



CD PROJEKT

MANAGEMENT BOARD REPORT ON
THE ACTIVITIES OF THE CD PROJEKT GROUP
FOR THE PERIOD BETWEEN
1 JANUARY AND 30 JUNE 2023

Disclaimer

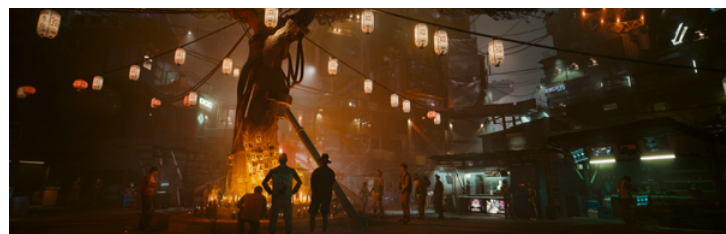
This English language translation has been prepared solely for the convenience of English-speaking readers. Despite all the efforts devoted to this translation, certain discrepancies, omissions or approximations may exist. In case of any differences between the Polish and the English versions, the Polish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

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Key highlights of the first half of 2023

- On 29 May the Company announced that sales of games from The Witcher trilogy had topped 75 million units, with *The Witcher 3: Wild Hunt* accounting for more than 50 million units
- At Summer Game Fest Play Days in Los Angeles, on 9–10 June 2023, invited journalists and content creators had the first opportunity to try their own hand at *Phantom Liberty* – the *Cyberpunk 2077* expansion
- On 11 June at Xbox Games Showcase CD PROJEKT RED announced that *Phantom Liberty* would be released on 26 September 2023
- On 11 June gamers received their first opportunity to personally experience the expansion – at Xbox FanFest events held in Warsaw, Los Angeles and Sao Paulo in Brazil. In parallel, the global gaming media published their first impressions of *Phantom Liberty*, based on earlier closed showcases of the game





01

BRIEF OUTLINE OF
THE CD PROJEKT GROUP

Activity profile

CD PROJEKT S.A. (also referred to as CD PROJEKT or the Company), headquartered in Warsaw, conducts business activities in the dynamically growing global digital entertainment segment. These activities have been ongoing on the domestic market for nearly 30 years under the CD PROJEKT brand name, and began by distributing foreign games in Poland. Pivotal moments in the Group's history came in 2002 with the establishment of the CD PROJEKT RED studio, which initiated work on the Company's first major RPG¹ – *The Witcher* – as well as in 2008, with the launch of GOG.COM.

The CD PROJEKT Group currently conducts operating activities in two key segments: CD PROJEKT RED and GOG.COM.

¹ Role Playing Game – a storyline-driven game based on a consistent narrative.



CD PROJEKT RED

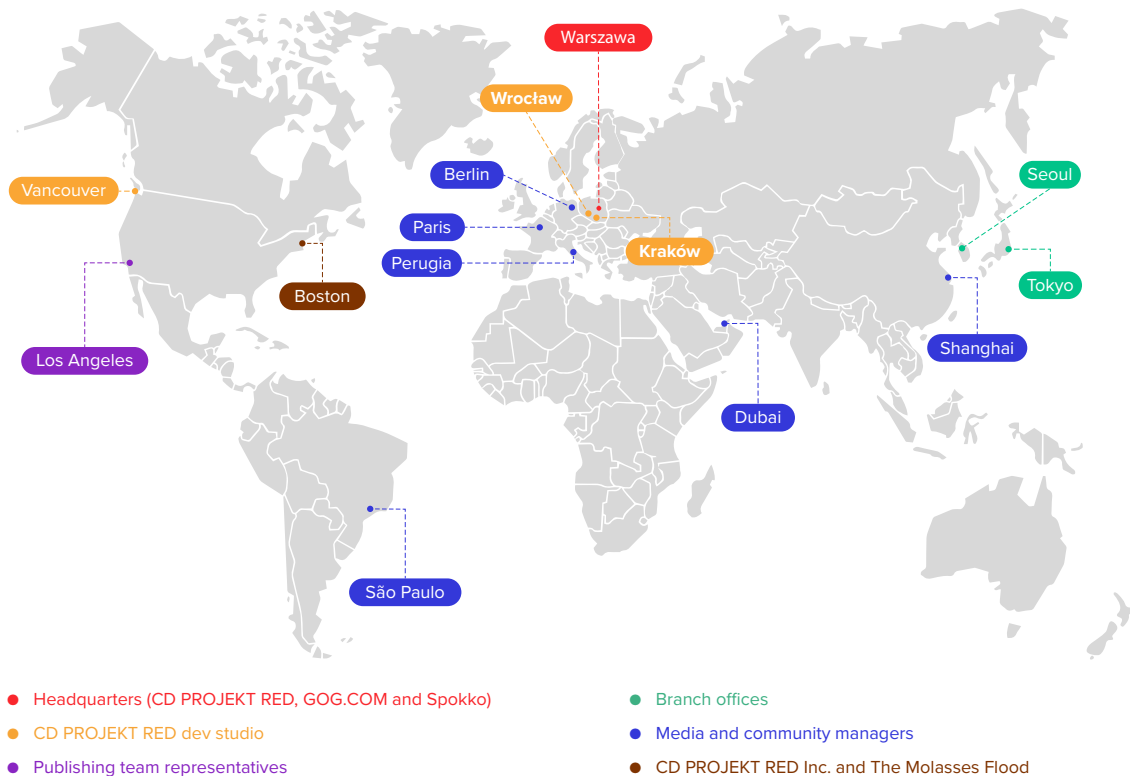
Developing and publishing videogames and tie-in products which exploit the commercial appeal of brands owned by the Company.

GOG.COM

Digital distribution of videogames via the Company's proprietary GOG.COM platform and the GOG GALAXY application.

During the reporting periods 95.7% of the CD PROJEKT Group's sales revenues were generated by exports. Throughout the first half of 2023 North America and Europe accounted for 64.8% and 21.8% of the Group's sales respectively.

Map 1 The CD PROJEKT Group around the world



GROWTH STRATEGY

Strategic directions related to talent acquisition, expansion and support for the team, as well as transformation of the game development process, are presented in the [CD PROJEKT Group Strategy Update](#) published in 2021 (including in the accompanying [video presentation](#)).

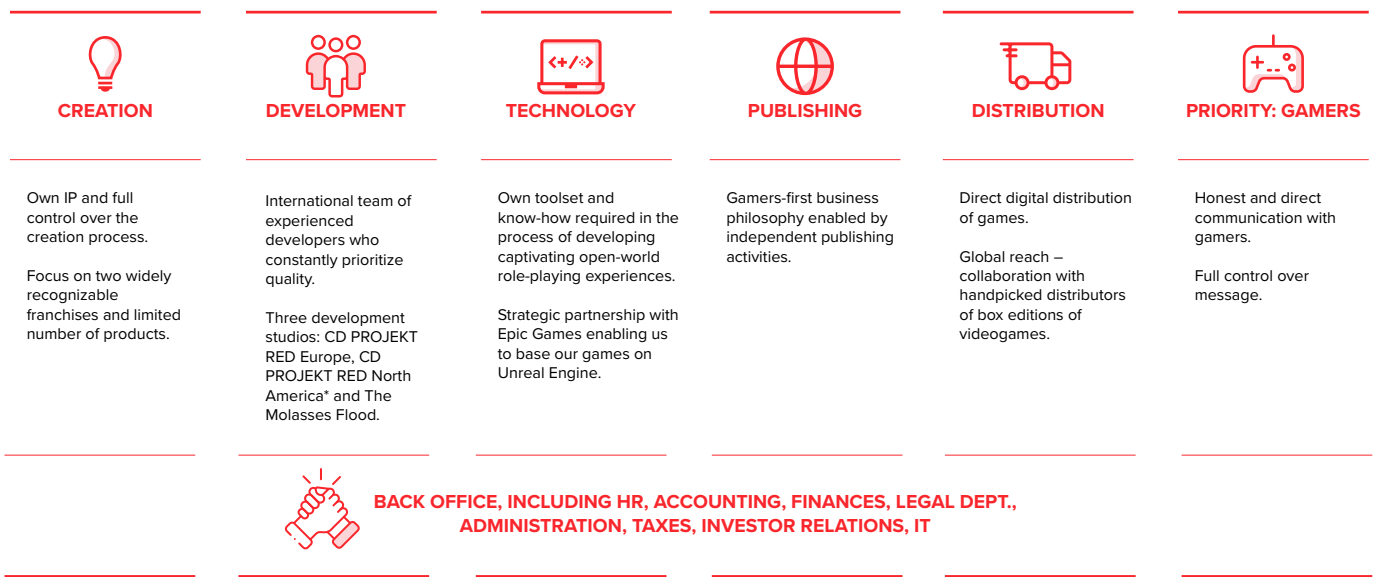
On 4 October 2022 the CD PROJEKT Group published another [Strategy Update](#), which builds upon the plans unveiled in 2021 and focuses on long-term development of key products.

In the coming years the studio intends to release a number of games within *The Witcher* and *Cyberpunk 2077* franchises, as well as to carry out internal development work on its third proprietary IP codenamed Hadar.

The CD PROJEKT Group also announced the launch of a new hub in Boston (distinct from The Molasses Flood), which, together with the Vancouver team, will comprise a new studio – CD PROJEKT RED North America, enabling the Group to tap into the North American talent pool.

CD PROJEKT announced that it intends to carry on with the franchise flywheel concept, expanding the ecosystem of mutually supporting products based on the commercial potential of the Group's franchises. The Group declared openness to cooperation with external teams in the scope of creating new, exciting ways to experience the Group's brands while enabling its internal team to focus on developing groundbreaking role-playing games, eventually, expanding its ecosystem with games offering multiplayer capabilities.

Chart 1 Videogame development business model at CD PROJEKT RED



* CD PROJEKT RED North America is expected to begin operating in 2023

In future years the Group perceives the following directions of strategic growth:

- further ramp-up of production capabilities in order to deliver more content to gamers without sacrificing quality;
- enriching experiences provided by CD PROJEKT RED games by adding multiplayer features;
- further development of franchises.

A thorough presentation of the assumptions underpinning the CD PROJEKT Group's Strategy can be found on the [Company website](#).

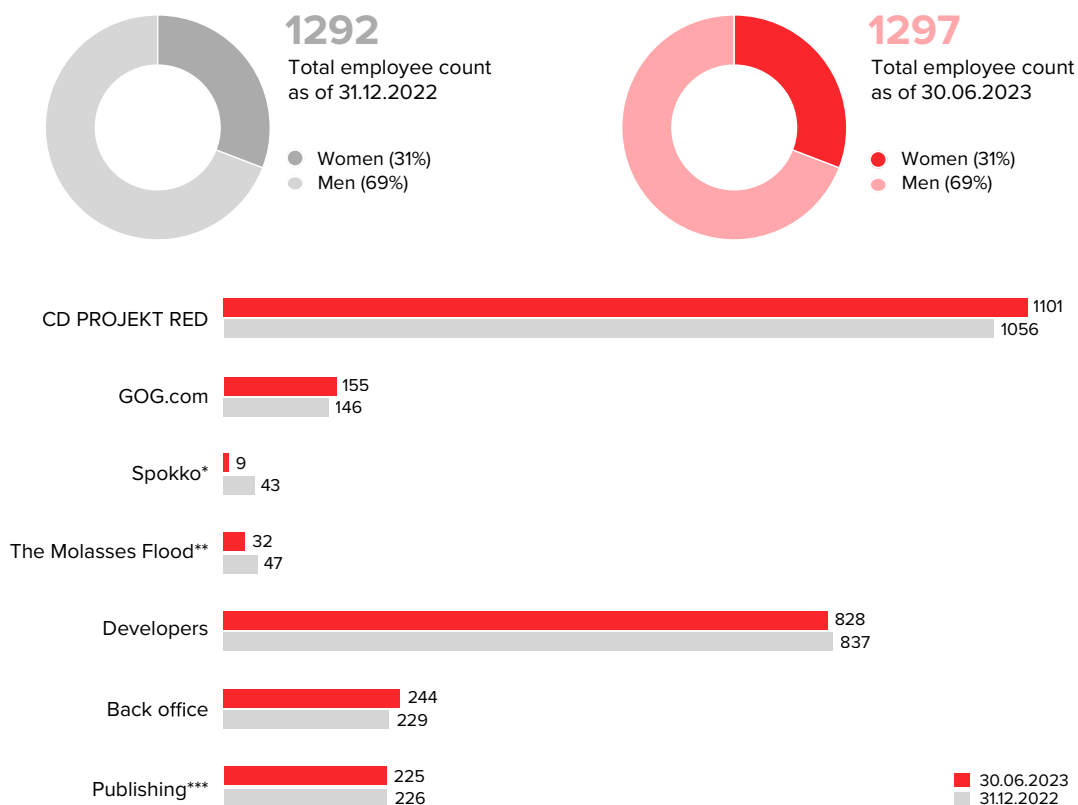
EMPLOYMENT

The Group considers its team to be its greatest asset. We employ people who are passionate about developing world-class products and services. Their talent, involvement and motivation represent the human capital of the CD PROJEKT Group. They, along with their creative ideas, are the force behind the Group's success.

CD PROJEKT embraces diversity and inclusion in the belief that a workplace based upon acceptance, openness and trust unlocks the creative potential of our teams, and promotes innovation and imaginative endeavors. This belief is enshrined in the [CD PROJEKT S.A. Diversity Policy](#) – an expression of basic values which apply to the Company and guide relations among its team members, key managers and members of the Management Board and Supervisory Board.

CD PROJEKT is also a signatory to the [Diversity Charter](#) – an international initiative organized under the auspices of the European Commission, which obligates us to institute non-discrimination policies at the workplace, take action to promote diversity and involve team members and business partners in these activities.

Chart 1 Employment structure at the CD PROJEKT Group at the end of 2022 and at the end of H1 2023



* The change in employment figures is due to phase-out of *The Witcher: Monster Slayer* and transfer of part of the dev team to other projects underway at the Group. On 31 July 2023 Spokko sp. z o.o. was taken over by CD PROJEKT S.A.

** The change in employment at The Molasses Flood is associated with the reformulation of the framework of Project *Sirius*, carried out by this studio, and the resulting adjustment of the team size to match the requirements of the project's current development stage.

*** The Publishing branch comprises, among others, Marketing, PR, Business Development, Customer Relations and Game Releases teams.

At the close of the first half of 2023 the CD PROJEKT Group employed 1 297 persons.



CD PROJEKT Group growth prospects

The CD PROJEKT Group conducts its business in the global videogame market which is among the most dynamic branches of the global economy. Newzoo – respected analysts of the videogame and e-sports markets – estimate that by 2025 the global videogame market will have expanded to 206.4 billion USD², which implies a cumulative annual growth rate (CAGR) of 4.1% for the 2020–2025 period. According to PwC’s “Global Entertainment & Media Outlook 2023–2027”³ report, the videogame and e-sports markets is expected to grow by 7.9% annually during this period.

The global gaming community continues to grow with each passing year – both with regard to headcount and involvement (time spent playing games). Newzoo estimates⁴ that in 2022 the number of gamers worldwide reached 3.2 billion, including 2.7 billion consumers of mobile games, with PC and console games accounting for 1.0 billion and 0.6 billion users respectively. In 2025 the total figure is expected to surpass 3.5 billion. Considering that in 2020 there were fewer than 2.9 billion gamers, the CAGR rate for the 2020–2025 period is projected at 4.2%.

The growth outlook of the Group is affected by the increasing popularity of this form of entertainment as an approachable and attractive mass market offering, and also by the increasing sophistication and realism of products offered, along with further development of digital means of reaching potential gamers and new game distribution channels.

² Video games market size estimates and forecasts for 2022, Newzoo, 17 May 2023, accessed on 1 August 2023, [newzoo.com/resources/blog/the-latest-games-market-size-estimates-and-forecasts](https://www.newzoo.com/resources/blog/the-latest-games-market-size-estimates-and-forecasts)

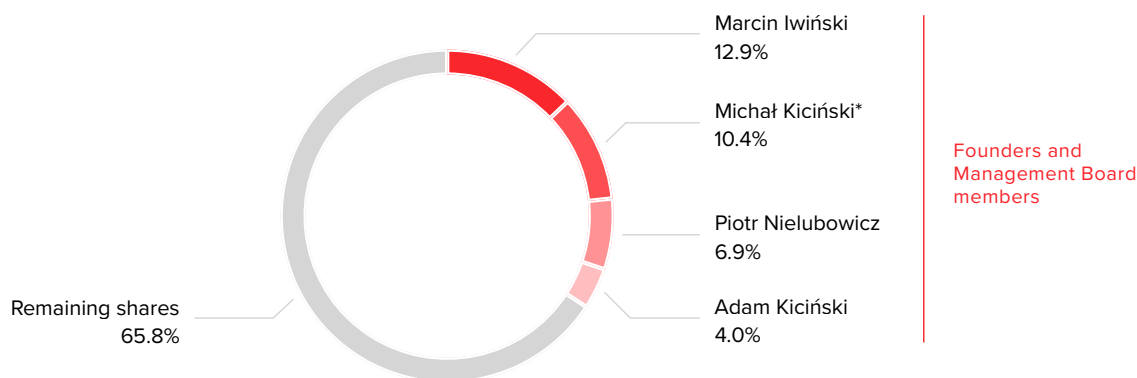
³ Perspectives from the Global Entertainment & Media Outlook 2023–2027, PwC, 21 June 2023, accessed on 1 August 2023, [pwc.com/gx/en/industries/tmt/media/outlook/insights-and-perspectives.html](https://www.pwc.com/gx/en/industries/tmt/media/outlook/insights-and-perspectives.html)

⁴ The Games Market Will Show Strong Resilience in 2022, Growing by 2.1% to Reach \$196.8 Billion, Newzoo, 26 July 2022, accessed on 1 August 2023, [newzoo.com/insights/articles/the-games-market-will-show-strong-resilience-in-2022](https://www.newzoo.com/insights/articles/the-games-market-will-show-strong-resilience-in-2022)

CD PROJEKT S.A. on the securities market

The CD PROJEKT brand has been present on the Warsaw stock exchange since 2010. 99 910 510 Company shares are traded on the Main Market of the Warsaw Stock Exchange under the continuous trading system. Key shareholders of CD PROJEKT S.A. are its co-founders – Marcin Iwiński and Michał Kiciński. Other major shareholders who are also members of the Company's Management Board are Adam Kiciński – President and CEO, and Piotr Nielubowicz – Vice President and CFO.

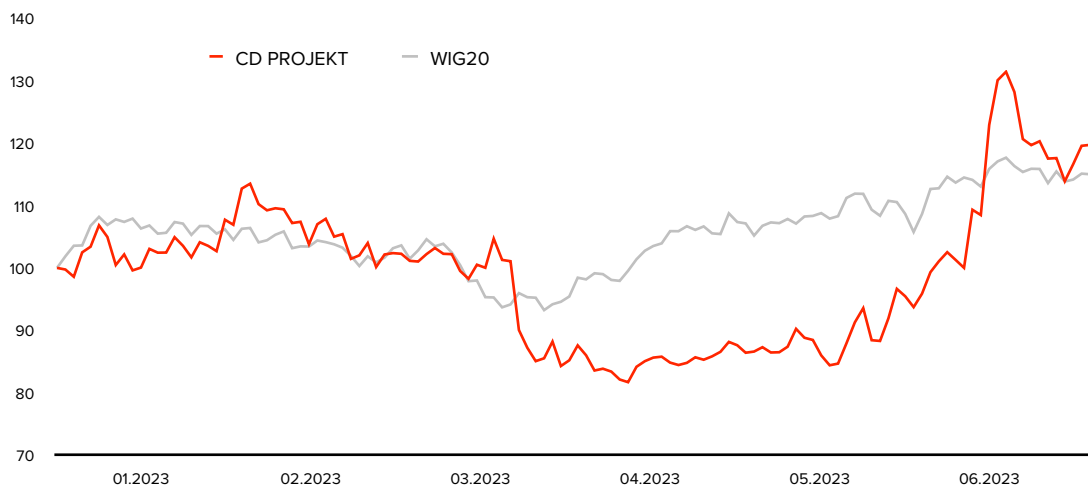
Chart 2 Company shareholding structure as of the publication date of this report



*According to a notice filled on 26 May 2021

Free float accounts for 65.8% of CD PROJEKT S.A. shares.

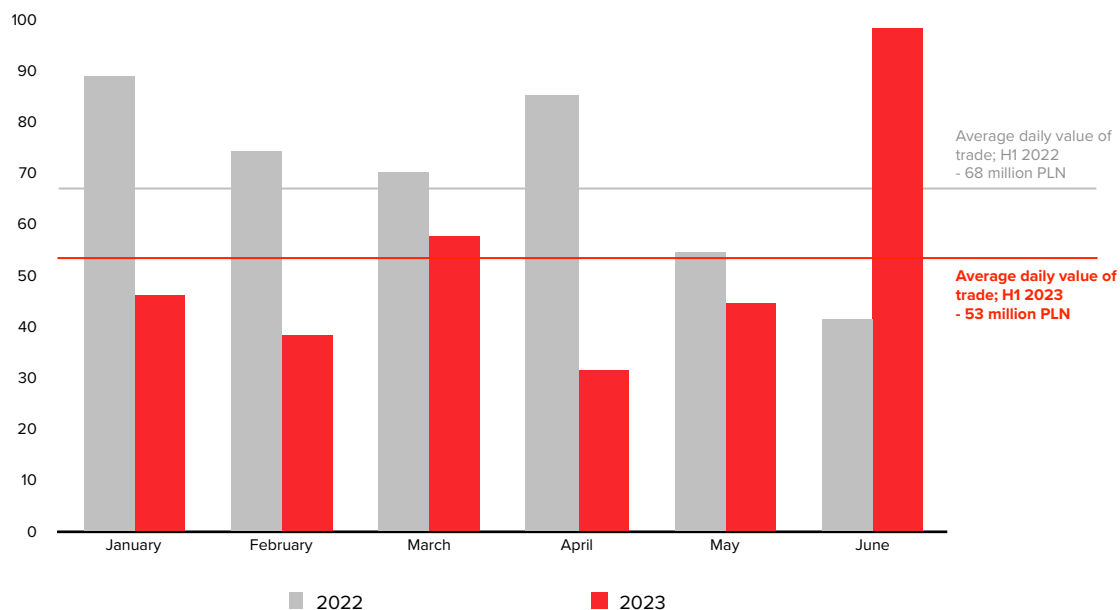
Chart 3 CD PROJEKT S.A. stock price and the WIG20 index between 1 January and 30 June 2023



Between 1 January and 30 June 2023 the Company stock price fluctuated between 105.64 PLN (11 April 2023) and 170.00 PLN (16 June 2023). During this period the stock price increased by 19.7%, to 154.85 PLN at the end of trading on 30 June 2023. Over the same period the WIG20 index gained 15.0% while the main WIG index gained 16.6%.

On 30 June 2023 the Company's market capitalization was 15.5 billion PLN.

Chart 4 Average daily value of trade in CD PROJEKT S.A. shares (by month) between 1 January and 30 June 2023 (PLN millions)



In the first half of 2023 the aggregate value of trade in Company stock was 6.6 billion PLN, which is 22% less than during the corresponding period in 2022. The average daily value of trade was 53.2 million PLN, compared to 68.5 million PLN during the reference period. A decrease was also observed in the average number of transactions per trading day – from 7 005 to 6 017.

Table 1 Key indicators of CD PROJEKT S.A. stock

| | H1 2023 | H1 2022 | Change |
|---|------------|-------------|--------|
| Consolidated net earnings per share (PLN) | 0.91 | 1.13 | -19.6% |
| Quantity of shares in trading (in thousands) at end of period | 99 910 510 | 100 738 800 | -0.8% |
| Highest closing price (PLN) | 170.00 | 204.00 | -16.7% |
| Lowest closing price (PLN) | 105.64 | 88.43 | 19.5% |
| Price at beginning of period (PLN) | 129.34 | 200.60 | -35.5% |
| Price at end of period (PLN) | 154.85 | 95.68 | 61.8% |
| Average price during period (PLN) | 128.03 | 149.68 | -14.5% |
| Market capitalization at end of period (PLN thousands) | 15 471 142 | 9 638 688 | 60.5% |
| Average number of transactions per trading day | 6 017 | 7 005 | -14.1% |
| Average daily value of trade (PLN thousands) | 53 250 | 68 455 | -22.2% |
| Average daily trading volume (shares) | 407 967 | 463 100 | -11.9% |

As of the publication date of this report 22 brokerage houses, both foreign and domestic, issue recommendations concerning Company stock. The full list of analysts and brokerage houses which issue recommendations concerning Company stock can be found on the CD PROJEKT website at <https://www.cdprojekt.com/en/investors/analysts/>.



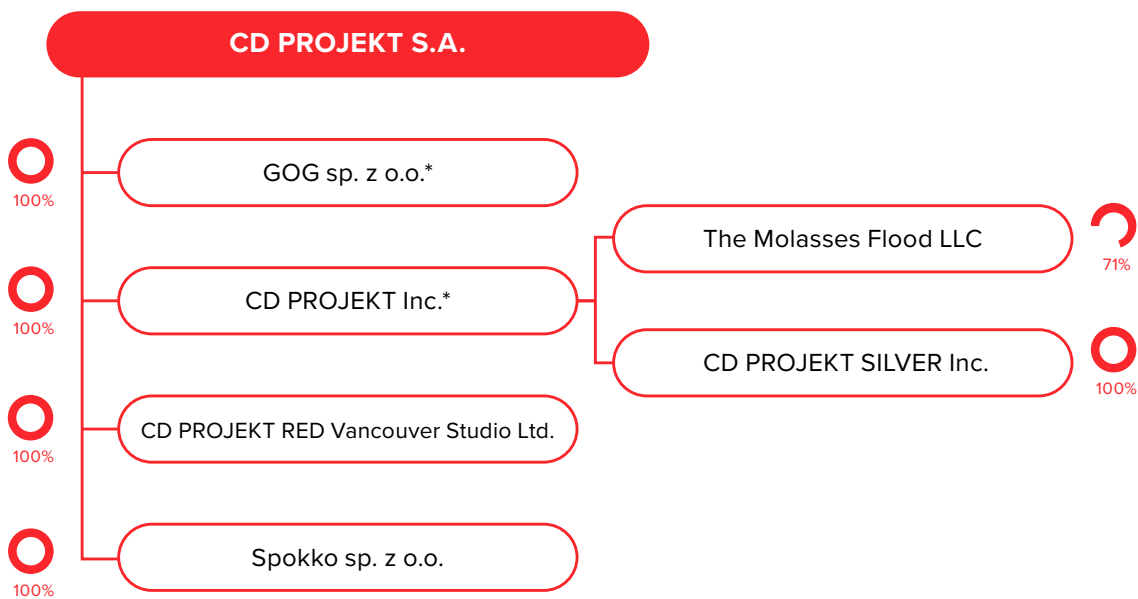
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CD PROJEKT GROUP ACTIVITY PROFILE

Organizational structure of the CD PROJEKT Group

As of 30 June 2023 the CD PROJEKT Group consists of the parent entity – CD PROJEKT S.A. – and six subsidiaries: GOG sp. z o.o., CD PROJEKT Inc. (currently operating under the name CD PROJEKT RED Inc.), CD PROJEKT RED Vancouver Studio Ltd., The Molasses Flood LLC, CD PROJEKT SILVER Inc. and Spokko sp. z o.o.

Scheme 1 CD PROJEKT Group at the end of H1 2023 (capital and voting share)



*Consolidated companies

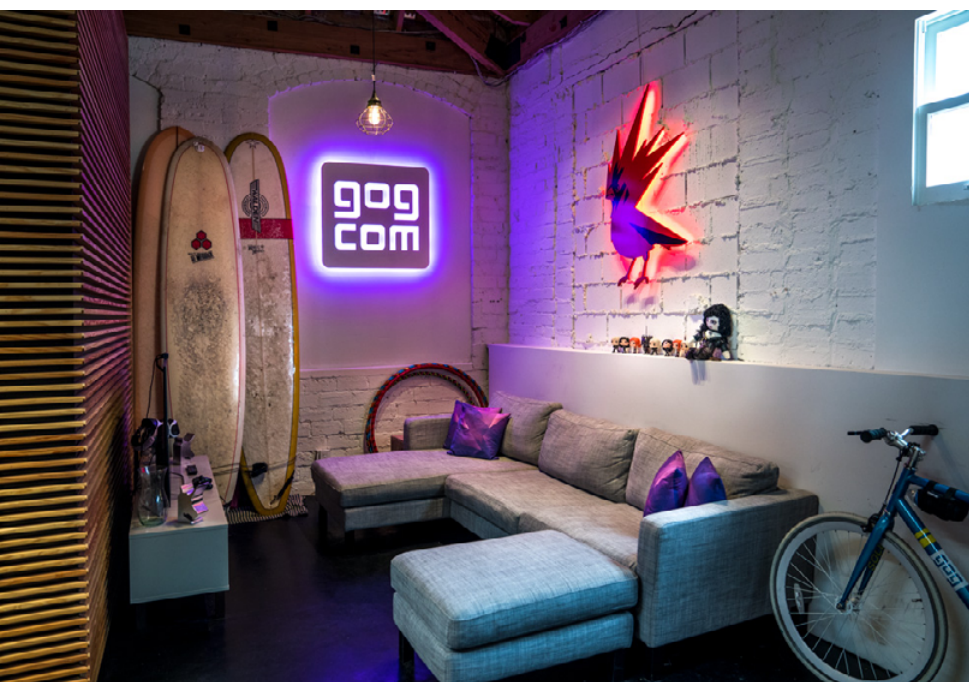


Table 2 Basic activity profile of each member company of the CD PROJEKT Group as of 30 June 2023

| Company | Scope of activity |
|--------------------------------------|--|
| CD PROJEKT S.A. | The principal scope of activity of the company, carried out through its CD PROJEKT RED studio, involves development and publishing of videogames, selling the associated distribution rights, as well as manufacturing, selling or licensing tie-in products which exploit the popularity of brands owned by the Group. CD PROJEKT S.A. also serves as the holding company of the CD PROJEKT Group, and coordinates the activities of subsidiaries which comprise the Group. |
| GOG sp. z o.o. | The company distributes videogames through online channels to customers from around the world. The company also owns the GOG.COM proprietary global digital distribution platform and the GOG GALAXY application. |
| CD PROJEKT Inc. | The company coordinates publishing and promotional activities related to CD PROJEKT RED products. In July 2023 this company changed its name to CD PROJEKT RED Inc. and relocated from Los Angeles to Boston. |
| CD PROJEKT RED Vancouver Studio Ltd. | This gamedev studio, based in Vancouver, develops videogames within the framework of CD PROJEKT RED. |
| Spokko sp. z o.o. | This gamedev studio specialized in mobile releases and was responsible for the development of <i>The Witcher: Monster Slayer</i> . It is currently undergoing merger with CD PROJEKT S.A. |
| The Molasses Flood LLC | This gamedev studio, based in Boston, is working on the project codenamed <i>Sirius</i> . |
| CD PROJEKT SILVER Inc. | A company established to participate in development of entertainment products tied to CD PROJEKT brands. |

The above member companies of the CD PROJEKT Group, with exception of Spokko sp. z o.o., CD PROJEKT RED Vancouver Studio Ltd., The Molasses Flood LLC and CD PROJEKT SILVER Inc., were subject to full consolidation as of 30 June 2023. Detailed information can be found in the *Consolidated Financial Statement of the CD PROJEKT Group for the first half of 2023*.

Disclosure of business segments, products and services, outlets, suppliers and clients

In the first half of 2023 the Group conducted business activities in two segments:

- CD PROJEKT RED,
- GOG.COM.

CD PROJEKT RED

Target and scope of business activities

Videogame development is the main area of activity of the CD PROJEKT RED studio. It is based on two brands owned by the Company: *The Witcher* and *Cyberpunk*.



The segment concerns itself with creation and publication of videogames, licensing the associated distribution rights as well as manufacturing, distributing or licensing tie-in products which exploit the commercial appeal of brands owned by the Company.

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

Key products

Videogame development commenced in 2002 and initially focused on the studio's RPG debut: *The Witcher*. This game, set in Andrzej Sapkowski's fantasy world, was released in 2007 to global acclaim, garnering over 100 awards and accolades.

As of the publication date of this report, key releases in the Company's portfolio include *The Witcher*, *The Witcher 2: Assassins of Kings*, *The Witcher 3: Wild Hunt*, two expansion packs for the latter (*Hearts of Stone* and *Blood and Wine*) as well as *Cyberpunk 2077* released on 10 December 2020.

In 2018 the Company released *GWENT: The Witcher Card Game* (PC, macOS, iOS, Android) – an online game – as well as a single-player game – *Thronebreaker: The Witcher Tales* (PC, iOS, Nintendo Switch, Xbox One, PlayStation 4, Android), built around similar gameplay mechanics.

Scheme 2 CD PROJEKT RED releases; 2007–2023



Key sources of revenue

Sales of CD PROJEKT RED games are carried out under the following core business models:

- sales of territorial distribution rights (for box and digital editions), settled post factum on the basis of monthly or quarterly sales reports / licensing reports submitted by the Company's business partners;
- supplies of physical box editions (boxed games) to the Company's business partners for retail resale;
- supplies of batches of activation codes which permit games to be downloaded and installed;
- sales carried out through optional microtransactions in *GWENT: The Witcher Card Game*.

Digital distribution agreements concluded by the Company are typically settled in monthly cycles, while distribution of physical videogame editions follows quarterly reporting cycles. Depending on the specific partner or contract, the Company also collects licensing reports – these are submitted 30, 45 or 60 days following the end of each reporting period (typically each month or quarter).

In the first half of 2023 the most important CD PROJEKT RED products from the point of view of revenues were:

- *Cyberpunk 2077*,
- *The Witcher 3: Wild Hunt*, together with its expansions – *Hearts of Stone* and *Blood and Wine*.

Revenues were also generated – to a lesser degree – by micropayments in *GWENT: The Witcher Card Game* and *Thronebreaker: The Witcher Tales*. Additionally, the Company offered earlier instalments in *The Witcher* franchise, including *The Witcher* and *The Witcher 2: Assassins of Kings*, both of which continue to attract players and generate revenues.

Key suppliers and clients

Within the CD PROJEKT RED activity segment, the Group carries out active distribution of its games for various hardware platforms, through leading digital distribution platforms (e.g. Steam, PlayStation Store, Xbox Games Store, Epic Games Store, Nintendo, Apple App Store, Google Play and Humble Bundle, along with its own proprietary GOG.COM platform) as well as traditional distribution channels, in cooperation with leading global distributors (such as BANDAI NAMCO Entertainment Europe S.A.S., Warner Bros. Home Entertainment, Epicsoft Asia PTE LTD, Bandai Namco Entertainment Australia PTY LTD, Cenega S.A., Spike Chunsoft Co., Ltd., Soft Club LLC).

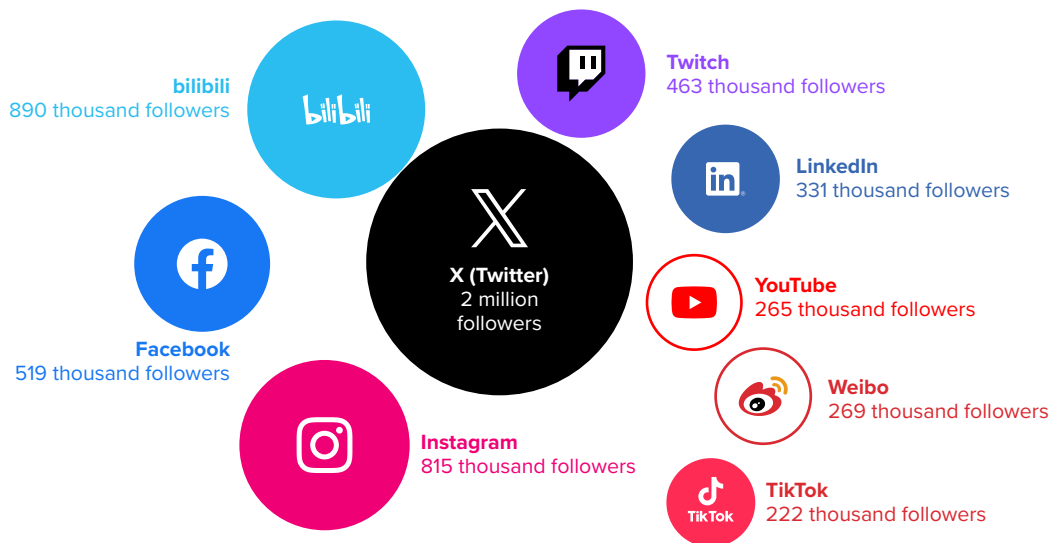
In the first half of 2023 sales to two clients exceeded 10% of the Group's consolidated sales revenues and totaled 76 474 thousand PLN and 47 374 thousand PLN respectively (23.5% and 14.6% of the Group's sales revenues respectively). These clients are not affiliated with CD PROJEKT S.A. or any of its subsidiaries. No other client accounted for more than 10% of the Group's consolidated sales revenues.

The videogame development process relies on certain bought-in tools and technical solutions; however, these do not result in significant concentration of supply. No CD PROJEKT RED supplier accounted for more than 10% of the consolidated revenues of the Group in the first half of 2023.

Communication

CD PROJEKT RED prides itself on direct and honest communication with the global gaming community under the "Gamers first" policy. Player relations are carried out primarily through social media channels. CD PROJEKT RED actively manages over 90 social media profiles in over a dozen languages, both global and local (such as the BILIBILI and Weibo platforms in China, and the Naver Cafe platform in Korea).

Scheme 3 Followers and subscribers of CD PROJEKT RED social media profiles as of 1 August 2023



Key product and marketing events

Cyberpunk 2077

On 4 January 2023 Steam published its annual Steam Awards, with *Cyberpunk 2077* carrying the “Labor of Love” category. In a popular poll *Cyberpunk 2077* was recognized by the gaming community for its ongoing support and development.

On 11 April Patch 1.62 was released for *Cyberpunk 2077*, introducing a “tech preview” of a new display mode: Ray Tracing: Overdrive. The patch was co-developed with NVIDIA, and targeted at owners of advanced NVIDIA RTX 40 Series graphic adapters. The new mode is based on Path Tracing – an innovative rendering technology, which further increases the realism of in-game visuals, making *Cyberpunk 2077* one of the most technologically advanced games available.

On 15 May 2023, at the Digital Dragons Awards gala ceremony, *Cyberpunk 2077* was presented with the Best Ongoing Polish Game award.

On 5 and 6 June the first hands-on presentations of *Phantom Liberty* were held in Warsaw for media representatives. Over a period of two days, guests from nine regions (including Germany, France, MENA countries, Brazil, China and the United Kingdom) visited the CD PROJEKT RED headquarters for pre-release showcases of the *Cyberpunk 2077* expansion. Similar presentations were held in Tokio between 7 and 9 June, targeting Japanese media outlets.

On 9 and 10 June 2023, as a partner of Summer Game Fest: Play Days held in Los Angeles, CD PROJEKT RED hosted journalists from around the world in its media zone. Guests were provided with the ability to try out *Phantom Liberty* on all supported platforms, i.e. PC, XSXIS and PS5.



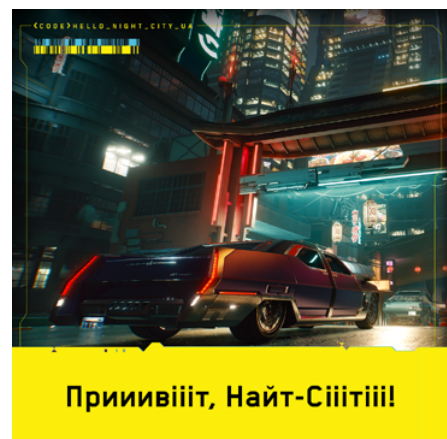
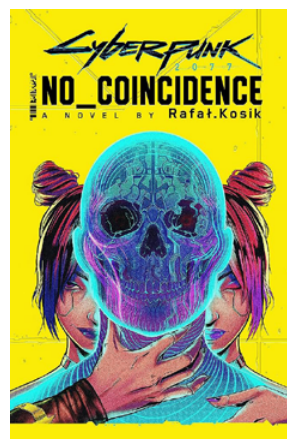


On 11 June, at Xbox Games Showcase, CD PROJEKT RED announced that *Phantom Liberty* – the storyline expansion for *Cyberpunk 2077* – will be released on 26 September 2023. Keanu Reeves himself introduced the game's [Official trailer](#).

On the same day fans of the *Cyberpunk 2077* franchise had the first opportunity to personally play the upcoming expansion at a set of Xbox FanFest events held in Warsaw, Los Angeles and Sao Paulo in Brazil. In parallel, global gaming media outlets posted their initial impressions based on earlier hands-on presentations. Altogether, *Phantom Liberty* was covered by over 350 media outlets from around the world, with an overwhelming majority of impressions being strongly positive.

The release date announcement was paired with the launch of the expansion's preorder campaign. Gamers who preorder *Phantom Liberty* will receive access to one of the new cars introduced in the expansion – Quadra Sport R-7 “Vigilante”. CD PROJEKT RED also announced that on the expansion's release day both the base game and the expansion will receive Ukrainian subtitles.

The focus of the [Xbox Showcase Extended](#) stream, held on 13 June 2023, was on releases announced during the main Xbox Games Showcase event. The stream featured, among others, *Phantom Liberty* – viewers could enjoy a walk around Dogtown along with a commentary provided by the CD PROJEKT RED Quest Director, as well as an interview with Keanu Reeves who spoke not only about the new location, but also about new characters and the spy-thriller storyline of the *Cyberpunk 2077* expansion.



On 20 June 2023 the Company released Patch 1.63, introducing further improvements and bugfixes to *Cyberpunk 2077*.

On 6 July 2023 CD PROJEKT RED announced the first locations and dates for the upcoming community *Phantom Liberty Tour*. Altogether, eight events are planned, offering fans the opportunity to play the expansion ahead of release and meet with CD PROJEKT RED developers.

On 14 July 2023 *Cyberpunk 2077* crossed the “Very Positive” review score threshold on Steam: this means that at least 80% of the more than 550 thousand reviews of the game are positive.

On 19 and 20 July hands-on presentations of *Phantom Liberty* were held at the CD PROJEKT RED Warsaw campus for representatives of Chinese media who were not able to visit the studio in June.

On 8–10 August *Cyberpunk 2077: No Coincidence*, a novel by the popular Polish sci-fi writer Rafał Kosik, was published worldwide, with successive launches held in the United Kingdom, Poland and the United States. The book is available in paperback, e-book and audiobook editions, and will eventually appear in 10 language versions.

On 22 August, at the Opening Night Live gala of the gamescom fair in Cologne, CD PROJEKT RED presented New Ways of Play – a visual introduction to the new content which will be added to *Cyberpunk 2077* and *Phantom Liberty* in Update 2.0 – the largest update yet, to be released free of charge for the PC and next-gen consoles.

On the same day NVIDIA, a close partner of CD PROJEKT RED, presented a trailer which announces and showcases the innovative DLSS 3.5 technology. *Cyberpunk 2077: Phantom Liberty* will be among the first releases to offer support for this technology.

On 23–27 August 2023 participants of gamescom in Cologne had the opportunity to play *Phantom Liberty* ahead of release, thanks to cooperation with Xbox.

On 24 August a new episode from the REDstreams series appeared on CD PROJEKT RED’s official Twitch channel. In a live feed, game developers working for the Studio discussed the new content coming to *Cyberpunk*, revealed at gamescom. The stream also featured Kacper Niepokólczycki, lead environment artist, and Gabe Amatangelo, game director, who showcased changes coming to *Cyberpunk 2077* with Update 2.0 and the *Phantom Liberty* expansion.

Scheme 4 Followers and subscribers of *Cyberpunk 2077* social media profiles as of 1 August 2023



Events related to *The Witcher* videogame series

The highlight of the initial part of 2023 was the announcement, on 18 January, of CD PROJEKT RED's collaboration with Amazon Games. *Lost Ark* players from Europe and the Americas received the ability to play as Geralt of Rivia and engage in a series of *Witcher*-inspired quests in the land of Arkesia.

The box version of *The Witcher 3: Wild Hunt – Complete Edition* for next-gen consoles was released on 26 January 2023.

On 7 February 2023, thanks to collaboration between CD PROJEKT RED and Epic Games, Geralt of Rivia appeared in *Fortnite*. Gamers could unlock his character along with a unique quest, events and items inspired by *The Witcher* videogame series.

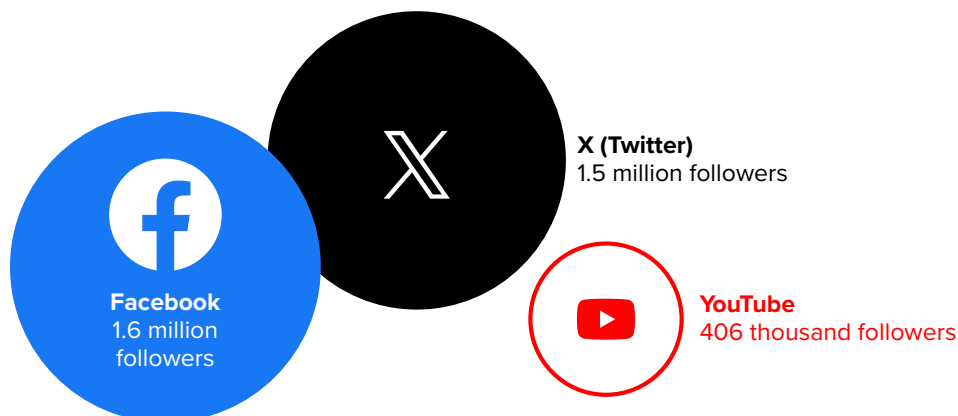
On 24 May 2023 CD PROJEKT RED published information regarding the future of GWENTFINITY – an initiative which aims to turn *GWENT: The Witcher* Card Game over to the community. This will happen in 2024, following the release of the last patch for the game, scheduled for the coming December.

The Witcher: Old World – a board game – launched on 22 June 2023. The story of the game, which was developed by Go On Board in collaboration with CD PROJEKT RED and funded by a Kickstarter campaign, takes place before the time of Geralt of Rivia. The game retails in two versions; Standard and Deluxe, and has three expansions: Skellige, Mages and Legendary Hunt.

On 23 June 2023, in the framework of CD PROJEKT RED's collaboration with Epic Games, Ciri and Yennefer – two well-known characters from *The Witcher* universe – joined the *Fortnite* cast. In addition to access to both characters, gamers were given access to emoticons, new apparel and other cosmetic items, as well as maps inspired by their storylines.



Scheme 5 Number of followers and subscribers of *The Witcher* social media profiles as of 1 August 2023



Other events

On 23 January 2023 the Company announced the RED Playtesting Program – a new initiative which encourages gamers and community members to engage in the development process of the studio’s games. At playtesting sessions organized at CD PROJEKT RED’s Warsaw campus invited participants can review elements of games which are currently in production, and share their impressions and comments with the dev team. This will help us further adapt our games to the expectations of the gaming community.

On 20–24 March 2023 San Francisco hosted the Game Developer Conference – one of the keystone global events which focus on the gamedev industry. CD PROJEKT RED was represented by over thirty specialists who delivered talks and participated in panel discussions, sharing their knowledge and experience gained during development of *Cyberpunk 2077*.

On 28 April 2023 Forbes Polska named CD PROJEKT RED Poland’s best employer in the IT industry, and the second best employer overall.

On 15–16 May the CD PROJEKT RED team participated in the most important gaming event in Poland – the Digital Dragons conference. Studio representatives took this opportunity to share their knowledge and experience gained in the development of *The Witcher* and *Cyberpunk 2077*.

On 18 May 2023 the studio announced the date of this year’s edition of the Promised Land Art Festival – a unique meetup for representatives of the creative industries (including motion pictures, videogames and digital art). The event will be held on 3–6 September at the EC1 complex in Łódź.

On 19 June 2023 CD PROJEKT And Futuregames Warsaw announced a strategic partnership to promote educational activities in the framework of the gamedev industry. Futuregames Warsaw – a Swedish school which organizes courses for gamedev adepts at CD PROJEKT’s Warsaw campus – will hold educational activities for programmers, designers and artists. Enrollment at the Warsaw branch will be available to EU citizens and holders of valid student visas. The curriculum will include onsite sessions held in English, enabling participants to develop four separate games with the use of professional software and equipment. Thanks to CD PROJEKT support, organizers will provide a 50% discount on first-year tuition, scholarships for up to nine top students, and 30-day internships for selected course participants.

The summer internship program at CD PROJEKT RED began on 3 July 2023. Over a three-month period selected participants will be offered the opportunity to familiarize themselves with behind-the-scenes activities at the studio, and participate in the final phase of preparations for the launch of *Phantom Liberty*.

CD PROJEKT RED GEAR Store – an online outlet which markets gadgets to fans of *The Witcher* and *Cyberpunk* games – reopened on 18 July 2023. The store is currently managed by an external partner – DPI Merchandising.

GOG.COM

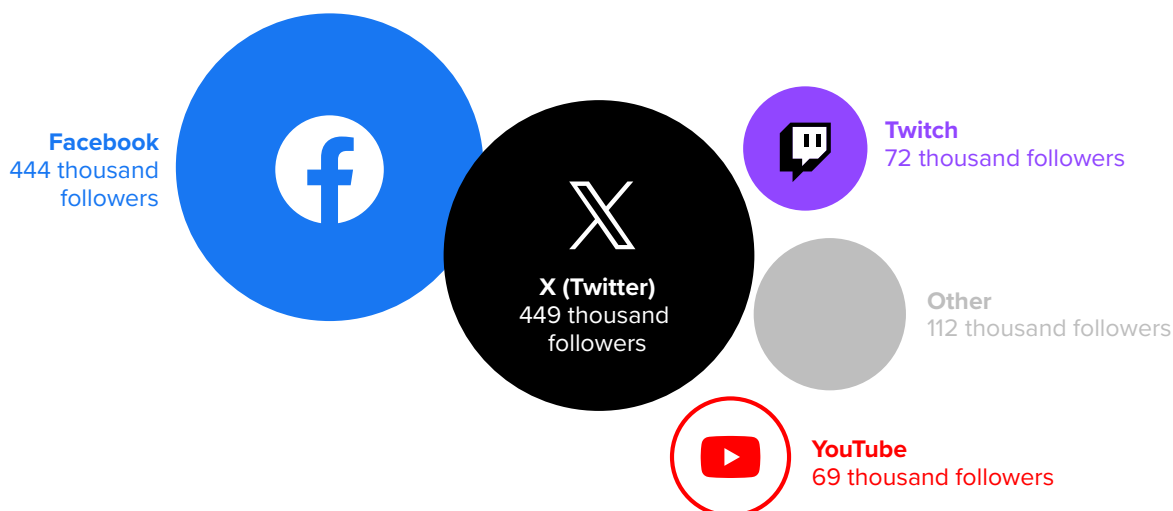
Target and scope of business activity

The GOG.COM platform was launched in August 2008. Its initial mission was to revitalize major PC cult classics and offer them for sale to international customers with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia. In 2023 the platform was offered in English, French, German, Chinese, Polish and Russian – this includes full game localizations as well as – with exception of the Russian edition – dedicated customer support, localized marketing activities and integration with locally popular payment channels, accepting payments in twelve currencies. GOG.COM also carries releases for the macOS and Linux operating systems.

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

Payments collected by GOG sp. z o.o. from customers are split with the Company's suppliers as agreed upon in distribution contracts. Typical contracts require the Company to submit sales reports to its suppliers in monthly or quarterly cycles, not later than 30 days following the close of the given reporting period. With regard to certain older products the company may be contractually permitted to adapt them to the requirements of modern operating systems, or to enable multiplayer gameplay if such features were originally provided by the given game.

Scheme 6 Number of followers and subscribers of GOG.COM social media profiles as of 1 August 2023



Key products

As of the publication date of this report, the GOG.COM digital distribution platform offers over 8000 products from more than 1200 partners. This includes both timeless classics and fresh releases from such well-known brands as Bethesda, Disney, Electronic Arts, Ubisoft, Konami and Warner Bros.

The key difference between GOG.COM and its competition is its strong customer focus and the “gamers first” approach. This is evidenced, among others, by supporting the concept of ownership by striving to ensure that single-player gamers are distributed in the DRM-free model, free of restrictions which might otherwise prevent customers from enjoying their purchases. Products offered on GOG.COM are also richly featured and usually include bonus content such as soundtracks, maps and wallpapers. All games bought on GOG.COM can be returned within 30 days of purchase – the GOG.COM returns policy is among the most customer-friendly on the digital distribution market.

In addition to the above, GOG.COM ensures compatibility of its games with current versions of MS Windows, macOS and popular distributions of Linux, which is a particular advantage in the case of classic games and contributes to preservation of videogame history.

The Group uses GOG.COM to market its own products directly to end users – this includes games set in *The Witcher* universe, as well as *Cyberpunk 2077*.

Key sources of revenue

Revenues obtained in the GOG.COM segment are directly dependent on the popularity of the offered games and their respective sales volumes. The Company continuously expands the scope of its cooperation with suppliers and seeks access to new, attractive products. GOG.COM is also home to seasonal and one-off sales campaigns, including summer, fall and Christmas bargain packages as well as other events which introduce new means of attracting gamers.

Key product and marketing events

Digital distribution of videogames

In the first half of 2023 the catalogue was expanded, among others, with such releases as *Cyberpunk 2077: Phantom Liberty* (preorder), *Yakuza Complete Series*, *System Shock*, *Age of Wonders 4: Premium Edition*, *Pharaoh: A New Era*, *Wartales*, *Age of Wonders 4*, *Warhammer 40,000: Dawn of War – Master Collection*, *SpellForce: Conquest of Eo* and *DREDGE*.

Sales support

With regard to digital distribution sales support focuses primarily on securing distribution rights to new, appealing videogames, and on seasonal sales campaigns.

The first half of 2023 was marked by GOG.COM's traditional periodic sales. The new year kicked off with the Winter Sale, followed by New Year Sale at the end of January. In February GOG.COM held the We Love Games sale, celebrating Valentine's Day, while the highlight of March was the GOG Spring Sale. The Summer Sale, held in June, was the biggest such event yet, with over 6 thousand games offered at bargain prices.

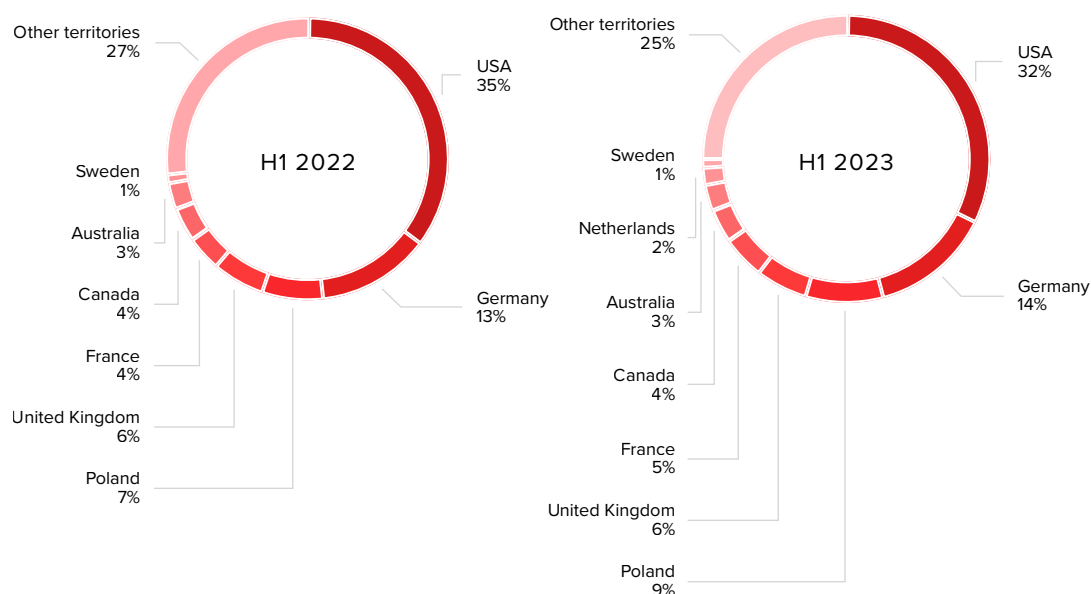
Cyberpunk 2077: Phantom Liberty

In business terms, the first half of 2023 culminated on 11 June, when GOG.COM launched the *Cyberpunk 2077: Phantom Liberty* preorder campaign. Having preordered the game, GOG.COM account holders could unlock a selection of items dedicated to CD PROJEKT RED fans – including apparel and equipment for V, including a Witcher sword.

Key suppliers and clients

GOG sp. z o.o. markets games via online channels directly to millions of individual users worldwide. As such, the segment does not have key clients in the usual sense of the term.

Chart 5 Sales of products and goods by GOG.COM in the first half of 2022 and 2023 (by territory)



In terms of territorial breakdown, sales in H1 2023 followed the pattern established in the preceding years. In H1 2023 the largest group of GOG.COM customers came from the United States (32%), followed by Germany (14%), Poland (9%) and the United Kingdom (6%).

As of 30 June 2023 no single supplier in the GOG.COM segment accounted for more than 10% of the Group's consolidated revenues.

KEY CORPORATE EVENTS

On 31 January 2023, having concluded a share purchase agreement with the remaining shareholders of its subsidiary, Spokko sp. z o.o., the Company purchased from them a total of 135 shares of Spokko sp. z o.o. with a nominal value of 50.00 PLN each, as a result of which the Company became the owner of 100% (i.e. 1 089) of shares of this subsidiary.

On 28 February 2023 the District Court for the City of Warsaw in Warsaw registered the merger between the Company and its subsidiary – CD PROJEKT RED STORE sp. z o.o. with its registered seat in Warsaw – in the

register of entrepreneurs. The goal of the merger was to simplify the CD PROJEKT Group's structure in connection with plans to contract a specialized third party to continue the existing operations of the Target Company in line with the Long-Term Strategic Growth Outlook of CD PROJEKT Group.

On 20 March 2023 the Management Board of the Company announced its decision concerning recognition, in its accounts, of an impairment allowance on to-date development expenditures related to Project *Sirius*, which is developed by The Molasses Flood. This decision was based on the outcome of evaluation of the scope and commercial potential of the Project in its original shape. The Company also announced that work was underway to define a new framework for the Project. Total development expenditures incurred by Project *Sirius* by the end of 2022 were 33.4 million PLN, and this amount burdened the financial result of the Company and the CD PROJEKT Group for 2022.

An Extraordinary General Meeting of the Company took place on 18 April 2023. Shareholders voted, among others, to approve the new incentive programs A and B for the 2023–2027 period, conditionally increase the share capital and issue subscription warrants with exclusion of pre-emption rights for existing shareholders. The EGM also voted to lower the share capital by redeeming 860 290 shares previously purchased by the Company on 5–24 October 2022. The full text of resolutions adopted by the EGM is available on [the Company website](#).

On 20 April 2023 the Management Board of the Company announced that a merger plan had been agreed upon and signed by the Company, acting as the acquirer, and Spokko sp. z o.o., acting as the acquiree. The Merger Plan (together with the required annexes) is appended to [Current Report no. 14/2023](#), and also posted on [the Company website](#) and on [the website of the target company](#). The merger will become effective on the day it is entered in the registry of entrepreneurs. According to the strategy adopted by the Company in October 2022, the Company intends to focus on its core activities while carrying out mobile projects in collaboration with external partners.

On 8 May 2023 the Management Board of the Company recommended that 99 910 thousand PLN from the profit obtained in 2022 be allocated towards a dividend (at 1 PLN per Company share participating in the dividend), with the remaining portion of the net profit, at 241 162 thousand PLN, reassigned to reserve capital. The Supervisory Board of the Company subsequently endorsed this recommendation. On 6 June 2023 the Ordinary General Meeting of the Company decided to allocate profit in line with the presented recommendations, setting the dividend date of record to 13 June 2023 and the dividend payment date to 20 June 2023.

On 11 May 2023, in reference to [Current Report no. 8/2023](#) of 20 March 2023, the Management Board of the Company announced that work on defining a new framework for Project *Sirius* underway at The Molasses Flood had concluded, as a result of which the following changes were entered in the Company's accounts:

- the impairment allowance on 2022 development expenditures related to the Project, originally amounting to 33.4 million PLN and burdening the financial result of the Company and its Group for 2022, was partially reversed, in the amount of 21.5 million PLN;
- a portion of the development expenditures related to the Project incurred in the first quarter of 2023, in the amount of 2.7 million PLN, was written off.

Partial reversal of the impairment charge for 2022 and partial writeoff of Q1 2023 development expenditures results from the decision to carry on with the project within its reformulated framework, and therefore reuse a significant portion of to-date results in further development work underway at The Molasses Flood.

On 31 May 2023, as a result of decisions undertaken by the Board of Directors of CD PROJEKT Inc. (currently operating under the name CD PROJEKT RED Inc.) and CD PROJEKT S.A. (its sole shareholder) the share capital of the former company was increased by 720 thousand USD, to 6 020 thousand USD. On the same day CD PROJEKT Inc. entered into an agreement with The Molasses Flood LLC and one of that company's existing members, becoming the holder of 70.91% (i.e. 390 000) of its units.

On 6 June 2023 an Ordinary General Meeting of CD PROJEKT was held. The OGM voted, among others, to amend the Company Articles so as to enable the Board to pay out advance dividends to shareholders, as well as to approve the Company's merger with Spokko sp. z o.o. The Management Board was also empowered to carry out future buy-backs of Company shares for an amount not exceeding 500 million PLN. The full text of resolutions adopted by the EGM is available on [the Company website](#).

On 26 June 2023 the District Court for the City of Warsaw registered changes comprising, among others, a reduction in the Company share capital by 850 290 PLN and the corresponding redemption of 860 290 of the Company's own shares (i.e. shares previously bought back by the Company for redemption in the course of a buy-back program carried out between 5 and 24 October 2022). As a result, as of the publication date of this report, the Company share capital amounts to 99 910 510 PLN and consists of 99 910 510 ordinary bearer shares with a nominal value of 1.00 each, arranged into series bearing labels from A to M. The total number of votes afforded by all Company shares outstanding is 99 910 510.

EVENTS FOLLOWING THE BALANCE SHEET DATE

On 10 July 2023, as a result of decisions undertaken by the Board of Directors of CD PROJEKT Inc. (currently operating under the name CD PROJEKT RED Inc.) and CD PROJEKT S.A. (its sole shareholder), the former company changed its name from "CD PROJEKT Inc." to "CD PROJEKT RED Inc." and relocated its principal place of business to Boston (Waltham), MA.

On 26 July 2023 the Management Board of the Company announced its decision to adjust the scale and structure of the Company team to match its operating requirements and development/publishing plans carried out in the framework of the CD PROJEKT RED Group strategy. As a result, a staff reduction will be carried out, affecting approximately 9% of CD PROJEKT RED personnel, including its development, publishing and back-office teams. The process is expected to conclude in the first quarter of 2024.

The decision is related to the continuing transformation as part of which the CD PROJEKT RED studio has managed to – among others – incorporate Agile methodologies, while reshaping development processes and optimizing working arrangements. This change in approach, along with efforts to build more effective project teams, represents a continuation of an ongoing transformation which the Company regards as key to making top-quality games, published on schedule and developed without undue crunch.

The Company also announced that the estimated value of provision for costs related to dissolution of contracts with personnel (including the costs of severance payments) was approximately 4.5 million PLN. This provision will burden the financial results of the CD PROJEKT Group in the third quarter of 2023.

EFFECT OF THE POLITICAL AND ECONOMIC SITUATION IN UKRAINE ON THE ACTIVITIES OF THE CD PROJEKT GROUP

Effect on earnings

In response to the Russian armed invasion of Ukraine, on 3 March 2022 the Management Board of CD PROJEKT decided to suspend sales of CD PROJEKT Group products as well as games distributed on the GOG.COM platform on the territory of Russia and Belarus.

The Company estimated that throughout the 12-month period between March 2021 and February 2022 the aggregate share of Russia and Belarus in revenues from sales of products in the CD PROJEKT RED segment and in GOG.COM sales revenues amounted to 5.4% and 3.7% respectively.

Risks associated with the current political and economic situation in Ukraine

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

The Company has terminated collaboration with Russian and Belarussian suppliers. At the present time the Company does not intend to initiate any further collaboration with such entities.

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

In the Management Board's opinion the current political and economic situation in Ukraine does not affect the quantitative data contained in the financial statement, does not provide a reason to suspect impairment of assets, should not have a significant negative effect on the Group's earnings in 2023, and does not jeopardize continuation of the Company's activities within 12 months of the conclusion of the reporting period. Given the unprecedented character of current events and significant uncertainty associated therewith – particularly the lack of reliable knowledge concerning the duration of the Russian invasion – as of the publication date of this report it is impossible to accurately predict the long-term effects of the invasion upon the condition and earnings of the Company and its Group. Any assessments and forecasts in this regard are fraught with uncertainty, and will be subject to further monitoring and analysis by the Group.

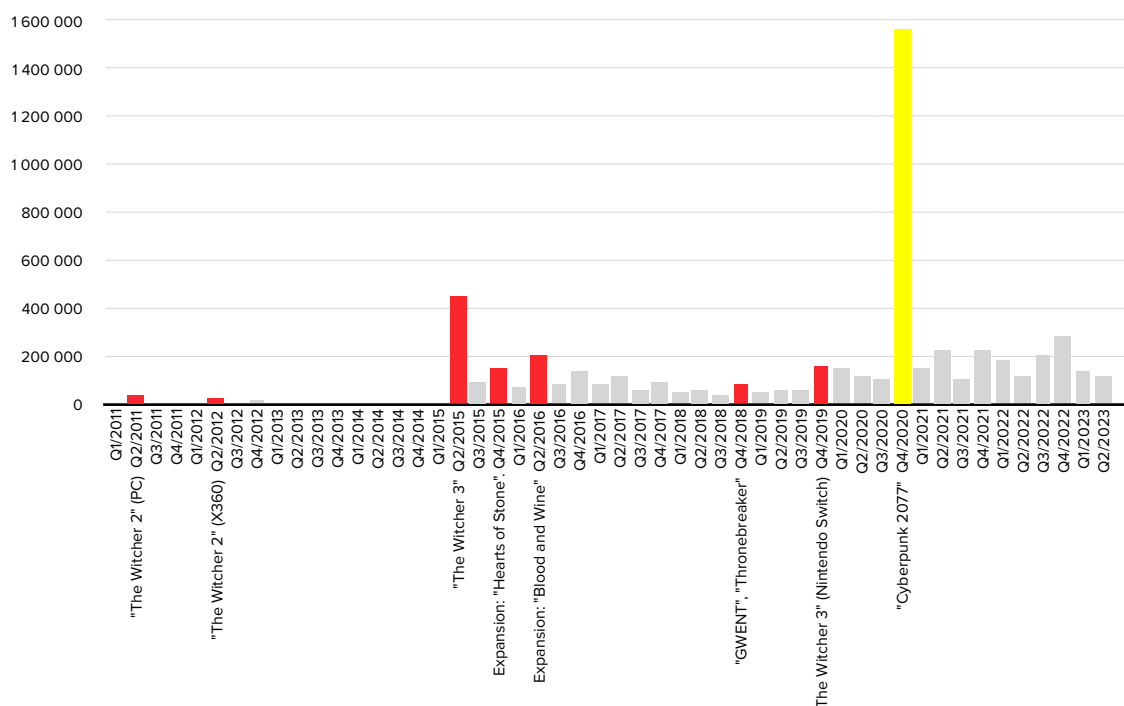
Insofar as possible, the above assessment reflects the Company's knowledge as of the publication date of this report.

DISCLOSURE OF SEASONAL OR CYCLICAL ACTIVITIES

CD PROJEKT RED

The revenues and financial result of the CD PROJEKT RED segment are strongly affected by the videogame release schedule. CD PROJEKT RED usually takes between 2 and 5 years to produce a game. Initial development work occurs before the previous game in the series is complete and ready to be released.

Chart 6 Effect of new releases on the quarterly revenues from sales of products, goods and materials by CD PROJEKT RED in 2011–2023 (PLN thousands)



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

With regard to games which have already been released, their yearly sales breakdown is dependent on the schedule of periodic sale campaigns. In most cases, strong sales are reported in the second and fourth quarter, while the first and the third quarter (the latter of which overlaps with the summer vacation season) see weaker sales.

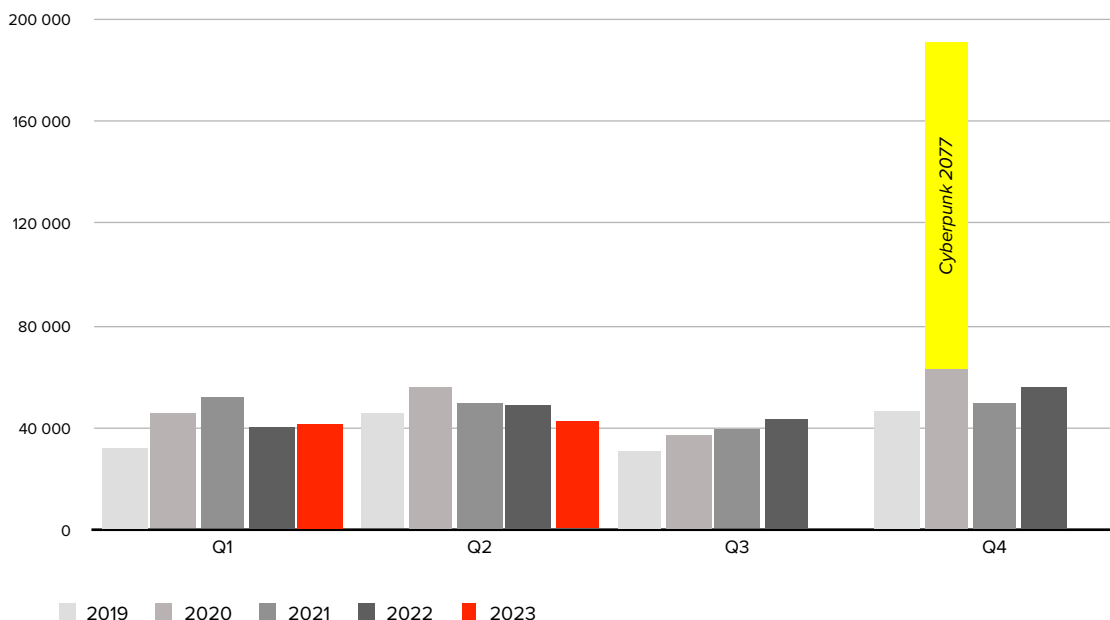
In addition to pure development activities, the Company also actively manages its franchises in other fields, working to continually expand its target audience, and exploring new media types and platforms.

GOG.COM

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

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

Chart 7 Sales of goods and materials in the GOG.COM segment in 2019–2023 (PLN thousands)



Strong revenues reported by the GOG.COM segment in 2020 and 2021 were associated with the COVID-19 pandemic and the corresponding rise in popularity of video games during that period.

Disclosure of external and internal factors affecting further growth of the CD PROJEKT Group

Future growth of the Company and its Group is critically dependent on the ability to retain world-class creative professionals and experts, and to attract a growing number of specialists, both Polish and foreign, to work on the Group's future releases. Strategic directions related to talent acquisition, team development and support were presented in 2021 in the [CD PROJEKT Group Strategy Update](#) (including the attached [video commentary](#)) and in the [CD PROJEKT Group Sustainability Report for 2022](#).

Another important factor which may support the Group's growth is effective implementation of CD PROJEKT RED's development plans announced in October 2022 as part of the Group's [Strategy Update](#), along with further broadening of the recognizability and popularity of the Group's franchises (including via cooperation with external entities), and enriching games based on the Group's proprietary IP with multiplayer gameplay elements.

In addition to the above, the activities of CD PROJEKT Group member companies are affected by external factors such as the macroeconomic outlook, legal reforms and changes in taxation. In this sense, CD PROJEKT is in a similar position to many other companies conducting business on domestic and international markets.

In the second half of 2023 the CD PROJEKT Group intends to carry on expanding its activities in an organic manner.

CD PROJEKT RED

Key factors which determine the growth of the CD PROJEKT RED segment include ongoing projects, the scale of development work associated with those projects and their perceived popularity among gamers. In this context, the most significant factors shaping the current results of the CD PROJEKT Group include the popularity of previously published games set in *The Witcher* and *Cyberpunk* universe. In future periods the growth prospects and earnings posted by the Group will depend on the progress and market reception of new development projects, as well as on the Company's ability to publish top-quality products supporting its franchises and increasing the recognition of the Company's brands.

Notable events affecting CD PROJEKT RED in the coming quarters will include the launch of the big expansion for *Cyberpunk 2077. Phantom Liberty* is set to come out on Xbox Series X|S, Playstation 5 and PC on 26 September 2023. Before the launch date, the Company intends to engage in a wide range of events and activities comprising the expansion's marketing campaign. In addition to this release, CD PROJEKT RED will also focus on further organic growth of its business activities, including in the framework of the nascent CD PROJEKT RED North America studio.

Another notable process at CD PROJEKT RED – in the context of the studio's development – is the ongoing deployment of Unreal Engine 5, which will continue in the coming quarters, based on the licensing and partnership agreement with Epic Games signed in March 2022. Use of this engine should significantly streamline the game development process. The Company's strategic partnership with Epic Games involves further work on UE5 in the scope of support for open-world games, and adaptation and optimization of its elements to match the conceptual framework of future projects. In addition, Epic Games has also committed itself to providing dedicated technical support for CD PROJEKT RED games. Working with UE5 significantly broadens the Studio's recruitment opportunities given that Unreal Engine is familiar to many game developers.

Maintaining the observed growth dynamics of the CD PROJEKT RED segment will depend on further enhancement of its world-class videogame development skillset and on the capacity for effective communication with the global gaming community. Both aspects are crucial for Studio's ongoing transformation – labeled RED 2.0 – which aims, among others, to apply the agile methodology in the videogame development process, thereby improving product quality. Migration to a dual franchise model supported by several independent, parallel projects paves the way for potential optimization of manufacturing and financial activities, increases the frequency of releases along with the associated revenues, mitigates important risk factors and makes it easier for Company employees to seek professional fulfillment.

GOG.COM

Sales in the GOG.COM segment sales have, in the recent years, benefitted from customers' increasing tendency to turn to online channels for purchases.

GOG.COM growth also depends on raising awareness of the platform among gamers and on seeking additional brand-new products to add to its lineup. Accordingly, GOG sp. z o.o. actively communicates with leading global developers and publishers of videogames, continually expanding its list of business partners and products offered. Each new release on GOG.COM contributes to the platform's popularity and drives up sales. In addition to adding new products GOG sp. z o.o. also seeks to expand its user base by attracting new gamers – those who have not yet set up a GOG.COM account. During the recent years the Company has been successful in this regard, owing to its PR activities and synergies resulting from cooperation with CD PROJEKT S.A. The GOG.COM customer pool continues to grow at a steady pace.

Further growth of activities in the GOG.COM segment, including the potential to acquire unique know-how and experience, and to fully leverage the Company's technological expertise, will be influenced by development of features which support sales on the platform, including better integration of GOG GALAXY monetization mechanisms with the GOG.COM storefront, as well as increased focus on expanding the GOG.COM catalogue with classic games.

OTHER FACTORS

The growth of the CD PROJEKT Group will also be affected by development work carried out by its subsidiary – The Molasses Flood.

Factors which, in the issuer's opinion, will have a significant effect on its earnings in the scope of at least the coming quarter

On 26 September 2023, at the end of Q3 2023, the Company plans to release a large expansion for *Cyberpunk 2077*. *Phantom Liberty* will appear on Xbox Series X|S, Playstation 5 and PC. The expansion's marketing campaign and its market reception may also significantly affect sales of the base game. Moreover, the Company plans to release Update 2.0 – the biggest-yet update for *Cyberpunk 2077*, geared for the PC and next-gen consoles.

Disclosure of significant agreements

No significant agreements were entered into by CD PROJEKT in the reporting period.

Basic threats and risks pertaining to the remaining months of the financial year

The CD PROJEKT Group is exposed to a range of risks, both financial and otherwise, associated with its business activities. The risk management process in place at the Company aims to identify, assess, analyze and manage each risk.

In the scope of the remaining months of the current financial year, a particularly notable event for CD PROJEKT RED will be the release of *Phantom Liberty* – a large expansion for *Cyberpunk 2077*. The release will affect the Group's earnings, depending on its commercial success and reception among gamers. The risk of non-attainment of production goals related to product quality and gameplay attractiveness may result, among others, in additional expenses, reduced sales revenues or damage to the Studio's reputation. The market reception of the *Cyberpunk* expansion may also affect long-term popularity and sales of the base edition of *Cyberpunk 2077*. To achieve its production goals, the Company makes every effort to ensure that games are published on schedule, and with the highest possible quality. The Company also monitors and analyzes its processes on an ongoing basis, and – insofar as possible – introduces changes which may benefit product quality, the development process or distribution of video games.

Persistent external and internal risk factors which the Management Board regards as material and which may affect the activities and growth prospects of the Group are described in the risk assessment section of the Management Board report on CD PROJEKT Group activities in 2022, while a description of financial risks can be found in the Consolidated Financial Statement of the CD PROJEKT Group for 2022. The Company regards risk factors described therein as relevant in the scope of the remaining months of the current financial year.



03

RESULTS OF OPERATION
OF THE CD PROJEKT GROUP

Discussion of the key economic and financial figures disclosed in the consolidated financial statements

CONSOLIDATED INCOME STATEMENT

Table 3 Consolidated income statement of the CD PROJEKT Group (in PLN thousand)

| | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022* | change | change % |
|--|----------------------------|-----------------------------|----------------|---------------|
| Sales revenue | 325 214 | 377 916 | -52 702 | -13.9% |
| Sales of products | 238 084 | 285 868 | -47 784 | -16.7% |
| Sales of services | 799 | 1 235 | -436 | -35.3% |
| Sales of goods for resale and materials | 86 331 | 90 813 | -4 482 | -4.9% |
| Cost of sales of products, services, goods for resale and materials | 107 213 | 101 334 | 5 879 | 5.8% |
| Costs of products and services sold | 42 701 | 37 013 | 5 688 | 15.4% |
| Cost of goods for resale and materials sold | 64 512 | 64 321 | 191 | 0.3% |
| Gross profit/(loss) on sales | 218 001 | 276 582 | -58 581 | -21.2% |
| Selling expenses | 85 106 | 90 599 | -5 493 | -6.1% |
| Administrative expenses | 58 866 | 45 968 | 12 898 | 28.1% |
| Other operating income | 33 708 | 5 386 | 28 322 | 525.8% |
| Other operating expenses | 8 654 | 7 909 | 745 | 9.4% |
| (Impairment)/reversal of impairment of financial instruments | 4 | -8 | 12 | - |
| Operating profit/(loss) | 99 087 | 137 484 | -38 397 | -27.9% |
| Finance income | 51 610 | 39 354 | 12 256 | 31.1% |
| Finance costs | 29 970 | 23 222 | 6 748 | 29.1% |
| Profit/(loss) before tax | 120 727 | 153 616 | -32 889 | -21.4% |
| Income tax | 29 456 | 39 870 | -10 414 | -26.1% |
| Net profit/(loss) | 91 271 | 113 746 | -22 475 | -19.8% |

*restated data

DESCRIPTION AND ASSESSMENT OF THE FACTORS AND UNUSUAL EVENTS AFFECTING THE RESULTS OF OPERATIONS OF THE CD PROJEKT GROUP IN THE FIRST HALF OF 2023

The following unusual events had a material impact on the results, assets, equity & liabilities and cash flows of the CD PROJEKT Group in the reporting period (which was not observed in the comparative period):

- In the CD PROJEKT RED segment, in connection with the determination of the new framework for the *Sirius* project developed by The Molasses Flood studio, a write-down of expenditure incurred on development work until the end of 2022 was partially reversed (an increase in the balance of Other operating income of PLN 21 531 thousand) and a part of the expenditure incurred on the project in the first quarter of 2023 was written off (an increase in the balance of Other operating expenses of PLN 2 745 thousand). This materially affected the Group's net profit or loss and the relevant items of the Statement of financial position and the Statement of cash flows presented in this Report,
- In connection with the fact that CD PROJEKT S.A. is taking advantage of the innovative employee tax relief, the CD PROJEKT RED segment reduced current personal income tax liabilities under PIT4 and PIT8A and recognized income in this respect (an increase in the balance of Other operating income of PLN 7 718 thousand); at the same time, the deferred tax asset relating to the R&D relief available in subsequent periods was reduced accordingly, resulting in an increase in the balance of Income tax in the Income statement,
- In the second quarter of the current year, Incentive Plan A and Incentive Plan B were introduced in the CD PROJEKT Group, replacing the existing incentive program operated since 2020. The cost of rights awarded as part of the said incentive plans determined by an actuarial valuation were accounted for partly as modifications. The settlement of costs of this modification, taking into account earlier periods of the former incentive plan, resulted in a one-off increase in the cost associated with the functioning of the incentive plans in the reporting period. The total amount of the Group's costs relating to the functioning of the incentive plans in the first half of 2023 was PLN 10 392 thousand.

DISCUSSION OF THE CONSOLIDATED INCOME STATEMENT OF THE CD PROJEKT GROUP BY OPERATING SEGMENT

CD PROJEKT RED segment

Table 4 Income statement of the CD PROJEKT RED segment (in PLN thousand)

| | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022* | change | change % |
|--|----------------------------|-----------------------------|----------------|---------------|
| Sales revenue | 244 271 | 295 488 | -51 217 | -17.3% |
| Sales of products | 236 595 | 283 471 | -46 876 | -16.5% |
| Sales of services | 506 | 1 927 | -1 421 | -73.7% |
| Sales of goods for resale and materials | 7 170 | 10 090 | -2 920 | -28.9% |
| Cost of sales of products, services, goods for resale and materials | 50 922 | 43 791 | 7 131 | 16.3% |
| Costs of products and services sold | 42 725 | 37 141 | 5 584 | 15.0% |
| Cost of goods for resale and materials sold | 8 197 | 6 650 | 1 547 | 23.3% |
| Gross profit/(loss) on sales | 193 349 | 251 697 | -58 348 | -23.2% |
| Selling expenses | 64 931 | 69 844 | -4 913 | -7.0% |
| Administrative expenses | 55 157 | 43 031 | 12 126 | 28.2% |
| Other operating income | 34 089 | 5 362 | 28 727 | 535.8% |
| Other operating expenses | 8 946 | 8 379 | 567 | 6.8% |
| (Impairment)/reversal of impairment of financial instruments | 4 | -8 | 12 | - |
| Operating profit/(loss) | 98 408 | 135 797 | -37 389 | -27.5% |
| Finance income | 50 828 | 34 910 | 15 918 | 45.6% |
| Finance costs | 28 482 | 17 578 | 10 904 | 62.0% |
| Profit/(loss) before tax | 120 754 | 153 129 | -32 375 | -21.1% |
| Income tax | 29 334 | 39 654 | -10 320 | -26.0% |
| Net profit/(loss) | 91 420 | 113 475 | -22 055 | -19.4% |

*restated data

In the first half of 2023, Sales of products of this segment comprised:

- revenue relating to *Cyberpunk 2077*;
- revenue relating to *Witcher 3: Wild Hunt* and expansions: *Hearts of Stone* and *Blood and Wine*;
- licence revenue from franchises;
- revenue relating to the games of the CD PROJEKT RED segment (*GWENT: The Witcher Card Game*, *Witcher 2*, and *Thronebreaker: The Witcher Tales* and other).

In the first half of 2023, **Sales revenue** was lower compared with the corresponding period of the prior year, due to the release of *Cyberpunk 2077* for new generation consoles in the first quarter of the prior year, among other things. The release made the first quarter of 2022 the best first quarter in the Group's history. At the same time, a decrease in revenue given an unchanged portfolio of games of the CD PROJEKT RED segment and absence of material sales-boosting events is a natural trend (from the marketing perspective, the Company focused of preparing for the release of the *Phantom Liberty* expansion planned for the end of the third quarter of 2023).

In the first half of 2023, **Sales of services** comprised mainly revenue relating to services provided to related entities. A decrease in this item in relation to the comparative period is due to extinguishing operations and merging with CD PROJEKT S.A. its subsidiaries Spokko Sp. z o.o. and CD PROJEKT RED STORE sp. z o.o.

Sales of goods for resale and materials of the CD PROJEKT RED segment at the end of June 2023 comprised mainly revenue from the sale of ready-made physical sets and elements of physical sets of own titles (media, boxes, figurines, gadgets), mainly *The Witcher 3*, to distributors as well as sales of physical products relating to the segment's franchise. A decrease in this item in relation to the comparative period was mainly due to extinguishing the operation of the mail-order shop CD PROJEKT RED GEAR and reorganizing the mode of its functioning.

The most significant component of the **Cost of sales of products, services, goods for resale and materials** of the CD PROJEKT RED segment was the **Cost of products and services sold**, where mainly the cost of amortization of expenditure on development projects – own games manufactured is presented. In the first half of 2023, this item comprised mainly amortization of expenditure on *Cyberpunk 2077*, which, following the recognition in costs of 40% of the expenditure in the quarter when the game premiered (the fourth quarter of 2020) is recognized in subsequent quarterly periods at 3% of the initial value of the asset, and amortization of *The Witcher 3* edition of the game for consoles of a new generation, Xbox Series X|S and Playstation 5, issued in December 2022, which materially increased the value of this item compared with the comparative period.

In the first half of 2023, the **Cost of sales of goods for resale and materials** contained the cost of manufacture of ready-made physical sets of own titles, their elements and franchise products sold to distributors.

The **Cost of sales** of the CD PROJEKT RED segment in the period discussed comprised:

- costs of promotion and sales support relating to the approaching premiere of the expansion of *Cyberpunk 2077* titled *Phantom Liberty*;
- cost of promotion and sales support relating to other products of the CD PROJEKT RED studio, mainly those relating to the development of own franchises and the edition of *The Witcher 3* for new generation consoles Xbox Series X|S and Playstation 5;
- cost of maintenance and updating of the CD PROJEKT RED studio games being sold, mainly *Cyberpunk 2077* and *The Witcher 3*;
- maintenance costs relating to *GWENT: The Witcher Card Game*.

Compared with the first half of 2022, the segment maintained the costs of promotion and sales support at a similar level, while at the same time reducing the costs of servicing and maintaining the games issued.

Administrative expenses of the CD PROJEKT RED segment in the first half of 2023 comprised, in particular:

- fixed remuneration of the administrative teams and the external costs of third party services classified in this category which, in step with an increase in the employment levels and the scale of operations of the segment's companies, are growing gradually;
- performance-based remuneration of the management;
- the cost associated with the functioning of the existing incentive plan and the implementation of the new Incentive Plans A and B, including the costs of accounting for the modification of entitlements in the existing incentive plan in connection with its replacement with entitlements in the new Incentive Plans – see the description above in section *Description and assessment of the factors and unusual events affecting the results of operations of the CD PROJEKT Group in the first half of 2023*;
- costs of work on the future games incurred at an initial stage (research phase) preceding the execution of the projects (development phase) and the start of their capitalization as part of Expenditure on development projects forming part of Non-current assets, which comprise mainly costs of the projects which are at an initial stage of production: *Hadar* (a new franchise) and *Orion* (another title in the *Cyberpunk* universe);
- the fixed part of the remuneration of the management boards of the companies.

As regards **Other operating income and expenses**, as a rule, the Group recognizes mainly the revenue generated by CD PROJEKT RED from the lease of office space (and the accompanying maintenance costs) in the real estate complex located at ul. Jagiellońska 74 and 76 in Warsaw, and subsidies received. However, in the period under discussion, the following factors had a material impact on that item:

- a partial reversal of the impairment write-down of expenditure incurred until the end of 2022 on development work (of PLN 21 531 thousand and a write-off of a part of the project expenditure incurred in the first quarter of 2023 (PLN 2 745 thousand) in connection with the determination of the new framework for the *Sirius* project developed by The Molasses Flood studio;
- recognizing a positive effect of the utilization of the tax relief for innovative employees by CD PROJEKT S.A.

In the first half of 2023, the CD PROJEKT RED segment showed an excess of **Finance income over Finance costs** higher than the one reported in the comparative period. This is mainly due to an increase in interest income on bank deposits.

Income tax, in addition to the current tax and the change in the deferred tax, included a charge relating to a portion of the tax collected in other jurisdictions on the licence fees paid to the Company (withholding tax).

Following collection of the documents confirming the amounts and the fact of payment of withholding tax abroad, the Company deducted the foreign withholding tax from the domestic corporate income tax amount, a significant portion of which was calculated using a preferential IP Box tax rate (5%) and charged the excess to the income statement.

Moreover, due to utilization by CD PROJEKT S.A. of the tax relief for innovative employees, the CD PROJEKT RED segment reported an increase in deferred tax, as a result of, among other things, a decrease in the deferred tax asset relating to the R&D tax relief available to the Company (at the same time, Other operating income increased due to utilization of the tax relief for innovative employees).

The consolidated **Net profit** of the CD PROJEKT RED segment for 2023 amounted to PLN 91 420 thousand and was PLN 22 055 thousand (19.4%) higher than in the comparative period.

GOG.COM segment

Table 5 Income statement of the GOG.COM segment (in PLN thousand)

| | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022* | change | change % |
|--|----------------------------|-----------------------------|---------------|---------------|
| Sales revenue | 84 522 | 88 751 | -4 229 | -4.8% |
| Sales of products | - | - | - | - |
| Sales of services | 439 | 136 | 303 | 222.8% |
| Sales of goods for resale and materials | 84 083 | 88 615 | -4 532 | -5.1% |
| Cost of sales of products, services, goods for resale and materials | 59 752 | 63 208 | -3 456 | -5.5% |
| Costs of products and services sold | 4 | 42 | -38 | -90.5% |
| Cost of goods for resale and materials sold | 59 748 | 63 166 | -3 418 | -5.4% |
| Gross profit/(loss) on sales | 24 770 | 25 543 | -773 | -3.0% |
| Selling expenses | 20 184 | 20 874 | -690 | -3.3% |
| Administrative expenses | 3 926 | 3 164 | 762 | 24.1% |
| Other operating income | 691 | 2 183 | -1 492 | -68.3% |
| Other operating expenses | 629 | 1 872 | -1 243 | -66.4% |
| (Impairment)/reversal of impairment of financial instruments | - | - | - | - |
| Operating profit/(loss) | 722 | 1 816 | -1 094 | -60.2% |
| Finance income | 782 | 4 444 | -3 662 | -82.4% |
| Finance costs | 1 577 | 5 694 | -4 117 | -72.3% |
| Profit/(loss) before tax | -73 | 566 | -639 | - |
| Income tax | 68 | 213 | -145 | -68.1% |
| Net profit/(loss) | -141 | 353 | -494 | - |

*restated data

The total **Sales revenue** of the GOG.COM segment comprises mainly **Sales of goods for resale and materials** related to the digital distribution of games from GOG.COM's external suppliers to final customers, carried out via the GOG.COM platform and the GOG GALAXY application.

Sales of goods for resale and materials for the first half of 2023 was 5.1% lower compared with the corresponding period of 2022. At the same time, a part of realized sales relating to pre-selling of the *Cyberpunk 2077* expansion *Phantom Liberty*, was classified as deferred income and will be recognized as sales of goods for resale and materials when the expansion has been released.

Moreover, during the reporting period, a number of first releases appeared on offer in the shop, such as new editions of the classical versions of *System Shock* and *Pharaoh: A New Era*, as well as *Warhammer 40,000: Dawn of War, Age of Wonders 4: Premium Edition* or *SpellForce: Conquest of Eo*. In the first half of 2023, seven titles from a very popular action game series *Yakuza*, created by a legendary Japanese company SEGA, were added to the GOG platform. The series is famous for its engaging storyline and unique combat mechanics, which have been winning the hearts of gamers for more than a decade.

In addition, starting from March 2022, in response to the invasion of Ukraine by the Russian armed forces, the Company continued its policy of not selling the games available on the platform in Russia and Belarus, which had a negative impact on the level of revenue earned year-on-year.

The **Cost of sales of goods for resale and materials**, which accompany sales directly, dropped compared with the comparative period in line with lower revenue.

In the period discussed, **Selling expenses** of the GOG.COM segment slightly decreased compared with 2022.

Among the Selling expenses shown in the GOG.COM segment, the following items have the most significant share:

- the remuneration of the team responsible for operating, development and promotion of the GOG.COM platform, as well as maintenance and further development of the GOG GALAXY application;
- transaction costs related to the processing of payments on the GOG.COM platform;
- the costs of the ICT infrastructure related to making sales;
- the costs of the marketing activities concerning the GOG.COM website and the GOG GALAXY application – in the analysed period, these were primarily the costs of a promotion related to the digital distribution of games on the GOG.COM platform;
- the amortization/depreciation expense, including the amortization of completed development projects.

The main components of the **Administrative expenses** of the GOG.COM segment are the remuneration of the administrative teams, fixed remuneration of the Company's Management Board, as well as the costs of other external services classified in this category. An increase in Administrative expenses in the period discussed compared with the comparative period by almost one fourth was mainly due to an increase in current costs associated with the functioning of the incentive plans (see information contained in section *Description and assessment of the factors and unusual events affecting the results of operations of the CD PROJEKT Group in the first half of 2023*) and one-off expenses relating to post-implementation analyses associated with the planned optimization and expansion of the systems supporting financial processes.

In the first half of 2023, the GOG.COM segment showed an excess of **Finance costs** over **Finance income**. This is primarily an excess of foreign exchange losses over foreign exchange gains. The increase in foreign exchange losses in the GOG.COM segment is mainly the result of the translation of liabilities to suppliers as at the balance sheet date.

The **Income tax** for the first half of the current year consisted mainly of the change in deferred tax.

The **Net loss** of the GOG.COM segment in the first half of 2023 amounted to PLN 141 thousand compared with a Net profit of PLN 353 thousand in the comparative period.

Table 6 Net profitability ratio – Alternative Performance Measure

| | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022 | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022 | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | GRUPA CD PROJEKT | | Segment CD PROJEKT RED | | Segment GOG.COM | |
| Net profitability (Net profit/Sales revenue) | 28.1% | 30.1% | 37.4% | 38.4% | -0.2% | 0.4% |

The Net profitability ratio presents additional information, indicating what part of Sales revenue remains in the enterprise in the form of a Net profit after covering all the costs and tax charges shown in the Income statement. An increase in the value of this ratio means an increase in the effectiveness of the activities carried out, related to the level of the Sales revenue earned. The ratio used is a standard and commonly used measure in financial analysis, and its usefulness was analysed in terms of the information provided to investors on the effectiveness of the activities of the CD PROJEKT Group and its segments.

In the first half of 2023, the Group's Net profitability ratio was 28.1%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CD PROJEKT GROUP

Table 7 Consolidated statement of financial position of the CD PROJEKT Group (in PLN thousand)

| | 30.06.2023 | 31.12.2022 | change | change % |
|--|------------------|------------------|-----------------|---------------|
| NON-CURRENT ASSETS | 1 296 676 | 1 119 978 | 176 698 | 15.8% |
| Property, plant and equipment | 161 009 | 145 252 | 15 757 | 10.8% |
| Intangible assets | 69 785 | 69 157 | 628 | 0.9% |
| Expenditure on development projects | 596 575 | 473 202 | 123 373 | 26.1% |
| Investment properties | 37 429 | 42 560 | -5 131 | -12.1% |
| Goodwill | 56 438 | 56 438 | 0 | 0.0% |
| Shares in non-consolidated subordinated entities | 43 477 | 41 607 | 1 870 | 4.5% |
| Prepayments and deferred costs | 42 727 | 31 074 | 11 653 | 37.5% |
| Other financial assets | 242 203 | 207 437 | 34 766 | 16.8% |
| Deferred tax assets | 46 658 | 52 862 | -6 204 | -11.7% |
| Other receivables | 375 | 389 | -14 | -3.6% |
| CURRENT ASSETS | 883 921 | 1 154 146 | -270 225 | -23.4% |
| Inventories | 8 118 | 12 701 | -4 583 | -36.1% |
| Trade receivables | 83 557 | 165 290 | -81 733 | -49.4% |
| Current income tax receivable | 12 356 | 1 458 | 10 898 | 747.5% |
| Other receivables | 42 359 | 57 139 | -14 780 | -25.9% |
| Prepayments and deferred costs | 21 494 | 22 886 | -1 392 | -6.1% |
| Other financial assets | 249 576 | 279 515 | -29 939 | -10.7% |
| Bank deposits over 3 months | 317 125 | 337 330 | -20 205 | -6.0% |
| Cash and cash equivalents | 149 336 | 277 827 | -128 491 | -46.2% |
| TOTAL ASSETS | 2 180 597 | 2 274 124 | -93 527 | -4.1% |

| | 30.06.2023 | 31.12.2022 | change | change % |
|---|------------------|------------------|----------------|---------------|
| EQUITY | 2 033 797 | 2 033 404 | 393 | 0.0% |
| Share capital | 99 911 | 100 771 | -860 | -0.9% |
| Supplementary capital | 1 714 604 | 1 567 325 | 147 279 | 9.4% |
| Share premium | 116 700 | 116 700 | 0 | 0.0% |
| Treasury shares | - | -99 993 | -99 993 | - |
| Other reserves | 12 984 | 2 255 | 10 729 | 475.8% |
| Foreign exchange differences on translation | 208 | 1 904 | -1 696 | -89.1% |
| Retained earnings (Accumulated losses) | -1 881 | -2 651 | 770 | -29.0% |
| Net profit (loss) for the period | 91 271 | 347 093 | -255 822 | -73.7% |
| NON-CURRENT LIABILITIES | 30 041 | 36 186 | -6 145 | -17.0% |
| Other financial liabilities | 18 206 | 18 883 | -677 | -3.6% |
| Other liabilities | 2 500 | 2 620 | -120 | -4.6% |
| Deferred tax provision | 46 | 50 | -4 | -8.0% |
| Deferred income | 2 753 | 3 669 | -916 | -25.0% |
| Provision for retirement and similar benefits | 366 | 366 | 0 | 0.0% |
| Other provisions | 6 170 | 10 598 | -4 428 | -41.8% |
| CURRENT LIABILITIES | 116 759 | 204 534 | -87 775 | -42.9% |
| Other financial liabilities | 8 478 | 9 578 | -1 100 | -11.5% |
| Trade payables | 49 870 | 72 119 | -22 249 | -30.9% |
| Current income tax liabilities | - | 2 116 | 2 116 | - |
| Other liabilities | 10 760 | 10 244 | 516 | 5.0% |
| Deferred income | 25 611 | 22 425 | 3 186 | 14.2% |
| Provision for retirement and similar benefits | 10 | 10 | 0 | 0.0% |
| Other provisions | 22 030 | 88 042 | -66 012 | -75.0% |
| TOTAL LIABILITIES AND EQUITY | 2 180 597 | 2 274 124 | -93 527 | -4.1% |

DISCUSSION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CD PROJEKT GROUP

Assets

The item **Expenditure on development projects**, in which the Group recognizes expenditure on the development of new products and technologies, incurred and deferred, had the largest share in the value of the Group's **Non-current assets** as at the end of the first half of 2023, as well as the greatest impact on the increase in the balance thereof. An increase in the item discussed in the period discussed is mainly due to expenditure incurred by the CD PROJEKT RED segment on the production of future games (*Cyberpunk 2077: Phantom Liberty*, *Polaris* and *Sirius*) in the amount higher than the depreciation of the productions completed.

The balance of **Property, plant and equipment** consists primarily of:

- the value of the real estate complex at ul. Jagiellońska 74 and 76, the recognized part thereof being the part to be used by CD PROJEKT S.A. for its own purposes;
- plant and machinery, where the Group recognizes, among other things, computers, servers and other electronic devices used in its activities;
- assets in respect of the right of use of leased office space (with the adequate value of Other financial liabilities in respect of concluded contracts on the lease of space being recognized on the Equity and liabilities side at the same time).

An increase in Property, plant and equipment in the period discussed was mainly due to expenditure on network infrastructure and workstations for developers (plant and machinery), expenditure on construction work at the CD PROJEKT campus in Warsaw (assets under construction) and reclassification of a part of investment properties to real properties intended for own use (buildings and structures).

The most significant items recognized in **Intangible assets** are mainly the value of the CD PROJEKT corporate brand and the *The Witcher* trademark, as well as the value of the copyright and computer software held by the Group. The value of the item did not change materially in 2023.

The CD PROJEKT Group's **Goodwill** is composed of amounts resulting from accounting for the merger of the parent company with the CDP Investment Group on 30 April 2010 and accounting for the acquisition of a development studio located in Wrocław by CD PROJEKT S.A. from Strange New Things sp. z o.o. sp. k. on 18 May 2018. The Goodwill reported did not change over the discussed period.

The balance of **Investment properties** consists of the values of the properties at ul. Jagiellońska 74 and ul. Jagiellońska 76, the parts thereof classified as earmarked for lease (both to related entities and external lessees). A decrease in this item is due to reclassification of a part of the buildings to those intended for own use, and to depreciation.

The value of **Shares in non-consolidated subordinated entities** 2022 comprised the equity of Spokko Sp. z o.o., The Molasses Flood LLC in Boston, CD PROJEKT RED Vancouver Studio Ltd.

As at the end of the first half of 2023, **Inventories** comprised mainly of ready-made physical sets and elements of physical sets of the editions of games of own production intended for external distributors and franchise goods for resale relating to CD PROJEKT RED's brands, and a decrease in inventories is due to the completion

of current orders and to extinguishing the operation of the mail-order shop CD PROJEKT RED GEAR and changing the mode of its functioning.

The consolidated balance of **Trade receivables** decreased in the period discussed mainly due to the inflow of royalties obtained in the CD PROJEKT RED segment in the fourth quarter of 2022.

A decrease in the Group's **Other receivables** as at the end of June 2023 is primarily the result of a decrease in receivables in respect of the withholding tax deducted by the foreign recipients of the licences granted by the CD PROJEKT RED segment. Moreover, as at the end of June 2023 the Group companies recognize settlements in respect of VAT and advances to suppliers and security deposits in the discussed item.

The consolidated value of the short-term and long-term **Prepayments and deferred costs** recognized as at the end of the analysed period was mainly affected by the amount of the so-called minimum guarantees, i.e. advances and prepayments made by GOG.COM to its suppliers towards fees for the distribution of games offered on the GOG.COM platform, not recognized in the income statement by the balance sheet date. The increase in the discussed item is mainly due to the conclusion of new contracts by GOG.COM for subsequent products which will join the list of games available on GOG.COM. In addition, the item includes, among others, deferred fees for software, licences and rights and prepayment related to marketing activities.

Current and non-current **Other financial assets** as at 30 June 2023 comprise:

- the value of domestic and foreign Treasury bonds purchased by CD PROJEKT S.A. as part of the diversification of credit risk, including the measurement of derivative financial instruments securing the value of bonds in foreign currencies;
- the value of loans granted to non-consolidated related entities, where an increase in the balance is due to granting the financing for refurbishment of and equipment for an office to The Molasses Flood LLC;
- the value of investment in private equity funds.

The total value of financial reserves in the form of **Cash and cash equivalents, Bank deposits over 3 months** and liquid financial assets in the form of purchased Treasury bonds (recognized in total in current and non-current Other financial assets) held by the Group as at 30.06.2023 amounted to PLN 930 657 thousand, i.e. PLN 160 348 thousand less than the balance as at the end of 2022.

Non-current assets accounted for 59.5%, and Current assets – 40.5% of the total assets of the CD PROJEKT Group as at 30 June 2023.

Equity and liabilities

As at 30 June 2023, the value of the **Equity** of the CD PROJEKT Group was comparable with the balance as at the end of 2022. A decrease in the balance resulting from the payment of dividend for 2022 was offset by the net profit for the current period and an increase in equity resulting from accounting for the costs of incentive plans during the reporting period.

In current and non-current **Other financial liabilities**, the Group recognizes liabilities in respect of the perpetual usufruct of land at the Jagiellońska 74 and Jagiellońska 76 complexes in Warsaw and liabilities in respect of payment of a part of the purchase price of the shares in The Molasses Flood with a deferred payment term.

In the first half of 2023, the value of the Group's **Current liabilities** decreased significantly, mainly in items **Other provisions** and **Trade payables**.

The balance of the Group's **Trade payables** as at the end of the first half of 2023 comprised mainly trade payables of the GOG.COM segment in respect of the so-called minimum guarantees concerning the new titles of the GOG.COM platform, contracted in the reporting period. However, a decrease in the balance of the item discussed is due to a decrease in trade payables in the CD PROJEKT RED segment.

Other liabilities include mainly the Group's tax liabilities (VAT, PIT, withholding tax) and social security payables.

In **Deferred income** (current and non-current) as at the end of June 2023, the Group's segments recognized mainly:

- CD PROJEKT RED - prepayments received or due in respect of royalties related to pre-sale and sale in future periods, including the so-called minimum guarantees from publishers and distribution partners;
- GOG.COM – the value of pre-orders for games with a release date in future periods, placed by customers;
- GOG.COM – deferred income settlements with the Company's customers (including the Store credit and Wallet granted);
- CD PROJEKT RED and GOG.COM – deferred income concerning subsidies.

An increase in the balance of Deferred income compared with the end of 2022 is mainly due to starting, on 12 June 2023, to accept early orders for the *Phantom Liberty* expansion of *Cyberpunk 2077* which is planned to be released in September 2023.

A decrease in the balance of **Other provisions** (current and non-current) of the CD PROJEKT Group concerned mainly the CD PROJEKT RED segment, where:

- the balance of provisions for performance-based remuneration decreased due to the payment of bonuses for 2022 in the current period, combined with the introduction in the current year of a change to the remuneration policy of CD PROJEKT RED which reduced the performance-based bonus in favour of fixed remuneration and the introduction of share-based incentive plans;
- there was an excess of provision for other costs utilized over the balance of newly created provisions.

In the Equity and liabilities of the CD PROJEKT Group as at 30 June 2023, Equity represented 93.3%, whereas Current and Non-current liabilities represented 6.7%.

The consolidated statement of financial position by business segment of the Group is contained in the *Interim condensed consolidated financial statements of the CD PROJEKT Group for the period from 1 January to 30 June 2023*.

DESCRIPTION OF THE STRUCTURE OF ASSETS AND EQUITY & LIABILITIES OF THE CONSOLIDATED BALANCE SHEET, INCLUDING FROM THE PERSPECTIVE OF LIQUIDITY

As at the end of the first half of 2023, the CD PROJEKT Group had assets with a carrying amount of PLN 2 180 597 thousand. Within these assets, liquid financial reserves maintained in bank accounts, in the form of bank deposits and government Treasury bonds (foreign and domestic) amounted to PLN 930 657 thousand and represented 42.7% of total assets. Assets with limited liquidity (Property, plant and equipment, Expenditure on development projects, Investment properties and Shares in non-consolidated subordinated entities) totalling PLN 838 490 thousand represented 38.5% of total assets. As at 30 June 2023, the total of Trade receivables, Other current receivables and Inventories amounted to PLN 134 034 thousand, whereas the total value of current and non-current liabilities amounted to PLN 146 800 thousand. As at the end of the first half of 2023, the Group did not have any external liabilities in respect of loans or borrowings.

The accumulated cash and cash equivalents, deposits and Treasury bonds ensure the Group's high liquidity and may be used to secure the financing of the Group's further development, including the financing of the development of future products and technologies, promotional support for scheduled premières, securing future investment opportunities and ensuring provisions for possible unplanned situations or emerging opportunities.

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CD PROJEKT GROUP

Table 8 Consolidated statement of cash flows of the CD PROJEKT Group (in PLN thousand)

| | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022 |
|--|----------------------------|----------------------------|
| OPERATING ACTIVITIES | | |
| Net profit/(loss) | 91 271 | 113 746 |
| Total adjustments: | 21 148 | 23 992 |
| Depreciation and amortization of property, plant and equipment, intangible assets, expenditure on development projects and investment properties | 6 611 | 7 346 |
| Amortization of development projects recognized as cost of goods sold | 43 213 | 36 215 |
| Foreign exchange (gains)/losses | 18 842 | (4 855) |
| Interest and participation in profits | (25 225) | (17 553) |
| (Gains)/losses on investing activities | (43 042) | 1 486 |
| Increase/(Decrease) in provisions | (49 904) | (50 187) |
| (Increase)/Decrease in inventories | 4 583 | 750 |
| (Increase)/Decrease in receivables | 78 922 | 72 643 |
| Increase/(Decrease) in liabilities, excluding loans and borrowings | (15 429) | 7 523 |
| Change in other assets and liabilities | (8 112) | (34 673) |
| Other adjustments | 10 689 | 5 297 |
| Cash from operating activities | 112 491 | 137 738 |
| Income tax expense | 13 496 | 15 236 |
| Withholding tax paid abroad | 15 960 | 24 634 |
| Income tax (paid)/refunded | (20 276) | (34 952) |
| Net cash from operating activities | 121 599 | 142 656 |
| INVESTING ACTIVITIES | | |
| Inflows | 420 885 | 461 761 |
| Sale of intangible assets and property, plant and equipment | 514 | 14 |
| Repayment of loans granted | - | 11 910 |
| Expiry of bank deposits over 3 months | 329 970 | 265 000 |
| Redemption of bonds | 56 411 | 173 090 |
| Interest on bonds | 6 479 | 2 102 |
| Interest received on deposits | 17 195 | 9 018 |
| Inflows from execution of forward contracts | 10 273 | - |
| Other cash inflows from investing activities | 43 | 627 |

| | 01.01.2023 – 30.06.2023 | 01.01.2022 – 30.06.2022 |
|--|----------------------------|----------------------------|
| Outflows | 569 258 | 328 833 |
| Acquisition of intangible assets and property, plant and equipment | 29 696 | 25 621 |
| Expenditure on development projects | 162 616 | 89 710 |
| Expenditure on intangible assets | 380 | - |
| Acquisition of investment properties and capitalization of expenditure | 98 | 145 |
| Loans granted | 4 215 | 3 400 |
| Purchase of shares in a subsidiary | 3 515 | - |
| Contribution to the capital of a subsidiary | - | 26 010 |
| Purchase of bonds and cost of their purchase | 58 973 | 168 120 |
| Placement of bank deposits over 3 months | 309 765 | - |
| Outflows from execution of forward contracts | - | 15 763 |
| Other outflows on investing activities | - | 64 |
| Net cash from investing activities | (148 373) | 132 928 |
| FINANCING ACTIVITIES | | |
| Inflows | 29 | 20 |
| Payment of finance lease liabilities | 28 | 20 |
| Interest paid | 1 | - |
| Outflows | 101 746 | 2 161 |
| Dividends and other distributions to shareholders | 99 911 | - |
| Payment of lease liabilities | 1 441 | 1 894 |
| Interest paid | 394 | 267 |
| Net cash used in financing activities | (101 717) | (2 141) |
| Net increase/(decrease) in cash and cash equivalents | (128 491) | 273 443 |
| Change in cash and cash equivalents in the balance sheet | (128 491) | 273 443 |
| Cash and cash equivalents as at the beginning of the period | 277 827 | 411 586 |
| Cash and cash equivalents as at the end of the period | 149 336 | 685 029 |

DISCUSSION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CD PROJEKT GROUP

Under **Operating activities** in the first half of 2023, the CD PROJEKT Group showed net cash inflows of PLN 121 457 thousand, i.e. PLN 21 199 thousand less than in the comparative period.

The consolidated net profit was adjusted for:

- I. Non-cash items (a decrease in total):
 - **Depreciation/Amortization**, mainly of Property, plant and equipment and Intangible assets;
 - **Amortization of development projects, recognized as the cost of sales**, corresponding primarily to the amortization of expenditure on development projects related to *Cyberpunk 2077* together with the edition of *The Witcher 3* for new generation consoles, Xbox Series XIS and Playstation 5;
 - **Foreign exchange gains (losses)**, an increase resulting mainly from the translation of foreign Treasury bonds;
 - **Gains/(Losses) on investing activities**, a decrease resulting from transactions with bonds and derivative financial instruments, and a reversal of a write-down of the *Sirius* project asset.
 - **Increase/(decrease) in provisions**, a decrease resulting mainly from the payment of performance-based remuneration for 2022 in the reporting period;
 - **Other adjustments**, an increase resulting mainly from the elimination of accounting for the costs of the incentive plan and adjustments to the amortization/depreciation recognized in the cost of sales and operating expenses.
- II. Items related to changes in current assets and short-term liabilities (an increase in total):
 - **(Increase)/decrease in inventories**, an increase in the balance of cash flows as a result of a drop in inventories;
 - **(Increase)/decrease in receivables**, an increase in the balance of cash flows resulting primarily from a decrease in the balance of receivables as at the end of the first half of 2023 in the CD PROJEKT RED segment, related to the inflow of royalties reported for the fourth quarter of 2022;
 - **Increase/(decrease) in liabilities, excluding loans and borrowings**, a decrease in the balance of cash flows in consequence of a decrease in the balance of the Group's liabilities;
 - **Change in other assets and liabilities**, a decrease in the balance of cash flows resulting mainly from an increase in the balance of the so-called minimum guarantees contracted during the reporting period by GOG.COM;
- III. Item recognized in other sections of the statement of cash flows – **Interest and shares in profits**, resulting in a decrease in the cash flows shown under operating activities;
- IV. Difference between the corporate income tax recognized in the income statement (an increase) and the tax actually paid during the first half of 2023, taking into account settlements related to withholding tax.

After excluding operations relating to inflows from maturing bank deposits and Treasury bonds and outflows relating to placement of new bank deposits and purchase of new Treasury bonds, outflows relating to investment in assets, primarily in **Expenditure on development projects** (i.e. work on the new games) and in **Property, plant and equipment** had the largest effect on the negative balance of **Net cash flows from investing activities** in the first half of 2023.

Negative **Net cash from financing activities** of the CD PROJEKT Group in the first half of 2023 were mainly due to the payment of dividend (PLN 99 911 thousand) for 2022.

In total, in the first half of 2023, by investing, among other things, PLN 162 616 thousand in **Expenditure on development projects** and by paying the dividend of PLN 99 911 thousand for 2022 to shareholders, the CD PROJEKT Group generated negative **Net cash flows** of PLN 128 491 thousand.

INFORMATION ON LOANS AND BORROWINGS IN THE FIRST HALF OF 2023

In the reporting period, the CD PROJEKT Group did not have any external liabilities in respect of loans or borrowings.

INFORMATION ON LOANS GRANTED IN THE FIRST HALF OF 2023

In the reporting period, none of the CD PROJEKT Group companies granted any loans to non-Group entities. As at 30 June 2023, the debt resulting from a loan granted to The Molasses Flood LLC by CD PROJEKT S.A. amounted to USD 1 150 thousand.

INFORMATION ON SURETIES AND GUARANTEES GRANTED IN THE FIRST HALF OF 2023 AND OTHER MATERIAL OFF-BALANCE-SHEET ITEMS

Information on sureties and guarantees and other material off-balance-sheet items is presented in the Interim condensed consolidated financial statements of the CD PROJEKT Group for the period from 1 January to 30 June 2023.

TRANSACTIONS WITH RELATED ENTITIES

Within the activities of the CD PROJEKT Group in the first half of 2023, there were mainly the following types of transactions between related entities:

- sale of licences between CD PROJEKT S.A. and GOG sp. z o.o., The Molasses Flood LLC, as part of the activities carried out by the individual entities;
- provision of services such as: accounting, human resources and payroll management, legal, financial, administrative and management services rendered mainly by CD PROJEKT S.A. to related entities;
- lease of office space by CD PROJEKT S.A. to GOG sp. z o.o., Spokko sp. z o.o. and CD PROJEKT RED STORE sp. z o.o.;
- sale of CD PROJEKT Inc.'s services to CD PROJEKT S.A. related to the coordination of publishing and promotional activities in North America;
- settlements relating to the loan granted to The Molasses Flood LLC by CD PROJEKT S.A.;
- taking up shares in an increased share capital of CD PROJEKT Inc. by CD PROJEKT in order to capitalize the subsidiary;
- other immaterial ones, arising from current operating activities, e.g. re invoicing jointly incurred costs.

Transactions between related entities are concluded on an arm's length basis as part of the normal business activities carried out by the CD PROJEKT Group entities. Detailed information about the terms and conditions of transactions between related entities is contained in the Interim condensed consolidated financial statements of the CD PROJEKT Group for the period from 1 January to 30 June 2023.

EXPLANATION OF THE DIFFERENCES BETWEEN THE FINANCIAL RESULTS SHOWN IN THE SEMI-ANNUAL REPORT AND THE PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR

The CD PROJEKT Group has not published any financial forecasts for 2023, therefore, no explanations are given for the differences between the financial results shown in the report.

DESCRIPTION OF THE UTILIZATION OF ISSUE PROCEEDS BY THE COMPANY BY THE DATE OF PUBLICATION OF THE REPORT

In the period from 1 January to 30 June 2023, the Company did not issue any new shares.



04

CORPORATE GOVERNANCE

Entity contracted to audit financial statements

On 9 March 2022 the Supervisory Board of CD PROJEKT S.A., acting on advice of the Audit Committee of the Company's Supervisory Board recommending extension of the Company's contract with its licensed auditor, decided to select Grant Thornton Polska sp. z o.o. sp. k. (now operating as Grant Thornton Polska PSA) with a registered office in Poznań as the entity contracted to conduct an audit and review of the separate and consolidated financial statements of the Company for 2022 and 2023.

Grant Thornton Polska PSA has also been contracted to audit the financial statement of GOG sp. z o.o., CD PROJEKT RED STORE sp. z o.o. and Spokko sp. z o. o.

Shareholders controlling at least 5% of the vote at the General Meeting

The Company's share capital amounts to 99 910 510 PLN, divided into 99 910 510 shares with a nominal value of 1 PLN per share. The shareholding structure is determined on the basis of formal notices issued by shareholders who control at least 5% of the total number of votes at the General Meeting of Shareholders.

Table 9 Shareholders controlling at least 5% of the vote at the General Meeting as of the publication date of this report

| | Number of shares | % share in share capital | Number of votes at the GM | % of total number of votes at the GM |
|-------------------|------------------|--------------------------|---------------------------|--------------------------------------|
| Marcin Iwiński | 12 873 520 | 12.89% | 12 873 520 | 12.89% |
| Michał Kiciński* | 10 433 719 | 10.44% | 10 433 719 | 10.44% |
| Piotr Nielubowicz | 6 858 717 | 6.86% | 6 858 717 | 6.86% |

* As disclosed in the most recent declaration received by the Company – see [Current report no. 33/2021](#) of 26 May 2021.

Agreements which may result in changes in the proportions of shares held by shareholders and bondholders

INCENTIVE PROGRAM COVERING THE YEARS 2020–2025

Pursuant to General Meeting adopted on 28 July 2020 and 22 September 2020, a third edition of the Company incentive program, covering the years 2020–2025, was formally instituted. In line with the adopted stipulations, a total of 4 000 000 entitlements were to be granted under the program, defined as the conditional right to take up subscription warrants incorporating the right to take up Company shares issued in the framework of a conditional increase in the Company share capital, or, alternatively, to take advantage of an offer, extended to entitled parties, to purchase Company shares which will have previously been bought back by the Company on the open market. Acquisition and exercise of subscription warrants or the purchase of the parent Company's own shares by the entitled parties, as appropriate, was conditioned upon attaining certain goals and criteria defined under the program. These included earnings goals (80% of entitlements), market goals (20% of entitlements), individual goals (in selected cases) as well as – in all circumstances – fulfillment of a loyalty criterion up until the day the attainment of the program's goals and criteria is declared.

Further information regarding the incentive program for 2020–2025 can be found in the [Management Board report on CD PROJEKT Group activities in 2021](#).

Based on the earnings posted while the program was in force, along with projections covering subsequent years covered by the program, the Management Board performed an analysis of the likelihood of meeting earnings goals defined for the full duration of the program, and thereafter revised its assessment, declaring that the goals of the program were unlikely to be fulfilled in the corresponding period.

On 20 December 2022 the General Meeting of the Company adopted resolution no. 5, canceling the implementation of the 2020–2025 incentive program. Given, however, that the entry into force of that resolution was dependent on adoption of other resolutions instituting a new incentive program, the resolution concerning cancelation of the 2020–2025 incentive program ultimately entered into force on 18 April 2023, with the effect of fully canceling the program.

No new entitlements under the 2020–2025 Incentive Program were assigned during the reporting period. On 18 April 2023 there were 2 113 000 outstanding entitlements previously assigned under that program. In line with the Terms and Conditions of the 2020–2025 incentive program, cancelation of the program also entails cancelation of all entitlements assigned to entitled parties in its scope.

Incentive programs for 2023–2027

On 18 April 2023 the General Meeting of Company voted to institute two new incentive programs for the financial years 2023–2027 replacing the 2020–2025 incentive program: Incentive Program A and Incentive Program B respectively.

Incentive Program A

Incentive Program A is aimed at persons who are not members of the Company's Management Board. According to the adopted provisions, entitlements will be assigned under this program in each financial year belonging to the 2023–2027 period (i.e. in five stages). The total number of entitlements assigned under Incentive Program A may not exceed 1,500,000. Entitlements shall vest either by (i) extending an offer to participants to claim subscription warrants which incorporate the right to take up the equivalent number of shares issued in the framework of a conditional increase in the Company share capital, or (ii) extending an offer to participants to purchase from the Company a certain number of own shares which the Company will have previously acquired in the framework of a buy-back program instituted specifically for this purpose. The take-up and exercise of subscription warrants or purchase of own shares from the Company, as appropriate, will require participants to fulfill the loyalty condition, which is defined as the existence of a legal relationship between the participant of Incentive Program A and the Company or an affiliate thereof. The share take-up or purchase price in the exercise of entitlements assigned under Incentive Program A will be equivalent to the nominal price of Company shares. The vesting period is 3 years.

As of the publication date of this report a total of 100 444 entitlements have been assigned, 97 261 of which remain outstanding.

Incentive Program B

Incentive Program B is aimed at persons who are members of the Company's Management Board as well as at persons who are not. According to the adopted provisions, entitlements will be assigned under this program in each financial year belonging to the 2023–2027 period (i.e. in five stages). The total number of entitlements assigned under Incentive Program B may not exceed 3,500,000. Entitlements shall vest either by (i) extending an offer to participants to claim subscription warrants which incorporate the right to take up the equivalent number of shares issued in the framework of a conditional increase in the Company share capital, or (ii) extending an offer to participants to purchase from the Company a certain number of own shares which the Company will have previously acquired in the framework of a buy-back program instituted specifically for this purpose. The take-up and exercise of subscription warrants or purchase of own shares from the Company, as appropriate, will depend on confirmation by the Company of the fulfillment of the earnings condition (for 70% of entitlements), the market condition (for 30% of entitlements), certain individual conditions applied on a case-by-case basis, as well as – in all cases – the loyalty condition, which is defined as the existence of a legal relationship between the participant of Incentive Program B and the Company or an affiliate thereof. The base share take-up or purchase price in the exercise of entitlements assigned under Incentive Program B will be equivalent to the closing price of Company stock on the last trading day preceding the adoption of a resolution enrolling the given participant in the program. The program provides for a potential reduction in the take-up or purchase price coupled with a proportional reduction in the number of entitlements exercisable by the given participant. The base vesting period is equivalent to four consecutive financial years beginning with the year during which the given stage of the program began (with an option to shorten the vesting period to 3 years for entitlements linked to the earnings condition, should the four-year earnings target be met within the corresponding three-year period).

As of the publication date of this report a total of 662 000 entitlements have been assigned under Incentive Program B, 662 000 of which remain outstanding.

Earnings condition – applicable to 70% of entitlements assigned during each stage of Incentive Program B

The earnings condition is considered fulfilled if, during the given vesting period, the CD PROJEKT Group posts sufficient earnings, which are defined as the consolidated net profit from continuing activities aggregated with the costs of estimating entitlements assigned during the given stage of Incentive Program B as entered in the accounting records of CD PROJEKT Group member entities.

For entitlements assigned during the first stage of Incentive Program B (in the financial year 2023) the earnings condition for the years 2023–2026 is 2 billion PLN.

For each subsequent stage of Incentive Program B, associated with the financial years 2024, 2025, 2026 and 2027 respectively, the corresponding four-year earnings condition will, in each case, be determined by the General Meeting in the form of a resolution.

Market condition – applicable to 30% of entitlements assigned during each stage of Incentive Program B

The market condition is defined as a change in the price of Company stock on the Warsaw Stock Exchange in such a way that the percentage difference between the closing price of Company stock on the final trading session of the final year subject to verification in the context of the above-mentioned earnings condition compared to the closing price of Company stock on the final trading session of the year preceding the year covered by the given stage of Incentive Program B is equal to or greater than the corresponding percentage change in the value of the WIG index increased by 10 percentage points over the same period.

Information regarding the control system of employee share programs

The share-based incentive programs in force as of the publication date of this report, i.e. Incentive Program A and Incentive Program B for the years 2023–2027 were introduced by the General Meeting of the Company on 18 April 2023. Detailed regulations applicable to these programs were adopted by the Management Board of the Company on 21 May 2023 and subsequently approved by the Supervisory Board on 23 May 2023. The full wording of these regulations is available on the [Company's corporate website](#).

Implementation of both programs is overseen by the Supervisory Board and the Management Board of CD PROJEKT S.A.

Disclosure of the purchase of own shares

The Company did not purchase any own shares during the reporting period.

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

Table 10 Shares held by members of the Management Board and Supervisory Board of the Company*

| Name | Position | as of 30.08.2023 | as of 30.06.2023 | as of 31.12.2022 |
|--------------------|---|------------------|------------------|------------------|
| Adam Kiciński | President of the Board | 4 046 001 | 4 046 001 | 4 046 001 |
| Piotr Nielubowicz | Vice President of the Board | 6 858 717 | 6 858 717 | 6 858 717 |
| Adam Badowski | Board Member | 692 640 | 692 640 | 692 640 |
| Michał Nowakowski | Board Member | 530 290 | 530 290 | 530 290 |
| Piotr Karwowski | Board Member | 108 728 | 108 728 | 108 728 |
| Paweł Zawodny | Board Member | 18 508 | 18 508 | 18 508 |
| Marcin Iwiński | Chairperson of the Supervisory Board | 12 873 520 | 12 873 520 | 12 873 520 |
| Katarzyna Szwarc | Deputy Chairperson of the Supervisory Board | 10 | 10 | 10 |
| Maciej Nielubowicz | Supervisory Board Member | 51 | 51 | 51 |

* based on declarations and notifications filed with the Company.

Persons discharging managerial and executive responsibilities at CD PROJEKT S.A. do not directly hold any shares of entities affiliated with CD PROJEKT S.A.

Management structure

Pursuant to domestic regulations expressed in the Commercial Companies Code, in addition to the General Meeting of Shareholders, the Company's corporate bodies include the Management Board and the Supervisory Board.

Composition of the Management Board of CD PROJEKT S.A.



Adam Kiciński – President of the Board

Oversees formulation of the Company's and its Capital Group's business strategies and supports their practical implementation. Coordinates Company activities in the scope of investor relations.



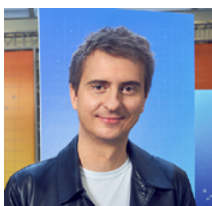
Piotr Nielubowicz – Vice President of the Board; Chief Financial Officer

Coordinates the Company's financial and accounting branches; ensures that the Company meets its financial reporting obligations. Participates in investor relations.



Adam Badowski – Board Member

Heads the CD PROJEKT RED development studio which is owned by the Company. Co-develops the conceptual framework and artistic vision of projects carried out at CD PROJEKT RED.



Michał Nowakowski – Board Member

Co-develops and coordinates the Company's global publishing activities. Oversees formulation and implementation of the Company's sales policies.



Piotr Karwowski – Board Member

Supervises the Group's activities related to online games and services, as well as cyber-security. Also responsible for the activities and development of the GOG.COM.



Paweł Zawodny – Board Member

Serves as Chief Technology Officer (CTO) and head of production at CD PROJEKT RED. Oversees the technological and organizational transformation of CD PROJEKT RED.

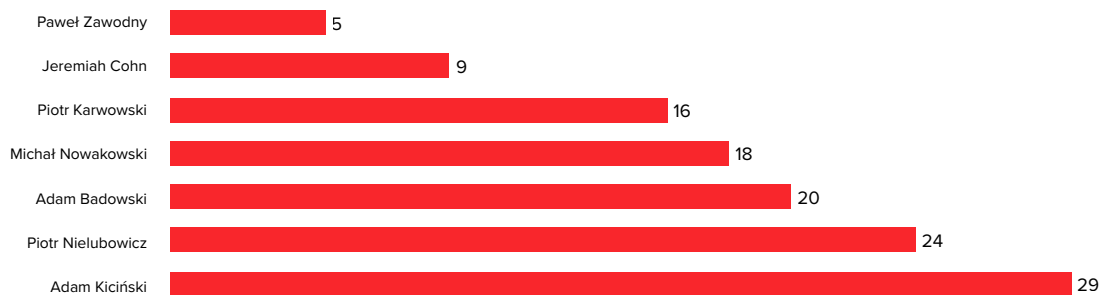


Jeremiah Cohn – Board Member

Responsible for overseeing the marketing and communication departments as Chief Marketing Officer (CMO). Also manages the newly established franchise development team.

Management Board members represent the Company and its Management Board. Management Board members cooperate with one another, share information regarding important matters affecting the Company, jointly manage the Company and jointly bear the associated responsibility. The Management Board formulates the Company's strategies, develops its financial plans and manages the Company in such a way as to ensure implementation of these strategies and plans.

Chart 8 Tenure of incumbent members of the Management Board as employees at the Group's member companies (in years)



Changes in the composition of the Management Board of CD PROJEKT S.A.

On 4 October 2022 the Company received a notice of resignation of Marcin Iwiński from his duties as Vice President of the Management Board for International Affairs and Member of the Management Board, effective at end of day on 31 December 2022. Concurrently, Mr. Iwiński also notified the Company of his intent to seek appointment as Chairperson of the Supervisory Board of the Company starting on the day immediately following expiration of his membership of the Management Board. On 20 December 2022 the Extraordinary General Meeting of the Company appointed Marcin Iwiński to the Supervisory Board for its current term of office, effective on 1 January 2023. On the same day the Supervisory Board of the Company decided to appoint Marcin Iwiński as Chairperson of the Supervisory Board for its current term of office, effective on 1 January 2023. Consequently, since 1 January 2023 the Management Board of the Company has consisted of seven person, as listed above in the section titled *Composition of the Management Board of CD PROJEKT S.A.*

Composition of the Supervisory Board of CD PROJEKT S.A.

The incumbent members of the Supervisory Board of CD PROJEKT S.A. are as follows:

- **Marcin Iwiński** – Chairperson of the Supervisory Board
- **Katarzyna Szwarc** – Deputy Chairperson of the Supervisory Board
- **Maciej Nielubowicz** – Secretary of the Supervisory Board; Member of the Audit Committee
- **Michał Bień** – Supervisory Board Member; Member and Chairperson of the Audit Committee meeting independence criteria
- **Jan Łukasz Wejchert** – Supervisory Board Member; Member of the Audit Committee meeting independence criteria

Changes in the composition of the Supervisory Board of CD PROJEKT S.A.

On 20 December 2022 the Extraordinary General Meeting of the Company appointed Marcin Iwiński to the Supervisory Board for its current term of office, effective on 1 January 2023.

On the same day the Supervisory Board adopted a resolution which: (i) dismissed Ms. Katarzyna Szwarc from her duties as Chairperson of the Supervisory Board for its current term, effective on 1 January 2023; (ii) appointed Mr. Marcin Iwiński as Chairperson of the Supervisory Board for its current term of office, effective on 1 January 2023; (iii) appointed Ms. Katarzyna Szwarc as Deputy Chairperson of the Supervisory Board for its current term of office, effective on 1 January 2023.

Moreover, in light of the above-mentioned changes in its composition, the Supervisory Board decided that starting on 1 January 2023 the composition of the Audit Committee for the current term of office of the Supervisory Board would be as follows:

- i) **Michał Bień** – Chairperson of the Audit Committee meeting independence criteria specified in Art. 129 section 3 of the Act on Licensed Auditors, Audit Firms and Public Supervision; Member of the Audit Committee meeting criteria specified in Art. 129 section 5 of the said Act,
- ii) **Maciej Nielubowicz** – Member of the Audit Committee possessing knowledge and skills in the scope of accounting or auditing financial statements; Member of the Audit Committee meeting criteria specified in Art. 129 section 5 of the Act on Licensed Auditors, Audit Firms and Public Supervision,
- iii) **Jan Łukasz Wejchert** – Member of the Audit Committee meeting independence criteria specified in Art. 129 section 3 of the Act on Licensed Auditors, Audit Firms and Public Supervision; Member of the Audit Committee meeting criteria specified in Art. 129 section 5 of the said Act, possessing knowledge and skills in the scope of accounting or auditing financial statements.

Disclosure of retirement benefits and similar compensation payable to former members of the Issuer's executive, supervisory or administrative bodies, and of any liabilities associated with such benefits, specifying the aggregate amounts for each category of recipients

As of 30 June 2023 the Company has no such liabilities.

Agreements between the Issuer and members of its managing and supervisory bodies concerning compensation in the event of their resignation or dismissal

As of 30 June 2023 and as of the preparation date of this report there were no provisions in force regulating compensation of members of the Company's Management Board in the event of their resignation or dismissal.

Changes in basic management practices at the Company and its Group

No significant changes in basic management policies affecting the Company and its Group occurred in the first half of 2023.

Corporate governance policies

CD PROJEKT S.A. follows the corporate governance policies listed in the "Best Practice for WSE Listed Companies 2021" document, published as an attachment to Resolution no. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange on 29 March 2021. Details concerning the implementation of specific corporate governance policies at CD PROJEKT S.A. can be found on the Company website at <https://www.cdprojekt.com/en/investors/corporate-governance/>.

Disclosure of significant legal proceedings

The following legal proceedings took place during the reporting period (the presented status is valid for the publication date of this report):

CRIMINAL PROCEEDINGS IN WHICH CD PROJEKT S.A. IS RECOGNIZED AS THE VICTIM

Case against natural persons (including former members of the Management Board of Optimus S.A.) charged with acting against the Company's interests

In case no. XVIII K 126/09, following indictment filed by the District Attorney in the District Court for the City of Warsaw, on 27 October 2016 the District Court convicted Mr. Michał L., Mr. Piotr L. and Mr. Michał D. of violating sections 296 §1, 296 §3 and others of the Penal Code. The Company acted as an auxiliary prosecutor in the court of first instance and will retain this status until the trial has concluded. Having found the defendants guilty, the Court awarded the Company 210 thousand PLN in damages under Art. 46 of the Penal Code. According to the operative part of the judgement total losses sustained by the Company as a result of the defendants' actions were estimated at not less than 16 million PLN (this figure follows from standard regulations applicable to criminal trials). The Company subsequently filed an appeal against the judgment, contesting, among others, the amount of damages awarded to the Company. An appeal against the full judgement was also filed by the defendants' attorneys. On 26 October 2017 the Appellate Court vacated the judgment of the court of first instance and remanded the case to be retried in full. The District Court for the City of Warsaw subsequently filed the case under no. XVIII K 316/17. The parent company continues to act in the capacity of an auxiliary prosecutor.

LITIGATION IN WHICH CD PROJEKT S.A. IS NAMED AS THE DEFENDANT

Class action lawsuit filed against CD PROJEKT S.A. concerning US securities

On 25 December 2020 and subsequently on 15 January 2021 the Management Board of the Company received information concerning the filing of civil class action lawsuits in the US District Court for the Central District of California, by law firms acting on behalf of groups of holders of securities traded in the USA under the ticker symbols "OTGLY" and "OTGLF" and based on Company shares, whereby the plaintiffs call for the court to adjudicate whether the actions undertaken by the Company and members of its Management Board in connection with the release of *Cyberpunk 2077* constituted a violation of federal laws, i.a. by misleading investors and, consequently, causing them to incur damages. In subsequent months the Company was notified of two further lawsuits filed in the aforementioned court, both of which were materially consistent with the lawsuit described above, and also named CD PROJEKT as the defendant. None of these complaints specified the quantity of damages sought. On 18 May 2021 the Company was notified that the court had consolidated the aforementioned lawsuit and named a lead plaintiff. Following consolidation, all four lawsuits were merged into a single case.

On 29 June 2021 the Company received a transcript of a lawsuit filed against the Company and members of its Management Board by a law firm representing the lead plaintiff and other eligible holders of US securities traded under the ticker symbols "OTGLY" and "OTGLF". The lawsuit was not materially different from earlier lawsuits filed in this matter, and likewise, did not specify the amount of damages sought.

On 12 August 2021 the Company filed a responsive pleading, asking that the complaint be dismissed by the court. Subsequently, on 5 October 2021 the Company was notified that the plaintiffs had responded with their own pleading which objected against the complaint being dismissed, to which the Company responded on 17 November 2021, again asking for the complaint to be dismissed.

On 7 December 2021 the Company entered into settlement negotiations with the plaintiffs, as a result of which on 16 December 2021 a Settlement Term Sheet was signed whereupon the Company agreed to pay a settlement in the amount of 1 850 thousand USD in exchange for which the plaintiffs would relinquish any claims against the Company. This settlement was subsequently endorsed by the Company's insurer, i.e. Colonnade Insurance S.A. (Polish division).

On 27 January 2022 the Company concluded a formal Stipulation Agreement which confirmed the provisions of the Settlement Term Sheet. Similarly to the Settlement Term Sheet, the Stipulation Agreement expressly rules out any admission of wrongdoing on the part of the Company or other defendants named in the case.

On 4 January 2023 the Company was notified that the District Court for the Central District of California had issued an order concerning preliminary approval of the class action settlement. The order approves the conditions of the settlement, including full relinquishing of any claims against the Company and members of its Management Board on the part of the plaintiffs, and the remittance of a settlement in the amount of 1 850 thousand USD to the plaintiff class by the Company and its insurer, Colonnade Insurance S.A. (Polish division)

LITIGATION INVOLVING THE COMPANT'S SUBSIDIARIES

Case brought by GOG sp. z o.o. before the District Administrative Court in Kraków

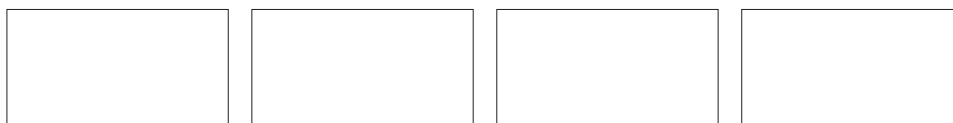
As disclosed in the Management Board report on CD PROJEKT Group activities in the period between 1 January and 30 June 2022 in the section titled *Events following the balance sheet date*, on 19 August 2022 the Head of the Małopolska Customs and Tax Office in Kraków issued a decision with regard to corporate tax liabilities incurred by GOG sp. z o.o., a subsidiary of the Company, in 2016. The Management Board of GOG sp. z o.o. discharged the liability arising under the aforementioned decision, which, as of the payment date, amounted to 2 638 thousand PLN. Nevertheless, given its disagreement with the assessment presented by the tax authority, it appealed the decision on 5 September 2022.

On 22 May 2023 the Head of the Małopolska Customs and Tax Office in Kraków, who also performs the function of the appeal body in this case, issued a decision upholding the contested decision. This decision was delivered to GOG sp z o.o. on 5 June 2023.

On 4 July 2023, given its continuing disagreement with the position expressed by the tax authority, the Management Board of GOG sp z o.o. filed a complaint against the aforementioned decision in the District Administrative Court in Kraków.

MANAGEMENT BOARD STATEMENT

Pursuant to the Finance Minister's ordinance of 29 March 2018 concerning current and periodic information to be published by issuers of securities, and conditions for regarding as equivalent the information required by the laws of a non-member state the Management Board hereby declares that, to the best of its knowledge, this semiannual report on activities of the CD PROJEKT Group presents an accurate description of the development, achievements and condition of the CD PROJEKT Group, including basic threats and risks applicable thereto.



Adam Kiciński
President
of the Board

Piotr Nielubowicz
Vice President
of the Board

Adam Badowski
Board Member

Michał Nowakowski
Board Member



Piotr Karwowski
Board Member

Paweł Zawodny
Board Member

Jeremiah Cohn
Board Member



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