64	-	38	-	6
Total							
gross receivables	1 255 993	1 255 753	70	-	38	-	132
impairment allowances	126	-	-	-	-	-	126
Net receivables	1 255 867	1 255 753	70	-	38	-	6

Current and overdue trade receivables as of 31.12.2019

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	3 910	3 521	122	267	-	-	-
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	3 910	3 521	122	267	-	-	-



	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	120 972	118 229	2 628	-	4	78	33
non-fulfillment ratio		0%	0%	0%	0%	0%	0%
impairment allowances as determined by non-fulfillment ratio	-	-	-	-	-	-	-
impairment allowances as individually assessed	29	-	-	-	-	-	29
total expected credit loss	29	-	-	-	-	-	29
Net receivables	120 943	118 229	2 628	-	4	78	4
Total							
gross receivables	124 882	121 750	2 750	267	4	78	33
impairment allowances	29	-	-	-	-	-	29
Net receivables	124 853	121 750	2 750	267	4	78	4

Trade receivables by currency

	31.12.2020		31.12.2019	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN*	1 202 771	1 202 771	94 572	94 572
USD	10 477	39 375	5 515	20 945
EUR	2 973	13 721	2 158	9 189
CAD	-	-	50	147
Total		1 255 867		124 853

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

Note 20. Other receivables

	31.12.2020	31.12.2019*
Other gross receivables, including:	49 686	68 050
tax returns except corporate income tax	18 139**	38 170
advance payments associated with expenditures on development projects	24 353	8 087
advance payments for supplies	3 962	16 323
consortium settlements	2 073	4 137
deposits	296	195
prepayments associated with purchases of PP&E and intangibles	38	377
prepayments associated with purchases of investment properties	70	-
employee compensation settlements	5	7
settlements involving members of management boards of Group member companies	7	2
others	11	20
Impairment allowances	732	732
Total other gross receivables	48 954	67 318
short-term	48 922	67 252
long-term	32	66

* adjusted

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

	31.12.2020	31.12.2019
Other gross receivables	49 686	68 050
Impairment allowances	732	732
Other receivables, including	48 954	67 318
from affiliates	2 080	9 752
from external entities	46 874	57 566

Other receivables subject to court proceedings

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

Other receivables by currency

	31.12.2020		31.12.2019	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN*	20 666	20 666	45 814	45 814
JPY	496 092	17 215	166 092	5 728
USD	2 778	10 491	3 985	15 272
EUR	106	472	118	504
GBP	22	110	-	-
Total		48 954		67 318

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

Trade and other receivables from affiliates

	31.12.2020	31.12.2019
Gross receivables from affiliates	62 369	13 662
trade receivables	60 289	3 910
other receivables	2 080	9 752
Impairment allowances	-	-
Net receivables from affiliates	62 369	13 662

Note 21. Prepaid expenses

	31.12.2020	31.12.2019*
Software, licenses	3 554	1 689
Expenses associated with future marketing activities	1 856	2 000
Repairs and renovations	1 651	-
Fees associated with right of first refusal	1 484	1 600
Non-life insurance	148	123
Marketing campaigns	54	-
Business travel (airfare, accommodation, insurance)	6	61
Other prepaid expenses	148	158
Total prepaid expenses	8 901	5 631
short-term	3 366	2 112
long-term	5 535	3 519

* adjusted

Note 22. Cash and cash equivalents

	31.12.2020	31.12.2019
Cash on hand and bank deposits:	406 951	111
current bank accounts	406 951	111
Other monetary assets:	15 963	14 075
cash in transit	10 000	-
overnight deposits	-	1 388
short-term bank deposits (maturity up to 3 months)	940	12 687
cash in investment accounts	5 023	-
Total	422 914	14 186

Restricted cash

Not applicable.

Note 23. Share capital

Share capital structure as of 31.12.2020

Series	Shares outstanding	Nominal value of series/issue	Capital paid up in
A	500 000	500 000	Cash
B	2 000 000	2 000 000	Cash
C	6 884 108	6 884 108	Cash
C1	18 768 216	18 768 216	Cash
D	35 000 000	35 000 000	Non-cash assets
E	6 847 676	6 847 676	Cash
F	3 500 000	3 500 000	Cash
G	887 200	887 200	Cash
H	3 450 000	3 450 000	Cash
I	7 112 800	7 112 800	Cash
J	5 000 000	5 000 000	Cash
K	5 000 000	5 000 000	Cash
L	1 170 000	1 170 000	Cash
M	4 534 624	4 534 624	Cash
Total	100 654 624	100 654 624	-

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

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

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

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

**Changes in share capital**

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

Note 24. Own shares

Pursuant to Resolution no. 21 of the Ordinary General Meeting of the Company of 28 July 2020, between 30 July and 17 August 2020 the Company carried out a buy-back of its own shares. Shares were purchased on the official regulated market of the Warsaw Stock Exchange. Altogether, 516 700 shares were purchased for a total of 215 259 thousand PLN. These shares were subsequently offered to entitled parties as a partial settlement of entitlements assigned under the Company incentive program for 2016-2019.

As of the balance sheet date, the Company does not hold any of its own shares.

Note 25. Other capital contributions

	31.12.2020	31.12.2019*
Supplementary capital	737 542	744 463
Supplementary capital from sale of shares above nominal value	113 844	3 861
Revaluation capital	442	-
Other reserve capital	35 741	549
Other reserve capital – incentive program	10 885	54 106
Total	898 454	802 979

* adjusted

Change in other capital contributions

	Supplementary capital	Supplementary capital from sale of shares above nominal value	Revaluation capital	Reserve capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2020*	744 463	3 861	-	549	-	54 106	802 979
Increases from:	387 634	109 983	442	250 000	214 259	14 944	977 262
creation of reserve capital to finance purchase of own shares	-	-	-	250 000	-	-	250 000
allocation of net profit / coverage of losses	172 826	-	-	-	-	-	172 826
dissolution of reserve capital created to finance purchase of own shares in past years	549	-	-	-	-	-	549
payment in own shares	-	109 983	-	-	214 259	-	324 242
capital contributions mandated by the incentive program	-	-	-	-	-	14 944	14 944
purchase of own shares in the course of implementing the incentive program	214 259	-	-	-	-	-	214 259
total comprehensive income	-	-	442	-	-	-	442
Reductions from:	394 555	-	-	214 808	214 259	58 165	881 787
creation of reserve capital to finance purchase of own shares	250 000	-	-	-	-	-	250 000
dissolution of reserve capital created to finance purchase of own shares in past years	-	-	-	549	-	-	549
payment in own shares	144 555	-	-	-	-	58 098	202 653
capital contributions mandated by the incentive program	-	-	-	-	-	67	67
purchase of own shares in the course of implementing the incentive program	-	-	-	214 259	214 259	-	428 518
As of 31.12.2020	737 542	113 844	442	35 741	-	10 885	898 454

* adjusted

	Supplementary capital	Supplementary capital from sale of shares above nominal value	Revaluation capital	Reserve capital	Own shares	Other reserve capital – incentive program	Total
As of 01.01.2019*	735 938	3 861	-	549	-	25 596	765 944
Increases from:	8 525	-	-	-	-	32 661	41 186
allocation of net profit / coverage of losses	8 525	-	-	-	-	-	8 525
capital contributions mandated by the incentive program	-	-	-	-	-	32 661	32 661
Reductions from:	-	-	-	-	-	4 151	4 151
capital contributions mandated by the incentive program	-	-	-	-	-	4 151	4 151
As of 31.12.2019	744 463	3 861	-	549	-	54 106	802 979

* adjusted

Note 26. Retained earnings

Changes in retained earnings

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
At beginning of period	-	-
Increases from:	172 826	109 451
allocation of profit from preceding years	172 826	109 451
Reductions from:	172 826	109 451
dividend payments	-	100 926
reclassification as reserve capital	172 826	8 525
At end of period	-	-

Note 27. Credits and loans

None reported.

Note 28. Other financial liabilities

	31.12.2020	31.12.2019
Lease liabilities	16 970	17 347
Short-term	2 053	1 432
Long-term, including:	14 917	15 915
between 1 and 5 years	992	1 887
beyond 5 years	13 925	14 028

As a lessee the Company may potentially incur cash outflows which are not currently included in its valuation of lease liabilities, including:

- With regard to lease agreements reported in Note 34, concerning perpetual usufruct of land comprising the properties at Jagiellońska 74 and 76 – changes in lease fees may result from revaluation of annual payments related to perpetual usufruct of land by adjusting them to reflect the current value of the property or by modifying the base rate upon which fees are calculated.
- With regard to the agreement reported in Note 34, concerning office space in Kraków, which effectively constitutes a lease agreement – changes in lease fees may result from indexation accounting for increases in the retail price index, to which the lessor is contractually entitled.
- With regard to the lease agreement reported in Note 34, concerning office space in Wrocław, which effectively constitutes a lease agreement – changes in lease fees may result from indexation accounting for increases in the retail price index, to which the lessor is contractually entitled.

Note 29. Other long-term liabilities

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

* adjusted

Other long-term liabilities by due date

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

* adjusted

Other long-term liabilities by currency

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

* adjusted

Note 30. Trade liabilities

	31.12.2020	31.12.2019
Trade liabilities:	73 024	25 067
payable to affiliates	1 498	1 224
payable to external entities	71 526	23 843

Current and overdue trade liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2020	73 024	69 974	2 928	43	40	23	16
payable to affiliates	1 498	1 498	-	-	-	-	-
payable to external entities	71 526	68 476	2 928	43	40	23	16
	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2019	25 067	20 226	4 667	164	1	9	-
payable to affiliates	1 224	1 224	-	-	-	-	-
payable to external entities	23 843	19 002	4 667	164	1	9	-

Trade liabilities by currency

	31.12.2020		31.12.2019	
	currency units	PLN equivalent	currency units	PLN equivalent
EUR	7 455	34 404	1 347	5 737
USD	6 309	23 712	2 571	9 765
PLN	10 337	10 337	6 475	6 475
CNY	3 847	2 209	654	357
RUB	32 902	1 648	-	-
SEK	546	251	-	-
CAD	59	172	109	318
JPY	4 043	148	47 003	1 643
GBP	21	108	155	772
AUD	12	35	-	-
Total		73 024		25 067

Note 31. Other short-term liabilities

	31.12.2020	31.12.2019*
Liabilities from other taxes, duties, social security payments and others, except corporation tax	4 603	4 712
Flat-rate withholding tax	976	331
Personal income tax	2 220	3 625
Social security (ZUS) payments	1 329	706
National Disabled Persons Rehabilitation Fund (PFRON) payments	35	24
PIT-8AR settlements	43	26
Other liabilities	330	339
Other employee-related liabilities	14	8
Other liabilities payable to Management Board members	1	4
Other liabilities	315	327
Total other short-term liabilities	4 933	5 051

* adjusted

Current and overdue other short-term liabilities

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2020	4 933	4 921	12	-	-	-	-
payable to affiliates	1	-	1	-	-	-	-
payable to external entities	4 932	4 921	11	-	-	-	-

	Total	Not overdue	Days overdue				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2019*	5 051	5 042	9	-	-	-	-
payable to affiliates	4	1	3	-	-	-	-
payable to external entities	5 047	5 041	6	-	-	-	-

* adjusted

Other short-term liabilities by currency

	31.12.2020		31.12.2019*	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	4 930	4 930	5 051	5 051
EUR	1	3	-	-
Total		4 933		5 051

* adjusted

Note 32. Internal Social Benefits Fund (ZFŚS): assets and liabilities

Not applicable.

Note 33. Contingent liabilities

Promissory note liabilities from loans received

Not applicable.

Contingent liabilities from guarantees, sureties and collateral pledged

	Type of agreement	Currency	31.12.2020	31.12.2019
mBank S.A.				
Declaration of submission to enforcement	Collateral for debit card agreement	PLN	920	920
Promissory note agreement	Collateral for framework concerning financial market transactions	PLN	50 000	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)				
Contract of guarantee	Guarantee of discharge of liabilities by GOG sp. z o.o.	EUR	155	155
Mazovian Unit for Implementation of EU Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych)				
Contractual pledge	Pledge to cover maintenance and renovation expenses related to leased space	PLN	115	1 998
National Center for Research and Development (Narodowe Centrum Badań i Rozwoju)				
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0105/16	PLN	7 934	7 934
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	5 114
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	3 857
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	5 324	5 324
Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)				
Promissory note agreement	Lease agreement no. CR1/01390/2018	PLN	-	182
Santander Bank Polska S.A. (formerly BZ WBK S.A.)				
Promissory note agreement	Framework agreement concerning financial market transactions	PLN	13 000	6 500
Bank Polska Kasa Opieki S.A.				
Promissory note agreement	Framework agreement concerning financial market transactions	PLN	20 000	-
BNP Paribas				
Promissory note agreement	Framework agreement concerning financial market transactions	PLN	75 000	-

Note 34. Lease and sublease agreements

Information concerning depreciation of leased assets is included in Note 3. Interest on lease agreements is presented in Note 5. Information concerning disclosure of assets related to usufruct and the balance sheet value of such assets at the close of the reporting period, divided into base asset categories, is presented in Note 11. Note 49 contains information regarding the total cash outflows related to lease agreements.

Liabilities from lease agreements

Payments outstanding	31.12.2020	31.12.2019
Due within 1 year	2 053	1 432
Due between 1 and 5 years	992	1 887
Due later than in 5 years	13 925	14 028
Total lease payments outstanding, including:	16 970	17 347
short-term liabilities	2 053	1 432
long-term liabilities	14 917	15 915

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

	31.12.2020	31.12.2019
Due within 1 year	2 425	2 235
Due between 1 and 5 years	2 126	4 975
Due later than in 5 years	24 769	25 191
Total, including:	29 320	32 401
short-term liabilities	2 425	2 235
long-term liabilities	26 895	30 166

Income from subleasing of leased assets (usufruct)

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Revenues	-	484
Expenses	-	484
Income	-	-

Lease and sublease agreements in force as of 31.12.2020

Subject	Financier	Contract no.	Base value	Base value in currency units	Currency	Contract expiration date	Payments outstanding at end of reporting period	Prolongation conditions and buyout options
Lease agreements								
Passenger car	Pekao Leasing sp. z o.o.	37/0410/20	616	616	PLN	2022-03-12	269	Lessee is entitled to buy out the leased asset – the contractual net buyout charge is 135 thousand PLN
Jagiellońska 74 – plots no. 12 and 13	State Treasury	Deed issued on 31.10.2019	8 623	8 623	PLN	2089-12-05	8 557	Lessee is not entitled to buy out the leased asset
Jagiellońska 74 – plot no. 14	Municipality of Warsaw	Deed issued on 31.10.2019	1 468	1 468	PLN	2100-04-12	1 467	Lessee is not entitled to buy out the leased asset
Jagiellońska 76	State Treasury	Deed issued on 31.12.2018	4 449	4 449	PLN	2089-12-05	4 435	Lessee is not entitled to buy out the leased asset
Kraków office	Prestige Property Group sp. z o.o.	Lease agreement concluded on 20.07.2016	3 715	864	EUR	2022-03-31	1 587	Lessee is not entitled to buy out the leased asset
Wrocław office	Wisher Enterprise sp. z o.o.	Lease agreement concluded on 24.10.2019	806	180	EUR	2022-01-31	560	Lessee is not entitled to buy out the leased asset
Parking lot at Jagiellońska 78	Sokołowo sp. z o.o.	Lease agreement concluded on 01.01.2020	174	174	PLN	2022-12-31	174	Lessee is not entitled to buy out the leased asset
Sublease agreements								
Parking lot at Jagiellońska 78	CD Projekt S.A.	Lease agreement no. WPA 469/17 concluded on 31.07.2017	79	79	PLN	2022-12-31	79	Lessee is not entitled to buy out the leased asset
Total			19 772				16 970	

Short-term lease agreements and lease of low-value assets

The Company 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 Company regards these agreements as either short-term or concerning low-value assets and, consequently, does not apply the new standard to these agreements in line with the practical expedient specified in Art. 5 of the new standard. In such cases lease payments are reported as costs during the period in which they are incurred, using either the straight-line method or another method which best reflects the breakdown of payments throughout the duration of the agreement (information regarding costs related to such agreements, incurred between 1 January and 31 December 2020, can be found in Note 3).

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

	31.12.2020	31.12.2019
Due within 1 year	176	547
Due between 1 and 5 years	170	273
Due later than in 5 years	-	-
Total	346	820

Note 35. Deferred revenues

	31.12.2020	31.12.2019
Subsidies	14 749	13 167
Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange	-	125
Animation Excellence (GameINN)	3 730	3 101
City Creation (GameINN)	6 977	6 538
Seamless Multiplayer (GameINN)	905	905
Cinematic Feel (GameINN)	3 137	2 498
Future period revenues	28 447	138 435
Future period sales	28 427	138 414
Official phone rental	20	21
Total, including:	43 196	151 602
short-term deferrals	42 286	151 595
long-term deferrals	910	7

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

Note 36. Provisions for employee benefits and similar liabilities

	31.12.2020	31.12.2019
Provisions for retirement benefits and pensions	380	248
Total, including:	380	248
short-term provisions	3	2
long-term provisions	377	246

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

	31.12.2020	31.12.2019
Discount rate (%)	1.59	2.02
Projected inflation rate (%)	1.59	2.02
Employee turnover rate (%) – average age	9.2% - age 33	9.6% - age 32
Projected annual rate of salary growth (%)	8% in 2021 - 2022; 5% in later years	8% in 2020 - 2021; 5% in later years
Mortality rates published by the Central Statistical Office (year of estimation)	2019	2018
Likelihood of disability during the fiscal year	0.1%	0.1%

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

Changes in provisions for employee benefits and similar liabilities

	Provisions for retirement benefits and pensions	Total
As of 01.01.2020	248	248
Provisions created	132	132
As of 31.12.2020, including:	380	380
short-term provisions	3	3
long-term provisions	377	377
	Provisions for retirement benefits and pensions	Total
As of 01.01.2019	185	185
Provisions created	63	63
As of 31.12.2019, including:	248	248
short-term provisions	2	2
long-term provisions	246	246

Note 37. Other provisions

	31.12.2020	31.12.2019
Provisions for returns	194 537	-
Provisions for liabilities, including:	280 409	35 837
provisions for compensation contingent upon the Company's financial result, and other compensation	246 278	33 310
provisions for financial statement audit and review expenses	45	75
provisions for bought-in services	-	69
provisions for other expenses	34 086	2 383
Total, including:	474 946	35 837
short-term provisions	329 333	35 837
long-term provisions	145 613	-

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

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

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

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

Changes in other provisions

	Provisions for returns	Provisions for compensation contingent upon the Company's financial result and other compensation	Other provisions	Total
As of 01.01.2020	-	33 310	2 527	35 837
Provisions created during the financial year	194 537	246 278	36 191	477 006
Provisions consumed	-	33 310	4 587	37 897
As of 31.12.2020, including:	194 537	246 278	34 131	474 946
short-term provisions	48 924	246 278	34 131	329 333
long-term provisions	145 613	-	-	145 613
	Provisions for returns	Provisions for compensation contingent upon the Company's financial result and other compensation	Other provisions	Total
As of 01.01.2019	-	20 071	1 463	21 534
Provisions created during the financial year	-	33 569	5 274	38 843
Provisions consumed	-	20 330	4 178	24 508
Provisions dissolved	-	-	32	32
As of 31.12.2019, including:	-	33 310	2 527	35 837
short-term provisions	-	33 310	2 527	35 837
long-term provisions	-	-	-	-

Note 38. Disclosure of financial instruments

Fair value of financial instruments per class

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

	31.12.2020	31.12.2019
LEVEL 1		
Assets estimated at fair value		
Financial assets estimated at fair value through other comprehensive income	97 397	-
foreign government bonds – CHF	32 023	-
foreign government bonds – EUR	20 829	-
foreign government bonds – USD	44 545	-
LEVEL 2		
Assets estimated at fair value through financial result		
Derivative instruments:	6 449	-
forward currency contracts – CHF	1 232	-
forward currency contracts – EUR	(387)	-
forward currency contracts – USD	5 604	-

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

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

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

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

Financial assets – classification and estimation

	31.12.2020	31.12.2019
Financial assets estimated at amortized cost	1 899 925	575 687
Other long-term receivables	32	66
Trade receivables	1 255 867	124 853
Cash and cash equivalents	422 914	14 186
Bank deposits (maturity beyond 3 months)	164 368	432 895
State Treasury bonds	49 588	-
Loans granted	7 156	3 687
Financial assets estimated at fair value through other comprehensive income	97 397	-
Foreign government bonds	97 397	-
Financial assets estimated at fair value through financial result	6 449	-
Derivative financial instruments	6 449	-
Total financial assets	2 003 771	575 687

Financial liabilities – classification and estimation

	31.12.2020	31.12.2019
Financial liabilities held at amortized cost	89 994	42 414
Trade liabilities	73 024	25 067
Other financial liabilities	16 970	17 347

Profits and losses from financial assets and liabilities

	Financial assets estimated at amortized cost				Financial assets estimated at fair value through financial result	Financial liabilities estimated at amortized cost	Total
	Trade receivables	State Treasury bonds and bonds issued by foreign governments	Loans granted	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Derivative financial instruments	Other financial liabilities	
01.01.2020 – 31.12.2020							
Revenues/(expenses) from interest	-	(31)	142	7 426	-	(291)	7 246
Creation of impairment allowances	(107)	-	-	-	-	-	(107)
Dissolution of impairment allowances	10	-	-	-	-	-	10
Profit (loss) from sale of debt instruments	-	(1 081)	-	-	-	-	(1 081)
Fees and commission on purchases of debt instruments	-	(128)	-	-	-	-	(128)
Forward contract estimation	-	-	-	-	8 250	-	8 250
Total profit / (loss)	(97)	(1 240)	142	7 426	8 250	(291)	14 190

	Financial assets estimated at amortized cost				Financial assets estimated at fair value through financial result	Financial liabilities estimated at amortized cost	Total
	Trade receivables	State Treasury bonds and bonds issued by foreign governments	Loans granted	Cash, cash equivalents and bank deposits with maturity periods beyond 3 months	Derivative financial instruments	Other financial liabilities	
01.01.2019 – 31.12.2019*							
Revenues/(expenses) from interest	7	-	90	8 864	-	(382)	8 579
Dissolution of impairment allowances	5	-	-	-	-	-	5
Total profit / (loss)	12	-	90	8 864	-	(382)	8 584

* adjusted

Note 39. Equity management

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

The Company actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the Company may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Company monitors its capital status by applying a leverage ratio which is calculated as the ratio of net borrowing versus total equity increased by net borrowing. As of 31 December 2020 the value of cash assets held by the Company is in excess of its sum of trade liabilities and other liabilities. Consequently, the Company reports a positive cash balance.

Nota 40. Employee share programs

2016-2019 incentive program

On 24 May 2016 the General Meeting of Shareholders of the Company voted to institute an incentive program covering the years 2016-2021, for the benefit of individuals deemed to have a key influence on the Group's activities, as described in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities in 2020. Implementation of this program entailed a conditional increase in the Company share capital by not more than 6 000 thousand PLN, representing 6% of the share capital of the Company at the time.

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

Incentive program estimation – assumed indicators

Grant date	CDR volatility index	WIG volatility index	WIG/CDR correlation coefficient	Risk-free rate
Entitlements granted on 29.06.2020	41%	19%	51%	0.2%
Entitlements granted on 17.06.2019	38%	14%	41%	1.8%
Entitlements granted on 08.01.2019	38%	15%	41%	2.1%
Entitlements granted on 11.06.2018	34%	14%	38%	2.3%
Entitlements granted on 04.12.2017	32%	14%	37%	2.6%
Entitlements granted on 06.09.2017	32%	14%	37%	2.5%
Entitlements granted on 29.08.2017	32%	14%	37%	2.6%
Entitlements granted on 18.05.2017	32%	15%	38%	2.8%
Entitlements granted on 05.01.2017	32%	16%	37%	3.0%
Entitlements granted on 17.11.2016	32%	16%	37%	2.4%
Entitlements granted on 05.07.2016	32%	16%	39%	2.5%

Grant date

Throughout the duration of the program the Company issued grants of eligibility in 11 batches. The fair value of assigned entitlements was, in each case, calculated on the corresponding grant date using modern financial engineering methods and numerical algorithms (an extension of the so-called Black-Scholes-Morton model) by a licensed actuary entered in the register of actuaries maintained by the Financial Supervision Authority (cf. above table).

Classification of estimation conditions

The condition associated with changes in the Company stock price vs. changes in the value of the WIG index and the condition specifying that on the day of exercise the market price must be above the acquisition price are considered market conditions. Conditions related to increases in net profits are considered non-market conditions. Formal terms (e.g. correct and timely filing of the relevant documentation), loyalty criteria and any other terms not related to share price are also treated as non-market conditions, as is the requirement of survival until the exercise date and other similar stipulations.

Changes in entitlements granted under the 2016-2019 incentive program

	01.01.2020 – 31.12.2020		01.01.2019 – 31.12.2019	
	Entitlements granted	Exercise price (PLN)	Entitlements granted	Exercise price (PLN)
Unexercised at beginning of period	6 000 000	-	6 000 000	-
Granted but unexercised at beginning of period	5 535 000	-	5 625 000	-
Granted	500	25.70 or 22.35	30 000	25.70 or 22.35
Forfeited	368 000	25.70 or 22.35	120 000	25.70 or 22.35
Exercised	5 167 500	25.70 or 22.35	-	25.70 or 22.35
Unexercised at end of period	-	25.70 or 22.35	6 000 000	25.70 or 22.35
Granted but unexercised at end of period	-	25.70 or 22.35	5 535 000	25.70 or 22.35

2020-2025 incentive program

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

Incentive program estimation – assumed indicators

Grant date	CDR volatility index	WIG volatility index	WIG/CDR correlation coefficient	Risk-free rate
Entitlements granted on 30.10.2020	38%	17%	44%	0.70%
Entitlements granted on 10.11.2020	38%	17%	44%	0.70%

Grant date

In 2020 the Company issued grants of eligibility in two batches. In each case the fair value of assigned entitlements was calculated on the corresponding grant date using modern financial engineering methods and numerical algorithms (an extension of the so-called Black-Scholes-Morton model) by a licensed actuary entered in the register of actuaries maintained by the Financial Supervision Authority (cf. above table).

Classification of estimation conditions

The condition associated with changes in the Company stock price vs. changes in the value of the WIG index and the condition specifying that on the day of exercise the market price must be above the acquisition price are considered market conditions. Conditions related to increases in net profits are considered non-market conditions. Formal terms (e.g. correct and timely filing of the relevant documentation), loyalty criteria and any other terms not related to share price are also treated as non-market conditions, as is the requirement of survival until the exercise date and other similar stipulations.

Shares outstanding on grant date

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

Status of the program

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

Changes in entitlements granted under the 2020-2025 incentive program

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

Note 41. Transactions with affiliates

Conditions governing transactions with affiliates

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

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

Transactions with affiliates

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
SUBSIDIARIES								
GOG sp. z o.o.	100 054	9 503	571	526	61 660	6 970	181	12 917
CD PROJEKT Inc.	764	279	14 921	4 536	1 834	8 471	558	594
CD PROJEKT Co., Ltd.	-	-	3 701	3 705	-	-	557	246
Spokko sp. z o.o.	495	288	-	-	4 601	48	-	-
CD PROJEKT RED STORE sp. z o.o.	1 909	975	818	19	1 423	1 858	202	21

MANAGEMENT BOARD MEMBERS

Marcin Iwiński	10	14	-	-	5	-	-	3
Adam Kiciński	4	7	-	-	-	1	-	1
Piotr Nielubowicz	7	7	-	-	2	-	-	-
Michał Nowakowski	10	12	-	-	-	1	1	-
Adam Badowski	4	3	-	-	-	-	-	-

Note 42. Compensation of top management and Supervisory Board members

Benefits paid out to Management Board members

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Base salary	21	-
Compensation for duties performed	1 942	1 944
Bonuses and compensation contingent upon the Company's financial result for the previous year	16 129	10 059
Total	18 092	12 003

Benefits paid out to other top executives

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Base salaries	11 423	2 788
Compensation for duties performed	228	228
Bonuses and compensation contingent upon the Company's financial result	4 574	931
Total	16 225	3 947

Benefits paid out to Supervisory Board members

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

Note 43. Employment

Average employment

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Average employment	320	238
Total	320	238

Employment turnover

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Employees hired	122	72
Employees dismissed	26	37
Total	96	35

Employment in the scope of R&D activities

	31.12.2020	31.12.2019
Employees	166	97
Total	166	97

Note 44. Activated borrowing costs

Not applicable.

Nota 45. Fiscal settlements

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

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

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

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

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

Note 46. Events following the balance sheet date

- Receipt of notification concerning the filing of a class action lawsuit in the USA, previously disclosed in [Current report no. 4/2021](#)

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

- Change in the decision concerning the diversification of surplus cash allocation, previously disclosed in [Current report no. 5/2021](#)

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

- Receipt of notification concerning the filing of a class action lawsuit in the USA, previously disclosed in [Current report no. 8/2021](#)

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

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

- Hacking attack targeting the Company's IT infrastructure

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

- Increase in the Company share capital, previously disclosed in [Current report no. 13/2021](#)

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

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

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

Further information concerning events which have occurred after the balance sheet date can be found in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities in 2020.

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

Compensation paid out or payable during the fiscal year	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
for auditing the annual financial statement and the consolidated financial statement	100	75
for other attestation services, including reviewing financial statements and the consolidated financial statement	60	50
Total	160	125

Note 48. Clarifications regarding the cash flow statement

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Cash and cash equivalents reported in cash flow statement	422 914	14 186
Cash on balance sheet	422 914	14 186
Depreciation:	5 647	5 059
Depreciation of intangibles	1 576	1 196
Depreciation of PP&E	3 992	3 850
Depreciation of investment properties	79	13
Profit (loss) from exchange rate differences	2 223	42
Exchange rate differences on valuation of bonds	2 220	-
Exchange rate differences on valuation of loans granted as of the balance sheet date	3	42
Interest and share in profits consist of:	(7 246)	(8 572)
Interest on bank deposits	(7 426)	(8 949)
Interest on bonds	31	-
Interest charged on loans granted	(142)	(5)
Interest on lease agreements collected	-	(25)
Interest on lease agreements	291	407
Profit (loss) from investment activities results from:	(5 438)	(1 270)
Revenues from sales of PP&E	(17)	(129)
Net value of PP&E sold	-	49
Net value of PP&E liquidated	49	-
Net value of intangibles liquidated	3	2
Net value of investment properties liquidated	1 630	-
PP&E received free of charge	(62)	(1 150)
Settlement and estimation of derivative instruments	(8 250)	-
Bond purchase fees	128	-
Revenues from maturation of bonds	(59 429)	-
Value of bonds held to maturity	60 510	-
Settlement of expired lease agreements	-	(42)
Changes in provisions result from:	359 214	8 905
Balance of changes in provisions for liabilities	439 109	14 303
Balance of changes in provisions for employee benefits	132	62
Provisions for compensation contingent upon the Company's financial result aggregated with expenses on development projects	(80 027)	(5 460)
Changes in inventory status result from:	4 658	(8 227)
Balance of changes in inventory status	4 658	(8 227)



	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Changes in receivables result from:	(1 110 415)	(124 052)
Balance of changes in short-term receivables	(1 093 448)	(133 074)
Balance of changes in long-term receivables	34	504
Advance payment for investment properties	70	(1 667)
Adjustment in receivables related to reassignment of development activities under a consortium agreement	-	(16 122)
Income tax set against withholding tax	3 878	8 249
Withholding tax paid abroad	(13 762)	-
Current income tax adjustments	(23 114)	9 602
Change in receivables associated with withdrawal from PP&E purchase agreement	-	(8)
Changes in advance payments related to expenditures on development projects	16 266	8 087
Changes in advance payments related to purchase of PP&E and intangibles	(339)	377
Changes in short-term liabilities except financial liabilities result from:	47 553	15 540
Balance of changes in short-term liabilities	49 756	8 599
Current income tax adjustments	(1 296)	-
Changes in financial liabilities	(621)	(1 186)
Adjustments for changes in liabilities due to purchase of PP&E	(1 138)	197
Adjustments for changes in liabilities due to purchase of intangibles	745	(998)
Adjustment for liabilities related to purchase of investment properties	87	8 928
Adjustment for liabilities booked on the other side as deferrals	20	-
Changes in other assets and liabilities result from:	(111 936)	121 481
Balance of changes in prepaid expenses	(3 270)	(4 369)
Balance of changes in deferred revenues	(108 406)	122 510
Adjustment for prepaid expenses booked on the other side as liabilities	(260)	3 340
Other adjustments include:	16 566	30 430
Cost of incentive program	14 140	29 459
Depreciation aggregated with cost of products, services, goods and materials sold, consortium settlements and other operating expenses	2 426	971

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

	01.01.2020	Cash flows	Non-cash changes							31.12.2020
			Acquisition of PP&E under lease agreements	Exchange rate differences	Accrued interest	Dissolution of lease agreements	Assignment of own shares	Resolution concerning purchase of own shares	Resolution concerning dividend payout	
Lease liabilities	17 347	(2 306)	1 517	121	291	-	-	-	-	16 970
Liabilities associated with purchase of own shares	-	(214 259)	-	-	-	-	-	214 259	-	-
Receivables from entitled parties under the incentive program	-	126 124	-	-	-	-	(126 124)	-	-	-
Total	17 347	(90 441)	1 517	121	291	-	(126 124)	214 259	-	16 970

	01.01.2019	Cash flows	Non-cash changes							31.12.2019
			Acquisition of PP&E under lease agreements	Exchange rate differences	Accrued interest	Dissolution of lease agreements	Assignment of own shares	Resolution concerning purchase of own shares	Resolution concerning dividend payout	
Lease liabilities	409	(4 923)	23 179	-	382	(1 700)	-	-	-	17 347
Liabilities due to shareholders in association with dividend payouts	-	(100 926)	-	-	-	-	-	-	100 926	-
Total	409	(105 849)	23 179	-	382	(1 700)	-	-	100 926	17 347

Note 50. Expenditures on development projects

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Employee remuneration	43 628	13 437
Compensation of collaborators and external personnel	84 615	65 343
Purchases, including:	9 999	8 646
machinery and equipment	3 093	4 344
computer software	4 953	2 976
intangibles	1 953	1 326
Other expenditures	73 769	65 018
Total expenditures on development projects	212 011	152 444

Expenditures on development projects in progress represent expenses incurred in the framework of projects which are under development, while Expenditures on development projects completed correspond to projects which have already been released.

Following the release of Cyberpunk 2077 in December 2020 the Company reassigned the related expenditures from development projects in progress to development projects completed. The Company also began to depreciate the latter asset, which is reflected by aggregating 40% of all related expenditures with cost of products sold during the release quarter.

Detailed information concerning development projects underway at the Company can be found in the Management Board report on CD PROJEKT Group and CD PROJEKT S.A. activities in 2020.

Statement of the Management Board

With regard to the correctness of the annual separate financial statement

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

This separate financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 31 December 2020. Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2019, item no. 351 as amended) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and the conditions for regarding as equivalent the information required under the laws of a non-member state (Journal of Laws of the Republic of Poland, 2018, item no. 757).

With regard to the entity contracted to audit the annual separate financial statement

On 14 May 2020 the Supervisory Board of the Company concurred with the Audit Committee recommendation and selected Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań as the entity contracted to review the semiannual financial statements and to perform an audit of the annual financial statements of the Company and its Group for 2020 and 2021. Grant Thornton Polska sp. z o.o. sp. k. is authorized to conduct audits of financial statements by the National Chamber of Licensed Auditors (license no. 4055).

As declared by the Supervisory Board of the Company:

- Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań, along with members of the audit team, fulfill the necessary criteria to ensure preparation of an unbiased and independent audit of the annual separate financial statement of CD PROJEKT S.A. and the consolidated statement of the CD PROJEKT Group for the fiscal year ending on 31 December 2020, as defined under the relevant legislation, standards of professional conduct and professional ethics guidelines,
- The CD PROJEKT Group observes existing regulations governing rotation of auditing companies and head auditors, as well as mandatory grace periods,
- CD PROJEKT S.A. has instituted a policy regulating selection of auditing companies and procurement by CD PROJEKT S.A. from auditing companies, their affiliates or members of their business networks, of additional services not directly related to financial audits, including services which auditing companies are conditionally authorized to perform.

Approval of financial statement

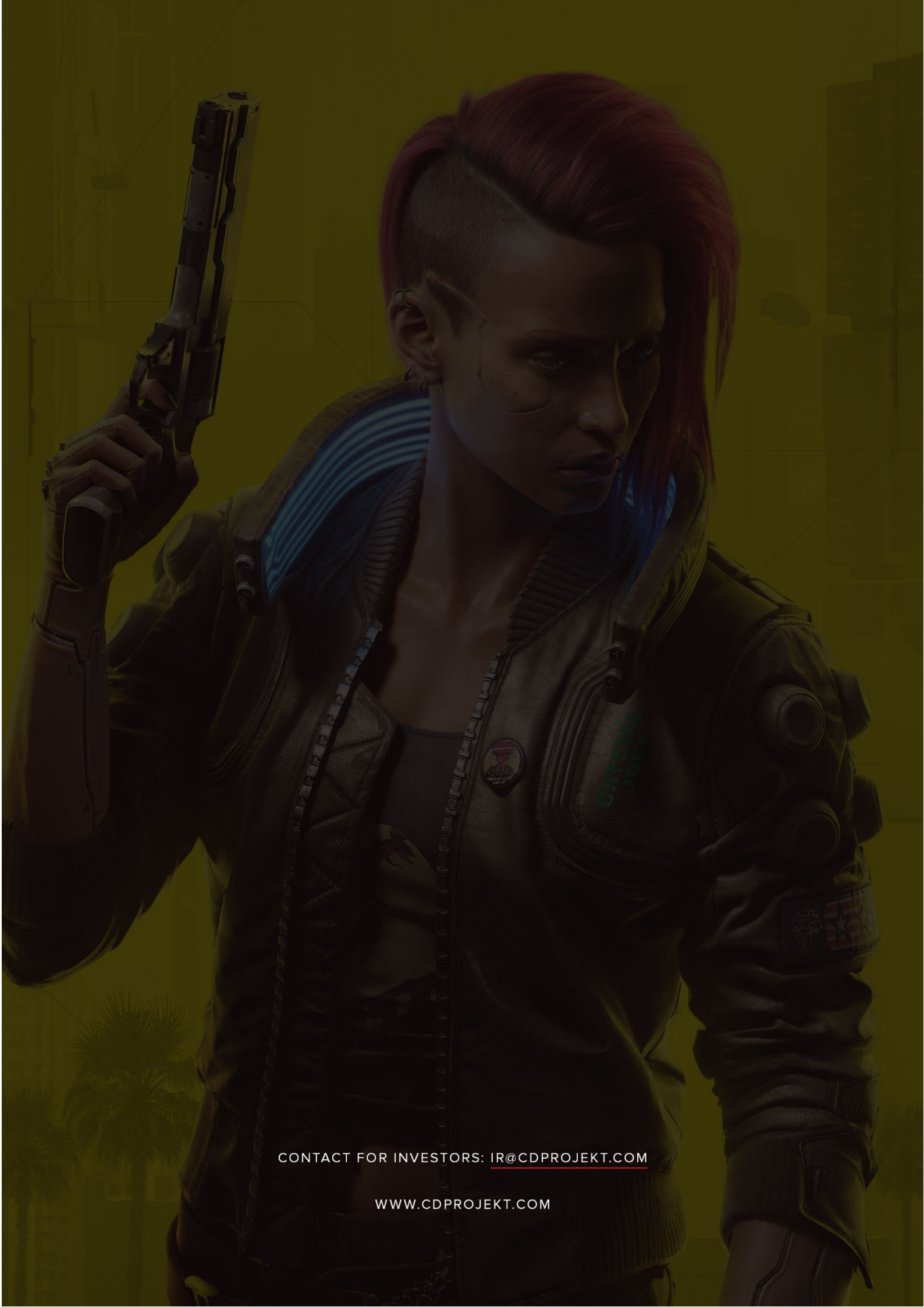
This separate financial statement of CD PROJEKT S.A. was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 22 April 2021 and is duly submitted to the General Meeting of CD PROJEKT S.A. for approval.

Warsaw, 22 April 2021

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

Michał Nowakowski	Piotr Karwowski	Krystyna Cybulska
Board Member	Board Member	Chief Accountant





CONTACT FOR INVESTORS: IR@CDPROJEKT.COM

WWW.CDPROJEKT.COM