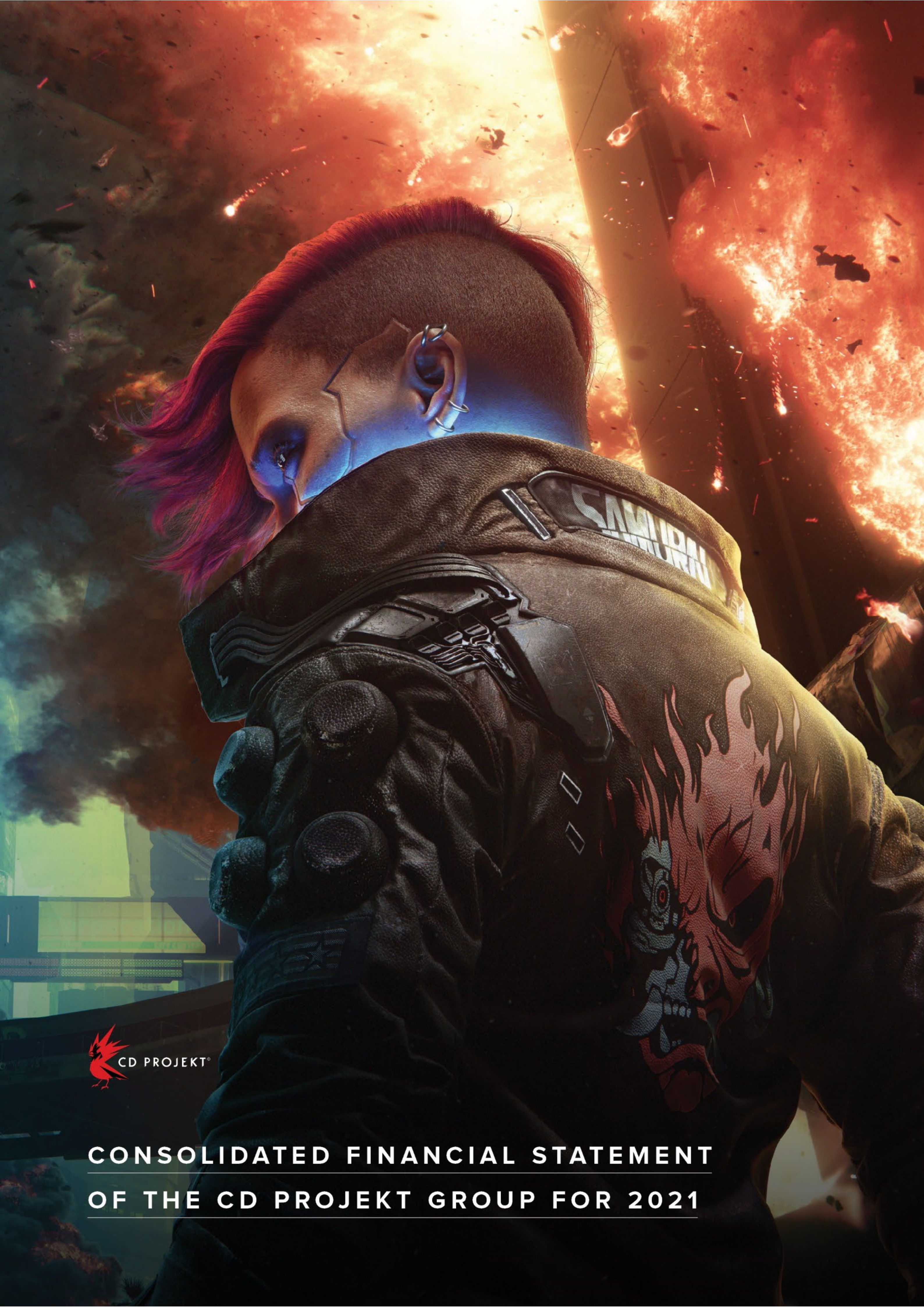



CD PROJEKT®

# CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT GROUP FOR 2021

Disclaimer

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

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

| | PLN | | EUR | |
|---|---|---|---|---|
| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020* | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020* |
| Revenues from sales of products, services, goods and materials | 888 172 | 2 138 875 | 194 030 | 478 046 |
| Cost of products, services, goods and materials sold | 250 234 | 491 364 | 54 666 | 109 822 |
| Operating profit (loss) | 232 903 | 1 157 077 | 50 880 | 258 611 |
| Profit (loss) before tax | 219 108 | 1 164 949 | 47 866 | 260 370 |
| Net profit (loss) attributable to equity holders of parent entity | 208 908 | 1 150 148 | 45 638 | 257 062 |
| Net cash flows from operating activities | 967 825 | 711 708 | 211 431 | 159 069 |
| Net cash flows from investment activities | (613 795) | (106 386) | (134 090) | (23 778) |
| Net cash flows from financial activities | (505 779) | (91 393) | (110 492) | (20 426) |
| Total net cash flows | (151 749) | 513 929 | (33 151) | 114 865 |
| Stock volume (thousands) | 100 718 | 96 461 | 100 718 | 96 461 |
| Net earnings per share (PLN/EUR) | 2.07 | 11.92 | 0.45 | 2.66 |
| Diluted net earnings per share (PLN/EUR) | 2.07 | 11.45 | 0.45 | 2.56 |
| Book value per share (PLN/EUR) | 18.81 | 22.63 | 4.09 | 4.90 |
| Diluted book value per share (PLN/EUR) | 18.80 | 21.73 | 4.09 | 4.71 |
| Declared or paid out dividend per share (PLN/EUR) | 5.00 | - | 1.09 | - |

** adjusted*

| | PLN | | EUR | |
|---|---|---|---|---|
| | 31.12.2021 | 31.12.2020* | 31.12.2021 | 31.12.2020* |
| Total assets | 2 158 735 | 2 890 299 | 469 351 | 626 311 |
| Liabilities and provisions for liabilities (less accrued charges) | 226 407 | 658 401 | 49 225 | 142 672 |
| Long-term liabilities | 36 112 | 166 153 | 7 851 | 36 004 |
| Short-term liabilities | 228 267 | 540 969 | 49 630 | 117 225 |
| Equity | 1 894 356 | 2 183 177 | 411 870 | 473 082 |
| Share capital | 100 739 | 100 655 | 21 903 | 21 811 |

** adjusted*

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

- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by the National Bank of Poland. The corresponding exchange rates were: 4.5775 PLN/EUR for the period between 1 January and 31 December 2021, and 4.4742 PLN/EUR for the period between 1 January and 31 December 2020 respectively,
- Assets and liabilities listed in the consolidated 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: 4.6329 PLN/EUR on 30 September 2021 and 4.6148 PLN/EUR on 31 December 2020 respectively.

# Validation of published projections

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

## Table of contents

# Primary financial data of the CD PROJEKT Group

# 1

# Consolidated profit and loss account

| | Note | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020* |
|---|---|---|---|
| **Sales revenues** | | **888 172** | **2 138 875** |
| Revenues from sales of products | 1 | 691 564 | 1 839 932 |
| Revenues from sales of services | 1 | 5 865 | 2 242 |
| Revenues from sales of goods and materials | 1 | 190 743 | 296 701 |
| **Cost of products, services, goods and materials sold** | | **250 234** | **491 364** |
| Cost of products and services sold | 2 | 107 391 | 256 105 |
| Cost of goods and materials sold | 2 | 142 843 | 235 259 |
| **Gross profit (loss) from sales** | | **637 938** | **1 647 511** |
| Selling costs | 2 | 299 225 | 408 016 |
| General and administrative costs | 2 | 71 949 | 66 435 |
| Other operating revenues | 1,3 | 17 376 | 8 535 |
| Other operating expenses | 3 | 51 231 | 24 421 |
| (Impairment)/reversal of impairment of financial instruments | | (6) | (97) |
| **Operating profit (loss)** | | **232 903** | **1 157 077** |
| Financial revenues | 1,4 | 9 523 | 17 081 |
| Financial expenses | 4 | 23 318 | 9 209 |
| **Profit (loss) before tax** | | **219 108** | **1 164 949** |
| Income tax | 5 | 10 200 | 14 801 |
| **Net profit (loss)** | | **208 908** | **1 150 148** |
| Net profit (loss) attributable to equity holders of parent entity | | 208 908 | 1 150 148 |
| **Net earnings per share (in PLN)** | | | |
| Basic for the reporting period | 7 | 2.07 | 11.92 |
| Diluted for the reporting period | 7 | 2.07 | 11.45 |

** adjusted*

# Consolidated statement of comprehensive income

| | Note | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020* |
|---|---|---|---|
| **Net profit/(loss)** | | **208 908** | **1 150 148** |
| **Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria** | **9** | **4 842** | **635** |
| Exchange rate differences from valuation of foreign entities | | 500 | 193 |
| Estimation of financial instruments at fair value through other comprehensive income, adjusted for tax effects | | 4 342 | 442 |
| **Other comprehensive income which will not be entered as profit (loss)** | **9** | **-** | **-** |
| **Total comprehensive income** | | **213 750** | **1 150 783** |
| Total comprehensive income attributable to minority interests | | - | - |
| **Total comprehensive income attributable to equity holders of CD PROJEKT S.A.** | | **213 750** | **1 150 783** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

# Consolidated statement of financial position

| | Note | 31.12.2021 | 31.12.2020* |
|---|---|---|---|
| **FIXED ASSETS** | | **905 846** | **759 999** |
| Property, plant and equipment | 10 | 115 234 | 105 349 |
| Intangibles | 11 | 58 393 | 59 790 |
| Expenditures on development projects | 11 | 350 195 | 406 798 |
| Investment properties | 13 | 48 988 | 48 841 |
| Goodwill | 11,12 | 56 438 | 56 438 |
| Shares in subsidiaries excluded from consolidation | 14 | 38 520 | 8 195 |
| Deferrals | 19 | 11 434 | 11 676 |
| Other financial assets | 15,36 | 178 540 | 51 588 |
| Deferred income tax assets | 5 | 47 418 | 11 003 |
| Other receivables | 18,36 | 686 | 321 |
| **WORKING ASSETS** | | **1 252 889** | **2 130 300** |
| Inventories | 16 | 15 886 | 6 957 |
| Trade receivables | 17,36 | 125 293 | 1 205 603 |
| Current income tax receivables | | 98 | - |
| Other receivables | 18 | 113 498 | 70 210 |
| Deferrals | 19 | 13 763 | 13 383 |
| Other financial assets | 15,36 | 307 765 | 106 444 |
| Bank deposits (maturity beyond 3 months) | 36 | 265 000 | 164 368 |
| Cash and cash equivalents | 20,36 | 411 586 | 563 335 |
| **TOTAL ASSETS** | | **2 158 735** | **2 890 299** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

| | Note | 31.12.2021 | 31.12.2020* |
|---|---|---|---|
| **EQUITY** | | **1 894 356** | **2 183 177** |
| **Parent entity shareholders' equity** | | **1 894 356** | **2 183 177** |
| Share capital | 21 | 100 739 | 100 655 |
| Supplementary capital | 22 | 1 425 647 | 774 851 |
| Supplementary capital from sale of shares above nominal value | 22 | 115 909 | 113 844 |
| Other reserve capital | 22 | 47 994 | 45 547 |
| Exchange rate differences | | 1 591 | 1 091 |
| Retained earnings | 23 | (6 432) | (2 959) |
| Net profit (loss) for the reporting period | | 208 908 | 1 150 148 |
| **Minority interest equity** | 24 | - | - |
| **LONG-TERM LIABILITIES** | | **36 112** | **166 153** |
| Other financial liabilities | 26,32,36 | 21 080 | 16 006 |
| Other liabilities | 27 | 2 860 | 3 173 |
| Deferred revenues | 33 | 6 424 | 963 |
| Provisions for employee benefits and similar liabilities | 34 | 380 | 398 |
| Other provisions | 35 | 5 368 | 145 613 |
| **SHORT-TERM LIABILITIES** | | **228 267** | **540 969** |
| Other financial liabilities | 26,32,36 | 25 802 | 2 933 |
| Trade liabilities | 28,36 | 53 380 | 115 444 |
| Current income tax liabilities | | 24 446 | 1 742 |
| Other liabilities | 29 | 10 042 | 33 134 |
| Deferred revenues | 33 | 31 548 | 47 758 |
| Provisions for employee benefits and similar liabilities | 34 | 7 | 4 |
| Other provisions | 35 | 83 042 | 339 954 |
| **TOTAL EQUITY AND LIABILITIES** | | **2 158 735** | **2 890 299** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

# Statement of changes in consolidated equity

| | Share capital | Supplementary capital | Supplementary capital from sale of shares above nominal value | Own shares | Other reserve capital | Exchange rate differences | Retained earnings | Net profit (loss) for the reporting period | Parent entity shareholders' equity | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **01.01.2021 – 31.12.2021** | | | | | | | | | | |
| **Equity as of 01.01.2021** | **100 655** | **774 851** | **113 844** | **-** | **45 547** | **1 091** | **1 151 368** | **-** | **2 187 356** | **2 187 356** |
| Rectification of errors | - | - | - | - | - | - | (4 179) | - | (4 179) | (4 179) |
| **Adjusted equity** | 100 655 | 774 851 | 113 844 | - | 45 547 | 1 091 | 1 147 189 | - | 2 183 177 | 2 183 177 |
| Cost of incentive program | - | - | - | - | (1 026) | - | - | - | (1 026) | (1 026) |
| Payment in own shares | 84 | 869 | 2 065 | - | (869) | - | - | - | 2 149 | 2 149 |
| Dividend payment | - | - | - | - | - | - | (503 694) | - | (503 694) | (503 694) |
| Allocation of net profit/ coverage of losses | - | 649 927 | - | - | - | - | (649 927) | - | - | - |
| Total comprehensive income | - | - | - | - | 4 342 | 500 | - | 208 908 | 213 750 | 213 750 |
| **Equity as of 31.12.2021** | **100 739** | **1 425 647** | **115 909** | **-** | **47 994** | **1 591** | **(6 432)** | **208 908** | **1 894 356** | **1 894 356** |

The Group has rectified its calculation of deferred tax assets for 31 December 2020, reclassifying some of the negative temporary differences from the 19% tax rate category to the 5% tax rate category. This resulted in a decrease in Equity by 4 179 thousand PLN.

(all figures quoted in PLN thousands unless indicated otherwise)

| | Share capital | Supplementary capital | Supplementary capital from sale of shares above nominal value | Own shares | Other reserve capital | Exchange rate differences | Retained earnings | Net profit (loss) for the reporting period | Parent entity shareholders' equity | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **01.01.2020 – 31.12.2020*** | | | | | | | | | | |
| **Equity as of 01.01.2020** | **96 120** | **777 090** | **3 861** | **-** | **54 657** | **898** | **173 025** | **-** | **1 105 651** | **1 105 651** |
| Cost of incentive program | - | - | - | - | 14 877 | - | - | - | 14 877 | 14 877 |
| Dissolution of reserve capital from past years created to finance purchase of own shares | - | 549 | - | - | (549) | - | - | - | - | - |
| Creation of reserve capital to finance purchase of own shares | - | (250 000) | - | - | 250 000 | - | - | - | - | - |
| Purchase of own shares in the implementation of the incentive program | - | 214 259 | - | (214 259) | (214 259) | - | - | - | (214 259) | (214 259) |
| Payment in own shares | 4 535 | (143 031) | 109 983 | 214 259 | (59 621) | - | - | - | 126 125 | 126 125 |
| Allocation of net profit/ coverage of losses | - | 175 984 | - | - | - | - | (175 984) | - | - | - |
| Total comprehensive income | - | - | - | - | 442 | 193 | - | 1 150 148 | 1 150 783 | 1 150 783 |
| **Equity as of 31.12.2020** | **100 655** | **774 851** | **113 844** | **-** | **45 547** | **1 091** | **(2 959)** | **1 150 148** | **2 183 177** | **2 183 177** |

** adjusted*

The Group adjusted the presentation of the effect of the vesting of its incentive program for 2012-2015. As a result of this change, the "Other reserve capital" line item was adjusted downward by 3 861 thousand PLN, while the "Supplementary capital from sale of shares above nominal value" was adjusted upward by the same amount.

(all figures quoted in PLN thousands unless indicated otherwise)

# Consolidated statement of cash flows

| | Note | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Net profit (loss)** | | **208 908** | **1 150 148** |
| **Total adjustments:** | **48** | **766 750** | **(460 131)** |
| Depreciation of PP&E, intangibles, expenditures on development projects and investment properties | | 17 764 | 13 559 |
| Depreciation of expenditures on development projects recognized as cost of products and services sold | | 86 965 | 254 105 |
| Profit (loss) from exchange rate differences | | (15 047) | 2 220 |
| Interest and profit sharing | | (228) | (7 188) |
| Profit (loss) from investment activities | | 55 282 | (5 440) |
| Change in provisions | | (311 449) | 366 499 |
| Change in inventories | | (8 929) | 5 905 |
| Change in receivables | | 1 036 886 | (1 083 890) |
| Change in liabilities excluding credits and loans | | (85 023) | 77 319 |
| Change in other assets and liabilities | | (11 127) | (100 033) |
| Other adjustments | | 1 656 | 16 813 |
| **Cash flows from operating activities** | | **975 658** | **690 017** |
| Income tax on pre-tax profit (loss) | | 4 337 | 1 039 |
| Withholding tax paid abroad | | 5 863 | 13 762 |
| Income tax (paid)/reimbursed | | (18 033) | 6 890 |
| **Net cash flows from operating activities** | | **967 825** | **711 708** |
| **INVESTMENT ACTIVITIES** | | | |
| **Inflows** | | **257 135** | **823 545** |
| Sales of PP&E and intangibles | | 241 | 22 |
| Sales of shares in subsidiary | | 19 | - |
| Closing bank deposits (maturity beyond 3 months) | | 164 368 | 754 581 |
| Maturation of bonds | | 82 715 | 59 426 |
| Interest on bonds received | | 1 703 | 115 |
| Inflows from settlement of forward contracts | | 7 887 | 1 801 |
| Other inflows from investment activities | | 202 | 7 600 |
| **Outflows** | | **870 930** | **929 931** |
| Purchases of intangibles and PP&E | | 27 969 | 18 516 |
| Expenditures on development projects | | 155 401 | 203 076 |
| Purchase of investment properties and activation of costs | | 2 085 | 8 336 |
| Loans granted | | 4 340 | 4 500 |
| Acquisition of subsidiary | | 19 306 | - |
| Purchase of bonds and the associated purchase fees | | 396 829 | 209 441 |
| Opening bank deposits (maturity beyond 3 months) | | 265 000 | 486 054 |
| Other outflows from investment activities | | - | 8 |
| **Net cash flows from investment activities** | | **(613 795)** | **(106 386)** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

| | Note | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|---|
| **FINANCIAL ACTIVITIES** | | | |
| **Inflows** | | **2 189** | **126 124** |
| Net inflows from sale and issue of shares in the exercise of rights assigned under the incentive program | | 2 149 | 126 124 |
| Collection of receivables arising from financial lease agreements | | 40 | - |
| **Outflows** | | **507 968** | **217 517** |
| Purchase of own shares in the exercise of entitlements assigned under the incentive program | | - | 214 259 |
| Dividends and other payments to equity holders | | 503 694 | - |
| Payment of liabilities arising from lease agreements | | 3 733 | 2 857 |
| Interest payments | | 541 | 401 |
| **Net cash flows from financial activities** | | **(505 779)** | **(91 393)** |
| **Total net cash flows** | | **(151 749)** | **513 929** |
| **Balance of changes in cash and cash equivalents** | | **(151 749)** | **513 929** |
| **Cash and cash equivalents at beginning of period** | | **563 335** | **49 406** |
| **Cash and cash equivalents at end of period** | | **411 586** | **563 335** |

(all figures quoted in PLN thousands unless indicated otherwise)

CD PROJEKT

# Clarifications regarding the consolidated financial statement

# 2

# General information

| | |
|---|---|
| Name of reporting entity: | CD PROJEKT S.A.<br>(no changes in the name of the reporting entity occurred since the close of the previous reporting period) |
| Legal status: | Joint-stock company |
| Headquarters: | Jagiellońska 74, 03-301 Warsaw |
| Country of registration: | Poland |
| Principal scope of activity: | CD PROJEKT S.A. is the holding company of the CD PROJEKT Group which conducts its operations in two activity segments: CD PROJEKT RED and GOG.COM |
| Keeper of records: | District Court for the City of Warsaw in Warsaw – Poland; 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 Group: | Indefinite |
| Name of parent entity: | CD PROJEKT S.A. |
| Name of ultimate parent entity of the Group | CD PROJEKT S.A. |

# Consolidation principles

## Entities subject to consolidation

| | capital share | voting share | consolidation method |
|---|---|---|---|
| **CD PROJEKT S.A.** | parent entity | - | - |
| **GOG sp. z o.o.** | 100% | 100% | full |
| **CD PROJEKT Inc.** | 100% | 100% | full |
| **CD PROJEKT Co., Ltd. (in liquidation)** | 100% | 100% | excluded from consolidation |
| **Spokko sp. z o.o.** | 74% | 74% | excluded from consolidation |
| **CD PROJEKT RED STORE sp. z o.o.** | 100% | 100% | full |
| **CD PROJEKT RED Vancouver Studio Ltd.** | 100% | 100% | excluded from consolidation |
| **The Molasses Flood LLC** | 60% | 60% | excluded from consolidation |

Four companies were excluded from consolidation since they failed to meet the materiality criterion. In accordance with the accounting policies in force within the Group, the parent entity may elect to exclude certain subsidiaries from consolidation as long as each of these subsidiaries:

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

(all figures quoted in PLN thousands unless indicated otherwise)

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

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

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

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

## Subsidiaries

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

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

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

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

# Changes in accounting practices

The accounting practices applied in preparing this consolidated financial statement, the Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Group for 2020, except for changes in accounting policies and presentation-related adjustments described in the section titled "Comparability of financial statements, changes in accounting policies and changes in estimates".

# Assumption of going concern

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

As of the date of signing this statement, the Management Board of the parent 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 consolidated financial statement covering the period between 1 January and 31 December 2021 the Management Board of the parent Company 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.

# Compliance with International Financial Reporting Standards

The Group's consolidated 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 2021.

## Changes in standards or interpretations in force, applied by the Group starting in 2021

In preparing its consolidated financial statement for 2021 the Group applied the same accounting standards as in its consolidated financial statement for 2020 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 2021:

- Amendments to ***MSSF 4*** *Insurance contracts* – postpones application of *IFRS 9 Financial instruments* until 1 January 2021, i.e. until *IFRS 17 Insurance contracts* comes into force.

- Amendments to ***IFRS 16*** *Leases* – in force since 1 April 2021 and applicable to reporting periods beginning or on after 1 January 2021.

  The change introduces a practical expedient which permits the entity to forgo assessing whether changes in future flows resulting from rent concessions granted by lessors and meeting certain criteria expressed in the standard constitute a "lease modification" under IFRS 16. The following conditions must be met in order for a concession to be eligible for this status:

  - the total revised consideration for the lease following the concession must be substantially the same or lower than prior to granting the concession,
  - the concession must apply to payments which were due on or before 30 June 2021 (although subsequent increases may fall beyond that date),
  - there is no substantive change to other terms and conditions of the lease.

- Amendments to ***IFRS 9***, ***IAS 39***, ***IFRS 7***, ***IFRS 4***, ***IFRS 16*** – applicable to reporting periods beginning on or after 1 January 2021
  - In the case of estimation at amortized cost, changes in estimated flows resulting directly from the IBOR reform are treated in the same way as changes in variable interest rates, i.e. without affecting the P&L statement,
  - There is no need to discontinue hedge accounting if the only change results from the IBOR reforms and all other hedge accounting criteria are met; the change concerns the recognition of alternative benchmark rates in hedge accounting;
  - The issuer is obligated to disclose any risks arising due to the reform, along with details of its process of transitioning to alternative benchmark rates.

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

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

The Management Board has carried out an analysis of the effect of new standards upon future financial statements. In approving this financial statement the Group did not apply the following standards, amendments and interpretations which have been published and approved by the UE but have not yet entered into force:

- Amendments to ***IAS 1*** and *Practice Statement 2*: *Disclosure of accounting policies* (published on 12 February 2021) – approved on 3 March 2022 and applicable to reporting periods beginning on or after 1 January 2023,
- Amendments to ***IAS 8*** *Accounting policies, changes in accounting estimates and errors* – approved on 3 March 2022 and applicable to reporting periods beginning on or after 1 January 2023,
- ***MSSF 17*** *Insurance contracts* – approved on 23 November 2021 and applicable to reporting periods beginning on or after 1 January 2023,
- Amendments to ***IFRS 3*** *Business combinations*, ***IAS 16*** *Property, plant and equipment*, ***IAS 37*** *Provisions, contingent liabilities and contingent assets*, and amendments to *IFRS 1*, *IFRS 9*, *IFRS 16* and *IAS 41* introduced in the annual IFRS improvement cycle (2018-2020) – approved on 31 August 2021 and applicable to reporting periods beginning on or after 1 January 2022.

The Group does not anticipate a significant effect of these changes upon the Group's accounting practices as relates to the Group's activities or its financial result.

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

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

- Amendments to ***IAS 1*** *Presentation of financial statements: classification of liabilities as current or non-current* - applicable to reporting periods beginning on or after 1 January 2023,
- Amendments to ***IAS 12*** *Income taxes: deferred tax related to assets and liabilities arising from a single transaction* - applicable to reporting periods beginning on or after 1 January 2023,
- ***IFRS 14*** *Regulatory deferral accounts* – published on 30 January 2014 and applicable to annual reporting periods beginning on or after 1 January 2016. The European Commission has decided to withhold approval of this temporary standard for use in the UE until the final version of the standard is published. The standard had not been approved by the UE by the date of publication of this financial statement.
- ***MSSF 17*** *Insurance contracts* – initial application of *IFRS 17* and *IFRS 9* - applicable to reporting periods beginning on or after 1 January 2023,
- 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) – the EU has suspended work on approving these amendments indefinitely, and their date of entry into force has been postponed indefinitely by the International Accounting Standards Board,

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

# Description of applicable accounting practices

## Operating revenues and expenses

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

The Group recognizes revenues by applying the so-called Five Step Model described in IFRS 15. Revenues only cover amounts received or receivable by the Group, equivalent to the transaction prices payable to the Group following (or during) discharge of its liability to transfer the contractually pledged goods or services (i.e. asset) to the client. The transaction price is defined as the remuneration which the Group 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 Group'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 Group 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, along with 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 Group 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 (tax base) for 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 Group's taxable or accounting revenues.

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

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

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

## Value added tax

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

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

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

## 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 Group reports expenses associated with development of videogames as expenditures on development projects. Videogame development expenses incurred prior to the commencement of sales or application of new solutions are recognized as development projects in progress. Once development has completed and the relevant costs are recognized, said expenses are transferred to the Development projects completed line item. In the case of projects for which a reliable estimate of sales volume and budget can be provided, the Group 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 consolidated financial statement, the Group regards The Witcher trademark and the CD PROJEKT brand name as its intangible assets. The value of trademarks is calculated using the Relief from Royalty method, which is one of the basic valuation methods for trademarks and other intangible assets in the context of business combinations, in line with *IFRS 3 Business combinations*. 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 Group 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 Group member companies perform an inventory of the net value of all of their 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 any member company of the Group.

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 Group represents the usufruct of such leases, in accordance with its nature, as either Investment properties or Property, Plant and Equipment.

## Lease agreements

The Group, 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 Group 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 Group 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 Group 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 Group 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 Group 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.

## Shares and investments in subsidiaries excluded from consolidation

Shares and investments in subsidiaries excluded from consolidation 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 Group assigns each of its financial assets into one of four categories, depending on the Group's business model related to management of financial assets and the specific nature of contractual cash flows associated therewith:

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

Each financial asset is assigned to one of the above categories on initial recognition. This assignment may change only if the associated business model changes. 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 Group has adopted a rule stating that the sale of a financial asset prior to its maturity does not, in itself, cause the underlying business model to shift from holding assets to collect contractual cash flows to holding assets to collect contractual cash flows and potentially sell the assets or to holding assets for other purposes.

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

Credit risk associated with assets which constitute financial instruments is estimated by the Group 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 Group monitors changes in credit risk associated with each financial asset since its initial recognition, and assigns each financial asset to one of three stages: 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 Group member companies classify each of their financial liabilities as:

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

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

# Inventories

The initial value (cost) of an inventory is the sum of all costs (related to purchase, production etc.) incurred in bringing the inventory to its current level and location. The cost of inventories is defined as the original purchase price increased by import duties and other taxes (which cannot be recovered from tax authorities), transport, loading and unloading costs, and any other costs associated with construction of inventories, and reduced by any discounts, rebates and similar deductions. Inventories are valued at initial cost (purchase price or production cost) or at their 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 Group recognizes as deferred revenues those revenues which corresponds to future reporting periods, at the moment these revenues are realized.

In the CD PROJEKT RED segment 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, advance payments for goods received from suppliers, and settlements carried out over time in relation to subsidies.

In the GOG.COM segment future period sales represent the value of customer preorders of games scheduled for release in future reporting periods as well as deferrals involving customers of the online store in the framework of the so-called GOG Wallet.

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

Group member companies recognize as prepaid expenses costs borne upfront, associated – in whole or in part – with future reporting periods.

In the GOG.COM segment GOG sp. z o.o. purchases distribution licenses, which are initially regarded as prepaid expenses. This initial recognition applies to the so-called minimum guarantees: payments contractually remitted to copyright holders upon conclusion of a contract. Minimum guarantees are aggregated with cost of goods sold following commencement of sales; thus, costs related to minimum guarantees correlate with sales revenues.

# 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 Group member 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 given Group member company is a party.

Share capital is reported at nominal value, in the amount consistent with the parent Company's 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 Group member company faces a liability (whether legal or customary) resulting from past events, it is likely that discharging said liability will reduce the Group's economic advantage and the liability can be reliably estimated. No provisions are made for future operating losses.

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

# Employee benefits

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

On 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 parent Company selected a number of persons who, assuming these profit and marketing goals are met, are rewarded with subscription warrants entitling them to acquire parent Company shares by way of a conditional increase in the parent 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 Group's equity less any applicable liabilities.

# Licenses

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

# Dividend payments

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

# Functional currency and presentation currency

## Functional currency and presentation currency

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

## Transactions and balances

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

# Important values based on professional judgment and estimates

## Professional judgment

The Management Board of the parent Company has performed an analysis of the feasibility of attaining the result goal as defined for the entire duration of the 2020-2025 incentive program, and has consequently revised its projections, declaring that the most likely outcome is that the result goal for the duration of the program cannot be attained.

## 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 2021. No impairment of any of the aforementioned assets or goodwill was identified. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2021. 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 | 2022-2025 (4 years) | 2022-2025 (4 years) |
| Weighted Average Cost of Capital (WACC) | 11.92% | 8.52% |
| Residual value growth rate (g) | 4% | 3% |

### 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.

(all figures quoted in PLN thousands unless indicated otherwise)

The Group 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 Group's financial result are computed using the recursion principle – the value of provisions decreases the result upon which such provisions are computed.

The Group 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

Group member companies recognize 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

Group member companies recognize 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 Group member companies apply their professional judgment.

### Depreciation rates

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

# Comparability of financial statements, 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 Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Group for 2020, except for changes in accounting policies and presentation-related adjustments described below.

## Presentation changes

This consolidated financial statement for the period between 1 January and 31 December 2021 includes changes in the presentation of certain financial data and rectification of errors. In order to ensure comparability of financial data, adjustments were also introduced with respect to reference data for 31 December 2020. The following adjustments were made:

- The Group rectified its calculation of deferred income tax assets as of 31 December 2020 by reassigning some of the negative temporary differences from the 19% tax rate category to the 5% tax rate category. This resulted in the following changes:
    - Deferred income tax assets – adjusted by (4 179) thousand PLN
    - Financial result for the current period – adjusted by (4 179) thousand PLN.

  This change resulted in a reduction in equity by 4 179 thousand PLN.

# Supplementary information – CD PROJEKT Group activity segments

# 3

# Activity segments

## Presentation of results by activity segment

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

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

No changes in the differentiation of activity segments or in the assessment of per-segment profit or loss occurred in comparison with the Group's financial statement for the year ending on 31 December 2020.

There are no differences in the assessment of assets, liabilities, profits and losses for each segment separately and for the Group as a whole.

## Activity segments

In 2021 the Group carried out its activities in two activity segments:

- CD PROJEKT RED,
- GOG.COM.

### CD PROJEKT RED

#### Target and scope of business activity

The CD PROJEKT RED Studio carries out its activities in the framework of CD PROJEKT S.A. (domestic holding company of the CD PROJEKT Group), CD PROJEKT Inc. (USA), CD PROJEKT RED Vancouver Studio Ltd. (Canada) and CD PROJEKT RED STORE sp. z o.o. (online merch store).

This activity bases upon brands held by the Company: The Witcher and Cyberpunk. It entails development and publishing videogames, licensing the associated distribution rights, coordinating promotional activities and manufacturing, distributing or licensing tie-in products which exploit the appeal of the Company's brands.

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

Since 2019 the Group also operates an online merch store for fans of CD PROJEKT RED videogames, available at gear.cdprojektred.com.

### GOG.COM

#### Target and scope of business activity

The GOG.COM platform was launched in August 2008. Its initial mission was to revitalize major PC cult classics and offer them for sale to international customers with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia. In 2021 the platform was offered in English, French, German, Russian, Chinese and Polish – this includes full game localizations as well as dedicated customer support and integration with locally popular payment channels, accepting payments in thirteen currencies. GOG.COM also carries releases for the macOS and Linux operating systems.

GOG.COM activities focus on digital distribution of videogames via the Company's proprietary GOG.COM distribution platform and the GOG GALAXY application. The platform enables customers to purchase games, remit payment and download game files to their personal devices, while the GOG GALAXY application provides – among others – automatic updates, cloud saves, online and cross-play features. It is also responsible for the online features of GWENT, as well as for processing in-game sales and payments within the PC edition of the game.

## Disclosure of activity segments

| | Continuing operations | | Consolidation eliminations | Total (continuing operations) |
|---|---|---|---|---|
| | CD PROJEKT RED | GOG.COM | | |
| **01.01.2021 – 31.12.2021** | | | | |
| **Sales revenues** | **701 739** | **199 983** | **(13 550)** | **888 172** |
| sales to external clients | 688 485 | 199 687 | - | 888 172 |
| sales between segments | 13 254 | 296 | (13 550) | - |
| **Segment net profit (loss)** | **238 678** | **(29 791)** | **21** | **208 908** |

| | Continuing operations | | Consolidation eliminations | Total (continuing operations) |
|---|---|---|---|---|
| | CD PROJEKT RED | GOG.COM | | |
| **01.01.2020 – 31.12.2020*** | | | | |
| **Sales revenues** | **1 895 913** | **343 748** | **(100 786)** | **2 138 875** |
| sales to external clients | 1 795 313 | 343 562 | - | 2 138 875 |
| sales between segments | 100 600 | 186 | (100 786) | - |
| **Segment net profit (loss)** | **1 129 450** | **20 655** | **43** | **1 150 148** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

# Segmented consolidated profit and loss account for the period between 01.01.2021 and 31.12.2021

| | CD PROJEKT RED | GOG.COM | Consolidation eliminations | Total |
|---|---|---|---|---|
| **Sales revenues** | **701 739** | **199 983** | **(13 550)** | **888 172** |
| Revenues from sales of products | 678 507 | 8 264 | 4 793 | 691 564 |
| Revenues from sales of services | 8 103 | 286 | (2 524) | 5 865 |
| Revenues from sales of goods and materials | 15 129 | 191 433 | (15 819) | 190 743 |
| **Cost of products, services, goods and materials sold** | **118 547** | **144 458** | **(12 771)** | **250 234** |
| Cost of products and services sold | 104 933 | 4 236 | (1 778) | 107 391 |
| Cost of goods and materials sold | 13 614 | 140 222 | (10 993) | 142 843 |
| **Gross profit (loss) from sales** | **583 192** | **55 525** | **(779)** | **637 938** |
| Selling costs | 239 160 | 60 382 | (317) | 299 225 |
| General and administrative costs | 65 413 | 6 735 | (199) | 71 949 |
| Other operating revenues | 18 999 | 1 640 | (3 263) | 17 376 |
| Other operating expenses | 34 065 | 20 609 | (3 443) | 51 231 |
| (Impairment)/reversal of impairment of financial instruments | (6) | - | - | (6) |
| **Operating profit (loss)** | **263 547** | **(30 561)** | **(83)** | **232 903** |
| Financial revenues | 3 831 | 5 692 | - | 9 523 |
| Financial expenses | 15 036 | 8 380 | (98) | 23 318 |
| **Profit (loss) before taxation** | **252 342** | **(33 249)** | **15** | **219 108** |
| Income tax | 13 664 | (3 458) | (6) | 10 200 |
| **Net profit (loss)** | **238 678** | **(29 791)** | **21** | **208 908** |
| Net profit (loss) attributable to equity holders of parent entity | 238 678 | (29 791) | 21 | 208 908 |

(all figures quoted in PLN thousands unless indicated otherwise)

## Segmented consolidated profit and loss account for the period between 01.01.2020 and 31.12.2020*

| | CD PROJEKT RED | GOG.COM | Consolidation eliminations | Total |
|---|---|---|---|---|
| **Sales revenues** | **1 895 913** | **343 748** | **(100 786)** | **2 138 875** |
| Revenues from sales of products | 1 786 145 | 12 937 | 40 850 | 1 839 932 |
| Revenues from sales of services | 5 251 | 132 | (3 141) | 2 242 |
| Revenues from sales of goods and materials | 104 517 | 330 679 | (138 495) | 296 701 |
| **Cost of products, services, goods and materials sold** | **347 436** | **243 653** | **(99 725)** | **491 364** |
| Cost of products and services sold | 252 340 | 5 963 | (2 198) | 256 105 |
| Cost of goods and materials sold | 95 096 | 237 690 | (97 527) | 235 259 |
| **Gross profit (loss) from sales** | **1 548 477** | **100 095** | **(1 061)** | **1 647 511** |
| Selling costs | 341 633 | 67 344 | (961) | 408 016 |
| General and administrative costs | 59 426 | 7 195 | (186) | 66 435 |
| Other operating revenues | 8 835 | 1 469 | (1 769) | 8 535 |
| Other operating expenses | 25 243 | 813 | (1 635) | 24 421 |
| (Impairment)/reversal of impairment of financial instruments | (97) | - | - | (97) |
| **Operating profit (loss)** | **1 130 913** | **26 212** | **(48)** | **1 157 077** |
| Financial revenues | 15 912 | 1 169 | - | 17 081 |
| Financial expenses | 6 278 | 3 032 | (101) | 9 209 |
| **Profit (loss) before taxation** | **1 140 547** | **24 349** | **53** | **1 164 949** |
| Income tax | 11 097 | 3 694 | 10 | 14 801 |
| **Net profit (loss)** | **1 129 450** | **20 655** | **43** | **1 150 148** |
| Net profit (loss) attributable to equity holders of parent entity | 1 129 450 | 20 655 | 43 | 1 150 148 |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

## Segmented consolidated statement of financial position as of 31.12.2021

| | CD PROJEKT RED | GOG.COM | Consolidation eliminations | Total |
|---|---|---|---|---|
| **FIXED ASSETS** | **906 304** | **17 860** | **(18 318)** | **905 846** |
| Property, plant and equipment | 100 882 | 5 316 | 9 036 | 115 234 |
| Intangibles | 58 382 | 11 | - | 58 393 |
| Expenditures on development projects | 347 802 | 2 318 | 75 | 350 195 |
| Investment properties | 61 436 | - | (12 448) | 48 988 |
| Goodwill | 56 438 | - | - | 56 438 |
| Investments in subsidiaries | 14 978 | - | (14 978) | - |
| Shares in subsidiaries excluded from consolidation | 38 520 | - | - | 38 520 |
| Deferrals | 4 741 | 6 693 | - | 11 434 |
| Other financial assets | 178 540 | - | - | 178 540 |
| Deferred income tax assets | 43 899 | 3 522 | (3) | 47 418 |
| Other receivables | 686 | - | - | 686 |
| **WORKING ASSETS** | **1 177 941** | **78 794** | **(3 846)** | **1 252 889** |
| Inventories | 15 886 | - | - | 15 886 |
| Trade receivables | 123 605 | 3 875 | (2 187) | 125 293 |
| Current income tax receivables | 98 | - | - | 98 |
| Other receivables | 113 724 | 1 433 | (1 659) | 113 498 |
| Deferrals | 4 154 | 9 609 | - | 13 763 |
| Other financial assets | 307 765 | - | - | 307 765 |
| Bank deposits (maturity beyond 3 months) | 265 000 | - | - | 265 000 |
| Cash and cash equivalents | 347 709 | 63 877 | - | 411 586 |
| **TOTAL ASSETS** | **2 084 245** | **96 654** | **(22 164)** | **2 158 735** |

(all figures quoted in PLN thousands unless indicated otherwise)

| | CD PROJEKT RED | GOG.COM | Consolidation eliminations | Total |
|---|---|---|---|---|
| **EQUITY** | **1 875 936** | **33 352** | **(14 932)** | **1 894 356** |
| **Equity attributable to shareholders of the parent entity** | **1 875 936** | **33 352** | **(14 932)** | **1 894 356** |
| Share capital | 100 739 | 136 | (136) | 100 739 |
| Supplementary capital | 1 368 366 | 62 796 | (5 515) | 1 425 647 |
| Supplementary capital from sale of shares above nominal value | 115 909 | - | - | 115 909 |
| Other reserve capital | 49 007 | 276 | (1 289) | 47 994 |
| Exchange rate differences | 642 | (65) | 1 014 | 1 591 |
| Retained earnings | 2 595 | - | (9 027) | (6 432) |
| Net profit (loss) for the reporting period | 238 678 | (29 791) | 21 | 208 908 |
| **Noncontrolling interest equity** | **-** | **-** | **-** | **-** |
| **LONG-TERM LIABILITIES** | **36 079** | **2 691** | **(2 658)** | **36 112** |
| Other financial liabilities | 21 080 | 2 658 | (2 658) | 21 080 |
| Other liabilities | 2 860 | - | - | 2 860 |
| Deferred revenues | 6 403 | 21 | - | 6 424 |
| Provisions for employee benefits and similar liabilities | 368 | 12 | - | 380 |
| Other provisions | 5 368 | - | - | 5 368 |
| **SHORT-TERM LIABILITIES** | **172 230** | **60 611** | **(4 574)** | **228 267** |
| Other financial liabilities | 25 661 | 869 | (728) | 25 802 |
| Trade liabilities | 15 703 | 39 787 | (2 110) | 53 380 |
| Current income tax liabilities | 24 445 | 1 | - | 24 446 |
| Other liabilities | 4 134 | 7 567 | (1 659) | 10 042 |
| Deferred revenues | 26 072 | 5 476 | - | 31 548 |
| Provisions for retirement benefits and similar liabilities | 6 | 1 | - | 7 |
| Other provisions | 76 209 | 6 910 | (77) | 83 042 |
| **TOTAL EQUITY AND LIABILITIES** | **2 084 245** | **96 654** | **(22 164)** | **2 158 735** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Segmented consolidated statement of financial position as of 31.12.2020*

| | CD PROJEKT RED | GOG.COM | Consolidation eliminations | Total |
|---|---|---|---|---|
| **FIXED ASSETS** | **744 444** | **32 750** | **(17 195)** | **759 999** |
| Property, plant and equipment | 102 971 | 4 185 | (1 807) | 105 349 |
| Intangibles | 59 576 | 214 | - | 59 790 |
| Expenditures on development projects | 384 601 | 22 210 | (13) | 406 798 |
| Investment properties | 48 841 | - | - | 48 841 |
| Goodwill | 56 438 | - | - | 56 438 |
| Investments in subsidiaries | 15 079 | - | (15 079) | - |
| Shares in subsidiaries excluded from consolidation | 8 195 | - | - | 8 195 |
| Deferred income tax assets | 11 299 | - | (296) | 11 003 |
| Deferrals | 5 535 | 6 141 | - | 11 676 |
| Other financial assets | 51 588 | - | - | 51 588 |
| Other receivables | 321 | - | - | 321 |
| **WORKING ASSETS** | **2 012 477** | **179 990** | **(62 167)** | **2 130 300** |
| Inventories | 6 957 | - | - | 6 957 |
| Trade receivables | 1 255 595 | 10 102 | (60 094) | 1 205 603 |
| Other receivables | 50 135 | 22 148 | (2 073) | 70 210 |
| Deferrals | 3 478 | 9 905 | - | 13 383 |
| Other financial assets | 106 365 | 79 | - | 106 444 |
| Bank deposits (maturity beyond 3 months) | 164 368 | - | - | 164 368 |
| Cash and cash equivalents | 425 579 | 137 756 | - | 563 335 |
| **TOTAL ASSETS** | **2 756 921** | **212 740** | **(79 362)** | **2 890 299** |

(all figures quoted in PLN thousands unless indicated otherwise)

| | CD PROJEKT RED | GOG.COM | Consolidation eliminations | Total |
|---|---|---|---|---|
| **EQUITY** | **2 134 987** | **63 245** | **(15 055)** | **2 183 177** |
| **Equity attributable to shareholders of the parent entity** | **2 134 987** | **63 245** | **(15 055)** | **2 183 177** |
| Share capital | 100 655 | 136 | (136) | 100 655 |
| Supplementary capital | 738 225 | 42 141 | (5 515) | 774 851 |
| Supplementary capital from sale of shares above nominal value | 113 844 | - | - | 113 844 |
| Other reserve capital | 46 560 | 378 | (1 391) | 45 547 |
| Exchange rate differences | 142 | (65) | 1 014 | 1 091 |
| Retained earnings | 6 111 | - | (9 070) | (2 959) |
| Net profit (loss) for the reporting period | 1 129 450 | 20 655 | 43 | 1 150 148 |
| **Noncontrolling interest equity** | **-** | **-** | **-** | **-** |
| **LONG-TERM LIABILITIES** | **166 079** | **1 764** | **(1 690)** | **166 153** |
| Other financial liabilities | 16 006 | 1 403 | (1 403) | 16 006 |
| Other liabilities | 3 173 | - | - | 3 173 |
| Deferred income tax liabilities | - | 287 | (287) | - |
| Deferred revenues | 910 | 53 | - | 963 |
| Provisions for employee benefits and similar liabilities | 377 | 21 | - | 398 |
| Other provisions | 145 613 | - | - | 145 613 |
| **SHORT-TERM LIABILITIES** | **455 855** | **147 731** | **(62 617)** | **540 969** |
| Other financial liabilities | 2 875 | 508 | (450) | 2 933 |
| Trade liabilities | 73 633 | 101 888 | (60 077) | 115 444 |
| Current income tax liabilities | 1 384 | 358 | - | 1 742 |
| Other liabilities | 4 980 | 30 227 | (2 073) | 33 134 |
| Deferred revenues | 43 611 | 4 147 | - | 47 758 |
| Provisions for retirement benefits and similar liabilities | 3 | 1 | - | 4 |
| Other provisions | 329 369 | 10 602 | (17) | 339 954 |
| **TOTAL EQUITY AND LIABILITIES** | **2 756 921** | **212 740** | **(79 362)** | **2 890 299** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

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

# 4

# Note 1. Sales revenues

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

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **Sales revenues** | **888 172** | **2 138 875** |
| Revenues from sales of products | 691 564 | 1 839 932 |
| Revenues from sales of services | 5 865 | 2 242 |
| Revenues from sales of goods and materials | 190 743 | 296 701 |
| **Other revenues** | **26 899** | **25 616** |
| Other operating revenues | 17 376 | 8 535 |
| Financial revenues | 9 523 | 17 081 |
| **Total** | **915 071** | **2 164 491** |

## Sales revenues by territory **

| | 01.01.2021 – 31.12.2021 | | 01.01.2020 – 31.12.2020* | |
|---|---|---|---|---|
| | PLN | % | PLN | % |
| **Domestic sales** | **21 469** | **2.42%** | **79 528** | **3.72%** |
| **Exports, including:** | **866 703** | **97.58%** | **2 059 347** | **96.28%** |
| Europe | 140 264 | 15.79% | 374 300 | 17.50% |
| North America | 650 090 | 73.19% | 1 500 985 | 70.18% |
| South America | 2 894 | 0.33% | 7 028 | 0.33% |
| Asia | 66 090 | 7.44% | 137 826 | 6.44% |
| Australia | 6 837 | 0.77% | 35 965 | 1.68% |
| Africa | 528 | 0.06% | 3 243 | 0.15% |
| **Total** | **888 172** | **100%** | **2 138 875** | **100%** |

** adjusted*

*Revenues from exports reported for Europe include the Russian market which, in previous financial statements, had been aggregated with the figure reported for Asia.*

*** The presented data reflects the territories of residence of the immediate clients of Group member companies. For CD PROJEKT S.A. this means distributors, while in the scope of retail distribution carried out by GOG.COM sp. z o.o., CD PROJEKT RED STORE sp. z o.o. and CD PROJEKT Inc. – final customers.*

## Sales revenues by product type

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Own products | 691 564 | 1 839 932 |
| External products | 190 743 | 296 701 |
| Other revenues | 5 865 | 2 242 |
| **Total** | **888 172** | **2 138 875** |

(all figures quoted in PLN thousands unless indicated otherwise)

### Sales revenues by distribution channel

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Videogames – box editions | 87 222 | 163 645 |
| Videogames – digital editions | 768 202 | 1 943 240 |
| Other revenues | 32 748 | 31 990 |
| **Total** | **888 172** | **2 138 875** |

## Note 2. Operating expenses

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Depreciation of PP&E, intangibles, expenditures on development projects and investment properties, including: | 17 764 | 13 559 |
| depreciation of leased buildings | 2 094 | 1 297 |
| depreciation of leased vehicles | 246 | 268 |
| Consumption of materials and energy | 3 260 | 3 443 |
| Bought-in services, including: | 184 887 | 213 558 |
| short-term leases and leases of low-value assets | 719 | 667 |
| Taxes and fees | 1 268 | 1 391 |
| Employee compensation, social security and other benefits | 160 865 | 240 666 |
| Business travel | 570 | 424 |
| Use of company cars | 213 | 176 |
| Cost of goods and materials sold | 142 843 | 235 259 |
| Cost of products and services sold | 107 391 | 256 105 |
| Other expenses | 2 347 | 1 234 |
| **Total** | **621 408** | **965 815** |
| Selling costs | 299 225 | 408 016 |
| General and administrative costs | 71 949 | 66 435 |
| Cost of products, services, goods and materials sold | 250 234 | 491 364 |
| **Total** | **621 408** | **965 815** |

## Note 3. Other operating revenues and expenses

### Other operating revenues

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Subsidies | 7 995 | 816 |
| Revenues from lease contracts | 6 186 | 5 688 |
| Reinvoicing revenues | 1 309 | 992 |
| Other sales | 515 | 270 |
| Compensation for damages received | 480 | 169 |
| Dissolution of unused provisions for expenses | 408 | 18 |
| PP&E and goods received free of charge | 284 | 505 |
| Profit from sale of PP&E | 61 | 19 |
| Other miscellaneous operating revenues | 138 | 58 |
| **Total other operating revenues** | **17 376** | **8 535** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Other operating expenses

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Impairment allowances PP&E, intangibles and expenditures on development projects | 35 820 | - |
| Provisions for potential tax liabilities | 4 309 | - |
| Own cost of leases | 4 002 | 3 429 |
| Depreciation of investment properties | 1 788 | 1 462 |
| Provisions for uninsured portion of costs related to the legal settlement in the USA | 1 502 | - |
| Reinvoicing expenses | 1 311 | 991 |
| Disposal of materials and goods | 965 | 6 068 |
| Disposal of PP&E and intangibles | 774 | 52 |
| Donations | 445 | 2 300 |
| Liquidation of investment properties | 51 | 1 630 |
| Other selling costs | 34 | - |
| Help Me Refund campaign – refunds | 33 | 8 238 |
| Settlement of stocktaking shortages | 9 | 24 |
| Other miscellaneous operating expenses | 188 | 227 |
| **Total other operating expenses** | **51 231** | **24 421** |

Following the decision to change the underlying technology and conclusion of a licensing and partnership agreement with Epic Games International S.à r.l. CD PROJEKT S.A. gained access to multiplayer solutions available in Unreal Engine 4 and 5. Consequently, the Company abandoned further development work on adding multiplayer elements to REDEngine and reassigned the corresponding to-date expenditures (20 806 thousand PLN) from Fixed assets to Other operating expenses.

GOG.COM revised its earlier projections due to a change in expectations which do not constitute rectification of an error, concerning depreciation of existing client-centric technologies and features, which have been deemed to not support sales, recognizing 13 775 thousand PLN in Other operating expenses.

# Note 4. Financial revenues and expenses

## Financial revenues

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **Revenues from interest** | **1 550** | **7 812** |
| on bonds | 1 321 | 193 |
| on loans | 161 | 37 |
| on short-term bank deposits | 68 | 7 582 |
| **Other financial revenues** | **7 973** | **9 269** |
| settlement and assessment of derivative financial instruments | 7 962 | 9 265 |
| management Board forward contracts | 6 | - |
| other miscellaneous financial revenues | 5 | 4 |
| **Total financial revenues** | **9 523** | **17 081** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Financial expenses

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **Interest payments** | **2 797** | **659** |
| on potential budget commitments | 1 437 | - |
| on bonds | 787 | 224 |
| on lease agreements | 535 | 400 |
| on budget commitments | 38 | 35 |
| **Other financial expenses** | **20 521** | **8 550** |
| surplus negative exchange rate differences | 17 053 | 7 339 |
| impairment allowances on long-term financial assets | 1 668 | - |
| losses from maturation of bonds | 1 436 | 1 081 |
| bond purchase fees | 364 | 128 |
| other miscellaneous financial expenses | - | 2 |
| **Total financial expenses** | **23 318** | **9 209** |
| **Net balance of financial activities** | **(13 795)** | **7 872** |

# Note 5. Current and deferred income tax

The main components of the tax burden for the years ending on 31 December 2021 and 31 December 2020 respectively are as follows:

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **Current income tax** | **46 500** | **28 842** |
| For the fiscal year | 40 291 | 15 088 |
| Withholding tax paid abroad | 5 864 | 13 762 |
| Adjustments from preceding years | 345 | (8) |
| **Deferred income tax** | **(36 300)** | **(14 041)** |
| Due to creation and reversal of temporary differences | (36 300) | (14 041) |
| **Tax burden reported in profit and loss account** | **10 200** | **14 801** |

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.

(all figures quoted in PLN thousands unless indicated otherwise)

## Current income tax

| | 01.01.2021 – 31.12.2021 | | 01.01.2020 – 31.12.2020* | |
|---|---|---|---|---|
| | Income from other sources | Income from capital investments | Income from other sources | Income from capital investments |
| **Pre-tax income** | **238 510** | **(19 402)** | **1 157 658** | **7 291** |
| Revenues increasing the tax base | 9 588 | 1 606 | 13 249 | 11 722 |
| Revenues applicable to future reporting periods | 908 111 | - | (972 621) | - |
| Tax-exempt revenues | (18 357) | 5 530 | (2 776) | (7 024) |
| Expenses reducing the tax base | (14 486) | - | (518 259) | (214 259) |
| Non-deductible expenses | (76 918) | 19 983 | 467 969 | 580 |
| Profit (loss) reported by foreign entities | 812 | - | (785) | - |
| **Income taxable in Poland** | **1 047 260** | **7 717** | **144 435** | **(201 690)** |
| Deductions from income – losses | (226 106) | (7 717) | (1 674) | - |
| Deductions from income – donations | - | - | (2 200) | - |
| Deductions from income – R&D fiscal relief | (31 741) | - | (91 048) | - |
| Deductions from income – tax-exempt income | (1 405) | - | (1 707) | - |
| **Tax base, including:** | **788 008** | **-** | **47 806** | **(201 690)** |
| **Subject to 5% tax rate (profit)** | **805 825** | **-** | **265 536** | **-** |
| **Subject to 5% tax rate (loss)** | **-** | **-** | **(226 106)** | **-** |
| **Subject to 19% tax rate (profit)** | **-** | **-** | **8 376** | **282** |
| **Subject to 19% tax rate (loss)** | **(17 817)** | **-** | **-** | **(201 972)** |
| **Tax base abroad** | **-** | **-** | **-** | **-** |
| Income tax due in Poland (rate: 5%) | 40 291 | - | 13 277 | - |
| Income tax due in Poland (rate: 19%) | - | - | 1 591 | 54 |
| Income tax due abroad | - | - | 166 | - |
| **Income tax** | **40 291** | **-** | **15 034** | **54** |
| **Effective tax rate** | **4.28%** | **-** | **1.28%** | **0.74%** |

** adjusted*

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.

(all figures quoted in PLN thousands unless indicated otherwise)

## Negative temporary differences requiring recognition of deferred tax assets

| | 31.12.2020* | Differences affecting deferred tax aggregated with financial result | Differences affecting deferred tax aggregated with other comprehensive income | 31.12.2021 |
|---|---|---|---|---|
| Provisions for other employee benefits | 402 | (17) | - | 385 |
| Provisions for compensation dependent on financial result and other compensation | 199 817 | (160 274) | - | 39 543 |
| Tax loss | 227 028 | (211 895) | - | 15 133 |
| Negative exchange rate differences | 24 259 | (20 984) | - | 3 275 |
| Difference between balance sheet value and tax value of expenditures on development projects | 3 045 | 21 735 | - | 24 780 |
| Employee compensation and social security expenses payable in future reporting periods | 25 | 36 | - | 61 |
| Deferred revenues associated with adding funds to virtual wallets and participation in the additional benefits programs | 2 820 | 581 | - | 3 401 |
| Other provisions | 221 280 | (172 439) | - | 48 841 |
| R&D tax relief | 309 826 | (5 935) | - | 303 891 |
| Advances recognized as taxable income | 4 036 | (2 567) | - | 1 469 |
| Difference between net balance sheet value and net tax value of PP&E and intangibles | - | 12 | - | 12 |
| Valuation of forward contracts | - | 142 | - | 142 |
| Other sources | - | 83 | - | 83 |
| **Total negative temporary differences** | **992 538** | **(551 522)** | **-** | **441 016** |
| subject to 5% tax rate | 647 194 | (586 771) | - | 60 423 |
| subject to 19% tax rate | 345 344 | 35 249 | - | 380 593 |
| withholding tax levied abroad | - | 1 209 | - | 1 209 |
| **Deferred tax assets** | **97 976** | **(22 626)** | **-** | **75 350** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

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

| | 31.12.2020* | Differences affecting deferred tax aggregated with financial result | Differences affecting deferred tax aggregated with other comprehensive income | 31.12.2021 |
|---|---|---|---|---|
| Difference between net balance sheet value and net tax value of PP&E and intangibles | 13 314 | 1 117 | - | 14 431 |
| Income in the current period invoiced in the following period / accrued income | 1 200 377 | (1 071 120) | - | 129 257 |
| Positive exchange rate differences | 22 117 | (7 154) | - | 14 963 |
| Estimation of bonds | 610 | (65) | (545) | - |
| Estimation of forward contracts | 6 914 | (6 914) | - | - |
| Difference between net balance sheet value and net tax value of expenditures on development projects | 305 339 | (32 405) | - | 272 934 |
| Other sources | 136 | (50) | - | 86 |
| **Total positive temporary differences** | **1 548 807** | **(1 116 591)** | **(545)** | **431 671** |
| subject to 5% tax rate | 1 480 720 | (1 094 396) | - | 386 324 |
| subject to 19% tax rate | 68 087 | (22 195) | (545) | 45 347 |
| **Deferred tax liabilities** | **86 973** | **(58 937)** | **(104)** | **27 932** |

** 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 Group relied on projections regarding the tax base to which each temporary difference is likely to apply.

### Net balance of deferred tax assets/liabilities

| | 31.12.2021 | 31.12.2020* |
|---|---|---|
| Deferred tax assets | 75 350 | 97 976 |
| Deferred tax liabilities | 27 932 | 86 973 |
| **Net deferred tax assets/(liabilities)** | **47 418** | **11 003** |

** adjusted*

## Note 6. Discontinued operations

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

## Note 7. Earnings per share

Base earnings per share are calculated by dividing the net profit for the reporting period attributable to ordinary equity holders of the parent Company by a weighted average of the number of ordinary shares issued valid during the reporting period. Diluted earnings per share are calculated by dividing the net profit for the reporting period attributable to ordinary equity holders of the parent Company (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 2021 dilutive instruments comprised entitlements and subscription warrants assigned under the incentive programs and permitting certain parties to claim, in the future, shares of the parent Company. Information regarding the quantity of entitlements assigned is provided in Note 38.

(all figures quoted in PLN thousands unless indicated otherwise)

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

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020* |
|---|---|---|
| Average weighted number of shares for the purpose of calculating base earnings per share (units) | 100 717 756 | 96 461 316 |
| Average weighted number of shares for the purpose of calculating diluted earnings per share (units) | 100 763 966 | 100 465 283 |
| Net profit/ (loss) for the purpose of calculating diluted earnings per share | 208 908 | 1 150 148 |
| **Base net earnings per share (PLN)** | **2.07** | **11.92** |
| **Diluted net earnings per share (PLN)** | **2.07** | **11.45** |

** adjusted*

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

On 25 May 2021 the Ordinary General Meeting of CD PROJEKT S.A. voted to allocate part of the parent Company's profit obtained in 2020 to a dividend payable to shareholders. In line with the corresponding resolution, on 8 June 2021 the parent Company paid out a dividend in the amount of 503 694 thousand PLN, i.e. 5 PLN per share. The dividend applied to 100 738 800 shares of the parent Company.

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

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020* |
|---|---|---|
| **Net profit (loss)** | **208 908** | **1 150 148** |
| Exchange rate differences on estimation of foreign entities | 500 | 193 |
| Estimation of foreign treasury bonds | 4 238 | 545 |
| Tax effect of bond estimation | 104 | (103) |
| **Total comprehensive income** | **213 750** | **1 150 783** |
| **Total comprehensive income attributable to noncontrolling interests** | **-** | **-** |
| **Total comprehensive income attributable to parent entity** | **213 750** | **1 150 783** |

** adjusted*

## Note 10. Property, plant and equipment

### Ownership structure of property, plant and equipment

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Wholly owned | 98 525 | 86 487 |
| Held under a lease contracts | 16 709 | 18 862 |
| **Total** | **115 234** | **105 349** |

### PP&E whose title is restricted

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Held under a financial lease contract | 16 709 | 18 862 |
| **Total** | **16 709** | **18 862** |

### Contractual commitments for future acquisition of PP&E

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Leasing of passenger cars | 429 | 195 |
| **Total** | **429** | **195** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Changes in PP&E (by category) between 01.01.2020 and 31.12.2021

| | 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 01.01.2021** | **35 986** | **67 795** | **1 834** | **39 741** | **2 961** | **3 145** | **1 671** | **153 133** |
| **Increases from:** | **-** | **8 662** | **53** | **13 917** | **1 263** | **1 814** | **9 797** | **35 506** |
| purchase | - | 540 | 53 | 13 614 | 17 | 1 583 | 9 797 | 25 604 |
| lease agreements concluded | - | 77 | - | - | 1 236 | - | - | 1 313 |
| reassignment from PP&E under construction | - | 7 955 | - | 286 | - | 231 | - | 8 472 |
| other | - | 90 | - | 17 | 10 | - | - | 117 |
| **Reductions from:** | **-** | **596** | **11** | **1 531** | **981** | **29** | **9 141** | **12 289** |
| sale | - | - | - | 400 | 365 | 17 | - | 782 |
| disposal | - | 596 | 11 | 1 131 | 616 | 12 | - | 2 366 |
| reassignment from PP&E under construction | - | - | - | - | - | - | 9 141 | 9 141 |
| **Gross carrying amount as of 31.12.2021** | **35 986** | **75 861** | **1 876** | **52 127** | **3 243** | **4 930** | **2 327** | **176 350** |
| **Depreciation as of 01.01.2021** | **588** | **14 311** | **275** | **28 876** | **1 710** | **2 024** | **-** | **47 784** |
| **Increases from:** | **567** | **5 926** | **286** | **7 621** | **502** | **674** | **-** | **15 576** |
| depreciation | 567 | 5 926 | 286 | 7 621 | 502 | 674 | - | 15 576 |
| **Reductions from:** | **-** | **440** | **3** | **1 352** | **420** | **29** | **-** | **2 244** |
| sale | - | - | - | 340 | 256 | 17 | - | 613 |
| disposal | - | 440 | 3 | 1 012 | 164 | 12 | - | 1 631 |
| **Depreciation as of 31.12.2021** | **1 155** | **19 797** | **558** | **35 145** | **1 792** | **2 669** | **-** | **61 116** |
| **Impairment allowances as of 01.01.2021** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Impairment allowances as of 31.12.2021** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net carrying amount as of 01.01.2021** | **35 398** | **53 484** | **1 559** | **10 865** | **1 251** | **1 121** | **1 671** | **105 349** |
| **Net carrying amount as of 31.12.2021** | **34 831** | **56 064** | **1 318** | **16 982** | **1 451** | **2 261** | **2 327** | **115 234** |

(all figures quoted in PLN thousands unless indicated otherwise)

## 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** | **65 937** | **1 587** | **31 043** | **2 234** | **2 623** | **151** | **139 561** |
| **Increases from:** | **-** | **2 401** | **251** | **8 836** | **874** | **532** | **2 103** | **14 997** |
| purchase | - | 323 | 27 | 8 726 | - | 279 | 2 103 | 11 458 |
| lease agreements concluded | - | 927 | 94 | - | 874 | - | - | 1 895 |
| reassignment from PP&E under construction | - | - | 130 | 48 | - | 253 | - | 431 |
| reassignment from investment properties | - | 1 151 | - | - | - | - | - | 1 151 |
| receipt free of charge | - | - | - | 62 | - | - | - | 62 |
| **Reductions from:** | **-** | **543** | **4** | **138** | **147** | **10** | **583** | **1 425** |
| sale | - | - | - | 129 | 137 | - | - | 266 |
| disposal | - | 503 | 4 | 6 | - | 10 | 41 | 564 |
| reassignment from PP&E under construction | - | - | - | - | - | - | 542 | 542 |
| other | - | 40 | - | 3 | 10 | - | - | 53 |
| **Gross carrying amount as of 31.12.2020** | **35 986** | **67 795** | **1 834** | **39 741** | **2 961** | **3 145** | **1 671** | **153 133** |
| **Depreciation as of 01.01.2020** | **84** | **9 322** | **53** | **21 945** | **1 327** | **1 563** | **-** | **34 294** |
| **Increases from:** | **504** | **5 538** | **223** | **7 061** | **523** | **466** | **-** | **14 315** |
| depreciation | 504 | 5 513 | 223 | 7 061 | 523 | 466 | - | 14 290 |
| reassignment from investment properties | - | 25 | - | - | - | - | - | 25 |
| **Reductions from:** | **-** | **549** | **1** | **130** | **140** | **5** | **-** | **825** |
| sale | - | - | - | 127 | 137 | - | - | 264 |
| disposal | - | 503 | 1 | - | - | 5 | - | 509 |
| other | - | 46 | - | 3 | 3 | - | - | 52 |
| **Depreciation as of 31.12.2020** | **588** | **14 311** | **275** | **28 876** | **1 710** | **2 024** | **-** | **47 784** |
| **Impairment allowances as of 01.01.2020** | - | - | - | - | - | - | - | - |
| **Impairment allowances as of 31.12.2020** | - | - | - | - | - | - | - | - |
| **Net carrying amount as of 01.01.2020** | **35 902** | **56 615** | **1 534** | **9 098** | **907** | **1 060** | **151** | **105 267** |
| **Net carrying amount as of 31.12.2020** | **35 398** | **53 484** | **1 559** | **10 865** | **1 251** | **1 121** | **1 671** | **105 349** |

(all figures quoted in PLN thousands unless indicated otherwise)

## PP&E under construction

| | 01.01.2021 | Expenditures in fiscal year | Expenditure settlements | 31.12.2021 |
|---|---|---|---|---|
| Redevelopment of property at Jagiellońska 74 | 1 614 | 9 253 | 8 855 | 2 012 |
| Other | 57 | 544 | 286 | 315 |
| **Total** | **1 671** | **9 797** | **9 141** | **2 327** |

| | 01.01.2020 | Expenditures in fiscal year | Expenditure settlements | 31.12.2020 |
|---|---|---|---|---|
| Redevelopment of property at Jagiellońska 74 | 54 | 2 054 | 494 | 1 614 |
| Other | 97 | 49 | 89 | 57 |
| **Total** | **151** | **2 103** | **583** | **1 671** |

## Usufruct of PP&E held under lease agreements

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| | Gross value | Depreciation | Net value | Gross value | Depreciation | Net value |
| Land holdings | 14 540 | 464 | 14 076 | 14 540 | 260 | 14 280 |
| Immovable properties | 8 037 | 6 698 | 1 339 | 7 635 | 3 962 | 3 673 |
| Civil engineering objects | 94 | 47 | 47 | 94 | - | 94 |
| Vehicles | 1 504 | 257 | 1 247 | 1 029 | 214 | 815 |
| **Total** | **24 175** | **7 466** | **16 709** | **23 298** | **4 436** | **18 862** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 11. Intangibles and expenditures on development projects

## Changes in intangibles and expenditures on development projects between 01.01.2021 and 31.12.2021

| | 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 01.01.2021** | **28 887** | **841 377** | **33 199** | **2 154** | **18 331** | **32 294** | **56 438** | **1 158** | **-** | **1 013 838** |
| **Increases from:** | **66 891** | **609** | **-** | **157** | **-** | **3 860** | **-** | **209** | **-** | **71 726** |
| purchases | - | - | - | 157 | - | 2 531 | - | 209 | - | 2 897 |
| reassignment from intangible assets under construction | - | - | - | - | - | 1 329 | - | - | - | 1 329 |
| reassignment from development projects in progress | - | 457 | - | - | - | - | - | - | - | 457 |
| reassignment of expenditures on development projects under a consortium agreement | - | 152 | - | - | - | - | - | - | - | 152 |
| own creation | 66 891 | - | - | - | - | - | - | - | - | 66 891 |
| **Reductions from:** | **609** | **-** | **-** | **157** | **-** | **136** | **-** | **1 348** | **-** | **2 250** |
| sale | - | - | - | 66 | - | - | - | 19 | - | 85 |
| disposal | - | - | - | 91 | - | 136 | - | - | - | 227 |
| reassignment from intangible assets under construction | - | - | - | - | - | - | - | 1 329 | - | 1 329 |
| reassignment from development projects in progress | 457 | - | - | - | - | - | - | - | - | 457 |
| reassignment of expenditures on development projects under a consortium agreement | 152 | - | - | - | - | - | - | - | - | 152 |
| **Gross carrying amount as of 31.12.2021** | **95 169** | **841 986** | **33 199** | **2 154** | **18 331** | **36 018** | **56 438** | **19** | **-** | **1 083 314** |
| **Depreciation as of 01.01.2021** | **-** | **463 466** | **-** | **1 626** | **48** | **25 672** | **-** | **-** | **-** | **490 812** |
| **Increases from:** | **-** | **88 912** | **-** | **459** | **125** | **3 652** | **-** | **-** | **-** | **93 148** |
| depreciation | - | 88 912 | - | 459 | 125 | 3 652 | - | - | - | 93 148 |
| **Reductions from:** | **-** | **-** | **-** | **157** | **-** | **97** | **-** | **-** | **-** | **254** |
| sale | - | - | - | 66 | - | - | - | - | - | 66 |
| disposal | - | - | - | 91 | - | 97 | - | - | - | 188 |
| **Depreciation as of 31.12.2021** | **-** | **552 378** | **-** | **1 928** | **173** | **29 227** | **-** | **-** | **-** | **583 706** |

(all figures quoted in PLN thousands unless indicated otherwise)

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Impairment allowances as of 01.01.2021** | - | - | - | - | - | - | - | - | - | - |
| **Increases from:** | **20 806** | **13 776** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **34 582** |
| impairment | 20 806 | 13 776 | - | - | - | - | - | - | - | 34 582 |
| **Impairment allowances as of 31.12.2021** | **20 806** | **13 776** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **34 582** |
| **Net carrying amount as of 01.01.2021** | **28 887** | **377 911** | **33 199** | **528** | **18 283** | **6 622** | **56 438** | **1 158** | **-** | **523 026** |
| **Net carrying amount as of 31.12.2021** | **74 363** | **275 832** | **33 199** | **226** | **18 158** | **6 791** | **56 438** | **19** | **-** | **465 026** |

(all figures quoted in PLN thousands unless indicated otherwise)

## 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** | **337 578** | **252 238** | **33 199** | **3 293** | **17 718** | **30 299** | **56 438** | **1 228** | **1** | **731 992** |
| **Increases from:** | **280 448** | **589 139** | **-** | **2 086** | **613** | **5 347** | **-** | **1 330** | **-** | **878 963** |
| purchases | - | - | - | 1 803 | 613 | 4 229 | - | 1 330 | - | 7 975 |
| reassignment from intangible assets under construction | - | - | - | 283 | - | 1 118 | - | - | - | 1 401 |
| reassignment from development projects in progress | - | 589 139 | - | - | - | - | - | - | - | 589 139 |
| own creation | 280 448 | - | - | - | - | - | - | - | - | 280 448 |
| **Reductions from:** | **589 139** | **-** | **-** | **3 225** | **-** | **3 352** | **-** | **1 400** | **1** | **597 117** |
| disposal | - | - | - | 3 225 | - | 3 352 | - | - | 1 | 6 578 |
| reassignment from intangible assets under construction | - | - | - | - | - | - | - | 1 400 | - | 1 400 |
| reassignment from development projects in progress | 589 139 | - | - | - | - | - | - | - | - | 589 139 |
| **Gross carrying amount as of 31.12.2020** | **28 887** | **841 377** | **33 199** | **2 154** | **18 331** | **32 294** | **56 438** | **1 158** | **-** | **1 013 838** |
| **Depreciation as of 01.01.2020** | **-** | **203 968** | **-** | **1 610** | **-** | **24 364** | **-** | **-** | **1** | **229 943** |
| **Increases from:** | **-** | **259 498** | **-** | **3 241** | **48** | **4 657** | **-** | **-** | **-** | **267 444** |
| depreciation | - | 259 498 | - | 3 241 | 48 | 4 657 | - | - | - | 267 444 |
| **Reductions from:** | **-** | **-** | **-** | **3 225** | **-** | **3 349** | **-** | **-** | **1** | **6 575** |
| disposal | - | - | - | 3 225 | - | 3 349 | - | - | 1 | 6 575 |
| **Depreciation as of 31.12.2020** | **-** | **463 466** | **-** | **1 626** | **48** | **25 672** | **-** | **-** | **-** | **490 812** |
| Impairment allowances as of 01.01.2020 | - | - | - | - | - | - | - | - | - | - |
| Impairment allowances as of 31.12.2020 | - | - | - | - | - | - | - | - | - | - |
| **Net carrying amount as of 01.01.2020** | **337 578** | **48 270** | **33 199** | **1 683** | **17 718** | **5 935** | **56 438** | **1 228** | **-** | **502 049** |
| **Net carrying amount as of 31.12.2020** | **28 887** | **377 911** | **33 199** | **528** | **18 283** | **6 622** | **56 438** | **1 158** | **-** | **523 026** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

## Ownership structure of intangible assets

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Wholly owned | 57 830 | 59 072 |
| Held under lease contracts | 563 | 718 |
| **Total** | **58 393** | **59 790** |

## Intangible assets under construction

| | 01.01.2021 | Expenditures incurred in financial year | Expenditure settlements | 31.12.2021 |
|---|---|---|---|---|
| Financial analytics system | 11 | - | - | 11 |
| HR support system | 1 129 | 201 | 1 330 | - |
| Document flow system | - | 8 | - | 8 |
| Game licenses, GOG | 18 | - | 18 | - |
| **Total** | **1 158** | **209** | **1 348** | **19** |

| | 01.01.2020 | Expenditures incurred in financial year | Expenditure settlements | 31.12.2020 |
|---|---|---|---|---|
| Financial analytics system | 61 | 29 | 79 | 11 |
| HR support system | 655 | 474 | - | 1 129 |
| Musical score | 77 | 126 | 203 | - |
| Document flow system | 323 | 76 | 399 | - |
| Game licenses, GOG | 18 | - | - | 18 |
| E-commerce platform | 94 | 625 | 719 | - |
| **Total** | **1 228** | **1 330** | **1 400** | **1 158** |

## Contractual commitments for future acquisition of intangible assets

None reported.

## Intangible assets whose title is restricted

None reported.

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 12. 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 01.01.2021** | **46 417** | **10 021** | **56 438** |
| **Gross goodwill as of 31.12.2021** | **46 417** | **10 021** | **56 438** |
| **Impairment allowances as of 01.01.2021** | **-** | **-** | **-** |
| **Impairment allowances as of 31.12.2021** | **-** | **-** | **-** |
| **Net goodwill as of 01.01.2021** | **46 417** | **10 021** | **56 438** |
| **Net goodwill as of 31.12.2021** | **46 417** | **10 021** | **56 438** |

Goodwill impairment tests require an assessment of the value in use of each cash generating unit. In performing this assessment the parent Company developed projections of future cash flows generated by individual cash generating units and estimated the discount rate applied when conducting pending assessment of the value of said flows. The latest test of goodwill was conducted by the parent Company on 31 December 2021. No impairment of goodwill was identified.

# Note 13. Investment properties

The parent Company owns the property complex at Jagiellońska 74 and Jagiellońska 76 in Warsaw. Since part of this complex is being leased to other entities, including other member companies of the CD PROJEKT Group, the Group has decided to report it in part as an investment property. The remaining part of both properties is used by the Group for its own purposes.

Properties purchased by the Group are estimated at purchase cost less depreciation.

## Changes in the value of investment properties between 01.01.2021 and 31.12.2021, and between 01.01.2020 and 31.12.2020

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Gross balance sheet value at beginning of period** | **50 650** | **45 296** |
| **Increases from:** | **2 024** | **8 179** |
| activation of costs | 2 024 | 8 179 |
| **Reductions from:** | **56** | **2 825** |
| disposal | 56 | 1 674 |
| reassignment to other asset categories | - | 1 151 |
| **Gross balance sheet value at end of period** | **52 618** | **50 650** |
| **Depreciation at beginning of period** | **1 809** | **336** |
| **Increases from:** | **1 826** | **1 541** |
| depreciation | 1 826 | 1 541 |
| **Reductions from:** | **5** | **68** |
| disposal | 5 | 43 |
| reassignment to other asset categories | - | 25 |
| **Depreciation at end of period** | **3 630** | **1 809** |
| **Impairment allowances at beginning of period** | **-** | **-** |
| **Increases** | **-** | **-** |
| **Reductions** | **-** | **-** |
| **Impairment allowances at end of period** | **-** | **-** |
| **Net balance sheet value at end of period** | **48 988** | **48 841** |

(all figures quoted in PLN thousands unless indicated otherwise)

### Contractual commitments for acquisition of investment properties

None reported.

## Note 14. Investments in subsidiaries excluded from consolidation

### Investments in subsidiaries held at purchase price

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Shares in subsidiaries | 38 520 | 8 195 |
| **Total** | **38 520** | **8 195** |

### Changes in investments in subsidiaries

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **At beginning of period** | **8 195** | **8 025** |
| **Increases from:** | **32 203** | **170** |
| acquisition/incorporation of subsidiary | 32 039 | - |
| capital contributions mandated by the incentive program | 164 | 170 |
| **Reductions from:** | **1 878** | **-** |
| sale of subsidiary or shares therein | 19 | - |
| creation of impairment allowances | 1 668 | - |
| capital contributions mandated by the incentive program | 191 | - |
| **At end of period** | **38 520** | **8 195** |

### Investments in subsidiaries as of 31.12.2021

| | CD PROJEKT Co., Ltd. (in liquidation) | Spokko sp. z o.o. | CD PROJEKT RED Vancouver Studio Ltd. | The Molasses Flood LLC |
|---|---|---|---|---|
| Registered office | Shanghai | Warsaw | Vancouver | Boston |
| Percentage of shares held as of 31.12.2021 | 100% | 74% | 100% | 60% |
| Percentage of votes controlled as of 31.12.2021 | 100% | 74% | 100% | 60% |
| Capital investment | - | 6 481 | 7 679 | 24 360 |

### Investments in subsidiaries as of 31.12.2020

| | CD PROJEKT Co., Ltd. | Spokko sp. z o.o. |
|---|---|---|
| Registered office | Shanghai | Warsaw |
| Percentage of shares held as of 31.12.2020 | 100% | 75% |
| Percentage of votes controlled as of 31.12.2020 | 100% | 75% |
| Capital investment | 1 695 | 6 500 |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 15. Other financial assets

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Loans granted | 8 890 | 4 520 |
| Bonds | 477 415 | 146 985 |
| Derivative financial instruments | - | 6 527 |
| **Other financial assets, including:** | **486 305** | **158 032** |
| short-term assets | 307 765 | 106 444 |
| long-term assets | 178 540 | 51 588 |

In 2021, under the loan agreement concluded on 12 November 2020, two batches of the corresponding loan (out of a total of three) were transferred to Spokko Sp. z o.o. on 25 February and 30 March 2021 respectively (the first batch having been disbursed on 27 November 2020). The repayment period was extended in accordance with an annex signed on 18 October 2021. Consequently, the loan is now repayable by 30 June 2022. The repayment period for the loan granted under the agreement of 25 May 2020 was also extended – an annex was signed on 21 December 2021, providing for an extension until 30 June 2022. In 2021 Spokko sp. z o.o. was also granted another loan by CD PROJEKT S.A. in accordance with an agreement concluded on 5 May 2021, with five of a total of seven batches being disbursed on 28 May 2021, 29 June 2021, 29 July 2021, 25 February 2022 and 30 March 2022 respectively. This loan is repayable by 30 June 2022. All of the aforementioned loans are subject to variable interest rates which are updated on a quarterly basis.

# Note 16. Inventories

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Goods | 15 843 | 6 875 |
| Other materials | 43 | 82 |
| **Gross inventories** | **15 886** | **6 957** |
| Inventory impairment allowances | - | - |
| **Net inventories** | **15 886** | **6 957** |

The “Other materials” line item represents marketing materials.

## Changes in inventory impairment allowances

None reported.

## Inventories pledged as collateral for liabilities

Not applicable.

# Note 17. Trade receivables

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Gross trade receivables** | **125 372** | **1 205 729** |
| **Impairment allowances** | **79** | **126** |
| **Trade receivables** | **125 293** | **1 205 603** |
| from affiliates | 1 231 | 81 |
| from external entities | 124 062 | 1 205 522 |

(all figures quoted in PLN thousands unless indicated otherwise)

## Changes in impairment allowances on trade receivables

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **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** | **126** | **29** |
| **Increases, including:** | **12** | **107** |
| recognition of impairment allowances on past-due and contested receivables | 12 | 107 |
| **Reductions, including:** | **59** | **10** |
| consumption of impairment allowances | 53 | - |
| elimination of impairment allowances due to collection of receivables | - | 2 |
| dissolution of impairment allowances | 6 | 8 |
| **Impairment allowances at end of period** | **79** | **126** |
| **Aggregate impairment allowances at end of period (affiliates and other entities)** | **79** | **126** |

## Current and overdue trade receivables as of 31.12.2021

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **AFFILIATES** | | | | | | | |
| gross receivables | 1 231 | 223 | 1 008 | - | - | - | - |
| 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** | **1 231** | **223** | **1 008** | **-** | **-** | **-** | **-** |

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **OTHER ENTITIES** | | | | | | | |
| gross receivables | 124 141 | 123 851 | 162 | - | 8 | - | 120 |
| non-fulfillment ratio | | 0% | 0% | 0% | 0% | 0% | 0% |
| impairment allowances as determined by non-fulfillment ratio | - | - | - | - | - | - | - |
| impairment allowances as individually assessed | 79 | - | - | - | - | - | 79 |
| total expected credit loss | 79 | - | - | - | - | - | 79 |
| **Net receivables** | **124 062** | **123 851** | **162** | **-** | **8** | **-** | **41** |

(all figures quoted in PLN thousands unless indicated otherwise)

| Total | | | | | | | |
|---|---|---|---|---|---|---|---|
| gross receivables | 125 372 | 124 074 | 1 170 | - | 8 | - | 120 |
| impairment allowances | 79 | - | - | - | - | - | 79 |
| **Net receivables** | **125 293** | **124 074** | **1 170** | **-** | **8** | **-** | **41** |

## 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 | 81 | 81 | - | - | - | - | - |
| 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** | **81** | **81** | **-** | **-** | **-** | **-** | **-** |

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **OTHER ENTITIES** | | | | | | | |
| gross receivables | 1 205 648 | 1 205 333 | 144 | 2 | 36 | 1 | 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** | **1 205 522** | **1 205 333** | **144** | **2** | **36** | **1** | **6** |

| Total | | | | | | | |
|---|---|---|---|---|---|---|---|
| gross receivables | 1 205 729 | 1 205 414 | 144 | 2 | 36 | 1 | 132 |
| impairment allowances | 126 | - | - | - | - | - | 126 |
| **Net receivables** | **1 205 603** | **1 205 414** | **144** | **2** | **36** | **1** | **6** |

(all figures quoted in PLN thousands unless indicated otherwise)

### Trade receivables by currency

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| | currency units | PLN equivalent | currency units | PLN equivalent |
| PLN* | 115 457 | 115 457 | 1 144 283 | 1 144 283 |
| EUR | 1 317 | 6 060 | 3 621 | 16 708 |
| USD | 449 | 1 821 | 11 115 | 41 775 |
| CAD | 348 | 1 109 | 129 | 382 |
| RUB | 4 033 | 219 | 13 550 | 679 |
| GBP | 30 | 166 | 91 | 465 |
| AUD | 55 | 163 | 92 | 266 |
| BRL | 158 | 115 | 670 | 485 |
| CNY | 81 | 52 | 132 | 76 |
| SEK | 104 | 47 | 411 | 189 |
| CHF | 9 | 41 | 29 | 125 |
| DKK | 47 | 29 | 169 | 105 |
| NOK | 30 | 14 | 148 | 65 |
| **Total** | | **125 293** | | **1 205 603** |

** 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 18. Other receivables

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Other gross receivables, including:** | **114 916** | **71 263** |
| tax returns except corporate income tax | 77 067 | 36 342 |
| advance payments associated with expenditures on development projects | 30 435 | 24 353 |
| advance payments for supplies | 5 391 | 4 643 |
| deposits | 998 | 619 |
| provisions for sales revenues - advances | 79 | 70 |
| prepayments associated with purchases of PP&E and intangibles | 34 | 38 |
| provisions for sales revenues - advances | 67 | 119 |
| settlements with board members at the Group’s member companies | 7 | 7 |
| employee compensation settlements | 5 | 26 |
| settlements with operators of payment processing platforms | - | 4 173 |
| prepayments associated with licensing royalties | - | 86 |
| others | 101 | 55 |
| **Impairment allowances** | **732** | **732** |
| **Total other gross receivables** | **114 184** | **70 531** |
| short-term | 113 498 | 70 210 |
| long-term | 686 | 321 |

The “tax returns except corporate income tax” line item also aggregates withholding tax levied at source, in the amount of 70 887 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

(all figures quoted in PLN thousands unless indicated otherwise)

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Other gross receivables** | **114 916** | **71 263** |
| **Impairment allowances** | **732** | **732** |
| **Other receivables, including** | **114 184** | **70 531** |
| from affiliates | 7 | 7 |
| from external entities | 114 177 | 70 524 |

## Other receivables subject to court proceedings

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| 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

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| | currency units | PLN equivalent | currency units | PLN equivalent |
| PLN* | 77 977 | 77 977 | 37 363 | 37 363 |
| USD | 4 660 | 17 680 | 4 093 | 15 344 |
| JPY | 496 092 | 17 214 | 496 092 | 17 215 |
| EUR | 189 | 871 | 104 | 464 |
| CNY | 336 | 201 | 3 | 2 |
| GBP | 40 | 200 | 22 | 110 |
| CHF | 8 | 36 | 7 | 32 |
| BRL | 3 | 3 | - | - |
| SEK | 4 | 2 | - | - |
| DKK | - | - | 2 | 1 |
| **Total** | | **114 184** | | **70 531** |

** 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

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Gross receivables from affiliates** | **1 238** | **88** |
| trade receivables | 1 231 | 81 |
| other receivables | 7 | 7 |
| **Impairment allowances** | **-** | **-** |
| **Net receivables from affiliates** | **1 238** | **88** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 19. Prepaid expenses

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Minimum guarantees and advance payments at GOG | 15 230 | 14 630 |
| Software, licenses | 3 905 | 4 183 |
| Expenses associated with future marketing activities | 1 734 | 1 861 |
| Repairs and renovations | 1 470 | 1 651 |
| Fees associated with right of first refusal | 1 378 | 1 484 |
| Non-life insurance | 525 | 289 |
| IT security | 421 | 653 |
| Business travel (airfare, accommodation, insurance) | 64 | 7 |
| Participation in trade fairs | 7 | - |
| Marketing campaigns | 19 | 54 |
| Other prepaid expenses | 444 | 247 |
| **Total prepaid expenses** | **25 197** | **25 059** |
| short-term | 13 763 | 13 383 |
| long-term | 11 434 | 11 676 |

# Note 20. Cash and cash equivalents

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Cash on hand and bank deposits:** | **74 372** | **543 249** |
| current bank accounts | 74 372 | 543 249 |
| **Other monetary assets:** | **337 214** | **20 086** |
| cash in transit | 70 | 12 051 |
| overnight deposits | 36 142 | 2 071 |
| short-term bank deposits (maturity up to 3 months) | 262 980 | 940 |
| monetary assets in investment accounts | 38 022 | 5 024 |
| **Total** | **411 586** | **563 335** |

## Restricted cash

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 21. Share capital

## Share capital structure as of 31.12.2021

| 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 | 4 618 800 | 4 618 800 | Cash |
| **Total** | **100 738 800** | **100 738 800** | - |

In March 2021, in the exercise of 84 176 Series B subscription warrants issued under the 2016-2019 incentive program, the entitled parties claimed Series M shares, issued in the framework of a conditional increase in the parent Company share capital. These shares were admitted to organized trading on 31 March 2021, as a result of which the parent Company share capital was increased by 84 176 thousand PLN. Following this increase, the parent Company share capital amounts to 100 738 000 PLN and is divided into 100 738 000 shares with a nominal value of 1 PLN per share.

As of 31 December 2021 the total number of votes afforded by all parent Company shares is 100 738 000. No changes in the parent Company share capital occurred after the balance sheet date.

As of 31 December 2021 there remain 32 000 unexercised Series B subscription warrants, entitling their holders to claim an equivalent number of Series M shares. These warrants will expire on 31 October 2022. No changes in the status of these warrants occurred after the balance sheet date.

## Changes in share capital

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **Share capital at beginning of period** | **100 655** | **96 120** |
| **Increases from:** | **84** | **4 535** |
| issue of shares paid up in cash – incentive program | 84 | 4 535 |
| **Reductions** | - | - |
| **Share capital at end of period** | **100 739** | **100 655** |

# Note 22. Other capital contributions

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Supplementary capital | 1 425 647 | 774 851 |
| Supplementary capital from sale of shares above nominal value | 115 909 | 113 844 |
| Revaluation capital | 4 783 | 442 |
| Other reserve capital | 35 741 | 35 741 |
| Other reserve capital – incentive program | 7 470 | 9 364 |
| **Total** | **1 589 550** | **934 242** |

(all figures quoted in PLN thousands unless indicated otherwise)

## 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 01.01.2021*** | **774 851** | **113 844** | **442** | **35 741** | **-** | **9 364** | **934 242** |
| **Increases from:** | **650 796** | **2 065** | **4 341** | **-** | **-** | **41 249** | **698 451** |
| payment in own shares | 869 | 2 065 | - | - | - | - | 2 934 |
| allocation of net profit / coverage of losses | 649 927 | - | - | - | - | - | 649 927 |
| capital contributions mandated by the incentive program | - | - | - | - | - | 41 249 | 41 249 |
| total comprehensive income | - | - | 4 341 | - | - | - | 4 341 |
| **Reductions from:** | **-** | **-** | **-** | **-** | **-** | **43 143** | **43 143** |
| payment in own shares | - | - | - | - | - | 869 | 869 |
| capital contributions mandated by the incentive program | - | - | - | - | - | 42 274 | 42 274 |
| **As of 31.12.2021** | **1 425 647** | **115 909** | **4 783** | **35 741** | **-** | **7 470** | **1 589 550** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

| | 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*** | **777 090** | **3 861** | **-** | **549** | **-** | **54 108** | **835 608** |
| **Increases from:** | **392 314** | **109 983** | **442** | **250 000** | **214 259** | **14 936** | **981 934** |
| creation of reserve capital to finance purchase of own shares | - | - | - | 250 000 | - | - | 250 000 |
| allocation of net profit / coverage of losses | 175 984 | - | - | - | - | - | 175 984 |
| dissolution of reserve capital created to finance purchase of own shares in past years | 549 | - | - | - | - | - | 549 |
| payment in own shares | 1 522 | 109 983 | - | - | 214 259 | - | 325 764 |
| capital contributions mandated by the incentive program | - | - | - | - | - | 14 936 | 14 936 |
| purchase of own shares in the course of implementing the incentive program | 214 259 | - | - | - | - | - | 214 259 |
| total comprehensive income | - | - | 442 | - | - | - | 442 |
| **Reductions from:** | **394 553** | **-** | **-** | **214 808** | **214 259** | **59 680** | **883 300** |
| 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 | 144 553 | - | - | - | - | 59 621 | 204 174 |
| capital contributions mandated by the incentive program | - | - | - | - | - | 59 | 59 |
| purchase of own shares in the course of implementing the incentive program | - | - | - | 214 259 | 214 259 | - | 428 518 |
| **As of 31.12.2020** | **774 851** | **113 844** | **442** | **35 741** | **-** | **9 364** | **934 242** |

** adjusted*

(all figures quoted in PLN thousands unless indicated otherwise)

## Note 23. Retained earnings

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Retained earnings from preceding years | (6 432) | (2 959) |
| **Total** | **(6 432)** | **(2 959)** |

### Changes in retained earnings

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **At beginning of period** | **(2 959)** | **(2 290)** |
| Rectification of errors | (4 179) | - |
| **Adjusted retained earnings** | **(7 138)** | **(2 290)** |
| **Increases from:** | **1 153 508** | **175 315** |
| allocation of profit from preceding years | 1 153 508 | 175 315 |
| **Reductions from:** | **1 152 802** | **175 984** |
| dividend payments | 503 694 | - |
| reclassification as reserve capital | 649 196 | 175 984 |
| allocation of financial result from preceding years | (88) | - |
| **At end of period** | **(6 432)** | **(2 959)** |

## Note 24. Minority interest capital

None reported.

## Note 25. Credits and loans

None reported.

## Note 26. Other financial liabilities

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Lease liabilities | 16 654 | 18 939 |
| Liabilities estimated at fair value through financial result | 142 | - |
| Cash flow hedges | 17 906 | - |
| Liabilities related to deferred portion of payment for acquisition of shares in subsidiary | 12 180 | - |
| **Total financial liabilities** | **46 882** | **18 939** |
| **Short-term liabilities** | **25 802** | **2 933** |
| **Long-term liabilities, including:** | **21 080** | **16 006** |
| between 1 and 5 years | 7 261 | 2 081 |
| beyond 5 years | 13 819 | 13 925 |

As a lessee the Group 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 32, 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.

(all figures quoted in PLN thousands unless indicated otherwise)

- With regard to the agreement reported in Note 32, 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 32, 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 27. Other long-term liabilities

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Other long-term liabilities, including:** | **2 860** | **3 173** |
| liabilities related to marketing expenses | 1 589 | 1 722 |
| liabilities related to right of first refusal | 1 271 | 1 378 |
| deposits received | - | 73 |

### Other long-term liabilities by due date

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Other long-term liabilities, including:** | **2 860** | **3 173** |
| due between 1 and 3 years | 720 | 553 |
| due between 3 and 5 years | 480 | 480 |
| due later than in 5 years | 1 660 | 2 140 |

### Other long-term liabilities by currency

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| | currency units | PLN equivalent | currency units | PLN equivalent |
| PLN | 2 860 | 2 860 | 3 173 | 3 173 |
| **Total** | | **2 860** | | **3 173** |

## Note 28. Trade liabilities

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Trade liabilities:** | **53 380** | **115 444** |
| payable to affiliates | 1 183 | 557 |
| payable to external entities | 52 197 | 114 887 |

(all figures quoted in PLN thousands unless indicated otherwise)

## Current and overdue trade liabilities

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **As of 31.12.2021** | **53 380** | **48 958** | **1 572** | **556** | **59** | **2 172** | **63** |
| payable to affiliates | 1 183 | 1 135 | 48 | - | - | - | - |
| payable to external entities | 52 197 | 47 823 | 1 524 | 556 | 59 | 2 172 | 63 |

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **As of 31.12.2020** | **115 444** | **111 982** | **3 075** | **114** | **153** | **27** | **93** |
| payable to affiliates | 557 | 557 | - | - | - | - | - |
| payable to external entities | 114 887 | 111 425 | 3 075 | 114 | 153 | 27 | 93 |

## Trade liabilities by currency

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| | currency units | PLN equivalent | currency units | PLN equivalent |
| USD | 10 523 | 42 748 | 15 699 | 59 005 |
| PLN | 7 967 | 7 967 | 16 843 | 16 843 |
| EUR | 380 | 1 746 | 7 583 | 34 993 |
| CNY | 1 015 | 648 | 3 847 | 2 209 |
| CAD | 51 | 164 | 59 | 172 |
| JPY | 1 804 | 65 | 4 043 | 148 |
| GBP | 7 | 39 | 22 | 111 |
| RUB | 52 | 3 | 32 902 | 1 648 |
| SEK | - | - | 546 | 251 |
| AUD | - | - | 12 | 35 |
| BRL | - | - | 40 | 29 |
| **Total** | | **53 380** | | **115 444** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 29. Other short-term liabilities

| | 31.12.2021 | 31.12.2020* |
|---|---|---|
| **Liabilities from other taxes, duties, social security payments and others, except corporation tax** | **9 536** | **32 789** |
| VAT | 5 515 | 27 790 |
| Flat-rate withholding tax | 905 | 982 |
| Personal income tax | 1 835 | 2 370 |
| Social security (ZUS) payments | 1 164 | 1 557 |
| National Disabled Persons Rehabilitation Fund (PFRON) payments | 56 | 45 |
| PIT-8A settlements | 61 | 45 |
| **Other liabilities** | **506** | **345** |
| Deposits | - | 149 |
| Other employee-related liabilities | 125 | 15 |
| Other liabilities payable to board members of the Group's member companies | 36 | 1 |
| Prepayments received from foreign clients | 13 | - |
| Other miscellaneous liabilities | 332 | 180 |
| **Total other short-term liabilities** | **10 042** | **33 134** |

** adjusted*

## Current and overdue other short-term liabilities

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 1 – 60 | >360 |
| **As of 31.12.2021** | **10 042** | **9 918** | **123** | **-** | **1** | **-** | **-** |
| payable to affiliates | 533 | 409 | 123 | - | 1 | - | - |
| payable to external entities | 9 509 | 9 509 | - | - | - | - | - |

| | Total | Not overdue | Days overdue | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 1 – 60 | >360 |
| **As of 31.12.2020** | **33 134** | **33 122** | **12** | **-** | **-** | **-** | **-** |
| payable to affiliates | 1 | - | 1 | - | - | - | - |
| payable to external entities | 33 133 | 33 122 | 11 | - | - | - | - |

(all figures quoted in PLN thousands unless indicated otherwise)

## Other short-term liabilities by currency

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| | currency units | PLN equivalent | currency units | PLN equivalent |
| PLN | 4 804 | 4 804 | 19 779 | 19 779 |
| EUR | 663 | 3 068 | 1 890 | 8 480 |
| USD | 165 | 663 | 367 | 1 377 |
| GBP | 104 | 567 | 303 | 1 506 |
| RUB | 5 915 | 330 | 1 932 | 97 |
| AUD | 65 | 190 | 201 | 551 |
| SEK | 347 | 158 | 1 141 | 499 |
| DKK | 161 | 100 | 524 | 316 |
| NOK | 165 | 76 | 598 | 251 |
| CAD | 15 | 47 | 47 | 135 |
| CHF | 9 | 39 | 34 | 141 |
| BRL | - | - | 1 | 2 |
| **Total** | | **10 042** | | **33 134** |

# Note 30. Internal Social Benefits Fund (ZFŚS): assets and liabilities

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Cash assets | 23 | 23 |
| Liabilities associated with the Internal Social Benefits Fund (ZFŚS) | 23 | 23 |
| **Balance** | **-** | **-** |
| **Internal Social Benefits Fund (ZFŚS) deductions in the financial year** | **-** | **-** |

# Note 31. Contingent liabilities

## Promissory note liabilities from loans received

Not applicable.

(all figures quoted in PLN thousands unless indicated otherwise)

## Contingent liabilities from guarantees, sureties and collateral pledged

| | Type of agreement | Currency | 31.12.2021 | 31.12.2020 |
|---|---|---|---|---|
| **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 | 50 000 |
| 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 | 58 | 115 |
| **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 | 7 711 | 7 934 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0110/16 | PLN | 3 846 | 5 114 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0112/16 | PLN | 3 692 | 3 857 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0118/16 | PLN | 5 324 | 5 324 |
| Promissory note agreement | Co-financing agreement no. POIR.01.02.00-00-0120/16 | PLN | 1 204 | 1 204 |
| **Pekao Leasing Sp. z o.o.** | | | | |
| Promissory note agreement | Lease agreement no. 37/1991/21 | PLN | 442 | - |
| **Santander Bank Polska S.A. (formerly BZ WBK S.A.)** | | | | |
| Promissory note agreement | Framework agreement concerning financial market transactions | PLN | 23 500 | 13 000 |
| **Bank Polska Kasa Opieki S.A.** | | | | |
| Promissory note agreement | Framework agreement concerning financial market transactions | PLN | 35 000 | 20 000 |
| **BNP Paribas Bank Polska S.A.** | | | | |
| Promissory note agreement | Framework agreement concerning financial market transactions | PLN | 26 600 | 75 000 |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 32. Lease and sublease agreements

Information concerning depreciation of leased assets is included in Note 2. Interest on lease agreements is presented in Note 4. 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 10. Note 49 contains information regarding the total cash outflows related to lease agreements.

## Liabilities from lease agreements

| Payments outstanding | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Due within 1 year | 1 664 | 2 933 |
| Due between 1 and 5 years | 1 171 | 2 081 |
| Due later than in 5 years | 13 819 | 13 925 |
| **Total lease payments outstanding, including:** | **16 654** | **18 939** |
| short-term liabilities | 1 664 | 2 933 |
| long-term liabilities | 14 990 | 16 006 |

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

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Due within 1 year | 1 901 | 3 375 |
| Due between 1 and 5 years | 3 125 | 3 266 |
| Due later than in 5 years | 24 388 | 24 770 |
| **Total, including:** | **29 414** | **31 411** |
| short-term liabilities | 1 901 | 3 375 |
| long-term liabilities | 27 513 | 28 036 |

## Income from subleasing of leased assets (usufruct)

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Revenues | 40 | - |
| Expenses | 40 | - |
| **Income** | **-** | **-** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Lease and sublease agreements in force as of 31.12.2021

| 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 | 37/1991/21 | 614 | 614 | PLN | 14.12.2023 | 377 | Lessee is entitled to buy out the leased asset – the contractual net buyout charge is 135 thousand PLN |
| Passenger car | BMW Financial Services Polska Sp. z.o.o. | LO/40953/0421 | 377 | 377 | PLN | 08.04.2023 | 201 | Lessee is entitled to buy out the leased asset – the contractual net buyout charge is 135 thousand PLN |
| Passenger car | Carefleet S.A. | UG20002163 | 118 | 118 | PLN | 06.08.2023 | 123 | Lessee is entitled to buy out the leased asset – the contractual net buyout charge is 80 thousand PLN |
| Passenger car | Tesla Financial | RN111270740-1581877310 | 490 | 121 | USD | 18.02.2023 | 86 | Lessee is entitled to buy out the leased asset – the contractual net buyout charge is 71 thousand USD |
| Jagiellońska 74 – plots no. 12 and 13 | State Treasury | Deed issued on 31.10.2019 | 8 623 | 8 623 | PLN | 05.12.2089 | 8 499 | 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 | 12.04.2100 | 1 452 | 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 | 05.12.2089 | 4 376 | 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 | 31.03.2022 | 351 | 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 | 31.01.2022 | 45 | Lessee is not entitled to buy out the leased asset |
| Los Angeles office | 1011 OFW Owner LLC | Lease agreement concluded on 01.04.2018 | 3 319 | 817 | USD | 31.03.2023 | 1 097 | 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 | 31.12.2022 | 87 | Lessee is not entitled to buy out the leased asset |
| **Sublease agreements** | | | | | | | | |
| Parking lot at Jagiellońska 78 | CD Projekt S.A. | Lease agreement WPA 469/17 concluded on 31.07.2017 | 79 | 79 | PLN | 31.12.2022 | 40 | Lessee is not entitled to buy out the leased asset |
| **Total** | | | **24 074** | | | | **16 654** | |

(all figures quoted in PLN thousands unless indicated otherwise)

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

The Group has entered into agreements concerning leasing of office equipment (multipurpose photocopiers, kitchen equipment) as well as apartments which potentially meet the criteria of lease agreements under IFRS 16. However, the Group regards these agreements as either short-term or concerning low-value assets and, consequently, does not apply the new standard to these agreements in line with the 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 2021, can be found in Note 2).

As of 31 December 2021 and 31 December 2020 future payments associated with irrevocable short-term lease agreements and lease agreements concerning low-value assets are as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Due within 1 year | 121 | 179 |
| Due between 1 and 5 years | 149 | 170 |
| Due later than in 5 years | - | - |
| **Total** | **270** | **349** |

## Note 33. Deferred revenues

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Subsidies** | **8 277** | **14 867** |
| Cross Platform SDK (GameINN) | 53 | 118 |
| Animation Excellence (GameINN) | 1 846 | 3 730 |
| City Creation (GameINN) | 3 701 | 6 977 |
| Seamless Multiplayer (GameINN) | 905 | 905 |
| Cinematic Feel (GameINN) | 1 772 | 3 137 |
| **Future period revenues** | **29 695** | **33 854** |
| Future period sales | 25 715 | 30 985 |
| GOG Wallet | 3 947 | 2 847 |
| Official phone rental | 33 | 22 |
| **Total, including:** | **37 972** | **48 721** |
| short-term deferrals | 31 548 | 47 758 |
| long-term deferrals | 6 424 | 963 |

In the CD PROJEKT RED segment 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.

In the GOG.COM segment future period sales represent the value of customer preorders of games scheduled for release in future reporting periods.

## Note 34. Provisions for employee benefits and similar liabilities

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Provisions for retirement benefits and pensions | 387 | 402 |
| **Total, including:** | **387** | **402** |
| short-term provisions | 7 | 4 |
| long-term provisions | 380 | 398 |

(all figures quoted in PLN thousands unless indicated otherwise)

The following assumptions were made by the actuary when calculating provisions as of the balance sheet date:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Discount rate (%) | 3.41 | 1.59 |
| Projected inflation rate (%) | 3.41 | 1.59 |
| Employee turnover rate (%) – average age (CD PROJEKT S.A.) | 11.6% - 34 years | 9.2% - 33 years |
| Employee turnover rate (%) – average age (GOG sp. z o.o.) | 16.8% - 33 years | 14.7% - 32 years |
| Projected annual rate of salary growth (%) (CD PROJEKT S.A.) | 10% in 2022 - 2023; 6% in later years | 8% in 2021 - 2022; 5% in later years |
| Projected annual rate of salary growth (%) (GOG sp. z o.o.) | 0% in 2022 – 2023 2.5% in later years | 8.1% in 2021 – 2022 5% in later years |
| Mortality rates published by the Central Statistical Office (year of estimation) | 2020 | 2019 |
| Likelihood of disability during the fiscal year | 0.1% | 0.1% |

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

## Changes in provisions for employee benefits and similar liabilities

| | Provisions for retirement benefits and pensions | Total |
|---|---|---|
| **As of 01.01.2021** | **402** | **402** |
| Provisions dissolved | 15 | 15 |
| **As of 31.12.2021, including:** | **387** | **387** |
| short-term provisions | 7 | 7 |
| long-term provisions | 380 | 380 |

| | Provisions for retirement benefits and pensions | Total |
|---|---|---|
| **As of 01.01.2020** | **257** | **257** |
| Provisions created | 145 | 145 |
| **As of 31.12.2020, including:** | **402** | **402** |
| short-term provisions | 4 | 4 |
| long-term provisions | 398 | 398 |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 35. Other provisions

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Provisions for returns** | **-** | **194 537** |
| **Provisions for liabilities, including:** | **88 410** | **291 030** |
| provisions for compensation contingent upon the Group's financial result, and other compensation | 44 856 | 256 130 |
| provisions for financial statement audit and review expenses | 160 | 73 |
| provisions for bought-in services | 1 042 | 740 |
| provisions for other expenses | 42 352 | 34 087 |
| **Total, including:** | **88 410** | **485 567** |
| short-term provisions | 83 042 | 339 954 |
| long-term provisions | 5 368 | 145 613 |

## Changes in other provisions

| | Provisions for returns | Provisions for compensation contingent upon the Group's financial result and other compensation | Other provisions | Total |
|---|---|---|---|---|
| **As of 01.01.2021** | **194 537** | **256 130** | **34 900** | **485 567** |
| Provisions created during the financial year | 42 635 | 47 021 | 104 586 | 194 242 |
| Provisions consumed | 136 236 | 256 726 | 78 020 | 470 982 |
| Provisions dissolved | 100 936 | 1 569 | 17 912 | 120 417 |
| **As of 31.12.2021, including:** | **-** | **44 856** | **43 554** | **88 410** |
| short-term provisions | - | 44 856 | 38 186 | 83 042 |
| long-term provisions | - | - | 5 368 | 5 368 |

| | Provisions for returns | Provisions for compensation contingent upon the Group's financial result and other compensation | Other provisions | Total |
|---|---|---|---|---|
| **As of 01.01.2020** | **-** | **36 038** | **3 148** | **39 186** |
| Provisions created during the financial year | 194 537 | 255 923 | 37 977 | 488 437 |
| Provisions consumed | - | 35 526 | 6 225 | 41 751 |
| Provisions dissolved | - | 305 | - | 305 |
| **As of 31.12.2020, including:** | **194 537** | **256 130** | **34 900** | **485 567** |
| short-term provisions | 48 924 | 256 130 | 34 900 | 339 954 |
| long-term provisions | 145 613 | - | - | 145 613 |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 36. Disclosure of financial instruments

## Fair value of financial instruments per class

Following an analysis of each class of financial instruments the Management Board of the parent Company has reached the conclusion that their carrying amounts in all cases reflect their corresponding fair value, both as of 31 December 2021 and as of 31 December 2020 respectively.

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **LEVEL 1** | | |
| **Assets estimated at fair value** | | |
| **Financial assets estimated at fair value through other comprehensive income** | **228 661** | **97 397** |
| foreign government bonds – CHF | - | 32 023 |
| foreign government bonds – EUR | 24 517 | 20 829 |
| foreign government bonds – USD | 204 144 | 44 545 |
| **LEVEL 2** | | |
| **Assets estimated at fair value through financial result** | | |
| **Derivative instruments:** | **-** | **6 527** |
| forward currency contracts – CHF | - | 1 231 |
| forward currency contracts – EUR | - | (202) |
| forward currency contracts – USD | - | 5 498 |
| **Liabilities estimated at fair value through financial result** | | |
| **Derivative instruments:** | (18 047) | - |
| forward currency contracts – EUR | (486) | - |
| forward currency contracts – USD | (17 561) | - |

Financial instruments 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

(all figures quoted in PLN thousands unless indicated otherwise)

## Financial assets – classification and estimation

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Financial assets estimated at amortized cost** | **1 060 209** | **1 987 735** |
| Other long-term receivables | 686 | 321 |
| Trade receivables | 125 293 | 1 205 603 |
| Cash and cash equivalents | 411 586 | 563 335 |
| Bank deposits (maturity beyond 3 months) | 265 000 | 164 368 |
| State Treasury bonds and bonds guaranteed by the State Treasury | 248 754 | 49 588 |
| Loans granted | 8 890 | 4 520 |
| **Financial assets estimated at fair value through other comprehensive income** | **228 661** | **97 397** |
| Foreign government bonds | 228 661 | 97 397 |
| **Financial assets estimated at fair value through financial result** | **-** | **6 527** |
| Derivative financial instruments | - | 6 527 |
| **Total financial assets** | **1 288 870** | **2 091 659** |

## Financial liabilities – classification and estimation

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Financial liabilities held at amortized cost** | **100 120** | **134 383** |
| Trade liabilities | 53 380 | 115 444 |
| Other financial liabilities | 46 740 | 18 939 |
| **Financial liabilities held at fair value through financial result** | **142** | **-** |
| Derivative financial instruments | 142 | - |
| **Total financial liabilities** | **100 262** | **134 383** |

In line with the requirements of **IFRS 9** *Financial Instruments* the parent Company has carried out an analysis of the business model concerning management of financial assets and of the characteristics of contractual cash flows for each component of the bond portfolio. This led the parent Company to conclude the following:

- The purpose of the conducted investments in domestic and foreign treasury bonds is to hold to maturity and collect the associated contractual cash flows;
- The investment mandates granted to Credit Suisse also permits sale of bonds prior to the expiration of their respective redemption periods in the framework of the adopted portfolio management strategy;
- All purchased bonds pass the SPPI test.

As a result of the presented analysis, the purchased bonds were assigned to two distinct financial asset management models identified by the entity which manages the bond portfolio. Polish State Treasury bonds and bonds guaranteed by the Polish State Treasury – given the intent to hold them to maturity and collect the associated contractual cash flows – were estimated at amortized cost. Foreign treasury bonds – given the investment mandate which permits management of portfolio by the Asset Manager – were estimated at fair value through other comprehensive income.

(all figures quoted in PLN thousands unless indicated otherwise)

## Profits and losses from financial assets and liabilities

| 01.01.2021 – 31.12.2021 | Financial assets estimated at amortized cost | | | | Financial assets estimated at fair value through financial result | Financial liabilities estimated at amortized cost | Total |
|---|---|---|---|---|---|---|---|
| | Trade receivables | Bonds issued or guaranteed by the State Treasury 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 | |
| Revenues/(expenses) from interest | - | 534 | 161 | 68 | - | (535) | 228 |
| Creation of impairment allowances | (12) | - | - | - | - | - | (12) |
| Dissolution of impairment allowances | 6 | - | - | - | - | - | 6 |
| Profit (loss) from sale of debt instruments | - | (1 436) | - | - | - | - | (1 436) |
| Fees and commission on purchases of debt instruments | - | (364) | - | - | - | - | (364) |
| Forward contract estimation | - | - | - | - | 7 962 | - | 7 962 |
| **Total profit / (loss)** | **(6)** | **(1 266)** | **161** | **68** | **7 962** | **(535)** | **6 384** |

(all figures quoted in PLN thousands unless indicated otherwise)

| 01.01.2020 – 31.12.2020 | Financial assets estimated at amortized cost | | | | Financial assets estimated at fair value through financial result | Financial liabilities estimated at amortized cost | Total |
|---|---|---|---|---|---|---|---|
| | Trade receivables | Bonds issued or guaranteed by the State Treasury 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 | |
| Revenues/(expenses) from interest | - | (31) | 37 | 7 582 | - | (400) | 7 188 |
| 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 | - | - | - | - | 9 265 | - | 9 265 |
| **Total profit / (loss)** | **(97)** | **(1 240)** | **37** | **7 582** | **9 265** | **(400)** | **15 147** |

(all figures quoted in PLN thousands unless indicated otherwise)

## Note 37. Equity management

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

The Group actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the parent entity may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Group monitors its capital status by applying a leverage ratio which is calculated as the ratio of net borrowing versus total equity increased by net borrowing. As of 31 December 2021 the value of cash assets held by the Group is in excess of its sum of trade liabilities and other liabilities. Consequently, the Group reports a positive cash balance.

## Note 38. Employee share programs

### 2016-2019 incentive program

On 24 May 2016 the General Meeting of Shareholders of the parent 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. Following attainment of the program's goals for the years 2016-2019, as officially confirmed in 2020, a total of 5 167 500 exercisable entitlements were held by participants.

In the course of implementing the program, in 2020 the parent 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. In March 2021, another 84 176 warrants were exercised, as a result of which the entitled parties claimed Series M shares, newly issued in the framework of a conditional increase in the parent Company share capital. These shares were admitted to organized trading on 31 March 2021, as a result of which the share capital of the parent Company was increased by 84 176 PLN.

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 shares of the parent Company. These warrants 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 parent 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).

(all figures quoted in PLN thousands unless indicated otherwise)

## Classification of estimation conditions

The condition associated with changes in the parent Company stock price vs. changes in the value of the WIG index and the condition specifying that on the day of exercise the market price must be above the acquisition price are considered market conditions. Conditions related to increases in net profits are considered non-market conditions. Formal terms (i.a. 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 assigned under the incentive program in force between 2016 and 2019

| | 01.01.2020 – 31.12.2020 | |
|---|---|---|
| | Entitlements granted | Exercise price (PLN) |
| Unexercised at beginning of period | 6 000 000 | 25.7 or 22.35 |
| Granted but unexercised at beginning of period | 5 535 000 | 25.7 or 22.35 |
| Granted | 500 | 25.7 or 22.35 |
| Forfeited | 368 000 | 25.7 or 22.35 |
| Exercised | 5 167 500 | 25.7 or 22.35 |
| Unexercised at end of period | - | - |
| Granted but unexercised at end of period | - | - |

## 2020-2025 incentive program

As mandated by the General Meetings of the parent Company held on 28 July 2020 and 22 September 2020, the Group 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 parent Company shares issued in the framework of a conditional increase in the Company share capital, or, alternatively, purchase the parent Company's own shares on preferential terms. Acquisition and exercise of subscription warrants or the purchase of the parent 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 publication date of this financial statement, 2 275 000 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% | 0.7% |
| Entitlements granted on 10.11.2020 | 38% | 17% | 44% | 0.7% |
| Entitlements granted on 12.08.2021 | 42% | 17% | 42% | 1.3% |

## Grant date

In 2020 the parent Company issued grants of eligibility in two batches. In 2021 additional entitlements were assigned on one occasion (pursuant to Management Board resolution of 10 August 2021). 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 parent Company stock price vs. changes in the value of the WIG index and the condition specifying that on the day of exercise the market price must be above the acquisition price are considered market conditions. Conditions related to increases in net profits are considered non-market conditions. Formal terms (e.g. correct and timely filing of the relevant documentation), loyalty criteria and any other terms not related to share price are also treated as non-market conditions, as is the requirement of survival until the exercise date and other similar stipulations.

(all figures quoted in PLN thousands unless indicated otherwise)

### Shares outstanding on grant date

On each grant date in 2020 the parent Company had 96 120 000 shares outstanding.

On the additional grant date in 2021 the parent Company had 100 738 800 shares outstanding.

### Status of the program

Based on the Group's 2020 and 2021 earnings, as well as assumptions concerning further years covered by the incentive program, the Management Board has performed an analysis of the feasibility of attaining the result goal as defined for the entire duration of the program, and has consequently revised its projections, declaring that the most likely outcome is that the result goal for the duration of the program cannot be attained.

### Changes in entitlements granted under the 2020-2025 incentive program

| | 01.01.2021 – 31.12.2021 | | 01.01.2020 – 31.12.2020 | |
|---|---|---|---|---|
| | Entitlements granted | Exercise price (PLN) | Entitlements granted | Exercise price (PLN) |
| Unexercised at beginning of period | 4 000 000 | 390.59 or 371.06 | - | - |
| Granted but unexercised at beginning of period | 2 592 000 | 390.59 or 371.06 | - | - |
| Granted | 30 000 | 390.59 or 371.06 | 2 617 000 | 390.59 or 371.06 |
| Forfeited | 347 000 | 390.59 or 371.06 | 25 000 | 390.59 or 371.06 |
| Unexercised at end of period | 4 000 000 | 390.59 or 371.06 | 4 000 000 | 390.59 or 371.06 |
| Granted but unexercised at end of period | 2 275 000 | 390.59 or 371.06 | 2 592 000 | 390.59 or 371.06 |

## Note 39. 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 CD PROJEKT Group member companies 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.

(all figures quoted in PLN thousands unless indicated otherwise)

## Transactions with affiliates following consolidation eliminations

| | Sales to affiliates | | Purchases from affiliates | | Receivables from affiliates | | Liabilities due to affiliates | |
|---|---|---|---|---|---|---|---|---|
| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| **SUBSIDIARIES** | | | | | | | | |
| CD PROJEKT Co., Ltd. (in liquidation) | - | - | 6 629 | 3 707 | - | - | - | 557 |
| Spokko sp. z o.o. | 1 460 | 495 | - | - | 9 113 | 4 601 | - | - |
| CD PROJEKT RED Vancouver Studio Ltd. | - | - | 2 889 | - | 1 008 | - | 164 | - |
| The Molasses Flood LLC | - | - | 2 616 | - | - | - | 1 019 | - |
| **MANAGEMENT BOARD MEMBERS AT GROUP MEMBER COMPANIES** | | | | | | | | |
| Marcin Iwiński | 18 | 10 | - | - | - | 5 | 19 | - |
| Adam Kiciński | 4 | 4 | - | - | - | - | 5 | - |
| Piotr Nielubowicz | 7 | 10 | - | - | - | 2 | - | - |
| Michał Nowakowski | 24 | 11 | - | - | - | - | 7 | 1 |
| Adam Badowski | 9 | 4 | - | - | 7 | - | 5 | - |
| Piotr Karwowski | 4 | - | - | - | - | - | - | - |
| Oleg Klapovskiy | - | 2 | - | - | - | - | - | - |
| Urszula Jach - Jaki | 1 | 4 | - | - | - | - | - | - |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 40. Mergers and changes in the structure of the CD PROJEKT Group

## Mergers between subsidiaries

None reported.

## Incorporation of new subsidiaries

On 8 July 2021 the parent Company purchased 100% of shares in the Canadian studio named Digital Scapes (later rebranded as CD PROJEKT RED Vancouver Studio Ltd.) This is a full-fledged gamedev studio which will support the Company in its future game development projects.

On 22 October 2021 CD PROJEKT Inc. purchased 60% of shares in The Molasses Flood LLC. The Molasses Flood closely collaborates with the parent Company while retaining full autonomy. It is working on a separate project based upon one of CD PROJEKT's IPs.

On 2 July 2021 the parent Company sold four shares in Spokko sp. z o.o., as a result of which the percentage share of Spokko sp. z o.o. held by the parent Company decreased by 1%, to 74%.

# Note 41. Compensation of top management and Supervisory Board members

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

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Base salaries | 79 | 86 |
| Compensation for duties performed | 2 586 | 2 826 |
| Bonuses and compensation contingent upon the Group's financial result for the previous year | 112 479 | 17 374 |
| **Total** | **115 144** | **20 286** |

## Benefits paid out to other top executives at the Group

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Base salaries | 29 406 | 15 490 |
| Compensation for duties performed | 733 | 353 |
| Bonuses and compensation contingent upon the Group's financial result for the previous year | 39 752 | 5299 |
| **Total** | **69 891** | **21 142** |

## Benefits paid out to Supervisory Board members

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Compensation for duties performed | 481 | 408 |
| **Total** | **481** | **408** |

# Note 42. Employment

## Average employment

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Average employment | 493 | 406 |
| **Total** | **493** | **406** |

(all figures quoted in PLN thousands unless indicated otherwise)

### Employment turnover

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| Employees hired | 146 | 165 |
| Employees dismissed | 108 | 41 |
| **Total** | **38** | **124** |

## Note 43. Activated borrowing costs

Not applicable.

## Note 44. Disclosure of seasonal, cyclical or sporadic revenues

Not applicable.

## Note 45. Fiscal settlements

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

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

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

Given that the parent Company meets the requirements expressed in Art. 19 of the Act of 30 May 2008 on certain forms of supporting innovative activity (JL 2021 item 706), on 11 August 2021, the Minister for Entrepreneurship and Technology issued decision no. DNP-V.4241.11.2021, upholding the previous decision no. 4/CBR/18 of 19 June 2018 which bestowed upon the parent Company the status of an R&D center. This status entitles the parent Company to apply broader R&D tax relief options specified in the Corporate Income Tax Act of 15 February 1992 (JL 2021, item 1800).

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 parent Company is able to apply the preferential rate to certain sources of its income.

## Note 46. Events following the balance sheet date

- Appointment of new Management Board members, as disclosed in Current Report no. 4/2022

On 26 January 2022 the parent Company announced that its Supervisory Board had appointed Mr. Jeremiah Cohn and Mr. Paweł Zawodny to the Management Board of the Company, effective on 1 February 2022.

- Update on court proceedings in the USA – conclusion of a formal settlement agreement, as disclosed in Current Report no. 5/2022

In Current Report no. 5/2022 of 28 January 2022 the parent Company provided an update on litigation pending before the US District Court of the Central District of California, by announcing that on 27 January 2022 it had received from the law firm representing the parent Company in matters related to this class action lawsuit information concerning conclusion of a formal Stipulation and Agreement of Settlement, along with the required annexes. The provisions of this settlement agreement elaborate upon and are materially consistent with the previously concluded Settlement Term Sheet which had been announced by the parent Company in Current Report no. 45/2021 of 16 December 2021.

An additional agreement was also concluded, as is standard practice in such cases, listing the circumstances under which the parent Company retains the right to withdraw from the settlement agreement. This document (as well as in the previously concluded Settlement Term Sheet) includes a statement whereby the parent Company and other defendants named in the case expressly deny any wrongdoing.

The formal settlement agreement was filed in the Court on 27 January 2022 along with a motion requesting its approval.

(all figures quoted in PLN thousands unless indicated otherwise)

- Suspension of distribution of the parent Company's Group's products and games distributed by the GOG.COM platform on the territories of Russia and Belarus, as disclosed in Current Report no. 6/2022

On 3 March 2022 the parent Company announced that it had decided to suspend sales of its Group's products and distribution of games on the GOG.COM platform on the territories of Russia and Belarus.

The parent Company estimates that over the past 12 months the aggregate share of Russia and Belarus in revenues from sales of products in the CD PROJEKT RED segment and in GOG.COM sales revenues amounted to 5.4% and 3.7% respectively.

- Disclosure of inside information concerning initiation of negotiations and conclusion of an agreement with Epic Games International S.à r.l., as disclosed in Current Report no. 7/2022

On 21 March 2022 the parent Company publicly disclosed inside information which arose on 20 December 2021 and was subject to delayed disclosure under Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, to wit:

"On 20 December 2021 the Management Board of CD PROJEKT S.A. undertook the decision to enter into negotiations with Epic Games."

The parent Company further announced that following the conclusion of negotiations, on 21 March 2022 it had signed a licensing and partnership agreement with Epic Games International S.à r.l. The agreement specifies the conditions under which the parent Company is permitted to use the Unreal Engine, and establishes a framework of cooperation between the parties in the scope of developing and improving the engine to adapt it to the requirements of open-world games, such as those developed by the parent Company. The agreement is regarded as strategically important for both parties.

Under the agreement the parent Company gains the right to develop and publish games powered by Unreal Engine 4, 5 and subsequent versions. The agreement was concluded for a period of 15 years with a prolongation option. It places no restriction on the number of games created with the use of Unreal Engine. Epic Games will also provide dedicated technical support for games published by the parent Company.

- Updated decision concerning diversification of surplus cash assets, as disclosed in Current Report no. 8/2022

On 25 March 2022 the parent Company announced that it had changed its existing surplus cash asset diversification policy.

The updated policy specifies that debt instruments held by the parent Company may account for not more than 80% of the Company's current financial assets, which are defined as the sum of the following: cash and near-cash, bank deposits with maturity periods longer than 3 months, Polish State Treasury bonds, other bonds guaranteed by the Polish State Treasury and bonds issued by foreign governments, estimated at the price specified in the corresponding forward contract hedges. Cash assets may be invested in the following types of bonds:

a) domestic bonds issued by the Polish State Treasury,

b) domestic bonds guaranteed by the Polish State Treasury,

c) foreign treasury bonds issued by countries with a credit rating of at least Aa3 according to Moody's,

d) foreign bonds guaranteed by countries with a credit rating of at least Aa3 according to Moody's.

The updated policy also upholds the parent Company's decision to hedge the interest rate risks associated with holding bonds denominated in foreign currencies through offsetting purchases of derivative financial instruments, particularly forward contracts, with an added stipulation that up to 15% of cash assets may be allocated to unhedged securities denominated in USD or EUR.

- Effect of the political and economic situation in Ukraine on the activities of the CD PROJEKT Group

### Effect on sales

In response to the Russian armed invasion of Ukraine, on 3 March 2022 the Management Board of CD PROJEKT decided to suspend sales of CD PROJEKT Group products as well as games distributed on the GOG.COM platform on the territory of Russia and Belarus. The parent Company estimates that throughout the 12-month period between March 2021 and February 2022 the aggregate share of Russia and Belarus in revenues from sales of products in the CD PROJEKT RED segment and in GOG.COM sales revenues amounted to 5.4% and 3.7% respectively. At an early stage of hostilities the Polish currency (in which most expenses borne by the Group are denominated) weakened substantially against USD and EUR, i.e. the main currencies in which the Group obtains sales revenues. Given that most of the Group's sales are exports, this strengthening of foreign currencies against the domestic currency should be viewed as a favorable circumstance.

### Risks associated with the current political and economic situation in Ukraine

The parent Company continually monitors the effects of the current political and economic situation in Ukraine, Russia and Belarus upon the activities of the CD PROJEKT Group.

The parent Company has terminated, or is in the process of terminating collaboration with Russian suppliers. At the present time the parent Company does not intend to initiate any further collaboration with Russian or Belorussian entities.

As of the publication date of this financial statement the Group's operating activities proceed unhindered, and the effect of the Russian armed invasion of Ukraine do not have a significant negative impact on the Group's operations.

In the Management Board's opinion the current political and economic situation in Ukraine does not affect the quantitative data contained in this financial statement, does not provide a reason to suspect impairment of assets, should not have a significant negative effect on the Group's earnings in 2022, and does not jeopardize continuation of the parent Company's activities within 12 months of the conclusion of the reporting period. Given the unprecedented character of current events and significant uncertainty associated therewith – particularly the lack of reliable knowledge concerning the duration of the Russian invasion – as of the publication date of this report it is impossible to accurately predict the long-term effects of the invasion upon the condition and earnings of the parent Company and its Group. Any assessments and forecasts in this regard are fraught with uncertainty, and will be subject to further monitoring and analysis by the Group.

Insofar as possible, the above assessment reflects the parent Company's knowledge as of the publication date of this financial statement.

Further information on events which 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 2021.

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

| Compensation paid out or payable during the fiscal year | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| for auditing the annual financial statement and the consolidated financial statement | 165 | 148 |
| for other attestation services, including reviewing financial statements and the consolidated financial statement | 60 | 60 |
| **Total** | **225** | **208** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Note 48. Clarifications regarding the cash flow statement

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **Cash and cash equivalents reported in cash flow statement** | **411 586** | **563 335** |
| Cash on balance sheet | 411 586 | 563 335 |
| **Depreciation:** | **17 764** | **13 559** |
| Depreciation of intangibles | 3 063 | 1 963 |
| Depreciation of expenditures on development projects | 2 084 | 5 418 |
| Depreciation of PP&E | 12 578 | 6 099 |
| Depreciation of investment properties | 39 | 79 |
| **Profit (loss) from exchange rate differences** | **(15 047)** | **2 220** |
| Exchange rate differences on valuation of bonds | (15 047) | 2 220 |
| **Interest and share in profits consist of:** | **(228)** | **(7 188)** |
| Interest on bank deposits | (68) | (7 582) |
| Interest on bonds | (534) | 31 |
| Interest charged on loans granted | (161) | (37) |
| Interest on lease agreements collected | 535 | 400 |
| **Profit (loss) from investment activities results from:** | **55 282** | **(5 440)** |
| Revenues from sales of PP&E | (249) | (21) |
| Net value of PP&E sold | 169 | 2 |
| Net value of intangibles sold | 19 | - |
| Net value of PP&E liquidated | 735 | 49 |
| Net value of intangibles liquidated | 39 | 3 |
| Net value of investment properties liquidated | 51 | 1 630 |
| Impairment allowances on PP&E, intangibles and expenditures on development projects | 34 582 | - |
| Impairment allowances on shares in subsidiaries | 1 668 | - |
| Fixed assets received free of charge | - | (62) |
| Settlement and estimation of derivative instruments | 16 468 | (8 250) |
| Bond purchase fees | 364 | 128 |
| Revenues from maturation of bonds | (82 718) | (59 429) |
| Value of bonds held to maturity | 84 154 | 60 510 |
| **Changes in provisions result from:** | **(311 449)** | **366 499** |
| Balance of changes in provisions for liabilities | (397 157) | 446 381 |
| Balance of changes in provisions for employee benefits | (15) | 145 |
| Provisions for compensation contingent upon the Group's financial result aggregated with expenses on development projects | 85 723 | (80 027) |
| **Changes in inventory status result from:** | **(8 929)** | **5 905** |
| Balance of changes in inventory status | (8 929) | 5 905 |

(all figures quoted in PLN thousands unless indicated otherwise)

| | 01.01.2021 – 31.12.2021 | 01.01.2020 – 31.12.2020 |
|---|---|---|
| **Changes in receivables result from:** | **1 036 886** | **(1 083 890)** |
| Balance of changes in short-term receivables | 1 036 924 | (1 065 813) |
| Balance of changes in long-term receivables | (365) | 37 |
| Balance of changes in advance payments for investment properties | 9 | 70 |
| Income tax set against withholding tax | 8 196 | 3 878 |
| Withholding tax paid abroad | (5 858) | (13 762) |
| Current income tax adjustments | (8 098) | (24 227) |
| Changes in advance payments related to expenditures on development projects | 6 082 | 16 266 |
| Changes in advance payments related to purchase of PP&E and intangibles | (4) | (339) |
| **Changes in short-term liabilities except financial liabilities result from:** | **(85 023)** | **77 319** |
| Balance of changes in short-term liabilities | (39 583) | 80 074 |
| Current income tax adjustments | (22 704) | (1 624) |
| Changes in financial liabilities | (22 869) | (779) |
| Adjustments for changes in liabilities due to purchase of PP&E | 77 | (1 137) |
| Adjustments for changes in liabilities due to purchase of intangibles | 139 | 678 |
| Adjustments for changes in liabilities related to purchase of investment properties | (10) | 87 |
| Adjustment for liabilities booked on the other side as deferrals | (73) | 20 |
| **Changes in other assets and liabilities result from:** | **(11 127)** | **(100 033)** |
| Balance of changes in prepaid expenses | (138) | 13 227 |
| Balance of changes in deferred revenues | (10 749) | (113 007) |
| Adjustment for prepaid expenses booked on the other side as liabilities | (240) | (260) |
| Adjustment for depreciation aggregated with deferrals | - | 7 |
| **Other adjustments include:** | **1 656** | **16 813** |
| Cost of incentive program | (999) | 14 707 |
| Estimation of financial derivative instruments | 220 | (79) |
| Depreciation aggregated with cost of products, services, goods and materials sold, consortium settlements and other operating expenses | 2 529 | 1 991 |
| Exchange rate differences | (76) | 194 |
| Miscellaneous adjustments | (18) | - |

(all figures quoted in PLN thousands unless indicated otherwise)

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

| | 01.01.2021 | Cash flows | Non-cash changes | | | | | | | 31.12.2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Acquisition of PP&E under lease agreements | Dissolution of lease agreements | Exchange rate differences | Accrued interest | Assignment of own shares | Resolution concerning purchase of own shares | Resolution concerning dividend payment | |
| Lease liabilities | 18 939 | (4 234) | 1 236 | (18) | 196 | 535 | - | - | - | 16 654 |
| Liabilities due to shareholders in association with dividend payment | - | (503 694) | - | - | - | - | - | - | 503 694 | - |
| Receivables from entitled parties under the incentive program | - | 2 149 | - | - | - | - | (2 149) | - | - | - |
| **Total** | **18 939** | **(505 779)** | **1 236** | **(18)** | **196** | **535** | **(2 149)** | **-** | **503 694** | **16 654** |

| | 01.01.2020 | Cash flows | Non-cash changes | | | | | | | 31.12.2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Acquisition of PP&E under lease agreements | Dissolution of lease agreements | Exchange rate differences | Accrued interest | Assignment of own shares | Resolution concerning purchase of own shares | Resolution concerning dividend payment | |
| Lease liabilities | 19 905 | (3 258) | 1 775 | - | 116 | 401 | - | - | - | 18 939 |
| Liabilities associated with purchase of own shares | - | (214 259) | - | - | - | - | - | 214 259 | - | - |
| Receivables from entitled parties under the incentive program | - | 126 124 | - | - | - | - | (126 124) | - | - | - |
| **Total** | **19 905** | **(91 393)** | **1 775** | **-** | **116** | **401** | **(126 124)** | **214 259** | **-** | **18 939** |

(all figures quoted in PLN thousands unless indicated otherwise)

# Statement of the Management Board of the parent entity

## With regard to the correctness of the consolidated financial statement

Pursuant to the directive of the Finance Minister of 29 March 2018 regarding the publication of periodic and current reports by issuers of securities and the conditions for regarding as equivalent the information required under the laws of a non-member state, the Management Board of the parent entity hereby states that, to the best of its knowledge, this consolidated financial statement and comparative data contained herein have been prepared in accordance with all accounting regulations applicable to the CD PROJEKT Group and that they constitute a true, unbiased and clear description of the finances and assets of the Group as well as its current profit and loss balance.

This consolidated financial statement conforms to International Financial Reporting Standards (IFRS) approved by the European Union and in force as of 31 December 2021. Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 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.

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

On 14 May 2020 the Supervisory Board of the parent Company concurred with the Audit Committee recommendation and selected Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań as the entity contracted to review the semiannual financial statements and to perform an audit of the annual financial statements of the Company and its 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:

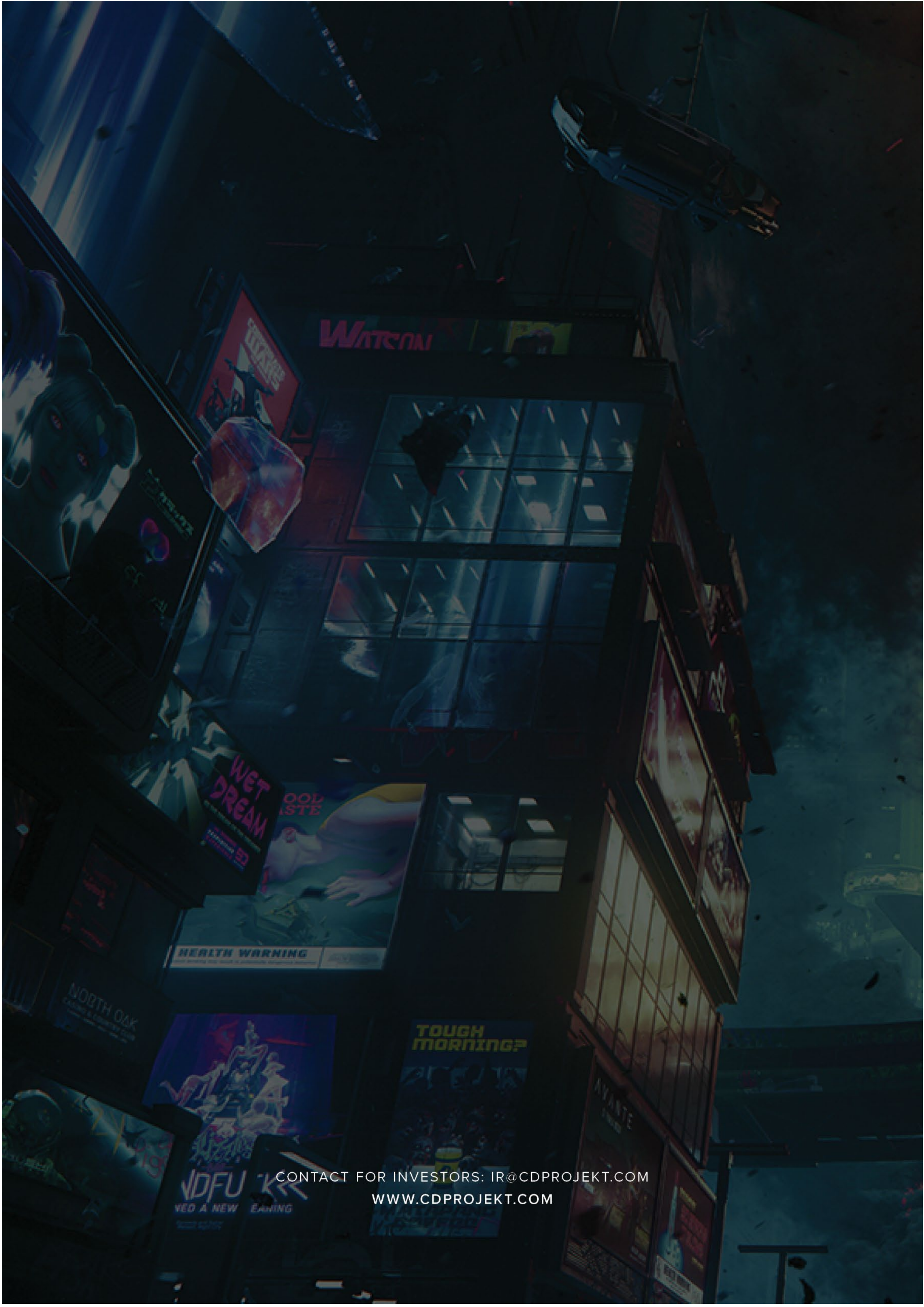
- Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań, along with members of the audit team, fulfill the necessary criteria to ensure preparation of an unbiased and independent audit of the annual separate financial statement of CD PROJEKT S.A. and the consolidated statement of the CD PROJEKT Group for the fiscal year ending on 31 December 2021, 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 consolidated financial statement of the CD PROJEKT Group was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 14 April 2022 and is duly submitted to the General Meeting of CD PROJEKT S.A. for approval.

Warsaw, 14 April 2022

| | | |
|---|---|---|
| Adam Kiciński | Marcin Iwiński | Piotr Nielubowicz |
| President of the Board | Vice President of the Board | Vice President of the Board |
| Adam Badowski | Michał Nowakowski | Piotr Karwowski |
| Board Member | Board Member | Board Member |
| Paweł Zawodny | Jeremiah Cohn | Krystyna Cybulska |
| Board Member | Board Member | Chief Accountant |

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