



**MANAGEMENT BOARD REPORT ON CD PROJEKT  
GROUP ACTIVITIES FOR THE PERIOD BETWEEN  
1 JANUARY AND 31 DECEMBER 2023**

This report on the activities of the CD PROJEKT Group and CD PROJEKT S.A., in its key aspects contains information related to the separate financial statement of CD PROJEKT S.A. Due to the fact that the activities and separate financial statement of CD PROJEKT S.A. have a dominant influence on the activities and consolidated financial statement of the CD PROJEKT Group as a whole, information presented in subsequent sections of this report will refer to consolidated financial statement of the Group, whose scope covers the activities and financial result of CD PROJEKT S.A.

#### **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.

**Dear readers,**

On behalf of the Management Board of CD PROJEKT it is my pleasure to hand over to you our annual report which summarizes key business events and our financial results achieved in 2023.

The highlight of the reporting period was the September release of *Phantom Liberty* – the large expansion for *Cyberpunk 2077*. Strongly positive reception of this release on the part of gamers and game industry representatives fills us with great pride, as do its excellent sales figures. The base game itself – following additional changes and upgrades – also enjoys excellent reviews and continues to rank among the most frequently purchased games globally. We take this as confirmation of the great power and potential of the franchise. This is important for us in business terms, but also from the strategic viewpoint, given that in the future we intend to expand the Cyberpunk franchise with many new products. Some of those products go beyond the field of video games, where the next big challenge – following strong reception of the *Cyberpunk: Edgerunners* anime series – involves a live action project set in the Cyberpunk universe, co-developed with the Anonymous Content production studio.



One of our declared strategic goals in recent quarters was to carry out parallel work on two large-scale projects. Development of the first installment of the new *Witcher* trilogy has now progressed to more advanced stages, which, coupled with successful completion and release of *Phantom Liberty*, proves that we can achieve this goal while meeting our efficiency and quality objectives. Another notable process underway at CD PROJEKT RED – in the context of scaling up our activities and developing multiple parallel projects – is the launch of our new Boston hub, which has already begun work on a new Cyberpunk game. We also continue our work on other previously announced releases: *Sirius*, *The Witcher Remake* as well as *Hadar* – an entirely new IP for which we're developing a universe from scratch.

Ongoing changes also affect us as Members of the Management Board. Together with Adam Badowski we're eager to face the challenges which await us as new Joint CEOs. However, our means of operating, and our strategy in particular, do not change. We want our franchises to remain part of the global popular culture, and we intend to accomplish this by telling incredible stories in our games, as well as presenting fans with new forms of entertainment and new ways to interact with our brands.

Our intent is to enable the Company to make this next great leap. We believe that with phenomenal, talented people on board, and with support from gamers and shareholders, we will be successful.

Respectfully,

Michał Nowakowski



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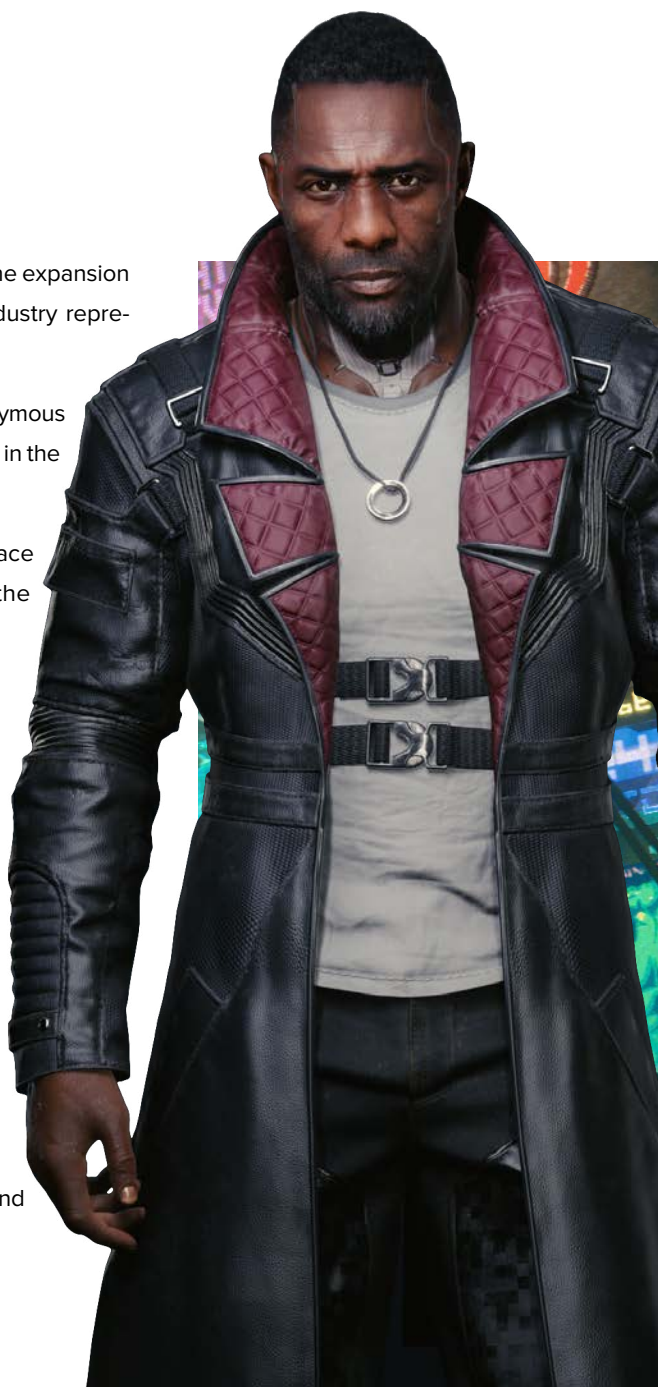
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## Key events of 2023

- 26 September saw the global release of *Phantom Liberty* – a storyline expansion for *Cyberpunk 2077*, widely acclaimed by gamers and gaming industry representatives alike
- On 5 October CD PROJEKT announced collaboration with the Anonymous Content production studio to co-develop a new live action project set in the Cyberpunk universe
- The global release of *Cyberpunk 2077: Ultimate Edition* took place on 5 December. This bundle consists of the base game and the *Phantom Liberty* expansion
- On 8 December, at The Game Awards – the gaming industry's most prestigious awards ceremony – *Cyberpunk 2077* was named “Best Ongoing Game”
- In Q4 CD PROJEKT RED launched a hub in Boston, which began conceptual work on Project Orion – the sequel to *Cyberpunk 2077*
- In 2023 CD PROJEKT RED releases reached notable cumulative sales milestones:
  - over 75 million copies of *The Witcher* trilogy games sold
  - over 50 million copies of *The Witcher 3: Wild Hunt* sold
  - over 25 million copies of *Cyberpunk 2077* sold
  - over 5 million copies of *Cyberpunk 2077: Phantom Liberty* expansion sold between its release date on 26 September and the end of 2023





01

BRIEF OUTLINE  
OF THE CD PROJEKT GROUP

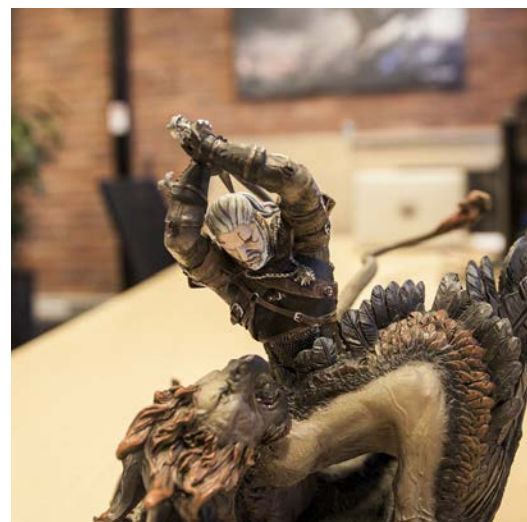
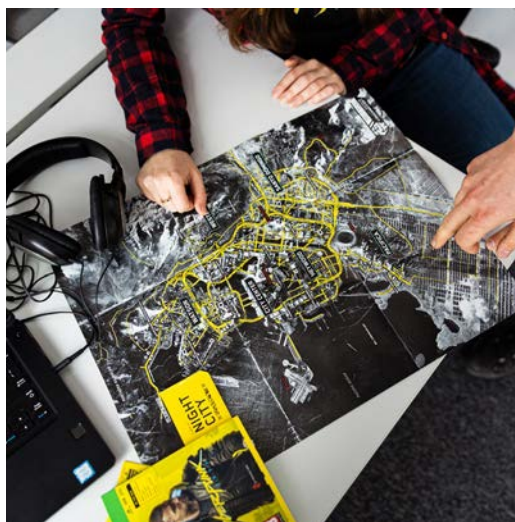


## Activity profile

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 RPG<sup>1</sup> – *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.

<sup>1</sup> Role Playing Game – a storyline-driven game based on a consistent narrative.





## CD PROJEKT RED

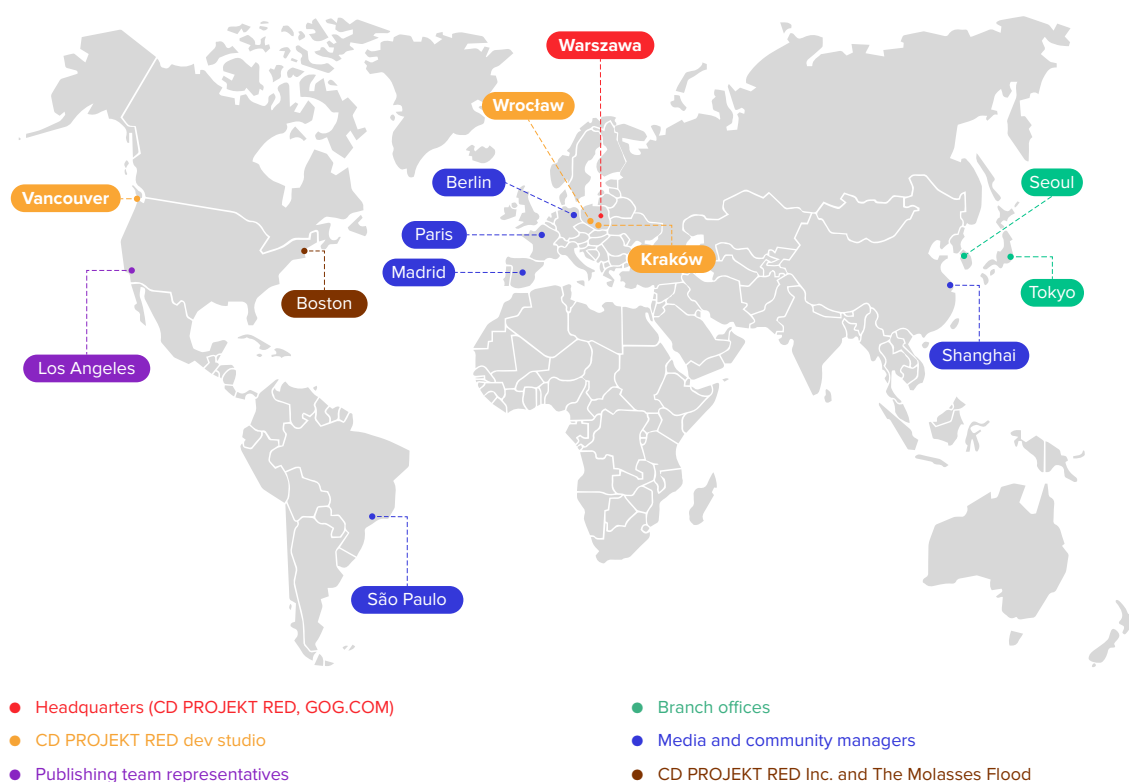
Development and publishing video games and managing the Company's franchises, including through creation and production of tie-in products.

## GOG.COM

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

During the reporting periods 97.5% of the CD PROJEKT Group's sales revenues were generated by exports. Throughout 2023 North America and Europe accounted for 70.9% and 18.8% of the Group's sales respectively. 92.4% of the Group's sales came from digital distribution carried out through GOG.COM and external platforms.

**Map 1** The CD PROJEKT Group around the world



## GROWTH STRATEGY

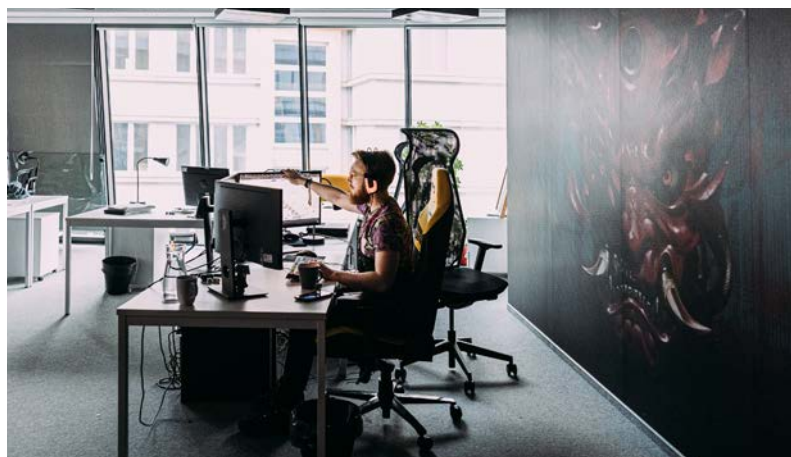
Strategic directions related to development and support for the team, along with transformation of the videogame development process are presented in the CD PROJEKT Group Strategy Update published in 2021 (including the accompanying [video commentary](#)) as well as in our [Strategy Update](#) which focuses on long-term plans for developing key projects and was published in 2022.

In the framework of its strategy, in the coming years the Studio intends to develop and publish the following releases:

- A new Witcher trilogy, the first installment of which is the game codenamed Polaris;
- Project Sirius (a game with multiplayer features, developed by The Molasses Flood);
- *The Witcher Remake* (developed in collaboration with Fool's Theory);
- Project Orion – the sequel to *Cyberpunk 2077*.

In addition, CD PROJEKT RED is carrying out internal work on a new, proprietary IP codenamed Hadar.

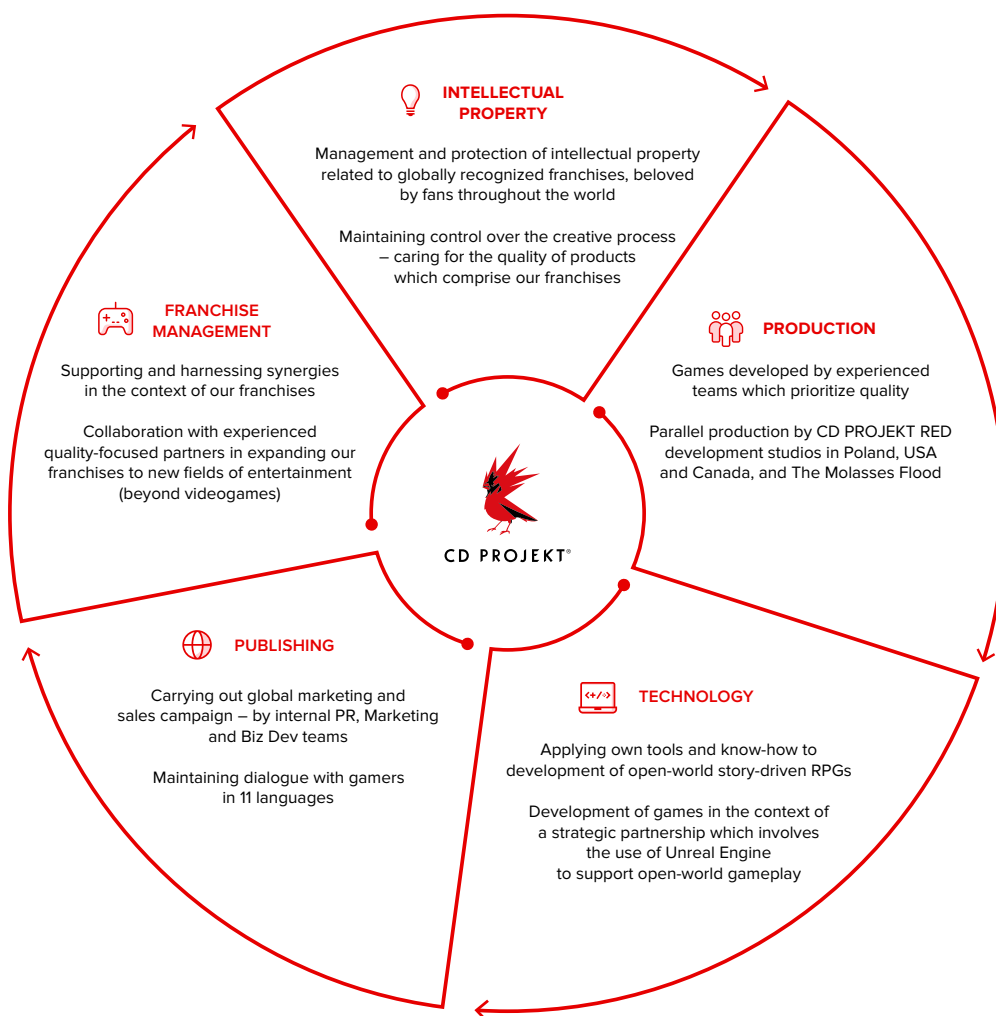
In line with the adopted strategy, in late 2023 CD PROJEKT RED launched a new hub in Boston (which is separate from The Molasses Flood). This hub will be tasked with work on the new game set in the Cyberpunk universe – Project Orion.



CD PROJEKT has also revealed that it was carrying on with the *franchise flywheel* concept, which involves developing an ecosystem of mutually supporting products, rooted in the potential of the Studio's franchises. The Group has announced openness to collaboration with external partners in order to create new ways to interact with its franchises – this will also enable our internal team to focus on development of revolutionary RPGs and, later on, enrich the ecosystems with games offering multiplayer features.

The strategy of the CD PROJEKT Group is described in detail in materials available on the [Company website](#).

**Chart 1** CD PROJEKT Group – business model





## Mission, values and ethics

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Our mission is to create revolutionary role-playing games with unforgettable storylines which inspire gamers.

In 2023 we reformulated the core set of values by which we want to be guided at CD PROJEKT RED:

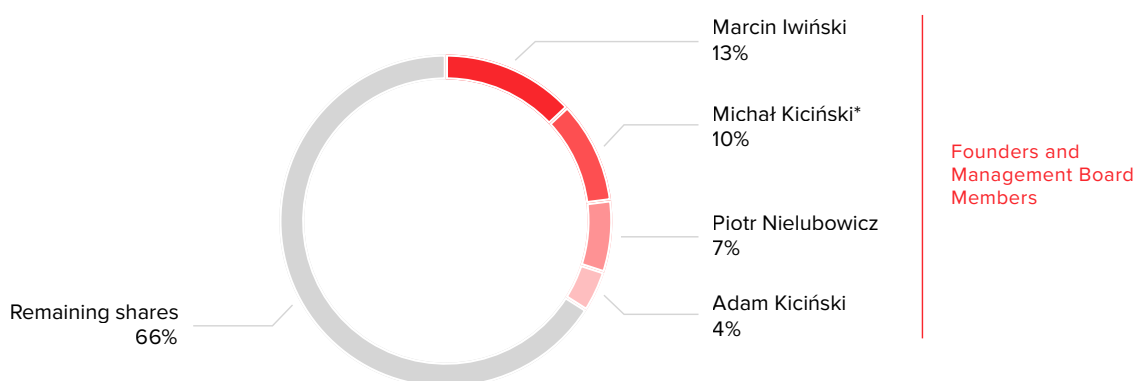
- Be ambitious
- Set the goal and persevere
- Be honest with everyone at all times
- Be kind and respectful to all around you
- Always remember about the gamers

These values are an important part of our organizational culture, support us in carrying out our mission and help make CD PROJEKT unique. More information about CD PROJEKT's organizational culture can be found in the *CD PROJEKT Group Sustainability Report for 2023*.

## CD PROJEKT S.A. on the capital 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 (incumbent Chairman of the Supervisory Board) and Michał Kiciński. Other major shareholders who are also members of the Company's Management Board are Piotr Nielubowicz – Chief Financial Officer and Adam Kiciński – Chief Strategy Officer.

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

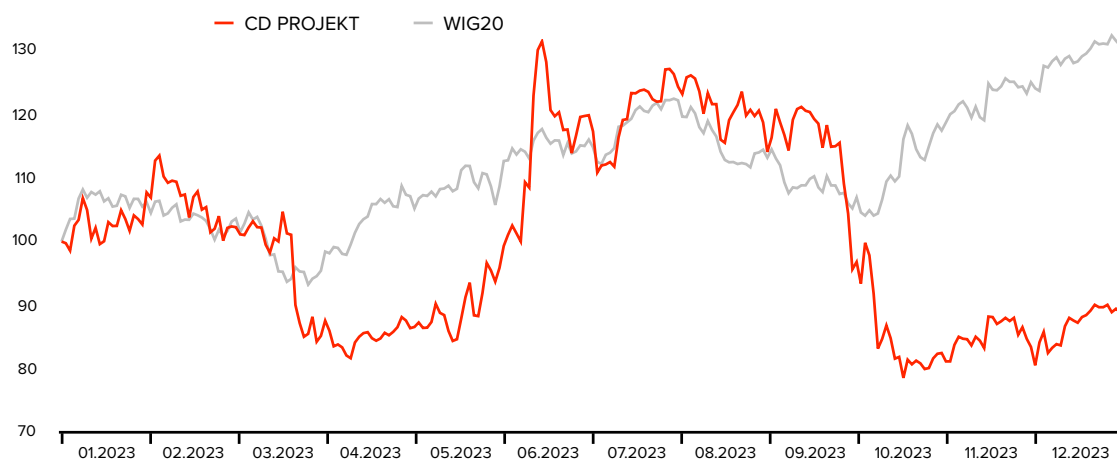


\* According to a notice filed on 13 November 2023

Since March 2018 CD PROJEKT has belonged to the WIG20 index which represents 20 of the largest and most liquid companies listed on the Warsaw Stock Exchange. As of 5 March 2024 the Company contributes 2.5% to the value of this index.

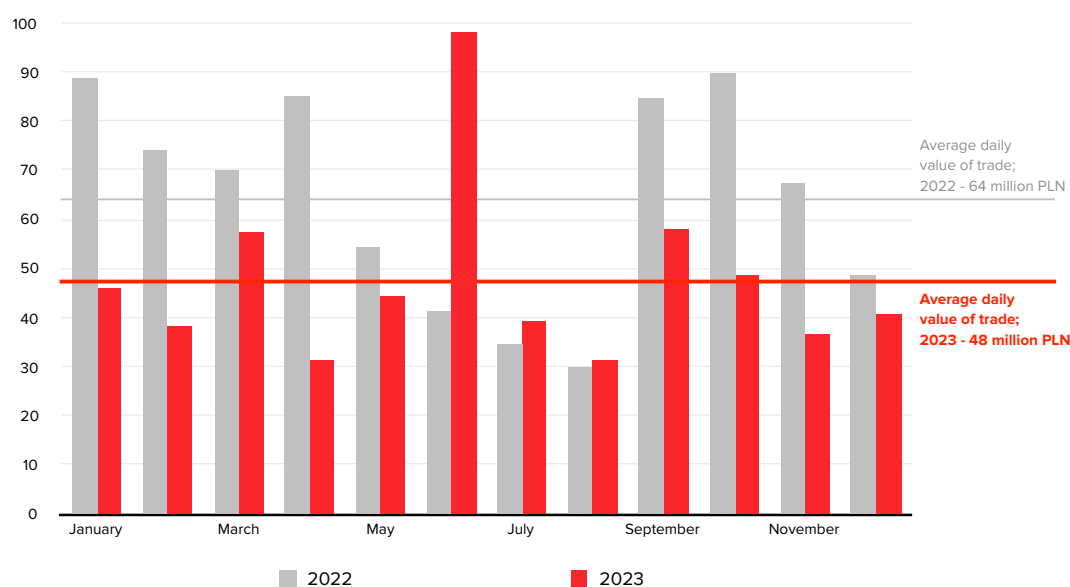
CD PROJEKT also belongs to two WSE sectoral indices: WIG.GAMES5, which covers five largest videogame developers listed on the Warsaw market, and WIG-Gry, which represents all game developers traded on the stock exchange. Due to its significantly larger market capitalization compared to other companies whose stock makes up the index, the contribution of CD PROJEKT S.A. to WIG.GAMES5 has been restricted – as of 5 March 2024 it stands at 39.6%, whereas its contribution to WIG-Gry on the same date is 62.8%.

CD PROJEKT is also part of the WIG-ESG index which aggregates companies regarded as socially responsible. As of 5 March 2024 CD PROJEKT contributes 2.7% to the value of this index.

**Chart 3** CD PROJEKT S.A. stock price and the WIG20 index between 1 January and 31 December 2023


Between 1 January and 31 December 2023 the Company stock price fluctuated between 101.65 PLN (16 October 2023) and 170.00 PLN (16 June 2023). During this period the stock price decreased by 11.3%, to 115.00 PLN at the end of trading on 29 December 2023. Over the same period the WIG20 index gained 30.7% while the main WIG index gained 36.5%.

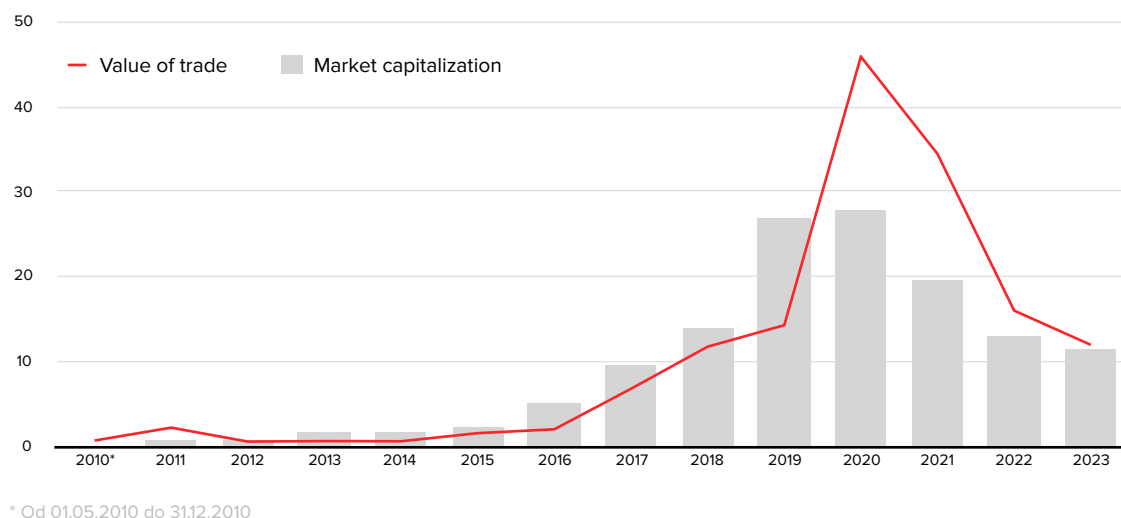
At the end of 2023 the Company's market capitalization was 11.5 billion PLN.

**Chart 4** Average daily value of trade in CD PROJEKT S.A. shares (by month) between 1 January and 31 December 2023 (PLN millions)


The aggregate value of trade for 2023 was 11.9 billion PLN compared to 16.0 billion PLN the year before. The average daily value of trade was 48 million PLN, compared to 64 million PLN in 2022. A decrease was also observed in the average number of transactions per trading day – from 6 861 to 5 999.



**Chart 5** Market capitalization of CD PROJEKT S.A. at the end of the year and aggregate value of trade in CD PROJEKT S.A. stock between 1 May 2010 and 31 December 2023 (PLN billions)



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

	2023	2022	Change
Net earnings per share (PLN)	4.80	3.44	39.5%
Quantity of shares in trading (in thousands) at end of period	99 910 510	100 738 800	-0.8%
Najwyższy kurs akcji na zamknięciu w roku obrotowym (w zł)	170.00	204.00	-16.7%
Lowest closing price during fiscal year (PLN)	101.65	77.89	30.5%
Price at beginning of period (PLN)	129.34	200.60	-35.5%
Price at end of period (PLN)	115.00	129.64	-11.3%
Average price during period (PLN)	130.27	129.29	0.8%
P/E ratio at end of period	24.0	37.6	-36.2%
Market capitalization at end of period (PLN thousands)	11 489 709	13 059 778	-12.0%
Average number of transactions per trading day	5 999	6 861	-12.6%
Average daily value of trade (PLN thousands)	47 774	63 669	-25.0%
Average daily trading volume (shares)	368 305	504 714	-27.0%

As of the publication date of this report 24 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/>.



02

CD PROJEKT GROUP ACTIVITY PROFILE

## CD PROJEKT Group activity profile

### MARKET ENVIRONMENT AND GROWTH PROSPECTS OF THE CD PROJEKT GROUP

The CD PROJEKT Group conducts its business in the global videogame market which is one of the most dynamic branches of the global economy. Newzoo – respected analysts of the videogame and e-sports markets – estimate that by 2026 the volume of the global videogame market will reach 205.4 billion USD<sup>2</sup>, which implies a cumulative annual growth rate (CAGR) of 3.7% for the 2023-2026 period. According to PwC's "Global Entertainment & Media Outlook 2023–2027"<sup>3</sup> report, the videogame and e-sports market is expected to grow by 7.9% annually during this period.

The growth outlook of the Group is affected not only by the increasing popularity of this form of entertainment as an approachable and attractive mass market offering, but also by the increasing sophistication and realism of products offered, growing availability and affordability of gaming hardware, and further development of digital distribution channels.

### GLOBAL VIDEOGAME INDUSTRY

Newzoo<sup>2</sup> estimates the volume of the global videogame market at 184.0 billion USD at the end of 2023, which corresponds to a 0.6% increase compared to the 2022 year-end value.

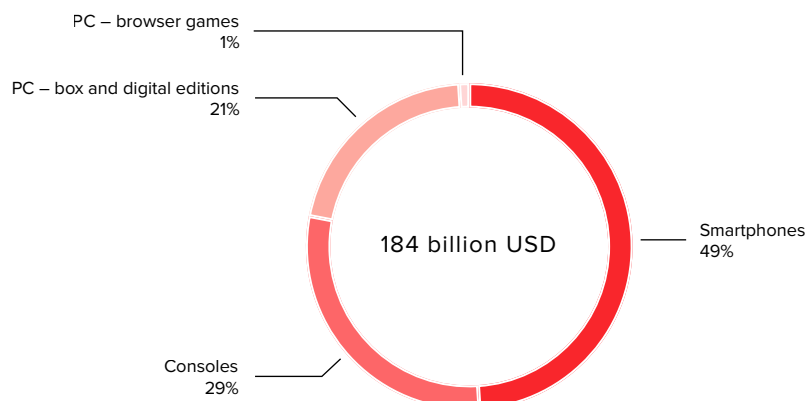
In the past year growth was reported in the PC gaming segment – by 5.3% y/y, reaching 38.4 billion USD at the end of 2023, as well as in the console segment, which grew by 1.7% y/y, to 53.1 billion USD. In contrast, the mobile segment shrank by 1.4% y/y, shrinking to 90.5 billion USD.

<sup>2</sup> Newzoo's Games Market Estimates and Forecasts, Newzoo, 8 February 2024, accessed on 10 February 2024, <https://newzoo.com/resources/blog/games-market-estimates-and-forecasts-2023>

<sup>3</sup> Perspectives from the Global Entertainment & Media Outlook 2023–2027, PwC, 21 June 2023, accessed on 10 February 2023 r, summary available at <https://www.pwc.com/gx/en/industries/tmt/media/outlook/insights-and-perspectives.html>



**Chart 6** Global videogame market in 2023 by device type (%)<sup>4</sup>



Estimates published by ESA (Entertainment Software Association)<sup>5</sup> concerning the US market, which is the most important region from the point of view of the Group's activities, confirm domination of smartphones in this area (with 64% of respondents listing smartphones among their most frequently used gaming devices), followed by gaming consoles (54%) and PCs (43%).

## GAMERS

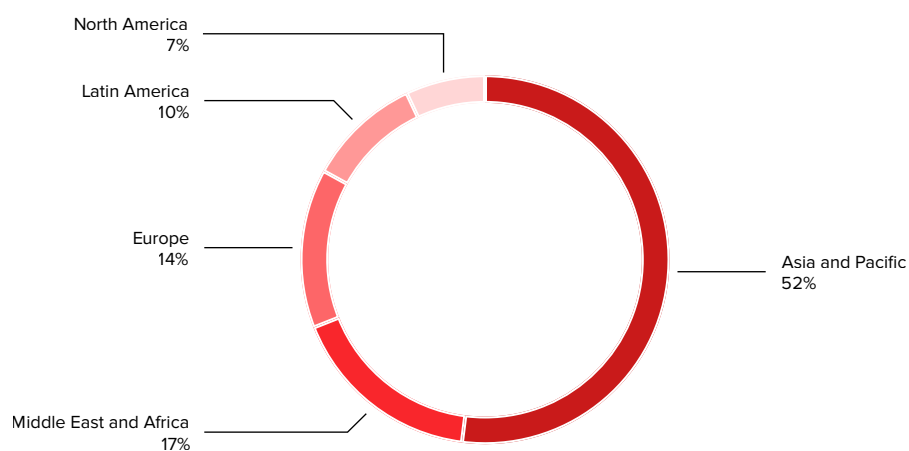
The global gaming community continues to grow each year, both quantitatively and in terms of engagement (i.e. time spent playing). Newzoo<sup>6</sup> estimates that at the end of 2023 there were 3.3 billion gamers worldwide. In 2026 the total figure is expected to reach nearly 3.7 billion. Given that in 2021 there were fewer than 3.1 billion gamers, the cumulative annual growth rate for 2021-2026 may reach 3.7%.

52% of gamers – over 1.7 billion – reside in the Asia-Pacific region. This is followed by the Middle East and Africa (557 million gamers) and Europe (446 million gamers). The Middle East and Africa reported the strongest growth in 2023, having increased by 11.3% compared to 2022. Latin America and North America accounted for 335 million and 237 million gamers respectively in 2023.

<sup>4</sup> Newzoo's Games Market Estimates and Forecasts, Newzoo, 8 February 2024, accessed on 10 February 2024., <https://newzoo.com/resources/blog/games-market-estimates-and-forecasts-2023>

<sup>5</sup> 2023 Essential Facts About the Video Game Industry, accessed on 10 February 2024, <https://www.theesa.com/2023-essential-facts/>

<sup>6</sup> Newzoo's Global Games Market Report 2023, 8 February 2024, accessed on 10 February 2024, <https://newzoo.com/resources/trend-reports/newzoo-global-games-market-report-2023-free-version>

**Chart 7** Global gaming community in 2023 by region (%)<sup>7</sup>

According to ESA<sup>8</sup>, nearly 213 million US residents spend at least one hour a week playing videogames. Overall, 62% of US residents past age 18 and 76% of under-18s play videogames. 46% of gaming community members identify as female.

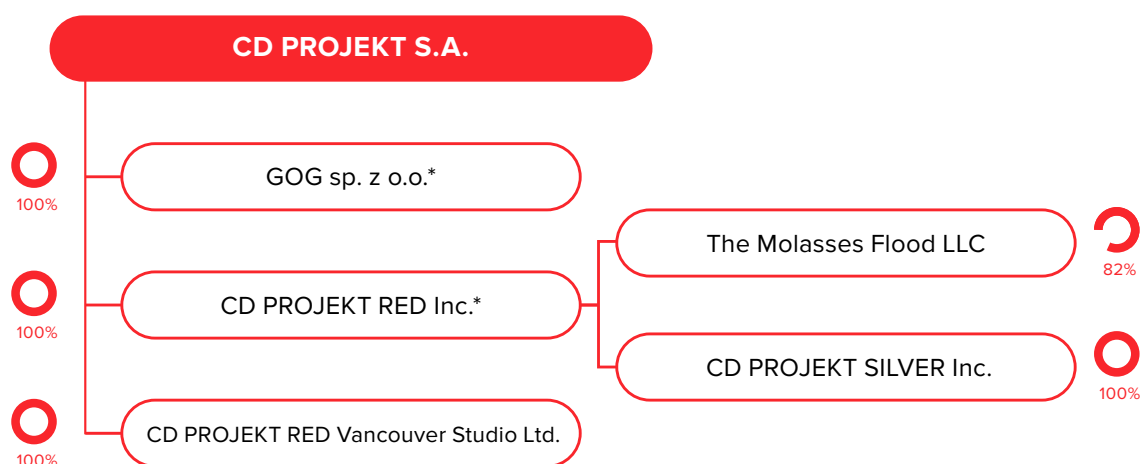
<sup>7</sup> Newzoo's Global Games Market Report 2023, 14 November 2023, accessed on 10 February 2024, <https://newzoo.com/resources/trend-reports/newzoo-global-games-market-report-2023-free-version>

<sup>8</sup> 2023 Essential Facts About the Video Game Industry, accessed on 10 February 2024, <https://www.theesa.com/2023-essential-facts/>

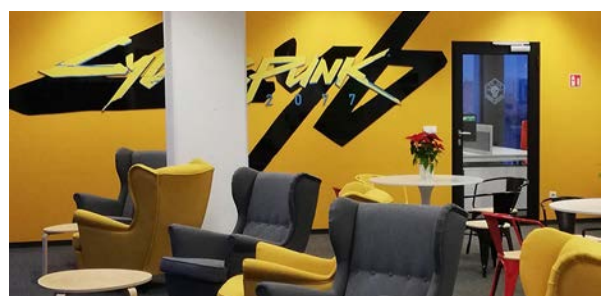
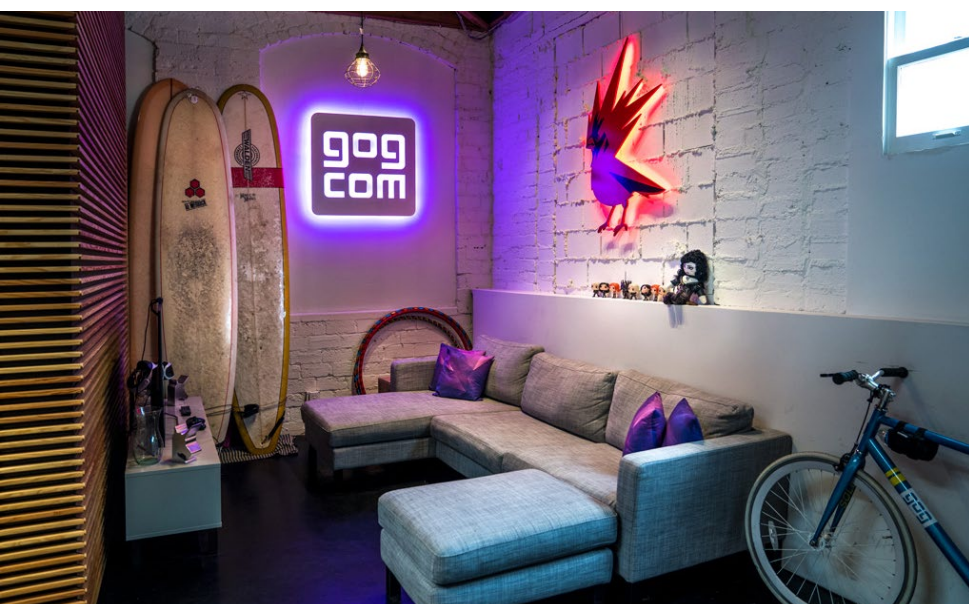
## Organizational structure of the CD PROJEKT Group

As of 31 December 2023, the CD PROJEKT Group consists of the parent entity – CD PROJEKT S.A. – and five subsidiaries: GOG sp. z o.o., CD PROJEKT RED Inc., CD PROJEKT RED Vancouver Studio Ltd., The Molasses Flood LLC and CD PROJEKT SILVER Inc.

**Chart 8** CD PROJEKT Group at the end of 2023 (capital and voting share)



\*Consolidated companies



**Table 2** Basic activity profile of each member company of the CD PROJEKT Group as of 31 December 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 based on the Company's IP, selling the associated distribution rights, as well as manufacturing, selling, licensing and publishing tie-in products. 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 (offices in Warsaw, Kraków and Wrocław).
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 (office in Warsaw).
CD PROJEKT RED Inc.	The company coordinates development work on Project Orion and participates in publishing and promotional activities focused on CD PROJEKT Group projects (office in Boston).
CD PROJEKT RED Vancouver Studio Ltd.	The company coordinates development in the framework of the CD PROJEKT RED studio (office in Vancouver).
The Molasses Flood LLC	This gamedev studio is working on the project codenamed Sirius (office in Boston).
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, incorporated as of 31 December 2023, except for CD PROJEKT RED Vancouver Studio Ltd., The Molasses Flood LLC and CD PROJEKT SILVER Inc., were subject to full consolidation. Detailed information can be found in the *Consolidated Financial Statement of the CD PROJEKT Group for 2023*.



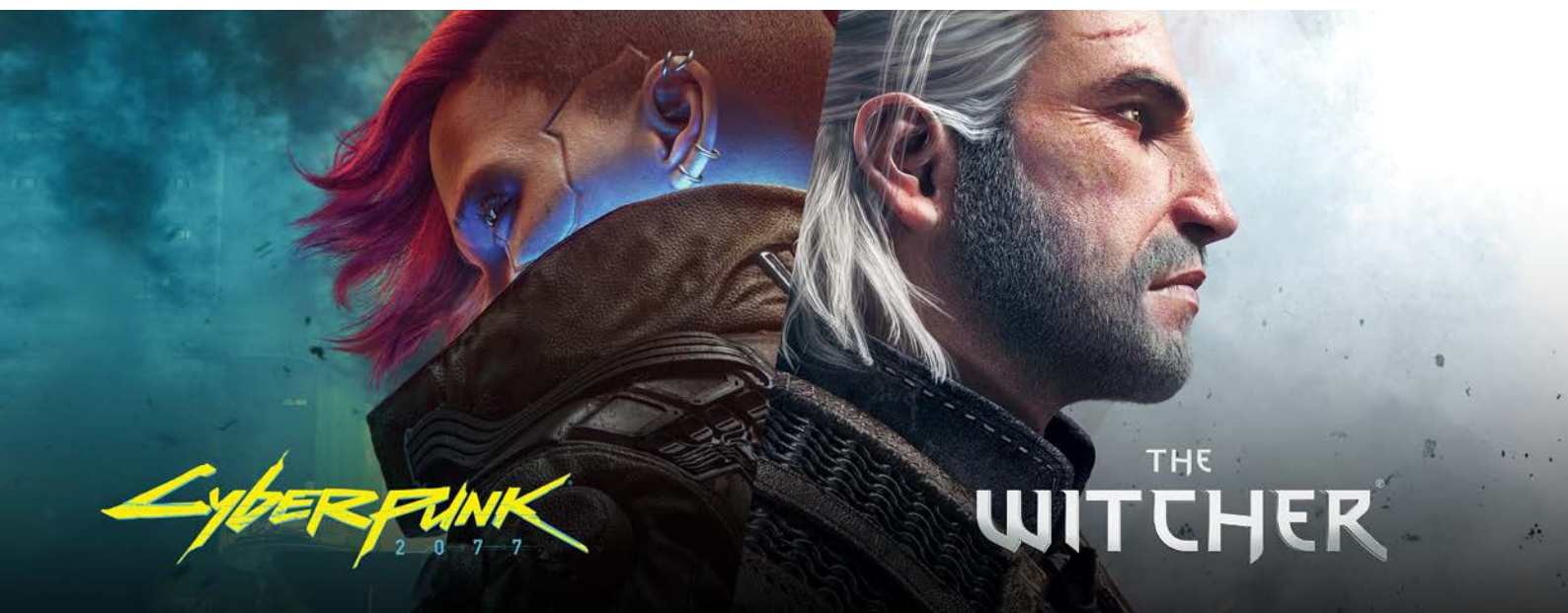
## Disclosure of business segments, products and services, outlets, suppliers and clients

In 2023 the Group conducted business activities in two segments:

- CD PROJEKT RED,
- GOG.COM.

### CD PROJEKT RED

#### Target and scope of business activities



Activities within this segment focus on the Company's franchises – The Witcher and Cyberpunk – and involve the following:

- developing and publishing videogames;
- coordinating promotion, distribution and sales of own products;
- managing the Group's franchises and IP;
- collaborating with external partners in the scope of creating, selling, licensing or publishing tie-in products based on the Group's franchises.

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

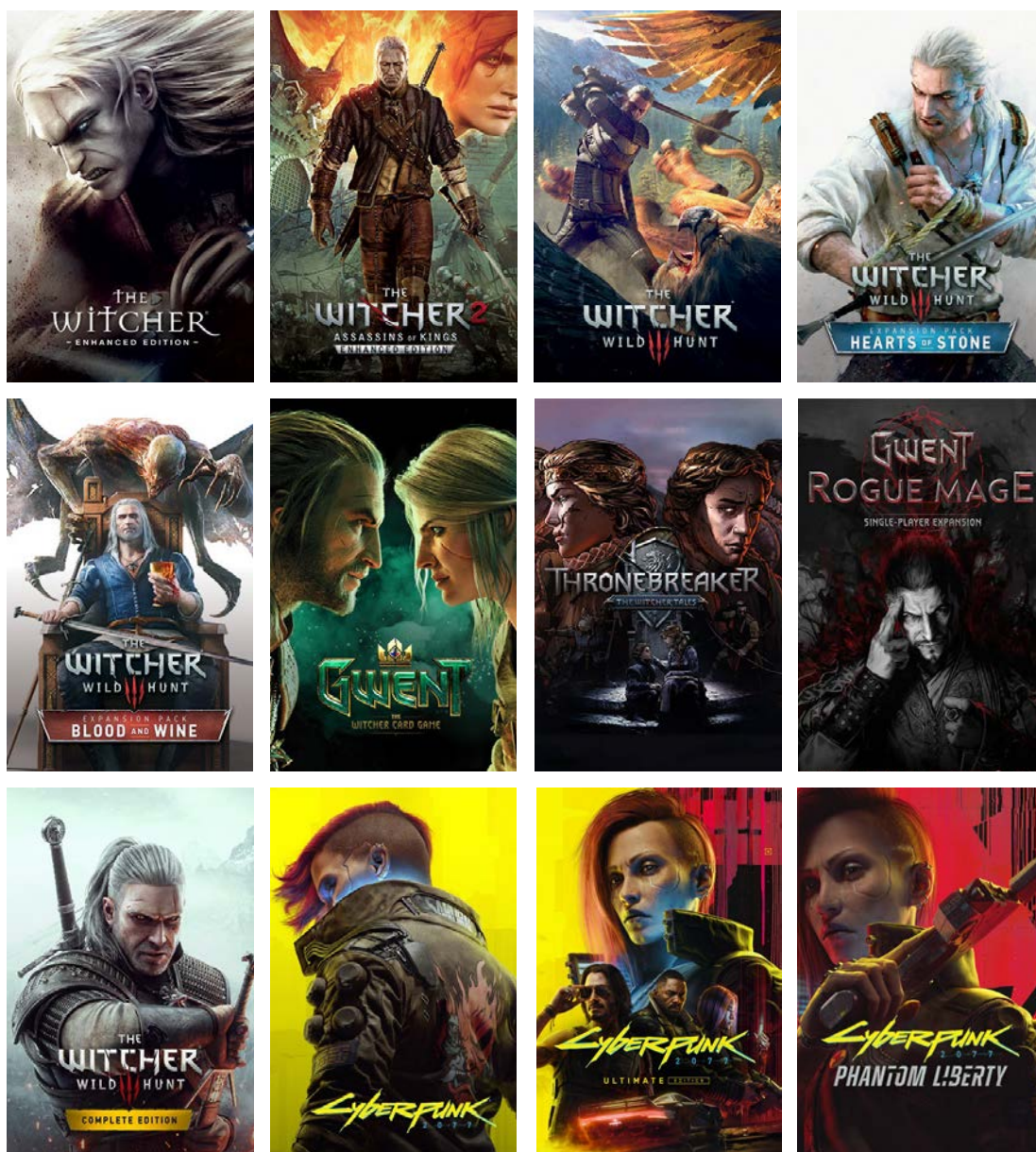
### Key products

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.

The Studio's key product portfolio currently includes the following videogames:

- *The Witcher*;
- *The Witcher 2: Assassins of Kings*;
- *The Witcher 3: Wild Hunt* with two expansion packs – *Hearts of Stone* and *Blood and Wine*;
- *Cyberpunk 2077* with its expansion pack – *Phantom Liberty*, released on 26 September 2023.

Since 2018 the Studio has been developing *GWENT: The Witcher Card Game* along with two tie-in releases: *Thronebreaker: The Witcher Tales* and *GWENT: Renegade Mage*. In 2023 CD PROJEKT RED handed over the game's development tools to the player community – in the scope of the GWENTfinity initiative.



### 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 to the Company's business partners for retail resale;
- supplies of batches of activation codes which permit the game 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 2023 the most important CD PROJEKT RED products from the point of view of revenues were:

- *Cyberpunk 2077*, together with its expansion – *Phantom Liberty*,
- *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.

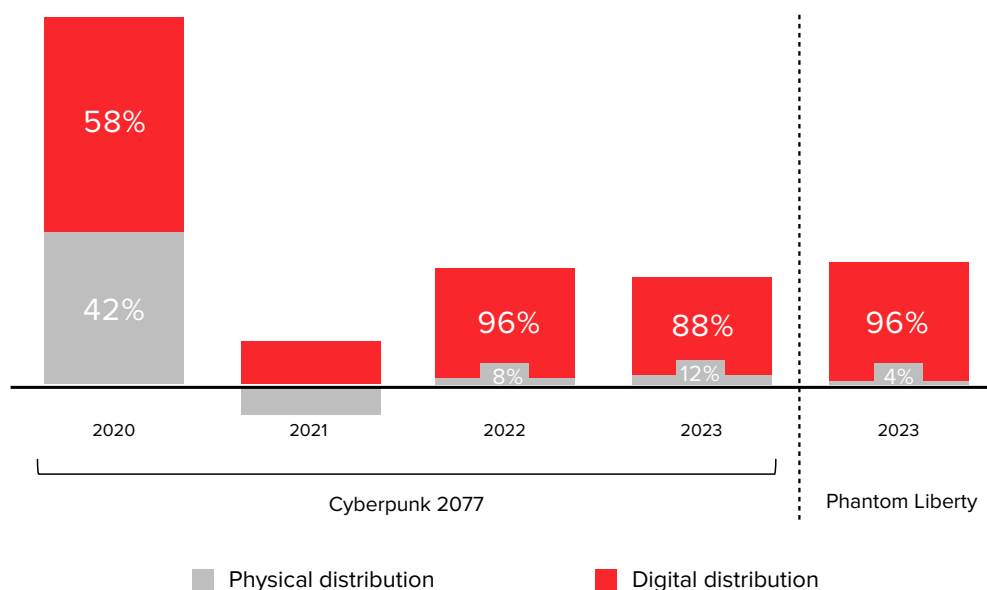
The Company also obtained revenues from tie-in products (in the framework of the “franchise flywheel” concept) associated with The Witcher and Cyberpunk franchises.

### Cyberpunk 2077

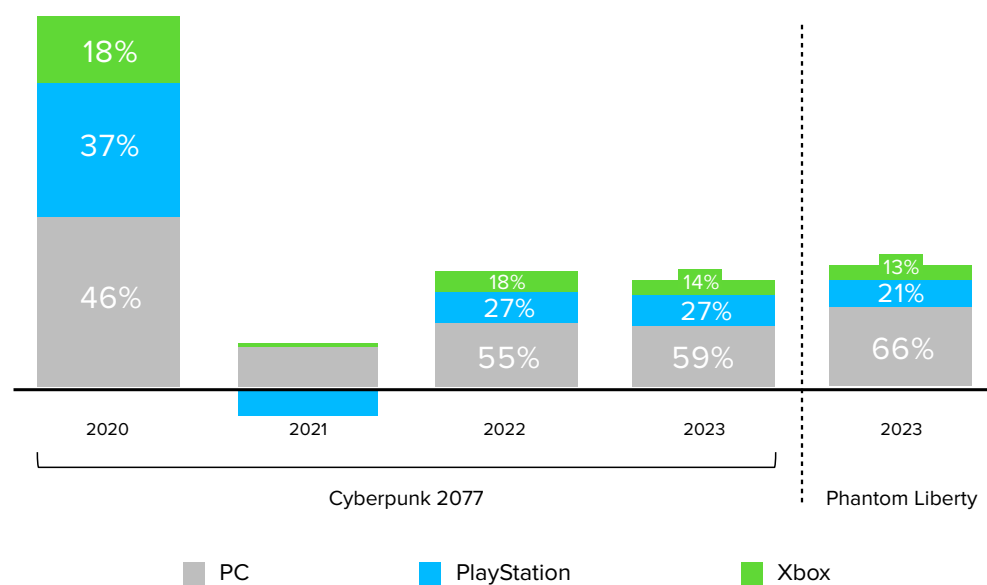
The bulk of CD PROJEKT RED revenues in 2023 came from *Cyberpunk 2077* together with its *Phantom Liberty* expansion.

On 5 October 2023 the Studio announced that sales of *Cyberpunk 2077* had topped 25 million copies. Strong sales of the base game were supported by the release of the *Phantom Liberty* expansion and the associated promotional campaign. *Phantom Liberty* – which launched on 26 October 2023 for the PC, Xbox Series X|S and PlayStation 5 – sold over 5 million copies by the end of 2023.

On 5 December 2023 digital and physical versions of *Cyberpunk 2077: Ultimate Edition* were released for next-gen consoles and the PC. The bundle includes the base game, the *Phantom Liberty* storyline expansion, along with all existing updates and free DLC packages.

**Chart 9** *Cyberpunk 2077 and Phantom Liberty – sales by distribution type (units sold; sell-in figure)<sup>9</sup>*


Similarly to the preceding years, the PC edition of the game accounted for the largest share of *Cyberpunk 2077* sales in 2023.

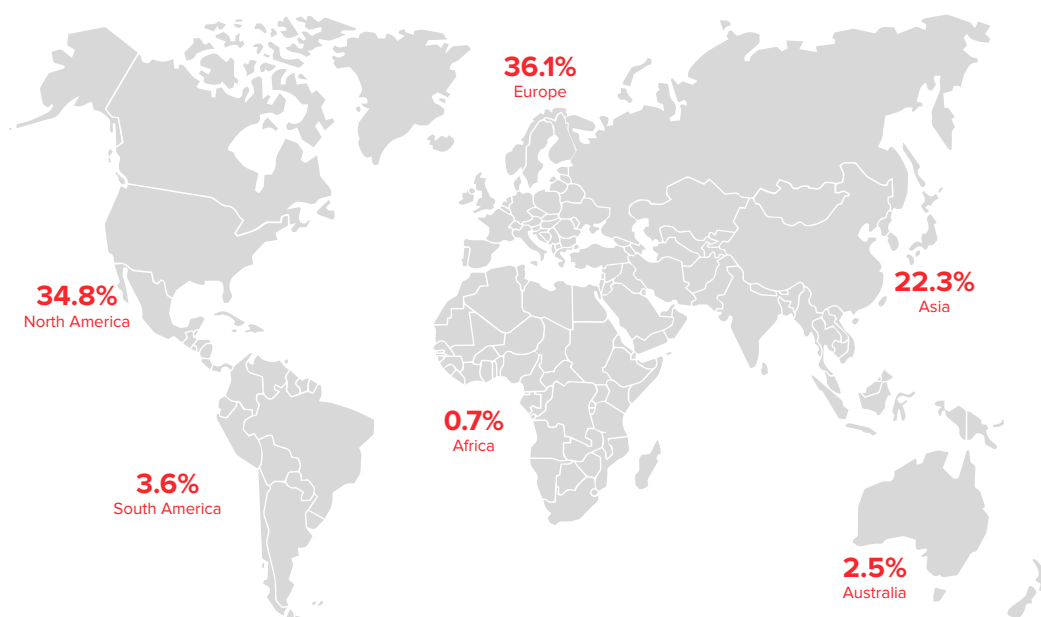
**Chart 10** *Cyberpunk 2077 and Phantom Liberty – sales by hardware platform (units sold; sell-in figure)<sup>10</sup>*


Negative values reported for 2021 are due to returns of the game from distributors.

9 I) historical figures have been revised; II) sales of *Cyberpunk 2077: Ultimate Edition* (which contains the base game and the expansion) are recognized in both bars representing 2023; III) *Phantom Liberty* itself was not distributed as a physical product – the physical distribution volume represented by the “*Phantom Liberty* (2023)” bar corresponds to sales of *Cyberpunk 2077: Ultimate Edition*

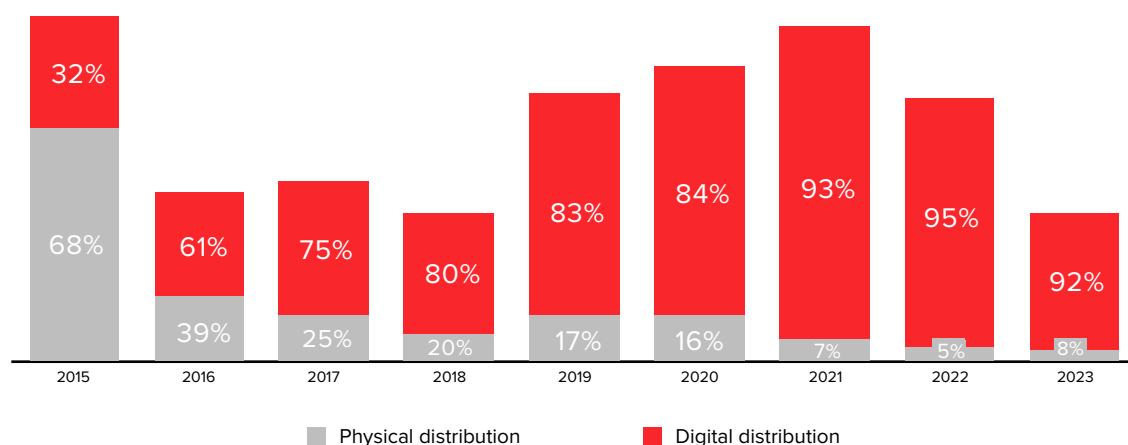
10 I) historical figures have been revised; II) sales of *Cyberpunk 2077: Ultimate Edition* (which contains the base game and the expansion) are recognized in both bars representing 2023



**Map 2** Purchases of *Cyberpunk 2077* and *Phantom Liberty* by region (2023)

**The Witcher 3: Wild Hunt**

*The Witcher 3: Wild Hunt* continued to sell well in 2023. In December 2022 the Studio released a dedicated next-gen console of the game, along with a large update for the PC version, which will support effective sales of the game on next-gen platforms in future years.

Digital channels accounted for 92% of *The Witcher 3* sales in the reporting period.

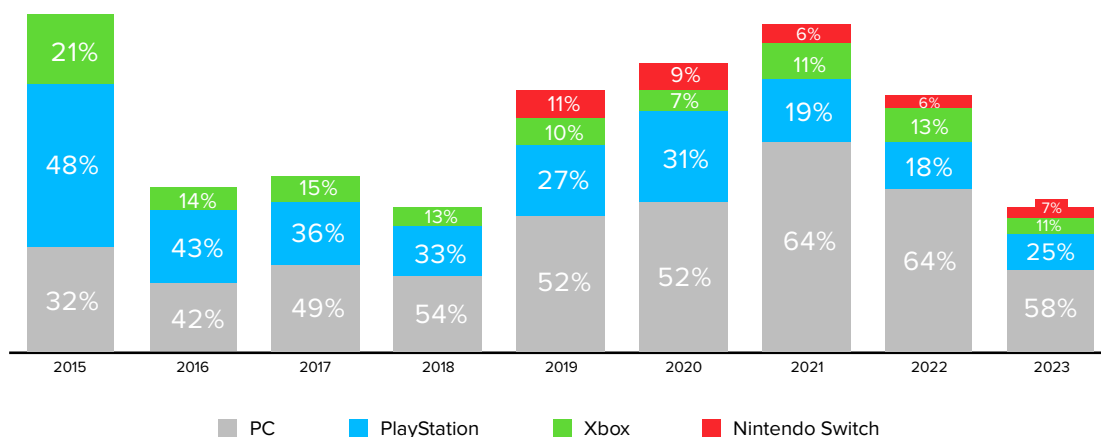
**Chart 11** Sales of *The Witcher 3* by hardware platform (units sold; sell-in figure)<sup>11</sup>


The observed growth in the share of digital distribution in total sales is due to the global shift towards digital purchases among consumers, and also due to the comparatively longer shelf life of digital releases compared to physical (box) editions.

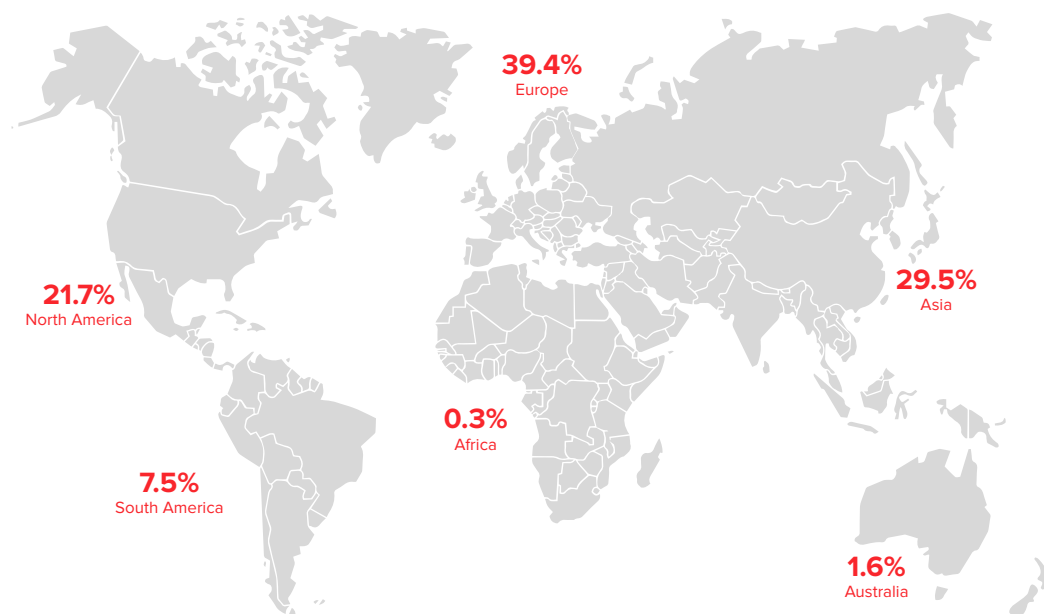
<sup>11</sup> historical figures have been revised

In 2023, much like in the preceding years, most purchases of *The Witcher 3: Wild Hunt* involved the PC edition of the game.

**Chart 12** Sales of *The Witcher 3* by hardware platform (units sold; sell-in figure)<sup>12</sup>



**Map 3** Purchases of *The Witcher 3* by region (2023)



### Key business partners and suppliers

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, Humble Bundle and GEEKAY, 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, U&I Entertainment LLC).

<sup>12</sup> historical figures have been revised

In 2023 sales to two clients exceeded 10% of the Group's consolidated sales revenues and totaled 495 240 thousand PLN and 217 886 thousand PLN respectively (40.3% and 17.7% 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 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).

### Key product and marketing events

#### Cyberpunk 2077

CD PROJEKT RED's key product of 2023 was *Phantom Liberty* – a large expansion for *Cyberpunk 2077*. The Studio focused on putting the finishing touches and promoting its newest project, culminating in its global release on 26 September.

In June 2023 hands-on presentations of *Phantom Liberty* were held – among others – in Warsaw, Los Angeles, Tokyo and Sao Paulo. Representatives of gaming media and the gaming community had the chance to personally play the expansion. In subsequent months, in the framework of *Phantom Liberty* Tour – a series of events targeting fans of the Cyberpunk franchise – fans were given the opportunity to play the expansion and meet CD PROJEKT RED creators at eight venues around the world.

The global release of *Phantom Liberty* for the PC, PlayStation 5 and Xbox Series X|S took place on 26 September 2023. The expansion was very well received by industry representatives and gamers alike. As of 20 March 2024 its average user rating on Steam (which represents the largest share of sales of the expansion, and where ratings are submitted only by verified purchasers) was "very positive", with 89% gamer reviews being favorable. By the end of 2023 over 5 million copies of *Phantom Liberty* had been sold.



In 2023 CD PROJEKT RED also focused on further improvements to *Cyberpunk 2077*, resulting in Update 2.0, released on 21 September and introducing numerous gameplay changes. In October the Studio announced that over 25 million copies of *Cyberpunk 2077* had been sold. The recent round of updates and enhancements was also appreciated by fans of *Cyberpunk 2077* – as of 19 March 2024 92% of Steam reviews submitted over the preceding 30 days were positive.

On 5 December 2023 digital and physical versions of *Cyberpunk 2077: Ultimate Edition* were released for next-gen consoles and the PC. The bundle includes the base game, the *Phantom Liberty* storyline expansion, along with all existing updates and free DLC packages.

Both *Cyberpunk 2077* and *Phantom Liberty* received prestigious awards in 2023. In November *Phantom Liberty* won Best Game Expansion and Best Game Trailer at the Golden Joystick 2023 gala, while in December *Cyberpunk 2077* triumphed in the Best Ongoing Game category at The Game Awards.

CD PROJEKT also continues to develop the Cyberpunk franchise in other fields of entertainment. In October 2023 *Cyberpunk 2077: Big City Dreams*, a comic created by Bartosz Szttybor from CD PROJEKT RED, received the prestigious Hugo award in the Best Graphic Story category – the first ever awarded to a Polish author. In the same month CD PROJEKT also announced collaboration with the Anonymous Content production studio to co-develop a new live action project set in the Cyberpunk universe.

In Q4 2023 the newly established Boston CD PROJEKT RED team began conceptual work on Project Orion – the sequel to *Cyberpunk 2077*.





### The Witcher universe

January saw the global release of the box set of *The Witcher 3: Wild Hunt – Complete Edition* for next-gen consoles. In November the Studio announced that it would release a modding tool for the game, enabling gamers and modders from around the world to create their own adventures set in The Witcher universe. This free tool is scheduled to come out in 2024.

In 2023 characters from The Witcher universe made guest appearances in global productions such as *Lost Ark*, where players could choose to play as Geralt of Rivia, and *Fortnite*, where Geralt, Ciri and Yennefer joined the roster of playable characters.

Going beyond videogames – in June 2023 *The Witcher: Old World*, a board game developed by Go On Board in collaboration with CD PROJEKT RED, hit the shelves, while in October a crowdfunding campaign for another board game – titled *The Witcher: Path of Destiny* – was launched on the Gamefound platform. This campaign is scheduled to last until the end of March 2024.

In October 2023 *GWENT: The Witcher Card Game* entered the GWENTfinity phase, and was handed over to the community which will now take care of further development of this card game.



### Other events

On 23 January 2023 the Company announced the RED Playtesting Program – a new initiative which encourages gamers 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.

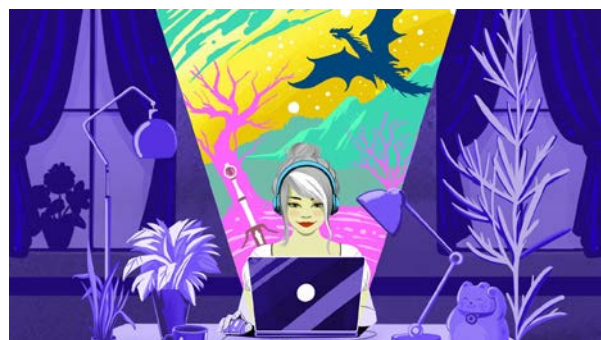
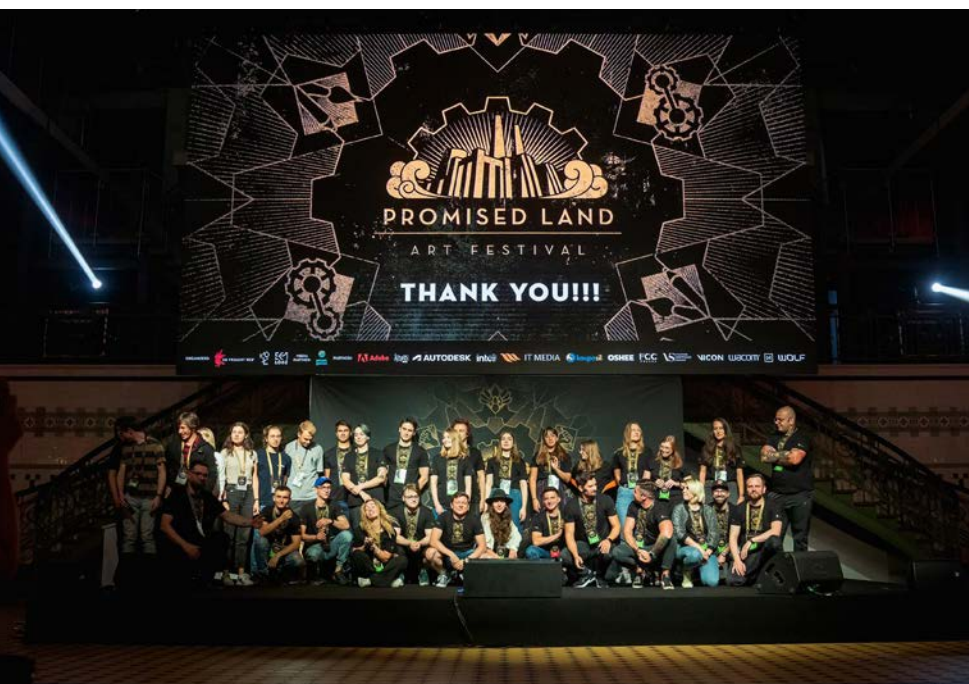
On 19 June 2023 CD PROJEKT and Futuregames Warsaw announced a strategic partnership to promote educational activities in the framework of the gamedev industry. Futuregames Warsaw – a Swedish school which organizes courses for gamedev adepts at CD PROJEKT’s Warsaw campus – began hosting activities for programmers, designers and artists on 4 October. Owing to CD PROJEKT support, organizers provide a 50% discount on first-year tuition, scholarships for up to nine top students, and 30-day internships for selected participants.

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.

On 2-6 September 2023 CD PROJEKT RED and EC1 co-organized the Promised Land Art Festival in Łódź. During this four-day event representatives of the videogame, motion picture and creative arts industries had the opportunity to participate in interesting lectures, discussion panels, workshops and networking sessions – sharing their experiences and establishing new contacts.

On 7 September we announced recruitment for the 3rd edition of “Girls in the Game!” – our internship programs aimed at girls interested in pursuing a career in the gamedev industry. Over a thousand applications were received at the first stage of recruitment. 21 selected interns will participate in a yearlong gamedev course under individual mentorship of CD PROJEKT RED specialists, and will receive 12-month financial support to cover the costs of educational activities and other upkeep. The third edition of the program was officially opened on 10 February 2024.

On 23 November CD PROJEKT RED announced a new podcast, titled AnswerRED, and published its first episode. The AnswerRED Podcast is the first such activity in the Studio’s history, entirely devoted to issues related to development of videogames.



## **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. In 2023 the platform was offered in English, French, German, Russian, Chinese, Polish and Ukrainian – this includes full website and game localizations, dedicated customer support, social media activity carried out in local languages, and integration with locally popular payment channels, accepting payments in thirteen currencies. GOG.COM also carries releases for the macOS and Linux operating systems.

Activities carried out in this 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.

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.

### **Key products**

As of the publication date of this report, the GOG.COM digital distribution platform offers over 9000 products from more than 1200 partners. This includes both timeless classics and fresh releases from such well-known brands as Sony, 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 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.

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* together with its expansion – *Phantom Liberty*.

### 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 ways to attract gamers.

### Key product and marketing events

#### Digital distribution of videogames

In 2023 the GOG.COM catalogue grew by over a thousand new titles, including *Yakuza: Like A Dragon*, *Baldur's Gate III*, *Days Gone*, *Uncharted*, *Fallout 4*, *Warhammer 40,000: Rogue Trader*, *Cyberpunk 2077: Phantom Liberty*, *Pharaoh: A New Era*, *Wartales*, *System Shock*, *Age of Wonders 4*, *Warhammer: Dawn of War*, *Jagged Alliance 3* and *Shadow Gambit: The Cursed Crew*.

#### Sales support

Key promotional campaigns on GOG.COM in 2023 included seasonal sales: Winter Sale, Spring Sale and Summer Sale. The latter offered over 5,400 games at bargain prices, while the Winter Sale, covering over 6 thousand games, was the largest promotional activity to have taken place on GOG.COM in 2023. Increased activity on the platform also coincided with Black Friday, Cyber Monday and Halloween sales. The GOG.COM team organized other promotional activities, such as targeted sales focusing on specific genres, as well as events celebrating various indie and classic games. A special anniversary sale, enriched with additional activities, was organized to celebrate GOG's 15th birthday.

#### Cyberpunk 2077: Phantom Liberty

Preorders of *Cyberpunk 2077: Phantom Liberty* launched on GOG.COM on 11 June 2023.

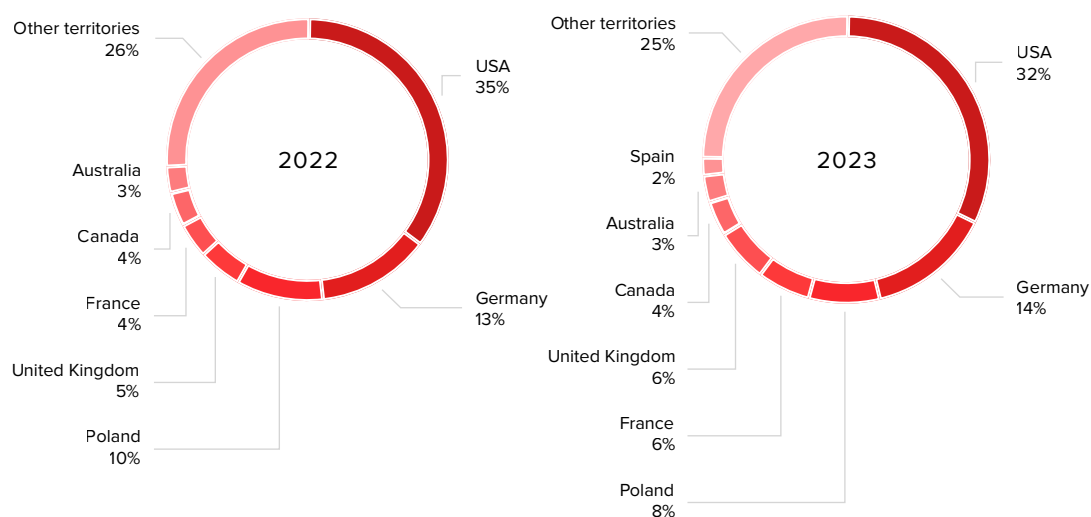
One week following the expansion's release date (26 September 2023) we announced that 10% of the three million copies of *Phantom Liberty* sold until that point had been purchased on GOG.COM. Throughout all of 2023 GOG.COM accounted for over 460 thousand of the total sales of CD PROJEKT RED's newest release (over 5 million units).



### 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 13** Sales of products and goods by GOG.COM in 2023 and 2022, by territory



In terms of territorial breakdown, sales in 2023 followed the pattern established in the preceding years. In 2023 the largest group of GOG.COM customers came from the United States (32%), followed by Germany (14%), Poland (8%) and France (6%).

As of 31 December 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 the Company purchased from the remaining shareholders of its subsidiary, Spokko sp. z o.o., a total of 135 shares with a nominal value of 50.00 PLN each, as a result of which the Company became the owner of 100% (i.e. 1089) of shares of this subsidiary. The Management Board of the Company also announced that a merger plan between the Company (as the acquirer) and Spokko sp. z o.o. (as the target company) had been agreed upon. On 6 June 2023 the Ordinary General Meeting of CD PROJEKT adopted a resolution concerning the merger between the Company and Spokko sp. z o.o. On 31 August 2023 the District Court for the City of Warsaw registered the merger between CD PROJEKT S.A. and Spokko sp. z o.o. in the register of entrepreneurs.

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 (as the target company) – in the register of entrepreneurs.

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. 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. On 11 May 2023 the Management Board of the Company announced that work on defining a new framework for Project Sirius had concluded, as a result of which a decision was reached to continue the Project, reusing a significant portion of results achieved thus far. Consequently, some of the previously recognized impairment charges on expenditures on development projects incurred in 2022 – in the amount of 21.5 million PLN – were reversed, while 2.7 million PLN in development expenditures related to the Project in Q1 2023 was written off.

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, along with the associated conditional increase in the Company share capital and issue of 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 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 capital of the former company was increased by 720 thousand USD, to 6 020 thousand USD. The increased nominal value of existing units was fully paid up by the Company. On the same day CD PROJEKT Inc. entered into an agreement with The Molasses Flood LLC and one of that company's existing members, as a result of which it purchased additional units of The Molasses Flood LLC, becoming the holder of 70.91% (i.e. 390 000) of its units. Subsequently, on 27 October 2023 CD PROJEKT RED Inc. entered into an agreement under which it purchased additional units of The Molasses Flood LLC from another one of its erstwhile members, thereby becoming the

holder of 81.82% (i.e. 450 000) of its units. On 29 December 2023 the capital of CD PROJEKT RED Inc. was increased by 800 thousand USD, to 7 920 thousand USD. The increased nominal value of existing units was fully paid up by the Company. The reason for this capital contribution was to facilitate finalization of payment for 120 000 units of The Molasses Flood LLC, which had been purchased by CD PROJEKT RED Inc. under agreements concluded on 31 May 2023 and 27 October 2023 respectively.

In line with the previous Management Board recommendation, endorsed by the Supervisory Board, on 6 June 2023 the Ordinary General Meeting of the Company decided to allocate 99 911 thousand PLN from profit obtained in 2022 towards a dividend (at 1 PLN per participating share), while reassigning 241 162 thousand PLN to reserve capital. On the same day the Ordinary General Meeting also adopted, among others, resolutions concerning approval of the financial statements for 2022, granting discharge to members of the Company's governing bodies, amending the Company Articles and expressing an opinion on the Supervisory Board's report on remuneration.

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.

On 10 July 2023, as a result of decisions adopted 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 name of the company was changed from CD PROJEKT Inc. to CD PROJEKT RED Inc., and its principal seat was relocated to Boston (Waltham), MA.

On 26 July 2023 the Management Board of the Company announced a decision on reconciling the scale and structure of the Company's team with its operating requirements and development/publishing plans implemented in the framework of the CD PROJEKT Group strategy. This resulted in reduction of employment, affecting approximately 9% of employees at the CD PROJEKT RED Studio. The process concluded in Q1 2024.

On 21 September 2023 the Supervisory Board of CD PROJEKT S.A., in order to ensure uniformity of names of positions held by members of the Management Board, decided that as of the day of registration of amendments to the Company Articles, which ultimately took place on 9 October 2023:

- Mr. Adam Kiciński, incumbent President of the Management Board, would hereinafter hold the position of Member of the Management Board for the current term;
- Mr. Piotr Nielubowicz, incumbent Vice President of the Management Board for financial affairs, would hereinafter hold the position of Member of the Management Board for the current term.

On the same day, the Management Board of CD PROJEKT S.A., pursuant to Management Board Regulations, decided to adopt additional official names for Members of the Management Board, corresponding to their respective duties. Further information can be found in the section titled Statement regarding the implementation of corporate governance policies elsewhere in this report.

On 5 October 2023 Mr. Adam Kiciński, CEO of CD PROJEKT S.A. notified the Company of his intent to seek appointment as Member of the Supervisory Board of the Company in 2025, which would entail his resignation from membership of the Management Board, effective at the end of 2024. The full content of the notification submitted by Mr. Kiciński's to the parent Company is appended to [Current Report no. 39/2023](#).

In light of the above-mentioned decision, the Management Board of CD PROJEKT S.A. decided upon changes in the internal division of responsibilities entrusted to Members of the Management Board with regard to specific areas of Company activities. These changes would enter into force on 1 January 2024 and entail changes in the description of roles and names of positions held by members of the Management Board, to wit:

- Adam Kiciński holds the position of Chief Strategy Officer (CSO);
- The position of Chief Executive Officer (CEO) is held jointly by Adam Badowski, who had heretofore held the position of Chief Creative Officer and been affiliated with the parent Company for 20 years, and Michał Nowakowski, who had heretofore held the position of Chief Commercial Officer and been affiliated with the parent Company for 18 years. Adam Badowski and Michał Nowakowski shall hereinafter officially introduce themselves as Joint Chief Executive Officers (Joint CEO).

On 23 October 2023 the capital of CD PROJEKT RED Inc. was increased by 1 100 thousand USD, to 7 120 thousand USD. The increased nominal value of existing units was fully paid up by the Company. The reason for this capital contribution was to facilitate the final stage of the process of purchasing 60% of units of The Molasses Flood LLC (third payment batch).

## **EVENTS FOLLOWING THE BALANCE SHEET DATE**

On 20 February 2024, at an Extraordinary General Meeting of CD PROJEKT, the Earnings Condition (cumulative consolidated net earnings for the years 2024-2027) was set in the framework of Incentive Program B at 3 billion PLN for entitlements assigned in 2024. All materials related to this General Meeting, including resolutions adopted thereby, are available at [the Company's website](#).

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

### **Effect on sales**

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

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

### **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 does not have a direct 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 2024, 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.

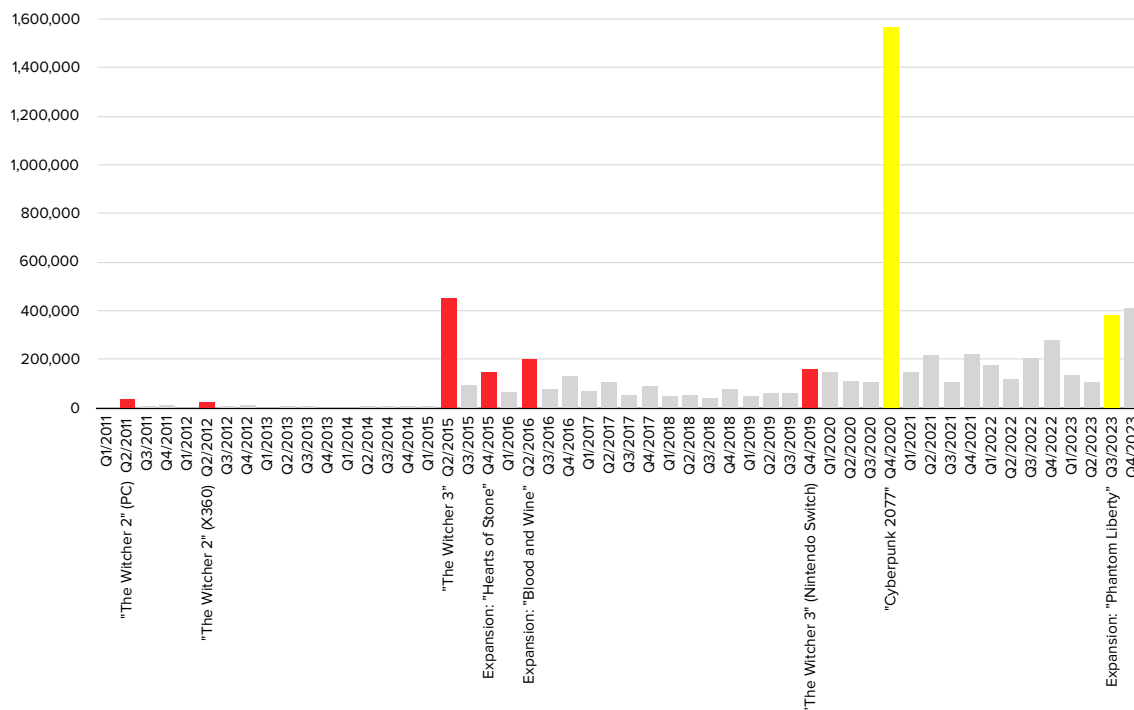
## **DISCLOSURE OF SEASONAL AND CYCLICAL ACTIVITIES**

### **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 3 and 6 years to produce a game. Previously, the Studio had focused on a single large development project at a time, with initial conceptual work on a new game occurring before the previous game was complete and ready to be released. Currently, CD PROJEKT Group carries out parallel development of four games (one of which is being developed in collaboration with an external dev team).



**Chart 14** 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.

With regard to games which have already been released, their yearly sales breakdown is dependent on the schedule of periodic promotional activities. 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.

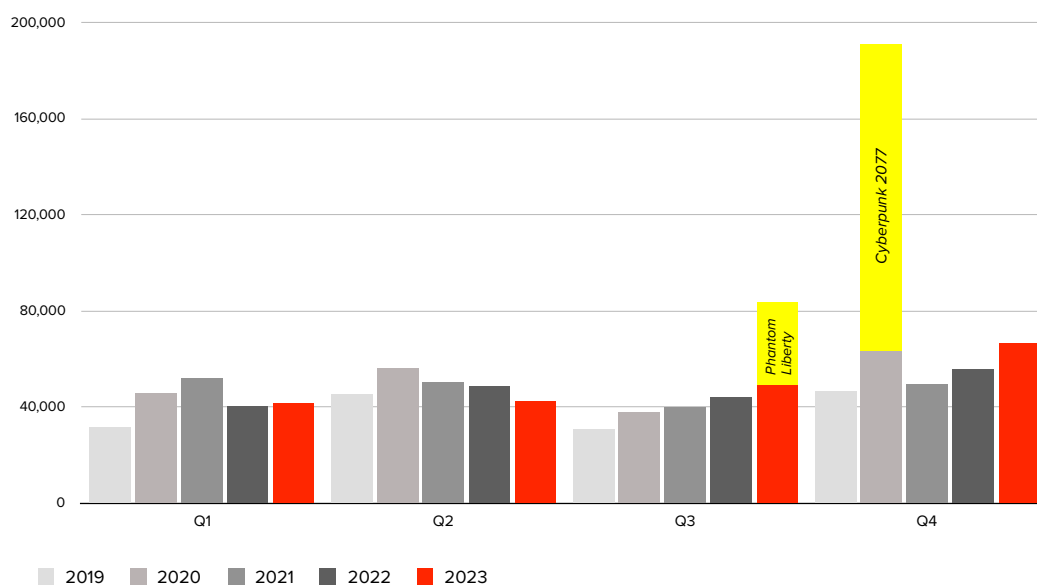
In addition to pure development activities, the Company also actively manages its franchises in other fields, working to continually expand its target audience, and exploring new media types and platforms.

## 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 15** Sales of goods and materials in the GOG.COM segment in 2019-2023 (PLN thousands)



## 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 creators and specialists, and to attract a growing number of experts, 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 2023.

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.

Important external and internal factors which are specific to the Group and which may, in the Management Board's opinion, potentially have a negative effect on the Group's activities and growth prospects, are described in the risk assessment section elsewhere in this report.

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.

### 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.

Regarding the upcoming quarterly periods, a particularly important area of activity covers ongoing development of previously announced projects, along with upscaling of activities carried out in the framework of the newly established CD PROJEKT RED North America dev studio.

Another notable process at CD PROJEKT RED – in the context of the studio's development – is the ongoing deployment of Unreal Engine 5, improving the engine's support for open-world games, as well as adaptation and optimization of parts of the engine to align it with the creative underpinnings of future projects, which is one of the main assumptions of our strategic collaboration with Epic Games. Use of this engine should significantly streamline the game development process. The Company's agreement with Epic Games also involves dedicated technical support for CD PROJEKT RED releases on the part of Epic 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. The growing team, along with an increasing number and scale of ongoing development project, necessitates proper management of individual teams and production processes at CD PROJEKT RED facilities in Europe (with hubs in Warsaw, Kraków and Wrocław) and North America (Vancouver and the newly established Boston office) along with The Molasses Flood (Boston), as well as publishing activities carried out mainly by teams based in Warsaw, Los Angeles, Berlin, Seoul, Tokyo and local representatives in other countries. Ensuring the success of each release is important in order for the Company to be perceived as a creator of eagerly anticipated high-quality entertainment products, and for building the long-term value and recognition of The Witcher/Cyberpunk franchises, the emerging third franchise, and the Studio itself – which is the cornerstone of further development of the Company and its Group. With regard to project management, maintaining two distinct franchises – The Witcher/Cyberpunk – along with several autonomous dev teams has enabled the Studio to carry out parallel development work on multiple projects, starting in 2022. Migration to a dual franchise publishing model (with a third franchise to be added in the future) supported by several independent, parallel projects paves the way for potential optimization of production 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 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. In addition, the Boston studio is working on a separate game set in The Witcher universe, codenamed Sirius.

## Disclosure of significant achievements in the scope of research and development

Research and development work, including the ongoing search for new solutions, evaluating their effectiveness and identifying ways to apply them constitutes a core aspect of CD PROJEKT RED's business profile and the studio's daily activities.

R&D work related to videogame development begins at the conceptual phase and lasts while successive prototypes are made available for testing and optimization, ensuring compatibility, usability and playability – all the way to the final product: a ready-for-release videogame.

### Development activities

In 2023 development activities were carried out in the framework of the following projects:

- *Cyberpunk 2077: Phantom Liberty*, a large expansion for *Cyberpunk 2077* – project completed; expansion released on 26 September 2023;
- New game set in The Witcher universe, codenamed Polaris;
- Project Sirius, carried out by The Molasses Flood and belonging to The Witcher franchise.

### Research activities

In 2023 research activities were carried out in the framework of the following projects:

- Project Orion – a game set in the Cyberpunk universe;
- Project Canis Majoris – a game set in The Witcher universe;
- internal conceptual work on a third franchise upon which future videogame releases will be based (codenamed Hadar);
- Artificial Intelligence – research on use or creation of AI-based tools to support future product development.

In addition to the above, there was ongoing work on new technologies, as well as further development and improvements to existing games, mainly *Cyberpunk 2077* (including preparations for the release of its *Ultimate Edition*) and *GWENT*.

A dedicated development team is at work on RED Play – a multiplatform framework for managing the Studio's game portfolio and support communication between CD PROJEKT RED and the gaming community.



Within the framework of the Data, Insight & Experiences project – an internal laboratory dedicated to research on game functionality, user experience (UX) and immersion – in 2023 we carried out desk research on accessibility features in games (for gamers with special needs resulting e.g. from disabilities), in order to chart directions for further research work in the coming years. We also engaged in research on practical user experience analyses based on the Polaris project.

In 2018 CD PROJEKT gained the status of a Research and Development Center (RDC). On 23 August 2023 the Ministry of Development, Labor and Technology issued a decision confirming that the Company engages in R&D activities and upholding its RDC status.

In 2023 the GOG team worked on improving user experience (UX) features and development of new proprietary recommendation technologies aimed at presenting users with personalized content.

## Disclosure of significant agreements<sup>13</sup>

CD PROJEKT did not enter into any significant agreements during the reporting period.

## Risk management at the Group

### Risk management process

The CD PROJEKT Group is exposed to a range of risks, both financial and non-financial, associated with its operating activities. In 2021 a Risk Management Procedure was introduced at the Group, formalizing methods of managing and mitigating strategic risks. In December 2023 we updated this procedure and began to apply an enhanced risk management process.

Risk management at the Company comprises a clearly defined set of rules which permit identification, assessment and analysis of risks, as well as further action in order to achieve an acceptable level of risk given the identified threats and thereby mitigate the consequences of potential circumstances which may have a negative effect on the activities of the Company, including its financial stability. While identifying strategic risks, we also work to identify opportunities which may ameliorate the circumstances related to risks under analysis, and determine means of handling risks (which may involve acceptance, mitigation, transfer or avoidance of the given risk).

<sup>13</sup> An agreement is regarded as significant if the projected total value of liabilities arising under the agreement exceeds 10% of the consolidated assets of the Group

In order to support the risk management process, a Risk Management Committee has been established, comprising the so-called risk owners, i.e. top managers and executives who coordinate processes comprising respective areas of activity at the Company.

Support in the risk management process is provided by the Privacy & Compliance team which operates in the framework of the Company's legal department. Risk management at CD PROJEKT Group subsidiaries is the responsibility of their respective management boards.

Each risk identified at the Company is subjected to analysis in order to determine its impact and likelihood of materialization. In determining this likelihood the Company acknowledges existing control systems and their effectiveness, while impact assessment is based on potential consequences for the Company – both financial and otherwise.

The significance of a risk is calculated by multiplying the likelihood of occurrence by the risk's impact, as listed in the risk value matrix. Following analysis of each risk, the Risk Management Committee submits results for approval by a member of the Management Board responsible for the specific area to which the risk applies. That Member of the Management Board may then decide on further steps, depending on the significance of the risk. The decision may be to accept, mitigate, transfer or avoid the risk. When the given risk exceeds the acceptability threshold, its owner, in collaboration with the Risk Management Committee, develops suitable control mechanisms and remedial actions.

### **Significant (strategic) risks**

The following risks have been identified as significant. The description of each risk is accompanied by a list of actions which have been undertaken to mitigate the potential consequences of its materialization.

While due diligence was applied in identifying and describing the risks described below, in the course of its daily activities the Group may be exposed to new types of risks which it has not heretofore identified.

## **BUSINESS MODEL RISKS**

### **Risk associated with focusing on a limited number of projects with long investment cycles and unpredictable commercial potential**

Description: CD PROJEKT RED focuses on developing multifaceted role-playing games with nonlinear storylines and based on cutting-edge technological solutions. Given the scope of such projects and their development lifecycles which span multiple years, these games – often referred to as “AAA” – require above-average development and marketing budgets, the vast bulk of which must be expended before any revenues are generated by the corresponding project. A hypothetical unsuccessful release of an AAA game by CD PROJEKT RED may potentially result from e.g. failure to meet gamers' high expectations with regard to quality, gameplay appeal or content, technical issues associated with the game or negative reviews by journalists and market experts. Sales revenues in the wake of an unsuccessful release may not cover earlier expenditures on development and promotion of the game.

Actions taken: We prioritize developing innovative high-quality products. We believe that ensuring high quality of our releases is the best way to mitigate the risk of sales underperformance. Moreover, in line with our Strategy, in the coming years we intend to base our growth on successive expansion of our product portfolio. This involves, among others, long-term commitment to our franchises, ensuring that they are globally recognized, along with upscaling our production capabilities to be able to deliver more games while maintaining quality, and to introduce aspects of multiplayer gameplay. We also want to expand our activities to cover new fields of use, which includes new media and platform types. To mitigate this risk we also estimate the commercial potential of future products, test them at every stage of development and keep track of emerging technological and market solutions.

### **Risk associated with entering new market segments**

Description: Entering new market segments, where we may not yet possess extensive experience and know-how, provides an opportunity to reach a wider audience, which might then be enticed to take up interest in our games, but on the other hand carries the risk of project failures and may cause us to incur additional costs. Investing in new market segments may call for collaboration with new external partners, which, in turn, might cause difficulties in ensuring optimal project management, i.e. making sure that collaborative activities are performed in a timely fashion, that our IP is appropriately understood, or that our quality expectations are honored. This could ultimately drive up costs, lead to abandonment of projects, or potentially harm our reputation.

Actions taken: When we decide to embark on a new project, in order to ensure optimal control we take action to develop in-house skills and competences by recruiting experts and specialists who are familiar with the given field. In selected cases expansion to new fields may be carried out in collaboration with external partners who possess greater experience in that context. We are diligent in selecting potential contractors and in building relations based on shared values and quality standards.

### **Risk of failure to meet production goals**

Description: Engaging in R&D activities related to development and distribution of top-quality AAA games represents the core business of the CD PROJEKT Group. AAA development is a complex, creative process which involves many potential ways of implementing the project's vision. This may entail communication problems or produce deficient or suboptimal game components. If such problems go undetected, or if they are detected at a late stage of development, additional costs and risks may ensue.

Carrying out innovative, creative work requires that the risk of encountering failures in the development process be accepted. It also calls for trust in creators. It may be impossible to accurately evaluate and validate ongoing work at the exploratory stage, or even during development, before the expected results or milestones are reached.

AAA development is also frequently characterized by complex and iterative development cycles and long production schedules, which requires creators to adapt to the changing market, accurately predict gamers' preferences, and follow up on trends created by competing gamedev studios. The risk of incorrectly scheduling development processes related to a given release is an inherent aspect of innovative R&D work carried out by the Group. The ability to meet production goals is also affected by technological development, i.e. ongoing changes in programming tools, software, available technologies and gaming platforms. Products released on the market are characterized by steady increases in complexity and sophistication in terms of the underlying technologies and artistic merit – which also increases the length and complexity of the associated development processes. Rapid technological progress necessitates fast adaptation through continuous refinement of solutions, retaining the ability to offer ever more sophisticated products.

In 2022 we decided to enter into a licensing and partnership agreement with Epic Games International S.à r.l., which specifies the conditions under which we may apply Unreal Engine in our games, and establishes a framework for collaboration on further development and improvements in the engine, so as to adapt it to the requirements of open-world games. Developing and publishing games based on Unreal Engine requires us to familiarize ourselves with this technology and successfully apply it in practice, as well as to develop a range of new tools or otherwise adapt existing tools used by the Studio's creators. Basing future releases on a licensed engine, i.e. Unreal Engine, may also introduce a dependency of the Studio's basic business activities upon collaboration with the license provider.

Failing to meet development goals, including in the context of production time, quality or entertainment appeal, may result, among others, in additional costs, reduced sales revenues, impairment charges on development expenditures, or a loss of reputation for the Studio.

Actions taken: In order to meet our development goals we strive to deliver games in a timely manner while upholding high quality standards. In the framework of the RED 2.0 transformation process we have introduced the Agile development methodology at the Studio. The Studio also works to uniformize and improve its project management practices to facilitate a more efficient production process. To this end, interdisciplinary teams are being set up, each equipped with the appropriate expertise and skills. Members of such teams can exchange knowledge and experience while having access to training programs. We carefully manage the availability of positions and respond to project needs in order to ensure appropriate staffing of dev teams. We also introduce solutions aimed at enhancing communication and transparency in collaboration between teams, providing a clear definition of roles and responsibilities in the decision-making process, and instituting a training curriculum to build the necessary Agile development skillset. Production milestones are based on exchange of information between teams and on transparency, which facilitates ongoing verification of progress and enables us to react to potential mistakes. Member companies of the CD PROJEKT Group continue to monitor technological progress and, whenever possible, introduce changes which may benefit the quality, production or distribution of games.

Implementation of CD PROJEKT's strategy, which entails simultaneous development of multiple AAA games, is strongly reliant on standardizing requirements at key stages of each project and evaluation of the development process, in order to optimize costs and mitigate recurring risks. Consequently, in 2023 we rolled out a uniform milestone definition and verification system. This model, which we call RED GDF (Game Development Framework), is already being used to evaluate progress in ongoing projects and continues to be intensively developed, which enables us to base our decision-making process on consistent standards, thereby contributing to increased predictability and effectiveness of development work.

### **Risk related to collaboration with key suppliers**

Description: In the course of their activities, Group member companies cooperate with many external entities. The Group relies on these entities, among others, for specialized applications and software, licenses, game assets, entire games or parts thereof, and other services required in its daily work. Offloading certain activities to experienced contractors may increase the efficiency of ongoing projects, but may also represent a risk. Choosing the wrong contractor or terminating cooperation with a key supplier of essential products or services may impair the progress of ongoing projects, harm sales and thereby have a detrimental effect on the financial performance and reputation of Group member companies.

In 2022 the Company entered into a strategic partnership with Epic Games International S.à r.l., based on a licensing and partnership agreement, which provides, among others, for dedicated technical support for the Company's products on the part of Epic Games. The scope of the partnership entails (among others) the risk of terminating cooperation with this key business partner, which would affect the Company's development schedule, as well as the related goals and expenditures.

With regard to digital distribution of games carried out by GOG sp. z o.o., the risk related to cooperation with suppliers is an integral aspect of the associated business model. GOG sp. z o.o. purchases distribution rights from external entities; hence, operations of the digital distribution segment are dependent on cooperation with IPR holders (developers and publishers).

Actions taken: The Group minimizes the risk associated with key suppliers by maintaining good trade relations with its existing business partners and by actively seeking new collaboration opportunities. In 2022 a procurement policy was introduced at the Company, encompassing, among others, best practices in terms of communication and business negotiations with partners. The Company also provides training for employees who engage in procurement processes. Member companies of the Group work to make sure that business relations are appropriately structured – starting with selection of suppliers, through price quotations and negotiations, all the way to delivery. Member companies of the Group also actively monitor the market and may take steps to replace selected products or services, should such changes become necessary. To mitigate this risk, Group member companies strive to secure far-reaching contractual protections. The licensing and partnership agreement with Epic Games International S.à r.l. was signed for a period of 15 years with a prolongation option; the agreement also does not restrict the number of games which can be developed with the use of Unreal Engine.

With regard to GOG sp. z o.o. activities, the risk of terminating cooperation with partners is diversified by the large number of entities with which we collaborate in this segment (GOG.COM distributes content from over 1200 partners). In order to further mitigate this risk, GOG sp. z o.o. takes action to maintain good relations with key publishers whose products are responsible for the bulk of the segment's revenue stream (this involves, among others, dedicated marketing campaigns, ongoing improvements to the publishing process, and negotiations which aim at expanding the product catalogue).

### **Risk of restriction of access to distribution channels which carry the Group's products, or to certain markets and hardware platforms**

Description: The Company distributes its own products via physical channels (retail outlets) as well as digitally, which – except for the Group's proprietary GOG.COM platform – relies on cooperation with external distributors. Company games may be denied presence or withdrawn from selected storefronts, and their introduction or return to such storefronts may depend on multiple factors, some of which may be outside of Company control. In particular, development of games for "closed" platforms, such as gaming consoles or iOS devices, and directly distributing games on markets where the applicable legislation calls for certification (e.g. China) requires direct cooperation with the certifier. Failure to meet certification criteria is a risk, as are changes in local laws or regulations affecting the certifier, termination of cooperation with the platform proprietor, delays in the certification process, denial of certification, revocation of previously granted certification, or loss of access to a given market by GOG.COM or another distributor which carries Company products. Each of those events may adversely impact revenues from sales of the Group's products on selected territories or platforms. Restriction of sales in selected traditional or digital distribution channels may affect the Group's revenues and therefore also its earnings. The impact of this risk depends on many factors, such as the importance of the product, market share of the given distributor or the region to which the restriction applies.



Actions taken: To minimize the risk of restricted availability of CD PROJEKT RED products the Company cooperates with a broad range of distribution partners. In order to minimize the risk of not being able to distribute products on certain territories or platforms, e.g. as a result of legislative changes or unforeseen restrictions affecting distribution channels, in justifiable cases the Company engages with local partners who possess the experience and knowledge required to secure certification of the game (or of its new editions or supplementary content) prior to its rollout on the given market. Group member companies also keep track of legislative changes in key markets which may have a negative impact on the distribution of games. This should enable them to react to such changes in a timely manner, and mitigate the potential negative impact on their own operations.

**Risk associated with unavailability of IT infrastructure or services, including cybersecurity risk**

Description: Given the specific nature of our activities and the ongoing development of the digital entertainment industry, products and services offered by the CD PROJEKT Group rely ever more heavily on the reliability, availability and security of IT infrastructures. IT systems, including servers, network infrastructure and Internet access devices may be susceptible to interference and outages caused by various factors, which may, in turn, negatively impact operations or effectiveness of ongoing projects. This risk may manifest itself, among others, in unavailability of on-premises or SaaS infrastructure caused by hacking, server downtime, lack of network connectivity or failures on the part of service providers.

Actions taken: To minimize the risk of unavailability of infrastructure or services, IT teams oversee the selection of IT solutions in order to ensure sufficient availability of critical systems and services. All data centers with which we collaborate are equipped with emergency power systems, fire suppression systems and mandatory access control; additionally, key aspects of their operations are monitored by specialized teams. Selection of external services is based on a holistic approach which involves verification of third-party parameters and operating procedures, thus ensuring that they meet our requirements. Internally, we work to minimize the risk of attacks on our resources and infrastructure by deploying specialized tools and training techniques which raise cybersecurity awareness among users. Additionally, our internal procedures serve to mitigate the “Shadow IT” phenomenon, where employees use IT services or software which has not been authorized by the IT & Security Department. Our solutions undergo regular audits, and we engage in consultations with domain experts. These actions – which together represent an ongoing process – ensure that our security is consistently being evaluated against existing and emerging threats. Our data processing infrastructure is also permanently monitored to ensure appropriate safeguards and prevent actions which might lead to unauthorized access to data.

## LEGAL RISKS

### Risk of regulatory noncompliance

**Description:** The activities of the CD PROJEKT Group are subject to a wide range of legal regulations which may differ depending on the territory where Group member companies carry out activities, where our employees or shareholders are physically present, and where your products are offered. This calls for monitoring of our legal environment in various jurisdictions, especially as relates to protection of intellectual property, personal data protection, corporate law (including stock market regulations), antitrust regulations, consumer rights or labor law. Frequent changes in the applicable laws or interpretations, occurring both in Poland and abroad, carry the risk of noncompliance or infringement on the part of the Group's member companies. Some changes in legal regulations may fail to acknowledge the specific nature of the videogame industry, potentially forcing us to incur major unforeseen expenditures as we work to maintain legal compliance. Due to changing interpretations, lack of official guidelines governing application of legal provisions, and insufficient case law, the process of effectively managing legal risks faces numerous challenges.

**Actions taken:** In 2022 compliance was disaggregated within our organizational structure, under the supervision of the Chief Compliance Officer. We also established a dedicated Privacy & Compliance team as part of our legal department, tasked with monitoring Company and Group activities, among others with respect to the appropriate regulations (external and internal). We try to proactively adapt our internal regulations and processes to upcoming legal changes. Whenever necessary, we update our internal processes as required. We perform ongoing assessment of changes in legal regulations, guidelines, best practices, case law and notifications issued by the appropriate public authorities and supervisory bodies. We carry out internal audits, analyses of each project, and internal training for our employees. In the process of ensuring regulatory compliance, we make use of our own resources as well as services procured from specialized law firms and other entities (such as the Personal Data Protection Inspectorate). We also work to ensure that information provided to employees and consumers is expressed in simple terms and consistent with good legal design principles, ensuring that it is appropriately understood by recipients.

### Risk associated with intellectual property rights

**Description:** Our products and services are based upon intellectual property. Effective acquisition, licensing and protection of intellectual property rights is therefore an important aspect of our activities.

Given that our products and services are marketed in many different countries, it is natural to offer them in local languages and under local names. This, however, involves the risk that some of these names may conflict with existing trademarks, giving rise to trademark infringement claims. In addition, we may be unable to locally register some of our trademarks due to their resemblance or equivalence to trademarks which have already been registered.

There is also a risk of inadvertent infringement of third-party property rights, including IPR. Such situations might arise e.g. in the case of improperly worded contractual provisions in licensing or IP purchase agreements, erroneous assessment of the boundaries of permitted use, or unawareness on the part of creators of IPR and protection thereof in various countries around the world.

In 2023 a new challenge emerged in relation to the spread of tools which apply generative artificial intelligence (GAI) to assist in creation of various works, including videogames. Use of GAI raises many legal concerns, including lack of IPR protection for content on which GAI relies, or potential infringement of third-party IPR.

In addition to the above, we face issues related to infringement of our own IPR, e.g. through unauthorized distribution of our games and merchandise which exploits our IPR. The Company is furthermore at risk of third-party registration of trademarks related to our games, as well as reuse of our game assets in third-party creations and products.

Actions taken: At CD PROJEKT we continually analyze and improve the provisions of contracts which ensure that rights to use certain works or images in our games are properly acquired from third parties. In order to secure our own IPR, we register trademarks throughout the European Union and elsewhere. We also monitor, on an ongoing basis, registration of trademarks by third parties, and perform ongoing legal verification of our products and services to prevent infringement of third-party IPR. We take action to combat infringement of our own IPR – among others, by monitoring online auction portals and distribution platforms in Europe, the United States and Asia. Auctions which violate our IPR are regularly struck down, depending on the solutions offered by the given portal. A dedicated Privacy & Compliance team has been established within our legal department, tasked, among others, with monitoring and coordinating the Company's needs with regard to intellectual property. We also organize regular training courses and prepare internal IPR recommendations for our employees.

Since 2023 we have been monitoring the development of GAI technologies, and we are analyzing opportunities for incorporating them in our activities, along with the associated risks.

#### **Risk associated with changes or differing interpretations of fiscal regulations, and with subsidies**

Description: Significant changes are occurring in tax law. Emerging regulations often impose additional reporting obligations upon taxpayers and introduce new restrictions related e.g. to eligibility of expenditures as tax-deductible revenues. Conflicts between interpretations of fiscal regulations issued by public authorities give rise to uncertainties with regard to the correctness of our tax reporting. When deciding to make use of tax relief, CD PROJEKT must develop appropriate internal documentation and settlement standards, which, in turn, may potentially be brought into question by tax authorities. The Company also benefits from subsidies which support ongoing investment and development projects. Relying on this form of funding may involve the risk of having the relevant documentation, justifications for funding requests, or calculations and settlements, questioned by the authorities – while the corresponding projects are in progress as well as after they have concluded.

Actions taken: We work to ensure that our settlements comply with fiscal regulations and that all other duties arising from tax law are properly discharged. Our internal Tax Department, assisted by external consultants – both Polish and foreign – monitors legislative processes and interpretations issued by fiscal authorities, and develops procedures which aim to guarantee proper discharge of fiscal obligations by the Group. We take initiative to improve interpretations of tax law, and participate in public consultations which accompany the legislative process. When drawing up requests for subsidies, we enlist the assistance of external consultants who specialize in such matters.

## TEAM-RELATED RISKS

### Risk related to recruitment and retention of employees, and team building

Description: The activities and growth prospects of our Group are largely reliant on the availability, knowledge, experience, talent and motivation of our employees. Employee churn presents an important danger to operational continuity and our ability to meet our declared business goals. It induces the need to seek employees on the labor market, which is sometimes problematic due to the low availability of individuals who possess the required skills. Departure of key team members may hamper innovation, slow down development work, harm the quality of production processes and cause us to forfeit unique ideas – all of which might reduce the appeal of our games and blunt our competitive edge. It may also result in increased costs (e.g. related to recruitment) and unrealized financial gains (e.g. due to production delays, disruption and loss of quality).

The risk of losing employees may be exacerbated, among others, by improper recruitment procedures, noncompetitive remuneration and benefits, insufficient managerial support, or lack of career advancement opportunities.

Given the number of persons employed at the Group, and the diversity of our team, we face the risk of irregularities, including undesirable dynamics in employee relations. Such irregularities have the potential to undermine team cohesion and carry legal consequences for the Group or harm its public image.

Notable risks in this area also involve low engagement on the part of employees, lack of effective collaboration between teams, or crunch time – which may disrupt employees' work-life balance, thereby impacting our organizational efficiency. Improper management of such issues may furthermore result in lack of motivation and elevated stress levels among employees, with a potential trickle-down effect on churn rate and quality of work.

Actions taken: Promoting a healthy organizational culture where everyone enjoys equal rights is key from the point of view of existing employees as well as potential candidates involved in recruitment activities. We undertake a range of actions to increase the engagement of employees, protect their rights and continually provide them with development opportunities. Our program of training courses, workshops and webinars supports competence building, developing soft skills and counteracting irregularities.

In the scope of employee engagement, we periodically organize team meetups where employees are able to share their ideas, opinions and concerns. This open dialogue enhances mutual trust and involvement on the part of RED team members. The Company promotes a positive organizational culture and a set of shared values, which encompasses honesty, transparency, ambition and being goal-oriented, in addition to respect and cooperation, regarded as the cornerstone of team cohesion and engagement.

In 2023 we adopted the new SpeakUp! whistleblowing policy, together with a set of procedures for reporting improper conduct and other irregularities, all expressed in simple terms. All our employees and candidates taking part in recruitment processes are able to report irregularities while maintaining full confidentiality and anonymity.

To bolster managerial performance and foster a collaborative culture, we continually work to assist our managers in developing key skills while retaining a clear view of what is expected of them. We also engage in initiatives which promote inclusive leadership – this includes organizing workshops and training courses focused on diversity, equality and engagement of all team members. Through effective performance management practices, we ensure clarity in defining goals and monitoring progress. The aim of our actions – those already undertaken

as well as those currently being planned – is to foster an open, supportive organizational culture which supports efficiency, innovation and job satisfaction among employees.

We pursue an active remuneration policy which supports the strategic goals of CD PROJEKT while also acknowledging existing market conditions and remuneration standards. Our employees obtain a range of benefits (e.g. private medical care, cafeteria benefit system, access to external sports facilities, internal gym, healthy food at the office, etc.) For employees relocating to Poland from abroad we have developed a relocation plan, augmented by additional activities which help them adapt to their new surroundings.

We continually work to improve our employment-related processes, e.g. by measuring key indicators related to employee churn, retention and headcount. Irrespective of these activities, a certain level of churn is unavoidable and regarded as natural. Given the specific nature of the Group's activities, which focus on long-term projects, such churn typically increases in periods following each release.

We also continually monitor aspects which may affect employee retention – e.g. through a comprehensive engagement survey or broad analyses of HR data. Based on results of these analyses we take appropriate action to mitigate risks related to recruitment and retention of employees, as well as team building.

## FINANCIAL RISKS

Financial risks identified by the Group are described in the *Consolidated Financial Statement of the CD PROJEKT Group for 2023*.

## ENVIRONMENTAL RISKS

### Risk associated with environmental and climate protection

Description: For the CD PROJEKT Group, risks associated with environmental and climate protection involve, on the one hand, migration to a low-emissions economy which is resilient to climate change, and on the other hand, actual effect of climate change upon the activities of Group member companies. These risks involve market aspects (e.g. increased energy costs), regulatory aspects (e.g. the need to adapt to EU climate change regulations), technological aspects (increased investment costs) and reputational aspects. They also encompass the need to secure our infrastructure against extreme weather events and long-term changes in climate patterns. In this scope we also identify certain opportunities – such as the option to use eco-friendly solutions in new buildings being constructed on the CD PROJEKT campus.

Actions taken: Minimizing environmental impact and introducing solutions which benefit the environment are among the Group's priorities. In 2022 we adopted an Environmental Policy, while in 2023 we formally deployed an Environmental Management System consistent with the ISO 14001 standard and the EMAS<sup>14</sup> regulation. In 2023 we also submitted to an external environmental audit which confirmed that CD PROJEKT meets all the criteria imposed by the aforementioned standards. On 19 February 2024 the General Directorate for Environmental

<sup>14</sup> Eco-Management and Audit Scheme is an environmental certification system endorsed by the EU, based on Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS). Registration in the EMAS system and submitting to an EMAS audit confirms that the organization meets high standards related to environmental protection.



Protection entered CD PROJEKT in the EMAS registry under registration ID PL 2.14-009-98. We perform ongoing analysis of changes in legal regulations, identify and assess our effect on the environment, and set measurable indicators in this regard. Since 2021 we have been computing and reporting the Group's carbon footprint; in 2022 this calculation was expanded to cover all of Scope 3 emissions (i.e. our entire value chain). We have set direct emissions reduction goals in Scopes 1 and 2 to be achieved by 2030, in line with the Paris Agreement. In 2023 we again carried out a materiality assessment of climate risks, pursuant to TCFD guidelines. Further information about the CD PROJEKT Group's investments in eco-friendly solutions, along with climate-related risks and opportunities, can be found in the *CD PROJEKT Group Sustainability Report for 2023*.



03

RESULTS OF OPERATION  
OF THE CD PROJEKT GROUP

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

### CONSOLIDATED INCOME STATEMENT

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

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022*	change	change %
<b>Sales revenue</b>	<b>1 230 199</b>	<b>952 576</b>	<b>277 623</b>	<b>29.1%</b>
Sales of products	1 041 784	767 499	274 285	35.7%
Sales of services	1 662	1 960	-298	-15.2%
Sales of goods for resale and materials	186 753	183 117	3 636	2.0%
<b>Cost of sales of products, services, goods for resale and materials</b>	<b>380 567</b>	<b>243 974</b>	<b>136 593</b>	<b>56.0%</b>
Costs of products and services sold	239 760	111 562	128 198	114.9%
Cost of goods for resale and materials sold	140 807	132 412	8 395	6.3%
<b>Gross profit/(loss) on sales</b>	<b>849 632</b>	<b>708 602</b>	<b>141 030</b>	<b>19.9%</b>
Selling expenses	243 796	189 551	54 245	28.6%
Administrative expenses	166 507	108 995	57 512	52.8%
Other operating income	54 040	19 443	34 597	177.9%
Other operating expenses	24 336	52 805	-28 469	-53.9%
(Impairment)/reversal of impairment of financial instruments	7	-7	14	-
<b>Operating profit/(loss)</b>	<b>469 040</b>	<b>376 687</b>	<b>92 353</b>	<b>24.5%</b>
Finance income	118 645	71 501	47 144	65.9%
Finance costs	49 193	55 663	-6 470	-11.6%
<b>Profit/(loss) before tax</b>	<b>538 492</b>	<b>392 525</b>	<b>145 967</b>	<b>37.2%</b>
Income tax	57 387	46 034	11 353	24.7%
<b>Net profit/(loss)</b>	<b>481 105</b>	<b>346 491</b>	<b>134 614</b>	<b>38.9%</b>

\*restated data

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

The most important event which was not observed in the comparative period and, at the same time, had a material impact on the results of operations of the CD PROJEKT Group in 2023 was the release of the *Phantom Liberty* expansion to *Cyberpunk 2077* and the following related developments:

- an increase in **Sales revenue** in both segments of the Group;
- an increase in **Costs of products and services sold** in the CD PROJEKT RED segment due to the commencement of amortization of expenditure on the expansion and a change in the amortization pattern of the basic *Cyberpunk 2077* game;
- an increase in expenditure on promotion (**Selling expenses**) in the CD PROJEKT RED segment.

The release of the expansion, followed by *Cyberpunk 2077: Ultimate Edition*, had a positive effect on the sales of the basic version of *Cyberpunk 2077*. Combined with the sales of *The Witcher 3: Wild Hunt*, the release of the expansion enabled the CD PROJEKT Group to achieve the second best result in its history at **Net profit** level.

## 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 thousands)

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022*	change	change %
<b>Sales revenue</b>	<b>1 037 873</b>	<b>780 309</b>	<b>257 564</b>	<b>33.0%</b>
Sales of products	1 023 545	761 518	262 027	34.4%
Sales of services	1 014	3 044	-2 030	-66.7%
Sales of goods for resale and materials	13 314	15 747	-2 433	-15.5%
<b>Cost of sales of products, services, goods for resale and materials</b>	<b>254 972</b>	<b>124 808</b>	<b>130 164</b>	<b>104.3%</b>
Costs of products and services sold	239 914	112 997	126 917	112.3%
Cost of goods for resale and materials sold	15 058	11 811	3 247	27.5%
<b>Gross profit/(loss) on sales</b>	<b>782 901</b>	<b>655 501</b>	<b>127 400</b>	<b>19.4%</b>
Selling expenses	198 832	148 042	50 790	34.3%
Administrative expenses	158 381	102 715	55 666	54.2%
Other operating income	50 922	16 772	34 150	203.6%
Other operating expenses	19 162	52 604	-33 442	-63.6%
(Impairment)/reversal of impairment of financial instruments	7	-7	14	-
<b>Operating profit/(loss)</b>	<b>457 455</b>	<b>368 905</b>	<b>88 550</b>	<b>24.0%</b>
Finance income	114 729	64 717	50 012	77.3%
Finance costs	45 429	47 932	-2 503	-5.2%
<b>Profit/(loss) before tax</b>	<b>526 755</b>	<b>385 690</b>	<b>141 065</b>	<b>36.6%</b>
Income tax	56 007	44 197	11 810	26.7%
<b>Net profit/(loss)</b>	<b>470 748</b>	<b>341 493</b>	<b>129 255</b>	<b>37.8%</b>

\* restated data



An increase in **Sales of products** of the CD PROJEKT RED segment in 2023 compared with 2022 was mainly due to a successful launch of the *Phantom Liberty* expansion to *Cyberpunk 2077*. The launch, supported by a marketing and communication campaign, took place on 26 September, and in the second half of 2023 the segment recognized in revenues the total value of both pre-orders and sales in the first quarter after the launch. Revenue from the sale of the *Phantom Liberty* expansion accounted for nearly 40% of the segment's total sales for the year. Moreover, *Cyberpunk 2077: Ultimate Edition*, a version which, in addition to the basic version of the game, also included the expansion, was released in the fourth quarter of 2023. This had a positive impact on sales of all the Cyberpunk products which, as a result, accounted for approximately 80% of Sales of products of CD PROJEKT RED in 2023. **Sales of products** of this segment also comprised:

- revenue relating to *Witcher 3: Wild Hunt* and expansions: *Hearts of Stone* and *Blood and Wine*;
- licence revenue from franchises;
- revenue from the games *GWENT: The Witcher Card Game*, *Witcher 2*, *Thronebreaker: The Witcher Tales* and *The Witcher*.

In 2023, **Sales of services** comprised, in particular, revenue relating to services provided to related entities.

**Sales of goods for resale and materials** of the CD PROJEKT RED segment in 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* and *Cyberpunk 2077*, to distributors as well as sales of franchise products of CD PROJEKT RED.

The **Cost of products, services, goods for resale and materials sold** of the CD PROJEKT RED segment comprised mainly the **Cost of products and services sold**, where mainly the cost of amortization of expenditure on development projects associated with the games released is presented. The value of the said item in 2023 comprised mainly the amortization of expenditure on *Cyberpunk 2077*, including its expansion *Phantom Liberty*. In connection with the launch of the expansion and the planned introduction of *Cyberpunk 2077: Ultimate Edition* to the market, the useful economic life was assessed and expected benefits from all assets associated with the *Cyberpunk 2077* game were estimated. Based on the analysis performed, it was decided that:

- starting from the third quarter of 2023, all projects will be amortized according to the same pattern;
- assets will be amortized until the end of 2028;
- the reducing balance method of amortization will be used, with the following amortization pattern:
  - 20% in the third quarter of 2023;
  - 20% in the fourth quarter of 2023;
  - 5% in each quarter of 2024;
  - 3.5% in each quarter of 2025;
  - 2.5% in each quarter of 2026;
  - 2% in each quarter of 2027 and 2028,

with the amortization rates specified above being applied to the balance of expenditure on development projects relating to the production of *Cyberpunk 2077* game, its editions for new generation consoles Xbox Series X|S and PlayStation 5 and to the initial value of the asset relating to the *Phantom Liberty* expansion, not recognized in the Company's costs as at the end of June 2023.

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

The costs of promotion of the studio's products had the largest share in the **Cost of sales** of the CD PROJEKT RED segment in 2023. They related mainly to the promotion of the *Phantom Liberty* expansion and to the support of the sales of the *Cyberpunk 2077* game, including *Cyberpunk 2077: Ultimate Edition* released in December 2023.

Moreover, in 2023 a significant part of the item discussed related to the costs of servicing and updating the products of the CD PROJEKT RED segment, mainly the *Cyberpunk 2077* game and *GWENT: The Witcher Card Game*, as well as *The Witcher 3: Wild Hunt* (edition of the game for new generation consoles Xbox Series X|S and PlayStation 5, issued in December 2022).

The **Administrative expenses** of the CD PROJEKT RED segment comprise, in particular:

- 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 scale of operations of the segment's companies, are growing gradually;
- remuneration of the management (including performance-related remuneration for a given period);
- 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 (PLN 20 002 thousand in 2023 compared with PLN 4 593 thousand in 2022); the increase in expenditure in 2023 compared with the prior year is due to the increased intensity of the work on the Orion, Canis Majoris and Hadar projects;
- 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 their replacement with entitlements in the new Incentive Plans (PLN 16 642 thousand in 2023 compared with PLN 4 160 thousand in 2022 in total in the CD PROJEKT RED segment).

An increase in **Administrative expenses** in 2023 compared with 2022 was mainly due to an increase in expenditure on work on the future games in the research phase, an increase in performance-related remuneration of the management for the current year, and an increase in the cost relating to accounting for the functioning of the existing incentive plan and the implementation of the new Incentive Plans.

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 the value and a net increase in the balance of these items:

- a partial reversal of the impairment write-down of the expenditure incurred by the end of 2022 on development projects (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;
- recognition of PLN 16 344 thousand worth of revenue relating to the utilization of the tax relief for an innovative employee by CD PROJEKT S.A. in this item.

In 2023, the CD PROJEKT RED segment showed a significant surplus of **Finance income** over **Finance costs** and a significant increase in that surplus compared with the prior period. This is mainly due to interest income received on bank deposits and bonds and the reversal of a write-down of non-current financial assets recognized in 2022 resulting from an impairment test of the shares in a subsidiary Spokko sp. z o.o., relating to the decision to phase out *The Witcher: Monster Slayer* project and to reorganize the CD PROJEKT Group in 2023 by merging CD PROJEKT S.A. (as the acquirer) and Spokko sp. z o.o. (as the target company). The reversal of write-downs related to the finalization of the merger process.

Moreover, in 2023, the CD PROJEKT RED segment reported an increase in interest income on bank deposits and bonds which, combined with the settlement and measurement of derivative financial instruments hedging financial instruments denominated in foreign currencies held by CD PROJEKT S.A., and gains on redemption of Treasury bonds, exceeded net foreign exchange losses.

**Income tax expense** for 2023 comprised primarily:

- withholding tax collected in other jurisdictions on royalties paid to the Company (including adjustments relating to prior years);
- current income tax calculated in Poland using a preferential IP BOX tax rate of 5%;
- deferred income tax, which was affected mostly by a decrease in the deferred tax asset resulting from the utilization of a part of the R&D tax relief to which the Company is entitled in connection with taking advantage of the tax relief for an innovative employee (at the same time, due to using the tax relief for an innovative employee, Other operating income increased accordingly).

The consolidated **Net profit** of the CD PROJEKT RED segment for 2023 amounted to PLN 470 748 thousand and was PLN 129 255 thousand (37.8%) higher than in the comparative period.

## GOG.COM segment

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

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022*	change	change %
<b>Sales revenue</b>	<b>234 969</b>	<b>188 579</b>	<b>46 390</b>	<b>24.6%</b>
Sales of products	-	-	-	-
Sales of services	880	272	608	223.5%
Sales of goods for resale and materials	234 089	188 307	45 782	24.3%
<b>Cost of sales of products, services, goods for resale and materials</b>	<b>168 136</b>	<b>134 387</b>	<b>33 749</b>	<b>25.1%</b>
Costs of products and services sold	4	50	-46	-92.0%
Cost of goods for resale and materials sold	168 132	134 337	33 795	25.2%
<b>Gross profit/(loss) on sales</b>	<b>66 833</b>	<b>54 192</b>	<b>12 641</b>	<b>23.3%</b>
Selling expenses	45 063	42 168	2 895	6.9%
Administrative expenses	8 364	6 489	1 875	28.9%
Other operating income	5 409	7 077	-1 668	-23.6%
Other operating expenses	7 227	4 457	2 770	62.1%
(Impairment)/reversal of impairment of financial instruments	-	-	-	-
<b>Operating profit/(loss)</b>	<b>11 588</b>	<b>8 155</b>	<b>3 433</b>	<b>42.1%</b>
Finance income	3 916	6 784	-2 868	-42.3%
Finance costs	3 929	7 810	-3 881	-49.7%
<b>Profit/(loss) before tax</b>	<b>11 575</b>	<b>7 129</b>	<b>4 446</b>	<b>62.4%</b>
Income tax	1 320	1 881	-561	-29.8%
<b>Net profit/(loss)</b>	<b>10 255</b>	<b>5 248</b>	<b>5 007</b>	<b>95.4%</b>

\* restated data

**Sales of goods for resale and materials** had the largest share in the **Sales revenue** of the GOG.COM segment. They include 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.

An increase in **Sales revenue** in relation to the comparative period was largely due to an increase in **Sales of goods for resale and materials** which resulted from the launch of two of the most anticipated titles for users of the GOG platform: *Cyberpunk 2077: Phantom Liberty* and *Baldur's Gate 3*.

In addition, as part of the ever-expanding offering of the GOG.COM shop, nearly 900 new games premiered in 2023 alone.

**Cost of goods for resale and materials sold** of the GOG.COM segment corresponds to the cost of games sold and its increase in the reporting period is mainly due to higher sales of goods for resale and materials of the segment.

Among the **Selling expenses** shown in the GOG.COM segment, related to the functioning of the GOG.COM platform, the following have the most significant share in the segment's **Selling expenses**:

- the remuneration of the team responsible for operating, development and promotion of the GOG.COM platform;
- 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.

An increase in **Selling expenses** of the GOG.COM segment in the reporting period was due to, amongst others, an increase in sales and the corresponding increase in those selling expenses which depend on the revenue level, including, amongst others, the cost of payment processing and the costs of delivering digital content to end users, with the rate of increase in costs being significantly lower than the rate of increase in revenue due to, among other things, a number of cost-optimization initiatives carried out by GOG.

The main components of the **Administrative expenses** of the GOG.COM segment are remuneration of the administrative teams, fixed remuneration of the Company's Management Board, as well as the costs of the incentive plan and other external services classified in this category. An increase, in relation to the comparative period, in the level of Administrative expenses in the period discussed was largely due to one-time costs associated with external services relating to the analysis and implementation of new technology solutions, namely the systems supporting financial processes and the costs of tax advisory services in the area of international transactions.

The total balances of **Other operating income** and **Other operating expenses** of the GOG.COM segment in 2023 were affected mostly by:

- costs relating to remeasurement of the estimated recoverable amount of the non-current part of advance payments (the so-called minimum guarantees) made to the providers of digital content offered on the GOG.COM platform;
- income resulting from remeasurement of liabilities of GOG sp. z o.o. as at the balance sheet date;
- settlements relating to provisions for potential tax liabilities.



In 2023, the GOG.COM segment reported similar balances of **Finance income** and **Finance costs**.

In 2023, the **Net profit** of the segment amounted to PLN 10 255 thousand compared with the Net profit of PLN 5 248 thousand in the comparative period.

**Table 6** Net profitability ratio – Alternative Performance Measure

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
	CD PROJEKT Group		CD PROJEKT RED		GOG.COM	
Net profit margin (Net profit / sales revenues)	39.1%	36.4%	45.4%	43.8%	4.4%	2.8%

The Net profitability ratio presents additional information, indicating what part of Sales revenue remains within 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.

An increase in the Net profitability ratio of the Group in 2023 compared with the prior year was due to its improvement in both operating segments, the key reason for which was the release of the *Phantom Liberty* expansion in September 2023.

## INCOME STATEMENT OF CD PROJEKT S.A.

**Table 7** Income statement of CD PROJEKT S.A. (in PLN thousands)

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022*	change	change %
<b>Sales revenue</b>	<b>1 036 542</b>	<b>772 500</b>	<b>264 042</b>	<b>34.2%</b>
Sales of products	1 023 626	761 508	262 118	34.4%
Sales of services	413	1 745	-1 332	-76.3%
Sales of goods for resale and materials	12 503	9 247	3 256	35.2%
<b>Cost of sales of products, services, goods for resale and materials</b>	<b>253 818</b>	<b>118 275</b>	<b>135 543</b>	<b>114.6%</b>
Costs of products and services sold	240 201	110 851	129 350	116.7%
Cost of goods for resale and materials sold	13 617	7 424	6 193	83.4%
<b>Gross profit/(loss) on sales</b>	<b>782 724</b>	<b>654 225</b>	<b>128 499</b>	<b>19.6%</b>
Selling expenses	201 124	151 363	49 761	32.9%
Administrative expenses	155 812	97 110	58 702	60.4%
Other operating income	52 029	17 192	34 837	202.6%
Other operating expenses	19 187	52 599	-33 412	-63.5%
(Impairment)/reversal of impairment of financial instruments	7	-7	14	-
<b>Operating profit/(loss)</b>	<b>458 637</b>	<b>370 338</b>	<b>88 299</b>	<b>23.8%</b>
Finance income	117 621	64 712	52 909	81.8%
Finance costs	45 396	50 817	-5 421	-10.7%
<b>Profit/(loss) before tax</b>	<b>530 862</b>	<b>384 233</b>	<b>146 629</b>	<b>38.2%</b>
Income tax	56 157	43 762	12 395	28.3%
<b>Net profit/(loss)</b>	<b>474 705</b>	<b>340 471</b>	<b>134 234</b>	<b>39.4%</b>

\* restated data

## DISCUSSION OF THE INCOME STATEMENT OF CD PROJEKT S.A.

CD PROJEKT S.A. is the Parent Company of the CD PROJEKT Group and, at the same time, the largest entity in both the Group and the CD PROJEKT RED segment. Therefore, a commentary on the Income statement of the CD PROJEKT RED segment (excluding the impact of the significantly smaller subsidiaries) corresponds directly to the operations and results of CD PROJEKT S.A.

In 2023, the **Sales revenue** of CD PROJEKT S.A. amounted to PLN 1 036 542 thousand and was 34.2% higher than the Company's Sales revenue for 2022. The Company's **Net Profit** for 2023 amounted to PLN 474 705 thousand and was 39.4% higher than in the prior year.

In 2023, the value of the Sales revenue and Net profit of CD PROJEKT S.A. accounted for, respectively, 99.9% and 100.8% of the Sales revenue and Net profit disclosed in the Income statement of the CD PROJEKT RED segment discussed above.

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

**Table 8** Consolidated statement of financial position of the CD PROJEKT Group (in PLN thousands)

	31.12.2023	31.12.2022*	change	change %
<b>NON-CURRENT ASSETS</b>	<b>1 450 623</b>	<b>1 122 185</b>	<b>328 438</b>	<b>29.3%</b>
Property, plant and equipment	183 038	145 252	37 786	26.0%
Intangible assets	70 058	69 157	901	1.3%
Expenditure on development projects	527 182	475 169	52 013	10.9%
Investment properties	34 245	42 560	-8 315	-19.5%
Goodwill	56 438	56 438	0	0.0%
Shares in non-consolidated subordinated entities	38 095	41 607	-3 512	-8.4%
Prepayments and deferred costs	41 906	31 074	10 832	34.9%
Other financial assets	455 907	207 437	248 470	119.8%
Deferred tax assets	43 371	53 102	-9 731	-18.3%
Other receivables	383	389	-6	-1.5%
<b>CURRENT ASSETS</b>	<b>1 162 815</b>	<b>1 154 146</b>	<b>8 669</b>	<b>0.8%</b>
Inventories	3 576	12 701	-9 125	-71.8%
Trade receivables	193 520	165 290	28 230	17.1%
Current income tax receivable	1 128	1 458	-330	-22.6%
Other receivables	57 741	57 139	602	1.1%
Prepayments and deferred costs	27 872	22 886	4 986	21.8%
Other financial assets	362 719	279 515	83 204	29.8%
Bank deposits over 3 months	338 205	337 330	875	0.3%
Cash and cash equivalents	178 054	277 827	-99 773	-35.9%
<b>TOTAL ASSETS</b>	<b>2 613 438</b>	<b>2 276 331</b>	<b>337 107</b>	<b>14.8%</b>

\* restated data

	31.12.2023	31.12.2022*	change	change %
<b>EQUITY</b>	<b>2 403 490</b>	<b>2 031 466</b>	<b>372 024</b>	<b>18.3%</b>
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	23 169	2 255	20 914	927.5%
Foreign exchange differences on translation	-1 202	1 904	-3 106	-
Retained earnings / (Accumulated losses)	-30 797	-3 987	-26 810	672.4%
Net profit (loss) for the period	481 105	346 491	134 614	38.9%
<b>NON-CURRENT LIABILITIES</b>	<b>38 774</b>	<b>36 186</b>	<b>2 588</b>	<b>7.2%</b>
Other financial liabilities	20 038	18 883	1 155	6.1%
Other liabilities	2 494	2 620	-126	-4.8%
Deferred tax provision	-	50	-50	-
Deferred income	2 315	3 669	-1 354	-36.9%
Provision for retirement and similar benefits	518	366	152	41.5%
Other provisions	13 409	10 598	2 811	26.5%
<b>CURRENT LIABILITIES</b>	<b>171 174</b>	<b>208 679</b>	<b>-37 505</b>	<b>-18.0%</b>
Other financial liabilities	6 884	9 578	-2 694	-28.1%
Trade payables	58 835	72 119	-13 284	-18.4%
Current income tax liabilities	462	2 116	-1 654	-78.2%
Other liabilities	15 201	10 244	4 957	48.4%
Deferred income	13 170	22 425	-9 255	-41.3%
Provision for retirement and similar benefits	6 414	4 155	2 259	54.4%
Other provisions	70 208	88 042	-17 834	-20.3%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 613 438</b>	<b>2 276 331</b>	<b>337 107</b>	<b>14.8%</b>

\* restated data



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

### Assets

**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 2023. An increase in this item in 2023 is the result of the expenditure incurred by the CD PROJEKT RED segment on the production of games (the *Phantom Liberty* expansion released in the year discussed, and future projects *Polaris* and *Sirius*) and the reversal of write-downs on the *Sirius* project, which reached a higher total value than amortization of completed productions.

The balance of **Property, plant and equipment** primarily consists 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 on-going and completed 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 copyrights and computer software held by the Group.

**Goodwill** is another material component of the **Non-current assets** of the CD PROJEKT Group and 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. A decrease in this item is due to the 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** as at the end of 2023 comprised shares in The Molasses Flood LLC in Boston and CD PROJEKT RED Vancouver Studio Ltd. held by CD PROJEKT S.A. A decrease in this item is due to the final settlement of the merger of Spokko sp. z o.o. and CD PROJEKT S.A.

Current and non-current **Other financial assets** as at the end of 2023 comprise:

- the value of domestic and foreign Treasury bonds (or bonds secured with guarantees of foreign governments) purchased by CD PROJEKT S.A. as part of the diversification of credit risk, including the measurement of derivative financial instruments hedging 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 operating in the gaming sector.

The value of **Inventories** as at the end of 2023 consisted 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. A decrease in inventories is due to the ongoing completion of orders and the phasing out of the operations of the existing CD PROJEKT RED GEAR mail-order shop due to a change in the mode of its functioning.

The consolidated balance of **Trade receivables** as at 31 December 2023 comprised mainly receivables resulting from licence reports received after the balance sheet date, relating to sales in the periods of the last quarter of the year in the CD PROJEKT RED segment. Its increase compared with the end of 2022 was directly attributable to higher sales, compared with the prior year, in the CD PROJEKT RED segment in the last quarter of the year.

The balance of the Group's **Other receivables** during 2023 comprised mainly receivables in respect of the withholding tax deducted by foreign recipients of the licences granted by the CD PROJEKT segment, VAT settlements, advances to suppliers in respect of future deliveries of goods for resale and services and security deposits.

The consolidated value of the current and non-current **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, amongst others, deferred fees for software, licences and rights and prepayment related to marketing activities.

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 31.12.2023 amounted to PLN 1 309 459 thousand, i.e. PLN 218 454 thousand more than the balance as at the end of the prior year.

As at the end of 2023, Non-current assets accounted for 55.5% and Current assets for 44.5% of Total assets of the CD PROJEKT Group.

### Equity and liabilities

An increase in the CD PROJEKT Group's **Equity** during 2023 was mainly due to the net profit earned and the settlement of costs of the incentive plans in an amount exceeding a decrease in equity resulting from the payment of dividend for 2022 and the accounting for the merger with Spokko sp. z o.o.

In current and non-current **Other financial liabilities**, as at the end of 2023 the Group recognized mainly 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. A decrease in the said item during 2023 is mainly due to the settlement of a part of the liability relating to the payment of the purchase price of the shares in The Molasses Flood.

The decrease in the Group's **Trade payables** as at the end of 2023 is mainly due to trade payables of the CD PROJEKT RED segment relating to the services provided to this segment.

The value of the Group's **Other liabilities** as at 31 December 2023 comprised mainly current tax liabilities (VAT, PIT) and social security liabilities.

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

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

The decrease in the balance compared with the end of 2022 is mainly due to a drop in the balance of minimum guarantees in the CD PROJEKT RED segment in connection with the settlement of the sales made in the period and the settlement of a subsidy in the CD PROJEKT RED segment.

The balance of current and non-current **Provision for retirement and similar benefits** includes primarily a holiday pay provision in the CD PROJEKT RED segment.

The 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 of a change to the remuneration policy of CD PROJEKT RED in the current year, which reduced the performance-based bonus in favour of fixed remuneration and the introduction of share-based incentive plans;
- there was an excess of newly recognized provisions for other costs over the balance of provisions utilized.

In the Equity and liabilities of the CD PROJEKT Group as at the end of 2023, Equity represented 92.0%, whereas Current and non-current liabilities represented 8.0%.

The consolidated statement of financial position by business segment of the Group is contained in the *Consolidated financial statement of the CD PROJEKT Group for 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 2023, the CD PROJEKT Group had assets with a carrying value of PLN 2 613 438 thousand. Within these assets, liquid financial reserves maintained in bank accounts, in the form of bank deposits and Treasury bonds or bonds guaranteed by (foreign and domestic) governments amounted to PLN 1 309 459 thousand and represented 50.1% 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 782 560 thousand represented 29.9% of total assets. As at 31 December 2023, the sum of Trade receivables, Other current receivables and Inventories amounted to PLN 254 837 thousand, whereas the total value of current and non-current liabilities amounted to PLN 209 948 thousand. As at the end 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.

## STATEMENT OF FINANCIAL POSITION OF CD PROJEKT S.A.

**Table 9** Statement of financial position of CD PROJEKT S.A. (in PLN thousands)

	31.12.2023	31.12.2022*	change	change %
<b>NON-CURRENT ASSETS</b>	<b>1 416 032</b>	<b>1 096 803</b>	<b>319 229</b>	<b>29.1%</b>
Property, plant and equipment	179 132	143 439	35 693	24.9%
Intangible assets	68 867	70 324	-1 457	-2.1%
Expenditure on development projects	524 472	473 504	50 968	10.8%
Investment properties	34 245	42 560	-8 315	-19.5%
Goodwill	49 168	49 168	0	0.0%
Investments in subordinated entities	57 229	53 566	3 663	6.8%
Prepayments and deferred costs	4 913	5 314	-401	-7.5%
Other financial assets	455 907	207 437	248 470	119.8%
Deferred tax assets	41 723	51 108	-9 385	-18.4%
Other receivables	376	383	-7	-1.8%
<b>CURRENT ASSETS</b>	<b>1 101 889</b>	<b>1 089 378</b>	<b>12 511</b>	<b>1.1%</b>
Inventories	3 576	9 886	-6 310	-63.8%
Trade receivables	204 658	164 708	39 950	24.3%
Current income tax receivable	1 069	-	1 069	-
Other receivables	52 031	54 677	-2 646	-4.8%
Prepayments and deferred costs	10 148	6 189	3 959	64.0%
Other financial assets	362 719	279 515	83 204	29.8%
Bank deposits over 3 months	338 205	337 330	875	0.3%
Cash and cash equivalents	129 483	237 073	-107 590	-45.4%
<b>TOTAL ASSETS</b>	<b>2 517 921</b>	<b>2 186 181</b>	<b>331 740</b>	<b>15.2%</b>

\* restated data

	31.12.2023	31.12.2022*	change	change %
<b>EQUITY</b>	<b>2 366 855</b>	<b>1 999 827</b>	<b>367 028</b>	<b>18.4%</b>
<b>Share capital</b>	<b>99 911</b>	<b>100 771</b>	<b>-860</b>	<b>-0.9%</b>
Supplementary capital	1 681 466	1 539 437	142 029	9.2%
Share premium	116 700	116 700	0	0.0%
Treasury shares	-	-99 993	99 993	-
Other reserves	24 691	3 777	20 914	553.7%
Retained earnings / (Accumulated losses)	-30 618	-1 336	-29 282	-
Net profit (loss) for the period	474 705	340 471	134 234	39.4%
<b>NON-CURRENT LIABILITIES</b>	<b>37 094</b>	<b>36 106</b>	<b>988</b>	<b>2.7%</b>
Other financial liabilities	18 379	18 883	-504	-2.7%
Other liabilities	2 494	2 620	-126	-4.8%
Deferred income	2 315	3 666	-1 351	-36.9%
Provision for retirement and similar benefits	497	339	158	46.6%
Other provisions	13 409	10 598	2 811	26.5%
<b>CURRENT LIABILITIES</b>	<b>113 972</b>	<b>150 248</b>	<b>-36 276</b>	<b>-24.1%</b>
Other financial liabilities	2 579	1 788	791	44.2%
Trade payables	26 400	39 587	-13 187	-33.3%
Current income tax liabilities	-	2 116	-2 116	-
Other liabilities	7 099	4 350	2 749	63.2%
Deferred income	6 887	15 032	-8 145	-54.2%
Provision for retirement and similar benefits	6 414	4 154	2 260	54.4%
Other provisions	64 593	83 221	-18 628	-22.4%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 517 921</b>	<b>2 186 181</b>	<b>331 740</b>	<b>15.2%</b>

\* restated data



## **DISCUSSION OF THE STATEMENT OF FINANCIAL POSITION OF CD PROJEKT S.A.**

CD PROJEKT S.A. is the Parent Company of the CD PROJEKT Group and, at the same time, the largest entity in both the Group and the CD PROJEKT RED segment. Therefore, a commentary on the statement of financial position of the Group, excluding information relating to the GOG.COM segment and the impact of the statement of financial position of the subsidiaries, covers the operations and results of CD PROJEKT S.A. to a large extent.

As at the end of 2023, the total assets of CD PROJEKT S.A. amounted to PLN 2 517 921 thousand and were PLN 95 517 thousand lower than the total assets of the CD PROJEKT Group, representing 96.3% of the Group's total assets.

The largest differences between the consolidated statement of financial position of the CD PROJEKT Group and the separate statement of financial position of CD PROJEKT S.A. relate to the following items:

- investments in subordinated entities – CD PROJEKT S.A., as the owner of the other Group companies on a stand-alone basis, discloses the value of investments in subordinated entities which amounted to PLN 57 229 thousand as at the end of 2023 and is eliminated at the Group consolidation level or is presented in Shares in non-consolidated subordinated entities;
- Other items of Assets and Liabilities – on a stand-alone basis, they do not take into account the values resulting from the consolidation of the financial statements of other Group companies, including, in particular, with regard to the items indicated, amounts attributable to the subsidiary GOG sp. z o.o. whose total assets represent 4.7% of the total assets of the CD PROJEKT Group.

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

**Table 10** Consolidated statement of cash flows of the CD PROJEKT Group (in PLN thousands)

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
<b>OPERATING ACTIVITIES</b>		
<b>Net profit/(loss)</b>	<b>481 105</b>	<b>346 491</b>
<b>Total adjustments:</b>	<b>89 787</b>	<b>56 538</b>
Depreciation and amortization of property, plant and equipment, intangible assets, expenditure on development projects and investment properties	13 970	13 828
Amortization of development projects recognized as cost of goods sold	231 112	103 604
Foreign exchange (gains)/losses	28 089	4 561
Interest and shares in profits	(47 182)	(42 487)
(Gains)/Losses on investing activities	(84 938)	42 077
Increase/(Decrease) in provisions	7 392	(5 040)
(Increase)/Decrease in inventories	9 125	3 185
(Increase)/Decrease in receivables	(60 033)	(44 052)
Increase/(Decrease) in liabilities, excluding loans and borrowings	(4 974)	13 034
Change in other assets and liabilities	(26 668)	(40 881)
Other adjustments	23 894	8 709
<b>Cash from operating activities</b>	<b>570 892</b>	<b>403 029</b>
Income tax expense	25 988	13 759
Withholding tax paid abroad	31 399	32 275
Income tax (paid)/refunded	(17 398)	(43 032)
<b>Net cash from operating activities</b>	<b>610 881</b>	<b>406 031</b>
<b>INVESTING ACTIVITIES</b>		
<b>Inflows</b>	<b>696 457</b>	<b>1 292 199</b>
Sale of intangible assets and property, plant and equipment	645	568
Repayment of loans granted	1 662	12 240
Sale of shares in a subsidiary	-	76
Expiry of bank deposits over 3 months	530 600	975 860
Redemption of bonds	95 135	268 426
Interest on bonds	13 116	7 879
Interest received on deposits	28 090	26 885
Inflows from execution of forward contracts	27 081	-
Other inflows from investing activities	128	265

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022*
<b>Outflows</b>	<b>1 303 802</b>	<b>1 627 806</b>
Acquisition of intangible assets and property, plant and equipment	57 187	48 274
Expenditure on development projects	272 655	207 831
Expenditure on intangible assets	973	-
Acquisition of investment properties and capitalization of expenditure	122	214
Loans granted	4 215	4 187
Purchase of shares in subsidiaries	8 013	6 769
Contribution to the capital of a subsidiary	-	28 318
Placement of bank deposits over 3 months	531 475	1 048 190
Purchase of private equity interests in the gaming sector	1 467	2 556
Purchase of bonds and cost of their purchase	427 695	253 580
Outflows from execution of forward contracts	-	27 887
<b>Net cash from investing activities</b>	<b>(607 345)</b>	<b>(335 607)</b>

#### FINANCING ACTIVITIES

<b>Inflows</b>	<b>32</b>	<b>861</b>
Net proceeds from the sale of shares and issue of shares in the execution of the incentive plan	-	822
Payment of finance lease liabilities	31	39
Interest paid	1	-
<b>Outflows</b>	<b>103 341</b>	<b>205 044</b>
Purchase of treasury shares for redemption	-	99 993
Dividends and other distributions to shareholders	99 911	100 739
Payment of lease liabilities	2 622	3 731
Interest paid	808	581
<b>Net cash used in financing activities</b>	<b>(103 309)</b>	<b>(204 183)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(99 773)</b>	<b>(133 759)</b>
<b>Change in cash and cash equivalents in the balance sheet</b>	<b>(99 773)</b>	<b>(133 759)</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>277 827</b>	<b>411 586</b>
<b>Cash and cash equivalents as at the end of the period</b>	<b>178 054</b>	<b>277 827</b>

\* restated data

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

Under **Operating activities** in 2023, the CD PROJEKT Group showed net cash inflows of PLN 610 881 thousand, i.e. PLN 204 850 thousand higher than in 2022.

The consolidated net profit was adjusted for:

- I. Non-cash items (an increase 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 *Phantom Liberty* expansion and *The Witcher 3* edition for new generation consoles, Xbox Series X/S and PlayStation 5, launched in the reporting period;
  - **Foreign exchange gains (losses)**, an increase resulting mainly from the translation of foreign Treasury bonds;
  - **Gains/(Losses) on investing activities**, a decrease resulting mainly from the settlement and measurement of derivative financial instruments, the reversal of write-downs of shares in subsidiaries and the reversal of a write-down of the Sirius project asset;
  - **(Increase)/decrease in provisions** (an increase);
  - **Other adjustments**, an increase resulting mainly from the elimination of accounting for the costs of the incentive plan, accounting for the business combination of subsidiaries and adjustments to the amortization/depreciation recognized in the cost of sales and operating expenses.
- II. Items related to changes in current assets and current liabilities (a decrease 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**, a decrease in the balance of cash flows as a result of an increase in the balance of receivables in the CD PROJEKT RED segment as at the end of 2023;
  - **Increase/(decrease) in liabilities except for loans and borrowings**, a decrease in the balance of cash flows as a consequence of a decrease in the Group's liabilities;
  - **Increase/(decrease) in other assets and liabilities**, a decrease in the balance of cash flows resulting mainly from accounting for the minimum guarantees for royalties from sales previously received by CD PROJEKT RED and an increase in the balance of the so-called minimum guarantees contracted during the reporting period by GOG.COM with its suppliers;
- 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. The difference between the corporate income tax recognized in the income statement (an increase) and the tax actually paid during 2023, taking into account settlements related to withholding tax.

The largest impact on the negative balance of **Net cash flows from investing activities** during 2023 resulted from transactions relating to the management of financial reserves (transactions involving bank deposits and bonds) and investments in **Expenditure on development projects**, mainly those relating to the production of games in the CD PROJEKT RED segment, and **Acquisition of intangible assets and property, plant and equipment**.

The negative balance of **Net cash from investing activities** of the CD PROJEKT Group in 2023 was mainly due to the payment of dividend.

In total, in 2023, the CD PROJEKT Group generated **Net cash outflows** of PLN 99 773 thousand. At the same time, the total balance of financial reserves which comprise Cash and cash equivalents, Bank deposits over 3 months and Treasury bonds purchased increased by PLN 218 454 thousand. In the same period, the Group paid a dividend of PLN 99 911 thousand and invested PLN 272 655 in the development of new games and technologies.

## STATEMENT OF CASH FLOWS OF CD PROJEKT S.A.

**Table 11** Statement of cash flows of CD PROJEKT S.A. (in PLN thousands)

	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022 <sup>*</sup>
<b>OPERATING ACTIVITIES</b>		
<b>Net profit /(loss)</b>	<b>474 705</b>	<b>340 471</b>
<b>Total adjustments:</b>	<b>86 120</b>	<b>92 465</b>
Depreciation and amortization of property, plant and equipment, intangible assets, expenditure on development projects and investment properties	12 340	10 676
Amortization of development projects recognized as cost of goods sold	231 122	103 530
Foreign exchange (gains)/losses	28 089	4 584
Interest and shares in profits	(46 396)	(41 131)
(Gains)/Losses on investing activities	(87 855)	44 980
Increase/(Decrease) in provisions	6 604	(2 991)
(Increase)/Decrease in inventories	6 310	3 653
(Increase)/Decrease in receivables	(67 984)	(43 660)
Increase/(Decrease) in liabilities, excluding loans and borrowings	(7 337)	18 175
Change in other assets and liabilities	(13 294)	(13 736)
Other adjustments	24 521	8 385
<b>Cash from operating activities</b>	<b>560 825</b>	<b>432 936</b>
Income tax expense	24 788	11 492
Withholding tax paid abroad	31 369	32 270
Income tax (paid)/refunded	(18 355)	(41 329)
<b>Net cash from operating activities</b>	<b>598 627</b>	<b>435 369</b>
<b>INVESTING ACTIVITIES</b>		
<b>Inflows</b>	<b>695 146</b>	<b>1 291 485</b>
Sale of intangible assets and property, plant and equipment	152	266
Repayment of loans granted	1 662	13 220
Sale of shares in a subsidiary	-	76
Expiry of bank deposits over 3 months	530 600	975 860
Redemption of bonds	95 135	268 426
Interest on bonds	13 116	7 879
Interest received on deposits	27 272	25 481
Inflows from execution of forward contracts	27 081	-
Other inflows from investing activities	128	277



	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022*
<b>Outflows</b>	<b>1 298 614</b>	<b>1 632 474</b>
Acquisition of intangible assets and property, plant and equipment	53 348	47 676
Expenditure on development projects	271 175	207 435
Expenditure on intangible assets	973	-
Acquisition of investment properties and capitalization of expenditure	122	214
Loans granted	4 215	4 787
Purchase of shares in a subsidiary	440	-
Contribution to the capital of a subsidiary	7 704	40 149
Placement of bank deposits over 3 months	531 475	1 048 190
Purchase of private equity interests in the gaming sector	1 467	2 556
Purchase of bonds and cost of their purchase	427 695	253 580
Outflows from execution of forward contracts	-	27 887
<b>Net cash from investing activities</b>	<b>(603 468)</b>	<b>(340 989)</b>

#### FINANCING ACTIVITIES

<b>Inflows</b>	<b>32</b>	<b>861</b>
Net proceeds from the sale of shares and issue of shares in the execution of the incentive plan	-	822
Payment of finance lease liabilities	31	39
Interest paid	1	-
<b>Outflows</b>	<b>102 781</b>	<b>203 963</b>
Purchase of treasury shares for redemption	-	99 993
Dividends and other distributions to shareholders	99 911	100 739
Payment of lease liabilities	2 094	2 685
Interest paid	776	546
<b>Net cash used in financing activities</b>	<b>(102 749)</b>	<b>(203 102)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(107 590)</b>	<b>(108 722)</b>
<b>Change in cash and cash equivalents in the balance sheet</b>	<b>(107 590)</b>	<b>(108 722)</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>237 073</b>	<b>345 795</b>
<b>Cash and cash equivalents as at the end of the period</b>	<b>129 483</b>	<b>237 073</b>

\* restated data

## **DISCUSSION OF THE STATEMENT OF CASH FLOWS OF CD PROJEKT S.A.**

CD PROJEKT S.A. is the Parent Company of the CD PROJEKT Group and, at the same time, the largest entity in both the Group and the CD PROJEKT RED segment which accounts for 84.3% of the Group's sales and controls, as at the end of 2023, 96.3% of the Group's cash and cash equivalents, deposits and investments in Treasury bonds, and has the largest impact on cash flows of the entire CD PROJEKT Group, as part of its operating, investing and financing activities. Therefore, a commentary on the statement of cash flows of the Group, excluding information relating directly to the GOG.COM segment and the immaterial impact of smaller subsidiaries, covers, in principle, the operations and results of CD PROJEKT S.A.

## **DISCUSSION OF THE FEASIBILITY OF INVESTMENT PLANS**

As at 31 December 2023, the Group had no liabilities in respect of loans and borrowings and held its own cash, deposits and Treasury bonds and bonds guaranteed by governments totalling PLN 1 309 459 thousand. As at the end of 2023, the Group's trade receivables amounted to PLN 193 520 thousand and its current liabilities amounted to PLN 171 174 thousand. The planned sources of funding for future investment plans include accumulated own funds and future net cash inflows from operating activities. As at the date of publication of this report, the Group does not anticipate any problems in securing funds for the implementation of its investment plans in the foreseeable future.

## **DIVIDENDS**

CD PROJEKT S.A. does not have a formal dividend policy. The Company aims to have sufficient working capital to conduct and develop its business activities. If the indicated objectives are secured and the Company is funded adequately, the Company's management will consider distributing the net profit generated to the shareholders, in whole or in part.

Due to the cyclical nature of the business (usually associated with a multi-year period of investment in game production and the high impact of release periods on the Group's results and cash flows), each year the Company's management takes an individual decision regarding the recommendation to the General Meeting on distributing a portion of net profit to shareholders, e.g. in the form of a dividend.

When deciding to recommend payment of a dividend, the Management Board takes into account, among other things, the Group's financial position; the current and anticipated operating results of the Group; demand for capital resulting from investments and potential acquisition activities; the macroeconomic situation and other factors which the Management Board may deem material.

### **INFORMATION ON LOANS AND BORROWINGS IN 2023**

In 2023, the CD PROJEKT Group did not have any liabilities in respect of external loans or borrowings.

### **INFORMATION ON LOANS GRANTED IN 2023**

In 2023, none of the CD PROJEKT Group companies granted any loans to non-Group entities. The Molasses Flood LLC used the financing in the form of a loan from CD PROJEKT S.A.

### **INFORMATION ON SURETIES AND GUARANTEES GRANTED IN 2023 AND OTHER MATERIAL OFF-BALANCE-SHEET ITEMS**

Information on sureties and guarantees and other material off-balance-sheet items is presented in the *Consolidated financial statement of the CD PROJEKT Group for 2023*.

### **INFORMATION ON THE CURRENT ECONOMIC AND FINANCIAL POSITION OF THE GROUP**

In recent years, the Group conducted profitable operations which generated net cash inflows. The work completed in recent years, crowned by the largest première of the *Cyberpunk 2077* game in the Group's history, moved the Company and the Group to a new business and economic level, while showing the areas which require improvements in the future.

During the reporting period, the Parent Company released a large expansion to *Cyberpunk 2077*, *Phantom Liberty*, which was very well received by the sector media and players. Due to strong sales of both the expansion and the basic edition of the *Cyberpunk 2077* game, 2023 was the second best year in terms of the net profit earned in the Group's history. At the same time, the Group continued improving its internal organization and production processes which enabled it to start working on several projects in parallel. The Group has financial reserves and its current economic and financial position is stable.

### **INFORMATION ON THE ANTICIPATED ECONOMIC AND FINANCIAL POSITION OF THE GROUP**

In accordance with an updated strategy of the CD PROJEKT Group announced on 4 October 2022, focusing on the long-term development of its key projects, in the coming years the Group's activities will be based on the existing and new productions realized under the The Witcher and Cyberpunk brands as well as under the third franchise, as part of which a video game with the code name Hadar is being developed. The performance of research and development work associated with subsequent projects will require ongoing funding and commitment from the team. At the same time, there are plans to actively continue the sale of CD PROJEKT RED's already released productions, which - based on historical data - are characterised by a multi-year life cycle. The sales of the games already released will be supported by new product launches and franchise flywheel events.

As at the date of publication of this report, the Management Board believes that the Group's financial and economic position is stable and does not anticipate any threats to liquidity or restrictions to the Group's solvency in the period of 12 months after the balance sheet date.

## **TRANSACTIONS WITH RELATED ENTITIES**

Within the activities of the CD PROJEKT Group in 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;
- sale relating to research and development projects involving the creation of games and technologies by CD PROJEKT RED Inc., The Molasses Flood LLC and CD PROJEKT RED Vancouver Studio Ltd. for CD PROJEKT S.A.;
- 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.COM sp. z o.o., Spokko sp. z o.o. and CD PROJEKT RED STORE sp. z o.o. and sublease of office space between The Molasses Flood LLC and CD PROJEKT RED Inc.;
- sale of CD PROJEKT RED Inc.'s services to CD PROJEKT S.A. related to the coordination of publishing and promotional activities in North America;
- a loan granted to The Molasses Flood LLC by CD PROJEKT S.A.;
- other transactions, arising from current operating activities, e.g. costs of employee relocation or 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 the transactions between related entities is contained in the *Consolidated financial statement of the CD PROJEKT Group for 2023*.

## **DESCRIPTION OF THE MAIN DOMESTIC AND FOREIGN INVESTMENTS AND THE STRUCTURE OF THE MAIN CAPITAL INVESTMENTS**

At the end of 2023, material items of the Group's Assets comprised Cash and cash equivalents (PLN 178 054 thousand), Bank deposits with maturity of more than 3 months (PLN 338 205 thousand), domestic Treasury bonds (PLN 568 715 thousand) and foreign Treasury bonds or bonds guaranteed by foreign governments (PLN 224 485 thousand). Surplus cash is invested both domestically and abroad, in deposits with banks cooperating with the Group or in low-risk financial instruments (respecting the principle of diversification of deposits placed and investments made). As at 31 December 2023, Cash and cash equivalents, deposits and bonds amounted to PLN 1 309 459 thousand.

The business activities of the Group, and CD PROJEKT S.A. in particular, are directly related to the production and release of video games. The ongoing production of new projects is at the same time the main focus of the Group's and the Parent Company's investments. Expenditure incurred on new development projects is presented within Non-current assets under Expenditure on development projects. The balance of expenditure incurred

as at the end of 2023 amounted to PLN 527 182 thousand and increased by PLN 52 013 thousand compared with the end of 2022. CD PROJEKT RED's intention is to further increase the production capacity, number and scale of its projects in line with the strategy announced in October 2022.

In connection with the acquisition of the properties at ul. Jagiellońska 74 and 76 in Warsaw in 2018 and 2019, the Group began the process of revitalising the CD PROJEKT campus by adapting it to the needs and specific nature of its business. In 2023, the construction of a car park was completed and the construction of a new office building began. The Group intends to continue this process in the coming years.

A detailed description of the individual items making up the Group's Non-current assets is included in the commentary on the Consolidated statement of financial position of the Group in this report.

At the end of 2023, the CD PROJEKT Group had the following wholly owned subsidiaries of CD PROJEKT S.A. operating abroad:

- CD PROJEKT RED Inc. (Boston, Waltham, USA),
- CD PROJEKT RED Vancouver Studio Ltd. (Vancouver, Canada).

Moreover, CD PROJEKT RED Inc. holds 100% of the shares in CD PROJEKT SILVER Inc. (Los Angeles, USA) and 82% of the shares in The Molasses Flood LLC (Boston, Waltham, USA).

At the end of 2023, GOG sp. z o.o. was the Company's only domestic subsidiary within the CD PROJEKT Group (100% of the shares).

The total value of investments in domestic and foreign subordinated entities disclosed in the separate financial statements of CD PROJEKT S.A. (the Group's holding company) amounted to PLN 57 229 thousand at the end of 2023.

In 2023, the CD PROJEKT Group financed its current operations and investment projects with its own funds.

## **EXPLANATION OF THE DIFFERENCES BETWEEN THE FINANCIAL RESULTS REPORTED FOR 2023 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 31 December 2023, the Company did not issue any securities.



04

STATEMENT REGARDING THE IMPLEMENTATION  
OF CORPORATE GOVERNANCE POLICIES



## Statement

This statement regarding the implementation of corporate governance policies at the CD PROJEKT Group and CD PROJEKT S.A. in 2023 is a distinct part of the Management Board Report on the Activities of the CD PROJEKT Group and CD PROJEKT S.A. in 2023, pursuant to § 70 section 6 item 5 of the Finance Minister's Regulation of 29 March 2018 concerning current and periodic information to be published by issuers of securities, and conditions for recognizing as equivalent the information required by the laws of a non-member state (JL 2018, item 757).

## Applicable corporate governance policies

In 2023 CD PROJEKT S.A. (further referred to as we and/or the Company) is subjected to corporate governance policies set forth in the 2021 Code of Best Practice for WSE Listed Companies (annexed to Stock Exchange Council resolution of 13/1834/2021 of 29 March 2021).

The aforementioned document can be accessed on the Warsaw Stock Exchange website at <https://www.gpw.pl/best-practice2021>.

As of the preparation date of this statement, our COMPLY ratio stands at 86%. Information regarding application of policies contained in the 2021 Code of Best Practice for WSE Listed Companies is available on our website under the [Corporate Governance](#) tab. This tab also contains our statements regarding application of corporate governance policies in past years. Our statement regarding application of policies contained in the 2021 Code of Best Practice for WSE Listed Companies provides explanations in the context of policies we apply, as well as those which have not heretofore been applied.

**Chart 16** COMPLY ratio of the Company



We currently do not apply nine policies listed in the 2021 Code of Best Practice: policies numbered 2.1, 2.2, 2.11.6, 3.1, 3.3, 3.4, 3.6, 3.7 and 3.10.

## DISCLOSURE POLICY AND INVESTOR COMMUNICATIONS

### All policies related to disclosure policy and investor communications are applied.

Our Company maintains a clear information policy. We strive to provide all stakeholders with equal access to information regarding our activities, in both Polish and English [1.1]. We organize meetings, conferences and calls with investors, analysts, experts and media representatives, and we try to answer their questions [1.6-1.7]. Our earnings are published as soon as possible after the close of each reporting period [1.2]. We have adopted a business strategy which acknowledges our ESG ambitions. The Strategy, along with our actions and achievements, can be found on our website under the [Strategy](#) and [Sustainability](#) tabs [1.3-1.4]. Our Sustainability Report, along with CD PROJEKT's financial statements, provide information on charities which we support financially [1.5].

## MANAGEMENT BOARD AND SUPERVISORY BOARD

### Policies applied:

Appointment to the Management Board and Supervisory Board is contingent upon possessing the required competences, skills and experience. Membership of the Management Board represents the main area of professional activity for all Management Board members [2.6]. Members of the Management Board may not hold membership of the governing bodies of any entity external to the CD PROJEKT Group, except as expressly authorized by the Supervisory Board [2.7]. The scope of involvement of Supervisory Board Members enables them to properly discharge their duties [2.8]. Two members of the Supervisory Board meet independence criteria and have no actual and material links to any shareholder who controls at least 5% of the total number of votes at the Company [2.3]. Chairpersonship of the Audit Committee is reserved to a Supervisory Board member who is not also the Chairperson of the Supervisory Board [2.9]. Management Board and Supervisory Board resolutions are adopted in open ballots. A secret ballot may be held upon request, in matters indicated in the Code of Commercial Companies [2.4]. Members of the Supervisory Board and Management Board who oppose the given resolution are entitled to have their dissent registered in the minutes [2.5]. We provide the Supervisory Board with appropriate administrative, technical and organizational resources to enable efficient operation [2.10]. The Supervisory Board submits to the General Meeting an annual report on its activities, including, among others, the composition of the Supervisory Board and its committees, indicating members who meet independence criteria, along with a consolidated overview of the Company's situation, acknowledging its internal control systems, risk management, compliance, internal audit, assessment of the discharge of disclosure obligations related to corporate governance, and justification of expenditures specified in principle 1.5 [2.11].

### Policies not applied:

**[2.1]** Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

**Explanation:** Thus far, the Supervisory Board and the General Meeting have not adopted formal diversity regulations related to the Company's governing bodies. Since 2019 a Diversity Policy has been in force at the Company. Pursuant to this policy, a general non-discrimination principle applies to members of the Management Board and Supervisory Board, as well as to all team members. Furthermore, we are a signatory to the Diversity Charter, which prohibits workplace discrimination and obligates its signatories to engage in activities which foster and promote diversity. Diversity, equality and respect for human rights are all basic values enshrined in the Rules of the Game. CD PROJEKT Group Business and Ethics Standards.

**[2.2]** *Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.*

**Explanation:** Compliance with this policy depends on the diversity of available candidates and the outcome of votes held by the Supervisory Board (with regard to members of the Management Board) or the General Meeting (with regard to members of the Supervisory Board). Appointment of Management Board and Supervisory Board members is based primarily on factors which include professional experience, knowledge and education. As of the submission date of this statement, we have not attained a minority participation level of 30% with regard to gender.

**[2.11.6]** *In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.*

**Explanation:** Reports submitted by the Supervisory Board do not specify the extent to which the diversity policy is implemented in relation to the Management Board and the Supervisory Board, including the achievement of the corresponding objectives. As noted in the explanation accompanying policy 2.1, thus far the Supervisory Board and the General Meeting have not adopted formal diversity regulations related to the Company's governing bodies. Should the Company decide to adopt such regulations, the Supervisory Board's report will include the corresponding disclosures.

## **INTERNAL SYSTEMS AND FUNCTIONS**

### **Policies applied:**

Oversight of the internal control system is the responsibility of the Management Board and persons employed by the Company in the context of accounting, financial and operational control. Risk management is the responsibility of holders of executive positions (referred to as risk owners). Compliance is the responsibility of the Chief Compliance Officer **[3.2]**. Persons responsible for compliance and risk management answer directly to appropriate members of the Management Board **[3.5]**. The Management Board submits to the Supervisory Board annual assessments of the effectiveness of systems and functions specified in policy 3.1. This assessment is included in successive reports on Management Board activities, and the effectiveness of the aforementioned systems and functions is subject to verification by the Audit Committee **[3.9]**.

### Policies not applied:

**[3.1]** *Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.*

**Explanation:** We partly deviate from this policy insofar as we have not established a distinct internal audit function. Internal control is implemented on the basis of our existing managerial framework, including the finance and accounting departments. A formalized risk management process is in place, based on the Risk Management Procedure and the Compliance Policy which guides us in managing compliance-related matters. There is no distinct internal audit unit; however, we declare that if a decision is made to establish such a unit as part of our organizational framework, we will comply with this policy.

**[3.3]** *Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.*

**Explanation:** There is currently no internal auditor or dedicated audit unit at the Company. Should an internal auditor be appointed, we will comply with this policy.

**[3.4]** *The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.*

**Explanation:** Base remuneration of risk managers and compliance officers is fixed and follows existing market standards. Internal audit has not been disaggregated in our structure as a distinct organizational unit; hence we are unable to comment upon the remuneration provided to such a unit.

**[3.6]** *The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.*

**Explanation:** There is currently no internal auditor or dedicated audit unit at the Company. Should an internal auditor be appointed, we will comply with this policy.

**[3.7]** *Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.*

**Explanation:** We partly deviate from this policy – with regard to appointing individuals responsible for risk management and internal audit functions at the Group's significant member companies. Our subsidiaries have restricted organizational frameworks which are adapted to the size of each such entity. With regard to compliance management, our subsidiaries individually appoint persons responsible for this activity.

**[3.10]** Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

**Explanation:** There is currently no internal auditor or dedicated audit unit at the Company. Should an internal auditor be appointed, we will comply with this policy.

## **GENERAL MEETING AND SHAREHOLDER RELATIONS**

**All policies related to general meetings and shareholder relations are applied.**

We work to ensure that our dialogue with shareholders enables proper exercise of their rights without obstructing operations of the Company's governing bodies [4.10]. Shareholders may participate in the General Meeting and exercise voting rights remotely, using electronic communication tools [4.1]. General Meetings are recorded, with live streams and recordings posted on our corporate website [4.3]. When selecting the date and venue of a General Meeting we try to enable the greatest possible number of shareholders to participate [4.2]; the same also applies to media representatives [4.4]. Should a General Meeting be convened in the manner specified in Art. 399 § 2-4 and Art. 400 § 3 of the Code of Commercial Companies, the Management Board shall take action to enable the General Meeting to be held [4.5]. The Supervisory Board issues opinions on all draft resolutions submitted by the Management Board to the General Meeting [4.7]. Draft resolutions submitted to the General Meeting are published on our website, along with the corresponding justifications. Should a shareholder demand to include a particular matter in the meeting agenda – we will ask them to present a suitable justification for the proposed resolution [4.6]. While the General Meeting is in progress, any shareholder may introduce draft resolutions in matters covered by the meeting agenda. Notwithstanding this right, our Guide to the CD PROJEKT General Meeting contains basic provisions related to submission of draft resolutions by shareholders prior to the General Meeting, pursuant to policy 4.8 [4.8]. Information about candidates for appointment to the Supervisory Board, together with their resumes, are posted on our website well in advance of the General Meeting. Each member of the Supervisory Board submits a statement concerning fulfillment of criteria applicable to members of the Audit Committee, as well as on the existence of actual and materials relations between themselves and any shareholder who controls at least 5% of the total number of votes in the Company [4.9.1-4.9.2]. Members of the Management Board and Supervisory Board take part in General Meetings insofar as is necessary to address shareholders' questions [4.11]. Regarding resolutions concerning the issue of shares with subscription rights, should such circumstances arise, the corresponding resolution will specify the issue price or the mechanism of setting the price [4.12]. Thus far, resolutions concerning issue of shares with exclusion of subscription rights have been adopted only in the context of incentive programs, were regarded as aligned with the Company's interest, and did not constitute a violation of rights held by existing shareholders of the Company who did not participate in the take-up of such shares [4.13]. Decisions regarding allocation of profit achieved during the given financial year are preceded by analysis of our financial resources, along with long-term production, investment and publishing plans. Thus far, we have not instituted a fixed dividend policy. The final decision regarding allocation of profit and payment of a dividend rests with the General Meeting [4.14].

## **CONFLICT OF INTERESTS, RELATED PARTY TRANSACTIONS**

### **All policies related to conflicts of interest and related party transactions are applied.**

Members of the Management Board should notify the Supervisory Board of any conflict of interest which has arisen, or may arise, in connection with their duties [5.1]. If a Member of the Management Board or of the Supervisory Board believes that the given decision contradicts the Company's interest, their dissenting opinion is recorded in the meeting minutes [5.2]. All transactions with affiliated parties are concluded in the interest of the Company or its Group, and in accordance with internal regulations governing related party transactions, which mandate that such transactions should be carried out in the Company's interest [5.3]. In situations where a related party transaction requires approval by the supervisory Board, the Supervisory Board may avail itself of third-party opinions [5.5]. In situations where a related party transaction requires approval by the General Meeting, the Supervisory Board shall prepare an opinion concerning the advisability of such a transaction [5.6] and shareholders will be provided with information required to assess whether the transaction is in the Company's interest [5.7]. The Management Board of the Company decides upon conditions and means of carrying out buy-back programs in a way which ensures that shareholders' interest is respected. This is done in the form of a resolution [5.4].

## **REMUNERATION**

### **All policies related to remuneration are applied.**

Remuneration offered to members of the Management Board and Supervisory Board, as well as other top managers, is sufficient to ensure recruitment, retention and incentivization required to properly manage the Company and supervise its operations [6.1]. Members of the Supervisory Board obtain fixed monthly remuneration in association with discharging their duties as members of the Supervisory Board, as mandated by a General Meeting resolution. Members of the Audit Committee obtain additional fixed monthly remuneration in association with their involvement in the Audit Committee [6.4-6.5]. In adopting incentive programs we are guided, among others, by the need to secure optimal conditions for long-term improvement of financial results posted by the Company and the Group, along with long-term growth in Company value [6.2]. Our long-term incentive program for members of the Management Board and other top managers is based on financial and non-financial criteria covering periods which are, in each case, at least three years long [6.3].

## **Internal control and risk management**

Internal control processes are carried out in the framework of existing managerial structures, including the activities of the Accounting, Finance and Legal Departments. The management board of each member company of the CD PROJEKT Group is responsible for that company's internal control system.

In 2021 we rolled out a Risk Management Procedure at CD PROJEKT S.A., which specifies rules for identifying, assessing and monitoring risks. In 2023 this procedure was updated and risk management processes optimized.



Risks are assessed in a continuous manner through identification and analysis of threats and opportunities which may affect our current activities. Risks related to preparation of financial statements are mitigated by a variety of actions, including mechanisms which ensure security of our IT systems.

Risk management at member companies of the CD PROJEKT Group is the responsibility of the management board of each company. Oversight of risk management at the Company is the responsibility of the Audit Committee.

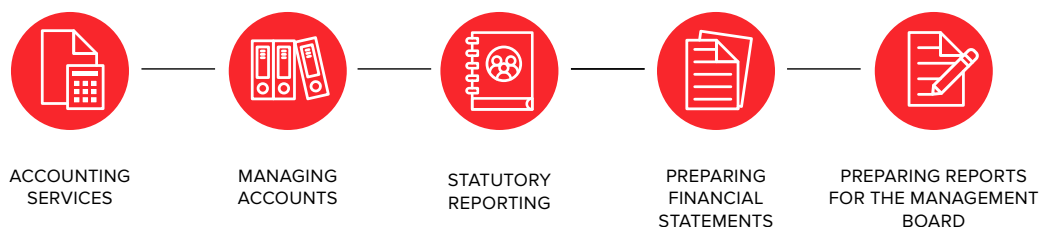
Internal control and risk management processes related to preparation of financial statements and consolidated financial statements include the following:

### **INTERNAL PROCEDURES**

Our control-related activities are rooted in internal regulations (including policies, rulebooks, procedures) which specify the range of duties and responsibilities of our employees, in particular members of the Accounting and Financial Control Departments.

### **ACCOUNTING AND FINANCIAL CONTROL**

Our accounts are managed by an internal Accounting Department, whose duties include:



### **IT SYSTEMS**

Accounting and financial data which serves as the basis for our financial statements is processed in ERP financial/accounting systems. Our IT systems, among others, facilitate financial management, enable circulation of financial and accounting data, support electronic document flows, generate complex financial reports and assist in planning, budgeting and verifying financial results.

Security, availability, confidentiality and integrity of information processed in IT systems is the responsibility of the IT Security team, as well as (in terms of legal and regulatory compliance) – the Privacy & Compliance team.

## OVERSIGHT OF THE PREPARATION OF FINANCIAL STATEMENTS

Financial statements are prepared in accordance with the following regulations:

- CD PROJEKT S.A. Accounting Policy,
- International Accounting Standards,
- Accounting Act of 29 September 1994.

Supervising proper preparation of financial statements is the responsibility of the CFO.



Preparation of separate financial statements at the Group's subsidiaries is the responsibility of their respective management boards. Financial statements at the Group's subsidiaries are subsequently submitted for approval to their respective Shareholders' Meetings.

## AUDITS AND REVIEWS OF FINANCIAL STATEMENTS

Separate and consolidated annual financial statements are subjected to formal audits, while semiannual financial statements are subjected to reviews by independent licensed auditors, pursuant to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

Review reports accompanying semiannual financial statements are submitted to shareholders, while audit reports accompanying annual financial statements are submitted to shareholders and to the General Meeting.

The entity contracted to carry out audits and reviews of the Company's financial statement is selected by the Supervisory Board. Further information about CD PROJEKT's auditor can be found in the section titled "Entity authorized to perform audits of financial statements" further below.

## Shareholders who hold major stock packages

Up-to-date information about CD PROJEKT's shareholding structure is updated on an ongoing basis and can be found under the [Shareholders](#) tab on our website.

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 notifications issued by shareholders who control at least 5% of the total number of votes at the General Meeting of Shareholders.

Shareholders controlling at least 5% of the vote at the General Meeting as of 31 December 2023 and as of the publication date of this report:

Shareholder	Qty. of shares	Percentage share in share capital (%)	Number of votes controlled	Percentage share of total number of votes at the GM (%)
Marcin Iwiński	12 873 520	12.89%	12 873 520	12.89%
Michał Kiciński*	9 989 363	10.00%	9 989 363	10.00%
Piotr Nielubowicz	6 858 717	6.86%	6 858 717	6.86%

\* As disclosed in the most recent [notification](#) submitted to the Company on 13 November 2023

## Holders of securities which provide special control rights

All shares of the Company are ordinary bearer shares which do not incorporate any special rights, including control rights.

## Limitations on the exercise of voting rights

Limitations on the exercise of voting rights by shareholders are detailed in §25a and b of the Company Articles.

In accordance with Company Articles, the following restrictions apply to the exercise of voting rights:

- no shareholder (acting singlehandedly or jointly, in the case of groups of entities) may exercise more than 20% of voting rights incorporated by all Company shares outstanding on the day of the General Meeting,
- if a shareholder (acting singlehandedly or jointly, in the case of groups of entities) is entitled to exercise voting rights at the General Meeting from stock packages held under different legal titles, the votes they control are subject to cumulation,
- if, as a result of the aforementioned cumulation, the number of voting rights controlled by the given shareholder (acting singlehandedly or jointly, in the case of groups of entities) exceeds 20% of the total number of votes, these votes are subject to reduction.

According to §25b of the Company Articles, restriction of voting rights does not apply to parties controlling 50% or more than 50% of the total number of votes at the Company solely when the shares have been purchased by way of a public tender offer to acquire all remaining shares of the Company.

Except for the above, no other limitations apply to the exercise of voting rights, including temporal restrictions on voting or other provisions under which, in cooperation with the Company, ownership of securities is deprived of some rights incidental thereto.

## Limitations on transferability of ownership rights to the Issuer's securities

The CD PROJEKT S.A. Articles of Association do not provide for any limitations on transferability of ownership rights to the Issuer's securities.

## Rules regarding appointment and dismissal of managers

Key provisions regarding appointment and dismissal of managers are described in the Company Articles, Management Board Regulations and the Act of 15 September 2000 - Code of Commercial Companies.

The Management Board consists of one or more members. Members of the Management Board are appointed and dismissed by the Supervisory Board for a joint four-year term. Supervisory Board resolutions concerning appointment, dismissal or suspension of Management Board members require a 4/5 supermajority of votes.

## Right to adopt decisions concerning issue or buy-back of the Issuer's shares

The Company Articles do not provide for any special empowerment of the Management Board in the context of deciding to issue or buy back Company shares.

## Rules regarding amendment of the Issuer's Articles of Association

Any change in the Issuer's Articles of Association requires a suitable General Meeting resolution, pursuant to the provisions of the Code of Commercial Companies, along with a corresponding entry in the court register. Any announcement of a convocation of a General Meeting whose agenda includes proposed amendments to the Company Articles should include a description of existing statutory provisions as well as the full text of any proposed amendments.

According to the Company Articles, responsibility for collating the consolidated text of the amended Articles rests with the Supervisory Board.

## AMENDMENTS TO COMPANY ARTICLES ADOPTED IN 2023

In 2023 the Company Articles were amended by General Meeting resolutions adopted on 18 April 2023 and 6 June 2023.

Amendments introduced by General Meeting resolutions adopted on 18 April 2023 (officially registered on 26 June 2023) concerned, among others:

- repealing provisions related to conditional increases in share capital and assigning the right to take up shares to holders of subscription warrants issued in the framework of Company incentive programs for the years 2016-2021 (2016 Program) and 2020-2025 (2020 Program), given the conclusion of the 2016 Program and discontinuation of the 2020 Program (amendments to § 8 sections 1, 2 and 3 of the Articles);
- introducing provisions concerning conditional increases in the Company share capital and assigning the right to take up shares to holders of subscription warrants in light of the introduction of Incentive Programs A and B for the years 2023-2027 (adding sections 4-7 to § 8 of the Articles);
- amending provisions related to the volume of the Company's share capital due to its reduction as a result of redemption of Company shares (amendments to § 7 section 1 of the Articles).

Amendments introduced by General Meeting resolutions adopted on 6 June 2023 (officially registered on 9 October 2023) concerned, among others:

- amendments related to uniformization of the names of positions held by Management Board members, which chiefly consist in expunging references to the "President of the Management Board" (amendments to § 11, § 12 and § 19 section 3 of the Articles);
- introducing a provision which enables the Company to make advance payments which count toward dividends (adding section 6 to § 28 of the Articles).

## General Meeting

Organization of the General Meeting and its key prerogatives are described in the Company Articles, Management Board Regulations and the Act of 15 September 2000 - Code of Commercial Companies.

## ORGANIZATION OF THE GENERAL MEETING

The General Meeting is the highest governing body of the Company, and may be called on an ordinary or extraordinary basis. General Meeting resolutions require a 3/5 supermajority of votes, except in matters where the applicable regulations call for a higher supermajority.

The General Meeting is called to order by the Chairperson or Deputy Chairperson of the Supervisory Board. If neither is present, the General Meeting is called to order by a member of the Supervisory Board, or a person specifically appointed for this duty by the Management Board.

In addition to notarized minutes of the General Meeting, the General Meeting Chairperson may appoint a Secretary to prepare distinct minutes of the General Meeting, or parts thereof. The Secretary does not need to be a registered participant of the General Meeting.

General Meetings are held in Warsaw. Shareholders may take part in the proceedings personally, by a proxy, or using electronic communication tools (e-GM), in accordance with the Terms and Conditions of Participation in the General Meeting of CD PROJEKT S.A. using Remote Electronic Communication Tools.

## **COMPETENCES OF THE GENERAL MEETING AND SHAREHOLDER RIGHTS**

The General Meeting, among others:

- approves financial statements and grants discharge to members of governing bodies;
- adopts resolutions concerning allocation of profit and payment of dividends;
- appoints and dismisses members of the Supervisory Board and determines their remuneration;
- is empowered to determine the maximum amount of expenses related to remuneration of Supervisory Board advisors, which the Company may incur during the given financial year;
- adopts resolutions concerning issue of convertible bonds and priority bonds;
- appoints intermediaries in disputes between the Company and members of its Management Board.

The Company respects shareholder rights as defined by the Act of 15 September 2000 – Code of Commercial Companies, including the right to:

- demand convocation of a General Meeting;
- participate in the General Meeting and exercise voting rights – personally or through a proxy;
- submit and object to draft resolutions;
- obtain information about the Company to the extent defined by the applicable laws.

Upon request of a shareholder eligible for participation in the General Meeting, a Ballot Committee is appointed. Ballot Committee members are elected from among all persons eligible for participation in the General Meeting. Each shareholder is entitled to nominate a single candidate.

A Chairperson is appointed from among all persons eligible for participation in the General Meeting, with each shareholder entitled to nominate a single candidate.



## GENERAL MEETINGS IN 2023

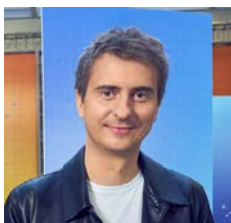
Two General Meetings were held in 2023 – on 18 April 2023 (Extraordinary General Meeting) and on 6 June 2023 (Ordinary General Meeting). Key resolutions adopted at the General Meetings are described in the “Key corporate events” section elsewhere in this report. The full wording on these resolutions is available on the [Company’s website](#).

## Managerial and supervisory bodies

### MANAGEMENT BOARD OF CD PROJEKT S.A.

Organization of the Management Board and its key prerogatives are described in the [Company Articles](#), [Management Board Regulations](#) and the Act of 15 September 2000 - Code of Commercial Companies.

#### Composition of the Management Board as of the preparation date of this report



#### **Michał Nowakowski – Joint Chief Executive Officer, Member of the Board**

Jointly-responsible for the company’s long term vision, coordinates the company’s activities and its management. In particular responsible for the Company’s business strategy and effective sales policy. Supports development of new product lines and manages the Company’s back catalog (franchise flywheel). Shapes long-term business relations with key partners. Represents company in relation with the investors.

Directly supervises the following:

Business development | Comic Book and Animation narrative | Investor Relations



#### **Adam Badowski – Joint Chief Executive Officer, Member of the Board**

Jointly-responsible for the company’s long term vision, coordinating the company’s activities and its management. In particular responsible for the Company’s creative vision, and for managing, developing and maintaining the Company’s creative teams. Develops and defines the unique image and style which distinguish the Company and its products on the market.

Directly supervises the following:

Game direction | Story | Global Art | Audio & Music | Localization & English adaptation


**Adam Kiciński – Chief Strategy Officer, Member of the Board**

Responsible for the Company's strategy and for its implementation.

Directly supervises the following:

Strategy


**Piotr Nielubowicz – Chief Financial Officer, Member of the Board**

Responsible for the Company's financial strategy, and for financial and non-financial reporting and legal area. Oversees strategic corporate projects, key investments and Company's climate and environmental policy.

Directly supervises the following:

Finance | Accounting | Taxes | Legal


**Piotr Karwowski – Joint Chief Operating Officer, Member of the Board**

Responsible for the Company's game development processes and optimization of its operational capabilities, including in-house production, external games development and management of the Group's studios. Additionally oversees development of online and user experience competencies.

Directly supervises the following:

Game production | Studio operations | IT & Security | Online | UX


**Paweł Zawodny – Joint Chief Operating Officer, Member of the Board**

Responsible for shaping the Company's tech strategy and optimization of its operational capabilities. Plays a pivotal role in driving both the technological and organizational transformation of CD PROJEKT RED. Oversees the Company's activities in the scope of employment, talent management and work methodology, ensuring they are aligned with the Company's broader transformation objectives.

Directly supervises the following:

HR | Culture, Diversity & Inclusion | Technologies (including R&D)


**Jeremiah Cohn – Chief Marketing Officer, Member of the Board**

Responsible for the Company's global marketing strategy, product communication and branding in support of franchise development. Oversees efforts to build recognition of the Company, its IP, and product releases by shaping engagement with fans and the gamers community.

Directly supervises the following:

Marketing | PR | Franchises

### Changes in the composition of the Management Board in 2023 and up until the preparation date of this report

Since 1 January 2023 the Management Board of the Company consists of seven Members. No changes in the composition of the Management Board occurred in 2023 and up until the preparation date of this report.

Several corporate events related, among others, to changes in the names of positions held by Members of the Management Board occurred in 2023, as previously disclosed by the Company in the justification accompanying draft resolution no. 22 of 6 June 2023, including as follows:

On 21 September 2023 the Supervisory Board of the Company, in order to ensure uniformity of names of positions held by Members of the Management Board, decided that as of the date of registration of the corresponding amendments to Company Articles, which ultimately occurred on 9 October 2023:

- Adam Kiciński, incumbent President of the Management Board, will hold the position of Member of the Management Board for the current term of office,
- Piotr Nielubowicz, incumbent Vice President of the Management Board for financial affairs, will hold the position of Member of the Management Board for the current term of office.

In addition, on the same day, the Management Board of the Company, acting pursuant to Management Board Regulations of the Company, has decided to adopt additional names of functions assigned to Members of the Company Management Board which reflect the internal division of responsibilities related to specific areas of the Company's business activities and the roles performed at the Company by the Management Board Members. As a result, Management Board Members will use the following additional function names:

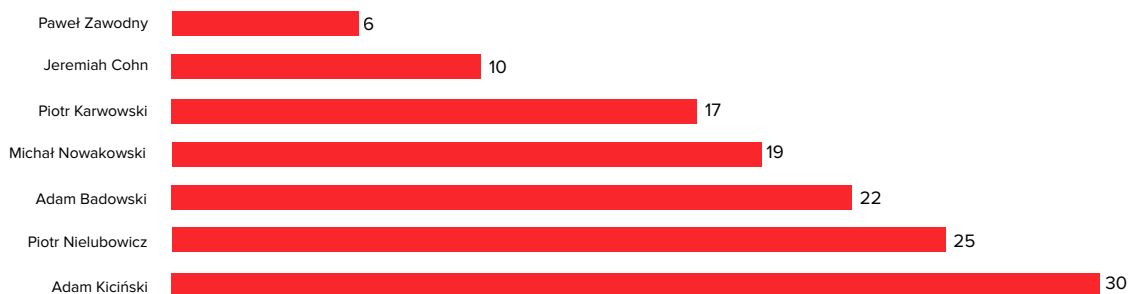
- Adam Kiciński – Chief Executive Officer (CEO),
- Piotr Nielubowicz – Chief Financial Officer (CFO),
- Adam Badowski – Chief Creative Officer (CCO),
- Michał Nowakowski – Chief Commercial Officer (CCO),
- Paweł Zawodny – Joint Chief Operating Officer (Joint COO),
- Piotr Karwowski – Joint Chief Operating Officer (Joint COO),
- Jeremiah Cohn – Chief Marketing Officer (CMO).

On 5 October 2023 Mr. Adam Kiciński, CEO of CD PROJEKT S.A. notified the Company of his intent to seek appointment as Member of the Supervisory Board of the Company in 2025, which would entail his resignation from membership of the Management Board, effective at the end of 2024. The full content of the notification submitted by Mr. Kiciński's to the parent Company is appended to Current Report no. 39/2023.

In light of the above-mentioned decision, the Management Board of CD PROJEKT S.A. decided upon changes in the internal division of responsibilities entrusted to Members of the Management Board with regard to specific areas of Company activities. These changes would enter into force on 1 January 2024 and entail changes in the description of roles and names of positions held by members of the Management Board, to wit:

- Adam Kiciński holds the position of Chief Strategy Officer (CSO);
- The position of Chief Executive Officer (CEO) is held jointly by Adam Badowski, who had heretofore held the position of Chief Creative Officer and been affiliated with the parent Company for 20 years, and Michał Nowakowski, who had heretofore held the position of Chief Commercial Officer and been affiliated with the parent Company for 18 years. Adam Badowski and Michał Nowakowski shall hereinafter officially introduce themselves as Joint Chief Executive Officers (Joint CEO).

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



### Operations and prerogatives of the Management Board

The Management Board manages all Company matters which are not otherwise reserved to the General Meeting and the Supervisory Board. In particular, the Management Board:

- works to ensure that Company matters are managed in a clear and effective manner, and in compliance with the applicable laws;
- determines the Company's strategy and its main business objectives, and is responsible for ensuring implementation thereof;
- manages Company matters and represents the Company in courts of law and otherwise. The right to represent the Company appertains to two Management Board members acting in concert, or to a single Management Board member acting in concert with a commercial proxy;
- exercises due diligence in the decision-making process, acts within the boundaries of acceptable risk, and remains loyal to the Company.

A meeting of the Management Board may be called by any of its members. In carrying out its meetings, the Management Board may use remote electronic communication tools (in particular, videoconferencing tools). The Management Board may adopt resolutions at meetings or outside of meetings, using remote communication tools or in writing. Management Board resolutions are adopted by an absolute majority of votes. Management Board Members who oppose the given resolution are entitled to have their dissent recorded in the minutes.

In discharging its duties the Management Board is also guided by the principles listed in 2021 Code of Best Practice for WSE Listed Companies.

## SUPERVISORY BOARD OF CD PROJEKT S.A.

Organization of the Supervisory Board and its key prerogatives are described in the Company Articles, Supervisory Board Regulations and the Act of 15 September 2000 - Code of Commercial Companies

### Composition of the Supervisory Board as of the preparation date of this report



**Marcin Iwiński**  
CHAIRPERSON  
OF THE SUPERVISORY  
BOARD



**Katarzyna Szwarc**  
DEPUTY CHAIRPERSON  
OF THE SUPERVISORY  
BOARD



**Maciej Nielubowicz**  
SECRETARY  
OF THE SUPERVISORY  
BOARD



**Michał Bień**  
MEMBER  
OF THE SUPERVISORY  
BOARD  
INDEPENDENT MEMBER



**Jan Łukasz Wejchert**  
MEMBER  
OF THE SUPERVISORY  
BOARD  
INDEPENDENT MEMBER

Two members of the Supervisory Board meet independence criteria specified in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, and have no actual and material links to any shareholder who controls at least 5% of the total number of votes at the Company.

### Changes in the composition of the Supervisory Board in 2023 and up until the preparation date of this report

In Resolution 3 of 20 December 2022 the Extraordinary General Meeting appointed Mr. Marcin Iwiński, heretofore performing the duties of Vice President of the Management Board for international affairs, to the Supervisory Board as its Member for the current term of the Supervisory Board, effective on 1 January 2023. Concurrently, in Resolution 1 of 20 December 2022 the Supervisory Board appointed Mr. Marcin Iwiński as Chairperson of the Supervisory Board of the Company, effective on 1 January 2023, and appointed Ms. Katarzyna Szwarc as Deputy Chairperson of the Supervisory Board, effective on 1 January 2023 (see Current Report no. 59/2022).

No changes in the composition of the Supervisory Board occurred in the reporting period and up until the preparation date of this report.

### Operations and prerogatives of the Supervisory Board

The Supervisory Board exercises ongoing supervision over the Company's activities. It consists of five members, appointed and dismissed by the General Meeting.

The Supervisory Board holds meetings as needed, however at least three meetings must be convened during each financial year. In order to hold a meeting of the Supervisory Board, all of its members must be invited. Supervisory Board meetings are chaired by the Chairperson of the Supervisory Board, or – when the Chairperson is not present – by the Deputy Chairperson. Supervisory Board resolutions are adopted by an absolute majority of votes, or by a 4/5 supermajority of votes in matters specified in § 19 of the Company Articles. The Supervisory Board may adopt meetings during meetings or outside of meetings – in writing or using remote electronic communication tools.

In discharging its duties the Supervisory Board is also guided by the principles listed in 2021 Code of Best Practice for WSE Listed Companies.

## AUDIT COMMITTEE OF CD PROJEKT S.A.

The Audit Committee acts on the basis of Art. 128 section 1 of the Act on statutory auditors, audit firms and public supervision of 11 May 2017 (the Act), and the Audit Committee Regulations.

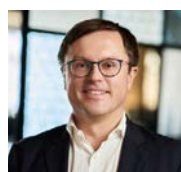
### Composition of the Audit Committee as of the preparation date of this report



**Michał  
Bień**  
CHAIRPERSON  
OF THE AUDIT  
COMMITTEE



**Maciej  
Nielubowicz**  
MEMBER  
OF THE AUDIT  
COMMITTEE



**Jan Łukasz  
Wejchert**  
MEMBER  
OF THE AUDIT  
COMMITTEE

#### Michał Bień – Chairperson of the Audit Committee

- a) meeting independence criteria specified in Art. 129 section 3 of the Act,
- b) meeting the criteria specified in Art. 129 section 5 of the Act, i.e. possessing knowledge and skills related to the Company's main business segment, gained during his tenure as Member of the Supervisory Board of the Company.




#### Maciej Nielubowicz – Member of the Audit Committee

- a) meeting the criterion specified in Art. 129 section 1 of the Act, i.e. possessing knowledge and skills in the area of accounting or auditing financial statements, gained in the course of higher education and professional experience at other entities,
- b) meeting the criteria specified in Art. 129 section 5 of the Act, i.e. possessing knowledge and skills related to the Company's main business segment, gained during his tenure as Member of the Supervisory Board of the Company.

#### Jan Łukasz Wejchert – Member of the Audit Committee

- a) meeting independence criteria specified in Art. 129 section 3 of the Act,
- b) meeting the criterion specified in Art. 129 section 1 of the Act, i.e. possessing knowledge and skills in the area of accounting or auditing financial statements, gained in the course of higher education and professional experience at other entities,
- c) meeting the criteria specified in Art. 129 section 5 of the Act, i.e. possessing knowledge and skills related to the Company's main business segment, gained during his tenure as Member of the Supervisory Board of the Company.

In 2023 the composition of the Audit Committee was consistent with provisions of the Act.

Criterion specified in the Act	Fulfillment of criterion at CD PROJEKT
The majority of Audit Committee members, including its chairperson, fulfill independence criteria	
At least one member of the Audit Committee possesses knowledge and skills in the scope of accounting or auditing financial statements	
At least one member of the Audit Committee possesses knowledge and skills related to the Company's main business segment	

The Supervisory Board verifies fulfillment of the above criteria on the basis of declarations or additional information supplied by the Management Board. The Supervisory Board may, at any time, alter the composition of the Audit Committee, or dismiss a member of the Audit Committee.

#### Changes in the composition of the Audit Committee in 2023 and up until the preparation date of this report

Given the changes in the composition of the Supervisory Board for the current term of office, on 20 December 2022 the Supervisory Board adopted a resolution which specifies that effective on 1 January 2023 Ms. Katarzyna Szwarc would not hold membership of the Audit Committee for the current term of office of the Supervisory Board (see [Current Report no. 59/2022](#)) and that, consequently, the Audit Committee would consist of three members, as shown above.

No changes in the composition of the Audit Committee occurred in 2023 and up until the preparation date of this report.

#### Operations of the Audit Committee

The Audit Committee is a standing committee and consists of three members, one of whom is named Chairperson of the Audit Committee. Members of the Audit Committee are appointed in an open ballot by the Supervisory Board from among its members. The term of office of the Audit Committee is equivalent to the term of office of the Supervisory Board.

The Audit Committee may:

- solicit information from the Company or the Group in matters related to financial reporting, financial audits, control, internal audits and risk management, insofar as is required for the Audit Committee to perform its duties;
- invite to its meetings individuals who possess knowledge and information required to analyze threats considered by the Audit Committee;
- apply to the Management Board to prepare analyses and opinions in support of Audit Committee operations.

The Audit Committee submits reports on its activities to the Supervisory Board, describing its composition and number of meetings held by the Audit Committee during each financial year. In discharging their duties, members of the Audit Committee are also guided by the principles listed in [2021 Code of Best Practice for WSE Listed Companies](#).



### Meetings of the Audit Committee

The Audit Committee is a collegial body and is required to hold meetings prior to publication of financial statements, as scheduled by its Chairperson. Meetings of the Audit Committee may be held in person or using remote electronic communication tools. The Audit Committee works by issuing decisions, opinions, petitions, recommendations and reports, which are submitted to other governing bodies of the Company.

Five meetings of the Audit Committee took place in 2023.

## PODMIOT UPRAWNIONY DO BADANIA SPRAWOZDAŃ FINANSOWYCH

Rules related to selection and rotation of entities authorized to perform audits of financial statements are specified in the Policy of choosing and rotating an audit firm entitled to audit financial statements and provide permitted non-audit services in the CD PROJEKT Group (the Policy).

### Changes in the contents of the Policy

In 2023 the Audit Committee updated the Policy.

### Selection of entity authorized to perform audits

In selecting the statutory auditor, the Audit Committee acknowledges decisions and conclusions expressed in the annual report of the Audit Supervision Committee, as specified in Art. 90 section 5 of the Act.

When the need arises to contract a new entity to perform audits of financial statements, the Audit Committee performs an official procedure which involves a tender offer. Offers are submitted to at least four distinct audit firms.

Initial audit contracts with a new audit firm are signed for at least two years, with a prolongation option concerning further periods, each of which must be at least two years long.

### Audit Committee recommendations

The Audit Committee presents the Supervisory Board with its recommendations concerning selection, appointment, reappointment and dismissal of a statutory auditor, and rules and conditions for entering into agreements with statutory auditors. Pursuant to Art. 130 section 2 of the Act, the Audit Committee, in its recommendation:

- indicates an audit firm which it proposes to contract in order to perform statutory audits,
- declares that the recommendation is free of third party influence,
- declares that the Company has not entered into agreements which contain provisions specified in Art. 66 section 5a of the Accounting Act of 29 September 1994.

In cases where the Audit Committee recommendation concerns prolongation of an audit contract, the Audit Committee may forgo collection of offers from entities other than the entity with regard to which it recommends prolongation of the audit contract.

The Audit Committee recommendation concerning prolongation of the Company's contract with an audit firm fulfills the above criteria. In Decision no. 1 of 24 February 2022 the Audit Committee submitted to the Supervisory Board its recommendation to prolong the existing contract with Grant Thornton Polska sp. z o.o. sp. k. (currently operating under the name Grant Thornton Polska PSA) with a registered seat in Poznań, concerning audits and reviews of separate and consolidated financial statements of the Company for 2022-2023, including verification of their compliance with ESEF standards, as well as statutory audits of remuneration reports for 2022-2023.

#### **Selection of entity authorized to perform audits**

Selection of the statutory auditor is performed by the Supervisory Board in the form of a resolution.

If the Supervisory Board resolution deviates from the Audit Committee recommendation, the Supervisory Board justifies its reason for deviating from the recommendation, and submits this justification to the General Meeting.

In Resolution 1 of 9 March 2022 concerning selection of an auditor authorized to perform audits of financial statements the Supervisory Board selected Grant Thornton Polska sp. z o.o. sp. k. (currently operating under the name Grant Thornton Polska PSA), as recommended by the Audit Committee.

#### **Rules concerning rotation of statutory auditor**

The statutory auditor may be contracted to perform financial audit services for a period not exceeding 5 years. The maximum duration of an unbroken period whereby the same audit firm performs statutory audits is 10 years. Following the end of this period, the given audit firm may not perform statutory audits for the Company over four subsequent years.

If the Company is notified of circumstances indicating that the statutory auditor cannot fulfill requirements arising from legal regulations, professional ethics guidelines, independence principles or the national code of professional conduct, the Company, in collaboration with the Audit Committee, shall analyze whether the existing contract with that audit firm may be dissolved.

#### **Permissible services other than audits of financial statements**

The entity authorized to perform audits of financial statements may provide to member companies of the CD PROJEKT Group services other than audits or reviews of financial statements, as long as:

- such services are not prohibited under Art. 5 section 1 paragraph 2 of Regulation no. 537/2014;
- such services are listed in the catalogue of permitted services pursuant to Art 136 section 2 of the Act;
- the extent of such services does not involve the tax policy of the Group member companies;
- the Audit Committee has performed an analysis of threats and safeguards related to the independence of the audit firm and the key statutory auditor, and has consented to procurement of such services.

In 2023, in accordance with the corresponding Audit Committee decision, the audit firm contracted to perform audits of financial services provided other permissible services to the Company, namely a review of the CD PROJEKT S.A. Supervisory Board report on remuneration of Management Board and Supervisory Board members in 2022. The Audit Committee did not identify any threats to the independence of the entity authorized to perform audits of financial statements.

## Diversity policy

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Diversity, equality and respect for human rights are among our core values enshrined in Rules of the Game: Business and Ethics Standards at the CD PROJEKT Group. We pledge to guarantee equal treatment for everyone, regardless of gender, disability, race, religion, social background, age, skin color or sexual orientation. In 2019 we adopted a Diversity Policy which includes a general non-discrimination principle with regard to all employees, members of the Supervisory Board, members of the Management Board and key managers. Our employment-related decisions are based mainly on professional experience, knowledge and education. We are also signatories to the Diversity Charter which forbids discrimination at the workplace, and mandates action to encourage and promote diversity.



05

**CORPORATE GOVERNANCE –  
SUPPLEMENTARY INFORMATION**

## 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. (currently 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. The agreement in this regard was concluded on 8 July 2022.

Information concerning the remuneration of the auditor is included in Note 47 of the *Financial Statement of CD PROJEKT S.A. for 2023* and Note 48 of the *Consolidated Financial Statement of the CD PROJEKT Group for 2023*.

Grant Thornton Polska PSA has also been contracted to audit the financial statement of GOG sp. z o.o., and had been contracted to audit the financial statements of entities taken over by the Company during the financial year, i.e. CD PROJEKT RED STORE sp. z o.o. and Spokko sp. z o. o.

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

### INCENTIVE PROGRAMS FOR 2023–2027

On 18 April 2023 the General Meeting of the 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:

- 100 444 entitlements have been assigned at the first stage of Incentive Program A (in 2023), 94 051 of which remain outstanding,
- 183 189 entitlements have been assigned at the second stage of Incentive Program A (in 2024), all of which remain outstanding.

### Incentive Program B

Incentive Program B is aimed at members of the Company's Management Board as well as persons who do not hold membership of the 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 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:

- 662 000 entitlements have been assigned at the first stage of Incentive Program B (in 2023), 656 000 of which remain outstanding,
- 723 500 entitlements have been assigned at the second stage of Incentive Program B (in 2024), all 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, while for entitlement assigned during the second stage of Incentive Program B (in the financial year 2024) the earnings condition for the years 2024-2027 is 3 billion PLN.

For each subsequent stage of Incentive Program B, associated with the financial years 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 (on the Management Board's request).

**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 and redemption of own shares

### PURCHASE OF OWN SHARES

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

### REDEMPTION OF OWN SHARES

On 18 April 2023 the Extraordinary General Meeting of Shareholders voted to lower the Company's share capital through voluntary redemption of 860 290 own shares with a nominal value of 1 PLN per share. On that date these shares constituted 0.85% of the Company's share capital, i.e. the entirety of the stock package purchased by the Company for the purpose of redemption in the course of the buy-back program carried out on 5-24 October 2022. The Company had allocated 99 943 000 PLN towards this purchase.

On 26 June 2023, as a result of the aforementioned resolutions, the District Court for the City of Warsaw registered the lowering of the Company's share capital by 860 290 PLN and redemption of 860 290 shares of the Company in the register of entrepreneurs.

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

**Table 12** Shares held by members of the Management Board and Supervisory Board of the Company\*

Name	Position	as of 28.03.2024	as of 31.12.2023	as of 01.01.2023
Adam Kiciński	Chief Strategy Officer, Member of the Board	4 046 001	4 046 001	4 046 001
Piotr Nielubowicz	Chief Financial Officer, Member of the Board	6 858 717	6 858 717	6 858 717
Adam Badowski	Joint Chief Executive Officer, Member of the Board	692 640	692 640	692 640
Michał Nowakowski	Joint Chief Executive Officer, Member of the Board	530 290	530 290	580 290
Piotr Karwowski	Joint Chief Operating Officer, Member of the Board	108 728	108 728	108 728
Paweł Zawodny	Joint Chief Operating Officer, Member of the Board	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.

## Gross remuneration of members of the Management Board of CD PROJEKT S.A.

A remuneration policy is in force at the Group, adopted on 27 August 2020 by the Supervisory Board as authorized by the General Meeting of 28 July 2020.

The policy specifies, among others, the composition of variable remuneration, criteria and deferment periods for disbursement of variable remuneration, as well as non-monetary benefits which may be assigned to members of the Management Board as part of their fixed remuneration.

#### **Adam Kiciński, Management Board Member**

Mr. Kiciński's fixed remuneration paid by CD PROJEKT S.A. in 2022 was 600 thousand PLN. In 2023 this fixed remuneration remained unchanged at 600 thousand PLN. Variable remuneration paid out to Mr. Kiciński in 2023 on the basis of the Group's consolidated net earnings in 2022, was 5 033 thousand PLN. Variable remuneration payable to Mr. Kiciński on the basis of the Group's consolidated net earnings in 2023 is 6 976 thousand PLN and had not been disbursed as of the balance sheet date.

#### **Piotr Nielubowicz, Management Board Member**

Mr. Nielubowicz's fixed remuneration paid by CD PROJEKT S.A. in 2022 was 600 thousand PLN. In 2023 this fixed remuneration remained unchanged at 600 thousand PLN. Variable remuneration paid out to Mr. Nielubowicz in 2023 on the basis of the Group's consolidated net earnings in 2022, was 5 033 thousand PLN. Variable remuneration payable to Mr. Nielubowicz on the basis of the Group's consolidated net earnings in 2023 is 6 976 thousand PLN and had not been disbursed as of the balance sheet date.

#### **Adam Badowski, Management Board Member**

Mr. Badowski's fixed remuneration paid by CD PROJEKT S.A. in 2022 was 600 thousand PLN. In 2023 this fixed remuneration remained unchanged at 600 thousand PLN. Variable remuneration paid out to Mr. Badowski in 2023 on the basis of the Group's consolidated net earnings in 2022, was 5 033 thousand PLN. Variable remuneration payable to Mr. Badowski on the basis of the Group's consolidated net earnings in 2023 is 6 976 thousand PLN and had not been disbursed as of the balance sheet date.

#### **Michał Nowakowski, Management Board Member**

Mr. Nowakowski's fixed remuneration paid by CD PROJEKT S.A. in 2022 was 600 thousand PLN. In 2023 this fixed remuneration remained unchanged at 600 thousand PLN. Variable remuneration paid out to Mr. Nowakowski in 2023 on the basis of the Group's consolidated net earnings in 2022, was 5 033 thousand PLN. Variable remuneration payable to Mr. Nowakowski on the basis of the Group's consolidated net earnings in 2023 is 6 976 thousand PLN and had not been disbursed as of the balance sheet date.

#### **Piotr Karwowski, Management Board Member**

Mr. Karwowski's fixed remuneration paid by CD PROJEKT S.A. in 2022 was 540 thousand PLN. In 2023 this fixed remuneration remained unchanged at 540 thousand PLN. Variable remuneration paid out to Mr. Karwowski in 2023 on the basis of the Group's consolidated net earnings in 2022, was 5 033 thousand PLN. Variable remuneration payable to Mr. Karwowski on the basis of the Group's consolidated net earnings in 2023 is 6 976 thousand PLN and had not been disbursed as of the balance sheet date.

#### **Paweł Zawodny, Management Board Member**

Mr. Zawodny's fixed remuneration paid by CD PROJEKT S.A. in 2022 was 550 thousand PLN. In 2023 this fixed remuneration was increased to 600 thousand PLN. Variable remuneration paid out to Mr. Zawodny in 2023 on the basis of the Group's consolidated net earnings in 2022, was 2 516 thousand PLN. Variable remuneration payable to Mr. Zawodny on the basis of the Group's consolidated net earnings in 2023 is 3 488 thousand PLN and had not been disbursed as of the balance sheet date.

### Jeremiah Cohn, Management Board Member

Mr. Cohn's fixed remuneration paid by CD PROJEKT S.A. in 2022 was 110 thousand USD. In 2023 this fixed remuneration was increased to 120 thousand USD. Variable remuneration paid out to Mr. Cohn in 2023 on the basis of the Group's consolidated net earnings in 2022, was 2 516 thousand PLN. Variable remuneration payable to Mr. Cohn on the basis of the Group's consolidated net earnings in 2023 is 3 488 thousand PLN and had not been disbursed as of the balance sheet date.

**Table 13** Remuneration paid to members of the Management Board of CD PROJEKT S.A. during their tenure as members of the Company's managerial bodies, and paid by the Company's subsidiaries in association with discharging managerial duties at these subsidiaries

	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Piotr Karwowski	60 thousand PLN	60 thousand PLN
Jeremiah Cohn	480 thousand USD	606 thousand USD

### ASSIGNMENT OF BONUSES TO MEMBERS OF THE MANAGEMENT BOARD

The variable portion of Management Board Members' remuneration is settled in annual cycles based on the Group's longstanding incentive scheme, and is tied to the Group's net earnings.

### COMPENSATION PAID OUT IN THE FRAMEWORK OF SHARE-BASED INCENTIVE SCHEMES

#### Incentive program for 2020-2025

An incentive program covering the years 2020-2025, instituted on the basis of General Meeting resolutions adopted on 28 July 2020 and 22 September 2020, was in force during the reporting period (until 18 April 2023). Further information about rules governing this program can be found, among others, 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. In light of the foregoing, given that the program no longer promoted incentivization and retention of staff, 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. In line with the Terms and Conditions, cancelation of the program also entails cancelation of all entitlements assigned to entitled parties.

Information concerning entitlements assigned to members of the Management Board under the 2020-2025 Incentive Program, including their estimation and cost recognized in the Company's accounts for 2022 can be found in the [Management Board report on CD PROJEKT Group activities in 2022](#).

#### Incentive Program B for 2023–2027

On 18 April 2023 the General Meeting adopted resolutions introducing Incentive Program B for the years 2023-2027, which (along with the accompanying Incentive Program A) superseded the above-mentioned Incentive Program for 2020-2025. Entitlements corresponding to the first stage of Incentive Program B were assigned to members of the Company's Management Board on 26 May 2023.

**Table 14** Number of entitlements and value of potential benefits (in PLN thousands) assigned to members of the Management Board at the first stage of Incentive Program B for 2023-2027

Name	Position	Entitlements assigned	Value of potential benefits 26.05.2023-31.12.2023
Adam Kiciński	Chief Strategy Officer, Member of the Board	50 thousand	934
Piotr Nielubowicz	Chief Financial Officer, Member of the Board	50 thousand	934
Adam Badowski	Joint Chief Executive Officer, Member of the Board	50 thousand	934
Michał Nowakowski	Joint Chief Executive Officer, Member of the Board	50 thousand	934
Piotr Karwowski	Joint Chief Operating Officer, Member of the Board	50 thousand	934
Paweł Zawodny	Joint Chief Operating Officer, Member of the Board	50 thousand	934
Jeremiah Cohn	Chief Marketing Officer, Member of the Board	50 thousand	934

The potential benefits listed in the above table for entitlements assigned at the first stage of the share-based Incentive Program B to members of the Management Board reflect the fair value of the corresponding entitlements, based on an actuarial assessment valid on the date of assignment. Information concerning assumptions made by the actuary in preparing the assessment of entitlements can be found in the *Consolidated Financial Statement of the CD PROJEKT Group for 2023*. The listed value corresponds to costs recognized in 2023 in association with estimation of entitlements assigned under Incentive Program B and does not include costs associated with estimation of expired entitlements assigned under the preceding program.

The difference between the market price of CD PROJEKT shares on any given date and the corresponding take-up or purchase price for shares acquired in the framework of Incentive Program B may differ significantly from the assessment provided by the actuary on the date of assignment of entitlements and recognized in the Group's statement of costs. Moreover, future benefits which may potentially be obtained by participants of the program depend on fulfilling a range of goals and conditions applicable to the program, and also on the future price of shares at the moment such shares are taken up or purchased by the entitled parties. With regard to entitlements assigned at the first stage of Incentive Program B, the base purchase or take-up price of shares acquired by entitled parties (given fulfillment of the program goals and criteria) is 118.05 PLN.

Members of the Company's Supervisory Board do not participate in Incentive Programs A and B for 2023-2027.

## Remuneration of Supervisory Board members

**Table 15** Gross remuneration (including for participation in the Audit Committee) paid out to members of the Supervisory Board of CD PROJEKT S.A. in 2022 and 2023 (PLN thousands)

Name	01.01.2022–31.12.2022	01.01.2023–31.12.2023
Marcin Iwiński – Chairperson of the Supervisory Board	n/a	480
Katarzyna Szwarc – Deputy Chairperson of the Supervisory Board	164	180
Maciej Nielubowicz – Secretary of the Supervisory Board; Member of the Audit Committee	109	120
Michał Bień – Supervisory Board Member; Chairperson of the Audit Committee	109	120
Łukasz Wejchert – Supervisory Board Member; Audit Committee Member	109	120
Piotr Pągowski – Supervisory Board Member until 31.12.2022	109	n/a

During the financial year and up until the publication date of this report members of the Supervisory Board did not hold any executive positions at Group member companies.

## **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**

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As of 31 December 2023 the Company had no such liabilities.

## **Agreements between the Issuer and members of its managing bodies concerning compensation in the event of their resignation or dismissal, including dismissal or recall as a result of a merger**

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As of 31 December 2023 and as of the preparation date of this report there were no provisions in force regulating compensation in the event of resignation or dismissal of members of the Company's Management Board, including when their dismissal or recall is due to a merger involving the Company.

## **Transactions between the Issuer and members of its managing and supervisory bodies not otherwise reported**

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In 2023 there were no significant transactions with members of the managing and supervisory bodies of CD PROJEKT S.A. not disclosed elsewhere in this report.

The following transactions are not regarded as significant: medical coverage fees, use of company cars, reimbursements and incidental purchases of Group products by members of the Management Board or Supervisory Board on the same terms as those offered to the rest of the team.



## 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 2023.

## 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.)**

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 US 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).

On 28 November 2023 the Company was notified that the US District Court for the Central District of California issued an order concerning the motion for final approval of the class action settlement. The motion for final approval of the settlement was granted, which concluded the legal proceedings associated with the class action lawsuit brought in the USA against the Company and certain other defendants.

## **LITIGATION INVOLVING THE COMPANY'S SUBSIDIARIES**

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

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. A trial was held before the District Administrative Court in Kraków on 3 October 2023, as a result of which the Court issued an injunction repealing the decisions of the Head of the Małopolska Customs and Tax Office in Kraków of 19 August 2022 and 22 May 2023. As of the publication date of this report this injunction is regarded as final and the case is again at the evidence taking stage.

## Statement concerning non-financial disclosures

Pursuant to Art. 49b section 9 and Art. 55 section 2c of the Accounting Act of 29 September 1994 we wish to note that the Company provides a separate non-financial report – the CD PROJEKT Group Sustainability Report for 2023 – which is published alongside other documents comprising the annual report in the ESPI system and on the Company's corporate website under the Result Center tab.



**Michał Nowakowski**  
Joint Chief Executive Officer,  
Member of the Board



**Adam Badowski**  
Joint Chief Executive Officer,  
Member of the Board



**Adam Kiciński**  
Chief Strategy Officer,  
Member of the Board



**Piotr Nielubowicz**  
Chief Financial Officer,  
Member of the Board



**Piotr Karwowski**  
Joint Chief Operating Officer,  
Member of the Board



**Paweł Zawodny**  
Joint Chief Operating Officer,  
Member of the Board



**Jeremiah Cohn**  
Chief Marketing Officer,  
Member of the Board



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