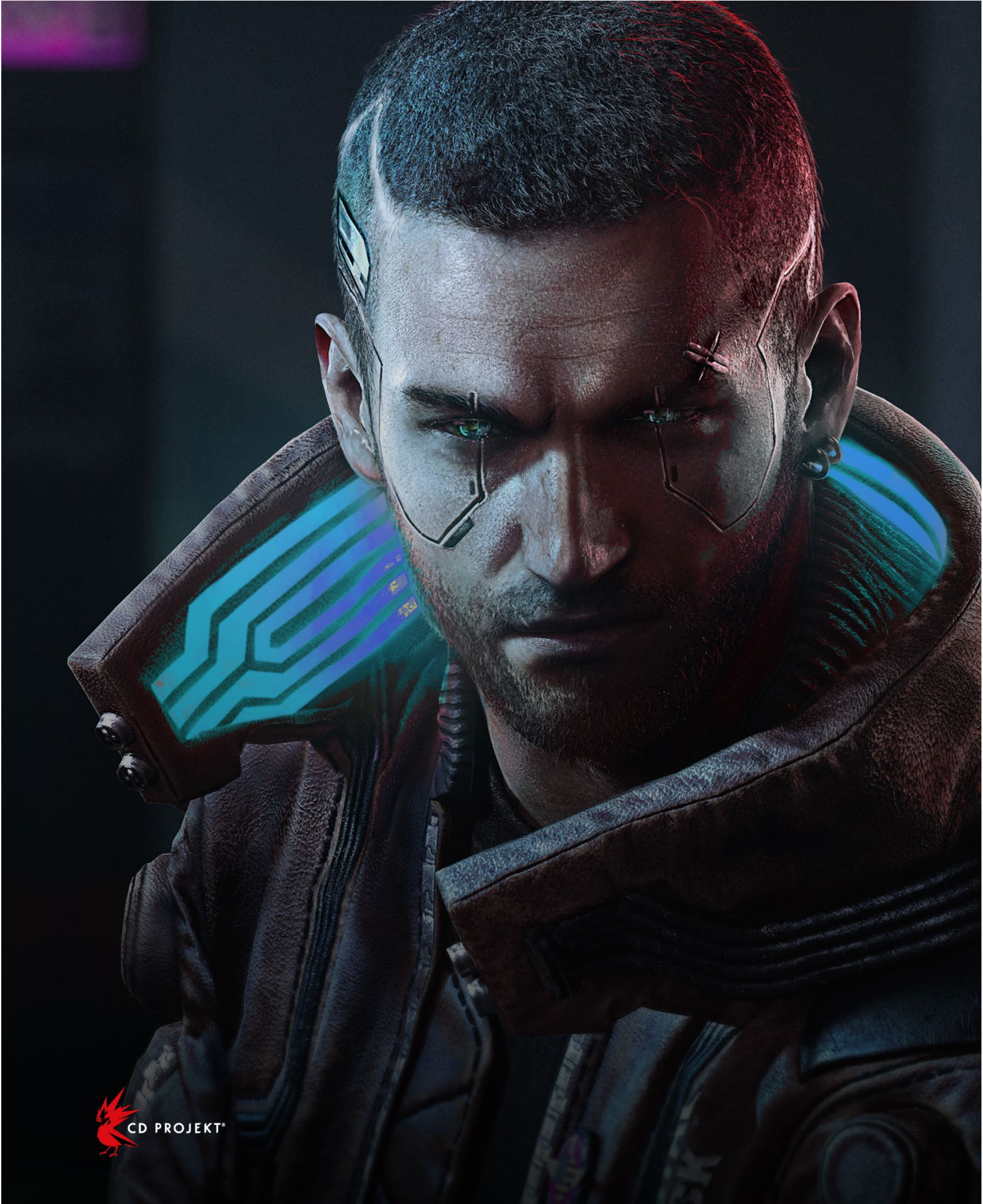

CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT GROUP FOR 2022

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 data translated into EUR

	PLN		EUR	
	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Net sales of products, services, goods for resale and materials	952 576	888 172	203 182	194 030
Cost of sales of products, services, goods for resale and materials	243 974	250 234	52 039	54 666
Operating profit/(loss)	377 347	232 903	80 487	50 880
Profit/(loss) before tax	393 185	219 108	83 865	47 866
Net profit/(loss) attributable to owners of CD PROJEKT S.A.	347 093	208 908	74 034	45 638
Net cash from operating activities	406 031	967 825	86 606	211 431
Net cash from investing activities	(335 607)	(613 795)	(71 584)	(134 090)
Net cash used in financing activities	(204 183)	(505 779)	(43 552)	(110 492)
Net increase/(decrease) in cash and cash equivalents	(133 759)	(151 749)	(28 530)	(33 151)
Number of shares (in thousands)	100 741	100 718	100 741	100 718
Net earnings/(loss) per share (in PLN)	3.45	2.07	0.73	0.45
Diluted earnings/(loss) per share (in PLN/EUR)	3.44	2.07	0.73	0.45
Book value per share (in PLN/EUR)	20.18	18.81	4.30	4.09
Diluted book value per share (in PLN/EUR)	20.18	18.80	4.30	4.09
Dividend declared or paid per share (in PLN/EUR)	1.00	5.00	0.21	1.09

	PLN		EUR	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Total assets	2 274 124	2 158 735	484 898	469 351
Liabilities and provisions for liabilities (excluding accruals)	214 626	226 407	45 763	49 225
Non-current liabilities	36 186	36 112	7 716	7 851
Current liabilities	204 534	228 267	43 612	49 630
Equity	2 033 404	1 894 356	433 571	411 870
Share capital	100 771	100 739	21 487	21 903

The financial data presented above was translated into EUR as follows:

- Items of the consolidated income statement and the consolidated cash flow statement were translated at exchange rates calculated as an arithmetic mean of the exchange rates announced by the National Bank of Poland for the euro applicable as at the last day of each month in a given reporting period. These rates were, respectively, as follows: from 1 January to 31 December 2022: 4.6883 PLN/EUR and from 1 January to 31 December 2021: 4.5775 PLN/EUR.
- Items of assets, liabilities and equity in the consolidated statement of financial position were translated at exchange rates announced by the National Bank of Poland for the euro applicable on the last day of the reporting period. These rates were, respectively, as follows: 4.6899 PLN/EUR as at 31 December 2022 and 4.5994 PLN/EUR as at 31 December 2021.

Reference to published estimates

The Group did not publish estimated data relating to the period presented.

CD PROJEKT

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CD PROJEKT

Key financial data of the CD PROJEKT Group

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Consolidated income statement

	Note	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Sales revenue		**952 576**	**888 172**
Sales of products	1	767 499	691 564
Sales of services	1	1 960	5 865
Sales of goods for resale and materials	1	183 117	190 743
Cost of sales of products, services, goods for resale and materials		**243 974**	**250 234**
Costs of products and services sold	2	111 562	107 391
Cost of goods for resale and materials sold	2	132 412	142 843
Gross profit/(loss) on sales		**708 602**	**637 938**
Selling expenses	2	222 350	299 225
Administrative expenses	2	75 536	71 949
Other operating income	1,3	19 443	17 376
Other operating expenses	3	52 805	51 231
(Impairment)/reversal of impairment of financial instruments		(7)	(6)
Operating profit/(loss)		**377 347**	**232 903**
Finance income	1,4	71 501	9 523
Finance costs	4	55 663	23 318
Profit/(loss) before tax		**393 185**	**219 108**
Income tax	5	46 092	10 200
Net profit/(loss)		**347 093**	**208 908**
Net profit/(loss) attributable to owners of CD PROJEKT S.A.		347 093	208 908
Net earnings/(loss) per share (in PLN)			
Basic for the reporting period	7	3.45	2.07
Diluted for the reporting period	7	3.44	2.07

Consolidated statement of comprehensive income

	Note	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Net profit/(loss)		**347 093**	**208 908**
Other comprehensive income subject to reclassification to gains or losses after specific conditions have been met:	**9**	**(12 411)**	**4 842**
Exchange differences on measurement of foreign operations		313	500
Measurement of derivative financial instruments – fair value through other comprehensive income, taking into account the tax effect		(12 724)	4 342
Other comprehensive income not subject to reclassification to gains or losses	**9**	**-**	**-**
Total comprehensive income		**334 682**	**213 750**
Total comprehensive income attributable to non-controlling interests		-	-
Total comprehensive income attributable to owners of CD PROJEKT S.A.		**334 682**	**213 750**

(all amounts in PLN thousand, unless stated otherwise)

Consolidated statement of financial position

	Note	31.12.2022	31.12.2021*
NON-CURRENT ASSETS		**1 119 978**	**905 846**
Property, plant and equipment	10	145 252	119 588
Intangible assets	11	69 157	58 393
Expenditure on development projects	11	473 202	350 195
Investment properties	13	42 560	44 634
Goodwill	11,12	56 438	56 438
Shares in non-consolidated subordinated entities	14	41 607	38 520
Prepayments and deferred costs	19	31 074	11 434
Other financial assets	15,37	207 437	178 540
Deferred tax assets	5	52 862	47 418
Other receivables	18,37	389	686
CURRENT ASSETS		**1 154 146**	**1 252 889**
Inventories	16	12 701	15 886
Trade receivables	17,37	165 290	125 293
Current income tax receivable		1 458	98
Other receivables	18	57 139	113 498
Prepayments and deferred costs	19	22 886	13 763
Other financial assets	15,37	279 515	307 765
Bank deposits over 3 months	37	337 330	265 000
Cash and cash equivalents	20,37	277 827	411 586
TOTAL ASSETS		**2 274 124**	**2 158 735**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

	Note	31.12.2022	31.12.2021
EQUITY		**2 033 404**	**1 894 356**
Equity attributable to owners of CD PROJEKT S.A.		**2 033 404**	**1 894 356**
Share capital	21	100 771	100 739
Supplementary capital	23	1 567 325	1 425 647
Share premium	23	116 700	115 909
Treasury shares	23	(99 993)	-
Other reserves	23	2 255	47 994
Foreign exchange differences on translation		1 904	1 591
Retained earnings / (Accumulated losses)	24	(2 651)	(6 432)
Net profit (loss) for the period		347 093	208 908
Non-controlling interests	25	**-**	**-**
NON-CURRENT LIABILITIES		**36 186**	**36 112**
Other financial liabilities	27,33,37	18 883	21 080
Other liabilities	28	2 620	2 860
Deferred tax provision	5	50	-
Deferred income	34	3 669	6 424
Provision for retirement and similar benefits	35	366	380
Other provisions	36	10 598	5 368
CURRENT LIABILITIES		**204 534**	**228 267**
Other financial liabilities	27,33,37	9 578	25 802
Trade payables	29,37	72 119	53 380
Current income tax liabilities		2 116	24 446
Other liabilities	30	10 244	10 042
Deferred income	34	22 425	31 548
Provision for retirement and similar benefits	35	10	7
Other provisions	36	88 042	83 042
TOTAL LIABILITIES AND EQUITY		**2 274 124**	**2 158 735**

(all amounts in PLN thousand, unless stated otherwise)

Statement of changes in consolidated equity

	Share capital	Supplementary capital	Share premium	Treasury shares	Other reserves	Foreign exchange differences on translation	Retained earnings / (Accumulated losses)	Net profit (loss) for the period	Equity attributable to owners of CD PROJEKT S.A.	Non-controlling interests	Total equity
01.01.2022 – 31.12.2022											
Equity as at 01.01.2022	**100 739**	**1 425 647**	**115 909**	**-**	**47 994**	**1 591**	**202 476**	**-**	**1 894 356**	**-**	**1 894 356**
Costs of the incentive scheme	-	-	-	-	4 274	-	-	-	4 274	-	4 274
Share-based payments	32	1 549	791	-	(1 548)	-	-	-	824	-	824
Purchase of treasury shares for redemption	-	-	-	(99 993)	-	-	-	-	(99 993)	-	(99 993)
Release of reserve capital from previous years created for the purpose of purchasing treasury shares	-	35 741	-	-	(35 741)	-	-	-	-	-	-
Payment of dividend	-	-	-	-	-	-	(100 739)	-	(100 739)	-	(100 739)
Appropriation of the net profit/offset of loss	-	104 388	-	-	-	-	(104 388)	-	-	-	-
Total comprehensive income	-	-	-	-	(12 724)	313	-	347 093	334 682	-	334 682
Equity as at 31.12.2022	**100 771**	**1 567 325**	**116 700**	**(99 993)**	**2 255**	**1 904**	**(2 651)**	**347 093**	**2 033 404**	**-**	**2 033 404**

(all amounts in PLN thousand, unless stated otherwise)

	Share capital	Supplementary capital	Share premium	Treasury shares	Other reserves	Foreign exchange differences on translation	Retained earnings / (Accumulated losses)	Net profit (loss) for the period	Equity attributable to owners of CD PROJEKT S.A.	Non-controlling interests	Total equity
01.01.2021 – 31.12.2021											
Equity as at 01.01.2021	**100 655**	**774 851**	**113 844**	**-**	**45 547**	**1 091**	**1 151 368**	**-**	**2 187 356**	**-**	**2 187 356**
Corrections of errors	-	-	-	-	-	-	(4 179)	-	(4 179)	-	(4 179)
Equity, as adjusted	**100 655**	**774 851**	**113 844**	**-**	**45 547**	**1 091**	**1 147 189**	**-**	**2 183 177**	**-**	**2 183 177**
Costs of the incentive scheme	-	-	-	-	(1 026)	-	-	-	(1 026)	-	(1 026)
Share-based payments	84	869	2 065	-	(869)	-	-	-	2 149	-	2 149
Payment of dividend	-	-	-	-	-	-	(503 694)	-	(503 694)	-	(503 694)
Appropriation of the net profit/offset of loss	-	649 927	-	-	-	-	(649 927)	-	-	-	-
Total comprehensive income	-	-	-	-	4 342	500	-	208 908	213 750	-	213 750
Equity as at 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 adjusted the calculation of the deferred tax asset as at 31 December 2020 by re-classifying a part of deductible temporary differences from the category of taxed at 19% to taxed at 5%. As a result of the adjustment, equity decreased by PLN 4 179 thousand.

(all amounts in PLN thousand, unless stated otherwise)

Consolidated statement of cash flows

	Note	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
OPERATING ACTIVITIES			
Net profit /(loss)		**347 093**	**208 908**
Total adjustments:	**49**	**55 878**	**766 750**
Depreciation and amortization of property, plant and equipment, intangible assets, expenditure on development projects and investment properties		13 828	17 764
Amortization of development projects recognized as cost of goods sold		103 604	86 965
Foreign exchange gains/(losses)		4 561	(15 047)
Interest and participation in profits		(42 487)	(228)
Gains/(Losses) on investing activities		42 077	55 282
Increase/(Decrease) in provisions		(5 700)	(311 449)
(Increase)/Decrease in inventories		3 185	(8 929)
(Increase)/Decrease in receivables		(44 052)	1 036 886
Increase/(Decrease) in liabilities, excluding loans and borrowings		13 034	(85 023)
Change in other assets and liabilities		(40 881)	(11 127)
Other adjustments		8 709	1 656
Cash from operating activities		**402 971**	**975 658**
Income tax expense		13 817	4 337
Withholding tax paid abroad		32 275	5 863
Income tax (paid)/refunded		(43 032)	(18 033)
Net cash from operating activities		**406 031**	**967 825**

(all amounts in PLN thousand, unless stated otherwise)

	Note	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021*
INVESTING ACTIVITIES			
Inflows		**1 292 199**	**257 135**
Sale of intangible assets and property, plant and equipment		568	241
Repayment of loans granted		12 240	-
Sale of shares in a subsidiary		76	19
Expiry of bank deposits over 3 months		975 860	164 368
Redemption of bonds		268 426	82 715
Interest on bonds		7 879	1 703
Interest received on deposits		26 885	68
Inflows from execution of forward contracts		-	7 887
Other inflows from investing activities		265	134
Outflows		**1 627 806**	**870 930**
Acquisition of intangible assets and property, plant and equipment		48 274	27 969
Expenditure on development projects		207 831	155 401
Acquisition of investment properties and capitalization of expenditure		214	2 085
Loans granted		4 187	4 340
Acquisition of a subsidiary		6 769	19 306
Contribution to the capital of a subsidiary		28 318	-
Placement of bank deposits over 3 months		1 048 190	265 000
Purchase of private equity interests in the gaming sector		2 556	-
Purchase of bonds and cost of their purchase		253 580	396 829
Outflows from execution of forward contracts		27 887	-
Net cash from investing activities		**(335 607)**	**(613 795)**
FINANCING ACTIVITIES			
Inflows		**861**	**2 189**
Net proceeds from the sale of shares and issue of shares in the execution of the incentive scheme		822	2 149
Payment of finance lease liabilities		39	40
Outflows		**205 044**	**507 968**
Purchase of treasury shares for redemption		99 993	-
Dividends and other distributions to shareholders		100 739	503 694
Payment of lease liabilities		3 731	3 733
Interest paid		581	541
Net cash used in financing activities		**(204 183)**	**(505 779)**
Net increase/(decrease) in cash and cash equivalents		**(133 759)**	**(151 749)**
Change in cash and cash equivalents in the balance sheet		**(133 759)**	**(151 749)**
Cash and cash equivalents as at the beginning of the period		**411 586**	**563 335**
Cash and cash equivalents at the end of the period		**277 827**	**411 586**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

CD PROJEKT

Notes to the consolidated financial statements

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General information

Name of reporting entity:	CD PROJEKT S.A. (there have been no changes in the name of the reporting entity since the end of the prior reporting period)
Legal form:	a joint stock company (*spółka akcyjna)*
Registered office:	ul. Jagiellońska 74, 03-301 Warsaw
Country of registration:	Poland
Core activities:	CD PROJEKT S.A. is the holding company of the CD PROJEKT Group which operates in the CD PROJEKT RED and GOG.COM segments.
Principal place of business:	Warsaw
Registration body:	District Court for the Capital City of Warsaw in Warsaw, 14th Business Department of the National Court Register
Statistical number REGON:	492707333
Tax identification number NIP:	7342867148
Number in the BDO register (national waste management database):	000141053
Duration of the Group:	Unspecified
Name of parent entity:	CD PROJEKT S.A.
Name of the top parent of the group:	CD PROJEKT S.A.

Consolidation policies

CD PROJEKT Group Companies

As at 31.12.2022	% share in capital	% share of voting rights	consolidation method
CD PROJEKT S.A.	parent entity	-	-
GOG sp. z o.o.	100%	100%	acquisition accounting
CD PROJEKT Inc.	100%	100%	acquisition accounting
Spokko sp. z o.o.	87.6%	87.6%	not consolidated
CD PROJEKT RED STORE sp. z o.o.	100%	100%	acquisition accounting
CD PROJEKT RED Vancouver Studio Ltd.	100%	100%	not consolidated
The Molasses Flood LLC	60%	60%	not consolidated
CD PROJEKT SILVER Inc.	100%	100%	not consolidated

(all amounts in PLN thousand, unless stated otherwise)

Five companies were not consolidated due to the immateriality of data. In accordance with the accounting policy adopted by the Group, the parent entity does not have to consolidate a subsidiary using the acquisition accounting method, if:

- the subsidiary's share in the parent entity's total assets does not exceed 2%;
- the share in the parent entity's revenue from sales, other operating income and finance income does not exceed 1%;

where those transactions between the subsidiary and its parent entity which would be eliminated during consolidation are not taken into account when determining whether the said thresholds have been exceeded.

In total, the financial data of the subsidiaries excluded from consolidation cannot exceed:

- 5% of the share in the parent entity's total assets;
- 2% of the share in the parent entity's revenue from sales, other operating income and finance income;

where those transactions between the subsidiary and its parent entity which would be eliminated during consolidation are not taken into account when determining whether the said thresholds have been exceeded.

Total non-consolidated companies

As at 31.12.2022	Total non-consolidated companies	Eliminations of non-consolidated companies	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	29 637	(5 325)	2 183 974	(44 133)	2 164 153	1.14%
For the period 01.01.2022 – 31.12.2022						
Total revenue	51 369	(47 975)	854 404	(1 395)	856 403	0.40%
Net cash from operating activities	(7 598)	-	435 369	-	427 771	n/a
Net cash from investing activities	(3 767)	-	(340 989)	15 573	(329 183)	n/a
Net cash from financing activities	17 124	(15 640)	(203 102)	-	(201 618)	n/a

As at 31.12.2021	Total non-consolidated companies	Eliminations of non-consolidated companies	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	27 574	(1 183)	2 061 164	(48 641)	2 038 914	1.31%
For the period 01.01.2021 – 31.12.2021						
Total revenue	20 448	(12 134)	715 393	(1 417)	722 290	1.16%
Net cash from operating activities	1 702	-	1 039 282	-	1 040 984	n/a
Net cash from investing activities	(4 373)	-	(611 597)	4 370	(611 600)	n/a
Net cash from financing activities	4 488	(4 370)	(504 804)	-	(504 686)	n/a

(all amounts in PLN thousand, unless stated otherwise)

CD PROJEKT RED Vancouver Studio Ltd.

As at 31.12.2022	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	9 761	(2 746)	2 183 974	(11 681)	2 179 308	0.32%
For the period 01.01.2022 – 31.12.2022						
Total revenue	18 366	(16 762)	854 404	(68)	855 940	0.19%
Net cash from operating activities	272	-	435 369	-	435 641	n/a
Net cash from investing activities	2 577	-	(340 989)	2 190	(336 222)	n/a
Net cash from financing activities	2 190	(2 190)	(203 102)	-	(203 102)	n/a

As at 31.12.2021	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	2 323	(164)	2 061 164	(8 687)	2 054 636	0.11%
For the period 01.01.2021 – 31.12.2021						
Total revenue	3 843	(2 889)	715 393	-	716 347	0.13%
Net cash from operating activities	1 284	-	1 039 282	-	1 040 566	n/a
Net cash from investing activities	(168)	-	(611 597)	-	(611 765)	n/a
Net cash from financing activities	-	-	(504 804)	-	(504 804)	n/a

(all amounts in PLN thousand, unless stated otherwise)

The Molasses Flood LLC

As at 31.12.2022	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	12 956	(2 579)	2 183 974	(27 153)	2 167 198	0.48%
For the period 01.01.2022 – 31.12.2022						
Total revenue	31 328	(31 213)	854 404	(6)	854 513	0.01%
Net cash from operating activities	3 075	-	435 369	-	438 444	n/a
Net cash from investing activities	(2 592)	-	(340 989)	(787)	(344 368)	n/a
Net cash from financing activities	(515)	787	(203 102)	-	(202 830)	n/a

As at 31.12.2021	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	9 845	(1 019)	2 061 164	(24 360)	2 045 630	0.43%
For the period 01.01.2021 – 31.12.2021						
Total revenue	2 878	(2 616)	715 393	-	715 655	0.04%
Net cash from operating activities	460	-	1 039 282	-	1 039 742	n/a
Net cash from investing activities	(113)	-	(611 597)	-	(611 710)	n/a
Net cash from financing activities	-	-	(504 804)	-	(504 804)	n/a

(all amounts in PLN thousand, unless stated otherwise)

Spokko sp. z o.o.

As at 31.12.2022	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	6 854	-	2 183 974	(5 299)	2 185 529	0.31%
For the period 01.01.2022 – 31.12.2022						
Total revenue	1 675	-	854 404	(1 321)	854 758	0.20%
Net cash from operating activities	(11 012)	-	435 369	-	424 357	n/a
Net cash from investing activities	(3 752)	-	(340 989)	14 170	(330 571)	n/a
Net cash from financing activities	15 382	(14 170)	(203 102)	-	(201 890)	n/a

As at 31.12.2021	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	15 389	-	2 061 164	(15 594)	2 060 959	0.75%
For the period 01.01.2021 – 31.12.2021						
Total revenue	6 956	-	715 393	(1 417)	720 932	0.97%
Net cash from operating activities	(8)	-	1 039 282	-	1 039 274	n/a
Net cash from investing activities	(4 111)	-	(611 597)	4 370	(611 338)	n/a
Net cash from financing activities	4 488	(4 370)	(504 804)	-	(504 686)	n/a

(all amounts in PLN thousand, unless stated otherwise)

CD Projekt Silver Inc.

As at 31.12.2022	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	66	-	2 183 974	-	2 184 040	0.00%
For the period 01.01.2022 – 31.12.2022						
Total revenue	-	-	854 404	-	854 404	0.00%
Net cash from operating activities	67	-	435 369	-	435 436	n/a
Net cash from investing activities	-	-	(340 989)	-	(340 989)	n/a
Net cash from financing activities	67	(67)	(203 102)	-	(203 102)	n/a

CD PROJEKT Co. Ltd. (liquidated)

As at 31.12.2021	Value for the non-consolidated company	Eliminations for the non-consolidated company	Parent Company	Consolidation eliminations CD PROJEKT S.A.	Total	Percentage share
Total assets	17	-	2 061 164	-	2 061 181	0.00%
For the period 01.01.2021 – 31.12.2021						
Total revenue	6 771	(6 629)	715 393	-	715 535	0.02%
Net cash from operating activities	(34)	-	1 039 282	-	1 039 248	n/a
Net cash from investing activities	19	-	(611 597)	-	(611 578)	n/a
Net cash from financing activities	-	-	(504 804)	-	(504 804)	n/a

(all amounts in PLN thousand, unless stated otherwise)

Subsidiaries

Subsidiaries are all and any entities over which the Group has control which manifests itself by, simultaneously:

- having power, which consists of having substantive rights that give the Group the current ability to direct the relevant activities, i.e. those activities which significantly affect the entity's financial results;
- being exposed or having rights to variable returns, which consists of having the potential to change the financial results of the Group depending on the results of the subsidiary;
- having the ability to use the power exercised to affect its returns from the subsidiary by using its power in order to affect the financial results attributable to the Group resulting from involvement in the subsidiary

Subsidiaries meeting the aforementioned materiality criterion are fully consolidated from the date on which the Group assumed control over them. They cease to be consolidated from the date that control ceases.

Revenue and costs, receivables and payables and unrealized gains on transactions between Group companies are eliminated for the purposes of the consolidated financial statements. Unrealized losses are also eliminated, unless the transaction is an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in accounting policies

The accounting policies applied in these consolidated financial statements, material judgements made by the Parent Company's Management Board with regard to the accounting policies applied by the Group and the main sources of estimating uncertainties are consistent, in all material respects, with the policy adopted for preparing the annual consolidated financial statements of the CD PROJEKT Group for 2021, with the exception of changes in accounting policies and presentation changes described in the section "Assumption of comparability of the financial statements, changes in accounting policies and estimates"

Going concern assumption

These consolidated financial statements have been prepared based on the assumption that the Group and the Parent Company will continue in operation as a going concern in the foreseeable future, i.e. in a period of at least 12 months after the balance sheet date.

As at the date of signing these consolidated financial statements, the Management Board of the Parent Company has not identified any facts or circumstances which would indicate any threats to the Group continuing in operation as a going concern for a period of 12 months after the end of the reporting period as a result of the intended or forced discontinuation or significant curtailment of its existing operations.

By the date of preparing the consolidated financial statements for the period from 1 January to 31 December 2022, the Management Board of the Parent Company did not become aware of any events which should have been but were not recognized in the accounting records for the reporting period. At the same time, no significant prior year events have been disclosed in these consolidated financial statements.

Compliance with the International Financial Reporting Standards

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS"), as adopted by the European Union, effective for annual periods beginning on 1 January 2022.

Amendments to standards or interpretations effective from 1 January 2022 applicable and adopted by the Group

In preparing the consolidated financial statements for 2022, the Group applies the same accounting policies as in preparing the annual financial statements for 2021, with the exception of amendments to standards and new standards and interpretations endorsed by the European Union, which are effective for reporting periods beginning on 1 January 2022:

- *Amendments to* ***IFRS 3*** *Business combinations,* ***IAS 16*** *Property, Plant and Equipment,* ***IAS 37*** *Provisions, Contingent Liabilities and Contingent Assets* and *Annual Improvements to IFRS 2018-2020* (*IFRS 1, IFRS 9, IFRS 16 and IAS 41*) – endorsed on 28 June 2021, applicable to periods beginning on or after 1 July 2022.

  Amendments to ***IFRS 3*** *Business Combinations*, concerning references to the *Conceptual Framework*.

  The amendments introduce an exception to the recognition principle under ***IFRS 3*** to avoid the issue of potential "day two" gains and losses with reference to liabilities and commitments that were within the scope of ***IAS 37*** *Provisions, Contingent Liabilities and Contingent Assets* or ***IFRIC 21*** *Levies*, if they occurred separately. The exception requires the application of the criteria under ***IAS 37*** or ***IFRIC 21***, as applicable, rather than the requirements under the *Conceptual Framework* to determine whether they have occurred at a particular date.

  The amendments do not have a material impact on the accounting policies adopted by the Group with regard to the Group's operations or its financial results.

  Amendments to ***IAS 16*** *Property*, *Plant and Equipment*, relating to revenue earned before an item of property, plant and equipment is commissioned.

  The amendments prohibit entities from reducing the cost of purchase or manufacture of property, plant and equipment by the amount of proceeds from the sale of products made in the course of bringing an asset to the desired location and condition necessary for it to be able to operate in the manner intended by management. Instead, the entity recognizes the proceeds from the sale of such products and the costs of their manufacture in the statement of comprehensive income.

  The amendments do not have a material impact on the accounting policies adopted by the Group with regard to the Group's operations or its financial results.

  Amendments to ***IAS 37*** *Provisions, Contingent Liabilities and Contingent Assets*, relating to the costs of fulfilling onerous contracts.

  In May 2020, the IASB published amendments to ***IAS 37*** *Provisions, Contingent Liabilities and Contingent Assets,* the purpose of which is to specify which costs should be taken into account by an entity when assessing whether a contract is an onerous contract or brings losses. In making the changes, the "directly related costs" approach was applied. Costs directly attributable to a contract for the provision of goods or services include both incremental costs (e.g. direct labour costs) and the allocation of costs directly attributable to contract activities (e.g. depreciation of equipment used to perform the contract or contract management and supervision costs). General and administrative expenses are excluded as they do not directly relate to a contract. The exception is when such costs are re-invoiced to the other party of the contract.

  The amendments do not have a material impact on the accounting policies adopted by the Group with regard to the Group's operations or its financial results.

Standards published and endorsed by the EU which are not yet effective and their impact on the Group's financial statements

The Management Board analysed the impact of the application of the new standards on future financial statements. When approving these financial statements, the Group did not apply the following standards, amendments and interpretations published and endorsed by the EU, but not yet effective:

- ***IFRS 17****, Insurance Contracts* – endorsed on 19 November 2021, applicable to reporting periods beginning on or after 1 January 2023;
- Amendments to ***IAS 1*** and *Practice Statement 2: Disclosure of Accounting Policies* (published on 12 February 2021) – endorsed on 2 March 2022 and applicable to annual periods beginning on or after 1 January 2023;
- Amendments to ***IAS 8,*** *Accounting Policies, Changes in Accounting Estimates and Errors* – endorsed on 2 March 2022 and applicable to periods beginning on or after 1 January 2023;
- Amendments to ***IAS 12,*** *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* – endorsed on 11 August 2022 and applicable to periods beginning on or after 1 January 2023;
- Amendments to ***IFRS 17****, Insurance Contracts* concerning *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* – endorsed on 8 September 2022 and applicable to periods beginning on or after 1 January 2023.

The Group does not expect the introduction of these amendments to have a material impact on the accounting policies adopted by the Group with regard to the Group's operations or its financial results.

Standards and interpretations adopted by the IASB but not yet endorsed by the EU

When approving these financial statements, the Group did not apply the following standards, amendments and interpretations which have not yet been endorsed by the EU:

- Amendment 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 2024;

- Amendments to ***IFRS 16,*** *"Leases": Lease Liability in a Sale and Leaseback* – applicable to reporting periods beginning on or after 1 January 2024.

The Group is analysing the estimated impact of the standards and amendments listed above on the Group's financial statements.

Description of adopted accounting policies

Revenue and operating expenses

Revenue constitutes inflows of economic benefits, gross, for a given period, arising as a result of ordinary business activities of the Group, resulting in an increase in equity other than increases due to contributions made by shareholders.

The Group recognizes revenue using the so-called Five-Step Model provided for in IFRS 15. Revenue includes only amounts received or receivable equal to the transaction prices that accrue to the Group upon fulfilment (or in the process of fulfilment) of the performance obligation to transfer the promised good or service (i.e. asset) to the customer. Payment from the customer is required to meet this performance obligation. The transaction price is the amount of consideration that the Group expects to receive in exchange for the transfer of the promised goods or services, less any applicable value added tax.

In the case of revenue in the form of royalties from the sale of licences for the distribution of games, which is the Group's main source of revenue, revenue depends on the volume of sales realized by the distributor at any given time during the reporting period. Thus, revenue from the sale of a particular product is recognized in the sales period no sooner than after the delivery of the materials to start the actual distribution of the completed game, based on sales reports successively provided by the distributor. Payment from the customer is required upon the distributor submitting the sales reports.

The Group recognizes the costs of materials used, goods for resale and products and service costs in the same period as sales of these items or sales of the services for which the items are used, in accordance with the principle of matching revenues and costs.

As part of its operations, the GOG.COM segment concludes contracts with users in its own name and on its own account, based on the right to distribute digital content to end users. By owning the files that make up the products it sells, the Group has control over them and makes them available to users independently as part of the sales process. The Group is obliged to perform the service of providing certain services and provides technical support and is responsible for the service provided. The Group is liable under consumer protection legislation and bears the credit risk in respect of the amount owed by the customer. In this line of business, the Group is a principal and not an intermediary.

The Group receives short-term advances from group customers and avails itself of the simplification permitted by *IFRS 15* by presenting advance payments as deferred income instead of recognizing a financing component, if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Finance income and costs

Finance income consists mainly of interest on deposits of surplus cash on bank accounts, commission and interest on loans granted, interest on late payment of receivables, release of provisions relating to financing activities, proceeds from the sale of securities, foreign exchange gains, restoration of the impaired value of financial investments, forgiven loans and advances and gains on settlement of derivative instruments.

Finance costs mainly comprise interest on loans and advances, interest on late payment of liabilities, provisions recorded against certain or probable losses on financial operations, the cost of shares and securities sold, commission and handling charges, write-downs of interest receivables and the value of short-term investments, discounts and net foreign exchange losses on financing activities and, in the case of leases, other charges except for capital instalments.

State subsidies

State subsidies are not recorded until obtaining reasonable assurance that the Group will comply with the required terms and conditions and obtain a subsidy. State subsidies, the principal condition of which is the purchase or manufacture of fixed assets by the company, are recognized in the balance sheet as deferred income and taken to the income statement on a pro rata basis over the expected economic useful life of the assets.

Current and deferred income tax

The mandatory profit reductions consist of current tax, withholding tax paid abroad and deferred tax. Current income tax is calculated on the basis of taxable income (tax base) for a given financial year. Taxable profit/(loss) differs from accounting profit/(loss) before tax due to the different timing of the recognition of income and expenses for tax and accounting purposes, as well as due to the permanent differences between the tax and accounting treatment of certain income and expense items. Tax expense is calculated based on the tax rates in effect for the financial year. Current income tax relating to items recognized directly in equity is recognized in equity rather than in the income statement.

Deferred tax is calculated using the liability method as tax payable or reimbursable in the future in respect of differences between carrying amounts of assets and liabilities and the corresponding tax amounts used for the calculation of the tax base.

Deferred tax provision is recorded on all taxable temporary differences, and a deferred tax asset is recorded to the extent that the future tax profits are likely to be reduced by the amount of recognized deductible temporary differences. An asset or liability does not arise if the temporary difference arises either from goodwill or from the initial recognition of another asset or liability in a transaction that affects neither the tax nor the accounting profit or loss.

Deferred tax provision is recognized on temporary differences arising from investments in subsidiaries, associates and joint ventures, unless the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax asset is analysed at each balance sheet date, and it is written down if the expected future taxable income is not sufficient to utilize the asset or its portion.

Deferred tax is calculated using the tax rates which will be binding at the moment when a given asset is realized or a liability becomes due. Deferred tax is recognized in the income statement, apart from the situations when it relates to items recorded directly in equity. In the latter case, deferred tax is also recognized directly in equity.

Value added tax (VAT)

Revenues, expenses and assets are recognized net of value added tax, except for

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities, in which case it is recognized as part of the cost of acquiring the asset or as an expense, as appropriate,
- receivables and payables which are recorded including the amount of value added tax.

The net amount of value added tax recoverable from or payable to the tax authorities is recognized in the balance sheet as part of receivables or payables.

Property, plant and equipment

Property, plant and equipment items are initially recognized at cost (cost of purchase or manufacture) and reduced in subsequent periods by depreciation and impairment. Borrowing costs directly related to the purchase or manufacture of assets that require an extended period of time to adapt them for use or resale are added to the cost of such assets until such assets are commissioned. Investment income generated from the short-term investment of funds raised and related to the purchase or manufacture of fixed assets reduces the value of capitalized borrowing costs. Other borrowing costs are recognized in the income statement in the period in which they were incurred.

Depreciation is calculated for property, plant and equipment items, excluding land and assets under construction, over their estimated useful lives, using the straight-line method.

The expected useful life for each category of property, plant and equipment is:

Category	Useful life
Buildings and structures	5 – 25 years
Plant and machinery	2 – 10 years
Vehicles	5 years
Other fixed assets	2 – 10 years

Fixed assets with a low initial unit cost of not more than PLN 5 thousand are depreciated in a simplified way by making a one-off write-off.

Gains or losses on disposal / scrapping or decommissioning of fixed assets are determined by comparing proceeds on disposal with net book amounts of these assets and included in the income statement.

Intangible assets – Expenditure on development projects

The Group classifies expenditure on the development of games under Expenditure on development projects. Game development costs incurred prior to the commencement of sales or the application of new solutions are recognized as Expenditure on development projects in progress. This expenditure includes expenses that are directly related to the project in question.

At the time of completion, the Group verifies whether an intangible asset arising from a development project meets the following conditions:

a) it is technically feasible to complete the intangible asset so that it is suitable for use or sale;

b) there is a demonstrable intention to complete the asset and use or sell it;

c) the intangible asset can be used or sold;

d) the manner, in which the asset will generate probable future economic benefits is known;

e) adequate technical, financial and other resources will be ensured to complete the development project and to use or sell the intangible asset;

f) there exists a possibility to reliably determine the expenditure incurred during a development project, which is attributable to the intangible asset.

When these conditions are met, the Group reclassifies the expenditure from Expenditure on development projects in progress to Expenditure on development projects completed. In the case of projects for which it is possible to determine reliable estimates of the volume and value of the sales budget, the Group amortizes the value of these projects based on the consumption of economic benefits related to the number of copies sold. In other cases, the Group amortizes the value of projects using the straight-line method. Amortization related to Expenditure on development projects is presented under the Cost of products and services sold in the Income statement.

The Group determines the amortization period and rates after the release of each title in the course of working on the interim financial statements while being in possession of the preliminary results of release sales and game ratings. The Group then establishes:

(i) the useful life based on the historical useful lives of previous comparable titles, normally not less than 3 years and not more than 6 years due to the possibility of making reliable estimates in an industry subject to dynamic change;

(ii) sales forecasts are the basis for determining amortization rates over the useful life;

(iii) then, based on professional judgement, the Group estimates what proportion of the benefits will be realized in the quarter of release and, in subsequent periods, smooths out the input distribution, eliminating the effect of periodic and one-off promotions and anticipated but uncertain one-off events (such as the release of the series *Cyberpunk: Edgerunners* on Netflix), in order to achieve the effect of constant reducing balance or straight-line amortization from quarter to quarter.

In justified cases, the settlement of expenditure incurred may be of a one-off nature (e.g. Anime Cyberpunk: Edgerunners).

In the table below, the Group presents projects for which reliable estimates of sales volumes and budgets can be determined, together with the useful lives or amortization rates applied:

		Amortization for the period																				
Title	Release period	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21
The Witcher 3: Wild Hunt on Nintendo Switch	Q4 2019	40%	12%	8%	6%	6%	6%	6%	4%	4%	3%	3%	2%	-	-	-	-	-	-	-	-	-
Cyberpunk 2077	Q4 2020	40%	60% straight line over 5 years (1% per month)																			
WN GLX2*	Q4 2020	15%	0,7%	1,7%	1,8%	2%	0,6%	0,7%	0,4%	0,5%	0,5%	0,7%	0,4%	0,4%	0,5%	0,5%	0,5%	0,5%	0,3%	0,2%	0,2%	0,2%
WN Cross-Platform SDK (GAMEINN)	Q2 2019	84,7%	2,2%	2,5%	1,7%	2,1%	1%	1%	1%	1%	0,6%	0,6%	0,6%	0,6%	0,3%	0,1%	-	-	-	-	-	-

** In 2021, GOG.COM updated the assumptions for the WN GLX2 development expenditure and wrote down 71.7% of the total value of this expenditure.*

In other cases, the Group amortizes the value of projects using the straight-line method. Amortization related to Expenditure on development projects is presented under the Cost of products and services sold in the Income statement.

(all amounts in PLN thousand, unless stated otherwise)

Intangible assets – Other

Intangible assets are presented at historical cost less amortization and impairment losses. Amortization is recognized on a straight line basis. Costs of research work are not capitalized and are presented in the Income statement as expenses in the period in which they are incurred.

The expected useful life for each category of intangible assets is as follows:

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

Assets with a low initial unit cost not exceeding PLN 5 thousand are amortized on a simplified basis by making a one-off write-off.

The Group's consolidated financial statements show the commodity brand The Witcher and the corporate brand *CD PROJEKT*. Brands have been valued using the Relief from Royalty capitalization method representing the income approach, which is one of the primary methods for valuing brands and other intangible assets for the purpose of accounting for business combinations in accordance with *IFRS 3, Business Combinations*. Neither of the brands has a definite useful life. Goodwill of the brands is subject to an annual impairment test.

Goodwill

Goodwill (gain) is calculated as the balance of two amounts:

- the sum of the consideration transferred for control, the non-controlling interests (measured as a proportion of the net assets acquired) and the fair value of the blocks of interests (shares) held by the acquiree prior to the acquisition date; and
- the fair value of the identifiable net assets acquired of the entity.

The excess of the sum calculated as indicated above over the fair value of the identifiable net assets acquired of the entity is recognized as goodwill on the assets side of the consolidated statement of financial position. Goodwill represents the payment made by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified or separately recognized. After initial recognition goodwill is stated at cost, less accumulated impairment losses.

If the aforementioned sum is less than the fair value of the identifiable net assets acquired of the entity, the difference is recognized directly in profit or loss. The Group recognizes gain on the acquisition under other operating income.

Mergers of business entities under common control

The legal merger of the Parent Company with its subsidiary is recognized using the amounts relating to the subsidiary shown in the Parent Company's consolidated financial statements; these amounts include amounts recognized in the Parent Company's consolidated financial statements arising from the acquisition of the subsidiary. The subsidiary's results and statement of financial position are recognized prospectively from the date of the legal merger.

Impairment of non-financial assets

At each balance sheet date, the companies belonging to the Group review the net book amounts of non-current assets to determine whether there are indications of their impairment.

If such indications are found the recoverable amount of an asset is estimated to determine the amount of the potential write-down. If an asset does not generate cash flows that are considerably independent of the cash flows generated by other assets, the analysis is performed for a group of assets generating cash flows (a cash generating unit) to which the asset belongs.

In the case of intangible assets with an indefinite useful life, impairment tests are carried out annually and additionally when there are indications of possible impairment.

The recoverable amount is determined as the higher of fair value less costs to sell and value in use. The latter amount corresponds to the present value of estimated future cash flows discounted using a discount rate that takes into account the current market time value of money and the risks specific to a given asset.

If the recoverable amount is lower from the net book amount of an asset (or a group of assets) the book value is reduced to recoverable amount. An impairment loss is recognized as an expense in the period in which it occurs, except when the asset was recognized in a revalued amount (impairment is then treated as a reversal of previous revaluation).

If impairment is subsequently reversed, the net book value of an asset (or a group of assets) is increased to the lower of the new estimated recoverable amount and the net book value of the asset that would have been set had impairment not been recognized in previous years. Reversals of impairment are recognized in income.

Investment properties

Investment properties include properties held for rental income, appreciation in value or both. Consequently, the cash flows generated by investment properties are largely independent of other assets held by the Group Company.

Investment properties are valued using the purchase price model.

Rights to perpetual usufruct of land

Land owned by the State Treasury, local government units or their associations may be subject to perpetual usufruct. Perpetual usufruct is a special type of property right entitling natural or legal persons to use land to the exclusion of others. The perpetual lessee may also dispose of its right. The right of perpetual usufruct is granted for a period of 99 years or, in exceptional cases – where the economic purpose of perpetual usufruct does not require the land to be let for such a period – for a shorter period, however not shorter than 40 years.

The Group has recognized the right of perpetual usufruct of land as a lease in accordance with IFRS 16. The right to use the leased asset has been presented in accordance with its purpose in the balance sheet either as Investment properties or Property, plant and equipment.

Leases

The Group as a lessee classifies an agreement as a lease or as containing a lease if it transfers the right to control the use of an identified asset for a given period in return for a consideration.

Where the Group acts as a lessor, an agreement is treated as a finance lease if substantially all the risks and rewards of ownership of the underlying asset are transferred. If substantially all the risks and rewards of ownership of the underlying asset are not transferred, an agreement is treated as an operating lease.

The right to control the use of an asset used under a lease contract primarily means the right to obtain substantially all economic benefits from the use of the asset and the right to direct the use of the identified asset.

Risks consist of the possibility of losses due to underutilization of capacity, loss of technical usefulness or changes in the level of return achieved due to changes in economic conditions. Benefits may include the expectation of profitable operation of the asset over its useful life and the expectation of a profit arising from an increase in its value or the realization of the residual value.

At inception, the Group recognizes the right-of-use asset and the corresponding lease liability. The right of use is initially measured at cost, consisting of the initial lease liability, initial direct costs, an estimate of the costs expected to be incurred in dismantling the underlying asset and lease payments made at or before the inception, less lease incentives.

The Group depreciates the right-of-use assets on a straight line basis from the inception to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier. If there are indications to do so, the rights of use are tested for impairment in accordance with IAS 36.

At the inception, the Group measures the lease liability at the present value of the lease payments outstanding using the interest rate on the lease if this can be readily determined. Otherwise, the incremental borrowing rate of the lessee is applied.

Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments dependent on an index or rate, amounts expected to be paid as guaranteed residual value and call option payments if it is reasonably certain that the option will be exercised. In subsequent periods, the lease liability is reduced by repayments made and increased by accrued interest. The valuation of the lease liability is updated to reflect changes in the agreement and the reassessment of the lease term, the exercise of the call option, the guaranteed residual value or index- or rate-dependent lease payments. In principle the remeasurement of the liability is recognized as an adjustment of the right-of-use asset.

The Group applies the practical expedients permitted by the standard to short-term leases and leases where the underlying asset is of low value. For such agreements, instead of recognizing right-of-use assets and lease liabilities, lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Shares in non-consolidated subordinated entities

Shares in non-consolidated subordinated entities are initially measured at cost. As at the balance sheet date, investments in subordinated entities are stated at cost less impairment losses.

Financial assets

The Group classifies each financial asset upon initial recognition into of one of four categories of financial assets, which are distinguished based on the Group's business model for managing the assets and the characteristics of the contractual cash flows:

- assets measured at amortized cost after initial recognition;
- assets measured at fair value through other comprehensive income after initial recognition;
- assets measured at fair value through profit or loss;
- hedging financial instruments.

The classification of financial assets is made upon initial recognition and can only be changed if the business model for managing financial assets changes. The principal models for managing financial assets include the model of holding for receiving contractual cash flows, the model of holding for receiving contractual cash flows and selling, and the model of holding for purposes other than those indicated in the two preceding models (in principle, it is a model of holding assets for disposal). The Group adopts the principle that the sale of a financial asset just before its maturity does not constitute a change in the business model from holding for receiving contractual cash flows to holding for receiving contractual cash flows and selling or holding for other purposes.

The Group does not apply hedge accounting and therefore the regulations of IFRS 9 in this respect do not apply to it.

The Group assesses the credit risk associated with assets constituting financial instruments based on the expected loss model. The primary method of determining impairment losses under the expected loss model is the method under which the Group monitors changes in the level of credit risk associated with a given financial asset in relation to its initial recognition and classifies financial assets into one of the three stages of impairment loss determination: stage 1 – financial assets serviced on an ongoing basis (applied to assets if their credit risk has not materially increased since initial recognition); stage 2 – financial assets with deteriorated servicing (applied if credit risk has increase materially since initial recognition, while there is no objective evidence of impairment); stage 3 – financial assets not serviced (applied when there is objective evidence of impairment).

The Group assesses the credit risk associated with assets constituting financial instruments based on the expected loss model. The Group applies the simplification permitted by IFRS 9 (using an allowance matrix, based on historical data adjusted for the impact of future factors). The matrix is created on the basis of historical data. The Group does not apply the matrix separately to receivables portfolios as its business is fairly homogeneous. The Group's customers are mainly large multinational companies that settle their liabilities on time. The Group uses quarterly ageing for years X-1 and X-2 in relation to the year for which allowances are estimated. In addition to the allowances calculated according to the matrix, the Group also calculates allowances for receivables on a case-by-case basis on the basis of an expert analysis of information on receivables considered to be lost or at risk, carried out by the finance department. These are usually unique events that are not indicative of the Group's operations and business environment, but only of a delay in the settlement of a particular customer's receivables.

Financial liabilities

A financial liability is each liability being:

- a contractual obligation to issue cash or another financial asset to another entity or exchange financial assets or liabilities with another entity on potentially unfavourable terms;
- a contract which will be or may be settled in own equity instruments of the entity and is a non-derivative instrument from which an obligation arises or may arise for the entity to deliver a variable number of its own equity instruments, or a derivative instrument which will be or may be settled other than through exchanging a fixed amount of cash or another financial asset for a fixed number of own equity instruments of the entity. For this purpose, pre-emptive rights, options and warrants to purchase a fixed number of an entity's own equity instruments in exchange for a fixed amount of cash in any currency are equity instruments if the entity offers pre-emptive rights, options and warrants pro rata to all current owners of the same class of the entity's non-derivative equity instruments.

Group companies classify each component of financial liabilities upon initial recognition as:

- financial liabilities measured at fair value through profit or loss;
- other financial liabilities measured at amortized cost.

Financial liabilities are initially stated at fair value plus transaction costs, which can be directly attributed to the financial liability, for financial liabilities not carried at fair value through profit or loss.

Inventories

The initial cost of inventories includes all costs (cost of purchase, production and other) incurred in bringing inventories to their present location and condition. The purchase price of inventories comprises the purchase price plus import duties and other taxes (not subsequently recoverable from the tax authorities), transport, loading, unloading and other costs directly related to the acquisition of the inventories, less discounts, rebates and other similar reductions. Inventories are stated at the lower of the initial cost (cost of purchase or production) and net realizable value. The net realizable value corresponds to the estimated selling price less any costs necessary to complete production and the costs of bringing the inventories to market or finding a buyer (i.e. selling, marketing, etc.). For inventories, cost is determined using the "weighted average" method.

Trade and other receivables

Trade receivables are measured in the books of account at the value corresponding to the transaction prices adjusted for appropriate impairment allowances under the expected losses model.

The value of receivables corresponding to the revenue from the sale of products, which arose and were recognized during the reporting period and were reported after the end of the period (in accordance with the contracts concluded), is presented in trade receivables.

Prepayments and accruals

The Group recognizes deferred income for the purpose of allocating such income to future reporting periods when the income is realized.

In the CD PROJEKT RED segment, deferred income includes proceeds received or due from royalties on pre-orders for digital distribution of games, or advances on royalties and advances on goods received from distributors, as well as deferred settlements of subsidies.

In the GOG.COM segment, deferred income includes revenue from pre-ordered sales of products with release dates in future periods and deferred settlements with customers of the online shop within the so-called GOG Portfolio.

Accruals are liabilities falling due for goods or services that have been received or provided, invoiced or formally agreed with the supplier.

Group companies recognize costs that have been incurred in advance but relate in whole or in part to subsequent periods in prepayments and deferred costs.

In the GOG.COM segment, GOG Company acquires licence rights, which are initially treated as Deferred Costs. This initial recognition relates to fees for the so-called minimum guarantees – these are contractual amounts paid to the owner of vested rights after the conclusion of the contract. Minimum guarantees are charged to the cost of goods sold upon commencing the sales. Thus, the costs associated with minimum guarantees are correlated with sales revenue.

Cash and cash equivalents

Cash consists of cash in hand, demand deposits and bank deposits with a maturity of up to three months. Cash equivalents are short-term investments with high liquidity easily exchangeable for specific amounts of cash and exposed to insignificant risk of value fluctuations.

Outstanding overdrafts are presented in cash flows from financing activities under Loans and advances.

Assets held for sale and discontinued operations

Non-current assets (and groups of net assets) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (and groups of net assets) are classified as designated for disposal if it is probable that their carrying value will be recovered through disposal rather than through their continued use. This condition is considered as met only if the sale transaction is highly probable and the asset (or a group of net assets designated for disposal, a disposal group) is available in its current condition for immediate sale. An asset is classified as designated for disposal under the assumption that the Group Company's management intends to complete the transaction within one year from the moment of changing the classification.

Equity

Equity is recorded in the accounting books by types of equity components and in accordance with the binding regulations of the law and the provisions of the Articles of Association of the Group Companies.

Share capital is shown at the nominal value in an amount consistent with the Parent Company's Articles of Association and the entry in the court register.

Supplementary capital is created from profits generated.

Share premium is formed out of the surplus of the issue price of shares above the nominal value, less issue costs. Share issue costs incurred on formation of a joint stock company or increasing share capital reduce supplementary capital to the amount of share premium.

Other reserves include Costs of the incentive programme, Reserve capital created for share buybacks and Revaluation reserve.

Provisions for liabilities

Provisions for liabilities are recognized when a Group Company has a current obligation (legal or constructive) as a result of past events and it is probable that the discharge of the obligation will result in an outflow of the resources embodying the Group's economic benefits and a reliable estimate of the amount of the obligation can be made. No provisions are recorded against future operating losses.

A provision for restructuring costs is only recognized when a Group Company has announced a detailed and formal restructuring plan to all stakeholders.

Employee benefits

Short-term employee benefits other than employment termination benefits and share-based payments are recognized as liabilities, net of any amounts already paid, and simultaneously as an expense for the period, unless the benefit should be included in the production cost of an asset. The Group does not offer participation in any post-employment benefit plans to its employees.

On 28 July 2020, a resolution was adopted by the Annual General Meeting of CD PROJEKT S.A. to introduce an incentive scheme for the years 2020-2025 for selected persons in CD PROJEKT S.A. and its Group companies. Targets have been set for the realization of which persons selected by the Management and Supervisory Boards of the Parent Company will be granted subscription warrants entitling to subscribe for shares in the Parent Company as part of a conditional increase in the Parent Company's share capital, subject to the fulfilment of the performance and market targets set by the Management Board and the Supervisory Board of the Parent Company The incentive scheme is accounted for in accordance with the principles of *IFRS 2, Share-based Payment*.

Loans granted

Loans granted are measured at amortized cost using the effective interest rate.

Trade and other payables

Trade payables are shown in the balance sheet at amortized cost. Financial liabilities and equity instruments are classified according to their contractual economic content. An equity instrument is a contract giving the right to a share of the Group's assets less all liabilities.

Licences

The value of acquired licence rights is recognized on the basis of invoices received as the balance of Deferred costs. This value is increased by the amount of the uninvoiced parts of the minimum guarantees under the contracts concluded. The value of acquired licence rights is charged to expenses on a pro rata basis in relation to sales and, once the balance of Deferred costs is exceeded, it is credited to Trade payables.

Payment of dividend

Dividends are recorded at the moment of establishing the rights of the Parent Company's shareholders to their receipt.

Functional currency and presentation currency

Functional currency and presentation currency

The items contained in the financial statements are valued in the currency of the basic economic environment in which the Group conducts operations ("the functional currency"). The financial statements are presented in Polish zloty (PLN), which is the functional and presentation currency of the Group and the Company.

Transactions and balances

Transactions expressed in foreign currencies are translated into functional currency based on the exchange rate valid as at the transaction date. Exchange gains and losses on the settlement of these transactions and on the balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the Income statement.

Critical accounting estimates and judgements

Professional judgement

The Parent Company's Management Board, based on its assessment performed as at the end of 2021 of the feasibility of achieving the performance targets set in the 2020–2025 incentive scheme, maintains its assessment, considering it most likely that the performance targets cannot be achieved over the full duration of the scheme.

As at the end of each reporting period, the Group reviews the expected useful lives of internally generated intangible assets. In the case of intangible assets for which it is possible to determine reliable estimates of the volume and value of the sales budget, the Group amortizes the value of these projects based on the consumption of economic benefits related to the number of copies sold. The premiere-linked nature of the game's life cycle justifies the use of a reducing balance depreciation method, as the highest sales volumes are achieved during the premiere period, which decline in subsequent periods. In the remaining cases, the Group amortizes the value of the projects on a straight-line basis over three years. As the video game market is characterized by technology rotation cycles, a three-year period is the maximum horizon over which the Group can assess whether and what impact future technological changes will have on the value of an asset.

Uncertainty of estimates

The following are the key assumptions about the future and other key sources of uncertainties at the balance sheet date that carry a significant risk of material adjustments to the carrying amounts of assets and liabilities in the next financial year.

Impairment of assets

Impairment tests for assets such as goodwill and brand value require estimating the value in use of a cash-generating unit. Estimating the value in use means forecasting the future cash flows expected to be generated by a cash-generating units, and requires determining a discount rate to be used in order to calculate the present value of these cash flows. The last test of the CD PROJEKT corporate brand, The Witcher product brand and goodwill was performed as at 31 December 2022. No indications of impairment of the brands or goodwill were identified and no impairment of the assets was recognized on the basis of these tests. Impairment tests were also performed on the shares in subsidiaries as at 31 December 2022. The tests showed no indications of impairment and no impairment of the shares was recognized on the basis of these tests. A separate test was performed for Spokko sp. z o.o. in connection with its planned merger with CD PROJEKT S.A. using a valuation model up to the share of the net assets of the subsidiary

Assumptions adopted in the valuation of the CD PROJEKT brand, The Witcher trademark and goodwill:

	Trademarks	Goodwill
Cash flow forecast period	2023-2026 (4 years)	2023-2026 (4 years)
Discount rate (WACC)	13.35%	13.35%
Growth rate (g) for residual value	3%	3%

Valuation of provisions

Provisions for retirement benefits and the share-based incentive scheme were estimated using actuarial methods.

The Group creates provisions for performance-related remuneration and other bonuses. Provisions for performance-related remuneration are created on an aggregate basis for individual employee groups. As a general rule, provisions are calculated (depending on the employee group) on the basis of the net profit of the Group, the operating segment or a smaller business segment economically identified for the purpose of calculating performance-related remuneration. Provisions for performance-related remuneration are calculated under the principle of recursion – the value of the provisions reduces the underlying results accordingly.

The Group records provisions for refunds, expected adjustments to licence reports and costs not invoiced by suppliers up to the balance sheet date.

Deferred income tax asset

The Group companies recognize a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilization. Deterioration of tax results in the future might result in the assumption becoming unjustified.

(all amounts in PLN thousand, unless stated otherwise)

Deferred tax provision

The Group recognizes a deferred tax provision based on the assumption that a future tax obligation will arise from taxable temporary differences, leading to its utilization. In estimating deferred tax, the Group uses an income ratio calculated on the basis of the following year's budget to allocate positive and negative temporary differences.

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined using appropriate valuation techniques. The Group companies use professional judgement in selecting appropriate methods and assumptions.

Depreciation and amortization rates

The depreciation and amortization rates are established based on the expected useful lives of property, plant and equipment and intangible assets. The Group companies verify the adopted useful lives on an annual basis, taking into account the current estimates.

For projects for which reliable estimates of sales volumes and budgets can be determined, the Group determines the amortization method for the published titles based on historical sales data of previous own titles (no useful predictive sales data of other publishers' titles is available) and, to a lesser but significant extent, professional judgement.

Assumption of comparability of the financial statements, changes in accounting policies and estimates

Changes in accounting policies

The accounting policies applied in these consolidated financial statements, material judgements made by the Management Board with regard to the accounting policies applied by the Group and the main sources of estimating uncertainties are consistent, in all material respects, with the policy adopted for preparing the annual consolidated financial statements of the CD PROJEKT Group for 2021, with the exception of changes in accounting policies, changes related to companies covered by consolidation and presentation changes described below.

Presentation changes

In these consolidated financial statements for the period from 1 January to 31 December 2022 changes were introduced in the presentation of and adjustments of errors in selected financial data. In order to ensure comparability of the financial data in the reporting period, presentation of the data as at 31 December 2021 was changed. The data is presented after the following adjustments:

- In the statement of financial position as at 31 December 2021, presentation of some of the land held by the Group changed. Consequently, the following items changed:
  - Property, plant and equipment – an increase of PLN 4 354 thousand
  - Investment properties – a decrease of PLN 4 354 thousand

  The change did not affect the net profit or loss and equity.

- In the cash flow statement for the period from 1 January 2021 to 31 December 2021, presentation of interest received on deposits was changed. Consequently, the following items changed:
  - Other inflows from investing activities – a decrease of PLN 68 thousand
  - Interest on deposits – an increase of PLN 68 thousand.

Notes – operating segments of the CD PROJEKT Group

3

Operating segments

Presentation of the financial statements taking into account operating segments

The scope of the financial information provided on the Group's operating segments is consistent with the requirements of IFRS 8. The segments' results are determined based on their net profits.

Description of differences in the basis for the determination of segments and the profit or loss of a segment compared with the last annual consolidated financial statements

The Group did not make any changes in determining segments or in the measurement of the profits or losses of the individual segments in relation to the financial statements for the year ended 31 December 2021.

There are no differences between the measurement of the assets, liabilities, profits and losses of the Group's reporting segments.

Operating segments

In 2022, the Group's operations were carried out in two business segments:

- CD PROJEKT RED
- GOG.COM

CD PROJEKT RED

The scope and model of operations

The operations of the CD PROJEKT RED studio are executed within the structures of CD PROJEKT S.A. (the domestic holding company of the CD PROJEKT Group), CD PROJEKT Inc. (USA) and CD PROJEKT RED Vancouver Studio Ltd. (Canada).

These operations are based on the brands owned by the Parent Company: The Witcher and Cyberpunk. These operations consist in creating and publishing video games, selling licences for their distribution, coordinating sales promotions, and the production, sales or licensing of the accompanying products which use the brands owned.

Moreover, as part of the publishing operations, the Parent Company is responsible for the design of the campaigns which promote its own products and independently maintains direct communication with players via electronic media channels and social media and by participating in industry events.

The segment also comprised the operations of the gear.cdprojektred.com mail order shop which offered products for fans of CD PROJEKT RED's games.

GOG.COM

The scope and model of operations

The GOG.COM platform was launched in September 2008. Its original mission was to revitalize the most iconic PC games and offer them to customers from all over the world, with a particular focus on English-speaking countries, i.e. the United States, Canada, the United Kingdom and Australia. In 2022, the platform was available in English, French, German, Russian, Chinese and Polish, offering to customers not only a fully localized website or games, but also dedicated customer service, activity in the local social media in a given language and popular local payment methods (in thirteen currencies). Games for macOS and Linux operating systems are also available on the GOG.COM platform.

The operations of the segment consist of digital distribution of the games via own GOG.COM shop and GOG GALAXY application. The platform makes it possible to purchase the game, pay for the game and download it to one's own computer; in addition, the GOG GALAXY application enables, among other things, automatic updates, saving the game in the cloud, network play, including between platforms, and is also responsible for GWENT's network functionalities, sales support and handling of payments made in the PC version of the game.

Information on individual operating segments

	Continuing operations		Consolidation eliminations	Total continuing operations
	CD PROJEKT RED	GOG.COM		
01.01.2022 – 31.12.2022				
Sales revenue	**780 309**	**188 579**	**(16 312)**	**952 576**
from external customers	765 489	187 087	-	952 576
between segments	14 820	1 492	(16 312)	-
Amortization and depreciation	**11 890**	**2 324**	**(386)**	**13 828**
Interest income	**41 950**	**1 387**	**-**	**43 337**
Interest expense	**874**	**552**	**(79)**	**1 347**
Net profit/(loss) of the segment	**342 095**	**5 248**	**(250)**	**347 093**

	Continuing operations		Consolidation eliminations	Total continuing operations
	CD PROJEKT RED	GOG.COM		
01.01.2021 – 31.12.2021				
Sales revenue	**701 739**	**199 983**	**(13 550)**	**888 172**
from external customers	688 485	199 687	-	888 172
between segments	13 254	296	(13 550)	-
Amortization and depreciation	**13 731**	**4 135**	**(102)**	**17 764**
Interest income	**1 550**	**-**	**-**	**1 550**
Interest expense	**1 360**	**1 537**	**(98)**	**2 799**
Net profit/(loss) of the segment	**238 678**	**(29 791)**	**21**	**208 908**

(all amounts in PLN thousand, unless stated otherwise)

Consolidated income statement by segments for the period from 01.01.2022 to 31.12.2022

	CD PROJEKT RED	GOG.COM	Consolidation eliminations	Total
Sales revenue	**780 309**	**188 579**	**(16 312)**	**952 576**
Sales of products	761 518	-	5 981	767 499
Sales of services	3 044	272	(1 356)	1 960
Sales of goods for resale and materials	15 747	188 307	(20 937)	183 117
Cost of sales of products, services, goods for resale and materials	**124 808**	**134 387**	**(15 221)**	**243 974**
Costs of products and services sold	112 997	50	(1 485)	111 562
Cost of goods for resale and materials sold	11 811	134 337	(13 736)	132 412
Gross profit/(loss) on sales	**655 501**	**54 192**	**(1 091)**	**708 602**
Selling expenses	180 841	42 168	(659)	222 350
Administrative expenses	69 256	6 489	(209)	75 536
Other operating income	16 772	7 077	(4 406)	19 443
Other operating expenses	52 604	4 457	(4 256)	52 805
(Impairment)/reversal of impairment of financial instruments	(7)	-	-	(7)
Operating profit/(loss)	**369 565**	**8 155**	**(373)**	**377 347**
Finance income	64 717	6 784	-	71 501
Finance costs	47 932	7 810	(79)	55 663
Profit/(loss) before tax	**386 350**	**7 129**	**(294)**	**393 185**
Income tax	44 255	1 881	(44)	46 092
Net profit/(loss)	**342 095**	**5 248**	**(250)**	**347 093**
Net profit/(loss) attributable to owners of CD PROJEKT S.A.	342 095	5 248	(250)	347 093

(all amounts in PLN thousand, unless stated otherwise)

Consolidated income statement by segments for the period from 01.01.2021 to 31.12.2021

	CD PROJEKT RED	GOG.COM	Consolidation eliminations	Total
Sales revenue	**701 739**	**199 983**	**(13 550)**	**888 172**
Sales of products	678 507	8 264	4 793	691 564
Sales of services	8 103	286	(2 524)	5 865
Sales of goods for resale and materials	15 129	191 433	(15 819)	190 743
Cost of sales of products, services, goods for resale and materials	**118 547**	**144 458**	**(12 771)**	**250 234**
Costs of products and services sold	104 933	4 236	(1 778)	107 391
Cost of goods for resale and materials sold	13 614	140 222	(10 993)	142 843
Gross profit/(loss) on sales	**583 192**	**55 525**	**(779)**	**637 938**
Selling expenses	239 160	60 382	(317)	299 225
Administrative expenses	65 413	6 735	(199)	71 949
Other operating income	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**
Finance income	3 831	5 692	-	9 523
Finance costs	15 036	8 380	(98)	23 318
Profit/(loss) before tax	**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 owners of CD PROJEKT S.A.	238 678	(29 791)	21	208 908

(all amounts in PLN thousand, unless stated otherwise)

CD PROJEKT

Consolidated statement of financial position by segments as at 31.12.2022

	CD PROJEKT RED	GOG.COM	Consolidation eliminations	Total
NON-CURRENT ASSETS	**1 104 545**	**32 593**	**(17 160)**	**1 119 978**
Property, plant and equipment	143 837	3 269	(1 854)	145 252
Intangible assets	69 476	171	(490)	69 157
Expenditure on development projects	471 528	1 439	235	473 202
Investment properties	42 560	-	-	42 560
Goodwill	56 438	-	-	56 438
Investments in subordinated entities	15 092	-	(15 092)	-
Shares in non-consolidated subordinated entities	41 607	-	-	41 607
Prepayments and deferred costs	5 314	25 760	-	31 074
Other financial assets	207 437	-	-	207 437
Deferred tax assets	50 867	1 954	41	52 862
Other receivables	389	-	-	389
CURRENT ASSETS	**1 095 224**	**64 332**	**(5 410)**	**1 154 146**
Inventories	12 701	-	-	12 701
Trade receivables	164 079	6 621	(5 410)	165 290
Current income tax receivable	38	1 420	-	1 458
Other receivables	55 340	1 799	-	57 139
Prepayments and deferred costs	6 508	16 378	-	22 886
Other financial assets	279 515	-	-	279 515
Bank deposits over 3 months	337 330	-	-	337 330
Cash and cash equivalents	239 713	38 114	-	277 827
TOTAL ASSETS	**2 199 769**	**96 925**	**(22 570)**	**2 274 124**

(all amounts in PLN thousand, unless stated otherwise)

	CD PROJEKT RED	GOG.COM	Consolidation eliminations	Total
EQUITY	**2 009 986**	**38 715**	**(15 297)**	**2 033 404**
Equity attributable to owners of CD PROJEKT S.A.	**2 009 986**	**38 715**	**(15 297)**	**2 033 404**
Share capital	100 771	136	(136)	100 771
Supplementary capital	1 539 839	33 001	(5 515)	1 567 325
Share premium	116 700	-	-	116 700
Treasury shares	(99 993)	-	-	(99 993)
Other reserves	3 268	391	(1 404)	2 255
Foreign exchange differences on translation	955	(65)	1 014	1 904
Retained earnings / (Accumulated losses)	6 351	4	(9 006)	(2 651)
Net profit (loss) for the period	342 095	5 248	(250)	347 093
Non-controlling interests	**-**	**-**	**-**	**-**
NON-CURRENT LIABILITIES	**36 156**	**1 367**	**(1 337)**	**36 186**
Other financial liabilities	18 883	1 337	(1 337)	18 883
Other liabilities	2 620	-	-	2 620
Deferred tax provision	50	-	-	50
Deferred income	3 666	3	-	3 669
Provision for retirement and similar benefits	339	27	-	366
Other provisions	10 598	-	-	10 598
CURRENT LIABILITIES	**153 627**	**56 843**	**(5 936)**	**204 534**
Other financial liabilities	8 687	1 417	(526)	9 578
Trade payables	38 787	38 236	(4 904)	72 119
Current income tax liabilities	2 116	-	-	2 116
Other liabilities	4 382	5 862	-	10 244
Deferred income	16 379	6 046	-	22 425
Provision for retirement and similar benefits	9	1	-	10
Other provisions	83 267	5 281	(506)	88 042
TOTAL LIABILITIES AND EQUITY	**2 199 769**	**96 925**	**(22 570)**	**2 274 124**

(all amounts in PLN thousand, unless stated otherwise)

Consolidated statement of financial position by segments as at 31.12.2021*

	CD PROJEKT RED	GOG.COM	Consolidation eliminations	Total
NON-CURRENT ASSETS	**906 304**	**17 860**	**(18 318)**	**905 846**
Property, plant and equipment	105 236	5 316	9 036	119 588
Intangible assets	58 382	11	-	58 393
Expenditure on development projects	347 802	2 318	75	350 195
Investment properties	57 082	-	(12 448)	44 634
Goodwill	56 438	-	-	56 438
Investments in subordinated entities	14 978	-	(14 978)	-
Shares in non-consolidated subordinated entities	38 520	-	-	38 520
Prepayments and deferred costs	4 741	6 693	-	11 434
Other financial assets	178 540	-	-	178 540
Deferred tax assets	43 899	3 522	(3)	47 418
Other receivables	686	-	-	686
CURRENT 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 receivable	98	-	-	98
Other receivables	113 724	1 433	(1 659)	113 498
Prepayments and deferred costs	4 154	9 609	-	13 763
Other financial assets	307 765	-	-	307 765
Bank deposits over 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**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

	CD PROJEKT RED	GOG.COM	Consolidation eliminations	Total
EQUITY	**1 875 936**	**33 352**	**(14 932)**	**1 894 356**
Equity attributable to owners of CD PROJEKT S.A.	**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
Share premium	115 909	-	-	115 909
Other reserves	49 007	276	(1 289)	47 994
Foreign exchange differences on translation	642	(65)	1 014	1 591
Retained earnings / (Accumulated losses)	2 595	-	(9 027)	(6 432)
Net profit (loss) for the period	238 678	(29 791)	21	208 908
Non-controlling interests	**-**	**-**	**-**	**-**
NON-CURRENT 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 income	6 403	21	-	6 424
Provision for retirement and similar benefits	368	12	-	380
Other provisions	5 368	-	-	5 368
CURRENT LIABILITIES	**172 230**	**60 611**	**(4 574)**	**228 267**
Other financial liabilities	25 661	869	(728)	25 802
Trade payables	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 income	26 072	5 476	-	31 548
Provision for retirement and similar benefits	6	1	-	7
Other provisions	76 209	6 910	(77)	83 042
TOTAL LIABILITIES AND EQUITY	**2 084 245**	**96 654**	**(22 164)**	**2 158 735**

(all amounts in PLN thousand, unless stated otherwise)

Notes – other explanatory notes to the consolidated financial statements

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Note 1. Sales revenue

Under **IFRS 15** revenue from sales of products, goods, materials and services, net of value added tax, rebates and discounts, is recognized when the performance obligation to deliver the promised goods or services (i.e. assets) to the customer has been fulfilled (or is in the process of being fulfilled).

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Sales revenue	**952 576**	**888 172**
of which revenue from research and development projects	299 720	281 564
Sales of products	767 499	691 564
Sales of services	1 960	5 865
Sales of goods for resale and materials	183 117	190 743
Other income	**90 944**	**26 899**
Other operating income	19 443	17 376
Finance income	71 501	9 523
Total	**1 043 520**	**915 071**

Sales revenue – geographical structure*

	01.01.2022 – 31.12.2022		01.01.2021 – 31.12.2021	
	in PLN	in %	in PLN	in %
Domestic sales	**28 931**	**3.04%**	**21 469**	**2.42%**
Export sales, including:	**923 645**	**96.96%**	**866 703**	**97.58%**
Europe	167 881	17.62%	140 264	15.79%
North America	677 683	71.14%	650 090	73.19%
South America	3 579	0.38%	2 894	0.33%
Asia	65 681	6.90%	66 090	7.44%
Australia	8 395	0.88%	6 837	0.77%
Africa	426	0.04%	528	0.06%
Total	**952 576**	**100%**	**888 172**	**100%**

** The data presented relates to the place of residence of the customers of the Group companies: for CD PROJEKT S.A. – distributors, and for retail sales conducted by GOG sp. z o.o., CD PROJEKT RED STORE sp. z o.o., CD PROJEKT Inc. – end customers.*

Sales revenue – by type of production

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Own production	767 499	691 564
Third party production	183 117	190 743
Other revenue	1 960	5 865
Total	**952 576**	**888 172**

(all amounts in PLN thousand, unless stated otherwise)

Sales revenue – by distribution channel

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Games – box issues	31 375	87 222
Games – digital issues	850 367	768 202
Other revenue	70 834	32 748
Total	**952 576**	**888 172**

Note 2. Operating expenses

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021*
Depreciation and amortization of property, plant and equipment, intangible assets, expenditure on development projects and investment properties, including:	13 828	17 764
depreciation on leased buildings	1 659	2 094
depreciation of leased vehicles	412	246
Materials and energy used	3 406	3 260
External services, including:	122 751	184 887
costs of short-term leases and low value leases	463	462
Taxes and fees	1 530	1 268
Salaries and wages, social insurance and other benefits	149 989	160 865
Business travel	3 173	570
Cost of using company cars	238	213
Cost of goods for resale and materials sold	132 412	142 843
Costs of products and services sold	111 562	107 391
Other costs	2 971	2 347
Total	**541 860**	**621 408**
Selling expenses	222 350	299 225
Total administrative expenses, including:	75 536	71 949
cost of research work	4 593	23 985
Cost of sales	243 974	250 234
Total	**541 860**	**621 408**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

Note 3. Other operating income and expenses

Other operating income

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Rental income	6 644	6 186
Write-off of past liabilities	3 668	-
Other sales	3 451	515
Subsidies	3 220	7 995
Income from re-invoicing	757	1 309
Settlement of the financial liabilities in respect of leases	602	-
Fixed assets and goods for resale received free of charge	432	284
Gains on disposal of non-current assets	270	61
Release of unused provisions for costs	232	408
Damages received	2	480
Other	165	138
Total other operating income	**19 443**	**17 376**

Write-off of past liabilities (totalling approximately PLN 3 292 thousand) includes licence receivables arising from agreements concluded with game publishers and from agreements concluded with business partners promoting the services offered by GOG.COM. This item also includes a liability in respect of the minimum guarantee, written off as a result of terminating a contract the performance of which will not materialize due to the fact that the game covered by the minimum guarantee of approximately PLN 376 thousand will not be released.

Other operating expenses

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Impairment write-downs of property, plant and equipment, intangible assets and expenditure on development work	34 286	34 582
Cost of sales on other sales	4 147	34
Cost of rental	3 869	4 002
Cost of destruction of materials and goods for resale	3 172	965
Depreciation of investment properties	1 854	1 788
Donations and charity	1 349	445
Write-down and write-off of minimum guarantee assets	1 126	1 238
Scrapping of property, plant and equipment items and intangible assets	1 045	774
Costs relating to re-invoicing	757	1 311
Costs incurred on redevelopment of the car park	551	-
Provision for the uninsured portion of the US court settlement costs	126	1 502
Costs related to provisions for liabilities to game developers	391	-
Provision recorded for potential tax liability	-	4 309
Scrapping of investment properties	-	51
Help Me Refund – funds to be returned	-	33
Inventory count deficits	-	9
Other	132	188
Total other operating expenses	**52 805**	**51 231**

(all amounts in PLN thousand, unless stated otherwise)

Note 4. Finance income and costs

Finance income

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Interest income	**43 337**	**1 550**
on current bank deposits	26 885	68
on bonds	16 230	1 321
on loans	222	161
Other finance income	**28 164**	**7 973**
gain on redemption of bonds	22 752	-
forward contracts – Management Board	2	6
settlement and measurement of derivative financial instruments	5 397	7 962
other finance income	13	5
Total finance income	**71 501**	**9 523**

Finance costs

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Interest expense	**1 347**	**2 797**
on lease contracts	581	535
on bonds	269	787
on liabilities to the State Treasury	30	38
on potential liabilities to the State Treasury	467	1 437
Other finance costs	**54 316**	**20 521**
net foreign exchange losses	24 547	17 053
impairment of non-current financial assets	27 271	1 668
settlement and measurement of derivative financial instruments	2 172	-
commission and fees on purchase of bonds	326	364
loss on redemption of bonds	-	1 436
Total finance costs	**55 663**	**23 318**
Net finance income/expense	**15 838**	**(13 795)**

Note 5. Corporate income tax and deferred income tax

The main items of income tax expense for the years ended 31 December 2022 and 31 December 2021 are as follows:

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Current income tax	**51 591**	**46 500**
For the financial year	19 165	40 291
Withholding tax paid abroad	32 275	5 864
Adjustments relating to prior years	151	345
Deferred income tax	**(5 499)**	**(36 300)**
Related to temporary differences arising and reversed	(5 499)	(36 300)
Income tax expense shown in the income statement	**46 092**	**10 200**
Effective tax rate	**11.72%**	**4.66%**

Deferred tax shown in the income statement is the difference between the balance of deferred tax provisions and assets as at the end and the beginning of the reporting periods.

(all amounts in PLN thousand, unless stated otherwise)

Current income tax

	01.01.2022 – 31.12.2022		01.01.2021 – 31.12.2021	
	Income from other sources of revenue	**Income from capital gains**	**Income from other sources of revenue**	**Income from capital gains**
Profit/(loss) before tax	**412 072**	**(18 887)**	**238 510**	**(19 402)**
Income increasing the tax base	7 868	6 646	9 588	1 606
Income relating to subsequent periods	(34 296)	-	908 111	-
Non-taxable income	(11 111)	(10 359)	(18 357)	5 530
Income from advance payments disclosed for tax purposes	7 596	-	-	-
Costs reducing the tax base	(110 389)	-	(14 486)	-
Non-deductible costs	155 710	28 822	(76 918)	19 983
Profit/loss made by entities operating abroad	173	-	812	-
Taxable income	**427 623**	**6 222**	**1 047 260**	**7 717**
Deductions from income – loss	(8 553)	(6 180)	(226 106)	(7 717)
Deductions from income – donation and charity	(1 169)	-	-	-
Deductions from income – research and development relief	(39 504)	-	(31 741)	-
Deductions from income – tax-free income	(453)	-	(1 405)	-
Tax base, including:	**377 944**	**42**	**788 008**	**-**
tax base at 5% (profit)	**378 244**	**-**	**805 825**	**-**
tax base at 19% (profit)	**1 243**	**42**	**-**	**-**
tax base at 19% (loss)	**(1 543)**	**-**	**(17 817)**	**-**
tax base abroad	**-**	**-**	**-**	**-**
Income tax calculated in Poland at 5%	18 912	-	40 291	-
Income tax calculated in Poland at 19%	237	8	-	-
Income tax calculated abroad	8	-	-	-
Income tax	**19 157**	**8**	**40 291**	**-**

The current part of the income tax was determined either at the corporate income tax rate of 19% for the tax base corresponding to income from other sources, and at the rate of 5% for the tax base corresponding to income from qualifying intellectual property rights (the so-called IP BOX).

(all amounts in PLN thousand, unless stated otherwise)

Deductible temporary differences underlying the deferred tax asset

	31.12.2021*	Differences affecting the deferred tax recognized in the profit or loss	31.12.2022
Provision for other employee benefits	387	(11)	376
Provision for costs of performance-related and other remuneration	39 543	10 022	49 565
Tax loss	15 133	(9 666)	5 467
Foreign exchange losses	3 275	4 298	7 573
Difference between the carrying and tax amount of expenditure on development projects	24 780	10 056	34 836
Salaries and wages and social security payable in future periods	61	(14)	47
Deferred income in respect of virtual wallet top-ups and fringe benefit scheme	3 401	554	3 955
Other provisions	48 839	(14 672)	34 167
Research and development relief	303 891	14 235	318 126
Prepayments recognized as revenue for tax purposes	1 469	6 054	7 523
Difference between the net carrying amount and tax amount of property, plant and equipment and intangible assets	12	-	12
Measurement of forward contracts	142	750	892
Other	83	(57)	26
Total deductible differences, including:	**441 016**	**21 549**	**462 565**
taxed at 5%	60 423	11 234	71 657
taxed at 19%	379 384	10 289	389 673
deferred tax charged abroad	1 209	26	1 235
Deferred income tax asset	**75 350**	**2 622**	**77 972**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

Taxable temporary differences underlying the deferred tax provision

	31.12.2021	Differences affecting the deferred tax recognized in the profit or loss	31.12.2022
Difference between the net carrying amount and tax amount of property, plant and equipment and intangible assets	14 431	3 349	17 780
Current period revenue invoiced in the subsequent period/accrued income	129 257	3 170	132 427
Foreign exchange gains	14 963	(6 241)	8 722
Difference between the carrying and tax amount of expenditure on development projects	272 934	(18 296)	254 638
Other	86	238	324
Total taxable differences, including:	**431 671**	**(17 780)**	**413 891**
taxed at 5%	386 324	(3 413)	382 911
taxed at 19%	45 347	(15 804)	29 543
deferred tax charged abroad	-	1 437	1 437
Deferred tax provision	**27 932**	**(2 772)**	**25 160**

The deferred part of the income tax was determined either at the corporate income tax rate of 19% for the tax base corresponding to income from other sources, or at the rate of 5% for the tax base corresponding to income from qualifying intellectual property (the so-called IP BOX). When determining the appropriate tax rate for temporary differences, the Group relied on forecasts of which tax base will give rise to the realization of the temporary differences recognized.

Net deferred tax asset/provision

	31.12.2022	31.12.2021
Deferred tax asset	77 972	75 350
Deferred tax provision	25 160	27 932

Note 6. Discontinued operations

The Group did not discontinue any operations in the current nor in the previous year

Note 7. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue outstanding during the period. Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent Company (net of interest on redeemable preference shares convertible to ordinary shares) by the weighted average number of ordinary shares in issue during the year (adjusted for the inflow of diluting options or warrants and diluting redeemable preference shares convertible into ordinary shares).

During the 12 months ended 31 December 2022, the diluting instruments comprised subscription warrants allotted under the incentive schemes, entitling the holder to take up shares in the Parent Company in the future.

(all amounts in PLN thousand, unless stated otherwise)

Net profit and number of shares underlying the calculation of earnings per share

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Weighted average number of shares for the calculation of basic earnings per share (no. of units)	100 741 467	100 717 756
Weighted average number of shares for the calculation of diluted earnings per share (no. of units)	100 764 969	100 763 966
Net profit/(loss) shown for the purpose of calculating diluted earnings per share	347 093	208 908
Basic net earnings/(loss) per share	**3.45**	**2.07**
Diluted net earnings/(loss) per share	**3.44**	**2.07**

Note 8. Dividend paid (or declared) and received

On 28 June 2022, the Annual General Meeting of Shareholders of CD PROJEKT S.A. made a decision to allocate a part of the profit earned by the Parent Company in 2021 for distribution among the shareholders in the form of dividend. In accordance with the resolution, on 12 July 2022 the Parent Company paid out PLN 100 739 thousand, i.e. 1 PLN per share. The number of the Parent Company's shares giving right to the dividend was 100,738,800.

Note 9. Disclosure of other comprehensive income items and their tax effect

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Net profit/(loss)	**347 093**	**208 908**
Exchange differences on measurement of foreign operations	313	500
Measurement of bonds issued by foreign governments	(12 724)	4 238
Tax effect of the measurement of bonds	-	104
Total comprehensive income	**334 682**	**213 750**
Total comprehensive income attributable to non-controlling interests	**-**	**-**
Total comprehensive income attributable to the parent company	**334 682**	**213 750**

Note 10. Property, plant and equipment

Ownership structure of property, plant and equipment

	31.12.2022	31.12.2021*
Own assets	124 145	102 879
Used under lease contracts	21 107	16 709
Total	**145 252**	**119 588**

** restated data*

Property, plant and equipment with restricted legal title

	31.12.2022	31.12.2021
Used under lease contracts	21 107	16 709
Total	**21 107**	**16 709**

Amounts of contractual commitments to purchase property, plant and equipment in future

	31.12.2022	31.12.2021
Leasing of passenger cars	599	429
Total	**599**	**429**

(all amounts in PLN thousand, unless stated otherwise)

Changes in property, plant and equipment (by category) for the period 01.01.2022 – 31.12.2022*

	Land	Buildings and structures	Civil and marine engineering facilities	Plant and machinery	Vehicles	Other fixed assets	Assets under construction	Total
Gross carrying amount as at 01.01.2022	**40 435**	**75 861**	**1 876**	**52 127**	**3 243**	**4 930**	**2 327**	**180 799**
Increase due to:	**-**	**7 777**	**277**	**9 645**	**1 356**	**1 026**	**27 030**	**47 111**
purchase	-	499	-	9 081	-	987	26 910	37 477
lease contracts concluded	-	6 831	4	-	1 347	-	-	8 182
transfer from assets under construction	-	239	-	37	-	39	-	315
transfer from investment properties	-	112	273	-	-	-	120	505
reclassification	-	-	-	81	-	-	-	81
free of charge receipt	-	-	-	431	-	-	-	431
other	-	96	-	15	9	-	-	120
Decrease due to:	**-**	**1 341**	**228**	**2 916**	**1 348**	**180**	**1 268**	**7 281**
sale	-	-	-	374	739	1	-	1 114
scrapping	-	816	228	2 308	609	98	24	4 083
transfer from assets under construction	-	-	-	-	-	-	315	315
reclassification	-	-	-	-	-	81	929	1 010
lease contracts terminated	-	525	-	-	-	-	-	525
other	-	-	-	234	-	-	-	234
Gross carrying amount as at 31.12.2022	**40 435**	**82 297**	**1 925**	**58 856**	**3 251**	**5 776**	**28 089**	**220 629**
Accumulated depreciation as at 01.01.2022	**1 250**	**19 797**	**558**	**35 145**	**1 792**	**2 669**	**-**	**61 211**
Increase due to:	**567**	**6 895**	**239**	**10 223**	**555**	**933**	**-**	**19 412**
depreciation charge	567	6 888	210	10 172	555	933	-	19 325
transfer from investment properties	-	7	29	-	-	-	-	36
reclassification	-	-	-	51	-	-	-	51
Decrease due to:	**-**	**1 341**	**80**	**2 886**	**810**	**129**	**-**	**5 246**
sale	-	-	-	363	739	1	-	1 103
scrapping	-	816	80	2 289	71	77	-	3 333
reclassification	-	-	-	-	-	51	-	51
lease contracts terminated	-	525	-	-	-	-	-	525
other	-	-	-	234	-	-	-	234
Accumulated depreciation as at 31.12.2022	**1 817**	**25 351**	**717**	**42 482**	**1 537**	**3 473**	**-**	**75 377**
Impairment write-downs as at 01.01.2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impairment write-downs as at 31.12.2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount as at 01.01.2022	**39 185**	**56 064**	**1 318**	**16 982**	**1 451**	**2 261**	**2 327**	**119 588**
Net carrying amount as at 31.12.2022	**38 618**	**56 946**	**1 208**	**16 374**	**1 714**	**2 303**	**28 089**	**145 252**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

Changes in property, plant and equipment (by category) for the period 01.01.2021 – 31.12.2021*

	Land	Buildings and structures	Civil and marine engineering facilities	Plant and machinery	Vehicles	Other fixed assets	Assets under construction	Total
Gross carrying amount as at 01.01.2021	**35 986**	**67 795**	**1 834**	**39 741**	**2 961**	**3 145**	**1 671**	**153 133**
Increase due to:	**4 449**	**8 662**	**53**	**13 917**	**1 263**	**1 814**	**9 797**	**39 955**
purchase	-	540	53	13 614	17	1 583	9 797	25 604
lease contracts concluded	-	77	-	-	1 236	-	-	1 313
transfer from assets under construction	-	7 955	-	286	-	231	-	8 472
transfer from investment properties	4 449	-	-	-	-	-	-	4 449
other	-	90	-	17	10	-	-	117
Decrease due to:	**-**	**596**	**11**	**1 531**	**981**	**29**	**9 141**	**12 289**
sale	-	-	-	400	365	17	-	782
scrapping	-	596	11	1 131	616	12	-	2 366
transfer from assets under construction	-	-	-	-	-	-	9 141	9 141
Gross carrying amount as at 31.12.2021	**40 435**	**75 861**	**1 876**	**52 127**	**3 243**	**4 930**	**2 327**	**180 799**
Accumulated depreciation as at 01.01.2021	**588**	**14 311**	**275**	**28 876**	**1 710**	**2 024**	**-**	**47 784**
Increase due to:	**662**	**5 926**	**286**	**7 621**	**502**	**674**	**-**	**15 671**
depreciation charge	567	5 926	286	7 621	502	674	-	15 576
transfer from investment properties	95	-	-	-	-	-	-	95
Decrease due to:	**-**	**440**	**3**	**1 352**	**420**	**29**	**-**	**2 244**
sale	-	-	-	340	256	17	-	613
scrapping	-	440	3	1 012	164	12	-	1 631
Accumulated depreciation as at 31.12.2021	**1 250**	**19 797**	**558**	**35 145**	**1 792**	**2 669**	**-**	**61 211**
Impairment write-downs as at 01.01.2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impairment write-downs as at 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount as at 01.01.2021	**35 398**	**53 484**	**1 559**	**10 865**	**1 251**	**1 121**	**1 671**	**105 349**
Net carrying amount as at 31.12.2021	**39 185**	**56 064**	**1 318**	**16 982**	**1 451**	**2 261**	**2 327**	**119 588**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

Property, plant and equipment under construction

	01.01.2022	Expenditure incurred in the financial year	Reclassification of costs	Settlement of capital expenditure	31.12.2022
Redevelopment of the Jagiellońska 74 property	2 012	1 815	60	228	3 539
Redevelopment of car park	-	25 158	862	-	24 296
Other	315	57	7	111	254
Total	**2 327**	**27 030**	**929**	**339**	**28 089**

	01.01.2021	Expenditure incurred in the financial year	Reclassification of costs	Settlement of capital expenditure	31.12.2021
Redevelopment of the Jagiellońska 74 property	1 614	9 253	-	8 855	2 012
Other	57	544	-	286	315
Total	**1 671**	**9 797**	**-**	**9 141**	**2 327**

Right-of-use assets relating to property, plant and equipment

	31.12.2022			31.12.2021		
	Gross amount	Accumulated depreciation	Net amount	Gross amount	Accumulated depreciation	Net amount
Land	14 540	669	13 871	14 540	464	14 076
Real properties	14 332	8 735	5 597	8 037	6 698	1 339
Civil and marine engineering facilities	99	99	-	94	47	47
Vehicles	2 264	625	1 639	1 504	257	1 247
Total	**31 235**	**10 128**	**21 107**	**24 175**	**7 466**	**16 709**

(all amounts in PLN thousand, unless stated otherwise)

Note 11. Intangible assets and expenditure on development projects

Changes in intangible assets and expenditure on development projects for the period 01.01.2022 – 31.12.2022

	Expenditure on development projects in progress	Expenditure on completed development projects	Trademarks	Patents and licenses	Copyright	Computer software	Goodwill	Intangible assets under construction	Total
Gross carrying amount as at 01.01.2022	**95 169**	**841 986**	**33 199**	**2 154**	**18 331**	**36 018**	**56 438**	**19**	**1 083 314**
Increase due to:	**262 236**	**88 101**	**-**	**2 480**	**138**	**14 073**	**-**	**583**	**367 611**
purchase	-	-	-	2 480	30	13 599	-	583	16 692
assets internally generated	262 236	-	-	-	-	-	-	-	262 236
transfer from intangible assets under construction	-	-	-	-	108	-	-	-	108
reclassification from expenditure on development projects in progress	-	88 101	-	-	-	-	-	-	88 101
reclassification	-	-	-	-	-	474	-	-	474
Decrease due to:	**109 217**	**-**	**-**	**474**	**-**	**13**	**-**	**430**	**110 134**
scrapping	283	-	-	-	-	13	-	-	296
utilization of impairment write-downs	20 806	-	-	-	-	-	-	-	20 806
transfer from intangible assets under construction	-	-	-	-	-	-	-	108	108
transfer from expenditure on development projects in progress	88 101	-	-	-	-	-	-	-	88 101
reclassification	27	-	-	474	-	-	-	322	823
Gross carrying amount as at 31.12.2022	**248 188**	**930 087**	**33 199**	**4 160**	**18 469**	**50 078**	**56 438**	**172**	**1 340 791**
Accumulated depreciation as at 01.01.2022	**-**	**552 378**	**-**	**1 928**	**173**	**29 227**	**-**	**-**	**583 706**
Increase due to:	**-**	**104 633**	**-**	**839**	**128**	**4 626**	**-**	**-**	**110 226**
amortization charge	-	104 633	-	839	128	4 626	-	-	110 226
Decrease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated amortization as at 31.12.2022	**-**	**657 011**	**-**	**2 767**	**301**	**33 853**	**-**	**-**	**693 932**
Impairment write-downs as at 01.01.2022	**20 806**	**13 776**	**-**	**-**	**-**	**-**	**-**	**-**	**34 582**
Increase due to:	**34 286**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34 286**
impairment	**34 286**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34 286**
Decrease due to:	**20 806**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20 806**
reversal of write-downs (write-off)	20 806	-	-	-	-	-	-	-	20 806
Impairment write-downs as at 31.12.2022	**34 286**	**13 776**	**-**	**-**	**-**	**-**	**-**	**-**	**48 062**
Net carrying amount as at 01.01.2022	**74 363**	**275 832**	**33 199**	**226**	**18 158**	**6 791**	**56 438**	**19**	**465 026**
Net carrying amount as at 31.12.2022	**213 902**	**259 300**	**33 199**	**1 393**	**18 168**	**16 225**	**56 438**	**172**	**598 797**

(all amounts in PLN thousand, unless stated otherwise)

Changes in intangible assets and expenditure on development projects for the period 01.01.2021 – 31.12.2021

	Expenditure on development projects in progress	Expenditure on completed development projects	Trademarks	Patents and licenses	Copyright	Computer software	Goodwill	Intangible assets under construction	Total
Gross carrying amount as at 01.01.2021	**28 887**	**841 377**	**33 199**	**2 154**	**18 331**	**32 294**	**56 438**	**1 158**	**1 013 838**
Increase due to:	**66 891**	**609**	**-**	**157**	**-**	**3 860**	**-**	**209**	**71 726**
purchase	-	-	-	157	-	2 531	-	209	2 897
transfer from intangible assets under construction	-	-	-	-	-	1 329	-	-	1 329
reclassification from expenditure on development projects in progress	-	457	-	-	-	-	-	-	457
transfer of expenditure on development projects within the consortium	-	152	-	-	-	-	-	-	152
assets internally generated	66 891	-	-	-	-	-	-	-	66 891
Decrease due to:	**609**	**-**	**-**	**157**	**-**	**136**	**-**	**1 348**	**2 250**
sale	-	-	-	66	-	-	-	19	85
scrapping	-	-	-	91	-	136	-	-	227
transfer from intangible assets under construction	-	-	-	-	-	-	-	1 329	1 329
transfer from expenditure on development projects in progress	457	-	-	-	-	-	-	-	457
transfer of expenditure on development projects within the consortium	152	-	-	-	-	-	-	-	152
Gross carrying amount as at 31.12.2021	**95 169**	**841 986**	**33 199**	**2 154**	**18 331**	**36 018**	**56 438**	**19**	**1 083 314**
Accumulated amortization as at 01.01.2021	**-**	**463 466**	**-**	**1 626**	**48**	**25 672**	**-**	**-**	**490 812**
Increase due to:	**-**	**88 912**	**-**	**459**	**125**	**3 652**	**-**	**-**	**93 148**
amortization charge	-	88 912	-	459	125	3 652	-	-	93 148
Decrease due to:	**-**	**-**	**-**	**157**	**-**	**97**	**-**	**-**	**254**
sale	-	-	-	66	-	-	-	-	66
scrapping	-	-	-	91	-	97	-	-	188
Accumulated amortization as at 31.12.2021	**-**	**552 378**	**-**	**1 928**	**173**	**29 227**	**-**	**-**	**583 706**
Impairment write-downs as at 01.01.2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase due to:	**20 806**	**13 776**	**-**	**-**	**-**	**-**	**-**	**-**	**34 582**
impairment	20 806	13 776	-	-	-	-	-	-	34 582
Impairment write-downs as at 31.12.2021	**20 806**	**13 776**	**-**	**-**	**-**	**-**	**-**	**-**	**34 582**
Net carrying amount as at 01.01.2021	**28 887**	**377 911**	**33 199**	**528**	**18 283**	**6 622**	**56 438**	**1 158**	**523 026**
Net carrying amount as at 31.12.2021	**74 363**	**275 832**	**33 199**	**226**	**18 158**	**6 791**	**56 438**	**19**	**465 026**

(all amounts in PLN thousand, unless stated otherwise)

Intangible assets – ownership structure

	31.12.2022	31.12.2021
Own assets	68 737	57 830
Used under lease contracts	420	563
Total	**69 157**	**58 393**

Intangible assets under construction

	01.01.2022	Expenditure incurred in the financial year	Reclassification of costs	Settlement of capital expenditure	31.12.2022
Financial analysis system	11	161	-	-	172
Document flow system	8	-	8	-	-
System for virtualization and cloud computing	-	314	314	-	-
cdprojektred.com website	-	108	-	108	-
Total	**19**	**583**	**322**	**108**	**172**

	01.01.2021	Expenditure incurred in the financial year	Reclassification of costs	Settlement of capital expenditure	31.12.2021
Financial analysis system	11	-	-	-	11
HR management support system	1 129	201	-	1 330	-
Document flow system	-	8	-	-	8
Game licences, GOG	18	-	-	18	-
Total	**1 158**	**209**	**-**	**1 348**	**19**

Amounts of contractual commitments to purchase intangible assets in future

Not applicable.

Intangible assets – restriction on disposal

Not applicable.

(all amounts in PLN thousand, unless stated otherwise)

Note 12. Goodwill

Goodwill recognized in business combinations and acquisitions

	CD Projekt Red sp. z o.o.	Strange New Things business	Total
Gross carrying amount as at 01.01.2022	**46 417**	**10 021**	**56 438**
Gross carrying amount as at 31.12.2022	**46 417**	**10 021**	**56 438**
Impairment write-downs as at 01.01.2022	**-**	**-**	**-**
Impairment write-downs at 31.12.2022	**-**	**-**	**-**
Net carrying amount as at 01.01.2022	**46 417**	**10 021**	**56 438**
Net carrying amount as at 31.12.2022	**46 417**	**10 021**	**56 438**

Impairment tests of goodwill require estimating the value in use of the cash-generating unit. In estimating the value in use, the Parent Company prepared forecasts of the future cash flows to be generated by the cash-generating unit and determined the discount rate to be applied to calculate the present value of these cash flows. The Parent Company performed the most recent impairment test of goodwill as at 31 December 2022. The Parent Company identified no indications of impairment of goodwill.

Note 13. Investment properties

The Parent Company owns a real estate complex located at ul. Jagiellońska 76 in Warsaw. Given that a part of the properties purchased is leased out to third parties, including CD PROJEKT Group companies, the Group decided to partly classify these properties as investment properties. The remaining part of the property is used for own needs of the activities conducted.

The Group measures the properties purchased at cost less accumulated depreciation.

The last appraisal report by the expert surveyor, for the buildings recognized as investment properties, was prepared on the basis of unit prices for the construction of buildings with the most similar parameters included in the *Bistyp Catalogue of Unit Prices for Works and Investment Facilities 2021*. The valuation of the individual assets amounted to PLN 60 692 thousand for the building at ul. Jagiellońska 74, and PLN 13 212 thousand for the building at ul. Jagiellońska 76.

(all amounts in PLN thousand, unless stated otherwise)

Movements in investment properties for the period 01.01.2022 – 31.12.2022 and 01.01.2021 – 31.12.2021

	31.12.2022	31.12.2021*
Gross carrying amount as at the beginning of the period	**48 169**	**50 650**
Increase due to:	**282**	**2 024**
capitalized expenditure	282	2 024
Decrease due to:	**505**	**4 505**
scrapping	-	56
reclassification to other asset categories	505	4 449
Gross carrying amount as at the end of the period	**47 946**	**48 169**
Accumulated depreciation as at the beginning of the period	**3 535**	**1 809**
Increase due to:	**1 887**	**1 826**
depreciation charge	1 887	1 826
Decrease due to:	**36**	**100**
scrapping	-	5
reclassification to other asset categories	36	95
Accumulated depreciation as at the end of the period	**5 386**	**3 535**
Impairment write-downs as at the beginning of the period	**-**	**-**
Increase	**-**	**-**
Decrease	**-**	**-**
Impairment write-downs as at the end of the period	**-**	**-**
Net carrying amount as at the end of the period	**42 560**	**44 634**

** restated data*

Contractual liabilities on purchase of investment properties

Not applicable.

Note 14. Shares in non-consolidated subordinated entities

Investments in subordinated entities measured at cost

	31.12.2022	31.12.2021
Shares in subordinated entities – subsidiaries	41 607	38 520
Total	**41 607**	**38 520**

(all amounts in PLN thousand, unless stated otherwise)

Movements in investments in subsidiaries

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
As at the beginning of the period	**38 520**	**8 195**
Increase due to:	**30 434**	**32 203**
acquisition/formation of an entity	67	32 039
equity element of the incentive scheme	-	164
payments towards increasing share capital of a subsidiary	28 318	-
foreign exchange differences	2 049	-
Decrease due to:	**27 347**	**1 878**
disposal of a subsidiary/shares in a subsidiary	76	19
impairment write-downs recorded	27 271	1 668
equity element of the incentive scheme	-	191
As at the end of the period	**41 607**	**38 520**

Investments in subsidiaries as at 31.12.2022

	Spokko sp. z o.o.	CD PROJEKT RED Vancouver Studio Ltd.	The Molasses Flood LLC	CD PROJEKT SILVER Inc.
Registered office	Warsaw	Vancouver	Boston	Los Angeles, Venice
Percent of shares held as at 31.12.2022	87.6%	100%	60%	100%
Percent of votes held as at 31.12.2022	87.6%	100%	60%	100%
Equity investment	5 143	9 987	26 411	66

Investments in subsidiaries as at 31.12.2021

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

(all amounts in PLN thousand, unless stated otherwise)

Note 15. Other financial assets

	31.12.2022	31.12.2021
Loans granted	739	8 890
Bonds	475 848	477 415
Derivative financial instruments	7 809	-
Private equity interests in the gaming sector	2 556	-
Other financial assets, including:	**486 952**	**486 305**
short-term	279 515	307 765
long-term	207 437	178 540

In 2022, four tranches were disbursed under the loan agreement of 5 May 2021 granted to Spokko sp. z o.o. by CD PROJEKT S.A. in the amount of PLN 5 870 thousand: on 25 February in the amount of PLN 500 thousand, on 30 March and 28 April in the amount of PLN 1,000 thousand each, and on 5 May, in the amount of PLN 500 thousand. The amount of tranches disbursed in 2021 was PLN 2 800 thousand, while the total amount of funds disbursed under this agreement was PLN 5 800 thousand. The loan was repaid in full on 27 May 2022. At the same time, on 27 May 2022, the other two loans granted to Spokko sp. z o.o. under the loan agreements of 25 May 2020 in the amount of PLN 3 000 thousand and 12 November 2020 in the amount of PLN 3 040 thousand were repaid in full.

Under the loan agreement dated 16 September 2022, a loan of USD 1 150 thousand was granted by CD PROJEKT S.A. to The Molasses Flood LLC. The agreement provides for the loan to be disbursed in tranches. In 2022, one tranche of USD 166 thousand was paid out. The payment took place on 2 November 2022. The interest rate on the loan is variable and is subject to quarterly updates. According to the agreement the loan should be repaid by 31 March 2025.

In March 2022, the Parent Company changed the rules on diversification of investment of current cash surpluses, increasing the possibility of holding in debt securities up to 80% of the present value of financial resources defined as the sum of the total amount of: cash and cash equivalents, bank deposits of more than 3 months, bonds of the State Treasury of the Republic of Poland, bonds secured by a guarantee of the State Treasury of the Republic of Poland, bonds of foreign governments and bonds secured by a guarantee of foreign governments together with concluded forward hedging transactions. In addition, under the amended assumptions, the Parent Company may acquire foreign Treasury bonds issued by countries with a rating not lower than Aa3 according to Moody's rating agency and foreign bonds backed by a guarantee of countries with a rating not lower than Aa3 according to Moody's rating agency. As a result of these changes, the portfolio of bonds held has expanded to include securities of issuers from Canada and Finland. For more information on the bond portfolio held, see Financial risk management objectives and policies – Liquidity and credit risk.

Note 16. Inventories

	31.12.2022	31.12.2021
Goods for resale	12 697	15 843
Other materials	4	43
Gross inventories	**12 701**	**15 886**
Inventory write-downs	-	-
Net inventories	**12 701**	**15 886**

Other materials include marketing materials.

Changes in inventory write-downs

Not applicable.

Inventories set up as collateral

Not applicable.

(all amounts in PLN thousand, unless stated otherwise)

Note 17. Trade receivables

	31.12.2022	31.12.2021
Trade receivables, gross	**165 376**	**125 372**
Write-downs	**86**	**79**
Trade receivables	**165 290**	**125 293**
from related entities	860	1 231
from other entities	164 430	124 062

Changes in write-downs of trade receivables

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
RELATED ENTITIES		
Write-downs as at the beginning of the period	**-**	**-**
Increase	**-**	**-**
Decrease	**-**	**-**
Write-downs as at the end of the period	**-**	**-**
OTHER ENTITIES		
Write-downs as at the beginning of the period	**79**	**126**
Increases, including:	**18**	**12**
write-downs recognized for past-due and disputed receivables	18	12
Decreases, including:	**11**	**59**
utilization of impairment write-downs	-	53
release of write-downs	11	6
Write-downs as at the end of the period	**86**	**79**
Total write-downs as at the end of the period (related and other entities)	**86**	**79**

(all amounts in PLN thousand, unless stated otherwise)

Current and overdue trade receivables as at 31.12.2022

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
RELATED ENTITIES							
gross receivables	860	860	-	-	-	-	-
default ratio		0%	0%	0%	0%	0%	0%
write-down resulting from the ratio	-	-	-	-	-	-	-
write-down determined individually	-	-	-	-	-	-	-
total expected credit losses	-	-	-	-	-	-	-
Net receivables	**860**	**860**	**-**	**-**	**-**	**-**	**-**

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	164 516	164 032	398	-	-	-	86
default ratio		0%	0%	0%	0%	0%	0%
write-down resulting from the ratio	-	-	-	-	-	-	-
write-down determined individually	86	-	-	-	-	-	86
total expected credit losses	86	-	-	-	-	-	86
Net receivables	**164 430**	**164 032**	**398**	**-**	**-**	**-**	**-**
Total							
gross receivables	165 376	164 892	398	-	-	-	86
impairment write-downs	86	-	-	-	-	-	86
Net receivables	**165 290**	**164 892**	**398**	**-**	**-**	**-**	**-**

(all amounts in PLN thousand, unless stated otherwise)

Current and overdue trade receivables as at 31.12.2021

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
RELATED ENTITIES							
gross receivables	1 231	223	1 008	-	-	-	-
default ratio		0%	0%	0%	0%	0%	0%
write-down resulting from the ratio	-	-	-	-	-	-	-
write-down determined individually	-	-	-	-	-	-	-
total expected credit losses	-	-	-	-	-	-	-
Net receivables	**1 231**	**223**	**1 008**	**-**	**-**	**-**	**-**

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	124 141	123 851	162	-	8	-	120
default ratio		0%	0%	0%	0%	0%	0%
write-down resulting from the ratio	-	-	-	-	-	-	-
write-down determined individually	79	-	-	-	-	-	79
total expected credit losses	79	-	-	-	-	-	79
Net receivables	**124 062**	**123 851**	**162**	**-**	**8**	**-**	**41**
Total							
gross receivables	125 372	124 074	1 170	-	8	-	120
impairment write-downs	79	-	-	-	-	-	79
Net receivables	**125 293**	**124 074**	**1 170**	**-**	**8**	**-**	**41**

(all amounts in PLN thousand, unless stated otherwise)

Trade receivables – by currency

	31.12.2022		31.12.2021	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN*	131 175	131 175	115 457	115 457
USD	7 075	31 144	449	1 821
EUR	314	1 474	1 317	6 060
BRL	262	218	158	115
GBP	36	190	30	166
CAD	251	816	348	1 109
AUD	34	103	55	163
SEK	116	49	104	47
CHF	9	43	9	41
CNY	47	30	81	52
DKK	43	27	47	29
NOK	46	21	30	14
RUB	-	-	4 033	219
JPY	7	-	-	-
Total		**165 290**		**125 293**

** Under receivables in PLN, the Group also recognizes amounts receivable in respect of licence reports received for the current period expressed in foreign currencies and invoiced in subsequent periods and charged to the current period directly in PLN.*

Note 18. Other receivables

	31.12.2022	31.12.2021*
Other gross receivables, including:	**58 260**	**114 916**
tax receivables, other than corporate income tax	43 414	77 067
prepayments for inventories	6 940	5 391
settlements with suppliers of property, plant and equipment items	4 160	-
prepayments for development projects	1 433	30 435
security deposits	1 071	998
provisions for sales revenue – prepayments	137	67
prepayments for property, plant and equipment and intangible assets	135	34
settlements with payment operators	7	-
settlements with members of the Management Boards of the Group companies	2	7
prepayments on investment properties	-	79
settlements with employees	-	5
other	961	833
Write-downs	**732**	**732**
Other receivables, including:	**57 528**	**114 184**
short-term	57 139	113 498
long-term	389	686

** restated data*

Other tax receivables, other than corporate income tax also include withholding tax in the amount of PLN 33 217 thousand to be deducted by the Parent Company in its annual CIT return after obtaining certificates from foreign counterparties confirming their payment of tax abroad.

(all amounts in PLN thousand, unless stated otherwise)

	31.12.2022	31.12.2021
Other gross receivables	**58 260**	**114 916**
Write-downs	**732**	**732**
Other receivables	**57 528**	**114 184**
from related entities	995	7
from other entities	56 533	114 177

Other receivables claimed in court

	31.12.2022	31.12.2021
Other receivables in court	732	732
Write-downs of disputed receivables	732	732
Net other receivables claimed in court	**-**	**-**

Other receivables – by currency

	31.12.2022		31.12.2021	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN*	49 805	49 805	77 977	77 977
USD	1 474	5 598	4 660	17 680
CAD	303	1 004	-	-
EUR	126	591	189	871
GBP	82	428	40	200
CHF	8	39	8	36
JPY	1 109	37	496 092	17 214
BRL	17	14	3	3
CNY	18	11	336	201
NOK	1	-	-	-
SEK	2	1	4	2
Total		**57 528**		**114 184**

** Receivables in PLN comprise, among others, receivables in respect of withholding tax deducted by foreign counterparties in foreign currencies and remaining to be settled with the local Tax Office in the annual corporate income tax return.*

Trade and other receivables from related entities

	31.12.2022	31.12.2021
Receivables from related entities, gross	**1 855**	**1 238**
trade	860	1 231
other	995	7
Write-downs	**-**	**-**
Receivables from related entities, net	**1 855**	**1 238**

(all amounts in PLN thousand, unless stated otherwise)

Note 19. Prepayments and deferred costs

	31.12.2022	31.12.2021*
Minimum guarantees and prepayments GOG.COM	41 457	15 230
Software, licenses	6 186	3 905
Costs of future marketing services	1 597	1 734
Costs of repairs and maintenance	1 142	1 470
Fees for pre-emptive rights	1 271	1 378
Property and personal insurance	785	525
Costs of IT security resources	380	421
Costs in connection with redevelopment of the car park	260	-
Domains, servers	235	56
Business travel (tickets, hotels, insurance)	85	64
Participation in fairs	-	7
Marketing campaigns	-	19
Other prepayments and deferred costs	562	388
Prepayments and deferred costs, including:	**53 960**	**25 197**
short-term	22 886	13 763
long-term	31 074	11 434

** restated data*

Note 20. Cash and cash equivalents

	31.12.2022	31.12.2021
Cash in hand and at bank:	**12 559**	**74 372**
cash in local currency	1	-
current bank accounts	12 558	74 372
Cash equivalents:	**265 268**	**337 214**
cash in transit	105	70
overnight deposits	7 512	36 142
short-term deposits maturing up to 3 months	257 320	262 980
cash on investment accounts	331	38 022
Total	**277 827**	**411 586**

Restricted cash and cash equivalents

Not applicable.

(all amounts in PLN thousand, unless stated otherwise)

Note 21. Share capital

The structure of share capital as at 31.12.2022

Series	Number of shares in pcs.	Series/issue at par value	Method of covering share capital
A	500 000	500 000	Monetary contribution
B	2 000 000	2 000 000	Monetary contribution
C	6 884 108	6 884 108	Monetary contribution
C1	18 768 216	18 768 216	Monetary contribution
D	35 000 000	35 000 000	In-kind contribution
E	6 847 676	6 847 676	Monetary contribution
F	3 500 000	3 500 000	Monetary contribution
G	887 200	887 200	Monetary contribution
H	3 450 000	3 450 000	Monetary contribution
I	7 112 800	7 112 800	Monetary contribution
J	5 000 000	5 000 000	Monetary contribution
K	5 000 000	5 000 000	Monetary contribution
L	1 170 000	1 170 000	Monetary contribution
M	4 650 800	4 650 800	Monetary contribution
Total	**100 770 800**	**100 770 800**	-

On 9 December 2022, as a result of registering in the securities depository maintained by the Polish Central Securities Depository (KDPW) of 32 000 M-series ordinary bearer shares of the Parent Company with a nominal value of PLN 1.00 each, issued in connection with the implementation of the incentive scheme operating in the years 2016-2019, the shares were recorded in the securities account of an authorized participant in the aforementioned scheme, who took them up upon exercising the rights from subscription warrants, and thus, share capital of the Parent Company was increased from PLN 100 738 800 to PLN 100 770 800. The aforementioned shares were listed on the GPW Main Market after the balance sheet date – as of 28 February 2023.

The total number of votes arising from all the shares of the Parent Company as at 31 December 2022 was 100 770 800 (subject to 860 290 shares in the Parent Company remaining in its possession as a result of the share buyback carried out on 5-24 October 2022).

There were no changes in the Parent Company's share capital after the balance sheet date.

Changes in share capital

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Share capital as at the beginning of the period	**100 739**	**100 655**
Increase due to:	**32**	**84**
issue of shares paid up in cash – incentive scheme	32	84
Decrease	-	-
As at the end of the period	**100 771**	**100 739**

(all amounts in PLN thousand, unless stated otherwise)

Note 22. Treasury shares

On 4 October 2022, the Management Board of the Parent Company informed that based on resolution no. 4 of the Extraordinary General Shareholders' Meeting of 29 November 2016, the Management Board decided on the conditions of and procedure for conducting a buyback of the Parent Company's treasury shares with a view to their voluntary redemption.

As a result of the buyback conducted based on that decision, between 5 October 2022 and 24 October 2022, the Parent Company purchased 860 290 of its treasury shares with a nominal value of PLN 1 each, representing 0.85% of its share capital, for the total amount of PLN 99 943 thousand. The treasury shares were purchased on the official stock exchange market operated by the Warsaw Stock Exchange. The Management Board of the Parent Company provided detailed information on the commencement and the course of the buyback in current reports no. 40/2022, 40/2022K, 42/2022, 44/2022 and 45/2022. As at the date of publication of these financial statements, the aforementioned treasury shares have not yet been redeemed and remain held by the Parent Company.

Note 23. Other reserves

	31.12.2022	31.12.2021
Supplementary capital	1 567 325	1 425 647
Share premium	116 700	115 909
Revaluation reserve	(7 941)	4 783
Treasury shares	(99 993)	-
Other reserve capital	-	35 741
Other reserves – incentive scheme	10 196	7 470
Total	**1 586 287**	**1 589 550**

(all amounts in PLN thousand, unless stated otherwise)

Change in other reserves

	Supplementary capital	Share premium	Treasury shares	Revaluation reserve	Reserve capital	Other reserves – incentive scheme	Total
As at 01.01.2022	**1 425 647**	**115 909**	**-**	**4 783**	**35 741**	**7 470**	**1 589 550**
Increase due to:	**172 485**	**791**	**-**	**-**	**-**	**4 938**	**178 214**
share-based payments	1 549	791	-	-	-	-	2 340
appropriation of the net profit/offset of loss	135 195	-	-	-	-	-	135 195
release of reserve capital from previous years created for share buybacks	35 741	-	-	-	-	-	35 741
the equity element of the incentive scheme	-	-	-	-	-	4 938	4 938
Decrease due to:	**30 807**	**-**	**99 993**	**12 724**	**35 741**	**2 212**	**181 477**
purchase of treasury shares for redemption	-	-	99 993	-	-	-	99 993
appropriation of the net profit/offset of loss	30 807	-	-	-	-	-	30 807
release of reserve capital from previous years created for share buybacks	-	-	-	-	35 741	-	35 741
share-based payments	-	-	-	-	-	1 548	1 548
the equity element of the incentive scheme	-	-	-	-	-	664	664
total comprehensive income	-	-	-	12 724	-	-	12 724
As at 31.12.2022	**1 567 325**	**116 700**	**(99 993)**	**(7 941)**	**-**	**10 196**	**1 586 287**

(all amounts in PLN thousand, unless stated otherwise)

	Supplementary capital	Share premium	Treasury shares	Revaluation reserve	Reserve capital	Other reserves – incentive scheme	Total
As at 01.01.2021	**774 851**	**113 844**	**-**	**442**	**35 741**	**9 364**	**934 242**
Increase due to:	**650 796**	**2 065**	**-**	**4 341**	**-**	**41 249**	**698 451**
share-based payments	869	2 065	-	-	-	-	2 934
appropriation of the net profit/offset of loss	649 927	-	-	-	-	-	649 927
the equity element of the incentive scheme	-	-	-	-	-	41 249	41 249
total comprehensive income	-	-	-	4 341	-	-	4 341
Decrease due to:	**-**	**-**	**-**	**-**	**-**	**43 143**	**43 143**
share-based payments	-	-	-	-	-	869	869
the equity element of the incentive scheme	-	-	-	-	-	42 274	42 274
As at 31.12.2021	**1 425 647**	**115 909**	**-**	**4 783**	**35 741**	**7 470**	**1 589 550**

(all amounts in PLN thousand, unless stated otherwise)

Note 24. Retained earnings / (Accumulated losses)

	31.12.2022	31.12.2021
Retained earnings / (accumulated losses)	(2 651)	(6 432)
Total	**(2 651)**	**(6 432)**

Change in retained earnings / (accumulated losses)

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021*
As at the beginning of the period	**(6 432)**	**(2 959)**
Corrections of errors	-	(4 179)
Retained earnings / (accumulated losses), as adjusted	**(6 432)**	**(7 138)**
Increase due to:	**208 908**	**1 154 327**
appropriation of profit / (loss) from previous years	208 908	1 154 327
Decrease due to:	**205 127**	**1 153 621**
payment of dividend	100 739	503 694
transfer to supplementary capital	104 388	649 927
As at the end of the period	**(2 651)**	**(6 432)**

** restated data*

Note 25. Equity attributable to non-controlling shareholders

Not applicable.

Note 26. Loans and borrowings

Not applicable.

Note 27. Other financial liabilities

	31.12.2022	31.12.2021*
Lease liabilities	20 967	16 654
Liabilities measured at fair value through profit or loss	891	142
Cash flow hedges	-	17 906
Deferred payment liabilities related to purchase of shares in a subsidiary	6 603	12 180
Total financial liabilities	**28 461**	**46 882**
Short-term, including:	**9 578**	**25 802**
up to one month	188	18 042
from one to three months	977	471
from three months to one year	8 413	7 289
Long-term, including:	**18 883**	**21 080**
from 1 to 5 years	5 171	7 261
more than 5 years	13 712	13 819

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

As a lessee, the Group is potentially exposed to future cash outflows that are not included in the measurement of lease liabilities, comprising:

- with regard to the contracts indicated in Note 33, the subject matter of which are plots of land located at ul. Jagiellońska 74 and 76, constituting in essence rights of perpetual usufruct of land – variable lease payments resulting from updating the annual fee for perpetual usufruct of land, meaning a change to the existing fee amount in order to adjust it to the current value of the property or in order to determine the appropriate rate at which the fee is calculated;

- with regard to the contract indicated in Note 33, the subject matter of which is office space in a building in Kraków, which is in fact a rental contract – variable lease payments resulting from the building owner's right to index the amount of fees for the use of the premises based on the consumer price index;

- with regard to the contract indicated in Note 33, the subject matter of which is office space in a building in Wrocław, which is in fact a rental contract – variable lease payments resulting from the building owner's right to index the amount of fees for the use of the premises based on the consumer price index.

Note 28. Other non-current liabilities

	31.12.2022	31.12.2021
Other non-current liabilities, including:	**2 620**	**2 860**
liabilities in respect of marketing costs	1 456	1 589
liabilities in respect of pre-emptive rights	1 164	1 271

Other non-current liabilities – maturity structure

	31.12.2022	31.12.2021
Other non-current liabilities, including:	**2 620**	**2 860**
payable after one to three years	720	720
payable after three to five years	480	480
payable after five years	1 420	1 660

Other non-current liabilities (by currency)

	31.12.2022		31.12.2021	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN	2 620	2 620	2 860	2 860
Total		**2 620**		**2 860**

Note 29. Trade payables

	31.12.2022	31.12.2021
Trade payables, including:	**72 119**	**53 380**
to related entities	2 575	1 183
to other entities	69 544	52 197

(all amounts in PLN thousand, unless stated otherwise)

Trade payables – ageing analysis

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As at 31.12.2022	**72 119**	**68 092**	**1 220**	**95**	**128**	**270**	**2 314**
to related entities	2 575	2 575	-	-	-	-	-
to other entities	69 544	65 517	1 220	95	128	270	2 314

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As at 31.12.2021	**53 380**	**48 958**	**1 572**	**556**	**59**	**2 172**	**63**
to related entities	1 183	1 135	48	-	-	-	-
to other entities	52 197	47 823	1 524	556	59	2 172	63

Trade payables – by currency

	31.12.2022		31.12.2021	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
USD	10 698	47 089	10 523	42 748
PLN	20 295	20 295	7 967	7 967
EUR	752	3 528	380	1 746
CNY	1 088	691	1 015	648
JPY	9 921	330	1 804	65
GBP	25	133	7	39
RUB	854	53	52	3
KZT	7	-	-	-
CAD	-	-	51	164
Total		**72 119**		**53 380**

(all amounts in PLN thousand, unless stated otherwise)

Note 30. Other current liabilities

	31.12.2022	31.12.2021
Taxes (other than corporate income tax), customs duty, social security and other payables	**9 547**	**9 536**
VAT	5 302	5 515
Withholding tax	32	905
Personal income tax	1 944	1 835
Social security contributions	2 043	1 164
State Disabled Persons Fund (PFRON)	75	56
PIT-8AR (personal income tax) settlements	134	61
Other	17	-
Other liabilities	**697**	**506**
Other settlements with employees	241	125
Other settlements with members of the Management Boards	32	36
Prepayments received from foreign customers	8	13
Other liabilities	416	332
Total other current liabilities	**10 244**	**10 042**

Other current liabilities – ageing analysis

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As at 31.12.2022	**10 244**	**9 782**	**258**	**1**	**-**	**203**	**-**
to related entities	120	88	32	-	-	-	-
to other entities	10 124	9 694	226	1	-	203	-

	Total	Not overdue	Overdue, in days				
			1 – 60	61 – 90	91 – 180	181 – 360	>360
As at 31.12.2021	**10 042**	**9 918**	**123**	**-**	**1**	**-**	**-**
to related entities	533	409	123	-	1	-	-
to other entities	9 509	9 509	-	-	-	-	-

(all amounts in PLN thousand, unless stated otherwise)

Other current liabilities – by currency

	31.12.2022		31.12.2021	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN	4 870	4 870	4 804	4 804
EUR	709	3 350	663	3 068
USD	142	637	165	663
GBP	76	411	104	567
CAD	68	231	15	47
AUD	64	194	65	190
RUB	3 104	163	5 915	330
SEK	361	156	347	158
DKK	160	102	161	100
NOK	180	82	165	76
JPY	156	5	-	-
CHF	9	43	9	39
Total		**10 244**		**10 042**

Note 31. Social assets and the Company's Social Fund liabilities

	31.12.2022	31.12.2021
Cash and cash equivalents	-	23
Liabilities related to the Company Social Fund (ZFSŚ)	-	23
Net balance	**-**	**-**
Contributions to the ZFŚS in the financial period	**-**	**-**

Note 32. Contingent liabilities

Bills of exchange payable in respect of loans received

Not applicable.

(all amounts in PLN thousand, unless stated otherwise)

Contingent liabilities in respect of granted guarantees, sureties and collateral

	Specification	Currency	31.12.2022	31.12.2021
mBank S.A.				
Voluntary submission to execution	Agreement for payment cards	PLN	-	920
Bill of exchange agreement	Framework agreement on financial market transactions	PLN	50 000	50,000
Bill of exchange agreement	Bank guarantee securing a rental contract	PLN	-	667
Bill of exchange agreement	Bank guarantee securing a rental contract	PLN	427	-
Ingenico Group S.A. (previously: Global Collect Services BV)				
Contractual surety	Surety against liabilities of GOG sp. z o.o.	EUR	-	155
Mazowiecka Jednostka Wdrażania Programów Unijnych				
Contractual commitment	Commitment to incur operating and renovation expenditures on leased space	PLN	20	58
Narodowe Centrum Badań i Rozwoju				
Bill of exchange agreement	Subsidy agreement POIR.01.02.00-00-0105/16	PLN	7 711	7 711
Bill of exchange agreement	Subsidy agreement POIR.01.02.00-00-0110/16	PLN	3 846	3 846
Bill of exchange agreement	Subsidy agreement POIR.01.02.00-00-0112/16	PLN	3 692	3 692
Bill of exchange agreement	Subsidy agreement POIR.01.02.00-00-0118/16	PLN	1 358	5 324
Bill of exchange agreement	Subsidy agreement POIR.01.02.00-00-0120/16	PLN	1 204	1 204
Pekao Leasing Sp. z o.o.				
Bill of exchange agreement	Lease contract 37/1991/21	PLN	314	442
Santander Bank Polska S.A. (previously: BZ WBK S.A.)				
Bill of exchange agreement	Framework agreement on financial market transactions	PLN	23 500	23 500

(all amounts in PLN thousand, unless stated otherwise)

Bank Polska Kasa Opieki Spółka Akcyjna				
Bill of exchange agreement	Framework agreement on financial market transactions	PLN	50 000	35 000
BNP Paribas Bank Polska S.A.				
Bill of exchange agreement	Framework agreement on financial market transactions	PLN	26 600	26 600

Note 33. Lease and sublease contracts

Information on the depreciation of leased assets is presented in Note 2. Interest expense on lease contracts is presented in Note 4. Information on additions to right-of-use assets and the carrying value of right-of-use assets as at the end of the reporting period by category of an underlying asset is presented in Note 10. Note 50 provides information on the total cash outflows from leases.

Lease liabilities

Present value of payments	31.12.2022	31.12.2021*
Within one month	187	134
From one to three months	623	331
From three months to one year	1 274	1 199
From one to five years	5 171	1 171
More than five years	13 712	13 819
Present value of lease payments, including:	**20 967**	**16 654**
short-term	2 084	1 664
long-term	18 883	14 990

** restated data*

Gross lease commitments (before deduction of finance costs)

	31.12.2022	31.12.2021*
Within one month	276	298
From one to three months	893	560
From three months to one year	1 688	1 182
From one to five years	6 977	2 305
More than five years	24 006	24 388
Total	**33 840**	**28 733**
short-term	2 857	2 041
long-term	30 983	26 692

** restated data*

Income received through subleasing of right-of-use assets

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Revenue	39	40
Costs	39	40
Income	-	-

(all amounts in PLN thousand, unless stated otherwise)

Lease and sublease contracts as at 31.12.2022

Leased assets	Lessor	Contract no.	Cost	Opening balance (currency)	Currency	Agreement expiry date	Liabilities as at the balance sheet date	Terms of extension or possibility of purchase
Lease contracts								
Passenger car	Pekao Leasing Sp. z o.o.	37/1991/21	614	614	PLN	2023-12-14	267	The lessee has the right to purchase the subject matter of the lease – according to the contract, the net residual value is PLN 135 thousand.
Passenger car	BMW Financial Services Polska Sp. z o.o.	LO/40953/0421	377	377	PLN	2023-04-08	161	The lessee has the right to purchase the subject matter of the lease – according to the contract, the net residual value is PLN 135 thousand.
Passenger car	Carefleet S.A.	UG20002163	118	118	PLN	2023-08-06	105	The lessee has the right to purchase the subject matter of the lease – according to the contract, the net residual value is PLN 85 thousand.
Passenger car	Sobiesław Zasada Automotive Sp. z o.o. Spółka jawna	L4 10439	622	622	PLN	2024-11-15	374	The lessee has the right to purchase the subject matter of the lease – according to the contract, the net residual value is PLN 134 thousand.
Passenger car	Tesla Financial	RN111270740-1581877310	532	121	USD	2023-08-18	50	The lessee has the right to purchase the subject matter of the lease – according to the contract, the buyback value is USD 71 thousand.
Jagiellońska 74 – plots 12 and 13	State Treasury	Notarial Deed of 31.10.2019	8 623	8 623	PLN	2089-12-05	8 440	The lessee does not have the right to buy back the subject matter of the lease
Jagiellońska 74 – plot 14	Capital City of Warsaw	Notarial Deed of 31.10.2019	1 468	1 468	PLN	2100-04-12	1 444	The lessee does not have the right to buy back the subject matter of the lease
Jagiellońska 76	State Treasury	Notarial Deed of 31.12.2018	4 449	4 449	PLN	2089-12-05	4 345	The lessee does not have the right to buy back the subject matter of the lease
Kraków Office	Prestige Property Group Sp. z o.o.	Rental contract dated 20.07.2016 with subsequent annexes	3 715	864	EUR	2025-05-31	2 798	The lessee does not have the right to buy back the subject matter of the lease
Wrocław Office	Cavatina SPV 12 Sp. z o.o.	Rental contract dated 04.11.2022	2 702	576	EUR	2027-10-31	2 737	The lessee does not have the right to buy back the subject matter of the lease

(all amounts in PLN thousand, unless stated otherwise)

Los Angeles office	1011 OFW Owner LLC	Rental contract dated 01.04.2018	3 598	817	USD	2023-03-31	246	The lessee does not have the right to buy back the subject matter of the lease
Parking at ul. Jagiellońska 78	Sokołowo Sp. z o.o.	D20001730 with subsequent annexes	174	174	PLN	2023-04-30	27	The lessee does not have the right to buy back the subject matter of the lease
Sub-lease contracts								
Parking at ul. Jagiellońska 78	CD PROJEKT S.A.	Contract No. WPA 469/17 dated 31.07.2017, with subsequent annexes	79	79	PLN	2023-04-30	27	The lessee does not have the right to buy back the subject matter of the lease
Total			**26 913**				**20 967**	

(all amounts in PLN thousand, unless stated otherwise)

Leases of low-value assets and short-term leases

The Group concluded lease contracts for office equipment (multifunctional photocopiers, kitchen appliances) and residential premises which potentially meet recognition criteria for leases under the new IFRS 16. However, the Group considered these contracts to be short-term leases and leases of low-value assets and decided not to apply the new requirements for leases to these assets, as permitted by paragraph 5 of the standards. In such cases, lease payments are charged to costs of the period to which they relate, either on a straight-line basis or in some other systematic way that reflects the distribution of costs over the life of the contract (information on the cost of these leases incurred in the period from 1 January to 31 December 2022 is included in Note 2).

As at 31 December 2022 and 31 December 2021, future minimum payments in respect of irrevocable short-term leases and leases of low-value assets were as follows:

	31.12.2022	31.12.2021
Up to 1 year	467	121
From 1 to 5 years	334	149
More than 5 years	-	-
Total	**801**	**270**

Note 34. Deferred income

	31.12.2022	31.12.2021
Subsidies	**5 511**	**8 277**
Cross Platform SDK (GameINN)	21	53
Animation Excellence (GameINN)	1 385	1 846
City Creation (GameINN)	2 776	3 701
Seamless Multiplayer (GameINN)	-	905
Cinematic Feel (GameINN)	1 329	1 772
Deferred income	**20 583**	**29 695**
Sales relating to future periods	16 088	25 715
GOG portfolio	4 460	3 947
Rental of company phones	35	33
Total deferred income, including:	**26 094**	**37 972**
short-term	22 425	31 548
long-term	3 669	6 424

In the CD PROJEKT RED segment, sales related to future periods include royalty income received or receivable from pre-orders completed by players as part of the digital distribution of PC games with a release date in future periods, royalty advances received or receivable from publishers and distribution partners, and advances on goods received from customers.

In the GOG.COM segment, sales related to future periods include the value of pre-orders placed by customers for games with release dates in future periods.

(all amounts in PLN thousand, unless stated otherwise)

Note 35. Provision for retirement and similar benefits

	31.12.2022	31.12.2021
Provision for retirement and disability bonuses	376	387
Total, including:	**376**	**387**
short-term	10	7
long-term	366	380

The main assumptions adopted by the actuary as at the reporting date for the calculation of the provision are as follows:

	31.12.2022	31.12.2021
Discount rate (%)	6.87	3.41
Expected inflation rate (%)	6.87	3.41
Employee turnover rate (%) – Age average (CD PROJEKT S.A.)	12% – 34 years	11.6% – 34 years
Employee turnover rate (%) – Age average (GOG sp. z o.o.)	19.3% – 33 years	16.8% – 33 years
Expected rate of salary increase (%) (CD PROJEKT S.A.)	45% – 2023; 6% – subsequent years	10% – years 2022 – 2023; 6% – subsequent years
Expected rate of salary increase (%) (GOG Sp. z o.o.)	10% – 2023 and subsequent years	0% – years 2022 – 2023; 2.5% – subsequent years
CSO mortality tables from the year	2021	2020
Probability of disability during the year	0.1%	0.1%

Using statistical methods, the actuary built and calibrated a Multiple Decrement model of employee mobility for the Group companies. Historical data provided by the Group companies was used to calibrate the model. Based on publicly available statistical data and actuarial studies, the mobility rate was assumed to decrease with age. The valuation model shows significant sensitivity to changes in mobility parameters and should therefore be continuously reviewed and updated for subsequent estimates.

Change in provisions for retirement and disability benefits

	Provision for retirement and disability bonuses	Total
As at 01.01.2022	**387**	**387**
Provision recorded	15	15
Provision released	26	26
As at 31.12.2022, including:	**376**	**376**
short-term	10	10
long-term	366	366

	Provision for retirement and disability bonuses	Total
As at 01.01.2021	**402**	**402**
Provision released	15	15
As at 31.12.2021, including:	**387**	**387**
short-term	7	7
long-term	380	380

(all amounts in PLN thousand, unless stated otherwise)

Note 36. Other provisions

	31.12.2022	31.12.2021
Provision for liabilities, including:	**98 640**	**88 410**
provision for costs of performance-related and other remuneration	67 966	44 856
provision for costs of the audit and review of the financial statements	167	160
provision for costs of external services	850	1 042
provision for other costs	29 657	42 352
Total, including:	**98 640**	**88 410**
short-term	88 042	83 042
long-term	10 598	5 368

Change in other provisions

	Provision for returns	Provision for costs of performance-related and other remuneration	Other provisions	Total
As at 01.01.2022	**-**	**44 856**	**43 554**	**88 410**
Provisions recorded during the year	-	67 971	60 358	128 329
Provisions utilized/released	-	44 861	73 238	118 099
As at 31.12.2022, including:	**-**	**67 966**	**30 674**	**98 640**
short-term	-	67 966	20 076	88 042
long-term	-	-	10 598	10 598

	Provision for returns	Provision for costs of performance-related and other remuneration	Other provisions*	Total
As at 01.01.2021	**194 537**	**256 130**	**34 900**	**485 567**
Provisions recorded during the year	42 635	47 021	104 586	194 242
Provisions utilized/released	237 172	258 295	95 932	591 399
As at 31.12.2021, including:	**-**	**44 856**	**43 554**	**88 410**
short-term	-	44 856	38 186	83 042
long-term	-	-	5 368	5 368

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

Note 37. Information on financial instruments

Fair values of specific classes of financial instruments

The Management Boards of the Parent Company analysed specific classes of financial instruments. Based on the analysis, it was concluded that the carrying amounts of the instruments does not materially differ from their fair values, as at both 31 December 2022 and 31 December 2021.

	31.12.2022	31.12.2021*
LEVEL 1		
Assets measured at fair value		
Assets measured at fair value through other comprehensive income	**243 091**	**228 661**
bonds issued by foreign governments – EUR	25 111	24 517
bonds issued by foreign governments – USD	217 980	204 144
LEVEL 2		
Assets measured at fair value through profit or loss		
Derivatives	**7 809**	**-**
currency forwards – EUR	1 249	-
currency forwards – USD	6 560	-
Private equity interests in the gaming sector	**2 556**	**-**
private equity interests in the gaming sector – SEK	1 085	-
private equity interests in the gaming sector – USD	1 471	-
Liabilities measured at fair value through profit or loss		
Derivatives	**(891)**	**(18 047)**
currency forwards – EUR	(72)	(486)
currency forwards – USD	(819)	(17 561)

** restated data*

Financial Instruments measured at fair value are classified to 3-stage fair value hierarchy:

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

Level 2 – fair value based on observable market data.

Level 3 – fair value based on market data that is not observable in the market.

(all amounts in PLN thousand, unless stated otherwise)

Financial assets – classification and measurement

	31.12.2022	31.12.2021
Financial assets measured at amortized cost	**1 014 332**	**1 060 209**
Other non-current receivables	389	686
Trade receivables	165 290	125 293
Cash and cash equivalents	277 827	411 586
Bank deposits over 3 months	337 330	265 000
Treasury bonds and bonds guaranteed by the State Treasury	232 757	248 754
Loans granted	739	8 890
Financial assets measured at cost	**41 607**	**38 520**
Shares in subordinated entities not covered by consolidation	41 607	38 520
Assets measured at fair value through other comprehensive income	**243 091**	**228 661**
Bonds issued by foreign governments	243 091	228 661
Financial assets measured at fair value through profit or loss:	**10 365**	**-**
Derivative financial instruments	7 809	-
Private equity interests in the gaming sector	2 556	-
Total financial assets	**1 309 395**	**1 327 390**

Financial liabilities – classification and measurement

	31.12.2022	31.12.2021*
Financial liabilities measured at amortized cost	**99 689**	**82 215**
Trade payables	72 119	53 380
Other financial liabilities in respect of leases	27 570	28 835
Financial liabilities at fair value through profit or loss	**891**	**18 047**
Derivative financial instruments	891	18 047
Total financial liabilities	**100 580**	**100 262**

** restated data*

In accordance with the requirements of ***IFRS 9*** *Financial Instruments*, the Company analysed the business model for managing financial assets and examined the characteristics of contractual cash flows for each component of the bond portfolio, and concluded that:

- the purpose of investments in domestic and foreign Treasury bonds and domestic bonds guaranteed by the Polish State Treasury is to hold them to maturity and to collect contractual cash flows;
- investment mandates for managing the foreign bonds portfolio allow selling bonds before maturity as part of the adopted strategy;
- all bonds purchased meet the SPPI test.

As a result of the analysis conducted, purchased bonds were classified into two financial asset management model which differ in terms of the entity managing the bond portfolio. Polish Treasury bonds and bonds guaranteed by the Polish State Treasury are measured at amortized cost, because they are held to collect contractual cash flows. Foreign Treasury bonds are measured at fair value through other comprehensive income, because of the investment mandate which allows the possibility of the portfolio being managed by an Asset Manager.

In accordance with the requirements of ***IFRS 13*** *Fair Value Measurement*, the Group analysed the valuation of financial instruments measured at amortized cost in the consolidated statement of financial position to determine their fair value and their classification in the fair value hierarchy.

Listed debt securities were classified as Level 1. These are State Treasury Bonds and bonds secured with a guarantee by the State Treasury, the fair value of which was determined on the basis of the market valuation provided by the brokerage firm under the applicable brokerage services agreement.

(all amounts in PLN thousand, unless stated otherwise)

	31.12.2022	31.12.2021
LEVEL 1		
Fair value of bonds measured at amortized cost	**219 713**	**240 753**
Treasury bonds and bonds guaranteed by the State Treasury	219 713	240 753

Other financial assets and liabilities have been classified as Level 3.

With reference to equity shares in other entities, the Group estimates the fair value of the shares held using the method of forecasting the future cash flows to be generated by a cash-generating unit, and requires determining a discount rate to be used in order to calculate the present value of these cash flows. Where appropriate, the Group adopts historical cost as an acceptable approximation of fair value.

The Group did not measure the fair value of trade receivables and payables, cash and cash equivalents, bank deposits over 3 months and loans granted at variable interest rates as their carrying amount is considered by the Group to be a reasonable approximation of fair value.

There were no movements between the Levels in the fair value hierarchy in the Group during the reporting period and the comparative period.

(all amounts in PLN thousand, unless stated otherwise)

Gains and losses on financial assets and liabilities

01.01.2022 – 31.12.2022	Financial assets measured at amortized cost				Financial assets measured at cost	Financial assets and liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial liabilities measured at amortized cost	Total
	Trade receivables	Treasury bonds and bonds secured with a guarantee by the State Treasury	Loans granted	Cash and cash equivalents and bank deposits over 3 months	Shares in non-consolidated subordinated entities	Derivative financial instruments	Foreign bonds	Other financial liabilities	
Interest income/(expense)	-	7 778	222	26 885	-	-	8 184	(581)	42 488
Write-downs recorded	(18)	-	-	-	-	-	-	-	(18)
Write-downs released	11	-	-	-	-	-	-	-	11
Gains /(losses) on disposal of debt instruments	-	-	-	-	-	-	22 752	-	22 752
Commission and fees on purchase of debt instruments	-	-	-	-	-	-	(326)	-	(326)
Measurement of forward contract	-	-	-	-	-	3 225	-	-	3 225
Measurement of shares in related entities	-	-	-	-	(27 271)	-	-	-	(27 271)
Measurement of foreign bonds	-	-	-	-	-	-	(12 724)	-	(12 724)
Total gains/(losses)	**(7)**	**7 778**	**222**	**26 885**	**(27 271)**	**3 225**	**17 886**	**(581)**	**28 137**

(all amounts in PLN thousand, unless stated otherwise)

01.01.2021 – 31.12.2021*	Financial assets measured at amortized cost				Financial assets measured at cost	Financial assets and liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial liabilities measured at amortized cost	Total
	Trade receivables	Treasury bonds and bonds secured with a guarantee by the State Treasury	Loans granted	Cash and cash equivalents and bank deposits over 3 months	Shares in non-consolidated subordinated entities	Derivative financial instruments	Foreign bonds	Other financial liabilities	
Interest income/(expense)	-	1 084	161	68	-	-	(550)	(535)	228
Write-downs recorded	(12)	-	-	-	-	-	-	-	(12)
Write-downs released	6	-	-	-	-	-	-	-	6
Gains /(losses) on disposal of debt instruments	-	-	-	-	-	-	(1 436)	-	(1 436)
Commission and fees on purchase of debt instruments	-	-	-	-	-	-	(364)	-	(364)
Measurement of forward contract	-	-	-	-	-	7 962	-	-	7 962
Measurement of shares in related entities	-	-	-	-	(1 668)	-	-	-	(1 668)
Measurement of foreign bonds	-	-	-	-	-	-	4 342	-	4 342
Total gains/(losses)	**(6)**	**1 084**	**161**	**68**	**(1 668)**	**7 962**	**1 992**	**(535)**	**9 058**

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

Financial risk management objectives and policies

Credit risk

Risk description: The Group is exposed to credit risk in connection with sales with deferred payment, royalty income customarily reported and settled after the end of the period for which the royalties are due, advance payments and also in connection with cooperation with banks or government bond issuers. There are instances where the concentration of sales to the largest customers exceeds 10% of the Group's total sales revenue.

Actions taken: In order to reduce the credit risk related to buyers, the Company is constantly monitoring the settlement of receivables and collection of difficult cases is outsourced to external specialized entities. As part of its efforts to mitigate the credit risk of financial institutions, the Company works with several banks, diversifying the allocations of its cash and bank deposits, both by entity and geography. In addition, the Parent Company, which holds the majority of the Group's funds, may invest part of its reserves in the following types of bonds in accordance with the policy adopted in March 2022:

- domestic Treasury bonds of the Republic of Poland;
- domestic bonds secured with a guarantee of the State Treasury of the Republic of Poland;
- foreign Treasury bonds issued by countries with the rating not lower than Aa3 according to Moody's rating agency;
- foreign bonds secured with a guarantee of countries with the rating not lower than Aa3 according to Moody's rating agency.

These bonds are highly liquid securities, which allows the Company to sell them at any time before maturity.

Liquidity risk

Risk description: Inadequate capital and liquidity risk management may generate liquidity risk resulting in delays or the inability to settle liabilities.

Actions taken – managing liquidity risk: Capital and liquidity risk management at the CD PROJECT Group is aimed at ensuring the financing of its activities, including the long-term investment projects implemented by the group.

Day-to-day liquidity management is carried out at the level of the individual companies, while the coordination and supervision of long-term plans is carried out at the level of the Parent Company.

The pillars of liquidity risk management are as follows:

- constantly maintained and updated short-term and long-term cash flow forecasts;
- periodic verification, based on cash flow forecasts, of the achievement of liquidity risk management targets in the medium term, for example, one year after the release of the Parent Company's next major production;
- maintaining its own financial reserves – the Group has no external interest-bearing debt from loans, borrowings or bonds;
- the Parent Company may provide financing to subsidiaries through capital increases or loans;
- the management of financial reserves (held in the form of cash, bank deposits, domestic and foreign Treasury bonds) in the Company is carried out taking into account the maturity dates of the individual instruments, the ratings of the banks or issuers of the Treasury bonds purchased, the interest rates or yields of the investments concerned and always respecting the principle of diversification in the allocation of the accumulated financial reserves (both by entity and geography).

As at 31 December 2022, the Parent Company held bank deposits with a carrying amount of PLN 602 162 thousand.

Maturity of the deposit	Carrying amount
Quarter 1 of 2023	365 732
Quarter 2 of 2023	229 070
Quarter 3 of 2023	7 360
Total carrying amount	**602 162**

(all amounts in PLN thousand, unless stated otherwise)

As at 31 December 2022, the Parent Company held Treasury bonds with a carrying value of PLN 475 848 thousand.

Bonds by country of issuer at 31.12.2022	S&P	Fitch	Moody's	Carrying amount
Poland	A-	A-	A2	232 757
USA	AA+	AAA	Aaa	186 439
Germany	AAA	AAA	Aaa	35 316
Canada	AAA	AA+	Aaa	10 695
Finland	AA+	AA+	Aa1	10 641
Total carrying amount				**475 848**

Bond portfolio as at 31.12.2022 by instrument maturity

Redemption date of purchased bonds as at 31.12.2022	Carrying amount
2023	87 433
2024	106 844
2025	94 053
2026	159 857
2027	27 661
Total carrying amount	**475 848**

Currency risk

Risk description: Due to the global nature of the CD PROJEKT Group's business, where the majority of revenue is generated in foreign currencies, it is exposed to the risk of sudden changes in exchange rates, including in particular the risk of the strengthening of the Polish zloty.

The majority of publishing and distribution contracts to which the Parent Company is a party as the game developer are based on settlement in foreign currencies – mainly in USD and EUR. Therefore, a weakening of the USD or EUR exchange rate in relation to PLN is an undesirable scenario for the Group, resulting in a reduction of sales revenue. The revenues of GOG sp. z o.o. are generated in 13 currencies, the highest in USD and smaller in EUR, PLN, GBP, CAD, AUD and others, while costs are mainly incurred in USD and PLN. Therefore, as a rule, a weakening of the exchange rate of the currencies in which GOG.COM earns its sales revenue in relation to the USD or PLN is an undesirable scenario for the CD PROJECT Group, causing a drop in revenues and results of operations realized by GOG sp. z o.o.

The Group companies also purchase goods and services in transactions settled in foreign currencies – in such cases, a weakening of the PLN exchange rate against the relevant currency of the transaction may result in exchange rate group differences unfavourable to the Group companies' results.

Actions taken: The Group companies seek to minimize currency exposure in its operations, but nevertheless it is not possible to completely eliminate the currency risk that is incumbent on the Group. In the case of the risk associated with Parent Company's investment in foreign Treasury bonds denominated in the issuer's currency, exposure to exchange rate fluctuations is mitigated by entering into forward sales of the relevant currency symmetrical to each currency feed to the investment account. The value of forward contracts concluded as at 31.12.2022 is presented in the table below.

Forward contract currency	Value of forward contracts in foreign currency	Value of forward contracts in PLN at forward exchange rates	Fair value measurement of forward contracts as at 31.12.2022 in PLN
EUR	5 550	27 895	1 249
USD	49 740	228 686	6 560
Total		**256 581**	**7 809**

At the same time, in accordance with the policy adopted in March 2022 to diversify the investment of current cash surpluses, the Parent Company may hold up to 15% of total funds in unhedged positions in USD and EUR. As at 31 December 2022, the Parent Company had an unhedged position in foreign currencies amounting to USD 20 463 thousand. and EUR 40 thousand respectively.

GOG Sp. z o.o. hedges the cash flows associated with concluded or future foreign currency trade transactions by entering into currency forward transactions. Hedging transactions are, in principle, concluded at the gross value of GOG's currency exposure, i.e. at the full amount of the respective future cash flows.

(all amounts in PLN thousand, unless stated otherwise)

Interest rate and inflation risk

Risk description: The condition of the global economy, including the effects of global political, economic or military crises or the development of pandemics, may affect the CD PROJEKT Group's business, financial position and results. A negative situation related to the impact of a pandemic, either macroeconomic or political, may result in difficulties in access to finance, changes in the prices of goods, services and products, conservative consumer attitudes or the emergence of restrictions on sales opportunities as a consequence of economic sanctions or local regulations introduced.

The monetary policy pursued by the National Bank of Poland in shaping the level of interest rates and consequently influencing the level of inflation in Poland may affect the financial income achieved by the Group. As surplus cash is invested in, among other things, bank deposits and Treasury bonds, a drop in interest rates may have a negative impact on the Group's financial income. Moreover, financial income generated from bank deposits or investments in Treasury bonds in relation to the Group's cash reserves may not compensate for losses caused by inflation.

A change in the level of interest rates affects the carrying value of foreign Treasury bonds and bonds secured with their guarantee, which are measured at fair value through other comprehensive income. An increase in interest rates may also reduce the valuation of the Group's assets (e.g. shares in related entities, brands) carried out as part of impairment tests, potentially leading to the need to restate their value in the books of account.

Actions taken: The Group companies endeavour to monitor the impact of the global situation on the markets in which they operate and, as far as possible, to adapt their operations as much as possible to the changes observed. The Parent Company mitigates some of the risk associated with interest rate volatility and market inflation expectations by investing a portion of its cash surpluses in deposits, Polish Treasury bonds, bonds secured by the State Treasury guarantee and foreign Treasury bonds of issuers with credit ratings not lower than Aa3 according to Moody's, while diversifying the maturities of the aforementioned instruments. In addition, some of the Treasury bonds are floating rate securities.

In the current macroeconomic situation, while maintaining the safety of accumulated funds, it is in practice not possible to fully protect the value of financial reserves held against the negative effects of inflation.

Sensitivity analysis

In accordance with the requirements of *IFRS 7, Financial Instruments: Disclosures*, the Group performed an analysis for the identified market risks showing the impact changes in the relevant risk factors would have on the results of operations and equity.

Due to the linear nature of the impact of a change in a factor on the value of the Group's profit or loss and equity, 5 pps were adopted for the analysis of the impact of changes in exchange rates and 1 pp for the analysis of the impact of changes in interest rates and fair value.

The tables below show the sensitivity of profit before tax and equity to the risks identified by the Group over the horizon to the date of the next financial statements, assuming other risk factors remain constant.

Currency risk concerning the net value of foreign currency assets and liabilities as at the end of 2022

	Impact on net profit/loss				Impact on equity		
	EUR	USD	Other currencies	Total	EUR	USD	Total
Exchange rate fluctuations	5%	5%	5%		5%	5%	
As at 31.12.2022							
Exchange rate growth	(734)	(1 974)	(170)	(2 878)	1 256	11 137	12 393
Exchange rate decline	734	1 974	170	2 878	(1 256)	(11 137)	(12 393)
As at 31.12.2021							
Exchange rate growth	(362)	(6 304)	752	(5 914)	1 226	10 367	11 593
Exchange rate decline	362	6 304	(752)	5 914	(1 226)	(10 367)	(11 593)

Exposure to currency risk changes during the year depending on the volume of transactions concluded in the currency. Nevertheless, the above sensitivity analysis can be considered representative of the Group's exposure to currency risk as at the balance sheet date.

Interest rate risk relating to interest income on cash held in bank accounts and Polish floating-rate bonds

	31.12.2022		31.12.2021	
	Interest rate fluctuations	Impact on net profit/loss	Interest rate fluctuations	Impact on net profit/loss
Interest rate growth	1 p.p.	7 159	1 p.p.	7 859
Interest rate decline	1 p.p.	(7 159)	1 p.p.	(7 859)

Fair value change risk relating to the valuation of foreign bonds carried at fair value, which depends on the volatility of market prices

	31.12.2022			31.12.2021		
	Fluctuation amount	Impact on equity	Impact on net profit/loss	Fluctuation amount	Impact on equity	Impact on net profit/loss
Fair value growth	1 p.p.	2 431	332	1 p.p.	2 287	50
Fair value decline	1 p.p.	(2 431)	(332)	1 p.p.	(2 287)	(50)

(all amounts in PLN thousand, unless stated otherwise)

Note 38. Capital management

The principal objective of the capital management within the Group is to maintain a sound credit rating and safe capital ratios to support the Group's operating activities and to increase shareholder value.

The Group manages the capital structure and introduces changes to it based on changes in economic circumstances. In order to maintain or adjust the capital structure, the Parent Company may pay a dividend to the shareholders, return capital to the shareholders or issue new shares. The Group monitors its capital balances using the leverage ratio, which is calculated as the ratio of net debt to total equity plus net debt. As at 31 December 2022, the Group's balance of cash and cash equivalents was greater than its trade and other payables, thus the Group had a positive net cash balance.

Note 39. Employee benefit programmes

Incentive scheme for the years 2016–2019

On 24 May 2016, the General Shareholders' Meeting of the Parent Company passed a resolution introducing an incentive scheme for the years 2016-2021 for key personnel of the Group. A total of 5 167 500 entitlements were exercisable for eligible persons as a result of the positive result of the verification performed in 2020, of the achievement of the scheme's objectives for the period 2016-2019.

As part of the settlement of the scheme, in 2020 the Parent Company disposed of 516 700 treasury shares purchased from the market for this purpose for the benefit of the eligible persons. The remaining part of entitlements was realized in the form of issuing 4 650 800 subscription warrants. By 31 December 2021, a total of 4 618 800 warrants issued had been exercised. In December 2022, as a result of the exercise of the last 32 000 subscription warrants issued under the programme by an eligible person, 32 000 M-series ordinary bearer shares of the Parent Company with a nominal value of PLN 1.00 each were registered in the securities depository maintained by the Polish Central Securities Depository; the shares were registered in the securities account of the aforementioned eligible scheme participant, and thus also the share capital of the Parent Company was increased from PLN 100 738 800 to PLN 100 770 800. These shares were introduced to stock exchange trading on the GPW Main Market after the balance sheet date – as of 28 February 2023. Thus, as at the date of publication of this report, all shares which the eligible persons were entitled to take up based on the subscription warrants granted under the incentive scheme in operation in 2016-2019 had been introduced to trading on the main market.

As the 2016-2019 incentive scheme is considered to be completed, the details of the minimum vesting rights awarded under the scheme in previous financial years and their valuation are available in the previous interim financial statements of the Parent Company and the Group.

Incentive scheme for the years 2020–2025

Based on the resolutions of the Parent Company's General Shareholders' Meeting of 28 July 2020 and 22 September 2020, another, third edition of the incentive scheme was introduced for 2020-2025. In accordance with the adopted assumptions, a maximum of 4 000 000 entitlements, understood as a conditional right to take up subscription warrants, entitling to take up shares in the Parent Company issued separately as part of a conditional share capital increase, or alternatively to purchase, on preferential terms, the Parent Company's treasury shares may be granted as part of the implementation of the scheme. The taking up and exercising of rights from the subscription warrants or, as the case may be, purchasing the Parent Company's shares by eligible persons will be conditional upon the Parent Company's determination that the objectives and criteria of the scheme have been met. The scheme includes performance-related objectives (80% of entitlements), market related objectives (20% of entitlements), individual objectives in selected cases and, in each case, the loyalty criterion which applies until the date of determining that the scheme objectives and criteria have been met.

As at the date of publication of these financial statements, 2 177 000 of the entitlements granted remained in the incentive scheme for 2020-2050.

Assumptions adopted to value the incentive scheme

Date of granting the entitlements	CDR volatility index	WIG volatility index	Correlation with WIG index	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%

(all amounts in PLN thousand, unless stated otherwise)

Valuation Date

During 2020, the Parent Company granted entitlements to participate in the scheme in two tranches. In 2021, additional entitlements were granted once, as set out in the resolution of the Management Board of 10 August 2021. No new entitlements were granted in 2022.

The fair value of the entitlements was in each case valued as at the grant date using financial engineering methods and modern numerical methods (which are a development of the so-called Black-Scholes-Merton model) by a licensed actuary registered in the register of actuaries maintained by the Polish Financial Supervision Authority in accordance with the information in the table above.

Classification of measurement conditions

The condition relating to the change in the price of the Parent Company's shares in relation to the change in the WIG index and the condition that the market price on the exercise date will be above the exercise price have been treated as market conditions. The conditions relating to net profit growth were treated as non-market. The conditions related to completing paperwork (including the correct filing of documents within a certain time limit), loyalty conditions and other conditions unrelated to the share price were treated as non-market conditions. The condition of living to the date of exercising the entitlement rights and other similar conditions were treated likewise.

Number of shares at the grant date

As at the grant dates in 2020, the Parent Company had 96 120 000 shares in issue.

As at the date of granting additional rights in 2021, the parent company had 100 738 800 shares in issue.

No new entitlements were granted in 2022.

Execution of the programme

Based on the results achieved in 2020 and 2021 and the assumptions for the subsequent years of the scheme, the Management Board of the Parent Company assessed the possibility of achieving the performance targets set in the scheme over the entire period of the scheme's duration and revised the estimates, considering it most likely that the performance targets would not be achieved over that period. The above assessment remains valid as at the date of publication of these financial statements.

On 20 December 2022, the Extraordinary General Meeting of the Parent Company passed the resolution no. 5 concerning the discontinuation of the incentive scheme for the financial years 2020-2025, but as its entry into force was subject to the General Meeting of the Parent Company adopting certain resolutions on introducing a new incentive scheme, which had not taken place by the date of publication of this report, the resolution no. 5 had not yet entered into force. Although the resolution on the introduction of the incentive scheme for the financial years 2023-2027 was formally adopted, the required majority was not achieved with respect to the resolution necessary for the implementation of this scheme, i.e. the resolution on the issue of subscription warrants and conditional increase in the share capital of the Parent Company. Thus, as at the date of publication of this report, the Parent Company has no actual possibility to implement the incentive scheme for the financial years 2023-2027.

Changes in the entitlements granted under the 2020-2025 incentive scheme

Specification	01.01.2022 – 31.12.2022		01.01.2021 – 31.12.2021	
	Number of entitlements (not in thousands)	Exercise price in PLN	Number of entitlements (not in thousands)	Exercise price in PLN
Unrealized as at the beginning of the period	4 000 000	390.59 or 371.06	4 000 000	390.59 or 371.06
Granted but not realized as at the beginning of the period	2 275 000	390.59 or 371.06	2 592 000	390.59 or 371.06
Granted during the year	-	390.59 or 371.06	30 000	390.59 or 371.06
Lost during the year	162 000	390.59 or 371.06	347 000	390.59 or 371.06
Not realized as at the end of the period	4 000 000	390.59 or 371.06	4 000 000	390.59 or 371.06
Granted but not realized as at the end of the period	2 113 000	390.59 or 371.06	2 275 000	390.59 or 371.06

Note 40. Transactions with related entities

Terms and conditions of transactions with related entities

The terms and conditions of intra-group transactions were determined on the arm's length basis. The essence of this principle is based on the premise that the terms and conditions agreed in transactions between related parties should not differ from those that would be agreed between independent parties in a comparable situation. Controlled transactions entered into by related parties belonging to the CD PROJEKT Group are verified to determine whether the agreed terms of the transactions are similar to the market terms, based on the recommendations and methods provided for in the OECD Guidelines as well as in national legislation.

Transactions with related parties after consolidation eliminations

	Sales to related parties		Purchases from related parties		Receivables from related parties		Liabilities to related parties	
	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
SUBSIDIARIES								
CD PROJEKT Co., Ltd. (liquidated)	-	-	-	6 629	-	-	-	-
Spokko sp. z o.o.	1 321	1 460	-	-	156	9 113	-	-
CD PROJEKT RED Vancouver Studio Ltd.	68	-	16 762	2 889	1 694	1 008	2 746	164
The Molasses Flood LLC	6	-	31 213	2 616	742	-	2 579	1 019
MEMBERS OF THE MANAGEMENT BOARDS OF GROUP COMPANIES								
Marcin Iwiński	1	18	-	-	-	-	7	19
Adam Kiciński	-	4	-	-	-	-	13	5
Piotr Nielubowicz	4	7	-	-	2	-	13	-
Michał Nowakowski	5	24	-	-	-	-	4	7
Adam Badowski	6	9	-	-	-	7	6	5
Piotr Karwowski	7	4	-	-	-	-	2	-
Paweł Zawodny	7	-	-	-	-	-	-	-
Jeremiah Cohn	1	-	-	-	-	-	-	-
Maciej Gołębiewski	1	-	-	-	-	-	-	-
Urszula Jach – Jaki	2	1	-	-	-	-	-	-

(all amounts in PLN thousand, unless stated otherwise)

Note 41. Mergers and changes in the structure of CD PROJEKT Group

Merger between subsidiaries

Did not occur during the reporting period.

Establishment of a new subsidiary

On 16 June 2022, CD PROJEKT Inc. acquired 100% of shares in CD PROJEKT SILVER Inc. for USD 15 thousand. CD PROJEKT SILVER Inc. is to participate in the development of entertainment products associated with *CD PROJEKT* brands in the United States.

Other changes in the structure of the CD PROJEKT Group made during the reporting period

Parent Company

- buyback of treasury shares

On 4 October 2022, the Management Board of the Parent Company informed that based on resolution no. 4 of the Extraordinary General Shareholders' Meeting of 29 November 2016, the Management Board decided on the conditions of and procedure for conducting a buyback of the Parent Company's treasury shares with a view to their voluntary redemption. As a result of the buyback carried out based on this decision, in the period from 5 to 24 October 2022 the Parent Company purchased a total of 860 290 treasury shares with a nominal value of PLN 1 each, representing 0.85% of its share capital, for the total price of PLN 99 943 thousand for this purpose. The treasury shares were purchased on the official stock exchange market operated by the Warsaw Stock Exchange. The Management Board of the Parent Company provided detailed information on the commencement and course of the buyback in current reports no. 40/2022, 40/2022K, 42/2022, 44/2022 and 45/2022. As at the date of publication of this report, the aforementioned treasury shares have not yet been cancelled and remain held by the Parent Company.

- increasing share capital as a result of the exercise of the entitlements under the incentive scheme in operation from 2016 to 2019

On 9 December 2022, as a result of registering in the securities depository maintained by the Polish Central Securities Depository (KDPW) of 32 000 M-series ordinary bearer shares of the Parent Company with a nominal value of PLN 1.00 each, issued in connection with the implementation of the incentive scheme operating in the years 2016-2019, the shares were recorded in the securities account of an authorized participant in the aforementioned scheme, who took them up upon exercising the rights from subscription warrants, and thus, share capital of the Parent Company was increased from PLN 100 738 800 to PLN 100 770 800. The shares described were listed on the GPW Main Market after the balance sheet date – as of 28 February 2023. The Parent Company reported on the process in detail in current reports 43/2022, 53/2022, 55/2022, 5/2023 and 6/2023.

Spokko sp. z o.o.

On 28 April 2022, minority shareholders of Spokko sp. z o.o. concluded a share sale agreement. As a result, the capital structure of Spokko sp. z o.o. became as follows: CD PROJEKT S.A. – 370 shares, Maciej Weiss – 61 shares, Maciej Rosiński – 21 shares, Kacper Bąk – 16 shares, Marta Gutowska – 16 shares, Mateusz Janczewski – 16 shares.

On 20 July 2022, an increase in the share capital of Spokko sp. z o.o. was entered in the Register of Businesses of the National Court Register. The increase was a result of the Extraordinary Shareholders' Meeting of that company adopting on 24 May 2022 a resolution on an increase in the share capital. The share capital of Spokko sp. z o.o. was increased by creating 589 new shares of PLN 50.00 par value each, to PLN 54 450.00 The 584 newly created shares in the increased share capital were taken up by CD PROJEKT S.A., and the remaining 5 shares, by one of the Company's shareholders, Maciej Weiss. As a result of the said transactions, the share of the Parent Company in the voting rights and the capital of Spokko sp. z o.o. increased from 74.0% to 87.6%.

CD PROJEKT RED STORE sp. z o.o.

On 9 May 2022, the Extraordinary Shareholders Meeting of CD PROJEKT RED STORE sp. z o.o. adopted a resolution on increasing the company's share capital to PLN 24,000 by creating 380 new shares with a par value of PLN 50.00 each. All the shares were taken up by the Parent Company – the sole shareholder. The increase in the share capital was registered in the Register of Businesses of the National Court Register on 18 May 2022.

On 8 August 2022, the Extraordinary Shareholders' Meeting of CD PROJEKT RED STORE sp. z o.o. adopted a resolution on increasing the company's share capital to PLN 29 000 by creating 100 new shares with a par value of PLN 50.00 each. All the shares were taken up by the Parent Company – the sole shareholder. The increase in the share capital was registered in the Register of Businesses of the National Court Register on 17 August 2022.

On 17 November 2022, in current report no. 47/2022, the Management Board of the Parent Company informed that a merger plan between the Parent Company as the surviving company, and its subsidiary CD PROJEKT RED STORE sp. z o.o. as the target company was agreed and signed in the form of merger through acquisition. The merger was carried out in accordance with the announced plan and entered in the Register of Businesses of the National Court Register after the balance sheet date, i.e. on 28 February 2023. Additional information in this regard is presented in the Note on events after the balance sheet date.

CD PROJEKT Inc.

On 9 May 2022, as a result of decisions adopted by the Board of Directors of CD PROJEKT Inc. and the Management Board of its sole shareholder CD PROJEKT S.A., the share capital of CD PROJEKT Inc. was increased to USD 3,500 thousand by increasing the value of the existing 10 thousand shares by USD 45 each. The increased value of the existing shares was paid up in full by a cash contribution of USD 450 thousand made by the Parent Company.

On 18 October 2022, as a result of decisions adopted by the Board of Directors of CD PROJEKT Inc. and the Management Board of its sole shareholder CD PROJEKT S.A., the share capital of CD PROJEKT Inc. was increased to USD 5 million, i.e. by USD 1,500 thousand, by increasing the value of the existing 10 thousand shares by USD 150 each. The increased value of the existing shares was paid up in full by a cash contribution of USD 1 500 thousand made by the Parent Company. The capital increase was intended to enable finalizing the first stage of the process of acquisition of shares in The Molasses Flood LLC (payment of the second tranche relating to the acquisition of 60% of shares in that company).

CD PROJEKT Co., Ltd.

On 17 September 2022, the Parent Company received confirmation of completing the process of liquidation of its subsidiary CD PROJEKT Co., Ltd. 7 June 2022 was indicated as the date of the effective completion of the liquidation of that company.

CD PROJEKT RED Vancouver Studio Ltd.

On 26 September 2022, the share capital of CD PROJEKT RED Vancouver Studio Ltd. was increased. As part of the increase, 640 000 new shares in that company were created. All newly created shares were taken up by CD PROJEKT S.A., the sole shareholder. The newly created shares were fully paid up by a cash contribution of CAD 640 thousand.

Note 42. Remuneration of the senior management and the Supervisory Board

Benefits paid to members of the Management Boards of Group companies

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Basic remuneration from the employment relationship	2 252	79
Remuneration for the functions performed	4 328	2 586
Bonuses and remuneration linked to the previous year's result	19 031	112 479
Total	**25 611**	**115 144**

Benefits paid to other members of the Group’s key management personnel

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Basic remuneration from the employment relationship	24 855	29 406
Remuneration for the functions performed	698	733
Bonuses and remuneration linked to the previous year's result	7 058	39 752
Total	**32 611**	**69 891**

Benefits paid to members of the Supervisory Board

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Remuneration for the functions performed	602	481
Total	**602**	**481**

(all amounts in PLN thousand, unless stated otherwise)

Note 43. Number of employees

Average number of employees

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Average number of employees	544	493
Total	**544**	**493**

Employee turnover

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Number of new employees	190	146
Number of dismissed employees	92	108
Total	**98**	**38**

Note 44. Capitalization of borrowing costs

Not applicable.

Note 45. Revenues generated on a seasonal, cyclical or occasional basis

Not applicable.

Note 46. Tax settlements

Tax settlements and other activities regulated by the tax law may be subject to inspections by administrative bodies which are entitled to impose high penalties or sanctions. The lack of reference to established legal regulations in Poland results in ambiguities and inconsistencies in the binding regulations. Frequent differences of opinion as to the legal interpretation of tax regulations, both internally within the state bodies and between the state bodies and enterprises, result in uncertainty and conflict arising. Due to these factors, the tax risk in Poland is considerably higher than that usually existing in countries with better developed tax systems.

In accordance with the general rule, tax settlements may be subject to inspections within five years from the end of the calendar year in which tax was paid.

Following the fulfilment of the criteria set out in Article 19 of the Act of 30 May 2008 on certain forms of innovation support (consolidated text, Journal of Laws of 2022, item 2474), the Minister of Development and Technology, by decision No. DNP-V.4241.16.2022 of 11 August 2022, maintained the status of a research and development centre granted to the Parent Company by decision 4/CBR/18 of 19 June 2018. The status allows the Parent Company to use more broadly the research and development relief provided for in the Act of 15 February 1992 on corporate income tax (consolidated text, Journal of Laws of 2022, item 2587, as amended).

With effect from 1 January 2019, provisions were introduced into the Act on corporate income tax granting preferential taxation at the 5% tax rate for qualified income earned by a taxpayer from qualified intellectual property rights. Having met the prerequisites and formal conditions contained in the said legislation, the Parent Company accounts for income (in respect of selected sources of income) taking this tax relief into account.

(all amounts in PLN thousand, unless stated otherwise)

Note 47. Post-balance sheet date events

- Issuance of the decision on preliminary approval of a class action settlement in the USA, as reported by the Parent Company in current report no. 1/2023

On 5 January 2023, the Parent Company announced that it has been advised by the law firm representing the Parent Company in the US class action that the US District Court for the District of Central California has issued an order granting preliminary approval of the settlement. The order approves the terms of the settlement relating specifically to the plaintiffs' complete withdrawal of any claims against the Parent Company and its Management Board members and the payment to the plaintiffs of USD 1 850 000 by the Parent Company and its insurer, Colonnade Insurance S.A.

- Acquisition of the remaining shares in the subsidiary Spokko sp. z o.o.

On 31 January 2023, as a result of the Parent Company concluding agreements for the sale of shares with the other shareholders of the subsidiary Spokko sp. z o.o., the Parent Company acquired from those shareholders a total of 135 shares in Spokko sp. z o.o. with a nominal value of PLN 50.00 each, as a result of which the Parent Company became the owner of 100% (i.e. 1089) of shares in that subsidiary.

- Introducing 32 000 of the Company's M-series shares to trading on the main market operated by the Warsaw Stock Exchange and their assimilation with other shares of the Parent Company on the main market, of which the Parent Company informed in current reports no. 5/2023 and 6/2023

On 21 February 2023, the Management Board of the Warsaw Stock Exchange adopted a resolution on admitting and introducing to trading on the GPW Main Market of 32 000 M-series ordinary bearer shares of the Parent Company, pursuant to which these shares (designated with the ISIN code: PLOPTTC00060) were admitted to trading on the main market operated by the WSE. Pursuant to the aforementioned resolution, as well as a statement issued on 23 February 2023 by Krajowy Depozyt Papierów Wartościowych S.A. (the Polish Central Securities Depository), as of 28 February 2023 these shares were listed and assimilated with the other shares of the Parent Company traded on the stock exchange with the ISIN code: PLOPTTC00011. The said shares were issued in connection with the Parent Company's incentive scheme operating in 2016-2019 and were subscribed for as a result of a participant in the aforementioned scheme exercising his rights under 32 000 subscription warrants.

- Registration of the merger between the Parent Company and its subsidiary – CD PROJEKT RED STORE sp. z o.o., about which the Parent Company informed by current report no. 7/2023

On 28 February 2023, the District Court for the Capital City of Warsaw in Warsaw entered in the Register of Businesses the merger through acquisition of the Parent Company, as the surviving company, with its subsidiary CD PROJEKT RED STORE sp. z o.o. with its registered office in Warsaw, as the target company. The merger was carried out in accordance with the merger plan announced on 17 November 2022, i.e. by transferring all the assets of CD PROJEKT RED STORE sp. z o.o. to the Parent Company, without increasing the share capital of the Parent Company and without exchanging shares of the target company for shares of the Parent Company due to the fact that the Parent Company holds 100% of the shares in the target company. The merger was intended to simplify the Group's structure in view of the plans to continue the existing activities of the target company in cooperation with a specialized external entity.

- The decision to create a write-down relating to the Sirius Project, which the Parent Company announced in current report no. 8/2023

On 20 March 2023, the Parent Company's Management Board has announced that it has decided to recognize an impairment charge in its books of account in relation to the expenditure incurred to date on Project Sirius developed by The Molasses Flood studio. The decision was based on the results of evaluation of the scope and commercial potential of the Sirius Project in its original format and the ongoing work performed to define a new framework for this project. Expenditure on development projects related to Project Sirius incurred until the end of 2022 amounted to PLN 33.4 million. It is charged to profit or loss of the Parent Company and the CD PROJEKT Group for 2022. Expenditure recognized as at the date of publication of the aforementioned report in the books of account in January and February 2023 amounted to PLN 9.5 million and will be charged to profit or loss for Q1 2023.

- Convening the Extraordinary General Meeting of the Company to which the Parent Company's current reports no. 9/2023 and 10/2023 relate.

On 22 March 2023, the Parent Company's Management Board convened an Extraordinary General Meeting of the Parent Company for 18 April 2023. The most important items on the agenda of the Meeting will include the adoption of resolutions on the introduction of new incentive schemes in the Parent Company for the years 2023–2027 and the redemption of Treasury shares purchased by the Parent Company as part of the buyback carried out in October 2022, as well as the related reduction of the Parent Company's share capital. The full content of the draft resolutions was published in current report no. 10/2023.

Other information on events after the balance sheet date is included in the Directors' Report on the operations of the CD PROJEKT Group and CD PROJEKT S.A. for 2022.

Note 48. Transactions with entities performing the audits of the financial statements

Fees paid or payable for the financial year	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
for the audit of the annual financial statements and the consolidated financial statements	167	165
for other assurance services, including a review of the financial statements and consolidated financial statements	85	60
Total	**252**	**225**

(all amounts in PLN thousand, unless stated otherwise)

Note 49. Explanations to the statement of cash flows

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Cash and cash equivalents reported in the statement of cash flows	**277 827**	**411 586**
Cash and cash equivalents in the balance sheet	277 827	411 586
Depreciation and amortization	**13 828**	**17 764**
Amortization of intangible assets	2 122	3 063
Amortization of expenditure on development projects	1 029	2 084
Depreciation of property, plant and equipment	10 644	12 578
Depreciation of investment properties	33	39
Foreign exchange gains/(losses) arise on the following items:	**4 561**	**(15 047)**
Foreign exchange gains/(losses) on measurement of bonds	4 506	(15 047)
Foreign exchange gains/(losses) on measurement of loans granted as at the balance sheet date	55	-
Interest and shares in profits comprise:	**(42 487)**	**(228)**
Interest on bank deposits	(26 885)	(68)
Interest on bonds	(15 961)	(534)
Interest accrued on loans granted	(222)	(161)
Interest on lease contracts	581	535
(Gains)/losses on investing activities arise on the following items:	**42 077**	**55 282**
Proceeds from sale of property, plant and equipment	(275)	(249)
Net carrying amount of property, plant and equipment	5	169
Net carrying amount of intangible assets sold	-	19
Net carrying amount of non-current assets scrapped	750	735
Net carrying amount of intangible assets scrapped	295	39
Net carrying amount of investment properties scrapped	-	51
Impairment write-downs of property, plant and equipment, intangible assets and expenditure on development work	34 286	34 582
Write-downs of shares in subsidiaries	27 271	1 668
Settlement and measurement of derivative financial instruments	2 172	16 468
Commission and fees on purchase of bonds	326	364
Proceeds from redemption of bonds	(202 849)	(82 718)
Value of bonds purchased	180 096	84 154
Change in provisions results from the following items:	**(5 700)**	**(311 449)**
Increase/(Decrease) in provisions for liabilities	10 230	(397 157)
Change in provisions for employee benefits	(11)	(15)
Change in provision for costs of performance-related and other remuneration recognized under expenditure on development projects	(15 919)	85 723
Change in inventories results from the following items:	**3 185**	**(8 929)**
(Increase)/Decrease in inventories	3 185	(8 929)

(all amounts in PLN thousand, unless stated otherwise)

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Change in receivables results from the following items:	**(44 052)**	**1 036 886**
Change in current receivables in the balance sheet	15 002	1 036 924
Change in non-current receivables in the balance sheet	297	(365)
Change in prepayments for investment properties	(79)	9
Income tax settled against withholding tax	36 260	8 196
Withholding tax paid abroad	(32 270)	(5 858)
Adjusted for current income tax	(34 840)	(8 098)
Change in prepayments for development projects	(29 002)	6 082
Change in receivables in respect of property, plant and equipment and intangible assets	480	-
Change in prepayments for property, plant and equipment and intangible assets	100	(4)
Change in current liabilities, excluding financial liabilities, results from the following items:	**13 034**	**(85 023)**
Change in current receivables in the balance sheet	(19 613)	(39 583)
Adjusted for current income tax	22 330	(22 704)
Change in financial liabilities	16 224	(22 869)
Change in liabilities resulting from purchase of property, plant and equipment	(5 323)	77
Change in liabilities resulting from purchase of intangible assets	(594)	139
Change in liabilities resulting from purchase of investment properties	10	(10)
Adjustment for liabilities with the double entry shown under prepayments and deferred costs	-	(73)
Change in other assets and liabilities results from the following items:	**(40 881)**	**(11 127)**
Change in prepayments and accruals in the balance sheet	(28 763)	(138)
Change in deferred income in the balance sheet	(11 878)	(10 749)
Adjusted for prepayments and deferred costs with the double entry in liabilities	(240)	(240)
“Other adjustments” comprise:	**8 709**	**1 656**
Costs of the incentive scheme	4 276	(999)
Measurement of derivative financial instruments	750	220
Amortization and depreciation written off, reported under cost of sales, consortium settlements and other operating expenses	1 300	-
Amortization and depreciation reported under cost of sales and other operating expenses	3 222	2 529
Foreign exchange differences on translation	(546)	(76)
Other adjustments	(293)	(18)

(all amounts in PLN thousand, unless stated otherwise)

Note 50. Cash flows and non-monetary changes resulting from changes in liabilities in financing activities

	01.01.2022	Cash flows	Non-monetary changes							31.12.2022
			Takeover of leased fixed assets	Termination of a lease contract	Foreign exchange differences	Interest accrued	Transfer of own shares	Adopting a resolution on purchase of treasury shares	Adopting a resolution on the payment of dividend	
Lease liabilities	16 654	(4 273)	8 276	(293)	22	581	-	-	-	20 967
Liabilities to shareholders in respect of dividend payment	-	(100 739)	-	-	-	-	-	-	100 739	-
Receivables from eligible persons in the incentive scheme	-	822	-	-	-	-	(822)	-	-	-
Liabilities in respect of purchase of treasury shares	-	(99 993)	-	-	-	-	-	99 993	-	-
Total	**16 654**	**(204 183)**	**8 276**	**(293)**	**22**	**581**	**(822)**	**99 993**	**100 739**	**20 967**

	01.01.2021	Cash flows	Non-monetary changes							31.12.2021
			Takeover of leased fixed assets	Termination of a lease contract	Foreign exchange differences	Interest accrued	Transfer of own shares	Adopting a resolution on purchase of treasury shares	Adopting a resolution on the payment of dividend	
Lease liabilities	18 939	(4 234)	1 236	(18)	196	535	-	-	-	16 654
Liabilities to shareholders in respect of dividend payment	-	(503 694)	-	-	-	-	-	-	503 694	-
Receivables from eligible persons in the incentive scheme	-	2 149	-	-	-	-	(2 149)	-	-	-
Total	**18 939**	**(505 779)**	**1 236**	**(18)**	**196**	**535**	**(2 149)**	**-**	**503 694**	**16 654**

(all amounts in PLN thousand, unless stated otherwise)

Statement of the Management Board of the Parent Company

on the fairness of the preparation of the consolidated financial statements

In accordance with the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State, the Management Board of the Parent Company declares that, to the best of its knowledge, these consolidated financial statements and comparative data have been prepared in accordance with the accounting policies applicable in the CD PROJEKT Group and that they reflect in a true, fair and clear manner the Group's financial position and its results of operations.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union published and effective as at 31 December 2022, and to the extent not governed by the said standards, in accordance with the Accounting Act of 29 September 1994 and the implementing legislation issued on the basis thereof and to the extent required by Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State.

On the entity authorized to audit the fairness of preparation of the annual consolidated financial statements

On 9 March 2022, the Supervisory Board of the Parent Company selected Grant Thornton Polska Prosta spółka akcyjna with its registered office in Poznań, as recommended by the Audit Committee, as auditor to carry out the review of the semi-annual and the audit of the annual financial statements of the Company and its Group for 2022 and 2023. Grant Thornton Polska Prosta spółka akcyjna has been entered on the list of entities authorized to audit financial statements by the Polish Chamber of Statutory Auditors with the number 4055.

As stated by the Company's Supervisory Board:

- The audit firm Grant Thornton Polska Prosta spółka akcyjna with its registered office in Poznań and the members of the audit team fulfilled the conditions for the preparation of an impartial and independent report on the audit of the annual separate financial statements of CD PROJEKT S.A. and the consolidated financial statements of the CD PROJEKT S.A. Group for the financial year ending on 31 December 2022, in accordance with the applicable regulations, professional standards and principles of professional ethics;
- The CD PROJECT Group complies with the applicable regulations relating to the rotation of the audit firm and the key auditor, as well as mandatory grace periods;
- CD PROJEKT S.A. has a policy on the selection of the audit firm and the provision of additional non-audit services, including prohibited services conditionally exempted, to CD PROJEKT S.A. by the audit firm, an affiliate of the audit firm or a member of its network.

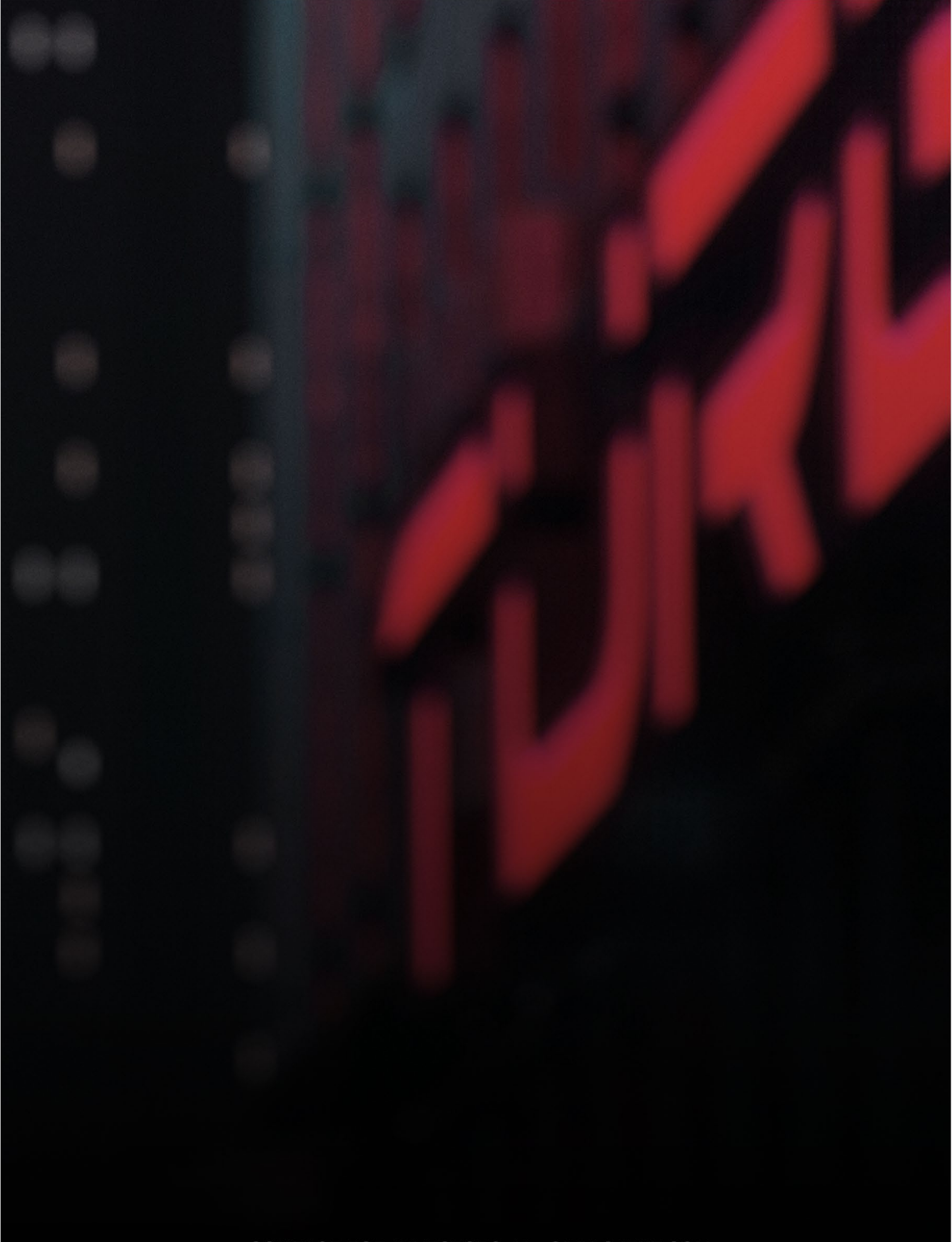
Approval of the financial statements

These consolidated financial statements of the CD PROJEKT Group were approved for publication by the Management Board of CD PROJEKT S.A. on 30 March 2023 and signed on 30 March 2023 pursuant to Art. 63c(3) and Art. 52(2b) of the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2023, item 120, as amended). The consolidated financial statements be subject to approval by the General Meeting of CD PROJEKT S.A.

Warsaw, 30 March 2023

Piotr Nielubowicz	Krystyna Cybulska
Vice-President of the Management Board	Chief Accountant

(all amounts in PLN thousand, unless stated otherwise)



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