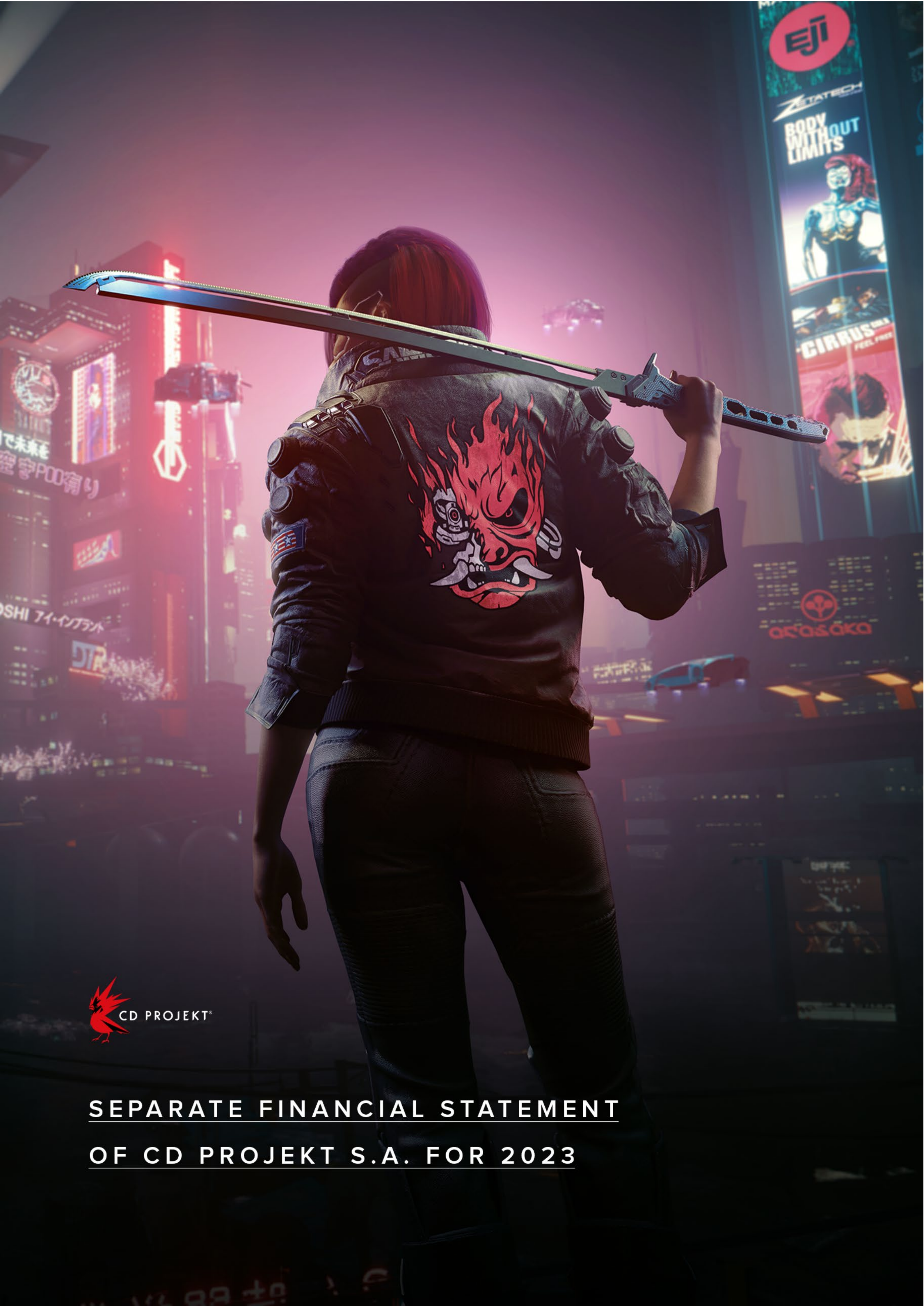



# SEPARATE FINANCIAL STATEMENT OF CD PROJEKT S.A. FOR 2023

Disclaimer

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

## Selected financial data translated into EUR

| | PLN | | EUR | |
|---|---|---|---|---|
| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
| Net sales of products, services, goods for resale and materials | 1 036 542 | 772 500 | 228 898 | 164 772 |
| Cost of sales of products, services, goods for resale and materials | 253 818 | 118 275 | 56 050 | 25 228 |
| Operating profit/(loss) | 458 637 | 370 338 | 101 280 | 78 992 |
| Profit/(loss) before tax | 530 862 | 384 233 | 117 229 | 81 956 |
| Net profit/(loss) attributable to owners of CD PROJEKT S.A. | 474 705 | 340 471 | 104 828 | 72 622 |
| Net cash from operating activities | 598 627 | 435 369 | 132 194 | 92 863 |
| Net cash from investing activities | (603 468) | (340 989) | (133 263) | (72 732) |
| Net cash from financing activities | (102 749) | (203 102) | (22 690) | (43 321) |
| Net increase/(decrease) in cash and cash equivalents | (107 590) | (108 722) | (23 759) | (23 190) |
| Number of shares (in thousands) | 100 269 | 100 741 | 100 269 | 100 741 |
| Net earnings/(loss) per share (in PLN) | 4.73 | 3.38 | 1.05 | 0.72 |
| Diluted earnings/(loss) per share (in PLN/EUR) | 4.73 | 3.38 | 1.05 | 0.72 |
| Book value per share (in PLN/EUR) | 23.61 | 19.85 | 5.43 | 4.23 |
| Diluted book value per share (in PLN/EUR) | 23.60 | 19.85 | 5.43 | 4.23 |
| Dividend declared or paid per share (in PLN/EUR) | 1.00 | 1.00 | 0.22 | 0.21 |

| | PLN | | EUR | |
|---|---|---|---|---|
| | 31.12.2023 | 31.12.2022* | 31.12.2023 | 31.12.2022* |
| Total assets | 2 517 921 | 2 186 181 | 579 099 | 466 147 |
| Liabilities and provisions for liabilities (excluding accruals) | 141 864 | 167 656 | 32 627 | 35 748 |
| Non-current liabilities | 37 094 | 36 106 | 8 531 | 7 699 |
| Current liabilities | 113 972 | 150 248 | 26 213 | 32 037 |
| Equity | 2 366 855 | 1 999 827 | 544 355 | 426 411 |
| Share capital | 99 911 | 100 771 | 22 979 | 21 487 |

** restated data*

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

- Items of the separate income statement and the separate statement of cash flows were translated at exchange rates calculated as an arithmetic mean of the mid exchange rates announced by the National Bank of Poland for the euro, applicable as at the last day of each month in a given reporting period. These rates were, respectively, as follows: from 1 January to 31 December 2023: 4.5284 PLN/EUR and from 1 January to 31 December 2022: 4.6883 PLN/EUR.

- Items of assets, liabilities and equity in the separate statement of financial position were translated at exchange rates announced by the National Bank of Poland for the euro, applicable as at the last day of the reporting period. These rates were, respectively, as follows: 4.348 PLN/EUR as at 31 December 2023 and 4.6899 PLN/EUR as at 31 December 2022.

## Table of contents

# Key financial data of CD PROJEKT S.A.

# 1

# Income statement

| | Note | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|---|
| **Sales revenue** | | **1 036 542** | **772 500** |
| Sales of products | 1 | 1 023 626 | 761 508 |
| Sales of services | 1 | 413 | 1 745 |
| Sales of goods for resale and materials | 1 | 12 503 | 9 247 |
| **Cost of sales of products, services, goods for resale and materials** | | **253 818** | **118 275** |
| Costs of products and services sold | 3 | 240 201 | 110 851 |
| Cost of goods for resale and materials sold | 3 | 13 617 | 7 424 |
| **Gross profit/(loss) on sales** | | **782 724** | **654 225** |
| Selling expenses | 3 | 201 124 | 151 363 |
| Administrative expenses | 3 | 155 812 | 97 110 |
| Other operating income | 1,4 | 52 029 | 17 192 |
| Other operating expenses | 4 | 19 187 | 52 599 |
| (Impairment)/reversal of impairment of financial instruments | | 7 | (7) |
| **Operating profit/(loss)** | | **458 637** | **370 338** |
| Finance income | 1,5 | 117 621 | 64 712 |
| Finance costs | 5 | 45 396 | 50 817 |
| **Profit/(loss) before tax** | | **530 862** | **384 233** |
| Income tax | 6 | 56 157 | 43 762 |
| **Net profit /(loss)** | | **474 705** | **340 471** |
| **Net earnings/(loss) per share (in PLN)** | | | |
| Basic for the reporting period | 8 | 4.73 | 3.38 |
| Diluted for the reporting period | 8 | 4.73 | 3.38 |

** restated data*

# Statement of comprehensive income

| | Note | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|---|
| **Net profit /(loss)** | | **474 705** | **340 471** |
| **Other comprehensive income subject to reclassification to gains or losses after specific conditions have been met** | **10** | **4 138** | **(12 724)** |
| Measurement of derivative financial instruments - fair value through other comprehensive income, taking into account the tax effect | | 4 138 | (12 724) |
| **Other comprehensive income not subject to reclassification to gains or losses** | **10** | **-** | **-** |
| **Total comprehensive income** | | **478 843** | **327 747** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Statement of financial position

| | Note | 31.12.2023 | 31.12.2022* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | **1 416 032** | **1 096 803** |
| Property, plant and equipment | 11 | 179 132 | 143 439 |
| Intangible assets | 12 | 68 867 | 70 324 |
| Expenditure on development projects | 12 | 524 472 | 473 504 |
| Investment properties | 14 | 34 245 | 42 560 |
| Goodwill | 12,13 | 49 168 | 49 168 |
| Investments in subordinated entities | 15,38 | 57 229 | 53 566 |
| Prepayments and deferred costs | 21 | 4 913 | 5 314 |
| Other financial assets | 16,38 | 455 907 | 207 437 |
| Deferred tax assets | 6 | 41 723 | 51 108 |
| Other receivables | 20,38 | 376 | 383 |
| **CURRENT ASSETS** | | **1 101 889** | **1 089 378** |
| Inventories | 18 | 3 576 | 9 886 |
| Trade receivables | 19,38 | 204 658 | 164 708 |
| Current income tax receivable | | 1 069 | - |
| Other receivables | 20 | 52 031 | 54 677 |
| Prepayments and deferred costs | 21 | 10 148 | 6 189 |
| Other financial assets | 16,38 | 362 719 | 279 515 |
| Bank deposits over 3 months | 38 | 338 205 | 337 330 |
| Cash and cash equivalents | 22,38 | 129 483 | 237 073 |
| **TOTAL ASSETS** | | **2 517 921** | **2 186 181** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

| | Note | 31.12.2023 | 31.12.2022* |
|---|---|---|---|
| **EQUITY** | | **2 366 855** | **1 999 827** |
| Share capital | 23 | 99 911 | 100 771 |
| Supplementary capital | 25 | 1 681 466 | 1 539 437 |
| Share premium | 25 | 116 700 | 116 700 |
| Treasury shares | 25 | - | (99 993) |
| Other reserves | 25 | 24 691 | 3 777 |
| Retained earnings / (Accumulated losses) | 26 | (30 618) | (1 336) |
| Net profit (loss) for the period | | 474 705 | 340 471 |
| **NON-CURRENT LIABILITIES** | | **37 094** | **36 106** |
| Other financial liabilities | 28,34,38 | 18 379 | 18 883 |
| Other liabilities | 29 | 2 494 | 2 620 |
| Deferred income | 35 | 2 315 | 3 666 |
| Provision for retirement and similar benefits | 36 | 497 | 339 |
| Other provisions | 37 | 13 409 | 10 598 |
| **CURRENT LIABILITIES** | | **113 972** | **150 248** |
| Other financial liabilities | 28,34,38 | 2 579 | 1 788 |
| Trade payables | 30,38 | 26 400 | 39 587 |
| Current income tax liabilities | | - | 2 116 |
| Other liabilities | 31 | 7 099 | 4 350 |
| Deferred income | 35 | 6 887 | 15 032 |
| Provision for retirement and similar benefits | 36 | 6 414 | 4 154 |
| Other provisions | 37 | 64 593 | 83 221 |
| **TOTAL EQUITY AND LIABILITIES** | | **2 517 921** | **2 186 181** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Statement of changes in equity

| | Share capital | Supplementary capital | Share premium | Treasury shares | Other reserves | Retained earnings | Net profit (loss) for the period | Total equity |
|---|---|---|---|---|---|---|---|---|
| **01.01.2023 – 31.12.2023** | | | | | | | | |
| **Equity as at 01.01.2023** | **100 771** | **1 539 437** | **116 700** | **(99 993)** | **3 777** | **341 073** | **-** | **2 001 765** |
| Corrections of errors | - | - | - | - | - | (1 938) | - | (1 938) |
| **Equity, as adjusted** | **100 771** | **1 539 437** | **116 700** | **(99 993)** | **3 777** | **339 135** | **-** | **1 999 827** |
| Costs of the incentive plan | - | - | - | - | 16 776 | - | - | 16 776 |
| Redemption of treasury shares | (860) | (99 133) | - | 99 993 | - | - | - | - |
| Retained earnings / (Accumulated losses) of the acquired entity | - | - | - | - | - | (28 680) | - | (28 680) |
| Payment of dividend | - | - | - | - | - | (99 911) | - | (99 911) |
| Appropriation of the net profit/offset of loss | - | 241 162 | - | - | - | (241 162) | - | - |
| Total comprehensive income | - | - | - | - | 4 138 | - | 474 705 | 478 843 |
| **Equity as at 31.12.2023** | **99 911** | **1 681 466** | **116 700** | **-** | **24 691** | **(30 618)** | **474 705** | **2 366 855** |

(all amounts in PLN thousand, unless stated otherwise)

| | Share capital | Supplementary capital | Share premium | Treasury shares | Other reserves | Retained earnings | Net profit (loss) for the period | Total equity |
|---|---|---|---|---|---|---|---|---|
| **01.01.2022 – 31.12.2022*** | | | | | | | | |
| **Equity as at 01.01.2022** | **100 739** | **1 366 952** | **115 909** | **-** | **49 515** | **235 934** | **-** | **1 869 049** |
| Corrections of errors | - | - | - | - | - | (1 336) | - | (1 336) |
| **Equity, as adjusted** | **100 739** | **1 366 952** | **115 909** | **-** | **49 515** | **234 598** | **-** | **1 867 713** |
| Costs of the incentive plan | - | - | - | - | 4 275 | - | - | 4 275 |
| Share-based payments | 32 | 1 549 | 791 | - | (1 548) | - | - | 824 |
| Purchase of treasury shares for redemption | - | - | - | (99 993) | - | - | - | (99 993) |
| Release of reserve capital from previous years created for the purpose of purchasing treasury shares | - | 35 741 | - | - | (35 741) | - | - | - |
| Payment of dividend | - | - | - | - | - | (100 739) | - | (100 739) |
| Appropriation of the net profit/offset of loss | - | 135 195 | - | - | - | (135 195) | - | - |
| Total comprehensive income | - | - | - | - | (12 724) | - | 340 471 | 327 747 |
| **Equity as at 31.12.2022** | **100 771** | **1 539 437** | **116 700** | **(99 993)** | **3 777** | **(1 336)** | **340 471** | **1 999 827** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Statement of cash flows

| | Note | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Net profit /(loss)** | | **474 705** | **340 471** |
| **Total adjustments:** | **48** | **86 120** | **92 465** |
| 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 |
| **Cash from operating activities** | | **560 825** | **432 936** |
| Income tax expense | | 24 788 | 11 492 |
| Withholding tax paid abroad | | 31 369 | 32 270 |
| Income tax (paid)/refunded | | (18 355) | (41 329) |
| **Net cash from operating activities** | | **598 627** | **435 369** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

| | Note | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| **Inflows** | | **695 146** | **1 291 485** |
| 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 |
| **Outflows** | | **1 298 614** | **1 632 474** |
| 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 |
| **Net cash from investing activities** | | **(603 468)** | **(340 989)** |
| **FINANCING ACTIVITIES** | | | |
| **Inflows** | | **32** | **861** |
| 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 | - |
| **Outflows** | | **102 781** | **203 963** |
| 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 |
| **Net cash used in financing activities** | | **(102 749)** | **(203 102)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(107 590)** | **(108 722)** |
| **Change in cash and cash equivalents in the balance sheet** | | **(107 590)** | **(108 722)** |
| **Cash and cash equivalents as at the beginning of the period** | | **237 073** | **345 795** |
| **Cash and cash equivalents as at the end of the period** | | **129 483** | **237 073** |

(all amounts in PLN thousand, unless stated otherwise)

# Notes to the separate financial statements

# 2

# General information

| | |
|---|---|
| Name of reporting entity: | CD PROJEKT S.A.<br>(there have been no changes in the name of the reporting entity since the end of the prior reporting period) |
| Legal form: | a joint stock company (*spółka akcyjna)* |
| Registered office: | ul. Jagiellońska 74, 03-301 Warsaw |
| Country of registration: | Poland |
| Core activities: | Production and publishing of video games and associated products |
| Principal place of business: | Warsaw |
| Registration body: | District Court for the Capital City of Warsaw in Warsaw, 14th Business Department of the National Court Register |
| Statistical number REGON: | 492707333 |
| Tax identification number NIP: | 7342867148 |
| Number in the BDO register (national waste management database): | 000141053 |
| Duration of the Company: | unspecified |

# Changes in accounting policies

The accounting policies applied in these separate financial statements, material judgements made by the Management Board with regard to the accounting policies applied by the Company and the main sources of estimating uncertainties are consistent, in all material respects, with the policy adopted for preparing the separate annual financial statements of CD PROJEKT for 2022, with the exception of changes in accounting policies and presentation changes described in the section “Assumption of comparability of the financial statements, changes in accounting policies and estimates”.

# Going concern assumption

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

As at the date of these separate financial statements being signed, the Management Board of the Company did not identify any facts or circumstances which would indicate any threats to the Company continuing in operation as a going concern for a period of 12 months after the end of the reporting period as a result of intended or forced discontinuation or significant curtailment of its operations to date.

By the date of preparing the separate financial statements for the period from 1 January to 31 December 2023, the Management Board of the Company did not become aware of any events which should have been but were not recognized in the accounting records for the reporting period. At the same time, no significant prior year events have been disclosed in these separate financial statements.

(all amounts in PLN thousand, unless stated otherwise)

# Quotations on the regulated market

## General information

| | |
|---|---|
| Stock exchange | Giełda Papierów Wartościowych w Warszawie S.A.<br>(Warsaw Stock Exchange – WSE)<br>ul. Książęca 4<br>00-498 Warsaw |
| Symbol at WSE | CDR |

## Deposit and settlements system

| | |
|---|---|
| Deposit and settlements system | Krajowy Depozyt Papierów Wartościowych S.A. (KDPW)<br>(National Depository for Securities)<br>ul. Książęca 4<br>00-498 Warsaw |

## Contact with investors

| | |
|---|---|
| Investor relations | gielda@cdprojekt.com |

# Compliance with the International Financial Reporting Standards

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS"), as adopted by the European Union, effective for annual periods beginning on 1 January 2023.

## Amendments to standards or interpretations effective from 1 January 2023 applicable and adopted by the Company

In preparing the separate financial statements for 2023, the Company applies the same accounting policies as in preparing the annual financial statements for 2022, with the exception of amendments to standards and new standards and interpretations endorsed by the European Union, which are effective for reporting periods beginning on 1 January 2023:

- ***IFRS 17*** *Insurance Contracts* - endorsed on 19 November 2021, applicable to reporting periods beginning on or after 1 January 2023;

  A new standard governing the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. It replaced the formerly applicable ***IFRS 4*** *Insurance contracts.*

- Amendments to ***IAS 1*** and *Practice Statement 2: Disclosure of Accounting Policies* (published on 12 February 2021) - endorsed on 2 March 2022 and applicable to annual periods beginning on or after 1 January 2023;

  IASB clarified which information on an entity's accounting policies is material and requires disclosure in the financial statements. The amendments focus on tailoring disclosures to the entity's specific circumstances. The Board cautions against the use of standardised provisions copied from IFRS and expects the basis of measurement of financial instruments to be considered as material information.

- Amendments to ***IAS 8*** *Accounting Policies, Changes in Accounting Estimates and Errors* - approved on 2 March 2022 and applicable to periods beginning on or after 1 January 2023;

  The Board introduced the definition of an accounting estimate in the standard: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

(all amounts in PLN thousand, unless stated otherwise)

- Amendments to ***IAS 12*** *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* - applicable to periods beginning on or after 1 January 2023;

  The Board introduced the principle that if a transaction gives rise to equal taxable and deductible temporary differences, a deferred tax asset and a deferred tax provision should be recognized even if the transaction does not result from a business combination and has no impact on the accounting or tax profit or loss. This means that a deferred tax asset and provision must be recognized, for example, when equal temporary differences arise on leases (separate temporary differences on the liability and on the right-of-use asset) or on restoration liabilities. The principle which says that deferred income tax assets and liabilities are offset if current income tax assets and liabilities are offset was not changed.

- Amendments to ***IFRS 17*** *Insurance Contracts* concerning *Initial Application of IFRS 17 and IFRS 9 - Comparative Information* - endorsed on 8 September 2022 and applicable to periods beginning on or after 1 January 2023.

  The Board set out transitional provisions relating to comparative data for entities which adopt ***IFRS 17*** and ***IFRS 9*** at the same time, to reduce the potential accounting mismatch resulting from differences between these two standards.

- Amendments to ***IAS 12*** *The International Tax Reform - Pillar Two Model Rules* - endorsed on 8 November 2023, applicable to reporting periods beginning on or after 1 January 2023.

  The amendment has introduced a temporary exception from recognizing the deferred tax resulting from implementation of the International Tax Reform (Pillar Two) and a requirement for additional disclosures related to that exception.

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

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

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

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

- Amendment to ***IAS 1*** *Presentation of financial statements: Classification of liabilities as current or non-current* and *Non-current Liabilities with Covenants* - applicable to reporting periods beginning on or after 1 January 2024.

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

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

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

- Amendments to ***IAS 7*** *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements* - applicable to reporting periods beginning on or after 1 January 2024.

- Amendments to ***IAS 21*** *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* - applicable to reporting periods beginning on or after 1 January 2025.

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

# Description of adopted accounting policies

## Revenue and operating expenses

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

The Company recognizes revenue using the so-called Five-Step Model provided for in *IFRS 15*. Revenue includes only amounts received or receivable equal to the transaction prices that accrue to the Company upon fulfilment (or in the process of fulfilment) of the performance obligation to transfer the promised good or service (i.e. an asset) to the customer. The payment from a customer becomes due after that performance obligation has been fulfilled. The transaction price is the amount of consideration that the Company expects to receive in exchange for the transfer of the promised goods or services, less any applicable value-added tax.

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

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

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

## Finance income and costs

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

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

## State subsidies

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

## Current and deferred income tax

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

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

A deferred tax provision is recorded on all taxable temporary differences, and a deferred tax asset is recorded to the extent that the future tax profits are likely to be reduced by the amount of recognized deductible temporary differences. An asset or liability does not arise if the temporary difference arises from goodwill.

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

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

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

## Value-added tax (VAT)

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

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

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

## Property, plant and equipment

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

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

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

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

Fixed assets with a low initial unit cost of no more than PLN 5 thousand are depreciated in a simplified way by making a one-off write-off.

Gains or losses on disposal / scrapping or decommissioning of fixed assets are determined by comparing proceeds on disposal with the net book amounts of these assets, taking into account the principles of IFRS 15, and included in the Income statement.

## Intangible assets - Expenditure on development projects

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

The Company verifies whether an intangible asset arising from a development project meets the following conditions:

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

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

c) the intangible asset can be used or sold;

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

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

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

When these conditions are met, the Company reclassifies the expenditure from Expenditure on development projects in progress to Expenditure on development projects completed. In the case of projects for which it is possible to determine reliable estimates of the volume and value of the sales budget, the Company amortizes the value of these projects based on the consumption of economic benefits related to the number of copies sold.

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

(i) the useful life based on the historical useful lives of previous comparable titles, normally no less than 3 years and no more than 6 years due to the possibility of making reliable estimates in an industry subject to dynamic change;

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

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

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

In the table below, the Company presents projects amortized in 2023 for which reliable estimates of sales volumes and budgets can be determined, together with the useful lives or amortization rates applied:

Until the release of *Cyberpunk 2077: Phantom Liberty*:

| | | Amortization for the period | |
|---|---|---|---|
| Title | Release period | Q1 | Q2 - Q21 |
| Cyberpunk 2077 | Q4 2020 | 40% | 60% straight line over 5 years (1% per month) |

After the release of *Cyberpunk 2077: Phantom Liberty*, based on the total amount of non-amortized expenditure on the production of *Cyberpunk 2077*, including the version for new generation consoles and expenditure on the production of the *Phantom Liberty* expansion:

| | | **Amortization for the period** | |
|---|---|---|---|
| **Title** | **Release period** | Q3-Q4 2023 | 20% |
| Cyberpunk 2077 (including the version for new generation consoles) + Cyberpunk 2077 Phantom Liberty | Q3 2023 | Q3-Q4 2024 | 5% |
| | | Q3-Q4 2025 | 3.5% |
| | | Q3-Q4 2026 | 2.5% |
| | | Q3-Q4 2027 | 2% |
| | | Q1-Q4 2028 | 2% |

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

(all amounts in PLN thousand, unless stated otherwise)

## Intangible assets - Other

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

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

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

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

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

## Goodwill

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

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

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

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

## Mergers of business entities under common control

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

## Impairment of non-financial assets

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

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

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

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

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

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

## Investment properties

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

Investment properties are valued using the purchase price model.

## Rights of perpetual usufruct of land

Land owned by the State Treasury, local government units or their associations may be subject to perpetual usufruct. Perpetual usufruct is a special type of property right entitling natural or legal persons to use land to the exclusion of others. The perpetual lessee may also dispose of its right. The right of perpetual usufruct is granted for a period of 99 years or, in exceptional cases – where the economic purpose of perpetual usufruct does not require the land to be let for such a period – for a shorter period, however, no shorter than 40 years.

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

## Leases

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

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

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

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

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

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

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

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

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

## Investments in subordinated entities

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

## Financial assets

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

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

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

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

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

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

## Financial liabilities

A financial liability is each liability being:

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

The Company classifies each component of financial liabilities upon initial recognition as:

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

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

## Inventories

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

## Trade and other receivables

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

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

## Prepayments and accruals

The Company recognizes accrued income for the purpose of allocating such income to future reporting periods, when the income is realized.

Deferred income includes proceeds received or receivable from royalties on pre-orders for digital distribution of games, or advances on royalties and advances on goods received from distributors, as well as deferred settlements of subsidies.

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

The Company recognizes costs that have been incurred in advance but relate in whole or in part to subsequent periods in prepayments and deferred costs.

## Cash and cash equivalents

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

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

## Assets held for sale and discontinued operations

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

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

## Equity

Equity is recorded in the accounting books by type of equity component and in accordance with the binding regulations of the law and the provisions of the Company's Articles of Association.

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

Supplementary capital is created from profits generated.

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

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

## Provisions for liabilities

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

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

## Employee benefits

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

Based on the resolutions of the Company's General Meeting of 28 July 2020 and 22 September 2020, an incentive plan for the years 2020-2025 for selected persons in the Company and in Group companies was introduced. As part of the implementation of the plan, a maximum of 4 000 000 entitlements, understood as a conditional right to take up subscription warrants, entitling to take up shares in the Company issued separately as part of a conditional share capital increase, or alternatively to purchase, on preferential terms, the Company's treasury shares could be granted. However, due to the fact that, among other things, the Incentive Plan for the years 2020-2025 lost its motivational and retention functions, as described in detail in Note 40 Employee Benefit Plans below, the General Meeting adopted a resolution to discontinue implementing the plan. As a result, the plan expired in full on 18 April 2023. Upon expiry of the plan, entitlements awarded as part of that plan to eligible persons also expired.

Based on the resolutions of the Company's General Meeting of 18 April 2023, two new incentive plans for the financial years 2023-2027 were introduced on that date, replacing the Incentive Plan for the years 2022-2025: the Incentive Plan A and Incentive Plan B. Entitlements awarded under these plans if the conditions set out in the plans are met shall be realized alternatively though either: (i) offering participants to subscribe for warrants entitling them to subscribe for an identical number of shares in the Company issued as part of the conditional share capital increase, or (ii) offering participants to purchase from the Company treasury shares acquired by the Company as part of a buy-back carried out for this purpose. Plans A and B are described in detail in Note 40 Employee Benefit Plans below.

The incentive plans are accounted for in accordance with the principles of *IFRS 2 Share-based Payment*.

## Loans granted

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

## Trade and other payables

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

## Payment of dividend

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

# Functional currency and presentation currency

## Functional currency and presentation currency

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

## Transactions and balances

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

# Critical accounting estimates and judgements

## Professional judgement

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

## Uncertainty of estimates

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

### Impairment of assets

Impairment tests for assets such as goodwill and brand value require estimating the value in use of a cash-generating unit. Estimating the value in use means forecasting the future cash flows expected to be generated by a cash-generating unit, and requires determining a discount rate to be used in order to calculate the present value of these cash flows. The last test of the CD PROJEKT corporate brand, The Witcher product brand and goodwill was performed as at 31 December 2023. No impairment of the brands or goodwill were identified. Impairment tests were also performed on the shares in subsidiaries as at 31 December 2023. The tests showed no impairment of the shares.

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

| | Trademarks | Goodwill |
|---|---|---|
| Cash flow forecast period | 2024-2027 (4 years) | 2024-2027 (4 years) |
| Discount rate (WACC) | 12.5% | 12.5% |
| Growth rate (g) for residual value | 3% | 3% |

### Valuation of provisions

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

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

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

### Deferred income tax asset

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

(all amounts in PLN thousand, unless stated otherwise)

## Deferred tax provision

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

## Fair value of financial instruments

The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques. The Company applies professional judgement in selecting appropriate methods and assumptions.

## Depreciation and amortization rates

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

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

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

## Changes in accounting policies

The accounting policies applied in these interim condensed separate financial statements, material judgements made by the Management Board with regard to the accounting policies applied by the Company and the main sources of estimating uncertainties are consistent, in all material respects, with the policy adopted for preparing the annual financial statements of CD PROJEKT S.A. for 2022, with the exception of changes in the accounting policies and presentation changes described below.

## Presentation changes

In these separate financial statements for the period from 1 January to 31 December 2023, selected financial data were adjusted. In order to ensure comparability of the financial data in the reporting period, the data for the period from 1 January to 31 December 2022 and as at 31 December 2022 were adjusted. The data is presented after the following adjustments:

- In the statement of financial position as at 31 December 2022, provisions for holiday pay were entered. Consequently, the following items changed:
    - Expenditure on development projects – an increase of PLN 1 967 thousand;
    - Deferred income tax asset – an increase of PLN 240 thousand;
    - Retained earnings (Accumulated losses) – a decrease of PLN 1 336 thousand;
    - Net profit (loss) for the period – a decrease of PLN 602 thousand;
    - Provision for retirement and similar benefits – an increase of PLN 4 145 thousand.

The change affected the Net profit or loss and Equity.

- In the statement of cash flows for the period from 1 January to 31 December 2022, provisions for holiday pay were included. Consequently, the following items changed:
    - Net profit/(loss) – a decrease of PLN 602 thousand;
    - Increase/(Decrease) in provisions – an increase of PLN 660 thousand;
    - Income tax expense – a decrease of PLN 58 thousand.

- In the income statement for the period from 1 January to 31 December 2022, provisions for holiday pay were included. Consequently, the following items changed:
    - Administrative expenses – an increase of PLN 660 thousand;
    - Income tax – a decrease of PLN 58 thousand.

  The change affected the Net profit or loss and Equity.

In these separate financial statements for the period from 1 January to 31 December 2023, changes were introduced in the presentation of selected financial data. In order to ensure comparability of the financial data in the reporting period, presentation of the data for the period from 1 January to 31 December 2022 was changed. The data is presented after the following adjustment:

- In the income statement for the period from 1 January to 31 December 2022, presentation of the provisions for the variable component of the performance-related remuneration of the Management Board Members was changed. Consequently, the following items changed:
    - Selling expenses – a decrease of PLN 32 799 thousand;
    - Administrative expenses – an increase of PLN 32 799 thousand.

  The change did not affect the Net profit or loss or Equity.

# Notes – other explanatory notes to the separate financial statements

# 3

## Note 1. Sales revenue

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

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Sales revenue** | **1 036 542** | **772 500** |
| of which revenue from research and development projects | 521 071 | 299 720 |
| Sales of products | 1 023 626 | 761 508 |
| Sales of services | 413 | 1 745 |
| Sales of goods for resale and materials | 12 503 | 9 247 |
| **Other income** | **169 650** | **81 904** |
| Other operating income | 52 029 | 17 192 |
| Finance income | 117 621 | 64 712 |
| **Total** | **1 206 192** | **854 404** |

### Sales revenue – geographical structure*

| | 01.01.2023 – 31.12.2023 | | 01.01.2022 – 31.12.2022 | |
|---|---|---|---|---|
| | in PLN | in % | in PLN | in % |
| **Domestic sales** | **54 618** | **5.27%** | **25 169** | **3.26%** |
| **Export sales, including:** | **981 924** | **94.73%** | **747 331** | **96.74%** |
| Europe | 125 554 | 12.11% | 89 326 | 11.56% |
| North America | 783 990 | 75.64% | 598 510 | 77.48% |
| Asia | 71 423 | 6.89% | 58 519 | 7.58% |
| Australia | 957 | 0.09% | 1 152 | 0.14% |
| Africa | - | - | (176) | (0.02)% |
| **Total** | **1 036 542** | **100%** | **772 500** | **100%** |

** The data presented relates to the place of residence of the Company's customers (distributors) and not the end users*

### Sales revenue – by type of production

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Own production | 1 023 626 | 761 508 |
| Third party production | 12 503 | 9 247 |
| Other revenue | 413 | 1 745 |
| **Total** | **1 036 542** | **772 500** |

(all amounts in PLN thousand, unless stated otherwise)

## Sales revenue – by distribution channel

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Games - box issues | 67 989 | 31 375 |
| Games - digital issues | 945 060 | 676 520 |
| Other revenue | 23 493 | 64 605 |
| **Total** | **1 036 542** | **772 500** |

# Note 2. Operating segments

Information on business segments is provided in Chapter 3 “Notes - Operating segments” of the Consolidated Financial Statements of the CD PROJECT Group for the period from 1 January to 31 December 2023.

# Note 3. Operating expenses

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| Depreciation and amortization of property, plant and equipment, intangible assets, expenditure on development projects and investment properties, including: | 12 340 | 10 676 |
| depreciation of leased buildings | 875 | 846 |
| depreciation of leased vehicles | 398 | 330 |
| Materials and energy used | 4 561 | 3 171 |
| External services, including: | 155 237 | 103 598 |
| costs of short-term leases and low-value leases | 462 | 455 |
| Taxes and fees | 2 129 | 1 325 |
| Salaries and wages, social insurance and other benefits | 177 162 | 124 931 |
| Business travel | 3 748 | 3 063 |
| Cost of using company cars | 268 | 229 |
| Cost of goods for resale and materials sold | 13 617 | 7 424 |
| Costs of products and services sold | 240 201 | 110 851 |
| Other costs | 1 491 | 1 480 |
| **Total** | **610 754** | **366 748** |
| Selling expenses | 201 124 | 151 363 |
| Total administrative expenses, including: | 155 812 | 97 110 |
| costs of research projects | 20 002 | 4 593 |
| Cost of sales | 253 818 | 118 275 |
| **Total** | **610 754** | **366 748** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

## Depreciation and amortization and impairment write-downs recognized in the income statement

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Items included in cost of sales** | **1 158** | **1 346** |
| Depreciation of tangible fixed assets | 1 111 | 1 274 |
| Amortization of intangible assets | 47 | 72 |
| **Items included in selling expenses** | **7 779** | **6 832** |
| Depreciation of tangible fixed assets | 6 328 | 5 639 |
| Amortization of intangible assets | 1 451 | 1 193 |
| **Items included in administrative expenses** | **4 561** | **3 844** |
| Depreciation of tangible fixed assets | 3 884 | 3 074 |
| Amortization of intangible assets | 677 | 770 |
| **Items included in other operating expenses** | **1 726** | **36 413** |
| Depreciation of investment properties | 1 726 | 2 127 |
| Impairment of expenditure on development projects | - | 34 286 |
| **Total** | **15 224** | **48 435** |

## Costs of employee benefits

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| Salaries and wages | 161 162 | 113 170 |
| Social insurance and other benefits | 10 589 | 7 716 |
| Other employee benefits | 5 411 | 4 045 |
| **Total costs of employee benefits** | **177 162** | **124 931** |
| Items included in selling expenses | 112 020 | 82 944 |
| Items included in administrative expenses | 65 142 | 41 987 |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Note 4. Other operating income and expenses

## Other operating income

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| Reversal of a write-down of expenditure on development projects in progress | 21 531 | - |
| Tax relief for innovative employees | 16 344 | - |
| Other sales | 6 463 | 3 696 |
| Rental income | 3 468 | 7 718 |
| Subsidies | 2 745 | 3 188 |
| Income from re-invoicing | 865 | 1 206 |
| Fixed assets and goods for resale received free of charge | 168 | 431 |
| Release of unused provisions for costs | 100 | - |
| Refund of overpaid tax on civil law transactions | 94 | - |
| Gains on disposal of non-current assets | 72 | 261 |
| Payments from enforcement officers | 27 | 13 |
| Settlement of the financial liabilities in respect of leases | - | 602 |
| Other | 152 | 77 |
| **Total other operating income** | **52 029** | **17 192** |

** restated data*

## Other operating expenses

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Cost of rental | 4 302 | 4 838 |
| Cost of sales of other sales | 3 454 | 4 402 |
| Scrapping of property, plant and equipment items and intangible assets | 3 142 | 1 039 |
| Inventory write-down | 2 028 | - |
| Depreciation of investment properties | 1 726 | 2 127 |
| Donations and charity | 876 | 1 211 |
| Costs relating to re-invoicing | 865 | 1 206 |
| Scrapping of investment properties | 737 | - |
| Costs of projects written off | 518 | - |
| VAT written off | 338 | - |
| Cost of destruction of materials and goods for resale | 227 | 2 755 |
| Irrecoverable receivables | 76 | - |
| Impairment write-downs of property, plant and equipment, intangible assets and expenditure on development projects | - | 34 286 |
| Costs incurred on redevelopment of the car park | - | 551 |
| Provision for the uninsured portion of the US court settlement costs | - | 126 |
| Other | 898 | 58 |
| **Total other operating expenses** | **19 187** | **52 599** |

(all amounts in PLN thousand, unless stated otherwise)

# Note 5. Finance income and costs

## Finance income

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Interest income** | **47 189** | **41 946** |
| on current bank deposits | 27 272 | 25 481 |
| on bonds | 19 653 | 16 231 |
| on loans | 264 | 234 |
| **Other finance income** | **70 432** | **22 766** |
| release of write-downs of non-current financial assets | 30 171 | - |
| gain on sale of bonds | 2 259 | 22 752 |
| forward contracts - Management Board | - | 2 |
| settlement and measurement of derivative financial instruments | 37 955 | - |
| other finance income | 47 | 12 |
| **Total finance income** | **117 621** | **64 712** |

## Finance costs

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Interest expense** | **829** | **836** |
| on lease contracts | 775 | 546 |
| on bonds | 18 | 269 |
| on liabilities to the State Treasury | 33 | 21 |
| on trade payables | 3 | - |
| **Other finance costs** | **44 567** | **49 981** |
| net foreign exchange losses | 44 198 | 17 312 |
| write-downs of non-current financial assets | - | 30 171 |
| settlement and measurement of derivative financial instruments | - | 2 172 |
| commission and fees on purchase of bonds | 284 | 326 |
| measurement of private equity interests in the gaming sector | 85 | - |
| **Total finance costs** | **45 396** | **50 817** |
| **Net finance income/expense** | **72 225** | **13 895** |

(all amounts in PLN thousand, unless stated otherwise)

# Note 6. Corporate income tax and deferred income tax

The main items of income tax expense for the years ended 31 December 2023 and 31 December 2022 are as follows:

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| **Current income tax** | **46 539** | **51 270** |
| For the financial year | 26 592 | 18 912 |
| Adjustments relating to prior years | (11 422) | 88 |
| Withholding tax paid abroad | 31 369 | 32 270 |
| **Deferred income tax** | **9 618** | **(7 508)** |
| Related to temporary differences arising and reversed | 9 618 | (7 508) |
| **Income tax expense shown in the income statement** | **56 157** | **43 762** |
| **Effective tax rate** | **10.58%** | **11.39%** |

** restated data*

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

## Current income tax

| | 01.01.2023 – 31.12.2023 | | 01.01.2022 – 31.12.2022 | |
|---|---|---|---|---|
| | Income from other sources of revenue | Income from capital gains | Income from other sources of revenue* | Income from capital gains |
| **Profit/(loss) before tax** | **482 171** | **48 691** | **403 162** | **(18 929)** |
| Income increasing the tax base | 466 | 12 138 | 967 | 6 646 |
| Income relating to subsequent periods | (75 277) | - | (34 296) | - |
| Non-taxable income | (75 703) | (18 619) | (4 183) | (10 359) |
| Income from advance payments disclosed for tax purposes | 7 567 | - | 7 596 | - |
| Costs reducing the tax base | (46 043) | - | (110 005) | - |
| Non-deductible costs | 323 055 | 12 | 154 192 | 28 822 |
| **Taxable income** | **616 236** | **42 222** | **417 433** | **6 180** |
| Deductions from income – loss | - | (42 222) | - | (6 180) |
| Deductions from income – donation and charity | (445) | - | (1 169) | - |
| Deductions from income – research and development relief | (83 478) | - | (37 567) | - |
| Deductions from income – tax-free income | (466) | - | (453) | - |
| **Tax base, including:** | **531 847** | **-** | **378 244** | **-** |
| **tax base at 5% (profit)** | **531 847** | **-** | **378 244** | **-** |
| Income tax calculated in Poland at 5% | 26 592 | - | 18 912 | - |
| Income tax calculated in Poland at 19% | - | - | - | - |
| **Income tax** | **26 592** | **-** | **18 912** | **-** |

** restated data*

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

(all amounts in PLN thousand, unless stated otherwise)

### Deductible temporary differences underlying the deferred tax asset

| | 31.12.2022* | Differences affecting the deferred tax recognized in the profit or loss | 31.12.2023 |
|---|---|---|---|
| Provision for other employee benefits | 2 353 | 2 626 | 4 979 |
| Provision for costs of performance-related and other remuneration | 48 719 | 478 | 49 197 |
| Foreign exchange losses | 7 118 | 30 511 | 37 629 |
| Difference between the carrying amount and tax base of expenditure on development projects | 34 848 | (12 795) | 22 053 |
| Salaries and wages and social security payable in future periods | 47 | (25) | 22 |
| Other provisions | 33 282 | 9 069 | 42 351 |
| Tax base of leased non-current assets | 20 671 | 286 | 20 957 |
| Research and development relief | 317 927 | (96 381) | 221 546 |
| Prepayments recognized as revenue for tax purposes | 7 523 | (2 544) | 4 979 |
| **Total deductible differences, including:** | **472 488** | **(68 775)** | **403 713** |
| taxed at 5% | 72 656 | 57 831 | 130 487 |
| taxed at 19% | 399 832 | (126 606) | 273 226 |
| **Deferred income tax asset** | **79 601** | **(21 163)** | **58 438** |

** restated data*

### Taxable temporary differences underlying the deferred tax provision

| | 31.12.2022* | Differences affecting the deferred tax recognized in the profit or loss | 31.12.2023 |
|---|---|---|---|
| Difference between the net carrying amounts and tax bases of property, plant and equipment and intangible assets | 16 358 | 4 396 | 20 754 |
| Current period revenue invoiced in the subsequent period/accrued income | 132 887 | 58 957 | 191 844 |
| Foreign exchange gains | 8 417 | (8 283) | 134 |
| Difference between the carrying amount and tax base of expenditure on development projects | 253 594 | (205 389) | 48 205 |
| Carrying amount of leased non-current assets | 20 849 | 219 | 21 068 |
| Other | 7 | (7) | - |
| **Total taxable differences, including:** | **432 112** | **(150 107)** | **282 005** |
| taxed at 5% | 382 910 | (119 584) | 263 326 |
| taxed at 19% | 49 202 | (30 523) | 18 679 |
| **Deferred tax provision** | **28 493** | **(11 778)** | **16 715** |

** restated data*

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

(all amounts in PLN thousand, unless stated otherwise)

### Net deferred tax asset/provision

| | 31.12.2023 | 31.12.2022* |
|---|---|---|
| Deferred tax asset | 58 438 | 79 601 |
| Deferred tax provision | 16 715 | 28 493 |

** restated data*

## Note 7. Discontinued operations

The Company did not discontinue any operations in the current year or in the previous year.

## Note 8. Earnings per share

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

During the 12 months ended 31 December 2023, the diluting instruments comprised entitlements awarded under the incentive plans, giving their holders the right to take up shares in the Company in the future. For information on the number of entitlements awarded, see Note 40.

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

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| Weighted average number of shares for the calculation of basic earnings per share (no. of units) | 100 268 964 | 100 741 467 |
| Weighted average number of shares for the calculation of diluted earnings per share (no. of units) | 100 288 896 | 100 764 969 |
| Net profit/(loss) shown for the purpose of calculating diluted earnings per share | 474 705 | 340 471 |
| **Basic net earnings/(loss) per share** | **4.73** | **3.38** |
| **Diluted net earnings/(loss) per share** | **4.73** | **3.38** |

** restated data*

## Note 9. Dividend paid (or declared) and received

On 6 June 2023, the Ordinary General Meeting of the Company decided to set aside a portion of the Company's net profit for 2022 for distribution to shareholders as dividend. In accordance with the adopted resolution, on 20 June 2023 the Company paid out the total amount of PLN 99 910 510, i.e. PLN 1 per each share participating in the dividend. The number of the Company's shares giving right to the dividend was 99 910 510, which represented the total number of the Company's shares as at the payment date less the Company's treasury shares (860 290 shares).

## Note 10. Disclosure of other comprehensive income items and their tax effect

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| **Net profit /(loss)** | **474 705** | **340 471** |
| Measurement of bonds issued by foreign governments | 4 138 | (12 724) |
| **Total comprehensive income** | **478 843** | **327 747** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Note 11. Property, plant and equipment

## Ownership structure of property, plant and equipment

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Own assets | 158 635 | 122 595 |
| Used under lease contracts | 20 497 | 20 844 |
| **Total** | **179 132** | **143 439** |

## Property, plant and equipment with restricted legal title

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Used under lease contracts | 20 497 | 20 844 |
| **Total** | **20 497** | **20 844** |

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

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Construction of an office building on the CD PROJEKT campus | 83 292 | - |
| Leasing of passenger cars | 562 | 599 |
| **Total** | **83 854** | **599** |

(all amounts in PLN thousand, unless stated otherwise)

## Changes in property, plant and equipment (by category) for the period 01.01.2023 - 31.12.2023

| | Land | Buildings and structures | Civil and hydraulic engineering facilities | Plant and machinery | Vehicles | Other fixed assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount as at 01.01.2023** | **40 435** | **76 747** | **1 925** | **50 627** | **2 941** | **5 695** | **28 007** | **206 377** |
| **Increase due to:** | **1 424** | **27 512** | **2 867** | **33 825** | **673** | **2 401** | **21 218** | **89 920** |
| purchase | - | 187 | 2 | 26 222 | 31 | 421 | 20 621 | 47 484 |
| business combinations | - | 304 | - | 797 | - | 77 | - | 1 178 |
| lease contracts concluded | 1 424 | 327 | - | - | 642 | - | 597 | 2 990 |
| transfer from assets under construction | - | 20 117 | 2 865 | 6 486 | - | 1 359 | - | 30 827 |
| transfer from investment properties | - | 6 577 | - | 316 | - | - | - | 6 893 |
| reclassification | - | - | - | - | - | 544 | - | 544 |
| other | - | - | - | 4 | - | - | - | 4 |
| **Decrease due to:** | **-** | **542** | **865** | **2 267** | **141** | **35** | **30 891** | **34 741** |
| sale | - | - | - | 415 | 136 | - | - | 551 |
| scrapping | - | 290 | 372 | 1 500 | 5 | 35 | - | 2 202 |
| transfer from assets under construction | - | - | - | - | - | - | 30 827 | 30 827 |
| reclassification | - | - | 493 | 51 | - | - | 64 | 608 |
| lease contracts expired | - | 252 | - | - | - | - | - | 252 |
| free-of-charge transfer | - | - | - | 301 | - | - | - | 301 |
| **Gross carrying amount as at 31.12.2023** | **41 859** | **103 717** | **3 927** | **82 185** | **3 473** | **8 061** | **18 334** | **261 556** |
| **Accumulated depreciation as at 01.01.2023** | **1 817** | **20 748** | **717** | **34 964** | **1 278** | **3 414** | **-** | **62 938** |
| **Increase due to:** | **585** | **7 456** | **205** | **12 300** | **534** | **1 102** | **-** | **22 182** |
| depreciation charge | 585 | 6 432 | 205 | 11 622 | 534 | 1 033 | - | 20 411 |
| transfer from investment properties | - | 890 | - | 48 | - | - | - | 938 |
| business combinations | - | 134 | - | 630 | - | 63 | - | 827 |
| reclassification | - | - | - | - | - | 6 | - | 6 |
| **Decrease due to:** | **-** | **174** | **211** | **2 214** | **62** | **35** | **-** | **2 696** |
| sale | - | - | - | 414 | 57 | - | - | 471 |
| scrapping | - | 62 | 205 | 1 499 | 5 | 35 | - | 1 806 |
| reclassification | - | - | 6 | - | - | - | - | 6 |
| lease contracts expired | - | 112 | - | - | - | - | - | 112 |
| free-of-charge transfer | - | - | - | 301 | - | - | - | 301 |
| **Accumulated depreciation as at 31.12.2023** | **2 402** | **28 030** | **711** | **45 050** | **1 750** | **4 481** | **-** | **82 424** |

(all amounts in PLN thousand, unless stated otherwise)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Impairment write-downs as at 01.01.2023** | - | - | - | - | - | - | - | - |
| **Impairment write-downs as at 31.12.2023** | - | - | - | - | - | - | - | - |
| **Net carrying amount as at 01.01.2023** | **38 618** | **55 999** | **1 208** | **15 663** | **1 663** | **2 281** | **28 007** | **143 439** |
| **Net carrying amount as at 31.12.2023** | **39 457** | **75 687** | **3 216** | **37 135** | **1 723** | **3 580** | **18 334** | **179 132** |

(all amounts in PLN thousand, unless stated otherwise)

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

| | Land | Buildings and structures | Civil and hydraulic engineering facilities | Plant and machinery | Vehicles | Other fixed assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount as at 01.01.2022** | **40 435** | **57 033** | **1 876** | **43 728** | **2 986** | **4 844** | **2 225** | **153 127** |
| **Increase due to:** | **-** | **21 055** | **277** | **9 254** | **1 303** | **1 026** | **26 973** | **59 888** |
| purchase | - | 512 | - | 8 740 | - | 987 | 26 853 | 37 092 |
| lease contracts concluded | - | 6 831 | 4 | - | 1 303 | - | - | 8 138 |
| transfer from assets under construction | - | 197 | - | 2 | - | 39 | - | 238 |
| transfer from investment properties | - | 13 515 | 273 | - | - | - | 120 | 13 908 |
| reclassification | - | - | - | 81 | - | - | - | 81 |
| free-of-charge receipt | - | - | - | 431 | - | - | - | 431 |
| **Decrease due to:** | **-** | **1 341** | **228** | **2 355** | **1 348** | **175** | **1 191** | **6 638** |
| sale | - | - | - | 283 | 739 | 1 | - | 1 023 |
| scrapping | - | 816 | 228 | 1 840 | 609 | 93 | 24 | 3 610 |
| transfer from assets under construction | - | - | - | - | - | - | 238 | 238 |
| reclassification | - | - | - | - | - | 81 | 929 | 1 010 |
| lease contracts expired | - | 525 | - | - | - | - | - | 525 |
| other | - | - | - | 232 | - | - | - | 232 |
| **Gross carrying amount as at 31.12.2022** | **40 435** | **76 747** | **1 925** | **50 627** | **2 941** | **5 695** | **28 007** | **206 377** |
| **Accumulated depreciation as at 01.01.2022** | **1 250** | **15 200** | **558** | **27 888** | **1 630** | **2 615** | **-** | **49 141** |
| **Increase due to:** | **567** | **6 889** | **239** | **9 416** | **458** | **923** | **-** | **18 492** |
| depreciation charge | 567 | 5 654 | 210 | 9 365 | 458 | 923 | - | 17 177 |
| transfer from investment properties | - | 1 235 | 29 | - | - | - | - | 1 264 |
| reclassification | - | - | - | 51 | - | - | - | 51 |
| **Decrease due to:** | **-** | **1 341** | **80** | **2 340** | **810** | **124** | **-** | **4 695** |
| sale | - | - | - | 278 | 739 | 1 | - | 1 018 |
| scrapping | - | 816 | 80 | 1 828 | 71 | 72 | - | 2 867 |
| reclassification | - | - | - | - | - | 51 | - | 51 |
| lease contracts expired | - | 525 | - | - | - | - | - | 525 |
| other | - | - | - | 234 | - | - | - | 234 |
| **Accumulated depreciation as at 31.12.2022** | **1 817** | **20 748** | **717** | **34 964** | **1 278** | **3 414** | **-** | **62 938** |
| **Impairment write-downs as at 01.01.2022** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Impairment write-downs as at 31.12.2022** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net carrying amount as at 01.01.2022** | **39 185** | **41 833** | **1 318** | **15 840** | **1 356** | **2 229** | **2 225** | **103 986** |
| **Net carrying amount as at 31.12.2022** | **38 618** | **55 999** | **1 208** | **15 663** | **1 663** | **2 281** | **28 007** | **143 439** |

(all amounts in PLN thousand, unless stated otherwise)

## Assets under construction

| | 01.01.2023 | Expenditure incurred in the financial year | Reclassification of costs | Settlement of capital expenditure | 31.12.2023 |
|---|---|---|---|---|---|
| Redevelopment of the Jagiellońska 74 property | 1 004 | 705 | - | 1 243 | 466 |
| New office building Jagiellońska 74 | 1 613 | 15 683 | - | 25 | 17 271 |
| Redevelopment of car park | 25 220 | 3 879 | 43 | 29 056 | - |
| Other | 170 | 951 | 21 | 503 | 597 |
| **Total** | **28 007** | **21 218** | **64** | **30 827** | **18 334** |

| | 01.01.2022* | Expenditure incurred in the financial year | Reclassification of costs | Settlement of capital expenditure | 31.12.2022* |
|---|---|---|---|---|---|
| Redevelopment of the Jagiellońska 74 property | 325 | 967 | 60 | 228 | 1 004 |
| New office building Jagiellońska 74 | 765 | 848 | - | - | 1 613 |
| Redevelopment of car park | 924 | 25 158 | 862 | - | 25 220 |
| Other | 211 | - | 7 | 34 | 170 |
| **Total** | **2 225** | **26 973** | **929** | **262** | **28 007** |

** restated data*

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

| | 31.12.2023 | | | 31.12.2022 | | |
|---|---|---|---|---|---|---|
| | Gross amount | Accumulated depreciation | Net amount | Gross amount | Accumulated depreciation | Net amount |
| Land | 15 964 | 891 | 15 073 | 14 540 | 669 | 13 871 |
| Real properties | 10 536 | 6 631 | 3 905 | 10 734 | 5 348 | 5 386 |
| Civil and hydraulic engineering facilities | - | - | - | 99 | 99 | - |
| Plant and machinery | 48 | 28 | 20 | - | - | - |
| Vehicles | 2 021 | 521 | 1 500 | 1 930 | 343 | 1 587 |
| **Total** | **28 569** | **8 071** | **20 498** | **27 303** | **6 459** | **20 844** |

(all amounts in PLN thousand, unless stated otherwise)

# Note 12. Intangible assets and expenditure on development projects

## Changes in intangible assets and expenditure on development projects for the period 01.01.2023 – 31.12.2023

| | Expenditure on dev. projects in progress | Expenditure on completed dev. projects | Trademarks | Patents and licenses | Copyright | Computer software | Goodwill | Intangible assets under construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount as at 01.01.2023** | **248 852** | **886 593** | **34 467** | **3 499** | **18 959** | **44 193** | **49 168** | **-** | **1 285 731** |
| **Increase due to:** | **263 304** | **272 683** | **23** | **1 447** | **239** | **1 500** | **-** | **1 687** | **540 883** |
| purchase | - | - | - | 1 447 | 209 | 669 | - | 674 | 2 999 |
| internally generated assets | 263 304 | - | - | - | - | - | - | 1 013 | 264 317 |
| reclassification from expenditure on development projects in progress | - | 272 683 | - | - | - | - | - | - | 272 683 |
| business combinations | - | - | 23 | - | 25 | 790 | - | - | 838 |
| reclassification | - | - | - | - | 5 | 41 | - | - | 46 |
| **Decrease due to:** | **287 272** | **-** | **-** | **46** | **-** | **4 552** | **-** | **16** | **291 886** |
| scrapping | 2 745 | - | - | - | - | 4 552 | - | - | 7 297 |
| utilization of impairment write-downs | 11 844 | - | - | - | - | - | - | - | 11 844 |
| transfer from expenditure on development projects in progress | 272 683 | - | - | - | - | - | - | - | 272 683 |
| reclassification | - | - | - | 46 | - | - | - | 16 | 62 |
| **Gross carrying amount as at 31.12.2023** | **224 884** | **1 159 276** | **34 490** | **4 900** | **19 198** | **41 141** | **49 168** | **1 671** | **1 534 728** |
| **Accumulated amortization as at 01.01.2023** | **-** | **628 566** | **-** | **2 107** | **301** | **28 386** | **-** | **-** | **659 360** |
| **Increase due to:** | **-** | **231 122** | **-** | **1 658** | **549** | **4 083** | **-** | **-** | **237 412** |
| amortization charge | - | 231 122 | - | 1 658 | 524 | 3 692 | - | - | 236 996 |
| business combinations | - | - | - | - | 25 | 391 | - | - | 416 |
| **Decrease due to:** | **-** | **-** | **-** | **-** | **-** | **4 551** | **-** | **-** | **4 551** |
| scrapping | - | - | - | - | - | 4 551 | - | - | 4 551 |
| **Accumulated amortization as at 31.12.2023** | **-** | **859 688** | **-** | **3 765** | **850** | **27 918** | **-** | **-** | **892 221** |
| **Impairment write-downs as at 01.01.2023** | **33 375** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **33 375** |
| **Increase** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Decrease due to:** | **33 375** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **33 375** |
| reversal of write-downs | 21 531 | - | - | - | - | - | - | - | 21 531 |
| reversal of write-downs (write-off) | 11 844 | - | - | - | - | - | - | - | 11 844 |
| **Impairment write-downs as at 31.12.2023** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net carrying amount as at 01.01.2023** | **215 477** | **258 027** | **34 467** | **1 392** | **18 658** | **15 807** | **49 168** | **-** | **592 996** |
| **Net carrying amount as at 31.12.2023** | **224 884** | **299 588** | **34 490** | **1 135** | **18 348** | **13 223** | **49 168** | **1 671** | **642 507** |

(all amounts in PLN thousand, unless stated otherwise)

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

| | Expenditure on dev. projects in progress | Expenditure on completed dev. projects | Trademarks | Patents and licenses | Copyright | Computer software | Goodwill | Intangible assets under construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount as at 01.01.2022** | **95 172** | **798 492** | **34 467** | **1 497** | **18 331** | **30 132** | **49 168** | **9** | **1 027 268** |
| **Increase due to:** | **262 897** | **88 101** | **-** | **2 475** | **628** | **14 074** | **-** | **422** | **368 597** |
| purchase | - | - | - | 2 475 | 520 | 13 599 | - | 422 | 17 016 |
| internally generated assets | 262 897 | - | - | - | - | - | - | - | 262 897 |
| transfer from intangible assets under construction | - | - | - | - | 108 | - | - | - | 108 |
| reclassification from expenditure on development projects in progress | - | 88 101 | - | - | - | - | - | - | 88 101 |
| reclassification | - | - | - | - | - | 475 | - | - | 475 |
| **Decrease due to:** | **109 217** | **-** | **-** | **473** | **-** | **13** | **-** | **431** | **110 134** |
| scrapping | 283 | - | - | - | - | 13 | - | - | 296 |
| utilization of impairment write-downs | 20 806 | - | - | - | - | - | - | - | 20 806 |
| transfer from intangible assets under construction | - | - | - | - | - | - | - | 108 | 108 |
| transfer from expenditure on development projects in progress | 88 101 | - | - | - | - | - | - | - | 88 101 |
| reclassification | 27 | - | - | 473 | - | - | - | 323 | 823 |
| **Gross carrying amount as at 31.12.2022** | **248 852** | **886 593** | **34 467** | **3 499** | **18 959** | **44 193** | **49 168** | **-** | **1 285 731** |
| **Accumulated amortization as at 01.01.2022** | **-** | **525 036** | **-** | **1 273** | **173** | **23 904** | **-** | **-** | **550 386** |
| **Increase due to:** | **-** | **103 530** | **-** | **834** | **128** | **4 482** | **-** | **-** | **108 974** |
| amortization charge | - | 103 530 | - | 834 | 128 | 4 482 | - | - | 108 974 |
| **Decrease** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Accumulated amortization as at 31.12.2022** | **-** | **628 566** | **-** | **2 107** | **301** | **28 386** | **-** | **-** | **659 360** |
| **Impairment write-downs as at 01.01.2022** | **20 806** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **20 806** |
| **Increase due to:** | **33 375** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **33 375** |
| impairment | 33 375 | - | - | - | - | - | - | - | 33 375 |
| **Decrease due to:** | **20 806** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **20 806** |
| reversal of write-downs (write-off) | 20 806 | - | - | - | - | - | - | - | 20 806 |
| **Impairment write-downs as at 31.12.2022** | **33 375** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **33 375** |
| **Net carrying amount as at 01.01.2022** | **74 366** | **273 456** | **34 467** | **224** | **18 158** | **6 228** | **49 168** | **9** | **456 076** |
| **Net carrying amount as at 31.12.2022** | **215 477** | **258 027** | **34 467** | **1 392** | **18 658** | **15 807** | **49 168** | **-** | **592 996** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

## Intangible assets – ownership structure

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Own assets | 68 867 | 70 324 |
| **Total** | **68 867** | **70 324** |

## Intangible assets under construction

| | 01.01.2023 | Expenditure incurred in the financial year | Reclassification of costs | Settlement of capital expenditure | 31.12.2023 |
|---|---|---|---|---|---|
| System for financial consolidation | - | 681 | 16 | - | 665 |
| e-Nova system | - | 1 006 | - | - | 1 006 |
| **Total** | **-** | **1 687** | **16** | **-** | **1 671** |

| | 01.01.2022 | Expenditure incurred in the financial year | Reclassification of costs | Settlement of capital expenditure | 31.12.2022 |
|---|---|---|---|---|---|
| Document flow system | 9 | - | 9 | - | - |
| System for virtualization and cloud computing | - | 314 | 314 | - | - |
| cdprojektred.com website | - | 108 | - | 108 | - |
| **Total** | **9** | **422** | **323** | **108** | **-** |

## Amounts of contractual commitments to purchase intangible assets in the future

None.

## Intangible assets – restriction on disposal

None.

(all amounts in PLN thousand, unless stated otherwise)

# Note 13. Goodwill

## Goodwill recognized in business combinations and acquisitions

| | CD Projekt Red sp. z o.o. | Strange New Things business | Total |
|---|---|---|---|
| **Gross carrying amount as at 01.01.2023** | **39 147** | **10 021** | **49 168** |
| **Gross carrying amount as at 31.12.2023** | **39 147** | **10 021** | **49 168** |
| **Impairment write-downs as at 01.01.2023** | **-** | **-** | **-** |
| **Impairment write-downs as at 31.12.2023** | **-** | **-** | **-** |
| **Net carrying amount as at 01.01.2023** | **39 147** | **10 021** | **49 168** |
| **Net carrying amount as at 31.12.2023** | **39 147** | **10 021** | **49 168** |

Impairment tests of goodwill require estimating the value in use of the cash-generating unit. In estimating the value in use, the Company prepared forecasts of the future cash flows to be generated by the cash-generating unit and determined the discount rate to be applied to calculate the present value of these cash flows. The Company performed the most recent impairment test of goodwill as at 31 December 2023. The Company identified no indications of impairment of goodwill.

## Business combinations

During the reporting period, two business combinations involving the following business entities were registered:

- Registration of the merger of the Company with its subsidiary - CD PROJEKT RED STORE sp. z o.o.

On 28 February 2023, the District Court for the Capital City of Warsaw in Warsaw entered in the Register of Businesses the merger through acquisition of the Company, as the surviving company, with its subsidiary CD PROJEKT RED STORE sp. z o.o. with its registered office in Warsaw, as the target company. The merger was carried out in accordance with the merger plan announced on 17 November 2022, i.e. by transferring all the assets of CD PROJEKT RED STORE sp. z o.o. to the Company, without increasing the share capital of the Company, without issuing shares and without exchanging shares of the target company for shares of the Company due to the fact that the Company holds 100% of the shares in the target company (the procedure under Article 492 § 1 item 1 of the Commercial Companies Code ("CCC") in connection with Article 516 § 6 of the CCC). The business activities of the target company consisted of selling products relating to brands and games developed within the Group through the CD PROJEKT RED GEAR online shop. The merger was intended to simplify the Group's structure in view of the plans to continue the activities of the target company in cooperation with a specialized external entity.

- Registration of the merger of the Company with its subsidiary - SPOKKO sp. z o.o.

On 31 August 2023, the District Court for the Capital City of Warsaw in Warsaw entered in the Register of Businesses the merger through acquisition of the Company, as the surviving company, with its subsidiary SPOKKO sp. z o.o. with its registered office in Warsaw, as the target company. The merger was carried out in accordance with the merger plan announced on 20 April 2023, i.e. by transferring all the assets of SPOKKO sp. z o.o. to the Company, without increasing the share capital of the Company, without issuing shares and without exchanging shares of the target company for shares of the Company due to the fact that the Company holds 100% of the shares in the target company (the procedure under Article 492 § 1 item 1 of the Commercial Companies Code ("CCC") in connection with Article 516 § 6 of the CCC). SPOKKO sp. z o.o. was a development studio specializing in executing projects for mobile devices and responsible for the development of The Witcher: Monster Slayer game (the project closed as at 30 June 2023). In accordance with its current strategy, the Company intends to focus on its core business and implement mobile projects in collaboration with external partners.

Business combinations of jointly controlled entities are not covered directly in the International Financial Reporting Standards, therefore when accounting for such transactions, the Company uses a method which is based on the following assumptions:

- assets and liabilities of the combining entities are measured at carrying amounts derived from the Company's consolidated financial statements. This means that goodwill previously recognized in the consolidated financial statements and all other intangible assets recognized as part of accounting for the combination are moved to separate financial statements;
- transaction costs relating to the business combination are recognized in the income statement (finance costs);
- mutual balances of receivables/payables are eliminated;
- any difference between the amount paid or transferred and net assets acquired (at amounts derived from consolidated financial statements) is reflected in the equity of the acquiring company (the amount embedded in equity is not a component of supplementary capital, and therefore is not subject to distribution);
- the income statement presents the results of the combined entities from the moment the combination occurred, while the data for prior periods of the year in which the combination took place are recognized in equity as retained earnings, and the data for the year preceding the business combination are not restated.

(all amounts in PLN thousand, unless stated otherwise)

## Note 14. Investment properties

The Company owns a real estate complex located at ul. Jagiellońska 74 and 76 in Warsaw. Given that a part of the properties purchased is leased out to third parties, including CD PROJEKT Group companies, the Company has decided to classify these properties partly as investment properties. The remaining part of the property is used for own needs of the activities conducted.

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

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

### Changes in investment properties

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Gross carrying amount as at the beginning of the period** | **47 947** | **61 573** |
| **Increase due to:** | **123** | **282** |
| capitalized expenditure | 123 | 282 |
| **Decrease due to:** | **7 757** | **13 908** |
| scrapping | 864 | - |
| reclassification to other asset categories | 6 893 | 13 908 |
| **Gross carrying amount as at the end of the period** | **40 313** | **47 947** |
| **Accumulated depreciation as at the beginning of the period** | **5 387** | **4 491** |
| **Increase due to:** | **1 746** | **2 160** |
| depreciation charge | 1 746 | 2 160 |
| **Decrease due to:** | **1 065** | **1 264** |
| scrapping | 127 | - |
| reclassification to other asset categories | 938 | 1 264 |
| **Accumulated depreciation as at the end of the period** | **6 068** | **5 387** |
| **Impairment write-downs as at the beginning of the period** | **-** | **-** |
| **Increase** | **-** | **-** |
| **Decrease** | **-** | **-** |
| **Impairment write-downs as at the end of the period** | **-** | **-** |
| **Net carrying amount as at the end of the period** | **34 245** | **42 560** |

### Amount of contractual liabilities in respect of purchase of investment properties

None.

(all amounts in PLN thousand, unless stated otherwise)

# Note 15. Investments in subordinated entities

## Investments in subordinated entities measured at cost

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Shares in subordinated entities – subsidiaries | 57 229 | 53 566 |
| **Total** | **57 229** | **53 566** |

## Changes in investments in subsidiaries

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **As at the beginning of the period** | **53 566** | **43 447** |
| **Increase due to:** | **39 892** | **40 475** |
| acquisition/formation of an entity | 440 | - |
| release of write-down | 30 171 | - |
| equity element of the incentive plan | 1 577 | 326 |
| payments towards increasing the share capital of a subsidiary | 7 704 | 40 149 |
| **Decrease due to:** | **36 229** | **30 356** |
| accounting for a business combination | 35 754 | - |
| disposal of a subsidiary/shares in a subsidiary | - | 76 |
| impairment write-downs recorded | - | 30 171 |
| equity element of the incentive plan | 475 | 109 |
| **As at the end of the period** | **57 229** | **53 566** |

## Investments in subsidiaries as at 31.12.2023

| | GOG sp. z o.o. | CD PROJEKT RED Inc. | CD PROJEKT RED Vancouver Studio Ltd. |
|---|---|---|---|
| Registered office | Warsaw | Boston, Waltham | Vancouver |
| Percent of shares held as at 31.12.2023 | 100% | 100% | 100% |
| Percent of votes held as at 31.12.2023 | 100% | 100% | 100% |
| Equity investment | 15 226 | 31 921 | 10 082 |

## Investments in subsidiaries as at 31.12.2022

| | GOG sp. z o.o. | CD PROJEKT RED Inc. | Spokko sp. z o.o. | CD PROJEKT RED STORE sp. z o.o. | CD PROJEKT RED Vancouver Studio Ltd. |
|---|---|---|---|---|---|
| Registered office | Warsaw | Los Angeles, Venice | Warsaw | Warsaw | Vancouver |
| Percent of shares held as at 31.12.2022 | 100% | 100% | 87.6% | 100% | 100% |
| Percent of votes held as at 31.12.2022 | 100% | 100% | 87.6% | 100% | 100% |
| Equity investment | 15 092 | 23 344 | 5 143 | - | 9 987 |

(all amounts in PLN thousand, unless stated otherwise)

# Note 16. Other financial assets

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Loans granted | 3 225 | 739 |
| Bonds | 793 200 | 475 848 |
| Derivative financial instruments | 18 683 | 7 809 |
| Private equity interests in the gaming sector | 3 518 | 2 556 |
| **Other financial assets, including:** | **818 626** | **486 952** |
| current | 362 719 | 279 515 |
| non-current | 455 907 | 207 437 |

In 2023, CD PROJEKT S.A. did not enter into any new loan agreements.

Under the loan agreement dated 16 September 2022, a loan of USD 1 150 thousand was granted to The Molasses Flood LLC. The agreement provides for the loan to be disbursed and repaid in tranches. On 2 November 2022, the first tranche of USD 166 thousand was paid out. The remaining tranches totalling USD 984 thousand were paid in 2023, as follows: USD 430 thousand in Q1 and USD 554 thousand in Q2. In 2023, The Molasses Flood LLC started repaying the loan. To date, the company has repaid USD 350 thousand, as follows: USD 200 thousand in Q3 and USD 150 thousand in Q4. The interest rate on the loan granted is determined based on a variable rate, namely the 90-day Average SOFR, updated quarterly, plus a margin updated annually (in 2023, the margin was 2.4 pp). According to the agreement, the loan should be repaid by 31 March 2025.

In accordance with the internally adopted rules on diversification of investment of current cash surpluses, the Company has the possibility of holding in debt securities up to 80% of the present value of financial resources defined as the sum of the total amount of: cash and cash equivalents, bank deposits of more than 3 months, bonds of the State Treasury of the Republic of Poland, bonds secured by a guarantee of the State Treasury of the Republic of Poland, bonds of foreign governments and bonds secured by a guarantee of foreign governments together with concluded forward hedging transactions. Of the debt securities referred to above, the Company may acquire domestic Treasury bonds of the Republic of Poland, domestic bonds secured with a guarantee of the State Treasury of the Republic of Poland, foreign Treasury bonds issued by countries with a rating no lower than Aa3 according to Moody's rating agency and foreign bonds secured with a guarantee of countries with a rating no lower than Aa3 according to Moody's rating agency. For more information on the bond portfolio held, see Financial risk management objectives and policies - Liquidity and credit risk.

# Note 17. Joint operations

None.

# Note 18. Inventories

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Goods for resale | 5 600 | 9 882 |
| Other materials | 4 | 4 |
| **Gross inventories** | **5 604** | **9 886** |
| Inventory write-downs | 2 028 | - |
| **Net inventories** | **3 576** | **9 886** |

## Inventories recognized as an expense during the period

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Goods for resale | 13 617 | 7 424 |
| **Total** | **13 617** | **7 424** |

(all amounts in PLN thousand, unless stated otherwise)

### Changes in inventory write-downs

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Write-downs of finished products as at the beginning of the period** | **-** | **-** |
| **Increases, including:** | **2 028** | **-** |
| recognition of impairment write-downs against other operating expenses | 2 028 | - |
| **Decrease** | **-** | **-** |
| **Write-downs of finished products as at the end of the period** | **2 028** | **-** |

### Inventories put up as collateral

Not applicable.

## Note 19. Trade receivables

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Trade receivables, gross** | **204 737** | **164 794** |
| **Write-downs** | **79** | **86** |
| **Trade receivables** | **204 658** | **164 708** |
| from related entities | 18 475 | 4 540 |
| from other entities | 186 183 | 160 168 |

### Changes in write-downs of trade receivables

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **OTHER ENTITIES** | | |
| **Write-downs as at the beginning of the period** | **86** | **79** |
| **Increases, including:** | **7** | **18** |
| recognition of write-downs of overdue and disputed receivables | 7 | 18 |
| **Decreases, including:** | **14** | **11** |
| reversal of write-downs | 14 | 11 |
| **Write-downs as at the end of the period** | **79** | **86** |

(all amounts in PLN thousand, unless stated otherwise)

## Current and overdue trade receivables as at 31.12.2023

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **RELATED ENTITIES** | | | | | | | |
| gross receivables | 18 475 | 18 475 | - | - | - | - | - |
| default ratio | | 0% | 0% | 0% | 0% | 0% | 0% |
| write-down resulting from the ratio | - | - | - | - | - | - | - |
| write-down determined individually | - | - | - | - | - | - | - |
| total expected credit losses | - | - | - | - | - | - | - |
| **Net receivables** | **18 475** | **18 475** | **-** | **-** | **-** | **-** | **-** |

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **OTHER ENTITIES** | | | | | | | |
| gross receivables | 186 262 | 182 867 | 3 303 | 1 | 12 | - | 79 |
| default ratio | | 0% | 0% | 0% | 0% | 0% | 0% |
| write-down resulting from the ratio | - | - | - | - | - | - | - |
| write-down determined individually | 79 | - | - | - | - | - | 79 |
| total expected credit losses | 79 | - | - | - | - | - | 79 |
| **Net receivables** | **186 183** | **182 867** | **3 303** | **1** | **12** | **-** | **-** |
| **Total** | | | | | | | |
| gross receivables | 204 737 | 201 342 | 3 303 | 1 | 12 | - | 79 |
| impairment write-downs | 79 | - | - | - | - | - | 79 |
| **Net receivables** | **204 658** | **201 342** | **3 303** | **1** | **12** | **-** | **-** |

(all amounts in PLN thousand, unless stated otherwise)

## Current and overdue trade receivables as at 31.12.2022

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **RELATED ENTITIES** | | | | | | | |
| gross receivables | 4 540 | 3 574 | 442 | 35 | 489 | - | - |
| default ratio | | 0% | 0% | 0% | 0% | 0% | 0% |
| write-down resulting from the ratio | - | - | - | - | - | - | - |
| write-down determined individually | - | - | - | - | - | - | - |
| total expected credit losses | - | - | - | - | - | - | - |
| **Net receivables** | **4 540** | **3 574** | **442** | **35** | **489** | **-** | **-** |

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **OTHER ENTITIES** | | | | | | | |
| gross receivables | 160 254 | 159 850 | 318 | - | - | - | 86 |
| default ratio | | 0% | 0% | 0% | 0% | 0% | 0% |
| write-down resulting from the ratio | - | - | - | - | - | - | - |
| write-down determined individually | 86 | - | - | - | - | - | 86 |
| total expected credit losses | 86 | - | - | - | - | - | 86 |
| **Net receivables** | **160 168** | **159 850** | **318** | **-** | **-** | **-** | **-** |
| | | | | | | | |
| **Total** | | | | | | | |
| gross receivables | 164 794 | 163 424 | 760 | 35 | 489 | - | 86 |
| impairment write-downs | 86 | - | - | - | - | - | 86 |
| **Net receivables** | **164 708** | **163 424** | **760** | **35** | **489** | **-** | **-** |

## Trade receivables – by currency

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Value in foreign currency | Value in PLN | Value in foreign currency | Value in PLN |
| PLN* | 193 658 | 193 658 | 134 184 | 134 184 |
| USD | 2 791 | 10 983 | 6 777 | 29 831 |
| EUR | 4 | 17 | 1 | 4 |
| CAD | - | - | 212 | 689 |
| JPY | - | - | 7 | - |
| **Total** | | **204 658** | | **164 708** |

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

(all amounts in PLN thousand, unless stated otherwise)

# Note 20. Other receivables

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Other gross receivables, including:** | **52 407** | **55 792** |
| tax receivables, other than corporate income tax | 45 998 | 41 766 |
| prepayments for inventories | 3 700 | 6 826 |
| prepayments for development projects | 2 173 | 1 433 |
| security deposits | 417 | 687 |
| prepayments for property, plant and equipment and intangible assets | 77 | 135 |
| settlements with employees | 23 | - |
| settlements with members of the Management Boards | 3 | 2 |
| settlements with suppliers of property, plant and equipment items | - | 4 160 |
| settlements with payment operators | - | 7 |
| other | 16 | 776 |
| **Impairment write-downs** | **-** | **732** |
| **Other receivables, including:** | **52 407** | **55 060** |
| current | 52 031 | 54 677 |
| non-current | 376 | 383 |

Other tax receivables, other than corporate income tax also include withholding tax of PLN 30 261 thousand to be deducted by the Company in its annual CIT return after obtaining certificates from foreign counterparties confirming their payment of tax abroad.

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Other gross receivables** | **52 407** | **55 792** |
| **Write-downs** | **-** | **732** |
| **Other receivables** | **52 407** | **55 060** |
| from related entities | 3 | 995 |
| from other entities | 52 404 | 54 065 |

## Changes in write-downs of other receivables

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **OTHER ENTITIES** | | |
| **Write-downs as at the beginning of the period** | **732** | **732** |
| **Increase** | **-** | **-** |
| **Decreases, including:** | **732** | **-** |
| reversal of write-downs (write-off) | 732 | - |
| **Write-downs as at the end of the period** | **-** | **732** |

## Other receivables claimed in court

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Other receivables in court | - | 732 |
| Write-downs of disputed receivables | - | 732 |
| **Net other receivables claimed in court** | **-** | **-** |

(all amounts in PLN thousand, unless stated otherwise)

### Other receivables – by currency

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Value in foreign currency | Value in PLN | Value in foreign currency | Value in PLN |
| PLN* | 48 572 | 48 572 | 47 988 | 47 988 |
| USD | 823 | 3 279 | 1 343 | 5 038 |
| EUR | 121 | 526 | 122 | 569 |
| JPY | 1 092 | 30 | 1 109 | 37 |
| CAD | - | - | 303 | 1 003 |
| GBP | - | - | 82 | 425 |
| **Total** | | **52 407** | | **55 060** |

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

### Trade and other receivables from related entities

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Receivables from related entities, gross** | **18 478** | **5 535** |
| trade | 18 475 | 4 540 |
| other | 3 | 995 |
| **Write-downs** | **-** | **-** |
| **Receivables from related entities, net** | **18 478** | **5 535** |

## Note 21. Prepayments and deferred costs

| | 31.12.2023 | 31.12.2022* |
|---|---|---|
| Software, licences | 9 473 | 6 155 |
| Costs of future marketing services | 1 456 | 1 589 |
| Fees for pre-emptive rights | 1 164 | 1 271 |
| Costs of repairs and maintenance | 809 | 1 142 |
| Property and personal insurance | 815 | 505 |
| Business travel (tickets, hotels, insurance) | 262 | 32 |
| Costs in connection with redevelopment of the car park | 260 | 260 |
| Staff relocation costs | 22 | 39 |
| Domains, servers | 17 | 218 |
| Other prepayments and deferred costs | 783 | 292 |
| **Prepayments and deferred costs, including:** | **15 061** | **11 503** |
| current | 10 148 | 6 189 |
| non-current | 4 913 | 5 314 |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Note 22. Cash and cash equivalents

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Cash in hand and at bank:** | **184** | **152** |
| current bank accounts | 184 | 152 |
| **Cash equivalents:** | **129 299** | **236 921** |
| overnight deposits | 8 310 | - |
| short-term deposits maturing within 3 months | 120 220 | 236 590 |
| cash in investment accounts | 769 | 331 |
| **Total** | **129 483** | **237 073** |

## Restricted cash and cash equivalents

Not applicable.

# Note 23. Share capital

## Share capital - structure as at 31.12.2023

| Series | Number of shares in pcs. | Value of the series/issue at par | Manner of covering share capital |
|---|---|---|---|
| A - M | 99 910 510 | 99 910 510 | Fully paid up |
| **Total** | **99 910 510** | **99 910 510** | **-** |

On 18 April 2023, an Extraordinary General Meeting of the Company took place at which the shareholders approved, amongst others, resolutions concerning a decrease in the share capital and redemption of 860 290 treasury shares previously acquired by the Company with a view to their redemption as part of the buyout conducted between 5 and 24 October 2022 for the total price of PLN 99 943 thousand. The contents of the resolutions passed by the Extraordinary General Meeting are available on the Company's website.

On 26 June 2023, in connection with the resolutions passed, the District Court for the Capital City of Warsaw in Warsaw entered a decrease in the Company's share capital of PLN 860 290 and redemption of 860 290 treasury shares of the Company in the Register of Businesses.

As a result, the Company's share capital amounts to PLN 99 910 510 and consists of 99 910 510 ordinary bearer shares with a par value of PLN 1 each, designated as series A - M shares. The total number of votes resulting from all shares of the Company is 99 910 510.

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

## Changes in share capital

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Share capital as at the beginning of the period** | **100 771** | **100 739** |
| **Increase due to:** | **-** | **32** |
| issuance of shares paid up in cash – incentive plan | - | 32 |
| **Decrease due to:** | **860** | **-** |
| redemption of treasury shares | 860 | - |
| **As at the end of the period** | **99 911** | **100 771** |

(all amounts in PLN thousand, unless stated otherwise)

# Note 24. Treasury shares

## Purchase of treasury shares

During the reporting period and by the date of publication of these financial statements, no treasury shares were purchased.

## Redemption of treasury shares

During 2023, the redemption of treasury shares discussed in Note 23 took place.

# Note 25. Other reserves

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Supplementary capital | 1 681 466 | 1 539 437 |
| Share premium | 116 700 | 116 700 |
| Revaluation reserve | (3 802) | (7 941) |
| Treasury shares | - | (99 993) |
| Other reserves – incentive plan | 28 493 | 11 718 |
| **Total** | **1 822 857** | **1 559 921** |

(all amounts in PLN thousand, unless stated otherwise)

## Change in other reserves

| | Supplementary capital | Share premium | Treasury shares | Revaluation reserve | Other reserve capital | Other reserves – incentive plan | Total |
|---|---|---|---|---|---|---|---|
| **As at 01.01.2023** | **1 539 437** | **116 700** | **(99 993)** | **(7 941)** | **-** | **11 718** | **1 559 921** |
| **Increase due to:** | **241 162** | **-** | **99 993** | **4 138** | **-** | **18 548** | **363 841** |
| redemption of treasury shares | - | - | 99 993 | - | - | - | 99 993 |
| appropriation of the net profit/ offset of loss | 241 162 | - | - | - | - | - | 241 162 |
| the equity element of the incentive plan | - | - | - | - | - | 18 548 | 18 548 |
| total comprehensive income | - | - | - | 4 138 | - | - | 4 138 |
| **Decrease due to:** | **99 133** | **-** | **-** | **-** | **-** | **1 772** | **100 905** |
| redemption of treasury shares | 99 133 | - | - | - | - | - | 99 133 |
| the equity element of the incentive plan | - | - | - | - | - | 1 772 | 1 772 |
| **As at 31.12.2023** | **1 681 466** | **116 700** | **-** | **(3 803)** | **-** | **28 494** | **1 822 857** |

(all amounts in PLN thousand, unless stated otherwise)

| | Supplementary capital | Share premium | Treasury shares | Revaluation reserve | Other reserve capital | Other reserves – incentive plan | Total |
|---|---|---|---|---|---|---|---|
| **As at 01.01.2022** | **1 366 952** | **115 909** | **-** | **4 783** | **35 741** | **8 991** | **1 532 376** |
| **Increase due to:** | **172 485** | **791** | **-** | **-** | **-** | **4 939** | **178 215** |
| share-based payments | 1 549 | 791 | - | - | - | - | 2 340 |
| appropriation of the net profit/ offset of loss | 135 195 | - | - | - | - | - | 135 195 |
| release of reserve capital from previous years created for share buybacks | 35 741 | - | - | - | - | - | 35 741 |
| the equity element of the incentive plan | - | - | - | - | - | 4 939 | 4 939 |
| **Decrease due to:** | **-** | **-** | **99 993** | **12 724** | **35 741** | **2 212** | **150 670** |
| Purchase of treasury shares for redemption | - | - | 99 993 | - | - | - | 99 993 |
| release of reserve capital from previous years created for share buybacks | - | - | - | - | 35 741 | - | 35 741 |
| share-based payments | - | - | - | - | - | 1 548 | 1 548 |
| the equity element of the incentive plan | - | - | - | - | - | 664 | 664 |
| total comprehensive income | - | - | - | 12 724 | - | - | 12 724 |
| **As at 31.12.2022** | **1 539 437** | **116 700** | **(99 993)** | **(7 941)** | **-** | **11 718** | **1 559 921** |

(all amounts in PLN thousand, unless stated otherwise)

# Note 26. Retained earnings / (Accumulated losses)

| | 31.12.2023 | 31.12.2022* |
|---|---|---|
| Retained earnings / (Accumulated losses) | (1 938) | (1 336) |
| Retained earnings / (Accumulated losses) of the acquired entity | (28 680) | - |
| **Total** | **(30 618)** | **(1 336)** |

** restated data*

## Change in retained earnings / (accumulated losses)

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| **As at the beginning of the period** | **(1 336)** | **(4 179)** |
| Corrections of errors | (1 938) | (1 336) |
| **Retained earnings / (accumulated losses), as adjusted** | **(3 274)** | **(5 515)** |
| **Increase due to:** | **342 409** | **240 113** |
| appropriation of profit / (loss) from previous years | 342 409 | 240 113 |
| **Decrease due to:** | **369 753** | **235 934** |
| payment of dividend | 99 911 | 100 739 |
| transfer to supplementary capital | 241 162 | 135 195 |
| retained earnings of the acquired entity | 28 680 | - |
| **As at the end of the period** | **(30 618)** | **(1 336)** |

** restated data*

# Note 27. Loans and borrowings

None.

# Note 28. Other financial liabilities

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Lease liabilities | 20 958 | 20 671 |
| **Total financial liabilities** | **20 958** | **20 671** |
| **Short-term, including:** | **2 579** | **1 788** |
| up to one month | 351 | 98 |
| from one to three months | 371 | 445 |
| from three months to one year | 1 857 | 1 245 |
| **Long-term, including:** | **18 379** | **18 883** |
| from 1 to 5 years | 3 425 | 5 171 |
| more than 5 years | 14 954 | 13 712 |

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

- with regard to the contracts indicated in Note 34, the subject matter of which are plots of land located at ul. Jagiellońska 74 and 76, constituting, in fact, rights of perpetual usufruct of land – variable lease payments resulting from updating the annual fee for perpetual usufruct of land, meaning a change to the existing fee amount in order to adjust it to the current value of the property or in order to determine the appropriate rate at which the fee is calculated;
- with regard to the contract indicated in Note 34, the subject matter of which is office space in a building in Kraków, which is, in fact, a rental contract – variable lease payments resulting from the building owner's right to index the amount of fees for the use of the premises based on the consumer price index;

(all amounts in PLN thousand, unless stated otherwise)

- with regard to the contract indicated in Note 34, the subject matter of which is office space in a building in Wrocław, which is, in fact, a rental contract – variable lease payments resulting from the building owner's right to index the amount of fees for the use of the premises based on the consumer price index.

## Note 29. Other non-current liabilities

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Other non-current liabilities, including:** | **2 494** | **2 620** |
| liabilities in respect of marketing costs | 1 322 | 1 456 |
| liabilities in respect of pre-emptive rights | 1 058 | 1 164 |
| security deposits received | 114 | - |

### Other non-current liabilities – by maturity

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Other non-current liabilities, including:** | **2 494** | **2 620** |
| payable after one to three years | 779 | 720 |
| payable after three to five years | 480 | 480 |
| payable after five years | 1 235 | 1 420 |

### Other non-current liabilities – by currency

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Value in foreign currency | Value in PLN | Value in foreign currency | Value in PLN |
| PLN | 2 494 | 2 494 | 2 620 | 2 620 |
| **Total** | | **2 494** | | **2 620** |

## Note 30. Trade payables

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Trade payables, including:** | **26 400** | **39 587** |
| to related entities | 6 095 | 5 954 |
| to other entities | 20 305 | 33 633 |

### Trade payables – ageing analysis

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **As at 31.12.2023** | **26 400** | **26 091** | **266** | **-** | **2** | **20** | **21** |
| to related entities | 6 095 | 6 095 | - | - | - | - | - |
| to other entities | 20 305 | 19 996 | 266 | - | 2 | 20 | 21 |

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **As at 31.12.2022** | **39 587** | **34 831** | **2 286** | **8** | **9** | **186** | **2 267** |
| to related entities | 5 954 | 4 480 | 1 474 | - | - | - | - |
| to other entities | 33 633 | 30 351 | 812 | 8 | 9 | 186 | 2 267 |

(all amounts in PLN thousand, unless stated otherwise)

### Trade payables – by currency

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Value in foreign currency | Value in PLN | Value in foreign currency | Value in PLN |
| USD | 2 673 | 10 519 | 3 470 | 15 276 |
| PLN | 9 918 | 9 918 | 19 881 | 19 881 |
| EUR | 856 | 3 720 | 691 | 3 240 |
| CAD | 522 | 1 549 | - | - |
| GBP | 66 | 331 | 22 | 117 |
| JPY | 11 854 | 329 | 9 921 | 330 |
| KRW | 5 500 | 17 | - | - |
| CNY | 31 | 17 | 1 088 | 691 |
| RUB | - | - | 846 | 52 |
| KZT | - | - | 7 | - |
| **Total** | | **26 400** | | **39 587** |

## Note 31. Other current liabilities

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Taxes (other than corporate income tax), customs duties, social security and other payables** | **6 756** | **3 843** |
| Withholding tax | 448 | 32 |
| Personal income tax | 3 477 | 1 841 |
| Social security contributions | 2 478 | 1 757 |
| PFRON (State Fund for Rehabilitation of Disabled People) | 70 | 64 |
| PIT-8AR (personal income tax) settlements | 283 | 132 |
| Other | - | 17 |
| **Other liabilities** | **343** | **507** |
| Other settlements with employees | 102 | 235 |
| Other settlements with members of the Management Board | 1 | 32 |
| Other liabilities | 240 | 240 |
| **Total other current liabilities** | **7 099** | **4 350** |

(all amounts in PLN thousand, unless stated otherwise)

### Other current liabilities – ageing analysis

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **As at 31.12.2023** | **7 099** | **7 007** | **91** | **-** | **-** | **1** | **-** |
| to related entities | 2 | 1 | 1 | - | - | - | - |
| to other entities | 7 097 | 7 006 | 90 | - | - | 1 | - |

| | Total | Not overdue | Overdue, in days | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 – 60 | 61 – 90 | 91 – 180 | 181 – 360 | >360 |
| **As at 31.12.2022** | **4 350** | **4 096** | **253** | **1** | **-** | **-** | **-** |
| to related entities | 32 | - | 32 | - | - | - | - |
| to other entities | 4 318 | 4 096 | 221 | 1 | - | - | - |

### Other current liabilities – by currency

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Value in foreign currency | Value in PLN | Value in foreign currency | Value in PLN |
| PLN | 7 054 | 7 054 | 4 200 | 4 200 |
| USD | 7 | 28 | 23 | 102 |
| EUR | 3 | 12 | 6 | 29 |
| JPY | 195 | 5 | 156 | 5 |
| GBP | - | - | 2 | 12 |
| AUD | - | - | 1 | 2 |
| **Total** | | **7 099** | | **4 350** |

## Note 32. Social assets and the Company’s Social Fund liabilities

Not applicable.

## Note 33. Contingent liabilities

### Bills of exchange payable in respect of loans received

Not applicable.

(all amounts in PLN thousand, unless stated otherwise)

## Contingent liabilities in respect of granted guarantees, sureties and collateral

| | Specification | Currency | 31.12.2023 | 31.12.2022 |
|---|---|---|---|---|
| **mBank S.A.** | | | | |
| Bill of exchange agreement | Framework agreement on financial market transactions | PLN | 50 000 | 50 000 |
| Bill of exchange agreement | Bank guarantee securing a rental contract | PLN | 427 | 427 |
| **Mazovian Unit for Implementation of EU Programmes** | | | | |
| Contractual commitment | Commitment to incur operating and renovation expenditures on leased space | PLN | - | 20 |
| **National Centre for Research and Development** | | | | |
| Bill of exchange agreement | Subsidy agreement POIR.01.02.00-00-0105/16 | PLN | 7 711 | 7 711 |
| Bill of exchange agreement | Subsidy agreement POIR.01.02.00-00-0110/16 | PLN | 3 846 | 3 846 |
| Bill of exchange agreement | Subsidy agreement POIR.01.02.00-00-0112/16 | PLN | 3 692 | 3 692 |
| Bill of exchange agreement | Subsidy agreement POIR.01.02.00-00-0118/16 | PLN | 1 358 | 1 358 |
| **Pekao Leasing Sp. z o.o.** | | | | |
| Bill of exchange agreement | Lease contract 37/1991/21 | PLN | 165 | 314 |
| **Santander Bank Polska S.A. (formerly: BZ WBK S.A.)** | | | | |
| Bill of exchange agreement | Framework agreement on financial market transactions | PLN | 23 500 | 23 500 |
| **Bank Polska Kasa Opieki Spółka Akcyjna** | | | | |
| Bill of exchange agreement | Framework agreement on financial market transactions | PLN | 50 000 | 50 000 |
| **BNP Paribas Bank Polska S.A.** | | | | |
| Bill of exchange agreement | Framework agreement on financial market transactions | PLN | 26 600 | 26 600 |

(all amounts in PLN thousand, unless stated otherwise)

# Note 34. Lease and sublease contracts

Information on the depreciation of leased assets is presented in Note 3. Interest expense on lease contracts is presented in Note 5. Information on additions to right-of-use assets and the carrying value of right-of-use assets as at the end of the reporting period by category of an underlying asset is presented in Note 11. Note 49 provides information on the total cash outflows from leases.

## Lease liabilities

| Present value of payments | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Within one month | 351 | 98 |
| From one to three months | 371 | 445 |
| From three months to one year | 1 857 | 1 245 |
| From 1 to 5 years | 3 425 | 5 171 |
| More than 5 years | 14 954 | 13 712 |
| **Present value of lease payments, including:** | **20 958** | **20 671** |
| current | 2 579 | 1 788 |
| non-current | 18 379 | 18 883 |

## Gross lease commitments (before deduction of finance costs)

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Within one month | 418 | 187 |
| From one to three months | 493 | 714 |
| From three months to one year | 2 356 | 1 659 |
| From 1 to 5 years | 5 031 | 6 977 |
| More than 5 years | 26 151 | 24 006 |
| **Total** | **34 449** | **33 543** |
| current | 3 267 | 2 560 |
| non-current | 31 182 | 30 983 |

## Income received through subleasing right-of-use assets

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Revenue | 31 | 39 |
| Costs | 31 | 39 |
| **Income** | **-** | **-** |

(all amounts in PLN thousand, unless stated otherwise)

## Lease and sublease contracts as at 31.12.2023

| Leased assets | Lessor | Contract no. | Cost | Opening balance (currency) | Currency | Contract expiry date | Liabilities as at the balance sheet date | Terms of extension or possibility of purchase |
|---|---|---|---|---|---|---|---|---|
| **Lease contracts** | | | | | | | | |
| Passenger car | Pekao Leasing Sp. z o.o. | 37/1991/21 | 614 | 614 | PLN | 2023-12-14 | 150 | The lessee has the right to purchase the subject matter of the lease - according to the contract, the net residual value is PLN 135 thousand. |
| Passenger car | Pekao Leasing Sp. z o.o. | 44/0285/23 | 535 | 535 | PLN | 2026-01-12 | 328 | The lessee has the right to purchase the subject matter of the lease - according to the contract, the net residual value is PLN 91 thousand. |
| Passenger car | Pekao Leasing Sp. z o.o. | 44/0010/23 with subsequent annexes | 576 | 576 | PLN | 2025-05-12 | 288 | The lessee has the right to purchase the subject matter of the lease - according to the contract, the net residual value is PLN 102 thousand. |
| Passenger car | Sobiesław Zasada Automotive Sp. z o.o. Spółka jawna | L4 10439 | 622 | 622 | PLN | 2024-11-15 | 261 | The lessee has the right to purchase the subject matter of the lease - according to the contract, the net residual value is PLN 134 thousand. |
| Jagiellońska 74 - plots 12 and 13 | State Treasury | Notarial Deed of 31.10.2019 | 8 623 | 8 623 | PLN | 2089-12-05 | 8 379 | The lessee does not have the right to buy back the subject matter of the lease. |
| Jagiellońska 74 – plot 14 | Capital City of Warsaw | Notarial Deed of 31.10.2019 | 3 039 | 3 039 | PLN | 2100-04-12 | 2 830 | The lessee does not have the right to buy back the subject matter of the lease. |
| Jagiellońska 76 | State Treasury | Notarial Deed of 31.12.2018 | 4 449 | 4 449 | PLN | 2089-12-05 | 4 314 | The lessee does not have the right to buy back the subject matter of the lease. |
| Kraków Office | Prestige Property Group Sp. z o.o. | Rental contract dated 20.07.2016 with subsequent annexes | 3 715 | 864 | EUR | 2025-05-31 | 1 716 | The lessee does not have the right to buy back the subject matter of the lease. |
| Wrocław Office | Cavatina SPV 12 Sp. z o.o. | Rental contract dated 04.11.2022 with subsequent annexes | 2 800 | 624 | EUR | 2027-10-31 | 2 690 | The lessee does not have the right to buy back the subject matter of the lease. |

(all amounts in PLN thousand, unless stated otherwise)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Lease of computers | De Lage Landen Leasing Polska S.A. | CZ0227/22 | 48 | 48 | PLN | 2025-02-20 | 23 | The lessee has the right to purchase the subject matter of the lease - according to the contract, the net residual value is PLN 0.5 thousand. |
| **Sub-lease contracts** | | | | | | | | |
| Car park - Kraków Office | CD PROJEKT S.A. | Rental contract dated 02.05.2023 | 9 | 2 | EUR | 2025-05-31 | 6 | The lessee does not have the right to buy back the subject matter of the lease. |
| Car park - Wrocław Office | CD PROJEKT S.A. | Rental contract dated 01.10.2023 | 16 | 4 | EUR | 2027-10-31 | 15 | The lessee does not have the right to buy back the subject matter of the lease. |
| **Total** | | | **24 996** | | | | **20 958** | |

(all amounts in PLN thousand, unless stated otherwise)

### Leases of low-value assets and short-term leases

The Company concluded lease contracts for office equipment (multifunctional photocopiers, kitchen appliances) and residential premises which potentially meet recognition criteria for leases under the new IFRS 16. However, the Company considered these contracts to be short-term leases and leases of low-value assets and decided not to apply the requirements for leases to these assets, as permitted by paragraph 5 of the standard. In such cases, lease payments are charged to costs of the period to which they relate, either on a straight-line basis or in some other systematic way that reflects the distribution of costs over the life of the contract (information on the cost of these leases incurred in the period from 1 January to 31 December 2023 is included in Note 3).

As at 31 December 2023 and 31 December 2022, future minimum payments in respect of irrevocable short-term leases and leases of low-value assets were as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Up to 1 year | 820 | 459 |
| From 1 to 5 years | 156 | 334 |
| More than 5 years | - | - |
| **Total** | **976** | **793** |

## Note 35. Deferred income

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Subsidies** | **3 211** | **5 490** |
| Animation Excellence (GameINN) | 692 | 1 385 |
| City Creation (GameINN) | 1 388 | 2 776 |
| Cinematic Feel (GameINN) | 665 | 1 329 |
| Polaris | 466 | - |
| **Deferred income** | **5 991** | **13 208** |
| Sales relating to future periods | 5 931 | 13 173 |
| Rental of company phones | 60 | 35 |
| **Total deferred income, including:** | **9 202** | **18 698** |
| current | 6 887 | 15 032 |
| non-current | 2 315 | 3 666 |

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

(all amounts in PLN thousand, unless stated otherwise)

# Note 36. Provision for retirement and similar benefits

| | 31.12.2023 | 31.12.2022* |
|---|---|---|
| Provision for retirement and disability bonuses | 508 | 348 |
| Holiday pay provision | 6 403 | 4 145 |
| **Total, including:** | **6 911** | **4 493** |
| current | 6 414 | 4 154 |
| non-current | 497 | 339 |

** restated data*

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

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Discount rate (%) | 4.98 | 6.87 |
| Expected inflation rate (%) | 4.98 | 6.87 |
| Employee turnover rate (%) - Age average | 10.7% - 34 years | 12% - 34 years |
| Expected salary growth rate (%) | 4% - years 2024 and 2025; 6.8% - 2026; 4% - subsequent years | 45% - year 2023; 6% - subsequent years |
| CSO mortality tables from the year | 2022 | 2021 |
| Probability of disability during the year | 0.1% | 0.1% |

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

## Change in provisions for retirement and similar benefits

| | Provisions for retirement and disability bonuses | Holiday pay provision | Total |
|---|---|---|---|
| **As at 01.01.2023** | **348** | **4 145** | **4 493** |
| Provision recognized | 160 | 6 403 | 6 563 |
| Provision utilized/released | - | 4 145 | 4 145 |
| **As at 31.12.2023, including:** | **508** | **6 403** | **6 911** |
| current | 11 | 6 403 | 6 414 |
| non-current | 497 | - | 497 |

| | Provisions for retirement and disability bonuses | Holiday pay provision* | Total |
|---|---|---|---|
| **As at 01.01.2022** | **373** | **2 889** | **3 262** |
| Provision recognized | - | 1 256 | 1 256 |
| Provision utilized/released | 25 | - | 25 |
| **As at 31.12.2022, including:** | **348** | **4 145** | **4 493** |
| current | 9 | 4 145 | 4 154 |
| non-current | 339 | - | 339 |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Note 37. Other provisions

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Provision for liabilities, including:** | **78 002** | **93 819** |
| provision for costs of performance-related and other remuneration | 49 198 | 67 121 |
| provision for costs of the audit and review of the financial statements | 166 | 137 |
| provision for other costs | 28 638 | 26 561 |
| **Total, including:** | **78 002** | **93 819** |
| current | 64 593 | 83 221 |
| non-current | 13 409 | 10 598 |

## Change in other provisions

| | Provision for costs of performance-related and other remuneration | Other provisions | Total |
|---|---|---|---|
| **As at 01.01.2023** | **67 121** | **26 698** | **93 819** |
| Provisions recorded during the year | 49 198 | 81 594 | 130 792 |
| Provisions utilized/released | 67 121 | 79 488 | 146 609 |
| **As at 31.12.2023, including:** | **49 198** | **28 804** | **78 002** |
| current | 49 198 | 15 395 | 64 593 |
| non-current | - | 13 409 | 13 409 |

| | Provision for costs of performance-related and other remuneration | Other provisions | Total |
|---|---|---|---|
| **As at 01.01.2022** | **44 714** | **36 814** | **81 528** |
| Provisions recorded during the year | 67 121 | 57 001 | 124 122 |
| Provisions utilized/released | 44 714 | 67 117 | 111 831 |
| **As at 31.12.2022, including:** | **67 121** | **26 698** | **93 819** |
| current | 67 121 | 16 100 | 83 221 |
| non-current | - | 10 598 | 10 598 |

(all amounts in PLN thousand, unless stated otherwise)

# Note 38. Information on financial instruments

## Fair values of specific classes of financial instruments

The Management Board of the Company has analysed specific classes of financial instruments. Based on the analysis, it was concluded that the carrying amounts of the instruments did not differ materially from their fair values both as at 31 December 2023 and 31 December 2022.

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **LEVEL 1** | | |
| **Assets measured at fair value** | | |
| **Assets measured at fair value through other comprehensive income** | **224 485** | **243 091** |
| bonds issued by foreign governments - EUR | 21 831 | 25 111 |
| bonds issued by foreign governments - USD | 202 654 | 217 980 |
| **LEVEL 2** | | |
| **Assets measured at fair value through profit or loss** | | |
| **Derivatives** | **18 683** | **7 809** |
| currency forwards - EUR | 1 161 | 1 249 |
| currency forwards - USD | 17 522 | 6 560 |
| **Private equity interests in the gaming sector** | **3 518** | **2 556** |
| private equity interests in the gaming sector - SEK | 980 | 1 085 |
| private equity interests in the gaming sector - USD | 2 538 | 1 471 |

Financial instruments measured at fair value are classified according to a three-level fair value hierarchy:

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

Level 2 – fair value based on observable market data.

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

## Financial assets – classification and measurement

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Financial assets measured at amortized cost** | **1 244 662** | **972 990** |
| Other non-current receivables | 376 | 383 |
| Trade receivables | 204 658 | 164 708 |
| Cash and cash equivalents | 129 483 | 237 073 |
| Bank deposits over 3 months | 338 205 | 337 330 |
| Treasury bonds and bonds guaranteed by the State Treasury | 568 715 | 232 757 |
| Loans granted | 3 225 | 739 |
| **Financial assets measured at cost** | **57 229** | **53 566** |
| Investments in subordinated entities | 57 229 | 53 566 |
| **Assets measured at fair value through other comprehensive income** | **224 485** | **243 091** |
| Bonds issued by foreign governments | 224 485 | 243 091 |
| **Financial assets measured at fair value through profit or loss:** | **22 201** | **10 365** |
| Derivative financial instruments | 18 683 | 7 809 |
| Private equity interests in the gaming sector | 3 518 | 2 556 |
| **Total financial assets** | **1 548 577** | **1 280 012** |

(all amounts in PLN thousand, unless stated otherwise)

## Financial liabilities – classification and measurement

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Financial liabilities measured at amortized cost** | **47 358** | **60 258** |
| Trade payables | 26 400 | 39 587 |
| Other financial liabilities | 20 958 | 20 671 |
| **Total financial liabilities** | **47 358** | **60 258** |

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

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

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

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

Listed debt securities were classified to Level 1. They include State Treasury bonds and bonds guaranteed by the State Treasury whose fair value was determined on the basis of a market valuation provided by the brokerage office as part of the applicable agreement for the provision of brokerage services.

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **LEVEL 1** | | |
| | | |
| **Fair value of assets measured at amortized cost** | **565 473** | **219 713** |
| Polish Treasury bonds and bonds guaranteed by the Polish State Treasury | 565 473 | 219 713 |

Other items of financial assets and financial liabilities were classified to Level 3.

With regard to equity interests in other entities, the Company estimates the fair values of the shares held using the method which consists of forecasting future cash flows generated by a relevant cash-generating unit and requires determining a discount rate to be used to calculate the present value of these cash flows. In justified cases, the Company assumes historical cost as an acceptable approximation of the fair value.

The Company did not determine the fair values of receivables, trade payables, cash and cash equivalents, bank deposits over 3 months and loans granted with variable interest, because their carrying amounts are considered by the Company to be a reasonable approximation of their fair values.

There were no movements between levels in the fair value hierarchy in the reporting period or in the comparative period.

(all amounts in PLN thousand, unless stated otherwise)

## Gains and losses on financial assets and liabilities

| 01.01.2023 – 31.12.2023 | Financial assets measured at amortized cost | | | | Financial assets measured at cost | Financial assets and liabilities measured at fair value through profit or loss | | Financial assets measured at fair value through other comprehensive income | Financial liabilities measured at amortized cost | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Treasury bonds of the Republic of Poland and bonds secured with a guarantee by the State Treasury of the Republic of Poland | Loans granted | Cash and cash equivalents and bank deposits over 3 months | Investments in subordinated entities | Derivative financial instruments | Private equity interests in the gaming sector | Foreign bonds | Trade payables | Other financial liabilities | |
| Interest income/ (expense) | - | 13 583 | 264 | 27 272 | - | - | - | 6 052 | (3) | (775) | 46 393 |
| Write-downs recorded | (7) | - | - | - | - | - | - | - | - | - | (7) |
| Write-downs released | 14 | - | - | - | 30 171 | - | - | - | - | - | 30 185 |
| Gains /(losses) on disposal of debt instruments | - | - | - | - | - | - | - | 2 259 | - | - | 2 259 |
| Commission and fees on purchase of debt instruments | - | - | - | - | - | - | - | (284) | - | - | (284) |
| Measurement of forward contract | - | - | - | - | - | 37 955 | - | - | - | - | 37 955 |
| Measurement of private equity interests in the gaming sector | - | - | - | - | - | - | 85 | - | - | - | 85 |
| Measurement of foreign bonds | - | - | - | - | - | - | - | 4 138 | - | - | 4 138 |
| **Total gains/(losses)** | **7** | **13 583** | **264** | **27 272** | **30 171** | **37 955** | **85** | **12 165** | **(3)** | **(775)** | **120 724** |

(all amounts in PLN thousand, unless stated otherwise)

| 01.01.2022 – 31.12.2022* | Financial assets measured at amortized cost | | | | Financial assets measured at cost | Financial assets and liabilities measured at fair value through profit or loss | | Financial assets measured at fair value through other comprehensive income | Financial liabilities measured at amortized cost | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Treasury bonds of the Republic of Poland and bonds secured with a guarantee by the State Treasury of the Republic of Poland | Loans granted | Cash and cash equivalents and bank deposits over 3 months | Investments in subordinated entities | Derivative financial instruments | Private equity interests in the gaming sector | Foreign bonds | Trade payables | Other financial liabilities | |
| Interest income/ (expense) | - | 7 778 | 234 | 25 481 | - | - | - | 8 184 | - | (546) | 41 131 |
| Write-downs recorded | (18) | - | - | - | (30 171) | - | - | - | - | - | (30 189) |
| Write-downs released | 11 | - | - | - | - | - | - | - | - | - | 11 |
| Gains /(losses) on disposal of debt instruments | - | - | - | - | - | - | - | 22 752 | - | - | 22 752 |
| Commission and fees on purchase of debt instruments | - | - | - | - | - | - | - | (326) | - | - | (326) |
| Measurement of forward contract | - | - | - | - | - | (2 172) | - | - | - | - | (2 172) |
| Measurement of foreign bonds | - | - | - | - | - | - | - | (12 724) | - | - | (12 724) |
| **Total gains/(losses)** | **(7)** | **7 778** | **234** | **25 481** | **(30 171)** | **(2 172)** | **-** | **17 886** | **-** | **(546)** | **18 483** |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

## Financial risk management objectives and policies

### Credit risk

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

Actions taken: In order to reduce the credit risk related to buyers, the Company is constantly monitoring the settlement of receivables, and debt collection in difficult cases is outsourced to external specialized entities. As part of its efforts to mitigate the credit risk of financial institutions, the Company works with several banks, diversifying the allocations of its cash and bank deposits, both by entity and geographical area. In order to further diversify the allocation of the financial resources in accordance with the adopted policy, the Company may invest part of its financial reserves in the following types of bonds:

- domestic Treasury bonds of the Republic of Poland;
- domestic bonds secured with a guarantee of the State Treasury of the Republic of Poland;
- foreign Treasury bonds issued by countries with a rating no lower than Aa3 according to Moody's rating agency;
- foreign bonds secured with a guarantee of countries with a rating no lower than Aa3 according to Moody's rating agency.

As a result of adopting the credit rating criterion for the country of bond issuers, investments in these financial instruments are exposed to a very low risk, and the expected credit losses are immaterial.

### Liquidity risk

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

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

The pillars of liquidity risk management are as follows:

- constantly maintained and updated short-term and long-term cash flow forecasts;
- periodic verification, based on cash flow forecasts, of the achievement of liquidity risk management targets in the medium term;
- maintaining its own financial reserves – the Company has no external interest-bearing debt from loans and borrowings incurred or bonds issued;
- the management of financial reserves (held in the form of cash, bank deposits, domestic and foreign Treasury bonds and domestic and foreign bonds secured with guarantees of foreign governments) in the Company is carried out taking into account the maturity dates of the individual instruments, the ratings of the banks or issuers of the Treasury bonds purchased, the interest rates or yields of the investments concerned and always respecting the principle of diversification in the allocation of the accumulated financial reserves (both by entity and geographical area).

As at 31 December 2023, CD PROJEKT S.A. held bank deposits with a carrying amount of PLN 466 735 thousand.

| Maturity of the deposit | Carrying amount |
|---|---|
| Quarter 1 of 2024 | 263 683 |
| Quarter 2 of 2024 | 104 132 |
| Quarter 3 of 2024 | 78 420 |
| Quarter 4 of 2024 | 20 500 |
| **Total carrying amount** | **466 735** |

(all amounts in PLN thousand, unless stated otherwise)

As at 31 December 2023, CD PROJEKT S.A. held Treasury bonds with a carrying value of PLN 793 200 thousand.

| Bonds by country of issuer as at 31.12.2023 | S&P | Fitch | Moody's | Carrying amount |
|---|---|---|---|---|
| Poland | A- | A- | A2 | 568 715 |
| USA | AA+ | AA+ | Aaa | 170 540 |
| Germany | AAA | AAA | Aaa | 32 682 |
| Canada | AAA | AA+ | Aaa | 11 600 |
| Finland | AA+ | AA+ | Aa1 | 9 663 |
| **Total carrying amount** | | | | **793 200** |

Bond portfolio as at 31.12.2023 by instrument maturity

| Redemption date of purchased bonds as at 31.12.2023 | Carrying amount |
|---|---|
| 2024 | 178 887 |
| 2025 | 306 955 |
| 2026 | 253 021 |
| 2027 | 51 885 |
| 2028 | 2 452 |
| **Total carrying amount** | **793 200** |

**Currency risk**

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

The majority of publishing and distribution contracts to which CD PROJEKT S.A. is a party as the game developer are based on settlement in foreign currencies – mainly in USD and EUR. Therefore, a weakening of the USD or EUR exchange rate in relation to PLN is an undesirable scenario for the Company, resulting in a reduction of sales revenue.

The Company also purchases goods and services in transactions settled in foreign currencies - in such cases, a weakening of the PLN exchange rate against the relevant currency of the transaction may result in exchange rate differences unfavourable to the Company's results.

The Company invests some of its financial resources in foreign bonds denominated in foreign currencies, and it may also hold cash and cash equivalents or deposits in foreign currencies (for more information, see sections on credit risk and liquidity risk).

Actions taken: The Company seeks to minimize currency exposure in its operations, but nevertheless it is not possible to completely eliminate the currency risk that is incumbent on it. In the case of the risk associated with CD PROJEKT S.A.'s investment in foreign bonds denominated in foreign currencies, exposure to exchange rate fluctuations is mitigated by entering into forward sales of the relevant currency symmetrical to each currency feed to the investment account. Similarly, the Company hedges the value of cash invested in USD deposits by entering into forward sales of the currency symmetrical to each term deposit.

The value of forward contracts concluded as at 31.12.2023 is presented in the table below.

| Forward contract currency | Value of forward contracts in foreign currency | Value of forward contracts in PLN at forward exchange rates | Fair value measurement of forward contracts as at 31.12.2023 in PLN |
|---|---|---|---|
| EUR | 5 100 | 23 606 | 1 161 |
| USD | 69 740 | 292 467 | 17 522 |
| **Total** | | **316 073** | **18 683** |

In accordance with the adopted policy of diversifying investments of current cash surpluses, CD PROJEKT S.A. may hold up to 15% of total funds in unhedged positions in USD and EUR. As at 31 December 2023, the Company had an unhedged position in foreign currencies amounting to USD 1 872 thousand and EUR 297 thousand.

(all amounts in PLN thousand, unless stated otherwise)

**Interest rate and inflation risk**

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

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

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

Actions taken: The Company strives to monitor the impact of the global situation on the markets in which it operates and, as far as possible, to adapt its operations as much as possible to the changes observed. The Company mitigates some of the risk associated with interest rate volatility and market inflation expectations by investing a portion of its cash surpluses in deposits, Polish Treasury bonds, bonds secured by the State Treasury guarantee and foreign Treasury bonds or bonds guaranteed by the states with credit ratings no lower than Aa3 according to Moody's, while diversifying the maturities of the aforementioned instruments. In addition, some of the bonds may be floating rate securities.

While maintaining the safety of accumulated funds, in practice it may not be possible to fully protect the value of financial reserves held against the negative effects of inflation.

**Sensitivity analysis**

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

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

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

## Currency risk concerning the net value of foreign currency assets and liabilities

| | Impact on net profit or loss | | | | Impact on equity | | |
|---|---|---|---|---|---|---|---|
| | EUR | USD | Other currencies | Total | EUR | USD | Total |
| Exchange rate fluctuations | 5% | 5% | 5% | | 5% | 5% | |
| **As at 31.12.2023** | | | | | | | |
| Exchange rate growth | - | (3 008) | (77) | **(3 085)** | 1 092 | 10 133 | **11 225** |
| Exchange rate decline | - | 3 008 | 77 | **3 085** | (1 092) | (10 133) | **(11 225)** |
| **As at 31.12.2022** | | | | | | | |
| Exchange rate growth | (722) | (1 516) | (75) | **(2 313)** | 1 256 | 10 899 | **12 155** |
| Exchange rate decline | 722 | 1 516 | 75 | **2 313** | (1 256) | (10 899) | **(12 155)** |

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

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

| | 31.12.2023 | | 31.12.2022* | |
|---|---|---|---|---|
| | Interest rate fluctuations | Impact on net profit or loss | Interest rate fluctuations | Impact on net profit or loss |
| Interest rate growth | 1 p.p. | 5 709 | 1 p.p. | 6 751 |
| Interest rate decline | 1 p.p. | (5 709) | 1 p.p. | (6 751) |

** restated data*

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

| | 31.12.2023 | | | 31.12.2022* | | |
|---|---|---|---|---|---|---|
| | Fluctuation amount | Impact on equity | Impact on net profit or loss | Fluctuation amount | Impact on equity | Impact on net profit or loss |
| Fair value growth | 1 p.p. | 2 245 | 222 | 1 p.p. | 2 431 | 104 |
| Fair value decline | 1 p.p. | (2 245) | (222) | 1 p.p. | (2 431) | (104) |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

# Note 39. Capital management

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

The Company manages the capital structure and introduces changes to it based on changes in economic circumstances. In order to maintain or adjust the capital structure, the Company may pay a dividend to the shareholders, buy back its treasury shares from the market or issue new shares. The Company monitors its capital balances using the leverage ratio, which is calculated as the ratio of net debt to total equity plus net debt. As at 31 December 2023, the balance of the Company's cash and cash equivalents and bank deposits was greater than its trade and other payables, thus the Company had a positive net cash balance.

# Note 40. Employee benefit plans

## Incentive plan for the years 2020–2025

Based on the resolutions of the Company's General Meeting of 28 July 2020 and 22 September 2020, another edition of the incentive plan was introduced for 2020-2025. In accordance with the adopted assumptions, a maximum of 4 000 000 entitlements, understood as a conditional right to take up subscription warrants, entitling to take up shares in the Company issued separately as part of a conditional share capital increase, or alternatively to purchase, on preferential terms, the Company's treasury shares were to be granted as part of the implementation of the plan. Taking up and exercising of rights from the subscription warrants or, as the case may be, purchasing the Company's shares by the eligible persons was to be conditional upon the Company's determination that the objectives and criteria of the plan have been met. For more information on the principles of the incentive plan for the years 2020-2025, see e.g. Management Board Report on CD PROJEKT Group activities in 2021.

Based on the results achieved during the functioning of the plan and the assumptions for the subsequent years of the plan, the Management Board of the Company assessed the possibility of achieving the performance targets set in the plan over the entire period of the plan duration and revised the estimates, considering it most likely that the performance targets would not be achieved over that period. In connection with the above, taking into consideration, among other things, the fact that the plan had lost its motivational and retention functions, the General Meeting of the Company adopted Resolution no. 5 concerning discontinuation of the incentive plan for the financial years 2020-2025. Due to the fact that entry into force of that resolution was conditional upon the General Meeting adopting specific resolutions on the introduction of a new incentive plan, the resolution concerning discontinuation of the Plan for 2020-2025 became effective on 18 April 2023 and resulted in expiry of the Plan in its entirety.

In 2022 and during the reporting period, no new entitlements were granted under the incentive plan for the years 2020-2025. As at 18 April 2023, 2 113 000 entitlements granted remained in the Plan. As stated in the Incentive Plan Regulations for the years 2020-2025, in the event of the expiry of the incentive scheme, the entitlements granted under the plan to the eligible persons will also expire. Detailed data on entitlements awarded under the Incentive Plan for the years 2020-2025 in previous financial years and their valuation is available in previous interim financial statements of the Company and the Group.

## Incentive plans for the years 2023–2027

Based on the resolutions of the Company's General Meeting of 18 April 2023, two new incentive plans for the financial years 2023-2027 were introduced on that date, replacing the Incentive Plan for the years 2020-2025: the Incentive Plan A and Incentive Plan B.

**Incentive Plan A**

The Incentive Plan A is addressed to persons who are not members of the Management Board of the Company. The assumptions are that the entitlements in this plan will be granted in each of the financial years 2023-2027 (i.e. in five phases). A maximum of 1 500 000 entitlements may be granted under the entirety of the Incentive Plan A. The entitlements will be realized alternatively through: (i) offering participants to subscribe for warrants entitling them to subscribe for an identical number of shares in the Company issued as part of the conditional share capital increase, or (ii) offering participants to purchase from the Company treasury shares acquired by the Company as part of a buy-back carried out for this purpose. Taking up and exercising of rights from the subscription warrants or, as the case may be, purchasing the Company's shares by the participant under Incentive Plan A shall be conditional upon meeting the loyalty criterion (understood as participants of Incentive Plan A remaining in a legal relationship with the Company or its related entity during the vesting period). The price of taking up or acquiring the Company's shares as part of executing entitlements under Plan A shall correspond to the nominal value of the Company's shares. The vesting period shall be 3 years as a minimum in each case.

By the date of publication of this report, 100 444 entitlements were granted as part of Phase 1 of the Incentive Plan A (in 2023), of which 94 051 entitlements remain active.

## Assumptions adopted for the valuation of the Incentive Plan A for the years 2023–2027 – phase 1

| Date of granting the entitlements | CDR volatility ratio | Risk-free rate |
|---|---|---|
| Entitlements granted on 26.05.2023 | 44% | 6.2% |
| Entitlements granted on 27.05.2023 | 44% | 6.2% |
| Entitlements granted on 29.05.2023 | 44% | 5.9% |
| Entitlements granted on 07.06.2023 | 44% | 5.8% |

## Changes in entitlements granted under the Incentive Plan A for the years 2023–2027 – phase 1

| 01.01.2023 – 31.12.2023 | Number of entitlements (not in thousands) |
|---|---|
| Granted during the period | 100 444 |
| Forfeited during the period | 6 393 |
| Unrealized as at the end of the period | 1 500 000 |
| Granted unrealized as at the end of the period | 94 051 |

** All forfeitures by the date of publication of these financial statements*

## Measurement date

During 2023, the Company granted entitlements to participate in the plan in four tranches, in accordance with the relevant resolutions of the Management Board.

The fair value of the entitlements awarded in 2023 was in each case measured as at the grant date using financial engineering methods and numerical methods (which are a development of the so-called Black-Scholes-Merton model) by a licensed actuary entered in the register of actuaries maintained by the Polish Financial Supervision Authority in accordance with the information in the table above.

## Classification of measurement conditions

The conditions related to completing paperwork (including the correct filing of documents within a certain time limit), loyalty conditions and other conditions unrelated to the share price were treated as non-market conditions. The condition of living to the date of exercising the entitlement rights and other similar conditions were treated likewise.

## Number of shares as at the grant date

As at the date of granting entitlements under the Incentive Plan A in 2023 (phase 1), the Company had 100 770 800 shares in issue.

**Incentive Plan B**

The Incentive Plan B is addressed to both persons who are members of the Company's Management Board and persons who are not members of the Management Board. The assumptions are that the entitlements in this plan will be granted in each of the financial years 2023-2027 (i.e. in five phases). A maximum of 3 500 000 entitlements may be granted under the entirety of the Incentive Plan B. The entitlements will be realized alternatively through: (i) offering participants to subscribe for warrants entitling them to subscribe for an identical number of shares in the Company issued as part of the conditional share capital increase, or (ii) offering participants to purchase from the Company treasury shares acquired by the Company as part of a buy-back carried out for this purpose. Taking up and exercising the rights from the subscription warrants or, as the case may be, purchasing the Company's shares by the eligible persons under Incentive Plan B will be conditional upon the Company determining that the performance condition (for 70% of the entitlements), the market condition (for 30% of the entitlements), and in selected cases the individual condition and, in each case, the loyalty condition (understood as participants of Incentive Plan A remaining in a legal relationship with the Company or its related entity during the vesting period) have been met. The base price of subscription for or purchase of the Company's shares as part of exercising the entitlements under Plan B will correspond to the price of the Company's shares at the close of the last trading session preceding the date of the relevant resolution on the participant's inclusion in the plan. The plan provides for the possibility to reduce the price of subscription for or purchase of the shares with a simultaneous proportional reduction in the number of entitlements to be exercised by the participant. The base vesting period corresponds to four consecutive financial years starting from the year in which the relevant phase commenced (with the possibility of shortening to three financial years for performance-related entitlements in the event of a possible faster achievement of the four-year performance target over a three-year period).

By the date of publication of this report, 662 000 entitlements were granted as part of Phase 1 of the Incentive Plan B (in 2023), of which 656 000 entitlements remain active.

**Performance-related condition – 70% of entitlements awarded under a given phase of the Incentive Plan B**

The fulfilment of the performance-related condition means achieving, in the relevant vesting period, a specific result, understood as the sum of the consolidated net profits on continued operations of the CD PROJEKT Group plus the cost of valuation of entitlements awarded under a relevant phase of the Incentive Plan B recognized by the CD PROJEKT Group entities in the same period.

The performance-related condition for entitlements awarded in the first phase of the Incentive Plan B for the years 2023-2026 (in the financial year 2023) is PLN 2 billion.

For each of the successive phases of the Incentive Plan B starting in the financial years 2025, 2026 and 2027, the performance-related condition for entitlements awarded in these phases for the relevant periods of 4 financial years will be determined by resolutions of the General Meeting of the Company (based on a motion of the Management Board of the Company.

**Market-related condition – 30% of entitlements awarded under a given phase of the Incentive Plan B**

The fulfilment of the market-related condition means achieving a change in the Company's share price on the Warsaw Stock Exchange (WSE) in such a manner that the change in the level of the Company's share price expressed as a percentage, determined on the basis of the Company's share price at closing of the last trading session of the WSE of the most recent financial year which is subject to verification for purposes of the performance-related condition referred to above in relation to the Company's share price at closing of the last trading session of the WSE in the year preceding the year of the relevant phase of the Incentive Plan B, will be higher than or equal to the change, expressed as a percentage and increased by 10 percentage points, in the level of the WIG (WSE Index) index in the same period.

## Assumptions adopted for the valuation of the Incentive Plan B for the years 2023–2027 – phase 1

| Date of granting the entitlements | CDR volatility ratio | WIG volatility ratio | WIG correlation ratio | Risk-free rate |
|---|---|---|---|---|
| Entitlements granted on 26.05.2023 | 44% | 21% | 43% | 6.1% |

## Changes in entitlements granted under the Incentive Plan B for the years 2023–2027 – phase 1

| 01.01.2023 – 31.12.2023 | Number of entitlements (not in thousands) |
|---|---|
| Granted during the period | 662 000 |
| Forfeited during the period* | 6 000 |
| Unrealized as at the end of the period | 3 500 000 |
| Granted unrealized as at the end of the period* | 656  000 |

** All forfeitures by the date of publication of these financial statements*

## Measurement date

During 2023, the Company granted entitlements to participate in the plan in one tranche.

The fair value of the entitlements awarded in 2023 was in each case measured as at the grant date using financial engineering methods and numerical methods (which are a development of the so-called Black-Scholes-Merton model) by a licensed actuary entered in the register of actuaries maintained by the Polish Financial Supervision Authority in accordance with the information in the table above.

## Classification of measurement conditions

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

## Number of shares as at the grant date

As at the date of granting entitlements under the Incentive Plan B in 2023 (phase 1), the Company had 100 770 800 shares in issue.

# Note 41. Transactions with related entities

## Terms and conditions of transactions with related entities

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

## Transactions with related entities

| | Sales to related entities | | Purchases from related entities | | Receivables from related entities | | Liabilities to related entities | |
|---|---|---|---|---|---|---|---|---|
| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 | 31.12.2023 | 31.12.2022 | 31.12.2023 | 31.12.2022 |
| **SUBSIDIARIES** | | | | | | | | |
| GOG sp. z o.o. | 43 593 | 15 612 | 1 340 | 4 968 | 16 013 | 2 798 | 178 | 2 610 |
| CD PROJEKT RED Inc. | 1 241 | 314 | 19 898 | 15 156 | 1 040 | 43 | 2 802 | 1 185 |
| Spokko sp. z o.o. | - | 1 321 | - | - | - | 156 | - | - |
| CD PROJEKT RED STORE sp. z o.o. | - | 1 229 | - | 128 | - | 839 | - | 19 |
| CD PROJEKT RED Vancouver Studio Ltd. | 30 | 68 | 17 716 | 16 762 | 1 422 | 1 694 | 1 549 | 2 746 |
| The Molasses Flood LLC | 2 | 6 | 44 592 | 31 213 | 3 225 | 742 | 1 614 | 2 579 |
| **MANAGEMENT BOARD OF THE COMPANY AND SUPERVISORY BOARD MEMBERS** | | | | | | | | |
| Marcin Iwiński | 1 | 1 | - | - | 1 | - | - | 7 |
| Adam Kiciński | 1 | - | - | - | - | - | 1 | 13 |
| Piotr Nielubowicz | 1 | 2 | - | - | 2 | 2 | - | 13 |
| Michał Nowakowski | 1 | 3 | - | - | - | - | - | 4 |
| Adam Badowski | 2 | 6 | - | - | - | - | - | 6 |
| Piotr Karwowski | - | - | - | - | - | - | - | 2 |
| Paweł Zawodny | 6 | 7 | - | - | - | - | - | - |
| Jeremiah Cohn | - | 1 | - | - | - | - | - | - |
| Maciej Nielubowicz | 1 | - | - | - | - | - | - | - |

(all amounts in PLN thousand, unless stated otherwise)

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

## Remuneration paid to the Management Board members

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| Basic remuneration under the employment relationship | 98 | 95 |
| Remuneration for the functions performed | 3 943 | 4 492 |
| Bonuses and remuneration linked to the previous year's result | 32 714 | 20 495 |
| **Total** | **36 755** | **25 082** |

** restated data*

## Remuneration paid to other members of the Company's key management personnel

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Basic remuneration under the employment relationship | 26 403 | 20 362 |
| Remuneration for the functions performed | 504 | 516 |
| Bonuses and remuneration linked to the previous year's result | 10 851 | 6 721 |
| **Total** | **37 758** | **27 599** |

## Remuneration paid to members of the Supervisory Board

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Remuneration for the functions performed | 1 020 | 602 |
| **Total** | **1 020** | **602** |

# Note 43. Number of employees

## Average number of employees understood as the annual average number of FTEs**

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| Average number of employees | 534 | 450 |
| **Total** | **534** | **450** |

** restated data*

*** The average number of employees also includes FTEs for which the Company does not pay remuneration (e.g. unpaid leave, maternity leave, etc.)*

## Number of employees as at the end of the year (in persons)

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Number of employees (in persons) | 520 | 508 |
| **Total** | **520** | **508** |

(all amounts in PLN thousand, unless stated otherwise)

## Employee turnover

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Number of new employees | 80 | 165 |
| Number of dismissed employees* | 83 | 61 |
| **Total** | **(3)** | **104** |

** Includes employees in the notice period as at the reporting date.*

## Employment in research and development activities

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Number of employees | 266 | 262 |
| **Total** | **266** | **262** |

# Note 44. Capitalization of borrowing costs

Not applicable.

# Note 45. Tax settlements

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

In accordance with a general rule, tax settlements may be subject to inspections within 5 years from the end of the year in which tax was paid.

Following the fulfilment of the criteria set out in Article 19 of the Act of 30 May 2008 on certain forms of innovation support (consolidated text, Journal of Laws of 2022, item 2474), the Minister of Development and Technology, by decision No. DNP-4241.27.2023.2 of 23 August 2023, maintained the status of a research and development centre granted to the Company by decision 4/CBR/18 of 19 June 2018. The status allows the Company to use the research and development relief provided for in the Act of 15 February 1992 on corporate income tax (consolidated text, Journal of Laws of 2023, item 2805, as amended, hereinafter the “CIT Act”).

Starting from the month following the submission of the CIT-8 tax return for the prior tax year, the Company is taking advantage of the relief in respect of an innovative employee. As part of the relief, it is possible to deduct the research and development relief which the Company did not deduct from the tax base in the tax return for the previous tax year. As a result of using tax relief in respect of an innovative employee, the Company is reducing tax advances remitted to the tax office in respect of personal income tax and flat-rate personal income tax for employees performing research and development projects for the Company. At the same time, the amount of the research and development relief reported and not deducted is being reduced (the reduction is the quotient of the personal income tax liability due and the corporate income tax rate).

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

# Note 46. Post-balance sheet date events

On 20 February 2024, an Extraordinary General Meeting of the Company took place at which a resolution was adopted, concerning determination of the performance-related condition of PLN 3 billion in the Incentive Plan B for the financial years 2024-2027. The performance-related condition corresponds to the sum of the consolidated net profits on continued operations of the Group for the financial years 2024-2027 plus the cost of valuation of entitlements awarded under a relevant phase of the Incentive Plan B recognized by the CD PROJEKT Group entities in the same period). All materials relating to the General Meeting, including the contents of the resolutions adopted, are available on the Company’s website.

On 8 and 10 March 2024, as part of Phase 2 of the Incentive Plans A and B for the years 2023-2027, new entitlements were awarded to the participants. As a result, 183 189 entitlements were awarded in Phase 2 of the Incentive Plan A and 723 500 in the Incentive Plan B. All entitlements awarded as part of Phase 2 of the Plans are active as at the date of publication of this report.

(all amounts in PLN thousand, unless stated otherwise)

# Note 47. Transactions with entities performing the audits of the financial statements

| Fees paid or payable for the financial year | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| For the audit of the annual financial statements and the consolidated financial statements | 150 | 117 |
| For other assurance services, including reviews of the financial statements and the consolidated financial statements | 89 | 85 |
| **Total** | **239** | **202** |

(all amounts in PLN thousand, unless stated otherwise)

## Note 48. Explanations to the statement of cash flows

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022* |
|---|---|---|
| **Cash and cash equivalents reported in the statement of cash flows** | **129 483** | **237 073** |
| Cash and cash equivalents in the balance sheet | 129 483 | 237 073 |
| **Depreciation and amortization** | **12 340** | **10 676** |
| Amortization of intangible assets | 2 128 | 1 962 |
| Depreciation of property, plant and equipment | 10 192 | 8 681 |
| Depreciation of investment properties | 20 | 33 |
| **Foreign exchange gains/(losses) result from the following items:** | **28 089** | **4 584** |
| Foreign exchange gains and losses on measurement of private equity interests in the gaming sector | 420 | - |
| Foreign exchange gains/(losses) on measurement of loans granted as at the balance sheet date | 203 | 78 |
| Foreign exchange gains/(losses) on measurement of leases | (375) | - |
| Foreign exchange gains/(losses) on measurement of bonds | 27 841 | 4 506 |
| **Interest and shares in profits comprise:** | **(46 396)** | **(41 131)** |
| Interest on bank deposits | (27 272) | (25 481) |
| Interest on bonds | (19 635) | (15 962) |
| Interest accrued on loans granted | (264) | (234) |
| Interest on lease contracts | 775 | 546 |
| **(Gains)/losses on investing activities result from the following items:** | **(87 855)** | **44 980** |
| Sale of property, plant and equipment | (152) | (261) |
| Net carrying amount of property, plant and equipment | 80 | - |
| Net carrying amount of non-current assets scrapped | 396 | 743 |
| Net carrying amount of scrapped intangible assets and expenditure on research and development projects | 2 746 | 296 |
| Net carrying amount of investment properties scrapped | 737 | - |
| Impairment write-downs of property, plant and equipment, intangible assets and expenditure on development projects | - | 34 286 |
| Release of write-downs of shares in subsidiaries | (30 171) | - |
| Write-downs of shares in subsidiaries | - | 30 171 |
| Reversal of impairment write-downs of property, plant and equipment, intangible assets and expenditure on development projects | (21 531) | - |
| Settlement and measurement of derivative financial instruments | (37 955) | 2 172 |
| Measurement of private equity interests in the gaming sector | 85 | - |
| Disclosure of property, plant and equipment and intangible assets | (4) | - |
| Commission and fees on purchase of bonds | 284 | 326 |
| Proceeds from redemption of bonds | (69 564) | (202 849) |
| Value of bonds purchased | 67 305 | 180 096 |
| Settlement of lease contracts expired | (111) | - |
| **Change in provisions results from the following items:** | **6 604** | **(2 991)** |
| Increase/(Decrease) in provisions for liabilities | (15 817) | 12 291 |
| Increase/(Decrease) in provisions for employee benefits | 2 418 | 1 231 |
| Increase/(Decrease) in provisions for costs of performance-related and other remuneration recognized under expenditure on development projects | 20 003 | (16 513) |
| **Change in inventories results from the following items:** | **6 310** | **3 653** |
| (Increase)/Decrease in inventories | 6 310 | 3 653 |

** restated data*

(all amounts in PLN thousand, unless stated otherwise)

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| **Change in receivables results from the following items:** | **(67 984)** | **(43 660)** |
| (Increase)/Decrease in current receivables in the balance sheet | (38 373) | 17 599 |
| (Increase)/Decrease in non-current receivables in the balance sheet | 7 | (10) |
| (Increase)/Decrease in prepayments for investment properties | - | (79) |
| Income tax settled against withholding tax | 11 082 | 36 260 |
| Withholding tax paid abroad | (31 369) | (32 268) |
| Adjusted for current income tax | (10 013) | (36 260) |
| (Increase)/Decrease in prepayments for development projects | 740 | (29 002) |
| (Increase)/Decrease in prepayments for property, plant and equipment and intangible assets | (58) | 100 |
| **Change in liabilities, excluding financial liabilities, results from the following items:** | **(7 337)** | **18 175** |
| Increase/(Decrease) in current liabilities in the balance sheet | (11 763) | (15 311) |
| Adjusted for current income tax | 2 116 | 22 330 |
| Increase/(Decrease) in other current financial liabilities | (791) | 16 832 |
| Increase/(Decrease) in liabilities in respect of security deposits | 114 | - |
| Increase/(Decrease) in liabilities resulting from purchase of property, plant and equipment | 2 400 | (5 092) |
| Increase/(Decrease) in liabilities resulting from purchase of intangible assets | 587 | (594) |
| Increase/(Decrease) in liabilities resulting from purchase of investment properties | - | 10 |
| **Change in other assets and liabilities results from the following items:** | **(13 294)** | **(13 736)** |
| Change in prepayments and accruals in the balance sheet | (3 558) | (2 747) |
| Increase/(Decrease) in deferred income in the balance sheet | (9 496) | (10 747) |
| Adjusted for prepayments and deferred costs with the corresponding entry in liabilities | (240) | (242) |
| **“Other adjustments” comprise:** | **24 521** | **8 385** |
| Costs of the incentive plans | 15 675 | 4 058 |
| Amortization and depreciation written off, reported under cost of sales and other operating expenses | 124 | 1 097 |
| Amortization and depreciation reported under cost of sales and other operating expenses | 2 653 | 3 524 |
| Accounting for shares in the acquired entities | 35 754 | - |
| Retained earnings/(Accumulated losses) of the acquired entities | (28 680) | - |
| Deferred tax asset of the acquired entities | (233) | - |
| Net property, plant and equipment and intangible assets of the acquired entities | (772) | - |
| Other adjustments | - | (294) |

(all amounts in PLN thousand, unless stated otherwise)

# Note 49. Cash flows and non-monetary changes resulting from changes in liabilities in financing activities

| | 01.01.2023 | Cash flows | Non-monetary changes | | | | | | | 31.12.2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Takeover of leased fixed assets | Termination of a lease contract | Foreign exchange differences | Interest accrued | Transfer of treasury shares | Adopting a resolution on purchase of treasury shares | Adopting a resolution on the payment of dividend | |
| Lease liabilities | 20 671 | (2 838) | 2 725 | - | (375) | 775 | - | - | - | 20 958 |
| Liabilities to shareholders in respect of dividend payment | - | (99 911) | - | - | - | - | - | - | 99 911 | - |
| **Total** | **20 671** | **(102 749)** | **2 725** | **-** | **(375)** | **775** | **-** | **-** | **99 911** | **20 958** |

| | 01.01.2022 | Cash flows | Non-monetary changes | | | | | | | 31.12.2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Takeover of leased fixed assets | Termination of a lease contract | Foreign exchange differences | Interest accrued | Transfer of treasury shares | Adopting a resolution on purchase of treasury shares | Adopting a resolution on the payment of dividend | |
| Lease liabilities | 15 471 | (3 192) | 8 232 | (293) | (93) | 546 | - | - | - | 20 671 |
| Liabilities to shareholders in respect of dividend payment | - | (100 739) | - | - | - | - | - | - | 100 739 | - |
| Receivables from persons eligible for the incentive plan | - | 822 | - | - | - | - | (822) | - | - | - |
| Liabilities in respect of purchase of treasury shares | - | (99 993) | - | - | - | - | - | 99 993 | - | - |
| **Total** | **15 471** | **(203 102)** | **8 232** | **(293)** | **(93)** | **546** | **(822)** | **99 993** | **100 739** | **20 671** |

(all amounts in PLN thousand, unless stated otherwise)

## Note 50. Research and development expenditure

| | 01.01.2023 – 31.12.2023 | 01.01.2022 – 31.12.2022 |
|---|---|---|
| Salaries and wages | 87 876 | 47 256 |
| Remuneration of associates | 97 193 | 59 318 |
| Capital expenditure, including: | 8 900 | 17 953 |
| Land and buildings | 24 | - |
| Plant and machinery | 7 446 | 4 213 |
| Computer software | 396 | 12 995 |
| Intangible assets | 1 034 | 745 |
| External services | 118 851 | 81 247 |
| **Total expenditure on research and development projects** | **312 820** | **205 774** |

The information contained in the Note relates to research as well as development projects, presented in Note 12 under the headings Expenditure on development projects in progress and Expenditure on completed development projects.

More information on the research and development projects conducted by the Company has been provided in the Management Board Report on the activities of the CD PROJEKT Group and CD PROJEKT S.A. for 2023.

# Statement of the Management Board

### On the fairness of preparation of the annual separate financial statements

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

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union, published and effective as at 31 December 2023, and to the extent not governed by the said standards, in accordance with the Accounting Act of 29 September 1994 and the implementing legislation issued on the basis thereof and to the extent required by the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State.

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

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

As stated by the Company's Supervisory Board:

- The audit firm Grant Thornton Polska Prosta Spółka akcyjna with its registered office in Poznań and the members of the audit team fulfilled the conditions for the preparation of an impartial and independent report on the audit of the annual separate financial statements of CD PROJEKT S.A. and the consolidated financial statements of the CD PROJEKT S.A. Group for the financial year ending on 31 December 2023, in accordance with the applicable regulations, professional standards and principles of professional ethics;
- The CD PROJECT Group complies with the applicable regulations relating to the rotation of the audit firm and the key auditor, as well as mandatory grace periods;
- CD PROJEKT S.A. has a policy on the selection of the audit firm and the provision of additional non-audit services, including prohibited services conditionally exempted, to CD PROJEKT S.A. by the audit firm, an affiliate of the audit firm or a member of its network.

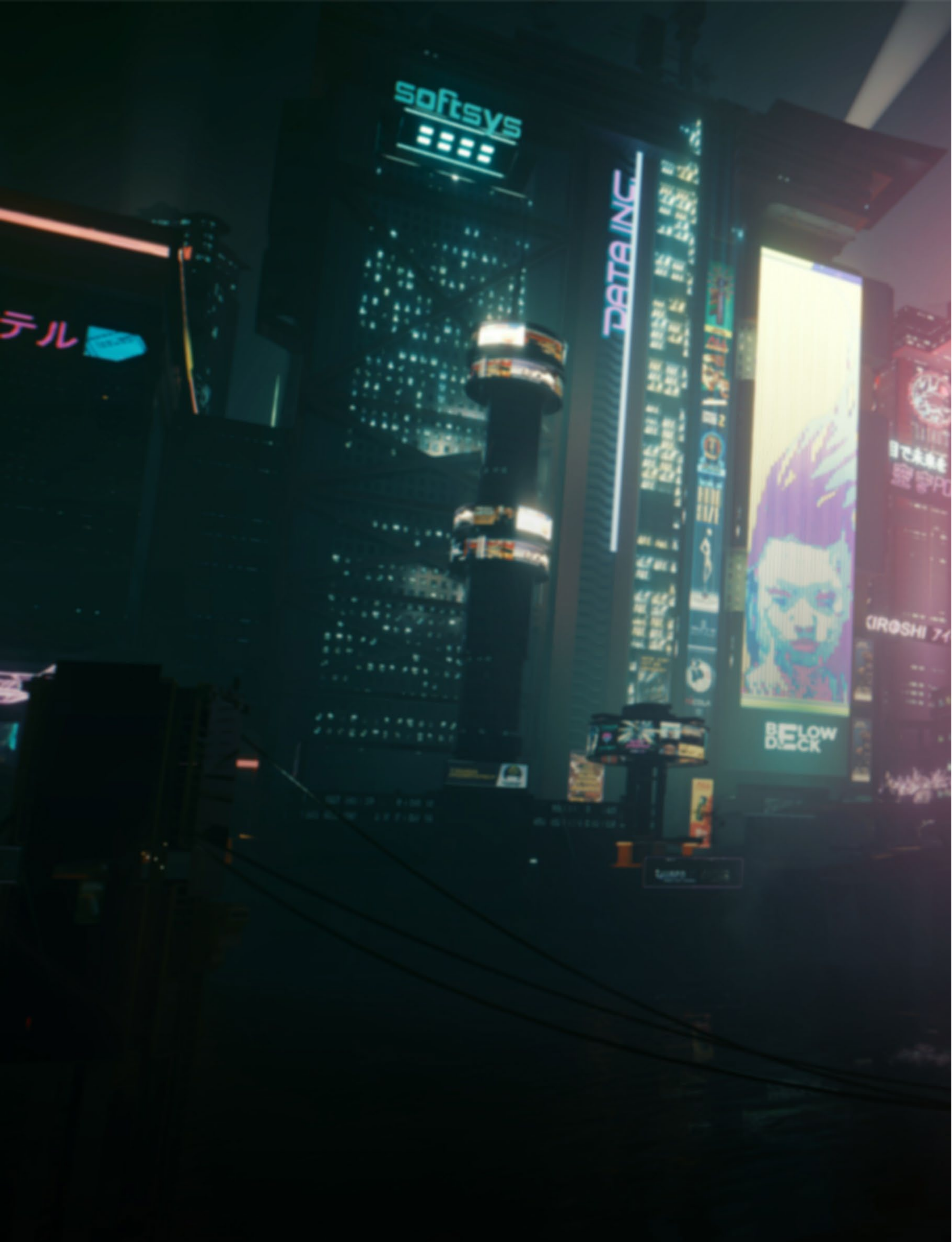
(all amounts in PLN thousand, unless stated otherwise)

# Approval of the financial statements

These separate financial statements of CD PROJEKT S.A. were signed and approved for publication by the Management Board of CD PROJEKT S.A. on 28 March 2024 and will be subject to approval by the General Meeting of CD PROJEKT S.A.

Warsaw, 28 March 2024

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




CONTACT FOR INVESTORS: IR@CDPROJEKT.COM

WWW.CDPROJEKT.COM