



**MANAGEMENT BOARD REPORT ON THE
ACTIVITIES OF THE CD PROJEKT GROUP
AND CD PROJEKT S.A. IN 2020**

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

This report was prepared in accordance with the GRI Sustainability Reporting Standards.

GRI 102-14

Esteemed Shareholders,

I hand over to you our annual report which outlines the most important year in our company's history and presents our 2020 earnings. We also continue to describe non-financial aspects of our activities in order to provide you with the broadest possible picture of our enterprise.

It would be difficult to summarize the past year in just a couple of sentences. Back in 2016, when unveiling our updated strategy for 2016–2020, we described our growth in the following way: *In our attempts to achieve breakthroughs and innovation, we are not afraid to enter uncharted territory, undertake risks and make mistakes. Creative curiosity calls for courage if one is to go a step further than the rest of the pack.*

Developing *Cyberpunk 2077* was, without a doubt, the biggest and most complex project we've ever engaged in. We did indeed enter uncharted territory and undertake risks. While not everything has gone according to our plans, from the creative standpoint we are proud of most of the pieces which make up the game. As for those we're not proud of – we are improving them, and will continue to do so.

From the business standpoint, we're satisfied with having been able to introduce a new franchise to the market in this difficult period, marred by the ongoing pandemic. We treat this franchise as the second pillar – next to *The Witcher* – upon which to build our Company's future for years to come.

Given the knowledge and experience gained in the recent months, we feel we should have handled certain matters differently. This sentiment is reflected by our strategy update, published in late March, which devotes much space to our nascent transformation. Its goal is to streamline our operations and allow us to more efficiently work towards our objectives. Allow me to underscore that we remain committed to pursuing breakthroughs and achieving true innovation. As before, we will not be afraid to enter uncharted territory, undertake risks, and make mistakes.

In our 26-year history, as co-owners and Board members, we have steered the Company through some difficult periods, each time emerging stronger and more experienced for it. We are deeply motivated to do so again.

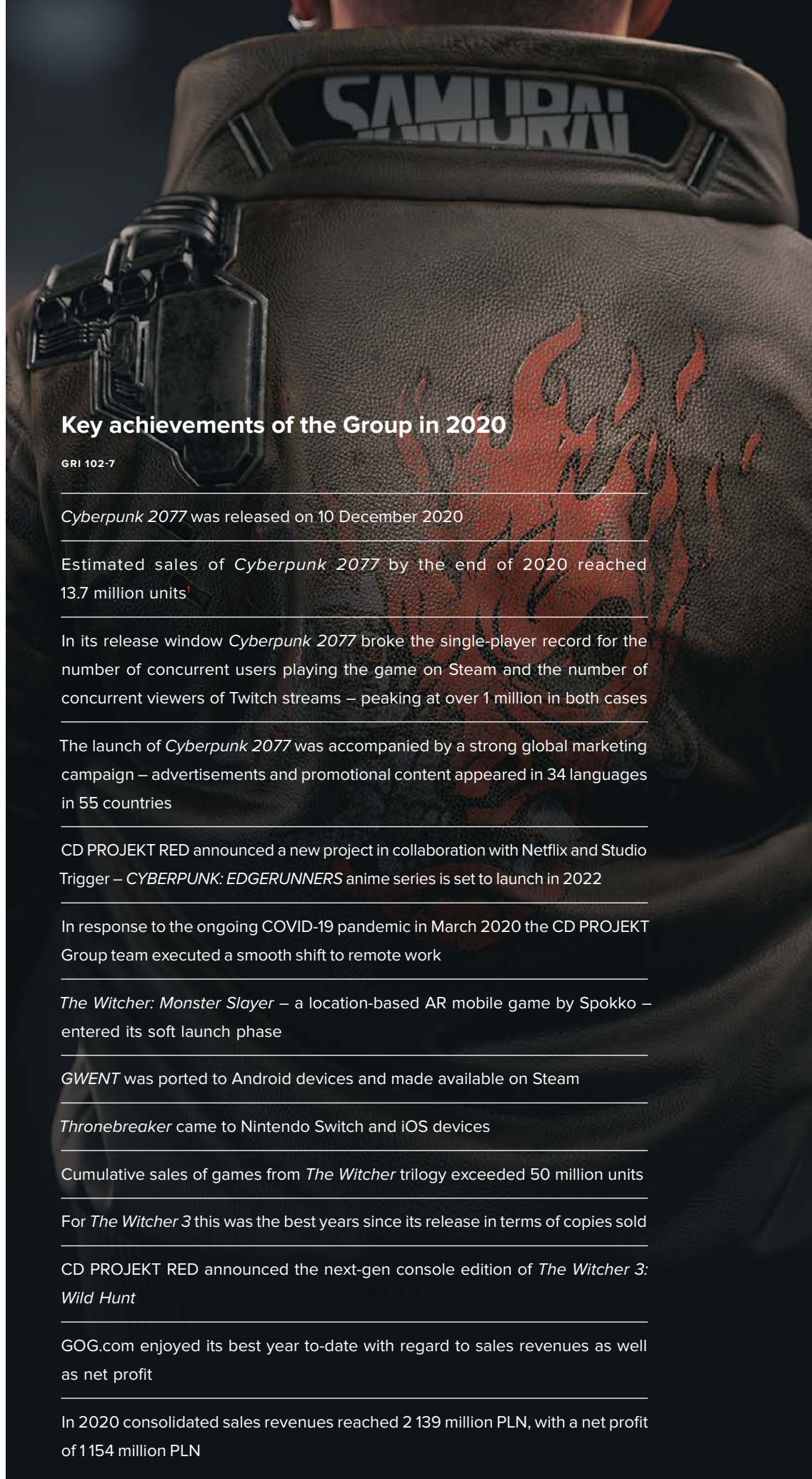
Respectfully,

Adam Kiciński



Table of Contents

6	Brief description of the CD PROJEKT Group
7	Activity profile
11	Stakeholder relations
14	Values, compliance and ethics
17	The CD PROJEKT Group as an employer
40	CD PROJEKT Group growth prospects
40	CD PROJEKT S.A. on the capital market
46	CD PROJEKT Group activity profile
47	Market environment
51	Organizational structure of the CD PROJEKT Group
53	Disclosure of business segments, products and services, outlets, suppliers and clients
79	Disclosure of external and internal factors affecting further growth of the CD PROJEKT Group
81	Disclosure of significant achievements in the scope of research and development activities
83	Disclosure of significant agreements
83	Risk management at the Group
100	Financial results of the CD PROJEKT Group
101	Overview of key economic and financial indicators disclosed in the consolidated and separate financial statement
130	Corporate governance
131	Entity contracted to audit financial statements
131	Shareholders controlling at least 5% of the vote at the General Meeting
132	Agreements which may result in changes in the proportions of shares held by shareholders and bondholders
134	Information regarding the control system of employee share programs
134	Disclosure of the purchase of own shares
135	Company shares held by members of the Management Board and the Supervisory Board
136	Management structure
137	Composition of the Management Board of CD PROJEKT S.A.
138	Changes in the composition of the Management Board of CD PROJEKT S.A.
138	Composition of the Supervisory Board of CD PROJEKT S.A.
139	Changes in the composition of the Supervisory Board of CD PROJEKT S.A.
139	Gross compensation of members of the Management Board and Supervisory Board of CD PROJEKT S.A.
143	Assignment of benefits to Management Board members
143	Compensation of Supervisory Board members
144	Changes in basic management practices at the Company and its Group
144	Corporate governance policies
145	Disclosure of significant legal proceedings



Key achievements of the Group in 2020

GRI 102-7

Cyberpunk 2077 was released on 10 December 2020

Estimated sales of *Cyberpunk 2077* by the end of 2020 reached 13.7 million units¹

In its release window *Cyberpunk 2077* broke the single-player record for the number of concurrent users playing the game on Steam and the number of concurrent viewers of Twitch streams – peaking at over 1 million in both cases

The launch of *Cyberpunk 2077* was accompanied by a strong global marketing campaign – advertisements and promotional content appeared in 34 languages in 55 countries

CD PROJEKT RED announced a new project in collaboration with Netflix and Studio Trigger – *CYBERPUNK: EDGERUNNERS* anime series is set to launch in 2022

In response to the ongoing COVID-19 pandemic in March 2020 the CD PROJEKT Group team executed a smooth shift to remote work

The Witcher: Monster Slayer – a location-based AR mobile game by Spokko – entered its soft launch phase

GWENT was ported to Android devices and made available on Steam

Thronebreaker came to Nintendo Switch and iOS devices

Cumulative sales of games from *The Witcher* trilogy exceeded 50 million units

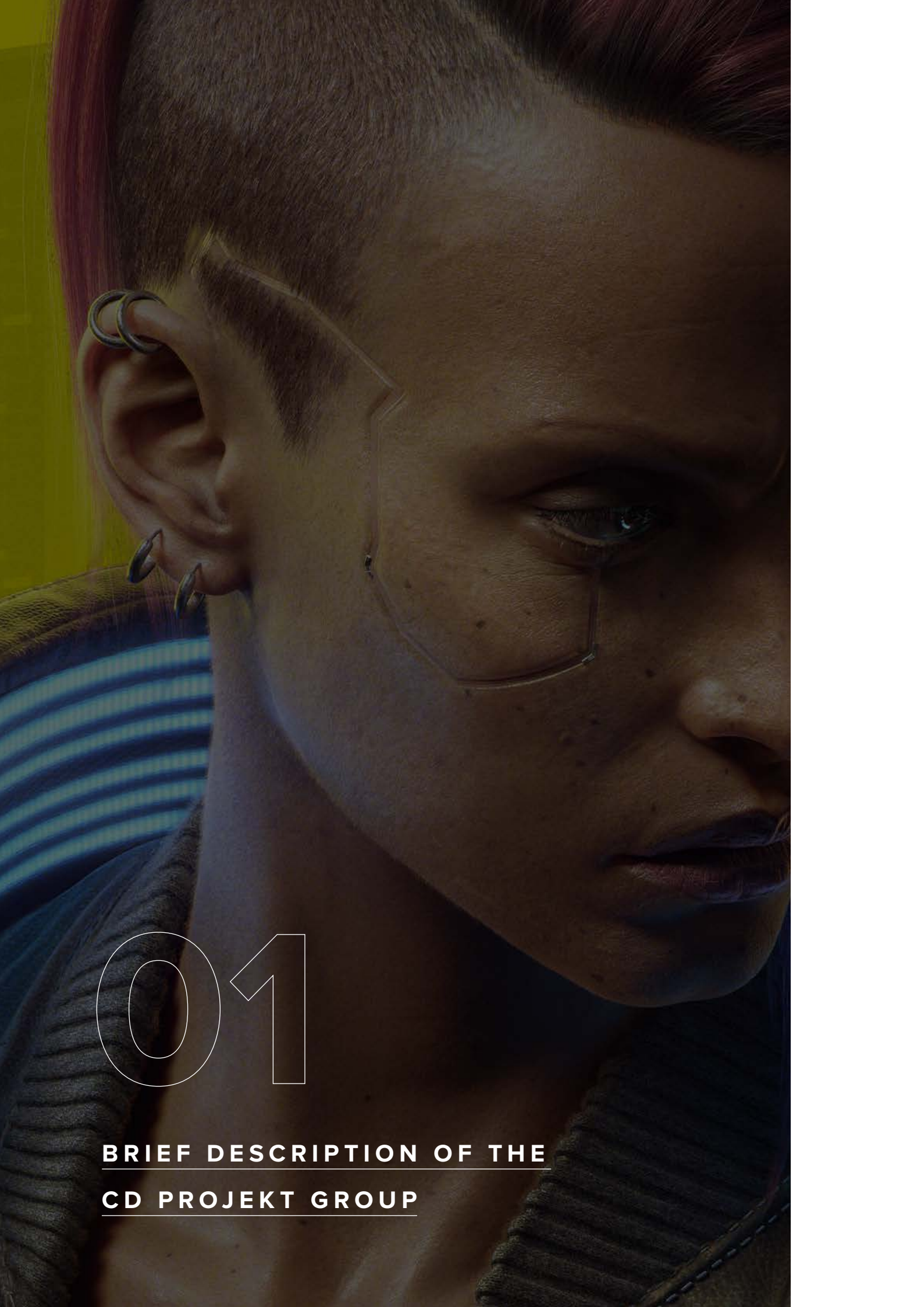
For *The Witcher 3* this was the best years since its release in terms of copies sold

CD PROJEKT RED announced the next-gen console edition of *The Witcher 3: Wild Hunt*

GOG.com enjoyed its best year to-date with regard to sales revenues as well as net profit

In 2020 consolidated sales revenues reached 2 139 million PLN, with a net profit of 1154 million PLN

¹ Sell-through figure – cumulative retail sales across all hardware platforms (factoring in returns in brick-and-mortar as well as digital storefronts)



01

**BRIEF DESCRIPTION OF THE
CD PROJEKT GROUP**

Activity profile

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-6, GRI 102-7

CD PROJEKT S.A. (also referred to as CD PROJEKT or the Company), headquartered in Warsaw, conducts business activities in the dynamically growing global digital entertainment segment. These activities have been ongoing for over 26 years under the CD PROJEKT brand name, and began by distributing foreign games in Poland (note that the corresponding activity segment, handled by the Group's CDP.pl subsidiary, was disaggregated in 2014). Pivotal moments in the Group's history came in 2002 with the establishment of the CD PROJEKT RED development studio, which initiated work on the Company's first major RPG² – *The Witcher* – as well as in 2008, with the launch of GOG.com.



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

² Role Playing Game – a storyline-driven game based on a consistent narrative.

CD PROJEKT RED

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

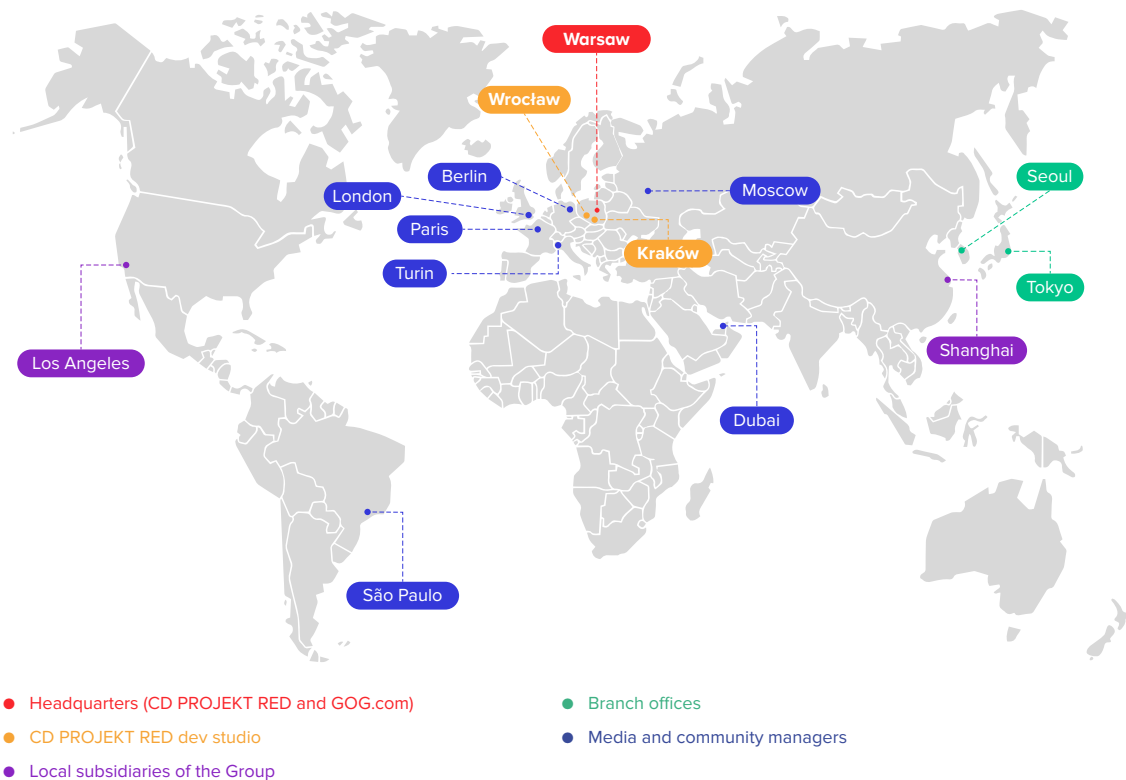
GOG.COM

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

During the reporting periods 96.3% of the CD PROJEKT Group's sales revenues were generated by exports. Throughout 2020 North America and Europe accounted for 70.2% and 16.6% of the Group's sales respectively. 90.9% of the Group's sales were carried out via digital distribution channels, including GOG.com as well as external platforms such as Steam, PlayStation Store, Xbox Games Store, Origin, Amazon, Humble Bundle, Epic Games Store and App Store.

Map 1 The CD PROJEKT Group around the world

GRI 102-4



GROWTH STRATEGY

In March 2021 a Strategy Update was published by the Group, defining its mission statement as follows:

- To create revolutionary story-driven RPGs, which go straight to the heart of gamers from around the world;
- To be counted among the world's top three video game developers;
- To ensure a lasting place for our brands in the global popular culture.

The document also charts three major areas where changes and growth is expected:

- RED 2.0 – the transformation of the studio will entail, among others, a change in its philosophy and approach to developing AAA games, implementing a more agile production cycle to enable parallel work on products representing two major franchises; changes in management practices and the work environment to foster expansion of the team and talent support, and changing ways in which the studio communicates with gamers;
- Brand development – going beyond AAA RPGs and exploiting the appeal of both *The Witcher* and *Cyberpunk* through new products, collaborations, media types and formats, in order to further enhance the reach, recognition and strength of both brands;
- Online development – changes in the long-term approach to online features in the CD PROJEKT Group's games and establishing them as an important component of the Group's release portfolio while using GOG GALAXY to support the growth and mutual communication of global gaming communities.

The Group's solid financial backbone is one of the elements which will support its further growth, enabling it to maintain creative independence and seek new ways of improvement, both as a business and as a studio – thus realizing its mission statement.

Aspects of the Strategy Update are explained in a [presentation](#) available on the Company website.

Chart 1 Videogame development business model at CD PROJEKT RED



* Proprietary brands: *The Witcher* and *Cyberpunk*

Stakeholder relations

The below groups of stakeholders have been identified by the Group due to the degree of their involvement in implementing the Group's business strategy, and the frequency of direct and indirect interaction.



Table 1 CD PROJEKT Group stakeholders

GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Description of involvement	Means of involvement / approach to involvement of the given group of stakeholders	Frequency of involvement	Key issues and problems raised by stakeholders
<p>Gamers (more)</p>	<p>Gamer relations are among the foundations of our success, which is why they're front and center in our activities</p>	<p>Proactive and reactive communication with gamers – both directly, at trade fairs and community events organized by the Group, as well as through gaming media and social media portals.</p>	<p>High – ongoing communication and participation in key trade fairs</p> <ul style="list-style-type: none"> ■ features of games and services offered ■ planned publishing and marketing activities (e.g. participation in meetups) ■ reviews and opinions regarding our products ■ availability of the Group's games and services
<p>Team (more)</p>	<p>A qualified and motivated team has a decisive impact upon ensuring top quality of the products offered, and upon building the Group's long-term value.</p>	<p>continuous dialogue – annual/ semiannual reviews, continuous feedback system, training courses, workshops and integration events, access to benefit programs and private healthcare subsidies. Employees are also eligible for participation in profit sharing under the incentive program in force at the Group.</p>	<p>High – continuous direct interaction, along with an anonymous reporting system in operation at the Company.</p> <ul style="list-style-type: none"> ■ suggestions / opinions w.r.t. workplace conditions, Company operations, stability and appeal of working for the Company ■ professional development capabilities / plans ■ knowledge exchange and grassroots initiatives
<p>Capital market (more)</p>	<p>As a publicly traded company we wish to be perceived in a favorable light and create added value for our shareholders, investors (both institutional and individual) and analysts.</p>	<p>We prioritize transparency – we publish detailed and clear information regarding our financial status as well as key events affecting our operations and our business. We engage in direct dialogue during meetings, conferences and telcos, and by replying to questions submitted – among others – via our dedicated investors' forum. We strive to ensure that the information published on our investor relations website is as clear as possible. We also operate a Twitter IR profile at @CDPROJEKTRED_IR.</p>	<p>High – continuous communication by email and phone, and publication of press releases and current reports; organizing and broadcasting annual General Meeting of Shareholders; participation in approximately a dozen international conferences and roadshows dedicated to investor relations.</p> <ul style="list-style-type: none"> ■ the Group's economic outlook ■ production and publishing plans ■ strategy and growth prospects ■ macroeconomic condition ■ competitive landscape ■ opportunities and risks

	Description of involvement	Means of involvement / approach to involvement of the given group of stakeholders	Frequency of involvement	Key issues and problems raised by stakeholders
Business partners and suppliers	Building strategic long-term relations with business partners and suppliers, based on mutual understanding and trust, as a means of ensuring product quality.	Individual business meetings; contracts rooted in fair cooperation principles and consistent with the internal policies of all parties concerned.	High – ongoing regular interaction	<ul style="list-style-type: none"> ■ daily matters related to cooperation and its rules ■ presentation of activities planned by either party
Media, opinion leaders and influencers	Media presence is important in the context of communicating with gamers, investors and other groups of stakeholders, and in maximizing the recognition of products, services and brands owned by CD PROJEKT RED and GOG.com.	Our PR, marketing and investor relations department carry out continuous interaction with media representatives, online content creators and opinion leaders. This interaction includes, among others, dissemination of press releases, organizing press conference, active social media presence and participation of Company representatives in industry events, interviews and expert panels.	High – ongoing interaction	<ul style="list-style-type: none"> ■ information concerning products, services and planned activities ■ information concerning financial results, business achievements and growth strategies ■ reviews and opinions regarding our products
Public authorities and regulatory bodies	Maintaining relations with public authorities and regulatory bodies is important in the context of ensuring smooth business activities.	We maintain constructive dialogue with public authorities and regulatory agencies, and seek their opinions with regard to regulations and policies which affect our activities.	Moderate – as mandated by legal provisions applicable to the Company and on a case-by-case basis, as required by either party	<ul style="list-style-type: none"> ■ compliance with the applicable norms, requirements and regulations ■ activities carried out in line with commonly accepted market standards
NGOs	Supporting worthy initiatives reinforces the socioeconomic context of our activities.	We participate in selected charity and educational activities (as a partner, sponsor, participant or consultant).	Low – depending on the Group's capabilities	<ul style="list-style-type: none"> ■ financial and substantive support for selected projects ■ involvement of Company representatives in events ■ encouraging team members to take part in social actions

Values, compliance and ethics

GRI 102-12, GRI 102-16, GRI 202-12, GRI 417-3, GRI 418-1, GRI 419-1

CORPORATE VALUES AND CULTURE

The Group's organizational culture is based on the premise of fair treatment for all stakeholders. We want our relations with shareholders, gamers and members of our team to remain transparent and ethical.

Core values which guide the Groups in its activities are as follows:

- Quality as our top priority
- Passionate team as our greatest strength
- Tolerance, fairness, and openness at our heart
- Independence as a requirement of creative freedom
- Gamer-centric approach



In our daily work we promote the following attitudes among members of our team:



The above values are a key aspect of our corporate identity, support us in pursuing our goals and help make CD PROJEKT unique. Values which guide us in our daily work are also an integral part of our employee evaluation system (see the description of our [internal evaluation and feedback system](#), elsewhere in this report).

CD PROJEKT strives to act in accordance with the applicable legal regulations and commonly accepted market practices, both global and local. To the best of the Company's knowledge throughout 2020:

- the Company was not in violation of any legal or socioeconomic regulations,
- no cases of non-compliance with market reporting requirements were identified,
- no complaints against CD PROJEKT were lodged with any institution charged with overseeing protection of personal data,
- no penalties were imposed upon the Company in association with customer privacy or data protection violations.

MEMBERSHIP IN ASSOCIATIONS

GRI 102-13

We actively participate in a range of initiatives. We are particularly involved in the activities of the Polskie Gry Association which aims to foster development and competitiveness of the national videogame segment on the international market. We are also a member of the Stock Market Issuers Association – which, among others, promotes further development of the Polish securities market.

PROCEDURES TARGETED AT COUNTERACTING CORRUPTION AND CONFLICT OF INTERESTS, AND NOTIFICATION MECHANISMS RELATED TO VIOLATIONS OF THE LAW AND PROFESSIONAL ETHICS CODES

GRI 406-1, GRI 205-3, GRI 102-17

In 2019 the Group instituted a procedure whereby violations of the law, procedures and ethics codes can be reported anonymously, and set up an internal channel for anonymously reporting such irregularities. The procedure specifies ways in which any actual or potential irregularities which constitute a breach of common law or of the procedures and ethics codes in force at CD PROJEKT S.A. can be reported. The procedure also institutes mechanisms through which the Management Board or the Supervisory Board can be directly notified of unlawful conduct, including:

- corruption,
- forgery,
- insider trading,
- accounting, fiscal or financial felonies,
- unfair competition.



The procedure also serves to protect whistleblowers – whether employees or collaborators of CD PROJEKT – against retribution, and particularly against repression, discrimination or other kinds of unfair treatment.

No violations of the law, procedures or ethics standards, including corruption, were identified at the Group in 2020.

Since 2017 an anti-mobbing and anti-discrimination policy has been in force at CD PROJEKT S.A. Enactment of this policy was accompanied by a series of training sessions. The corresponding procedure introduces the concept of "Designated Confidants" who should act as the first point of contact for employees in situations where mobbing or discrimination of team members is suspected. As of 31 December 2020 there were four Designated Confidants at CD PROJEKT S.A. In 2020 five cases of suspected mobbing or discrimination were investigated internally.

The CD PROJEKT Group as an employer

The videogame industry is characterized by strong autonomy of cooperating individuals and businesses. This is particularly true of creative aspects of the production process, such as storyboarding, conceptual design, artistic vision, 2D and 3D model design, animation, programming, sound recording and gameplay design. The outcomes of each stage often constitute distinct creative works in the sense of the Act on Copyrights and Related Rights. Given the specific nature of our environment, the Group's products and services rely to a great extent on collaboration with individuals who are not bound by standard employment contracts. Accordingly, the Company sees fit to extend the description of its workforce to include individuals who are not on the payroll, but nevertheless contribute to videogames and other services offered by the Group. In light of the above, this section provides a comprehensive description of a team of independent specialists who regularly collaborate with the Group and who directly influence its operations and growth prospects, regardless of their contractual ties to the Group (employment contract, contract for work, contract of mandate, permanent collaboration, appointment or any other type of contract used in countries where the Group's foreign subsidiaries carry out their core activities), and the duration thereof (indefinite contract, fixed-term contract, project, trial period etc.)



The fundamental document which regulates the rights and responsibilities of CD PROJEKT and its employees with respect to one another is the CD PROJEKT S.A. Work Regulations document. Its provisions are applicable to all employees, regardless of their position, employment duration or FTE involvement. Remuneration of employees is based upon the official CD PROJEKT S.A. Remuneration Policy, augmented by conditions for assigning annual bonus packages. The Company aims to attract, retain and motivate individuals who possess competences and experience deemed necessary for the Group's further dynamic growth – a key aspect of competing for talent on the global electronic entertainment market.

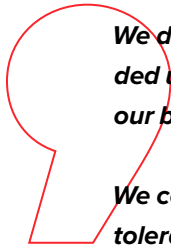
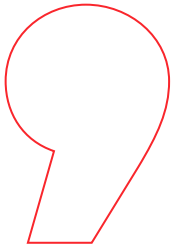
The Group considers its team to be its greatest asset. We employ people who are passionate about developing world-class products and services. Their talent, involvement and motivation represent the human capital of the CD PROJEKT Group. They, along with their creative ideas, are the force behind the Group's success. It is the Group's express aim to provide all employees with a safe and secure work environment, facilitating – among others – comfort, openness, personal growth and ongoing empowerment.

We regularly monitor the satisfaction of our team members and work to identify their needs, including through anonymous satisfaction surveys and an anonymous suggestion box. This analysis permits us to rapidly adapt our activities to the perceived needs, and to roll out successive improvements.

DIVERSITY

GRI 405-1

CD PROJEKT embraces diversity in the belief that a workplace which respects diversity is the cornerstone of openness and trust. This enables us to fully unlock the creative potential of our employees, which, in turn, translates into increased depth, innovation and appeal of our products. We also believe that diversity reinforces and enriches our organizational culture. This belief is enshrined in the CD PROJEKT S.A. Diversity Policy – an expression of basic values which apply to the Company and guide relations among its team members, key managers and members of the Management Board and Supervisory Board.



We deeply believe that our team is our greatest asset. The Company is founded upon the principle of fair play. We treat our employees, our gamers, and our business partners fairly in everything we do.

We combat all forms of racism, homophobia and xenophobia, as we believe tolerance is the foundation of creativity and innovation.

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

In 2020 CD PROJEKT RED became a laureate of the LGBT+ Diamond Awards 2020. These awards are presented to employers, activists and NGOs which act in the interest of the Polish LGBT+ community. CD PROJEKT RED received the All Colours of Tech 2020 awards for supporting LGBT+ individuals during the Pride Month in June 2020.



**DIVERSITY CHARTER
IN POLAND**
COORDINATED BY
RESPONSIBLE BUSINESS FORUM

Management and supervisory bodies

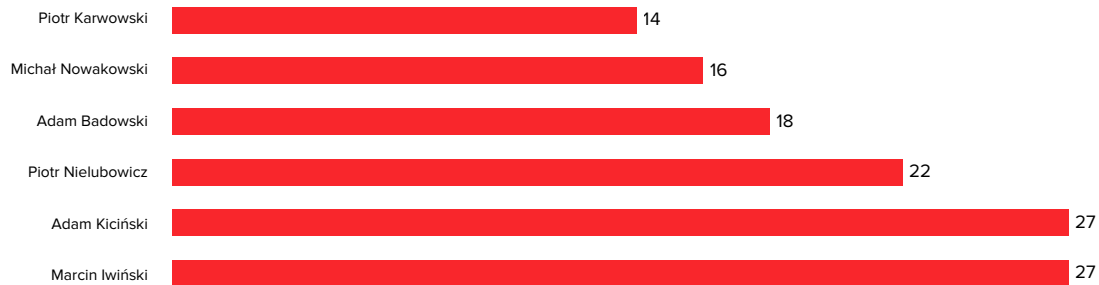
GRI 405-1

In line with the Company's Diversity Policy the Management Board and Supervisory Board of CD PROJEKT S.A., as well as the Company's key managers, maintain a measure of diversity which stems from the non-discrimination principle espoused by CD PROJEKT. The Company has consistently implemented a policy of filling executive and managerial positions with appropriately qualified, creative, experienced and educated candidates. The Company regards other factors, such as gender, as irrelevant in this scope.



Members of the Company's Management Board and Supervisory Board possess formal qualifications in disciplines such as management and marketing, finance, law and information technology. All members of the Management Board also possess longstanding experience in acting in a managerial capacity at companies which comprise the CD PROJEKT Group.

Chart 2 Tenure of incumbent members of the Management Board of the Company and other member companies of the CD PROJEKT Group (in years)



Both in 2020 and in 2019 the Management Board of CD PROJEKT was composed solely of men, while the Supervisory Board included one woman in the capacity of Chairwoman of the Supervisory Board.

Table 2 Composition of the Management Board and Supervisory Board of CD PROJEKT S.A. by gender and age

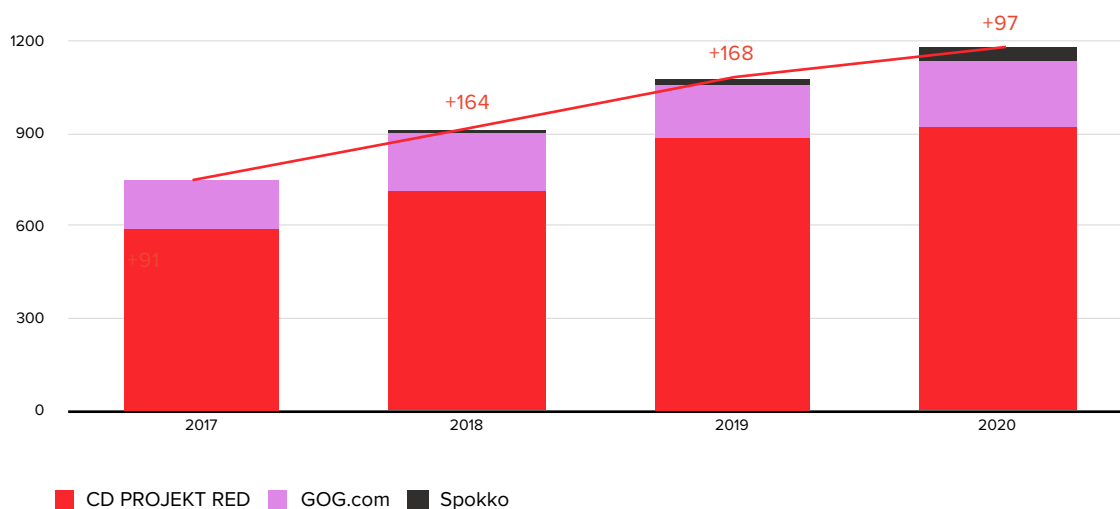
GRI 405-1

	CD PROJEKT S.A.	
	Management Board	Supervisory Board
No. of individuals	6	5
Women	-	1
30–50	-	1
Men	6	4
30–50	5	2
50<	1	2

EMPLOYMENT

GRI 102-8, GRI 102-41, GRI 401-1, GRI 401-3, GRI 405-1

Chart 3 Changes in employment structure at the CD PROJEKT Group between 2017 and 2020



At the close of 2020 the CD PROJEKT Group employed 1177 persons (9% year-over-year increase). CD PROJEKT RED accounted for 78.3% of this workforce, 18.2% was employed at GOG.com, while Spokko accounted for the remaining 3.5%.

Table 3 CD PROJEKT Group workforce by gender and age at the end of 2020

GRI 405-1

	CD PROJEKT RED	GOG.com
No. of individuals	907	214
Women	249	55
<30	95	20
30–50	154	35
Men	658	159
<30	234	62
30–50	422	97
50<	2	-

In 2020 the pace of growth of the CD PROJEKT Group's workforce slowed down in relation to the preceding years. This is a natural consequence of the timing of the final development phase of *Cyberpunk 2077* – the uptick in effort associated with the game's final development stage and release resulted in a lower number of new job offerings and a reduced capacity for recruiting and onboarding new employees.

Table 4 Aggregate number of new hires and expired/terminated contracts by gender and age*

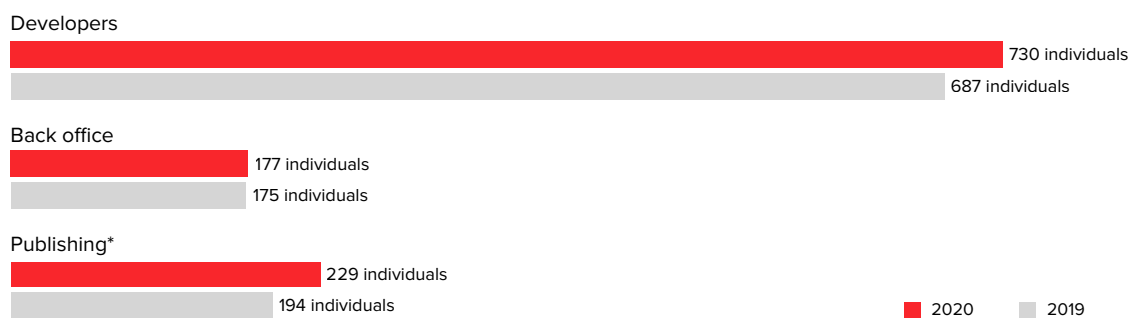
New hires	CD PROJEKT		GOG.com		Contracts expired/ terminated	CD PROJEKT		GOG.com	
Women	41		21		Women	24		6	
<30	21		9		<30	7		2	
30–50	20		12		30–50	17		4	
Men	73		48		Men	58		20	
<30	45		27		<30	27		9	
30–50	28		21		30–50	31		11	

* The discrepancy between the y-o-y increase in workforce count (77) and the data presented in this table is due to inclusion of contract which expired on 31 December 2020.

At the end of 2020 the vast majority of the team – 948 individuals (734 CD PROJEKT staff and 214 GOG.com staff) worked out of the Group's Warsaw offices. This represents an increase by 63 compared to the end of 2019. The Kraków branch employed 107 people (compared to 108 at the end of 2019) while the Wrocław branch grew to 43 persons (38 at the end of 2019). CD PROJEKT also operates offices in Los Angeles, Shanghai, Tokyo and Seoul, each tasked with coordinating local marketing and sales activities.

Table 5 Employment at CD PROJEKT RED dev studios at the end of 2018, 2019 and 2020

	CD PROJEKT RED studio in Warsaw	CD PROJEKT RED studio in Kraków	CD PROJEKT RED studio in Wrocław
2018	591	74	21
2019	713	108	38
2020	734	107	43

Chart 4 Employment structure at CD PROJEKT RED and GOG.com in 2019 and 2020

*The Publishing branch includes, among others, Marketing and PR, Business Development, Customer Relations, and Game Releases teams, as well as the CD PROJEKT RED Gear team

64% of the CD PROJEKT Group workforce consists of developers employed by CD PROJEKT RED and working on the Studio's releases (including games set in *The Witcher* and *Cyberpunk* universes), and employees of GOG.com working on its digital distribution platform, on the GOG GALAXY 2.0 application and on support and maintenance of *GWENT* online services.

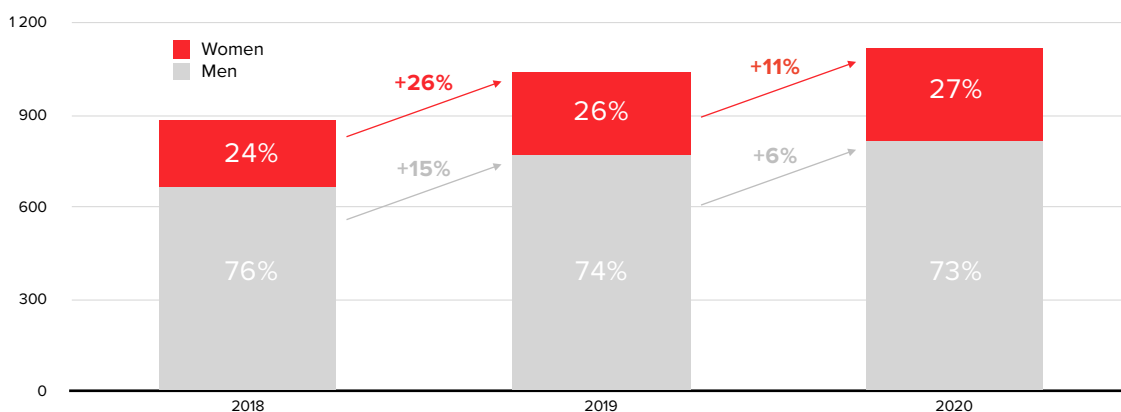
CD PROJEKT RED stands apart from other videogame development studios in that it also operates an extensive internal publishing department. At the end of 2020 this department had a staff of 160, and consisted of five teams:

- marketing, which issues general strategies and coordinates the marketing and promotional activities carried out by our foreign partners;
- PR, which shapes our corporate image through persistent communication with gamers and gaming media;
- business development, which oversees relations with business partners and supervises publishing and sales of our products;
- legal, which provides support for teams involved in development, promotion and distribution of our games with regard to – among others – concluding contracts, granting licenses, making use of intellectual property, and processing personal data;
- production, which coordinates the process of manufacturing components of box editions of videogames and other gadgets, as well as the logistics and supply chains between factories and distributors in various countries.

In addition, Group member companies employ a broad range of specialists in the fields of accounting, finance, law, taxation, administration, HR, recruitment, payroll, training, systems management, investor relations and IT. Altogether, this team ensures smooth operation of the entire organization and provides the necessary support for developers of videogames and services created by the Group.

At the close of 2020 women represented 27% of the aggregate workforce of CD PROJEKT and GOG.com. This is more than at the close of 2019, and also more than the Polish videogame industry average, estimated at 26%³.

Chart 5 Employment at CD PROJEKT and GOG.com by gender; 2018–2020

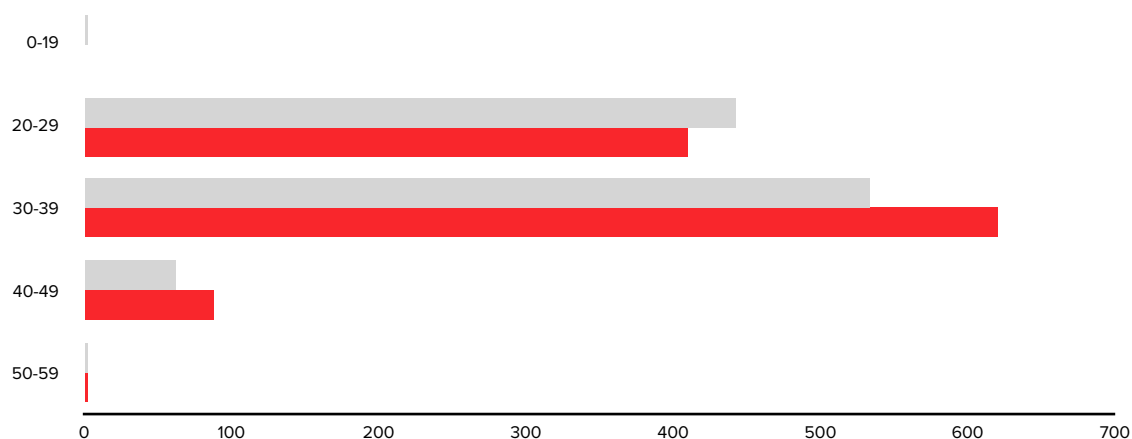


³ Kondycja Polskiej Branży Gier 2020 (The State of the Polish Videogame Industry), Krakowski Park Technologiczny, p. 125, kpt.krakow.pl/wp-content/uploads/2020/12/kpbg2020.pdf

Table 6 Number of employees on parental leave in 2020

	CD PROJEKT	GOG.com
Women	23	6
Men	5	3

The average age of CD PROJEKT and GOG.com employees reflects current global videogame development market trends. More than half of the workforce (53%) falls within the 30–39 age bracket. The second largest group – employees aged 20–29 – represents 37% of our workforce. In 2020 the average employee age at the Group was 32.

Chart 6 CD PROJEKT and GOG.com workforce by age bracket at the close of 2019 and 2020

Foreign nationals represent 23% of the CD PROJEKT and GOG.com workforce. As of 31 December 2020 these companies employed individuals from 45 countries. The largest foreign groups hail from Ukraine (29 people), Russia (26 people), the United States (21), the United Kingdom (18 people) and Spain (17 people). CD PROJEKT operates an internal relocation department which helps foreigners move to Poland and assists them during the initial months of their stay.

Table 7 Foreigners employed at the end of 2019 and 2020

	CD PROJEKT RED	GOG.com
2019	211	17
2020	226	30

At the close of 2020 CD PROJEKT and GOG.com employed five disabled individuals.

For team members who have special mobility or health requirements, the Company makes every effort to individually adapt the workplace configuration and conditions to suit their specific needs and capabilities.

No trade unions or collective agreements are currently in place at the CD PROJEKT Group.

BENEFITS AND INCENTIVES

GRI 401-2, GRI 403-6

In addition to standard remuneration, each employee of the Group is also entitled to a range of benefits, depending on their workplace location.



Healthcare – The Company provides either full or partial coverage of health insurance packages offered by private national providers, including ENEL-MED, LUXMED and MEDICOVER. This coverage also extends to the employees' life partners and family members.



Sports and fitness activities – We offer Benefit and Multisport packages, enabling access to popular sporting and fitness venues throughout the country, including swimming pools, gyms, dance schools and many others.

The Warsaw offices are also equipped with a gym, available around the clock and staffed by a personal fitness trainer. During the pandemic its activities have been restricted.



Flextime – CD PROJEKT RED supports flextime. Team members may report for work between 8:00 and 10:00 a.m.



Library – The internal CD PROJEKT library offers a wide selection of books, games and movies. In 2020 the library was expanded with nearly 50 items and numbered 908 items at the end of the year (630 books and 278 games).



Dogs at the office – For several years, CD PROJEKT has been a dog-friendly employer. Any employee may bring their four-legged friend to work as long as certain basic requirements are met. Such companionship fosters interpersonal relations, improves cooperation and builds synergies among employees.

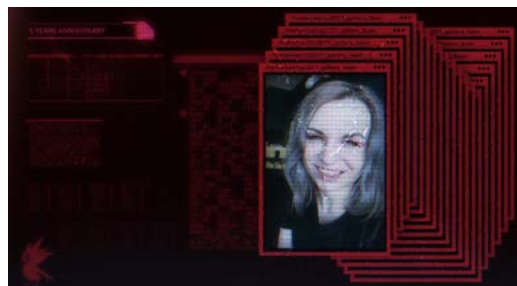


Events – Integration events and meetups are held several times a year. The Company also organizes numerous presentations and courses to help employees develop their personal skills and pursue hobbies. We also organize blood drives.

Due to the pandemic situation, the number of events in 2020 was lower than the year before, and most were held online.



Online events included our annual holiday meetup, which is a recurring highlight of the Group's calendar – in 2020 it was combined with an internal event celebrating the release of *Cyberpunk 2077*. Special gifts were presented to people who had been affiliated with CD PROJEKT for 5, 10, 15 and 20 years respectively. In 2020 79 people were acknowledged in this manner (5 years: 58 employees; 10 years: 13 employees; 15 years: 7 employees; 20 years: 1 employee).



In addition to companywide events, both CD PROJEKT RED and GOG.com organize internal or cross-departmental outings financed by the Company.

TRAINING AND CAREER DEVELOPMENT

GRI 404-1, GRI 404-2, GRI 404-3

CD PROJEKT Group member companies strive to provide their respective teams with the best possible employment and professional development conditions.

On the first day of their employment each team member undergoes the so-called onboarding procedure. They are familiarized with the Company's history, values, culture and workplace regulations. They receive information regarding the way the Group conducts its business, our IT systems, data security policies and legal aspects of investing in CD PROJEKT shares. They are also advised of the bonuses and social incentives offered by CD PROJEKT. Following the main onboarding session, the newcomer participates in further training organized by specific departments – covering issues such as IPR, copyright protection, circulation and protection of inside information, restrictions associated with employment at a publicly traded company, GDPR regulations and auxiliary systems for processing mail or invoicing expenses to CD PROJEKT. Due to the ongoing COVID-19 pandemic in 2020 most onboarding events were organized online.



Members of the CD PROJEKT Group are also provided with career advancement opportunities, e.g. through participation in training courses, market events and Polish language classes for foreigners.

CD PROJEKT RED

The training programs offered by CD PROJEKT RED are available to developers as well as to back office workers. The permanent offer focuses on drawing and language courses. In 2020 most training sessions were held online.

In 2020 21 foreign employees participated in Polish language courses over a total of 624 academic hours. The Studio also organizes English language courses for its back office workers. In 2020 these courses attracted 42 participants. On average, 87 classes were held each month, yielding a total of 1008 academic hours.

In 2020 the Studio also organized a series of Insights Discovery workshops which aid employees in describing their individual activity profile and seek optimal paths for career development. Additional training sessions focused on circulation and protection of inside information, GDPR and copyright issues, electronic document flow and other corporate systems.

In 2017 CD PROJEKT RED introduced a 12-month managerial development program (called the Manager Academy) offered in Polish as well as in English. This program carried on in 2020, with approximately 72 academic hours, attended by 28 participants.



Throughout the reporting period the Company continued its Empowered program, launched in 2019. Empowered is aimed at all employees who supervise internal teams: managers, leads, coordinators, directors and producers at CD PROJEKT RED. The project's aim is to assist in the career development of managers in a creative environment, taking advantage of current trends and the outcomes of scientific research.

In 2020 we launched a new training and personal development platform called HR Skill Tree. It enables users to sign up for training courses, conferences and industry events, follow the course of development-oriented meetings organized with HR Partners and access internal training and educational content.

Altogether, 1410 academic hours of training courses were organized in 2020, attracting 415 participants. The average training budget per employee was 1 909 PLN.

GOG.com

Much like the CD PROJEKT RED team, the GOG.com team has access to drawing classes and language courses. In 2020 nearly 45% of the total number of foreigners employed at GOG.com participated in Polish language courses.

Throughout 2020 GOG.com organized training and workshops devoted to agile development, product ownership, stress management and various aspects of security. A managerial training course, lasting two months, attracted 25 participants. Additional training focused on managerial skills, communication profile tests and consultations for interested participants.



TEAM COMMUNICATION

GRI 402-1

There are multiple channels of communication between the Group and its employees. As a result, employees can receive up-to-date information on ongoing changes and the Group's growth plans.

Each year internal presentations of the Group's annual and semiannual earnings are held, with Management Board members describing the results for the given period, outlining plans for the near future and answering questions from the audience. In 2020 these events were organized online.

In response to the COVID-19 pandemic and the shift to remote work, affecting the vast majority of the team, in April 2020 the Company launched an internal series of podcasts titled "In Touch". These podcasts feature discussions held by Marcin Iwiński, co-founder and Vice President of CD PROJEKT for international relations, with other members of the Board and directors of each department. Discussion topics include current events at the Group and its plans, especially those related to the release of *Cyberpunk 2077*. Eight "In Touch" podcasts took place in 2020.



As of the publication date of this report the Company is in the process of organizing a new advisory body to the Board, advocating the interests of CD PROJEKT S.A. employees – RED Teams Representatives (RTR). It will consist of 12 team members representing all activity areas at CD PROJEKT, elected in anonymous ballots. RTRs will hold regular meetings with the Board to address topics of importance from the team’s viewpoint, discuss solutions and recommend actions.

EVALUATION AND FEEDBACK SYSTEM

GRI 404-3

CD PROJEKT cares about the development of its team members’ competences and believes in the power of feedback in the context of corrective actions and further growth.

Both CD PROJEKT RED and GOG.com have established formal feedback channels and the associated annual incentive programs.

At CD PROJEKT RED, as part of their monthly and quarterly evaluations, team members may receive special prizes – goblets and Rarog Birds – depending on the quality of their individual contributions, attitude and dedication to their work. These prizes subsequently affect individual annual bonuses.

In 2020 team members received a total of:



Employees are able to evaluate mutual collaboration by providing feedback for members of other teams, and may also request feedback themselves.

BONUSES AND PROFIT SHARING

GRI 401-2

An important aspect of the Group’s philosophy is to ensure that all team members partake in its financial result. In recent years, pursuant to Board decisions, up to 10% of our net profit has been allocated to bonuses and split among all employees on the basis of individual arrangements or with deference to employment tenure, position, hours put in during the given year, individual achievements and accolades received in the framework of the feedback system.

INCENTIVE PROGRAM: ENTITLEMENT TO CLAIM COMPANY SHARES

The Group has instituted an incentive program to persons regarded as particularly important for the Company and other member companies of the Group. Participants may be entitled to take up Company shares at their historical price, determined upon entry of the program into force. Vesting of the program is contingent upon meeting certain criteria related to the Group's earnings, increases in stock price, or – in selected cases – individually defined goals. The program may cover a maximum of 6 years (2020–2025). Altogether, up to 4 million individual entitlements may be assigned under the program. Further details are provided later on in this report.

EMPLOYEE PENSION PLAN

GRI 201-3, GRI 401-2

The Employee Pension Plan (EPP) is an optional, private pension fund aligned with the so-called Third Pension Pillar. It is conceived as a long-term savings scheme, to which contributions are made by the employer and optionally also by the employee.

The Employee Pension Plan was instituted at CD PROJEKT S.A. and GOG Sp. z o.o. in December 2019. The employer covers the base contribution for employees who meet tenure criteria (3.5% of salary), while the employee is able to declare an additional contribution in the amount of their choosing (minimum 50 PLN). At the end of 2020 74% of the eligible employees of CD PROJEKT S.A. and 58% of the eligible employees of GOG Sp. z o.o. were enrolled in EPP. The plan is managed by NN Investment Partners TFI S.A.

Employees of our Los Angeles bureau participate in CD PROJEKT Inc.'s 401(k) plan, which is another type of employer-supported individual voluntary and supplemental insurance plan. It is currently the most popular type of pension plan in the USA, enabling funds to be collected in the framework of Internal Revenue Services (IRS) procedures. 401(k) is envisioned as a long-term plan, with contributions remitted by employees and matched – in whole or in part – by the employer.

The CD PROJEKT Inc. 401(k) plan was launched in January 2016. With regard to employees who meet tenure criteria, the employer commits to fully match their personal contributions up to a maximum annual amount equivalent to 6% of gross remuneration. The employee may make additional contributions within the limits defined by IRS for the given year. At the end of 2020 nearly 100% of eligible employees of CD PROJEKT Inc. participated in the plan. The collected funds are managed by American Funds Distributors, Inc.

EMPLOYER BRANDING

Throughout 2020 CD PROJEKT continued to promote its image as a desirable employer, offering an exciting environment in which to further one's professional career. These activities were targeted externally, at students and professionals, as well as internally, at the Company's current employees.

OUR OFFICES

GRI 403-7

CD PROJEKT emphasizes the need to ensure comfortable working conditions. The Group's premises are designed in such a way as to combine modern technology with elements of the natural environment, foster collaboration, enable focus and support creativity.

The headquarters of the CD PROJEKT Group are located in Warsaw. They are equipped with the necessary infrastructure to develop and publish top-quality videogames, including a full-fledged professional motion capture studio, nine sound studios, a video recording studio and three seminar rooms (including a drawing room). The premises also include appropriately furnished common spaces, two canteens with full catering support, conference rooms, social areas, chillout zones and a gym.

Following the purchase (in Q4 2019) of the commercial campus at Jagiellońska 74 in Warsaw, both the buildings and the intervening space are being remodeled to ensure that the Warsaw offices of CD PROJEKT are vibrant, comfortable and well adapted to the needs of the Group's growing team.



CD PROJEKT also operates offices in Kraków in Wrocław, staffed by autonomous development teams, as well as offices in Los Angeles, Shanghai, Tokyo and Seoul.

We care about the decor of our offices and follow the innovative biophilic design trend which aims to reintroduce aspects of nature to our work and living spaces. To foster a healthy and friendly environment we resort to natural materials when furnishing our premises. Elements which accentuate the natural environment are applied in various configurations – this includes plant life, natural lighting (where possible) and wooden decorations. Numerous studies have confirmed that integrating natural elements into workplace design increases team productivity, creativity and morale. Offices dominated by natural materials may also lessen physical fatigue among workers and improve their sense of well-being.

When furnishing our offices we care for the employees' comfort and work hygiene. All office chairs are fully adjustable (this includes armrests, elevation and back support). Employees with special medical needs are provided with adjustable desks. We also provide adjustable monitors (including custom supports for employees with special needs) to ensure an ergonomic position. Each room is equipped with adjustable lighting. Our Warsaw premises include two chillout zones, with hammocks, padded seats, cushions and comfortable chairs.



WORKPLACE SAFETY AND OCCUPATIONAL MEDICINE

GRI 403-1, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-8

All team members employed under standard contracts of employment undergo pre-employment health examinations. Additional examinations are also administered at regular intervals, depending on their work profile. The Group collaborates with three medical networks which provide occupational medicine services.

On the first day of their employment new employees undergo basic workplace safety training using e-learning channels (valid for 1 year for administrative and office staff, and for 6 years for managerial staff). The Company also carries out periodic training (valid for 6 years for administrative and office staff, and for 5 years for managerial staff).

A Workplace Safety and Hygiene Commission has been established at CD PROJEKT, representing the interests of all employees. This advisory organ assists the employer and concerns itself with compliance and improvements in the scope of workplace safety and hygiene. The Commission consists of 6 people – three representatives of the employer and three staff representatives (elected by all employees). It holds regular meetings on an at least quarterly basis.

The Group employs a Senior Workplace Safety Inspector, who is also a member of the Workplace Safety and Hygiene Commission as one of the employer's representatives.

ENVIRONMENT

For many years the CD PROJEKT Group has been investing in systems which can help reduce the consumption of energy and water at our premises, improve recycling and create additional green zones around our buildings. Many such environmentally conscious projects were underway in 2020, and continue to be implemented.

Altogether, in 2020 the Group spent approximately 2.5 million PLN on pro-environment investments, which are detailed later on in this section.

In 2020, in order to minimize environmental risks, Group member companies whose activities have the greatest potential impact on the natural environment carried out environmental audits. In parallel, acknowledging the growing importance of the Group's environmental footprint, including its impact on climate change, for our shareholders, in late 2020 the Management Board initiated work on deploying an integrated environment management system at the CD PROJEKT Group, with a view towards applying for environmental certification. In this context the Company plans to issue, among others, an official Environmental Policy and Declaration which will specify environment-related goals for the Group as a whole.

This report marks the first time the Company has specifically identified risks related to the natural environment, including climate change. A description of risks and actions undertaken by the Company to mitigate them can be found in a separate [section devoted to risk management](#), elsewhere in this report.

Project Green – purifying the air

In July 2018 an innovative, dedicated infrastructure was deployed at the Warsaw headquarters of CD PROJEKT with the aim of providing high-quality clean air inside the building and beautifying its internal spaces. The installation includes approximately four thousand plants, some of which are planted in active pots with forced air circulation, while special sensors measure CO₂ levels, pollutant concentrations, temperature and humidity. Improving air quality, reducing noise and decorating offices with plants is intended to improve working conditions, enhancing the well-being of employees and contributing to their productivity – as attested to by an internal survey.

The infrastructure also provides a recuperation area for damaged plants (so-called "plant hospital") – a special shelf with around a dozen lamps providing energy. We also periodically organize an event called "Veteran" where employees may claim office plants for their own.

Following our purchase of the property complex at Jagiellońska 74 (in 2019) we began adapting its outside spaces for our purposes. Thus far we've stripped a total of 542 square meters of concrete, replacing it with greenery – 37 trees and over 4.5 thousand shrubs and perennials in total. Such activities serve to expand biologically active areas which improves natural water retention.

Water

Disposable plastic products represent a serious environmental threat. The CD PROJEKT Group has joined initiatives which aim at reducing the use of such products in the Company's daily activities. Since 2018 the Warsaw HQ has been successively deploying compact self-contained water purification systems with inbuilt mineralization tanks. This solution resulted in a significant decrease in the quantity of plastic bottles supplied to the office. In 2020 5 582 bottles were delivered to our Warsaw offices and 2 406 to our Kraków offices – mostly containing carbonated water.

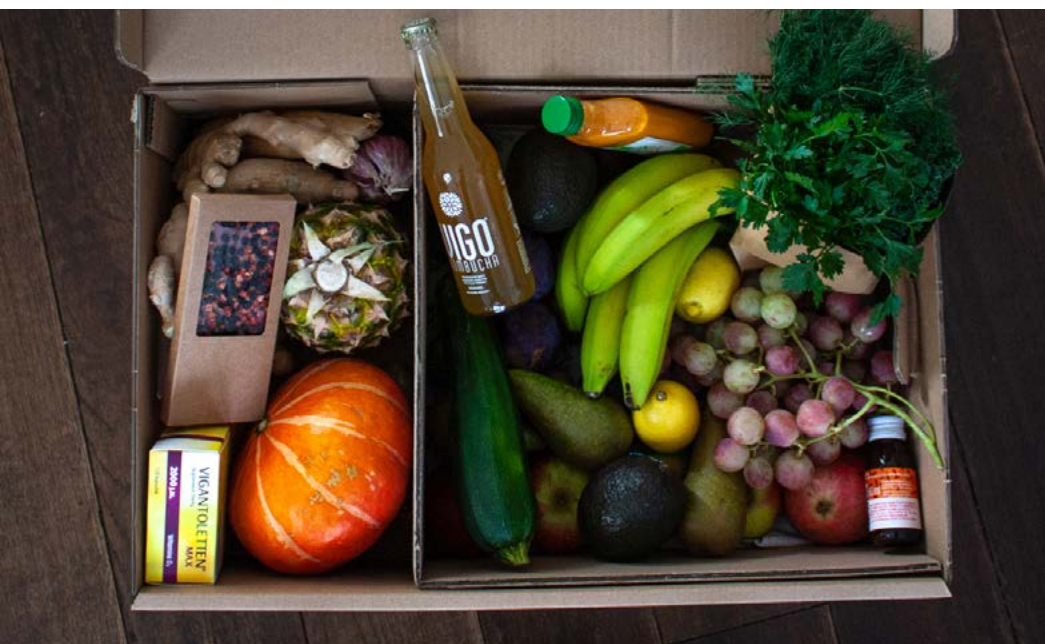


In February 2021 all standalone water coolers were replaced with models capable of dispensing carbonated water, further reducing our reliance on bottled water.

Other amenities

The Warsaw premises of the Company include two internal canteens: a vegetarian/vegan canteen and a meat-serving canteen. Both are committed to using high-quality ingredients sourced from regional suppliers wherever possible. Due to our shift to the home office model, necessitated by the pandemic, and the corresponding decrease in the number of people physically present at our offices, the activity of both canteens has been temporarily restricted.

Given our shift to the home office model deliveries of fresh fruits to our offices were suspended in March 2020. In exchange, in October we organized an event called Power Up Box where batches of fruits were delivered to our employees throughout Poland.



The Warsaw campus is equipped with a modern gym (192 sq. m. total area), available around the clock and staffed by a personal fitness trainer. During the pandemic period its operation has been restricted.

Transportation

The Warsaw headquarters of CD PROJEKT are conveniently located and easily accessible by public transit and bike paths.

We provide a range of improvements for employees who use alternative means of commuting. Bicycle stands have been set up on our campus. Given the observed increase in the number of employees who prefer to commute by bike, we regularly expand our bicycle parking area.

We also support using electric vehicles to commute. In 2020 the number of electric car charging stations was increased to 8.

Consumption of energy and raw materials, and waste management

CD PROJEKT – we conserve energy

We diligently work to decrease the energy and water consumption at our offices. As we upgrade the office space at Company premises, we make sure to deploy modern solutions which reduce our energy and water footprint. We also regularly participate in events which draw attention to environmental protection issues, such as Earth Day.

Energy consumption

GRI 302-4

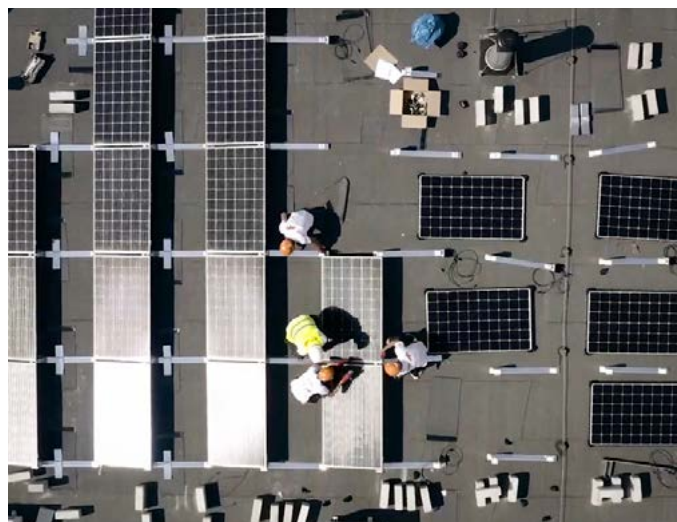
In 2015 a modernized LED-based lighting infrastructure was deployed at our premises. The vast majority of our light fixtures are flicker-free and equipped with microprism collars ensuring high comfort for our employees. In the largest and most important spaces throughout the fixtures enable light stream modulation – this adds convenience and improves energy efficiency. Another important aspect of our light fixtures is their enhanced color fidelity, which, coupled with adjustments in source intensity, improves the employees' well-being and comfort. When properly adjusted and directed, light may have a beneficial influence, mobilizing and preventing the onset of depression in the fall and winter seasons. It also helps maintain the correct circadian rhythm when little natural light is available.

In 2020 we continued to upgrade the lighting systems inside our buildings, and we also began replacing external fixtures with LED lamps.

We continue to replace obsolete air handling units with modern devices equipped with air recuperation features and air filters.

As we work to renovate the recently purchased office complex at Jagiellońska street, in 2020 we equipped two buildings with adjustable blinds to mitigate ambient heat in summertime, reducing the need for air conditioning and the associated energy consumption. We also upgraded the thermal insulation of one of our buildings, which will further reduce the need for both heating and cooling.

In August 2020 a total of 328 photovoltaic panels were fitted on four of our buildings, providing 100 kW of peak power. Between September and December 2020 a total of 15.44 MWh of energy was generated in this way.



Water consumption

To limit our water consumption, all kitchens located on CD PROJEKT premises are equipped with energy-efficient dishwashers, while touch-free basin mixers are installed in toilets – these not only reduce water consumption but are also more hygienic than traditional arrangements.

The Warsaw campus of CD PROJEKT sources its water from the municipal grid.

Waste management

GRI 306-2, GRI 306-4

All our offices comply with official recycling regulations. Since the beginning of 2020 we proactively segregate waste into paper, glass, metals and synthetics, biological waste and mixed waste. Five recycling bins were installed per office, completely replacing individual waste bins next to each desk. Each kitchen is also equipped with clearly labeled recycling bins, while paper waste bins are provided next to each printer.

We collect and safely dispose of all forms of documentation, whether paper-based or stored on magnetic storage media.

Spent batteries, obsolete electronic equipment and toner cartridges are selectively recycled. Such materials are turned over to organizations which specialize in recycling them. In 2020 we generated a total of 406 tons of non-hazardous waste, 404 of which resulted from construction work, renovations and other investments carried out around our Warsaw campus. No hazardous waste was generated during this period.

Since 2020 we have been composting coffee grounds (also known as coffee cake), which are converted into fertilizer for our plants.

CHARITY AND SPONSORSHIPS

GRI 203-1

All donations to charitable causes are carried out in the framework of grassroots initiatives, depending on the perceived needs, while also mindful of their alignment with the Company's values and the CD PROJEKT S.A. Sponsorship Policy.

In March 2020, we joined the fight against the coronavirus by donating 4 million PLN to the Great Orchestra of Christmas Charity, whose expertise and longstanding experience ensured proper allocation of these funds. Half of this amount came directly from CD PROJEKT S.A. while the other half was privately contributed by the major shareholders and Board members of CD PROJEKT S.A.

In September we donated 200 thousand PLN to Campaign Against Homophobia (CAH) – a non-governmental organization working in the interest of human rights. We also added a selection of rainbow-themed T-shirts (called Rainbow RED) to our CD PROJEKT RED Gear store, with a portion of the proceeds going to CAH.

Much like in the previous years, in December 2020 CD PROJEKT RED and GOG.com employees took part in the annual Christmas Charity drive, collecting donations for the needy and for animal welfare. Due to the ongoing COVID-19 pandemic, in 2020 we decided to support the medical personnel at the Bielany Hospital, funding a total of 348 meals. We also collected over 8 000 PLN for the Paluch animal shelter by selling themed

calendars, with all proceeds going directly to the shelter.

In 2020 we became involved in the second edition of the Gra Paczka charity auction (organized by the Szlachetna Paczka charity), donating collector's editions of *Cyberpunk 2077* and *The Witcher 3* along with a selection of related gadgets.



CD PROJEKT Group growth prospects

GRI 102-15

The CD PROJEKT Group conducts its business in the global videogame market which is among the fastest growing branches of the global economy. Newzoo – respected analysts of the videogame and e-sports markets – estimate that by 2023 the global videogame market will have expanded to 217.9 billion USD.⁴ According to PWC's "Global Entertainment & Media Outlook 2020–2024"⁵ report, the cumulative annual growth rate (CAGR) of the videogame and e-sports markets for the 2020–2024 period is estimated at 6.5%, making them the third fastest growing media and entertainment segment following VR and OTT services⁶.

The growth outlook of the Group is affected not only by the increasing popularity of this form of entertainment as an approachable and attractive mass market offering, but also by the increasing sophistication and realism of products offered, increasing availability and affordability of gaming hardware, new methods of engaging potential gamers and new game distribution channels.

CD PROJEKT S.A. on the capital market

GRI 102-5, GRI 102-10

The CD PROJEKT brand has been present on the Warsaw stock exchange since 2010, when – as a result of an investment agreement concluded in 2009 by CDP Investment sp. z o.o.⁷ and Optimus S.A., along with their respective shareholders – Optimus purchased 100% of shares in CDP Investment while existing shareholders of CDP Investment acquired Optimus S.A. shares. The formal merger between both companies was carried out in December 2010.

100 738 800 Company shares are traded on the Main Market of the Warsaw Stock Exchange under the continuous trading system. Key shareholders of CD PROJEKT S.A. are its co-founders – Marcin Iwiński and Michał Kiciński. Other major shareholders who are also members of the Company's Management Board are Adam Kiciński – President of the Board, and Piotr Nielubowicz – Vice President and CFO. Free float accounts for 66.5% of shares of CD PROJEKT S.A. stock.

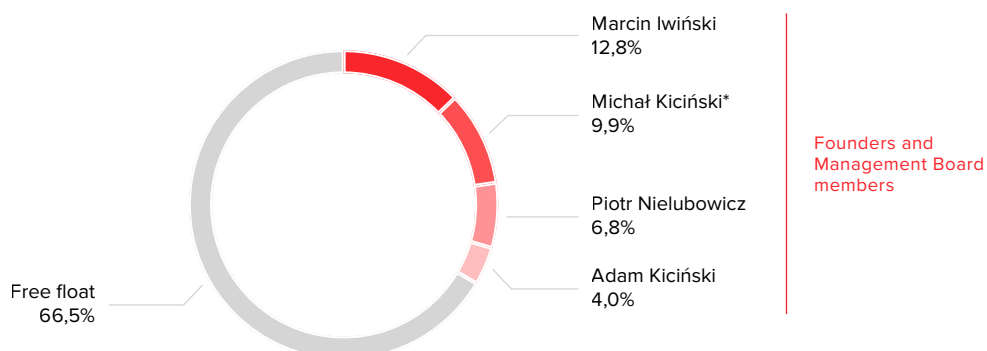
4 Global Game Revenues Up an Extra \$15 Billion This Year as Engagement Skyrockets, Newzoo, 4 November 2020, accessed on 20 February 2021, [newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/](https://www.newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/)

5 Perspectives from the Global Entertainment & Media Outlook 2020–2024, PWC, accessed on 10 February 2021; abridged version available at [pwc.com/gx/en/entertainment-media/outlook-2020/perspectives.pdf](https://www.pwc.com/gx/en/entertainment-media/outlook-2020/perspectives.pdf)

6 Over-the-top services: delivery of paid video, audio and other media content online (e.g. Netflix)

7 Former CD PROJEKT group holding company

Chart 7 Company shareholding structure as of the publication date of this report



*according to a notice filed on 8 December 2020

In 2020 a change in the ownership structure of large stock packages took place following the vesting of the groupwide incentive program, in force between 2016 and 2019. 4 534 624 newly issued Series M shares were admitted to organized trading, following their take-up by entitled parties in the exercise of 4 534 624 out of a total of 4 650 800 subscription warrants entitling holders to claim newly issued shares in the framework of a conditional increase in the Company share capital. Consequently, by the end of 2020 the number of Company shares outstanding increased by 4 534 624.

In March 2021 another batch of subscription warrants assigned under the aforementioned incentive program was exercised. This resulted in assignment of additional 84 176 newly issued shares to entitled parties.

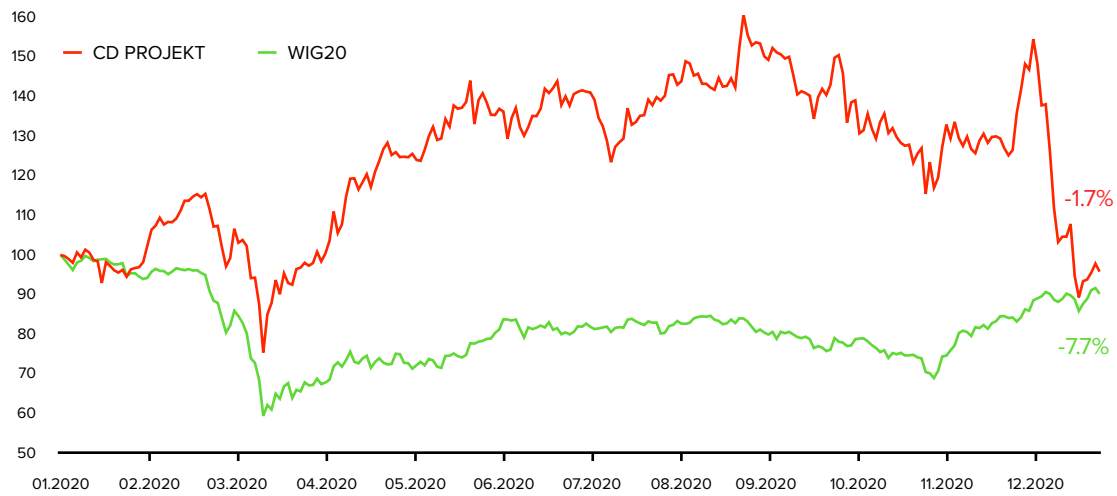
As of the publication date of this report there remain 32 000 unexercised Series B subscription warrants entitling holders to claim the equivalent number of Series M shares. These warrants will expire on 31 October 2022.

Since March 2018 CD PROJEKT has belonged to the WIG20 index which represents 20 of the largest and most liquid companies listed on the Warsaw Stock Market. As of 1 April 2021 the Company contributes 6.6% to the value of this index.

CD PROJEKT belongs to the WIG.GAMES sectoral index which covers five largest videogame developers listed on the Warsaw market. Due to its significantly larger market capitalization compared to other companies whose stock makes up the index, the contribution of CD PROJEKT S.A. to WIG.GAMES has been limited – as of 1 April 2021 it stands at 35.0%.

CD PROJEKT is also part of the WIG-ESG index launched in September 2019. WIG-ESG aggregates companies regarded as socially responsible, i.e. those which adhere to social responsibility principles particularly with regard to environmental, social, economic and corporate governance issues. As of 1 April 2021, CD PROJEKT contributes 5.0% to the WIG-ESG index.

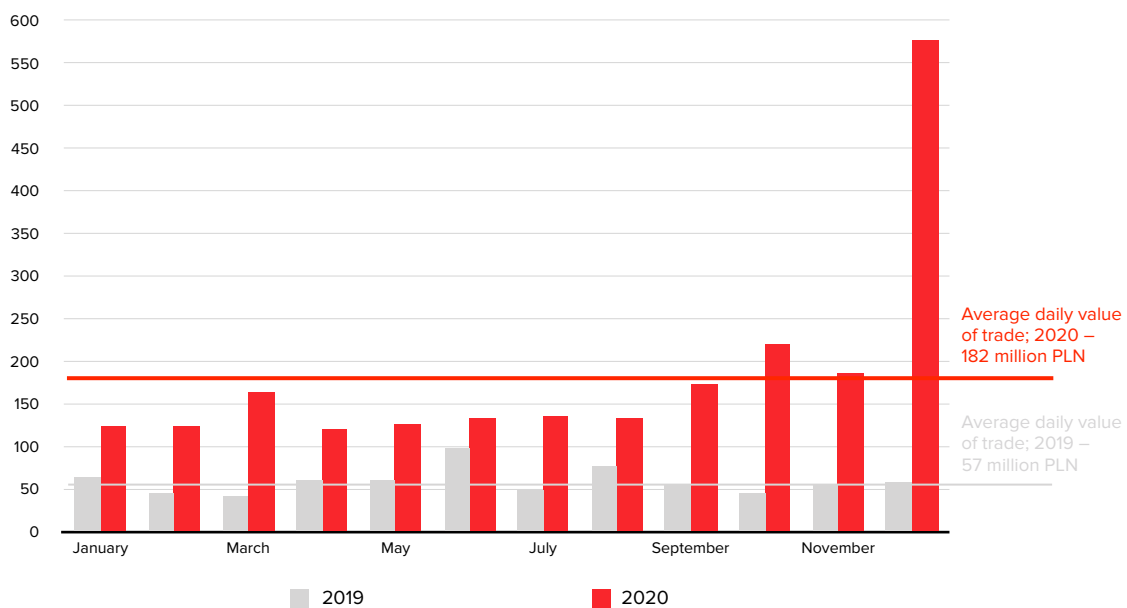
Chart 8 CD PROJEKT S.A. stock price and the WIG20 index between 1 January and 31 December 2020



Between 1 January and 31 December 2020 the Company stock price fluctuated between 216.10 PLN (12 March 2020) and 460.80 PLN (27 August 2020). During this period the stock price decreased by 1.7%, to 214.70 PLN at the close of the trading day on 30 December 2020. Over the same period the WIG20 index lost 7.7% while the main WIG index lost 1.4%.

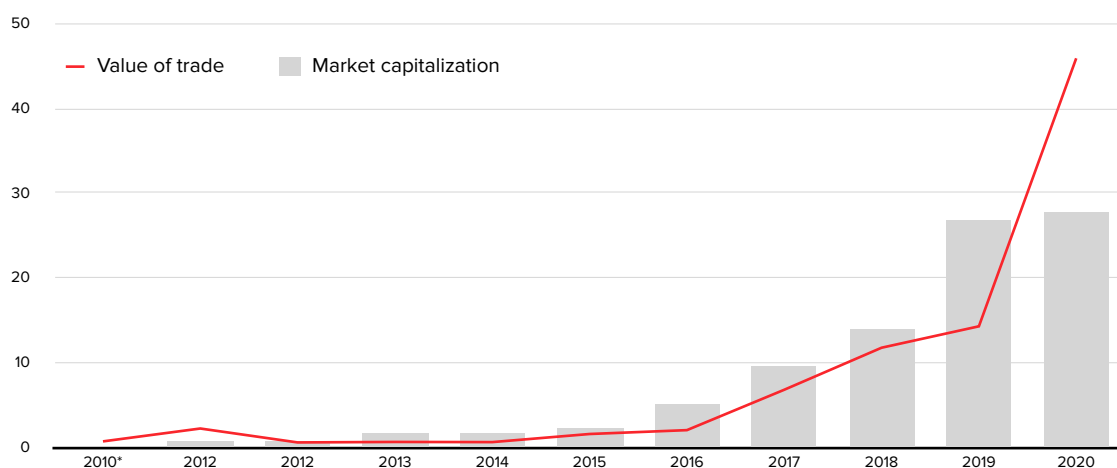
At the end of 2020 the Company's market capitalization was 27.6 billion PLN.

Chart 9 Average daily value of trade in CD PROJEKT S.A. shares (by month) between 1 January and 31 December 2020 (PLN millions)



In 2020 the liquidity of CD PROJEKT S.A. stock, measured in terms of value of trade, once again increased substantially. The aggregate value of trade for 2020 was 45.9 billion PLN, which represents a more than three-fold increase over 2019. The average daily value of trade was 182 million PLN, compared to 57 million PLN the year before. An increase was also observed in the average number of transactions per trading day – from 3 602 to 11 307.

Chart 10 Market capitalization of CD PROJEKT S.A. at the end of the year and aggregate value of trade in CD PROJEKT S.A. stock between 1 May 2010 and 31 December 2020 (PLN billions)



*between 01.05.2010 and 31.12.2019

Table 8 Key indicators of CD PROJEKT S.A. stock

	2020	2019	Change
Net earnings per share (PLN)	11.97	1.82	557.5%
Quantity of shares in trading (in thousands) at end of period	100 654 624	96 120 000	4.7%
Highest closing price during fiscal year (PLN)	460.80	280.00	64.6%
Lowest closing price during fiscal year (PLN)	216.10	148.00	46.0%
Price at beginning of period (PLN)	286.80	151.00	89.9%
Price at end of period (PLN)	274.70	279.50	-1.7%
Average price during period (PLN)	356.55	219.22	62.6%
P/E ratio at end of period	24.0	153.6	-84.4%
Market capitalization at end of period (PLN thousands)	27 649 825	26 865 540	2.9%
Average number of transactions per trading day	11 307	3 602	213.9%
Average daily value of trade (PLN thousands)	182 233	57 482	217.0%
Average daily trading volume (shares)	536 374	265 507	102.0%

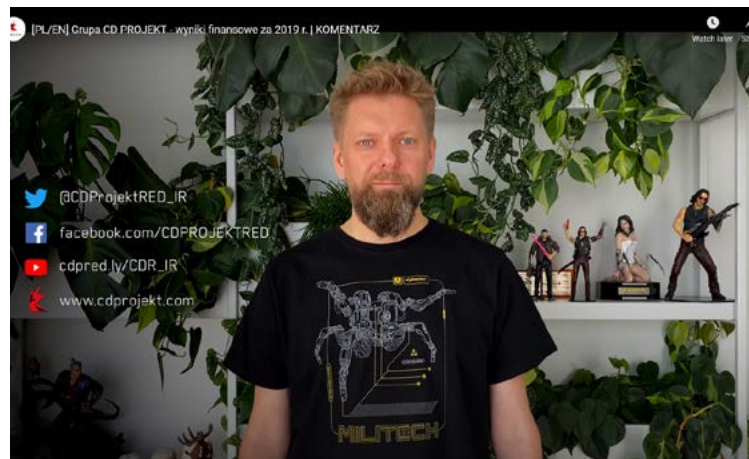
As of the publication date of this report 25 brokerage houses, both foreign and domestic, issue recommendations concerning Company stock. A full list of analysts and brokerage houses which issue recommendations concerning Company stock can be found on the CD PROJEKT website at <https://www.cdprojekt.com/en/investors/analysts/>.

CAPITAL MARKET COMMUNICATION

CD PROJEKT strives to provide investors with reliable information concerning the Company's business activities. In this scope, the Company relies on current and periodic reports, as well as active communication targeted at individual investors, brokerage analysts and investment fund managers.

Due to the ongoing COVID-19 pandemic in 2020 the Company did not hold traditional in-person earnings conferences for capital market and financial media representatives. Each earnings release – i.e. the 2019 annual earnings, the H1 2020 semiannual earnings and the quarterly earnings covering Q1 and Q3 – was accompanied by calls with analysts and journalists where Board members discussed the Company's results, presented its plans for the coming months and replied to participants' questions. In order to provide domestic and foreign investors with equal access to information, the Company publishes most of its releases in both Polish and English.

In addition to the above, the publication of annual earnings for 2019 and semiannual earnings for the first half of 2020 was supplemented by chat sessions for individual investors. These attracted great interest, with several hundred participants attending each, and Management Board members fielding dozens of questions related to – among others – the Group's earnings and its future release plans. Each earnings release was also accompanied by a video commentary by Piotr Nielubowicz, Vice President and CFO, who commented upon the Group's financial result and major accomplishment in each reporting period.



All documentation related to the Company's periodic reports can be found under the "Results Center" tab on the Company's corporate website (see <https://www.cdprojekt.com/en/investors/>). Additional video recordings are available on the CD PROJEKT investor relations channel on YouTube (https://www.youtube.com/CDPROJEKT_IR).

Since 2018, in order to accommodate the expectations of its shareholders, the Company provides live webcasts of its annual General Meeting of Shareholders. Starting in 2020, Company shareholders can participate in General Meetings and exercise voting rights remotely, using electronic communication channels. In addition, in 2020 the Company published two General Meeting Guides which provide key information related to these

events. All relevant materials, including video recordings of General Meetings, can be found at <https://www.cdprojekt.com/en/investors/general-meetings/>.

In 2019 the Company organized numerous remote meetings of Board members and Investor Relations personnel with representatives of Polish and foreign investment funds, along with numerous meetings with analysts who issue recommendations concerning CD PROJEKT stock. The Board also took part in online events organized by brokerage houses, which have replaced the traditional roadshow conferences in light of the COVID-19 pandemic.

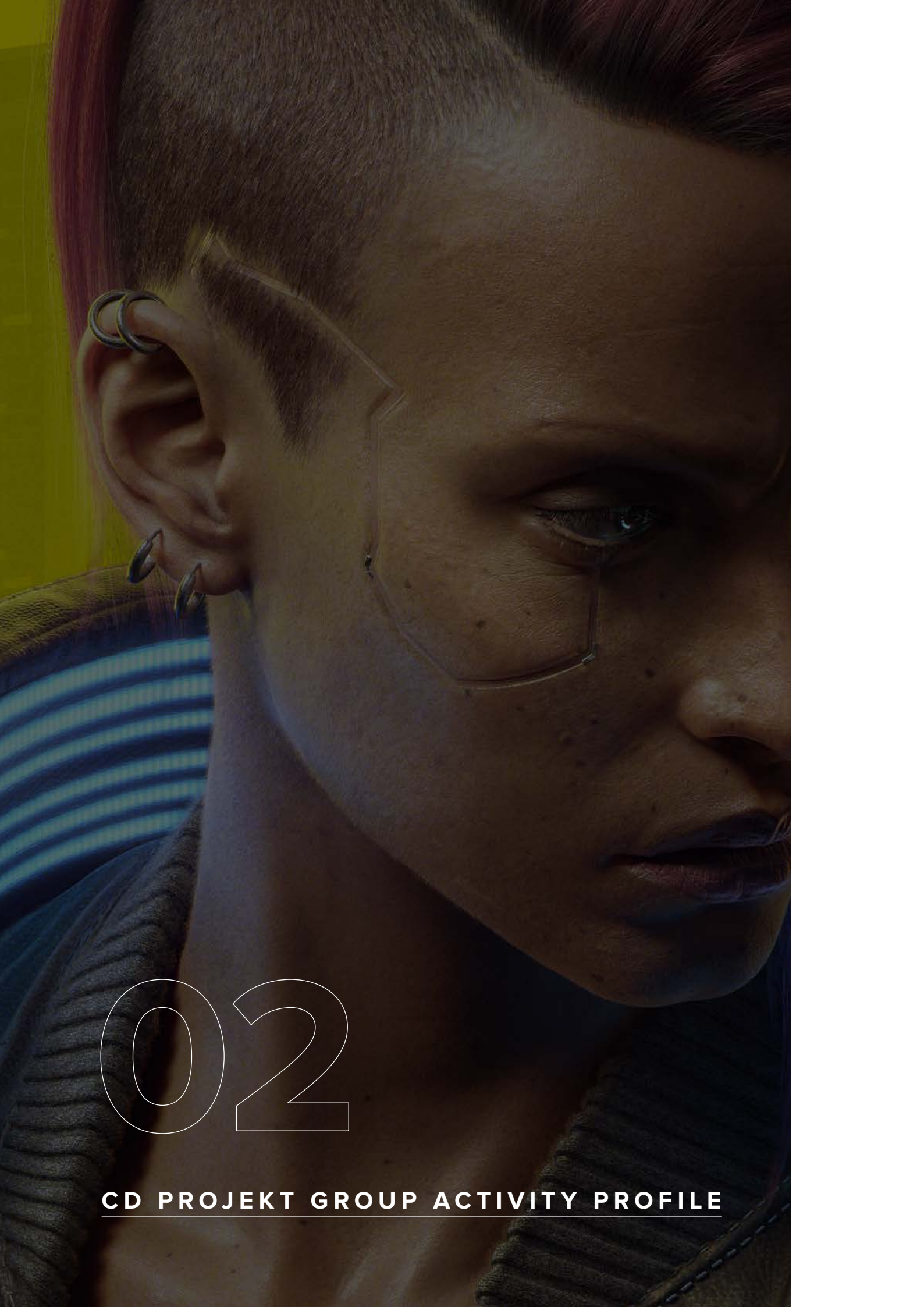
The Company continues to address questions from individual investors via its corporate IR Forum. The full list of questions and answers can be found at <https://www.cdprojekt.com/pl/forums/topic/lista-pytan-do-zarzadu/>.

The Investor Relations department also maintains the CD PROJEKT Twitter feed ([@CDPROJEKTRED_IR](https://twitter.com/CDPROJEKTRED_IR)) with up-to-date information concerning key events which affect the CD PROJEKT Group. As of 1 April 2021 this feed has over 18.3 thousand followers.

In an investor relations survey carried out in February 2020 by Gazeta Giełda Parkiet in cooperation with the Chamber of Brokerage Houses individual investors awarded CD PROJEKT with the highest number of points from among all surveyed WIG30 companies.

In the annual Stock Exchange Company of the Year ranking published by the editorial board of Puls Biznesu in March 2020 CD PROJEKT was once again (for the fifth time in a row) named the Stock Exchange Company of the Year – for its performance in 2019. The company also carried the Management Competence, Investor Relations and Product and Service Innovation categories.

Before the end of March 2020 CD PROJEKT was named WIG20 Company of the Year in the annual Bulls and Bears ranking organized by Gazeta Giełdy Parkiet.



02

CD PROJEKT GROUP ACTIVITY PROFILE

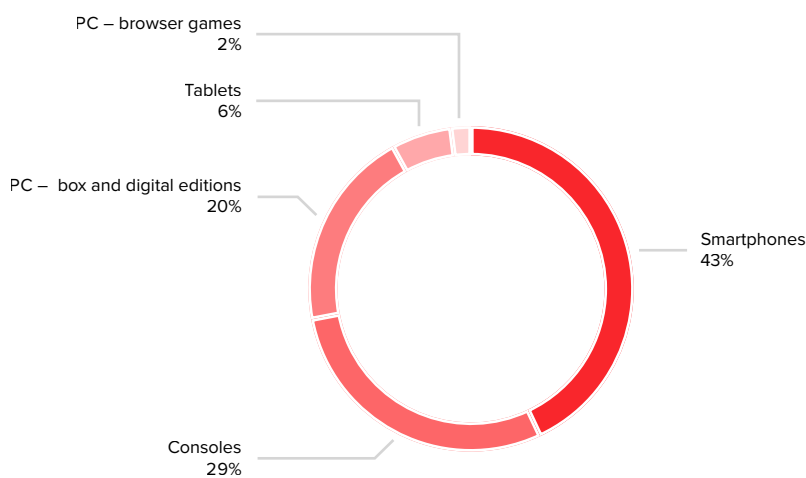
Market environment

GRI 102-15

GLOBAL VIDEOGAME INDUSTRY

Newzoo⁸ – a renowned global provider of games and e-sports analytics – estimates the volume of the global videogame market at 174.9 billion USD at the end of 2020, which corresponds to a 19.6% increase over the 2019 year-end value (146.2 billion USD). This exceptionally dynamic growth is attributed by Newzoo to greater interest in videogames during the COVID-19 pandemic. Mobility restrictions introduced in many countries benefited those forms of entertainment, which can be enjoyed at home. In 2020 the strongest strong growth was observed in the mobile and console segments. The former grew by 25.6%, reaching 86.3 billion USD, while the latter grew by 21.0%, reaching 51.2 billion USD. The PC market reached a volume of 37.4 billion USD, having increased by 6.2%.

Chart 11 Global videogame market in 2020 by device type (%)



Estimates published by ESA (Entertainment Software Association)⁹ concerning the US market, which is the most important region from the point of view of the Group's activities, confirm the domination of smartphones in this area, although their advantage over PCs and consoles is not particularly pronounced. 61% of American gamers include smartphones among their most frequently used gaming devices, with PCs and consoles coming in at 52% and 49% respectively.

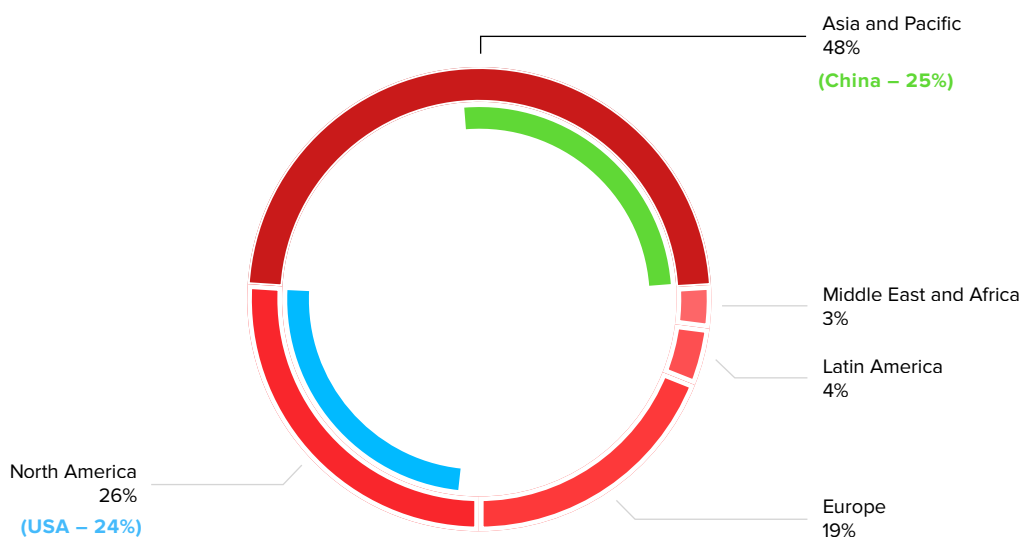
⁸ Global Game Revenues Up an Extra \$15 Billion This Year as Engagement Skyrockets, Newzoo, 4 November 2020, accessed on 20 February 2021; newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/

⁹ 2020 Essential Facts About the Video Game Industry; accessed on 10 February 2021; <https://www.theesa.com/resource/2020-essential-facts/>

Long-term projections remain bullish. Newzoo claims that the global market will reach 217.9 billion USD by 2023, with a cumulative annual growth rate (CAGR) in 2020–2023 at 7.6%. The PWC "Global Entertainment & Media Outlook 2020–2024"¹⁰ report projects a CAGR of 6.5% for the videogame and e-sports market between 2020 and 2024.

In terms of territorial distribution, Asia and Pacific countries account for 84.3 billion USD (17.5% y/y increase), which represents nearly 50% of the 2020 global market volume. North America comes in second place, at 44.7 billion USD (21.4% y/y increase), closely followed by Europe (19.9% growth, reaching 32,9 billion USD). The strongest growth was observed in the Middle East and Africa – the region stands at 6.2 billion USD, having gained 30.2% in 2020. Notably, two countries – China and the United States – jointly hold a 49% share in the global market (44.0 billion USD and 41.3 billion USD respectively).¹¹

Chart 12 Estimated share of individual regions in the 2020 global videogame market (%)



GAMERS

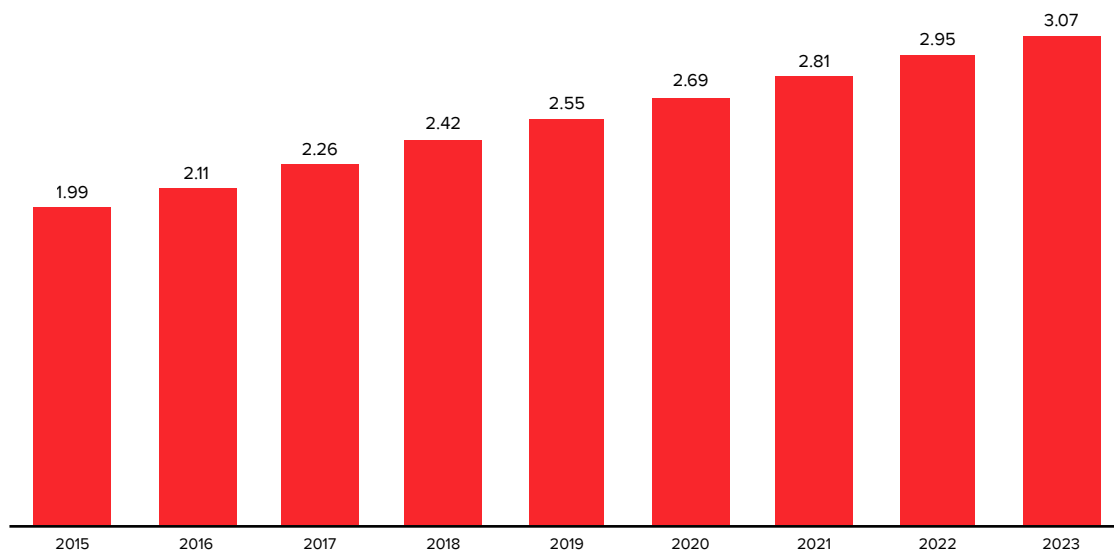
The global gaming community is growing each year, both quantitatively and in terms of involvement (time spent playing). Newzoo¹² estimates that at the end of 2020 there were nearly 2.7 billion gamers worldwide. 2.5 billion of them accessed mobile games, while the PC and console gaming communities numbered 1.3 billion and 0.8 billion people respectively. In 2023 the total figure is expected to top 3 billion. Given that the 2015 there were fewer than 2 billion gamers, the cumulative annual growth rate for 2015–2023 is projected at 5.6%.

¹⁰ Perspectives from the Global Entertainment & Media Outlook 2020–2024, PWC; accessed on 10 February 2021; summary available at [pwc.com/gx/en/entertainment-media/outlook-2020/perspectives.pdf](https://www.pwc.com/gx/en/entertainment-media/outlook-2020/perspectives.pdf)

¹¹ Global Game Revenues Up an Extra \$15 Billion This Year as Engagement Skyrockets, Newzoo; 4 November 2020; accessed on 20 February 2021; [newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/](https://www.newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/)

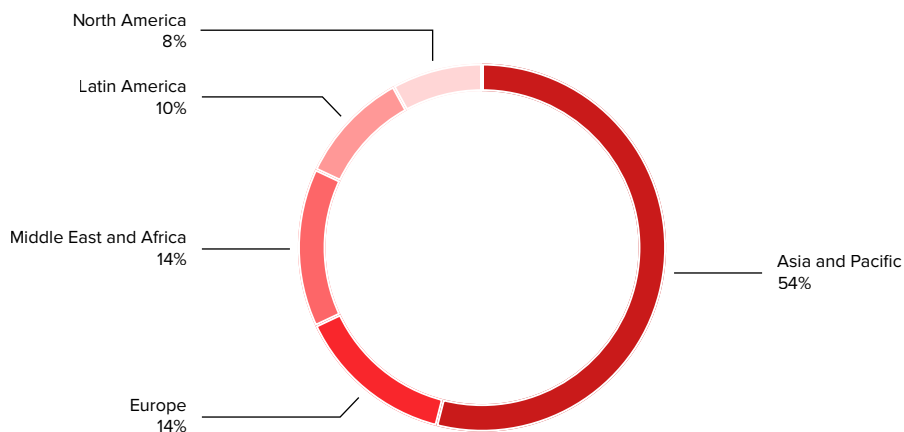
¹² Three Billion Players by 2023: Engagement and Revenues Continue to Thrive Across the Global Games Market, accessed on 10 February 2021; [newzoo.com/insights/articles/games-market-engagement-revenues-trends-2020-2023-gaming-report/](https://www.newzoo.com/insights/articles/games-market-engagement-revenues-trends-2020-2023-gaming-report/)

Chart 13 Global gaming community in 2015–2023 (billions)



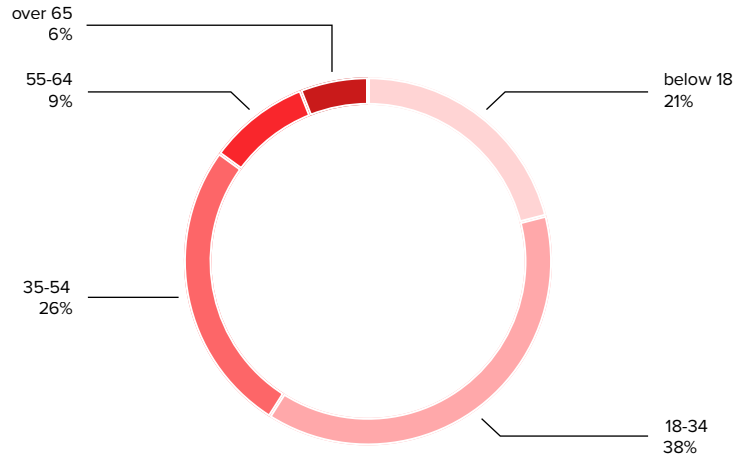
Nearly half of the community (almost 1.45 billion) resides in the Asia-Pacific region. This is followed by Europe (386 million gamers) and the Middle East and Africa (377 million gamers). The latter region reported the strongest growth in 2020, having increased by 8.8% compared to 2019.

Chart 14 Global gaming community in 2020 by region (%)



According to ESA¹³, 64% of US residents past age 18 and 70% of under-18s play videogames. Women account for 41% of the gaming community. The most populous age group is the 18–34 bracket, accounting for 38% of the total 214 million-strong US gaming community.

Chart 15 US gamers by age (%)



13 2020 Essential Facts About the Video Game Industry; accessed on 10 February 2021; <https://www.theesa.com/resource/2020-essential-facts/>

Organizational structure of the CD PROJEKT Group

GRI 102-45

As of 31 December 2020 the CD PROJEKT Group consists of the parent entity – CD PROJEKT S.A. – and five subsidiaries: GOG sp. z o.o., CD PROJEKT Inc., CD PROJEKT Co. Ltd., Spokko sp. z o.o. and CD PROJEKT RED STORE sp. z o.o.

Chart 16 CD PROJEKT Group at the end of 2020 (capital and voting share)

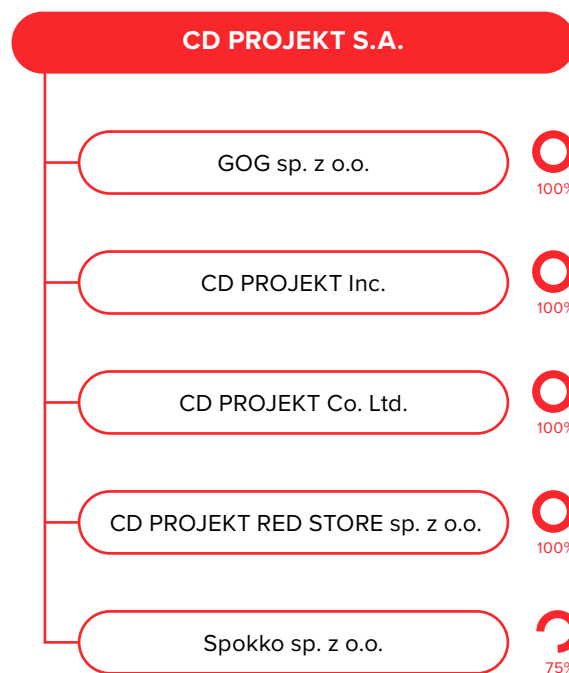


Table 9 Basic activity profile of each member company of the CD PROJEKT Group as of 31 December 2020

Company	Scope of activity
CD PROJEKT S.A.	The principal scope of activity of the company, carried out through its CD PROJEKT RED studio, involves development and publishing of videogames, selling the associated distribution rights, as well as manufacturing, selling or licensing tie-in products which exploit the popularity of brands owned by the Group. CD PROJEKT S.A. also serves as the holding company of the CD PROJEKT Group, and coordinates the activities of subsidiaries which comprise the Group.
GOG sp. z o.o.	The company distributes videogames through online channels to customers from around the world, enabling them to purchase games, remit payment and download purchased products to their personal computer. The company also owns the GOG.com proprietary global digital distribution platform and the GOG GALAXY 2.0 technology stack. Additionally, in the framework of a consortium formed with CD PROJEKT S.A., the company participates in development and maintenance of <i>GWENT: The Witcher Card Game</i> , where it is responsible for the game's online and networking features, and for handling sales carried out in the game's PC edition.
CD PROJEKT Inc.	The company coordinates publishing and promotional activities related to products marketed by CD PROJEKT S.A. and GOG.com, and manages sales of merchandise through the CD PROJEKT RED Gear online store throughout North America (with an office in Los Angeles).
CD PROJEKT Co. Ltd.	The main goal of this company is to ensure CD PROJEKT Group's presence on the Chinese market (with an office in Shanghai). It manages a local team which coordinates publishing and promotional activities associated, among others, with promoting <i>GWENT</i> in China.
Spokko sp. z o.o.	Publisher and a development studio specializing in mobile projects, responsible for the creation of <i>The Witcher: Monster Slayer</i> .
CD PROJEKT RED STORE sp. z o.o.	This company carries out online marketing of merchandise associated with CD PROJEKT RED videogames.

The above member companies of the CD PROJEKT Group, with exception of CD PROJEKT Co. Ltd. and Spokko sp. z o.o., were subject to full consolidation as of 31 December 2020. Detailed information can be found in the Consolidated Financial Statement of the CD PROJEKT Group for 2020.

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

In 2020 the Group conducted business activities in two segments:

- CD PROJEKT RED,
- GOG.com.

CD PROJEKT RED

Target and scope of business activities

Videogame development is the main area of activity of the CD PROJEKT RED studio, which is a subunit of CD PROJEKT S.A. (domestic holding company of the CD PROJEKT Group), CD PROJEKT Inc. (USA) and CD PROJEKT Co., Ltd. (China). Videogame development is based on two brands owned by the Company: *The Witcher* and *Cyberpunk*.



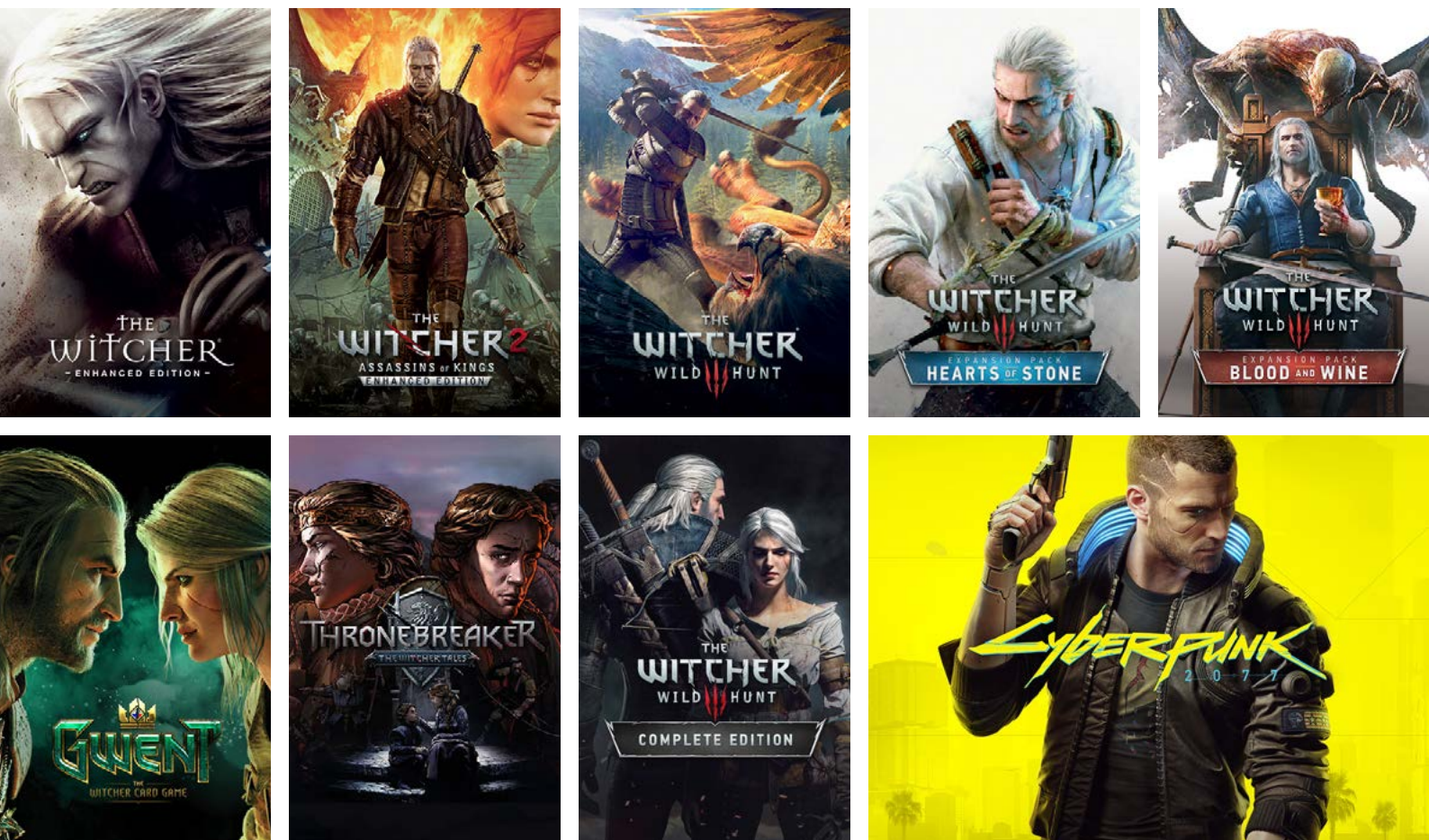
This activity covers creation and publication of videogames, licensing the associated distribution rights as well as manufacturing, distributing or licensing tie-in products which exploit the commercial appeal of brands owned by the Company.

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

This segment also includes the activities of CD PROJEKT RED STORE sp. z o.o.

Key products

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

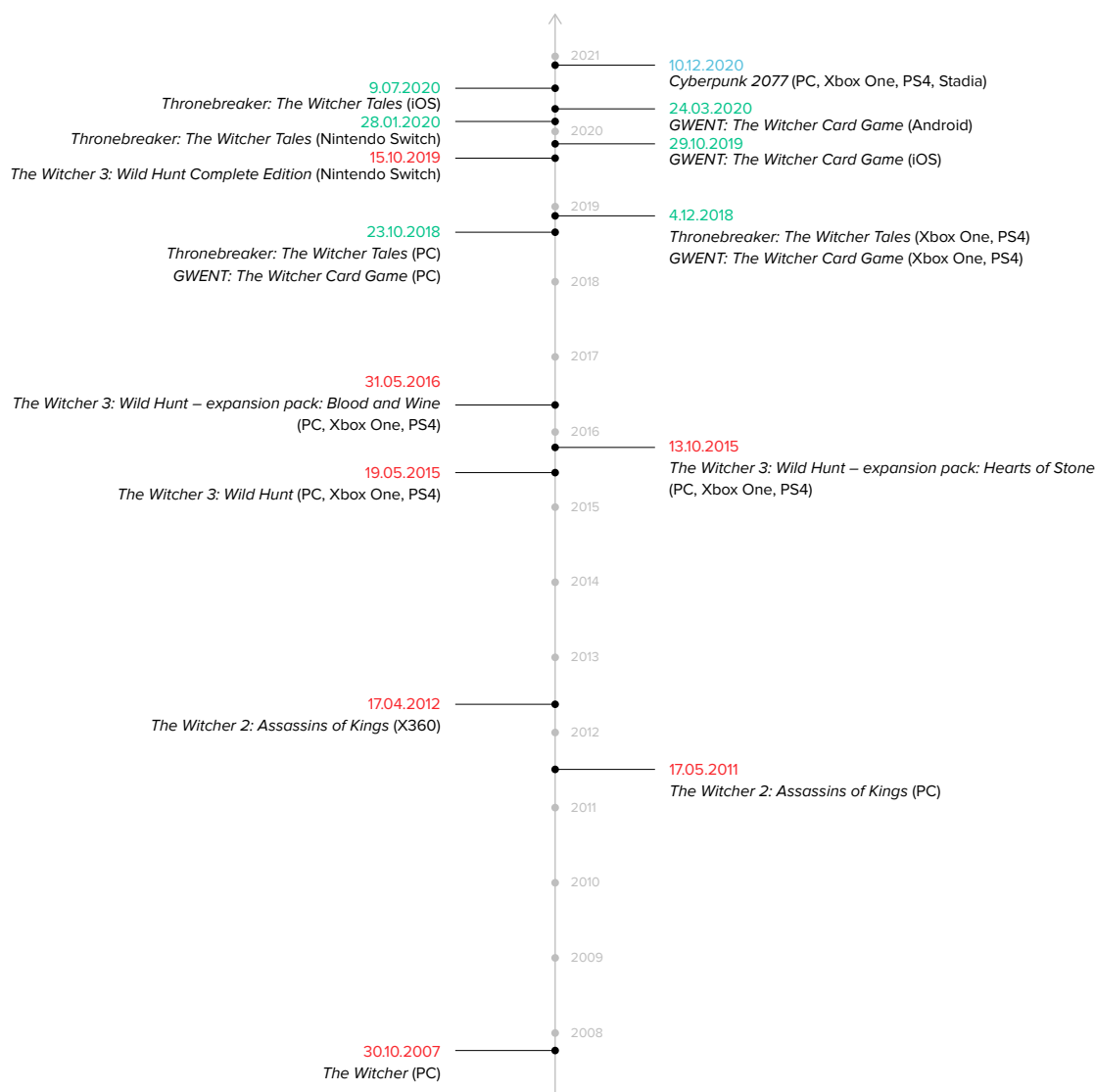


As of the publication date of this report, key releases in the Company's portfolio include *The Witcher*, *The Witcher 2: Assassins of Kings*, *The Witcher 3: Wild Hunt*, as well as two expansion packs: *Hearts of Stone* and *Blood and Wine* (PC, Xbox One, PlayStation 4, Nintendo Switch). By the end of 2020 games featuring the adventures of the professional monster hunter Geralt of Rivia have garnered over 1000 awards.

In 2018 the Company released the full version of *GWENT: The Witcher Card Game* (PC, iOS, Android), developed in collaboration with GOG sp. z o.o., as well as a single-player game – *Thronebreaker: The Witcher Tales* (PC, iOS, Nintendo Switch, Xbox One, PlayStation 4), built around similar gameplay mechanics.

On 10 December 2020 the Studio released *Cyberpunk 2077* – CD PROJEKT RED’s first game set in the *Cyberpunk* universe. The game launched on PC, Xbox One, PlayStation 4 and Google Stadia, and is supported on Xbox Series X/S and PlayStation 5 owing to the backward compatibility mode. In 2021 the Studio plans to release a dedicated edition of *Cyberpunk 2077* for next-gen consoles.

Chart 17 CD PROJEKT RED releases; 2007–2020



Key sources of revenue

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

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

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

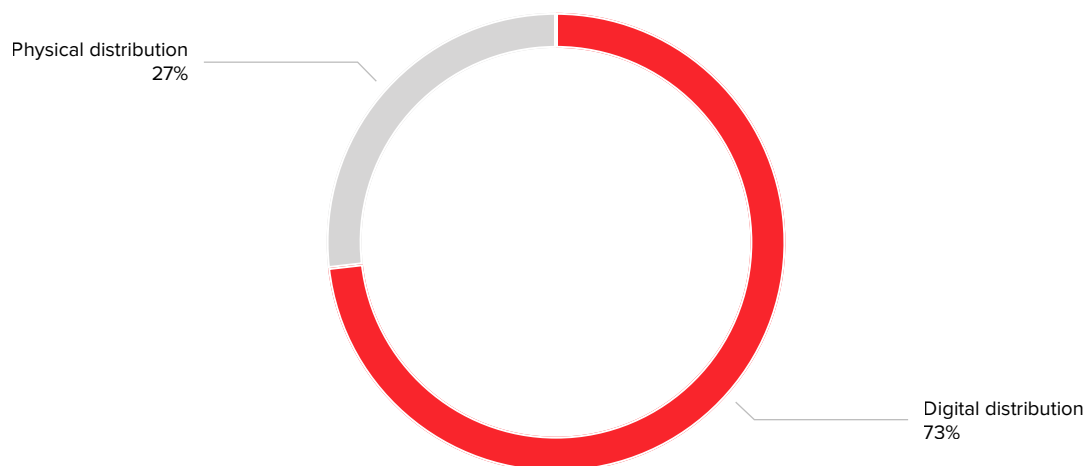
In 2020 the most important CD PROJEKT RED products from the point of view of revenues were:

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

Revenues were also affected – to a lesser degree – by micropayments in *GWENT: The Witcher Card Game* and *Thronebreaker: The Witcher Tales*. Additionally, the Company offered earlier instalments in *The Witcher* franchise, including *The Witcher* and *The Witcher 2: Assassins of Kings*, both of which continue to attract players and generate revenues. In 2020 cumulative sales of all games from *The Witcher* universe topped 50 million units.

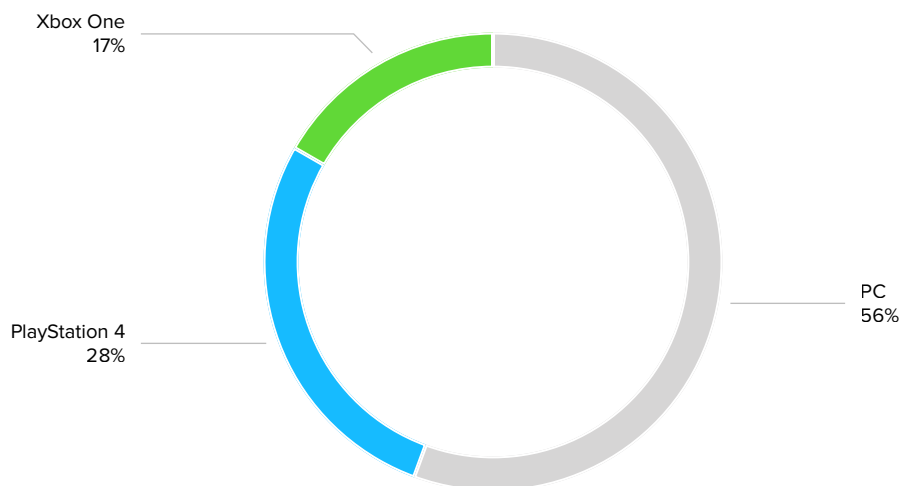
The Company estimates that by the end of 2020 gamers purchased approximately 13.7 copies of *Cyberpunk 2077*. This figure represents projections regarding sales on all supported hardware platforms (factoring in returns in physical and digital stores), i.e. the “sell through” figure.

Chart 18 *Cyberpunk 2077* – retail sales to gamers (sell-through) in 2020 by distribution type (units sold; source: Company estimates based on information collected from distributors)

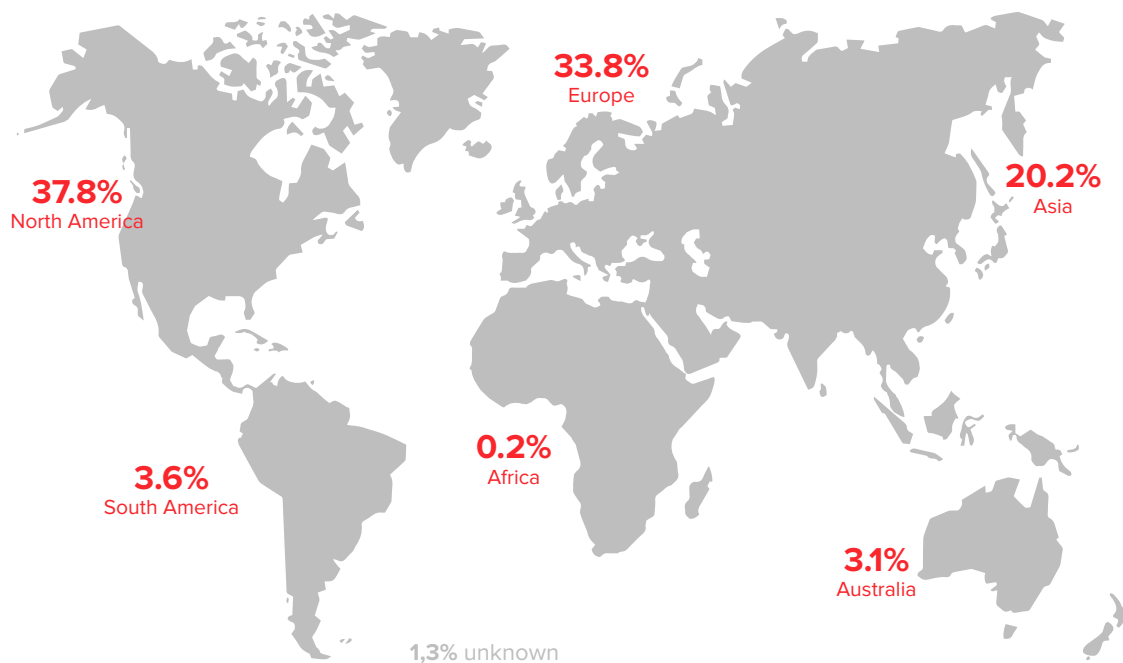


The PC edition accounted for the largest share of *Cyberpunk 2077* sales. Nearly 10% of all PC copies sold in 2020 were purchased on GOG.com.

Chart 19 *Cyberpunk 2077* – retail sales to gamers (sell-through) in 2020 by platform type (units sold; source: Company estimates based on information collected from distributors)

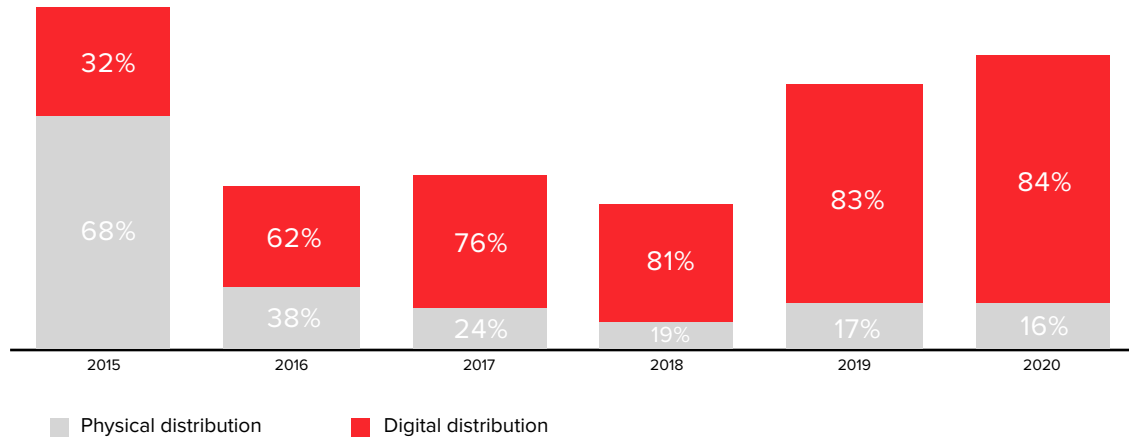


Map 2 Purchases of *Cyberpunk 2077* by region (2020)



The Witcher 3: Wild Hunt continued to sell well in 2020, with digital channels accounting for 84% of sales.

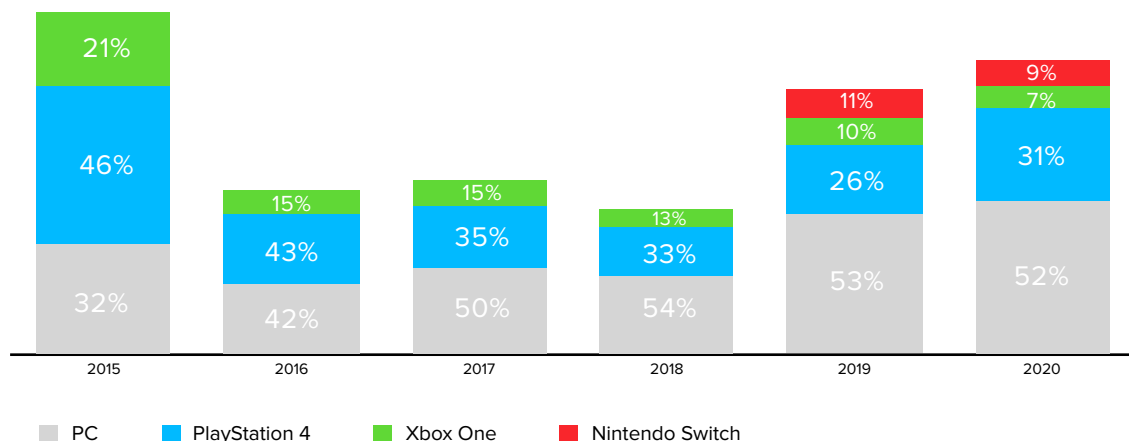
Chart 20 Sales of *The Witcher 3* by distribution channel (units sold; sell-in figure)¹⁴



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

In 2020, much like in the preceding years, most purchases of *The Witcher 3: Wild Hunt* involved the PC edition of the game.

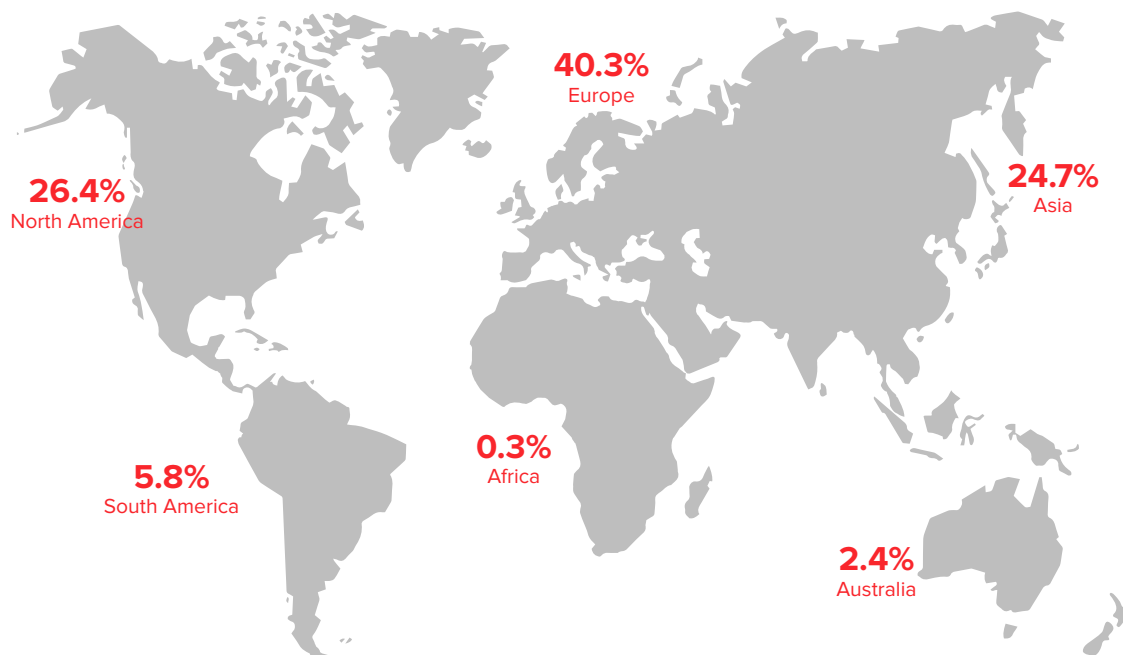
Chart 21 Sales of *The Witcher 3* by hardware platform (units sold; sell-in figure)¹⁵



¹⁴ revised historical figures

¹⁵ revised historical figures

Map 3 Purchases of *The Witcher 3* by region (2020)



Product labeling

GRI 417-1, GRI 417-2

We are committed to ensuring appropriate labeling of Company products, among others by:

- placing appropriate information regarding the Studio's games on their dedicated websites, digital distribution platforms and physical packaging;
- labeling games with age ratings appropriate for the given territory (e.g. PEGI, ESRB) – labels are placed on the game's physical packaging, its dedicated website, in marketing materials and on product sheets;
- restricting access to the Studio's game content for underage individuals by gating access on the games' dedicated websites and product sites displayed by online distribution platforms.

To the Company's knowledge no incidents of non-compliance with product and service information and labeling regulations occurred in 2020.

Key suppliers and clients

GRI 102-9

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

In 2020 sales to two clients exceeded 10% of the Group's consolidated sales revenues and totaled 1 014 528 thousand PLN and 238 579 thousand PLN respectively (47.4% and 11.2% of the Group's revenues respectively). These clients are not affiliated with CD PROJEKT S.A. or any of its subsidiaries. No other client accounted for more than 10% of the Group's consolidated sales revenues.

The videogame development process relies on certain bought-in tools and technological solutions; however, these do not result in significant concentration of supply. No CD PROJEKT RED supplier accounted for more than 10% of the consolidated revenues of the Group in 2020.

CD PROJEKT follows internal procurement guidelines which aim to enable cost savings and ensure transparency in the procurement decision-making process.

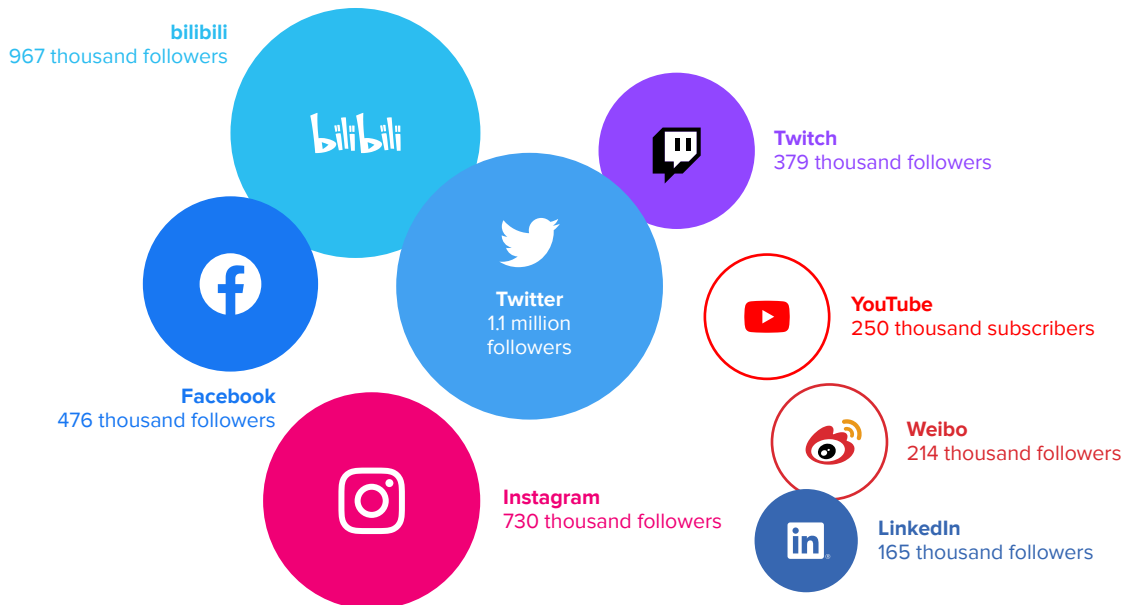
Collaboration with suppliers and business partners, both domestic and foreign, is rooted in long-term relationships and respect for standards and fair play principles.

The Company is currently working to deploy a procurement platform which will handle the flow and approval of electronic documentation involved in the procurement process at CD PROJEKT S.A. This platform is scheduled for rollout in 2021.

Communication

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

Chart 22 Followers and subscribers of CD PROJEKT RED social media profiles as of 6 April 2021



Key product and marketing events

Cyberpunk 2077

The Company's communication strategy for 2020 involved further ramp-up in the *Cyberpunk 2077* promotional campaign, peaking around the game's release.

In 2020 the Management Board issued three announcements (via current reports on 16 January, 18 June and 27 October respectively) concerning delays in the release of *Cyberpunk 2077*, ultimately settling for a release on 10 December 2020. These delays were motivated by the need to secure additional time to develop the game, including testing and bugfixes.

In the first half of the year, between 16 and 25 June 2020, CD PROJEKT RED carried out a series of hands-on presentations of *Cyberpunk 2077* for journalists and key opinion leaders of the gaming industry. Invited parties had the opportunity to play the Studio's newest game for approximately 4 hours, starting and the beginning and choosing one of the three available lifepaths. Altogether, these presentations attracted over 120 guests from 15 countries. Due to the ongoing COVID-19 pandemic, in some countries hands-on sessions were carried out remotely. During this time Studio representatives also gave over 60 media interviews.

On 25 June 2020 CD PROJEKT RED launched "Night City Wire" – an online event during which the Studio presented additional details concerning *Cyberpunk 2077* and its in-game universe. The webcast proved very popular, with each of its 5 episodes attracting an even broader audience.

The initial 25-minute episode comprised a brand-new trailer (*The Gig*), fresh gameplay footage and a detailed description of one of the game's mechanics – braindance. Approximately 1.7 million viewers tuned in to the live broadcast.

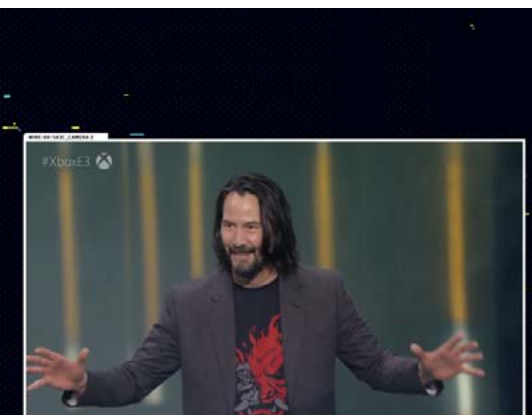
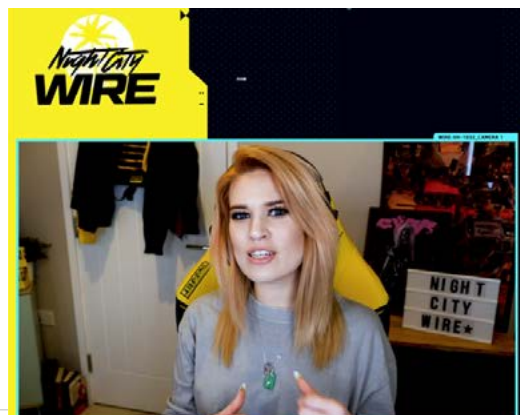
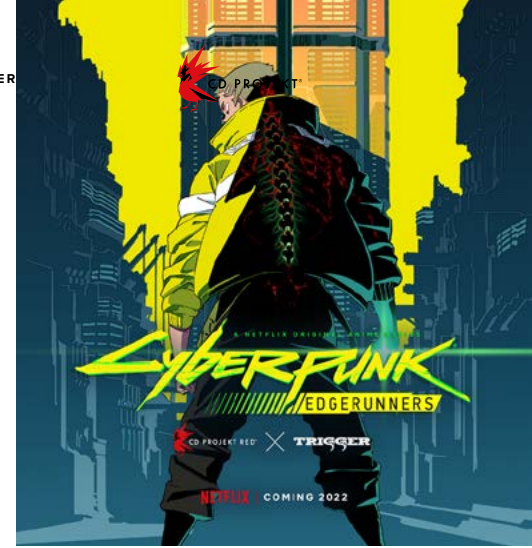
During the first edition of "Night City Wire" CD PROJEKT RED also announced a new project, carried out in collaboration with Netflix and Studio Trigger: *CYBERPUNK: EDGERUNNERS*, a 10-episode anime series. CD PROJEKT RED's original story will be animated by Studio Trigger, which is renowned among anime fans for its unique, highly dynamic style. *CYBERPUNK: EDGERUNNERS* is expected to launch in 2022.

Immediately after the first "Night City Wire", journalists and opinion leaders who had previously been offered the opportunity to play *Cyberpunk 2077* during the hands-on campaign published their initial impressions of the game in a series of previews.

On 1 October a TV spot promoting *Cyberpunk 2077* debuted on American TV channels. The spot, titled *Seize the Day*, starred Keanu Reeves and was broadcast during a break in the inaugural NBA game of the season – Los Angeles Lakers vs. Miami Heat.

On 5 October 2020 the Management Board of the company announced that *Cyberpunk 2077* had been successfully certified on Microsoft Xbox and Sony PlayStation platforms.

In the months leading up to the game's release the Studio announced global collaboration with brands such as Porsche, Arch Motorcycle, Nvidia, Secret Lab, Razer, Steel Series and Twitch. Additionally, on local markets *Cyberpunk 2077* joined forces with brands such as Rockstar Energy Drink, Adidas, One Plus, Sprite, Play and LPP.



The apex of the marketing campaign began two weeks preceding the game's release, with *Cyberpunk* advertisements appearing in over 50 countries and 34 languages.

On 8 December the Studio published the official release trailer of *Cyberpunk 2077*. The trailer, available on the official *Cyberpunk 2077* YouTube channel, has so far been viewed nearly 18 million times.

On 9 December CD PROJEKT RED launched a broad media campaign with streamers and influencers who began playing the game 12 hours ahead of its official release. According to data obtained from Twitch 20 thousand streamers generated over 54 million views, with 12.8 million spectators tuning in to the streams. Twitch also organized a DJ set with Nina Kraviz – a producer who took part in creating the *Cyberpunk 2077* soundtrack. On the same day a special #CyberNight event took place in collaboration with Twitter Gaming. This 24-hour event included, among others, Q&A sessions with the game's developers.



On 9 December, as part of the *Cyberpunk 2077* release, the Studio held a show on the Polsat Games TV channel. Together with the organizers, business partners (Sprite, PLAY, Xbox) and invited guests, viewers of Polsat Games could immerse themselves in the world of *Cyberpunk 2077* for four hours. The show featured interviews with the game's creators, actors and influencers partnered with the Studio.

The global release of *Cyberpunk 2077* for PC, Xbox One, Xbox One X, PS4, PS4 Pro, Stadia and Xbox Series X/S and PS5 (the latter two in backwards compatibility mode) took place on 10 December 2020. The game has been localized into 18 languages, including 11 fully dubbed versions.

On the same day the Management Board of CD PROJEKT S.A. announced that, as of the release date of *Cyberpunk 2077*, i.e. by 9 December 2020 inclusive, over 8 million preorders of the game had been placed by clients.

On 11 December 2020 the Management Board of the Company announced that the estimated value of licensing royalties receivable by the Company in association with preorders of *Cyberpunk 2077* across all of its digital distribution channels had exceeded the sum of the game's total development budget and its marketing and promotional expenses borne by the Company – both current and those anticipated by the end of 2020.

Despite mostly positive feedback received in the first days following the release, some gamers voiced displeasure with the game – particularly users of base versions of Xbox One and PlayStation 4. Part of the gaming community praised the game for its captivating storyline, expansive and detailed universe; criticism focused mostly on immersion-hampering glitches and bugs, as well as poor police AI.

In response to the above, on 14 December 2020 CD PROJEKT announced that it was working on further patches and updates which would be progressively rolled out to gamers. The "Help Me Refund" campaign was also initiated for the benefit of gamers who do not wish to wait for patches.

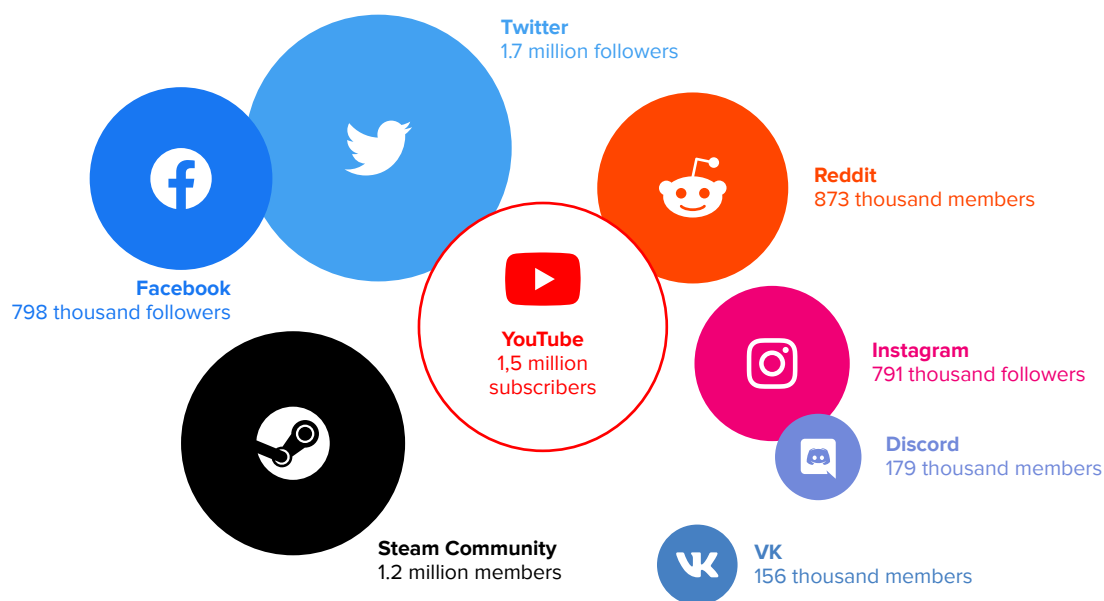
We would appreciate it if you would give us a chance, but if you are not pleased with the game on your console and don't want to wait for updates, you can opt to refund your copy. For copies purchased digitally, please use the refund system of PSN or Xbox respectively. For boxed versions, please first try to get a refund at the store where you bought the game. Should this not be possible, please contact us at helpmerefund@cdprojektred.com and we will do our best to help you. Starting from today, you can contact us for a week up until December 21st, 2020.

On 18 December 2020 the Management Board announced that Sony Interactive Entertainment had decided to temporarily suspend distribution of the digital edition of *Cyberpunk 2077* in PlayStation Store.

On 22 December 2020 the Company announced that, based on reports submitted by owners of digital distribution platforms and data collected from physical distributors, over 13 million copies of *Cyberpunk 2077* had been purchased by 20 December inclusive. This figure represents projections regarding sales on all supported hardware platforms (factoring in returns in physical and digital stores), i.e. the sell-through figure, less the number of refund requests mailed directly to the Company in the framework of the "Help Me Refund" campaign by 22 December 2020.

As of the end of 2020, the game's total estimated sales to retail clients (sell-through) reached approximately 13.7 million units.

Chart 23 Followers and subscribers of *Cyberpunk 2077* social media profiles as of 6 April 2021



PLN 1.2 billion

total budget of *Cyberpunk 2077*

13.7 million copies

sold in 2020

530 developers

peak involvement in
development of *Cyberpunk 2077*

+5200 people

engaged in the project in total

18 language versions

of *Cyberpunk 2077*, including

11 voice overs

involving 2000 actors
from around the world



GWENT

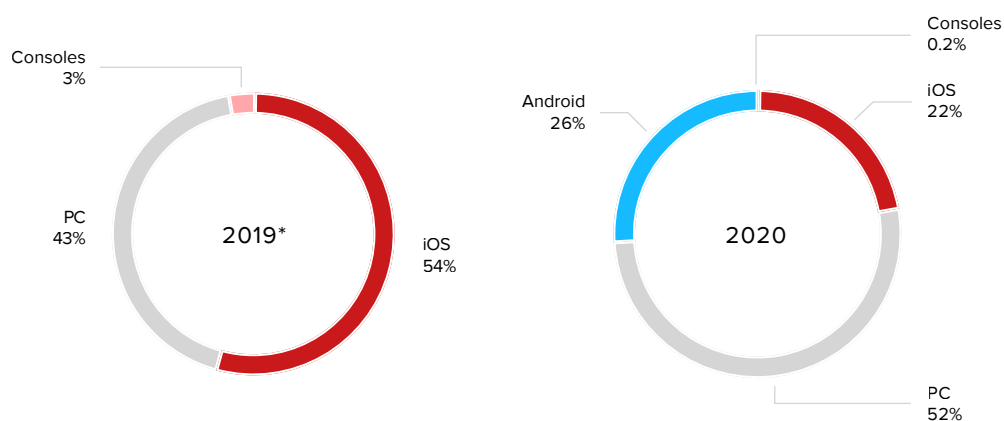
On 24 March *GWENT: The Witcher Card Game* was released for the Android OS, while on 19 May the game came to Steam, marking the game's debut on the second platform dedicated to PC gamers (following GOG.com). Cross-play is supported across all hardware platforms, i.e. PC, iOS and Android devices.

During 2020 the Studio released two expansions for *GWENT: Master Mirror* and *Way of the Witcher*. It also launched the second and third *Journey* season (a progression system enabling players to earn rewards), as well as a new gameplay mode: Draft.



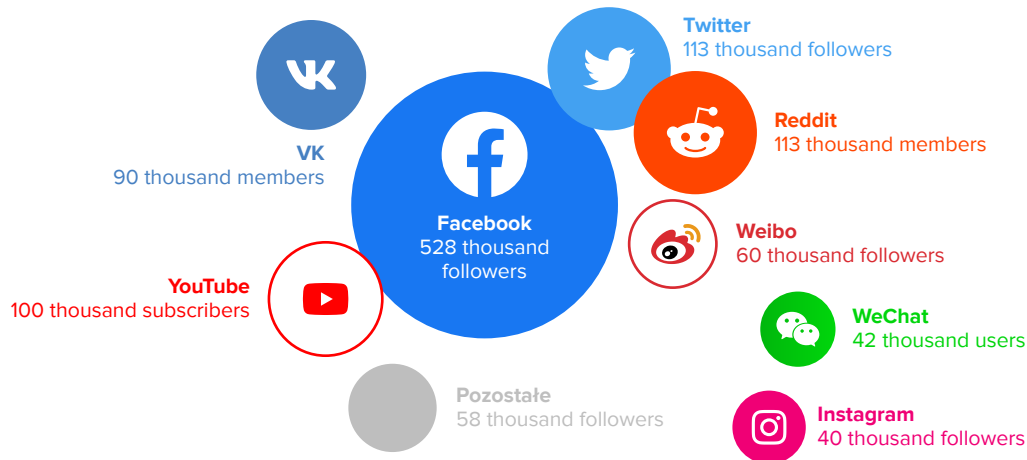
On 5–6 December 2020 the finals of the second *GWENT Masters* e-sports tournament season took place, organized online and entirely by CD PROJEKT RED. Live commentary was provided by casters from the USA, Canada and the UK. The event involved the top 8 professional players from Poland, the USA, China, Germany and Denmark.

Chart 24 *GWENT* – CD PROJEKT Group revenues by hardware platform



*between 29.10.2019 an 31.12.2019

Chart 25 Followers and subscribers of *GWENT* social media profiles as of 6 April 2021



Other events related to *The Witcher* videogame series

On 28 January 2020 *Thronebreaker: The Witcher Tales* was released for Nintendo Switch. The game is available as a digital download in the Nintendo eShop.

On 18 February *The Witcher 3: Wild Hunt* for Nintendo Switch received an update enabling saved games to be imported from the PC version on Steam and GOG. Owing to this feature, Switch users who have purchased *The Witcher 3: Wild Hunt* for this platform may now use Nintendo's portable console to continue adventures started on the PC version.

On 28 May the Company announced that over 50 million copies of games from *the Witcher* series had been sold.

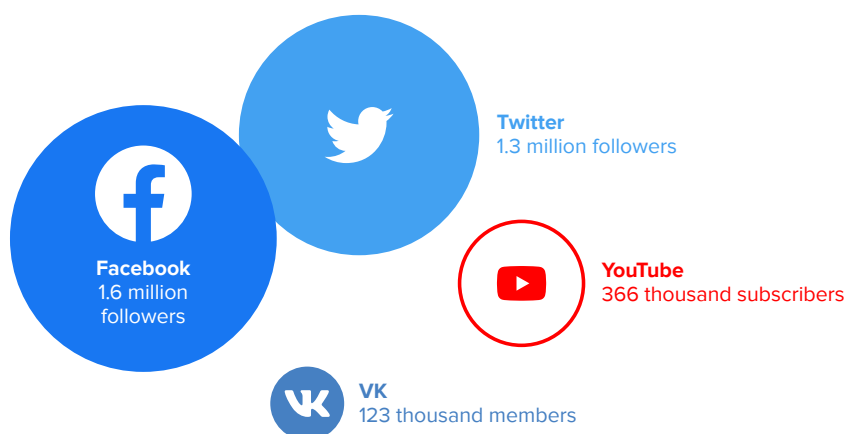
On 9 July *Thronebreaker: The Witcher Tales* was released for iOS devices.

On 26 August Spokko and CD PROJEKT RED jointly announced *The Witcher: Monster Slayer* – a location-based augmented reality role-playing game set in *The Witcher* universe. The game will be published in the free-to-play model for iOS and Android devices. Currently, the game is in the soft launch phase in New Zealand and Australia (iOS, Android) as well as Russia, Singapore, Malaysia and the Philippines (iOS).



On 4 September 2020 a new edition of *The Witcher 3: Wild Hunt* was announced for Xbox Series X, PlayStation 5 and modern PCs. This edition will consist of the base game, both expansions and all previously released DLCs. It will feature a range of visual and technical improvements, including support for ray tracing and faster load times. A free update to this edition will be offered to everyone who had previously bought the game for Xbox One, PlayStation 4 or the PC.

Chart 26 Number of followers and subscribers of *The Witcher* social media profiles as of 6 April 2021



GOG.COM

Target and scope of business activity

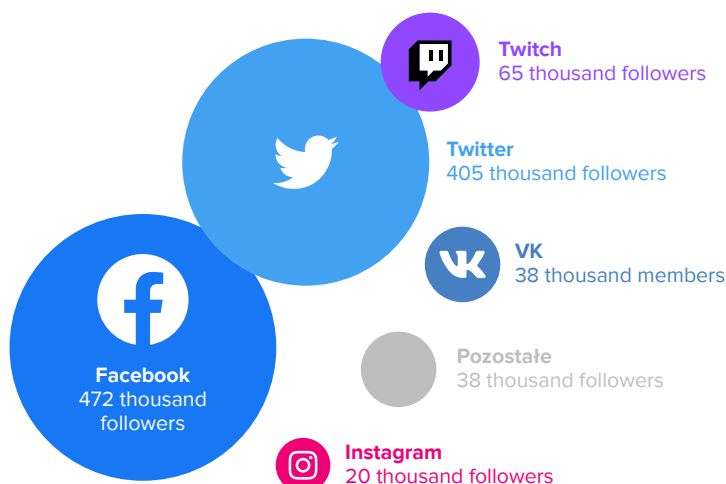
The GOG.com platform was launched in August 2008. Its initial mission was to revitalize major PC cult classics and offer them for sale to international customers with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia. The platform is now offered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

GOG.com activities focus on:

- digital distribution of videogames via the Company's proprietary GOG.com distribution platform and the GOG GALAXY application. The platform enables customers to purchase games, remit payment and download game files to their personal devices;
- development and support for the Company's proprietary GOG GALAXY application to provide user-friendly and straightforward purchase, launch and update features for all games from the GOG.com catalog, and to facilitate cross-platform online gameplay. GOG GALAXY is currently responsible for all networking features of *GWENT*, including in-game sales and payment processing in the PC edition;
- collaboration with CD PROJEKT S.A. in the framework of a consortium established to develop and operate *GWENT: The Witcher Card Game* and *Thronebreaker: The Witcher Tales*. In this scope, GOG sp. z o.o. is responsible for handling in-game purchases in the PC edition of *GWENT*, and for delivering the required IT infrastructure and implementing networking features in the PC, iOS and Android editions.

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

Chart 27 Number of followers and subscribers of GOG.com social media profiles as of 2 April 2021



Key products

As of the publication date of this report, the GOG.com catalog comprises over 4700 products from more than 600 publishers and producers of videogames, including such well-known brands as Activision Blizzard, Bethesda, Disney, Electronic Arts, Ubisoft and Warner Bros. The key difference between GOG.com and its competitors (i.e. other independent platforms – Steam, Gamersgate, Humble Bundle etc.) is its set of core principles. As a rule, the company ensures that all of its games are free of cumbersome DRM measures. Products offered on GOG.com are richly featured and usually include bonus content such as soundtracks, maps and wallpapers. GOG.com also ensures full compatibility of its games with current versions of MS Windows, macOS and popular distributions of Linux, depending on the platforms on which the given game is supported.

The Group uses GOG.com to market its own products directly to end users – this includes *The Witcher* and *The Witcher 2: Assassins of Kings*, *The Witcher 3: Wild Hunt* (along with its expansion packs – *Hearts of Stone* and *Blood and Wine*, also offered as the *Game of the Year Edition*), *Thronebreaker: The Witcher Tales*, *The Witcher Adventure Game* and *Cyberpunk 2077*. Owing to GOG GALAXY in-game purchases placed by users of the PC edition of *GWENT* take advantage of GOG's sales and payment services.

The GOG.com team is currently working on further development of GOG GALAXY 2.0 which will enable gamers to combine all their game shelves into a common library, as well as communicate with friends and track their progress regardless of their preferred gaming platforms. GOG GALAXY 2.0 is currently in open beta.

Key sources of revenue

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

Other notable sources of revenue include *Thronebreaker: The Witcher Tales* and *GWENT: The Witcher Card Game*. In this scope, revenues attributed to the GOG.com segment comprise:

- the GOG sp. z o.o. share of revenues from in-game sales to final customers in the PC edition (excluding the Chinese market), as stipulated by the consortium agreement,
- the GOG sp. z o.o. share of revenues from in-game sales handled by external partners (including the Chinese partner), as stipulated by the consortium agreement.

Key product and marketing events

GOG GALAXY 2.0

For GOG GALAXY 2.0 the year 2020 was marked by collection and analysis of feedback received from users of the application's open beta, launched in December 2019, as well as by work on additional features and updates.

The fifth iteration of the application, released on 27 April, incorporated new functionality, enabling – among others – browsing and installing games to which users have access under existing subscription schemes such as Xbox Game Pass and Origin Access, as well as support for mods and nonstandard settings (facilitated by the option to import custom executables and modify game parameters).

On 20 July 2020 GOG GALAXY 2.0 was officially integrated with Epic Games Store, providing convenient and stable support for that platform's game shelves within GOG GALAXY 2.0.

In October 2020 closed beta tests of a new online store available from within GOG GALAXY began. In addition to offering all games currently in the GOG.com catalog, the store enables customers to purchase selected titles exclusive to Epic Games Store.

In December 2020 GOG GALAXY was expanded with a new feature enabling users who have subscribed for GOG newsletters to obtain *The Witcher 3: Wild Hunt – Enhanced Edition* free of charge. This feature was rolled out in preparation for the upcoming release of *Cyberpunk 2077* and the annual winter sale. Both events attracted a multitude of new users, while the free game giveaway enticed many of them to begin using the application.

New games in the GOG.com catalog

As of the publication date of this report, the GOG.com catalog of products numbers over 4700 items.

In 2020 the GOG.com catalog was expanded with numerous fresh releases and PC classics. The long list of additions to the catalog included, among others, *The Surge 2*, the *Styx* and *Dishonored* series, *The Evil Within*, *Deus Ex: Mankind Divided*, *Observation* and classic games from Konami adapted for modern PCs: three *Metal Gear* series games, *Konami Collector's Series: Castlevania & Contra* as well as *Silent Hill 4: The Room*.

The platform also premiered independent games, including *Beautiful Desolation*, *Legend of Keepers* and *The Legend of Heroes: Trails of Cold Steel III*.

During this period the GOG.com team was able to revitalize several classics, previously unavailable in digital distribution, including the long-awaited *Warhammer: Mark of Chaos* and *Mortal Kombat 4*.

In October GOG.com released *Baldur's Gate 3* in early access mode. This newest instalment in the cult RPG franchise debuted on GOG.com in parallel to other platforms, immediately securing a high place on 2020 sales charts.

In November, just before the launch of *Cyberpunk 2077* and the start of the busiest bargain season, GOG.com added another prominent game: *Horizon Zero Dawn Complete Edition*. This first AAA PC offering from Sony met with an enthusiastic reception by gamers.

Cyberpunk 2077

The highlight of early December was the release of *Cyberpunk 2077* – GOG.com's most important new release in 2020 and the biggest event in the online store's to-date history. The entire GOG.com team was strongly involved in the release. Technical infrastructure was prepared to handle the expected pre-downloads, the release itself and support for further updates. GOG.com's infrastructure handles both digital editions purchased directly on GOG.com and all PC editions distributed as box sets.

On the date of release GOG.com provided *Cyberpunk 2077* with the best possible visibility across all of its distribution channels. The release was also accompanied by the publication of original content: interviews, guides, articles and video presentations.

In the fourth quarter, in conjunction with the release of *Cyberpunk 2077*, a dedicated launcher (called RED-launcher) was provided on Steam and in Epic Games Store. This solution enables customers who have purchased *Cyberpunk 2077* on Steam or in Epic Games Store, and used the launcher to link their GOG.com account, to obtain digital bonuses and in-game rewards. In the future REDlauncher will provide support for all CD PROJEKT RED games offered on other platforms, including Steam and Epic Games Store.

In parallel with the release of *Cyberpunk 2077*, GOG.com initiated collaboration with Nvidia, providing support for the newest CD PROJEKT RED release on the GeForce Now cloud service. Thanks to integration with GOG GALAXY, gamers may enjoy *Cyberpunk 2077* with top graphics settings, regardless of their end-user device – laptops, Windows/Macintosh computers as well as Android, iPhone or iPad mobile devices.

Sales support

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

The Spring Sale, carried out in the second half of March, was the biggest spring event in the platform's history with regard to the number of discounted products on offer, the number of active visitors and the total volume of sales. This year's Spring Sale actively supported the "stay at home" initiative by handing out free-of-charge copies of games, artbooks and soundtracks, while also reminding gamers of the availability of free content in the catalog. Over the last two weeks of March more than 9 million free downloads were served by GOG.com.

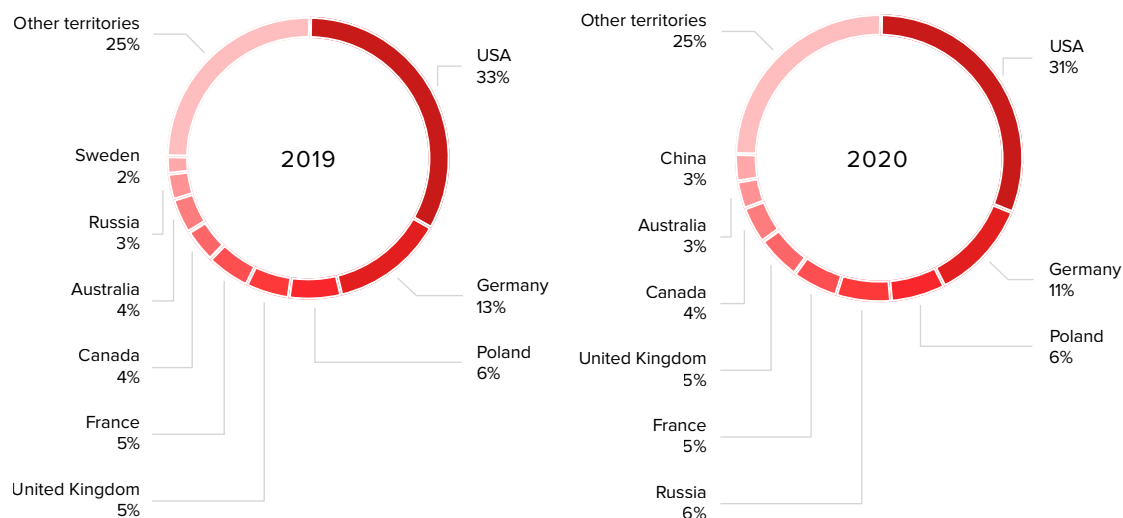
The GOG.com marketing highlight of the second quarter was the Summer Sale campaign, held between 27 May and 15 June. This again proved to be the largest such event in GOG.com's history, as measured – among others – by the number of participants, range of bargains (over 3 thousand products discounted) and media interest (over 560 publications). The campaign was further bolstered by a competition which nearly 25 thousand gamers entered for a chance to win a *Cyberpunk 2077*-themed edition of the GTX 2080ti graphics card.

In the second half of the year key promotional activities included Black Friday (late November) and Winter Sale (December and early January 2021). This year's Winter Sale was – again – the biggest in GOG.com's history with regard to the number of participants as well as sales revenues. In addition to discounts on over 3 500 games, the platform's catalog was expanded with new games (*Ancestors: The Humankind Odyssey*, *Wolfenstein II: The New Colossus* and the classic *Heretic* series), with three games offered free of charge during the sale period (*Metro: Last Light*, *Prison Architect* and *Brigador Deluxe*).

Key suppliers and clients

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

Chart 28 Sales of products and goods by GOG.com in the 2019 and 2020 by territory



No major changes occurred regarding territorial breakdown of distribution as compared to 2019. In 2020 gamers residing in the USA represented the largest group of GOG.com clients (31% of sales), followed by Germany (11%), Poland (6%) and Russia (6%).

As of 31 December 2020 no single supplier in the GOG.com segment accounted for more than 10% of the Group's consolidated revenues.

KEY CORPORATE EVENTS

On 24 January 2020 CD PROJEKT received a crucial individual interpretation of tax law. According to the interpretation, eligible revenues obtained by the Company from commercializing copyright to its video games may, as a rule, be subject to preferential taxation with an income tax rate of 5% (subject to any additional restrictions and exclusions expressed in the relevant legislation). The material effect of this interpretation was accounted for in the Company's annual fiscal settlements for 2019 and 2020.

An Ordinary General Meeting of CD PROJEKT S.A. was held on 28 July 2020. The General Meeting adopted, among others, resolutions instituting a remuneration policy for members of the Company's Management Board and Supervisory Board, authorizing the Management Board to carry out buy-back of shares and creating a reserve capital to finance said buy-back in the framework of implementing the incentive program active in the years 2016–2019, as well as instituting a new incentive program covering the years 2020–2025. However, the attendant resolution concerning issue of subscription warrants with exclusion of subscription rights for existing shareholders in order to enable implementation of the Incentive Program for 2020–2025 failed to obtain the required four-fifths supermajority of votes, as required under the Commercial Companies Code. The full list of resolutions submitted to the Ordinary General Meeting of CD PROJEKT S.A. on 28 July 2020 can be found in the appendix to Current Report no. 10/2020.

Acting in compliance with Resolution no. 21 of the aforementioned Ordinary General Meeting, between 30 July and 17 August 2020 the Company carried out a buy-back of Company shares. Shares were purchased on the regulated market of the Warsaw Stock Exchange. Altogether, the Company purchased 516 700 shares expending 214 259 thousand PLN. The goal of the buy-back program was to offer the acquired shares to entitled participants of the Incentive Program which remained in force between 2016 and 2019.

On 22 September 2020 an Extraordinary general Meeting of CD PROJEKT S.A. was held, adopting, among others, a resolution amending the terms of the incentive program for 2020–2025 and a resolution authorizing the issue, in the course of implementing this incentive program, of subscription warrants with exclusion of subscription rights for existing shareholders. Work on draft resolutions was preceded by a series of consultations with shareholders. The full list of resolutions adopted by the Extraordinary General Meeting of CD PROJEKT S.A. on 22 September 2020 can be found in the appendix to Current Report no. 41/2020, while a detailed description of the 2020–2025 Incentive Program can be found in the section devoted to past and current incentive programs, elsewhere in this report.

On 17 November 2020 the Company announced that 4 534 624 newly issued Series M shares had been provisionally registered in the National Depository for Securities. These shares had been issued following the vesting and exercise of rights assigned under the Incentive Program in force between 2016 and 2019. They were subsequently admitted to organized trading on 4 December 2020. As a result of this stock issue, the Company share capital was increased by 4 534 624 PLN, reaching 100 654 624 PLN divided into 100 654 624 shares with a nominal value of 1 PLN each.

EVENTS FOLLOWING THE BALANCE SHEET DATE

Product-related events

Following three hotfixes for *Cyberpunk 2077*, released in late 2020, in 2021 CD PROJEKT released two additional hotfixes as well as two large patches. The Studio has announced further support for the game and additional patches to improve gameplay.

Corporate events

GRI 206-1

On 21 January 2021 the Management Board of the Company announced its current policy concerning diversification of surplus current cash. The policy specifies that debt instruments held by the Company may account for not more than 50% of the Company's current financial assets, which are defined as the sum of the following: cash and near-cash, bank deposits with maturity periods longer than 3 months, Polish State Treasury bonds, other bonds guaranteed by the Polish State Treasury and bonds issued by foreign governments, estimated at the price specified in the corresponding forward contract hedges.

On 29 January 2021 the Company was notified of a civil class action lawsuit filed in the US District Court for the Central District of California by five natural persons who had purchased videogames via the Steam platform which is owned by Valve Corporation ("Valve"). The lawsuit names Valve along with other developers and publishers of videogames, including the Company and its subsidiary which forms part of the Group – CD PROJEKT Inc., as defendants. The Plaintiffs asked the court to adjudicate whether the terms of the Steam Distribution Agreement violate US competition law. On 8 April 2021 the Company announced that allegations directed against CD PROJEKT S.A. and CD PROJEKT Inc. had been withdrawn from the filing and that consequently these entities had been excluded from the ongoing lawsuit.

In February 2020 CD PROJEKT fell victim to a hacking attack targeting its servers and CD PROJEKT RED resourced residing thereon. Backups, which the Company had been creating on a regular basis, remained untouched.

The Management Board decided to immediately release information related to the attack and announced that it would not negotiate with hackers. The CD PROJEKT team was informed of the risks and recommended actions in relation to the attack. The incident was also reported to the appropriate authorities – the police and the Personal Data Protection Office.

The Company immediately moved to establish collaboration with leading providers of IT security services and commissioned a set of forensic analyses. In parallel, work began on restoring the affected systems. This involved using current backups to restore data which had been encrypted by hackers, scanning all personal computers used at the Company for malicious software and deploying new solutions to enhance IT security at the Group.

The compromised resources have been fully restored and the entire infrastructure brought back into operation. The Group is currently designing and implementing a new network architecture, and rolling out next-generation security services based on advanced network traffic monitoring. It also plans to carry out network penetration tests once these services are in place, and to conduct security awareness training for its employees.

On 10 March 2021 the Company announced that 84 176 newly issued Series M shares had been conditionally registered in the National Depository for Securities. This issue of stock was carried out in association with the

vesting of the incentive program in force between 2016 and 2019. The shares were admitted to organized trading on 31 March 2021. As a result of the admission of Series M shares to organized trading, the Company share capital was conditionally increased by 84 176 thousand PLN, reaching 100 738 000 PLN divided into 100 738 800 shares with a nominal value of 1 PLN each.

On 30 March 2021 the Management Board published the CD PROJEKT Group Strategy Update. Core aspects of the strategy were discussed at length in a [video presentation](#) released by the Company. In conjunction with this event, the Management Board also announced that it had signed a term sheet specifying the conditions under which CD PROJEKT intends to acquire the Digital Scapes gamedev studio based in Vancouver.

EFFECT OF THE COVID-19 PANDEMIC ON CD PROJEKT GROUP ACTIVITIES

Actions undertaken

In March 2020, in light of the increasing threat posed by the coronavirus (COVID-19) pandemic, the Company took a range of preventative actions to mitigate the risk of the emergence of an infection cluster within the Group's organizational structure. It also moved to expand its technical infrastructure and supporting software, securing its potential future needs with regard to network bandwidth, hardware performance and security concerns, with a view towards facilitating remote work for all of its office staff.

On 16 March 2020 all employees of the CD PROJEKT Group shifted to the Home Office model (except for a skeleton staff performing critical duties at the Group's offices). This decision ensured the highest possible degree of safety for Group staff, while enabling the CD PROJEKT RED studio and the entire Group to carry on with their operations.

In subsequent months, in order to further enhance safety and permit some staff members to perform certain duties at their offices using a hybrid work model, Group member companies rolled out additional improvements to safeguard psychological and physical well-being of their employees. These included:

- Tight collaboration with an experienced medical practitioner in defining new office policies and recommendations in situations where a staff member has become infected, may have been in contact with an infected individual or is experiencing worrying symptoms (webinars are offered to employees);
- Automatic body temperature monitoring at the entrance to the Company's Warsaw office, and manual measurements at other offices;
- Daily medical survey recommended for all employees working from home and mandatory for all employees who commute to their offices. Results are analyzed on the fly by doctors collaborating with the Group. In case of any suspicions, the subject is contacted by the doctor and issued a PCR testing referral;
- Testing – initially, IgM and IgG antibody serum tests (with over 650 team members participating); later on – regular rapid next-gen antigen testing (mandatory for all employees who commute to their offices). Antigen testing is carried out at the Warsaw offices three times a week (with a total of 3 102 tests administered by the end of 2020). At the Kraków offices weekly testing began in November 2020 (once weekly), while employees of the Wrocław office have been receiving weekly tests since February 2021;
- Three types of facemasks available for employees at reception desks – disposable surgical masks and two kinds of FFP2 respirators with an 8 hour usage limit;
- Common spaces and corridors equipped with hand sanitizer dispensers;
- Hand washing instructions displayed in restrooms; posters detailing safety guidelines displayed in corridors;

office mask mandate stickers posted throughout the premises;

- Access to telemedical consultations with doctors employed by the Group – available for team members 7 days a week; regular team meetings to discuss safety recommendations and preventative actions.

The Company monitors the circumstances surrounding the COVID-19 pandemic on an ongoing basis. As of the publication date of this report, the majority of the CD PROJEKT workforce continues to work remotely. In parallel, the Company provides some of its employees with the ability to work from their offices, as long as they comply with elevated safety precautions.

Effect of COVID-19 on sales

Digital distribution channels account for the vast majority of sales, both for the Company and for the Group as a whole. This type of distribution has gained popularity during the pandemic and especially during the associated lockdown periods. On the other hand, the pandemic may have negatively affected sales of physical products offered by the Company, although it should be noted that some of these sales could still proceed by mail order, or switch to digital channels.

As for the overall market impact of COVID-19 – according to Newzoo¹⁶ the market grew by nearly 20% in 2020, to 174.9 billion USD. Such dynamic growth is attributed by Newzoo to greater involvement on the part of gamers, resulting mainly from circumstances surrounding the COVID-19 pandemic. Mobility restrictions introduced in many countries resulted in increased popularity of forms of entertainment which can be accessed at home.

Considering the above description of sales throughout 2020, as of the publication date of this report the Company does not have a reason to suspect impairment of assets which correspond to development projects, both those in progress and those already completed.

Key short-term risks related to the COVID-19 pandemic

One year since the pandemic began affecting CD PROJEKT's activities, the Company perceives the following associated risks:

- Difficulties in communication among team members resulting from the remote work model may negatively affect the quality and pace of ongoing work;
- There is a risk that certain members of the team may become unable to perform their assigned duties. Thanks to rapid reorientation towards the Home Office model the Group successfully avoided the emergence and uncontrolled spread of an infection cluster within its team. Remote work cannot prevent individual team members from becoming infected, but it significantly reduces this risk, while also eliminating the risk of horizontal spread within the team;
- The Home Office model and the restrictions imposed by the government may negatively affect the mental well-being of team members;
- Restrictions introduced in many countries may lead to economic deterioration and affect the condition of the Group's business partners;
- In the long run there is a risk of increased unemployment which would cut into the disposable income obtained by the populace. This might reduce demand for entertainment products and services, including videogames.

The above assessment is fully consistent with the Company's knowledge as of the publication date of this report.

¹⁶ Global Game Revenues Up an Extra \$15 Billion This Year as Engagement Skyrockets, Newzoo; 4 November 2020; accessed on 20 February 2021; [newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/](https://www.newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/)

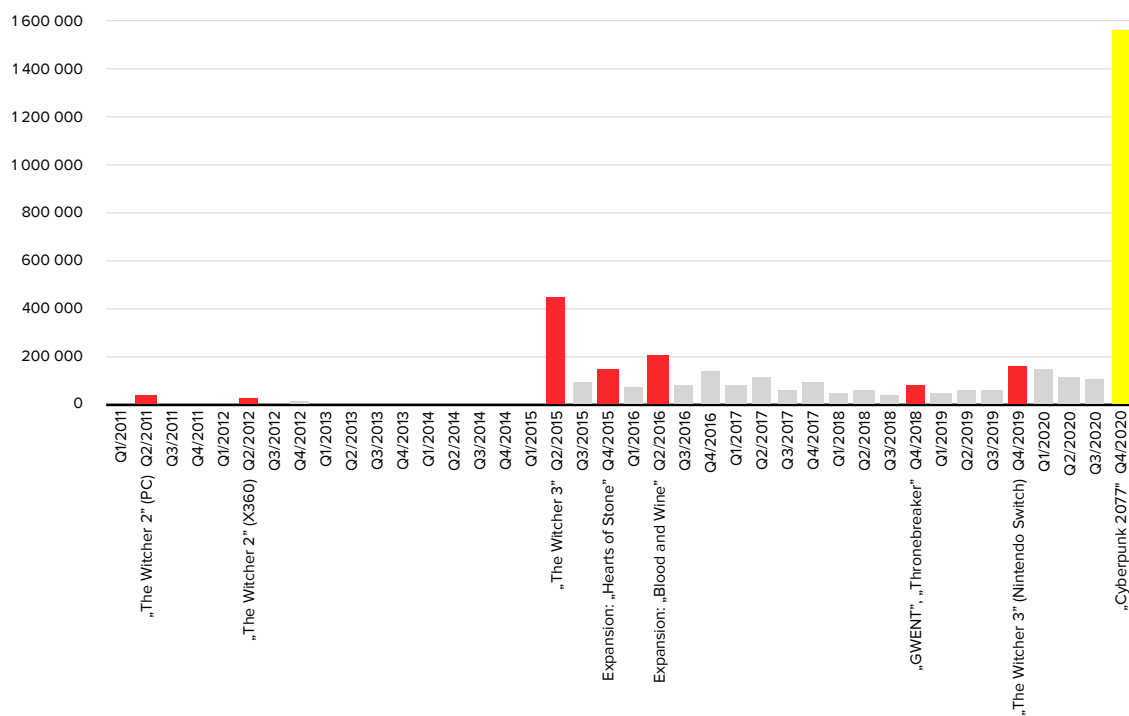
In the Management Board's opinion the COVID-19 pandemic should not have a significant effect on the Group's earnings in 2021 and does not jeopardize the Company's activities within 12 months following the close of the reporting period.

DISCLOSURE OF SEASONAL OR CYCLICAL ACTIVITIES

CD PROJEKT RED

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

Chart 29 Effect of new releases on the quarterly revenues from sales of products, goods and materials by CD PROJEKT RED in 2011–2020 (PLN thousands)



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

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

For *GWENT: The Witcher Card Game*, operated in the game-as-a-service model, the revenue stream depends on the overall popularity of the service and on the appeal of new in-game content released to gamers.

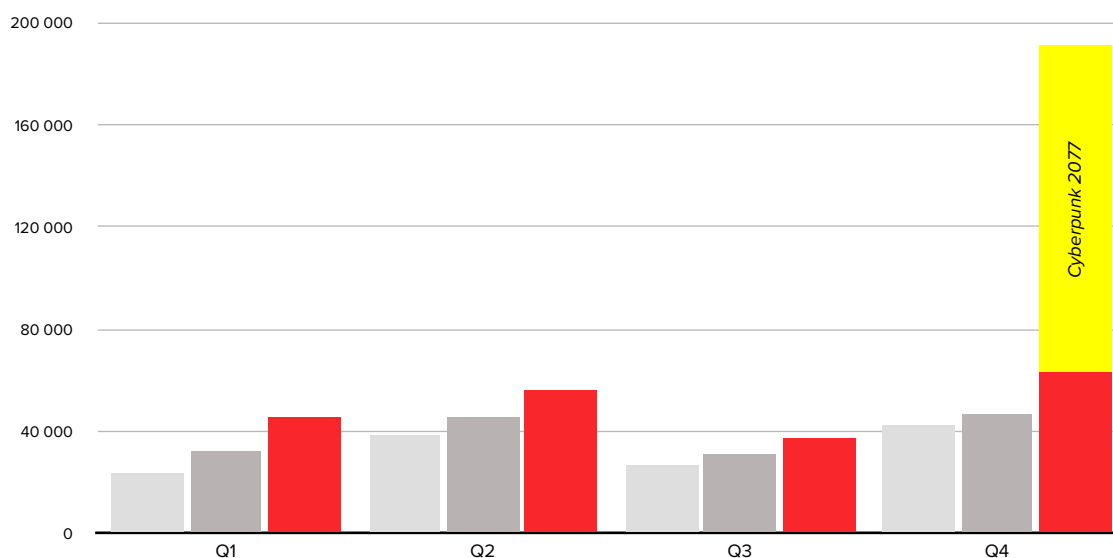
In addition to pure development activities, the Company also actively manages its franchises in other fields, working to continually expand its target audience, and exploring new media types and platforms.

GOG.com

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

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

Chart 30 Sales of goods and materials in the GOG.com segment in 2018–2020 (PLN thousands)



GOG.com also obtains revenues from microtransactions carried out within *GWENT: The Witcher Card Game*. The volume of such revenues depends, among others, on the game's popularity and on new content released to gamers during each period.

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

GRI 102-15

Future growth of the Company and its Group is critically dependent on the ability to retain world-class creative professionals and experts, and to attract a growing number of specialists, both Polish and foreign, to work on the Group's future releases. Strategic directions related to talent acquisition, team development and support are presented in the [CD PROJEKT Group Strategy Update](#) (including the attached [video commentary](#)) as well as in this report, in the section titled "The CD PROJEKT Group as an employer".

Ongoing expansion of the team and upscaling of development work calls for effective management of production and publishing activities at the Company HQ in Warsaw and at its branch offices in Kraków, Wrocław, Los Angeles, Shanghai, Seoul and Tokyo. The market performance of each new release is an important aspect of the Studio's reputation as a developer of top-quality, highly sought-after entertainment products. It also underpins the value and recognition of brands such as *The Witcher*, *Cyberpunk* and CD PROJEKT RED, upon which the long-term development strategy of the Company and its Group is founded. Moreover, the activities of CD PROJEKT Group member companies are affected by external factors such as the macroeconomic outlook, legal reforms and changes in taxation. In this sense, CD PROJEKT is in a similar position to many other companies conducting business on domestic and international markets.

Key internal and external factors which, in the Board's opinion, may prove detrimental to the Group's activities and growth prospects are listed in the risk assessment section further on in this report.

With regard to the coming quarters in 2021 the CD PROJEKT Group intends to develop its activities in parallel in two key segments: CD PROJEKT RED and GOG.com, as well as in the framework of Spokko and CD PROJEKT RED STORE. Additionally, while introducing the Group's strategy update the Management Board also announced increased openness to mergers and acquisitions in order to assist the growth of CD PROJEKT RED, particularly in terms of technological know-how. In March 2021 CD PROJEKT signed a term sheet specifying the conditions under which the Company intends to acquire the Digital Scapes gamedev studio based in Vancouver.

CD PROJEKT RED

Key factors which determine the growth of the CD PROJEKT RED segment include ongoing projects, the scale of development work associated with those projects and their perceived popularity among gamers. In this context, the most significant factors shaping the current results of the CD PROJEKT Group include the popularity of previously published games set in *The Witcher* and *Cyberpunk* universe, as well as – in future periods – events surrounding the development and market reception of future development projects.

In the coming quarters the activities of CD PROJEKT RED will focus on providing further support for *Cyberpunk 2077*, publishing patches for the original game, as well as developing its dedicated next-gen release.

GWENT: The Witcher Card Game is the first multiplayer game developed by the CD PROJEKT Group in which CD PROJEKT and GOG collaborate to jointly create new technological solutions while extending their knowledge and experience in terms of provisioning online products. These technologies and know-how are strategically important for the Group and its future development and publishing capabilities, particularly in the context of enriching its future products with online gameplay elements.

Maintaining the observed growth dynamics and expansion of the CD PROJEKT RED segment will depend on further enhancement of its world-class videogame development skillset and on the capacity for effective communication with the global gaming community. Both aspects are crucial for Studio's ongoing transformation – labeled RED 2.0 – which aims, among others, to introduce a more agile approach to the videogame development process, improving the quality of future products, shortening future marketing campaigns and ensuring that such campaigns are based on more polished content. In project management terms, maintaining two separate major franchises (*The Witcher* and *Cyberpunk*), along with several independent development teams, will enable the Company to conduct parallel work on several projects, beginning in 2022, and smoothen its long-term release schedule. This migration towards a dual franchise model supported by several independent product lines also permits optimization of manufacturing and financial activities, mitigates important risk factors and makes it easier for Company employees to seek professional fulfillment.

GOG.COM

In the GOG.com segment, maintaining the current high sales volume should be supported by the customers' increasing tendency to turn to online channels for purchases, as observed in recent years.

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

Expanding the reach of services operated by GOG.com may strongly depend on the community reception of GOG GALAXY 2.0. Conceptually, this newest edition of GOG's proprietary technology aims to provide convenient access to games purchased by customers regardless of platform, as well as facilitate social interaction. GOG GALAXY 2.0 is currently in open beta.

Further growth of activities in the GOG.com segment, including the potential to acquire unique know-how and experience, and to fully leverage the Company's technological expertise, will be influenced by the Company's involvement in the *GWENT* project, where GOG.com is responsible for networking and online sales.

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

GRI 201-4

With regard to development of videogames, their digital distribution and work on the GOG GALAXY technology – the ongoing search for new solutions and more effective use of existing technologies constitutes a core aspect of the Group's business profile and significantly affect its daily activities.

Since 2008 CD PROJEKT RED has ceaselessly worked on its proprietary game engine – REDengine. The engine supports development of RPGs with advanced graphics and complex storylines, targeted for the PC and home game consoles. Work on the engine also entails development of add-on tools and refinement of their features.

Among the unique features of this technology is its strong support for open-world games. REDengine is also why *The Witcher 3: Wild Hunt* has become a benchmark of the capabilities of modern videogame platforms, receiving hundreds of international awards, including numerous "best graphics" awards.

Since the launch of *The Witcher 3: Wild Hunt* in 2015 the Company has been working on the fourth generation of REDengine, among others by introducing new solutions which were employed – for the first time – in the Company's newest release: *Cyberpunk 2077*. Since 10 December 2020 *Cyberpunk 2077* is available on the PC, Xbox One, Xbox One X, PlayStation 4 and PlayStation 4 Pro. For PC users the game supports cloud gaming via Google Stadia and GeForce Now. It is also compatible with next-gen consoles: PlayStation 5 and Xbox Series S and Series X. Work is underway to publish a dedicated next-gen version, fully exploiting the hardware capabilities of these consoles and offering top-notch gameplay.

Work on the fourth generation of REDengine involves, among others, development of new technologies co-financed under the GameINN umbrella (part of the Intelligent Growth Operational Programme). The Company secured funding for the following projects in 2016:

- City Creation – comprehensive technology enabling creation of massive "living" cities playable in real time and based on the principles of artificial intelligence and automation, including innovative processes and tools which assist in the development of top-quality open-world games;
- Animation Excellence – comprehensive technology facilitating rapid increases in the quality and efficiency of creating complex body and face animations for use in open-world RPGs, including innovative process solutions and a unique dedicated toolkit;
- Cinematic Feel – comprehensive technology which delivers exceptional cinematic quality of cutscenes set in open-world RPG environments, including innovative process solutions and a unique dedicated toolkit.

The above projects began in 2017 and successfully completed in 2020. Their results were used in the development of *Cyberpunk 2077*, enhancing the game and enabling practical exploitation of modern, innovative technologies. The Company also expects to be able to apply these results in its future products.

In 2020 CD PROJEKT RED, together with external partners, also worked to port its earlier games to new hardware platforms:

- *Thronebreaker: The Witcher Tales* was brought to Nintendo Switch in partnership with Crunching Koalas. This involved adapting the game to the requirements of the new console. The release took place on 28 January 2020. On 9 July 2020 *Thronebreaker* was also released for iOS devices;
- *GWENT: The Witcher Card Game* – as a continuation of efforts to port the game to iOS devices (successfully achieved in 2019), the Company also worked to release an Android-compatible version. This version debuted on Google Play on 24 March 2020.

In 2018 CD PROJEKT gained the status of an official Research and Development Center (RDC). On 10 September 2020 the Ministry of Entrepreneurship and Technology confirmed its earlier decision, acknowledging the R&D work carried out by the Company and upholding its status as an RDC.

In 2020 GOG sp. z o.o. continued to develop GOG GALAXY 2.0 – a unique solution which enables users to combine all their game shelves into a common library, as well as communicate with friends and track their progress regardless of their preferred gaming platforms. This development work continued throughout most of 2020.

For GOG GALAXY 2.0 the first quarter of 2020 was marked by a review of feedback collected from users after the launch of the open beta (December 2019) and work on further updates. Two important events occurred in late April:

- A major update was released, introducing, among others, the ability to browse and install games covered by subscription bundles, extended sorting features and support for nonstandard executables;
- All users of GOG GALAXY 1.2 were updated to the newest 2.0 release. Update 5 added support for all features present in version 1.2, bringing both versions on par in terms of feature sets.

In July GOG GALAXY was officially integrated with Epic Games Store, providing a convenient and stable way to combine that platform's game shelf with the GOG GALAXY library. This feature was added in the form of a plugin, similar to the previously released Microsoft Xbox integration plugin.

Work on the core feature set of GOG GALAXY 2.0 concluded near the end of the third quarter. At this point part of the team began work on a new project – REDlauncher – while the rest continued to develop new features and ensure integration with additional external platforms.

In the fourth quarter, alongside the release of *Cyberpunk 2077*, a dedicated launcher – REDlauncher – was rolled out on Steam and in Epic Games Store. Development and maintenance of the launcher was carried out by part of the GOG GALAXY team. With REDlauncher, gamers who have purchased *Cyberpunk 2077* on Steam and Epic Games Store may, having set up a GOG.com account, receive free digital add-ons and in-game rewards. In the future REDlauncher aims to provide support for all CD PROJEKT RED games on external platforms, including Steam and Epic Games Store.

In December 2020, following integration of GOG GALAXY with Nvidia GeForce NOW, users were given the ability to play *Cyberpunk 2077* on Nvidia's popular streaming service.

Disclosure of significant agreements¹⁷

No significant agreements were concluded by CD PROJEKT during the reporting period.

Risk management at the Group

GRI 102-11, GRI 102-15

The CD PROJEKT Group is exposed to a range of risks, both financial and non-financial, associated with its daily activities. Identification and monitoring of risks is the responsibility of top management and key specialists responsible for coordination of processes across the Group's areas of activity. The Management Board of CD PROJEKT carries out ongoing assessment of any identified risks, and undertakes actions to mitigate their effect on the Group's financial and material condition.

The following list of risks is ordered randomly, and its order does not reflect the relative weight and materiality of individual risks. The Group applied due diligence in identifying and describing the risks listed below; however, new types of risks may emerge in the course of further activities – risks, to which the Group had not previously been exposed and which are therefore not currently identified as material.

This report marks the first time the Group has divided its applicable risks into the following categories: business, team, legal, financial and external (the last category defined as risks beyond the Group's control). Given the increasing impact of environmental concerns upon the Group's activities, including legal and reporting obligations, an environmental risk has been identified for the first time.

¹⁷ An agreement is regarded as significant if the projected total value of liabilities arising under the agreement exceeds 10% of the consolidated assets of the Group

Table 10 Risks identified within CD PROJEKT RED and GOG.com activity segments

		CD PROJEKT RED	GOG.COM
Business risks	Business model risk – focus on large AAA releases	✓	
	Risk associated with entering new market segments	✓	✓
	Risk of delays in videogame development	✓	✓
	Risk associated with development of new technologies	✓	✓
	Risk of losing key suppliers	✓	✓
	Risk of incorrectly estimating demand and future sales	✓	✓
	Risk of temporary restriction of access to distribution channels which carry the Group's products, or to certain markets and hardware platforms	✓	✓
	Risk of loss of reputation	✓	✓
	Risk associated with leak or loss of data, or malfunction of critical IT infrastructure	✓	✓
Legal risks	Risk associated with changes or differing interpretations of legislative and fiscal changes regulations, and risk related to subsidies	✓	✓
	Risk associated with processing personal data	✓	✓
	Risk associated with improper assessment or unauthorized access to inside information	✓	✓
	Risk associated with intellectual property rights	✓	✓
	Risk associated with differing interpretations of legal regulations and with subsidies	✓	✓
Team-related risks	Risk associated with availability and recruitment of specialists	✓	✓
	Risk associated with retention of key team members	✓	✓
	Risk of noncompliance with employment regulations	✓	✓
Financial risks	Asset impairment test	✓	✓
	Risk of loss of liquidity and credit risk	✓	✓
External risks	Risk associated with PLN strengthening against USD and EUR	✓	✓
	Risk associated with changes in macroeconomic conditions, prices, interest rates and inflation	✓	✓
	Risk associated with competition on the digital entertainment market	✓	✓
	Risk associated with the SARS-CoV-2 (COVID-19) pandemic	✓	✓
	Risk associated with the condition of the Warsaw Stock Exchange / market manipulation attempts	✓	
Environmental risk	Risk of regulatory noncompliance in the scope of environmental protection	✓	✓

BUSINESS RISKS

Business model risk – focus on large AAA releases

Description: Since its inception in 2002 CD PROJEKT RED has focused on developing single-player role-playing games. The Studio's ambition is to create multilayer RPGs with nonlinear storylines, based on cutting-edge technological solutions. Given the scope of such projects and their development lifecycles which span multiple years, these games – often referred to as "AAA" – require above-average development and marketing budgets. The CD PROJEKT RED portfolio includes four single-player games: *The Witcher*, *The Witcher 2: Assassins of Kings*, *The Witcher 3: Wild Hunt* and *Cyberpunk 2077* (released in 2020). Revenues from sales of AAA games constitute the bulk of the CD PROJEKT RED revenue stream.

A hypothetical unsuccessful release of another AAA game by CD PROJEKT RED, potentially caused e.g. by a failure to meet gamers' high expectations with regard to quality, gameplay appeal or content, technical issues associated with the game or negative reviews by journalists and market experts, might suppress sales and have a detrimental effect on the Company's and Group's future earnings.

Actions taken: In line with the CD PROJEKT Strategy Update published on 30 March in the coming years the Studio wants to base its growth on successive rollout of new products in two franchises: *The Witcher* and *Cyberpunk*. Both flagship brands will be enriched with additional content (other than large AAA games) and projects representing new market segments, including new media and platform types. Focusing on a limited number of key projects should provide the team with a comfortable work environment, required to ensure the quality of future products. Nevertheless, instituting a distraction-free development environment does not guarantee market success and does not fully mitigate the business model risk.

Risk associated with entering new market segments

Description: Entering new market segments, where the Company may not yet possess extensive experience and know-how, carries a risk of project failures and may cause the Company to incur additional costs. In turn, investing in the development of own activities in collaboration with external partners, or – alternatively – taking over existing companies or teams may result in difficulties in ensuring optimal project management and integrating new entities or teams with the Group, and may also drive up costs both in the CD PROJEKT RED segment and within the Group as a whole.

Actions taken: When deciding to initiate a new project, in order to ensure optimal control, Group member companies take action to develop in-house skills and competences by recruiting experts and specialists who are familiar with the given field. In selected cases expansion to new fields may be carried out in collaboration with external partners who possess greater experience in that context.

Risk of delays in videogame development

Description: Developing games is a highly complex, iterative and costly activity, based on creative effort and requiring continuous development and refinement of technological solutions. This increases the likelihood of incorrect estimation of the required workload, delays due to technical issues in the programming layer (e.g. failure to meet quality assurance criteria or technical glitches), or problems caused by insufficient funding. As a result, the release may be postponed, which harms the Studio's and the Group's image, and may necessitate additional expenses related to development, marketing support for the release. This may have a trickle-down effect on the Group's earnings. In turn, delays incurred by suppliers of products marketed on GOG.com may cut into that segment's revenue stream.

Actions taken: In the CD PROJEKT Group Strategy Update, published on 30 March, the Management Board announced a range of actions to change the ways in which CD PROJEKT RED pursues development of AAA games. The Studio remains focused on developing world-class games in line with realistic schedules. The transformation process, branded RED 2.0, involves migration towards agile development, along with establishment of interdisciplinary teams combining multiple areas of expertise. This change should result in a more streamlined development process. In addition to changes in project management, the Company also plans to modify its production processes and bolster its development team through active recruitment, locking in partnerships with proven vendors and – potentially – acquiring external teams which possess competences regarded as crucial for CD PROJEKT RED.

Risk associated with the emergence of new technologies

Description: The digital entertainment segment which represents the Group's primary area of activity is characterized by dynamic changes in the applied technologies and IT solutions. This rapid pace of development necessitates frequent corrective actions, development of novel systems and increasing sophistication of the products offered. Technological changes may also influence the means by which games are delivered to the final customer, methods of interacting with and monetizing digital entertainment, as well as the capabilities of gaming platforms. The need to adapt CD PROJEKT RED games to the requirements of new hardware platforms may result in additional expenses and carry the risk of inability to supply a product which meets the Company's quality thresholds. On the other hand, low market availability of new hardware platforms in the first quarters following their launch may translate into low demand for games geared for such platforms.

Since 2008 CD PROJEKT RED has been developing its proprietary videogame engine called REDengine, which supports creation of cutting-edge expansive RPGs for the PC and gaming consoles. Successive iterations have enriched the engine with – among others – integration with additional hardware platforms, support for nonlinear storytelling, efficient management of expansions and performance optimizations. The studio is currently refining the fourth version of REDengine, preparing it for full integration with next-gen consoles. Developing videogames for the most modern hardware platforms brings major benefits to the Company, but also entails certain risks associated with vendor lock-in in a dynamically changing environment.

Actions taken: CD PROJEKT Group member companies monitor technological progress related to hardware and software insofar as such progress may affect their activities. The goal of this monitoring is to adapt strategies taking into account breakthroughs in videogame quality, development or distribution processes.

Risk of losing key suppliers

Description: In the CD PROJEKT RED segment the Company relies on external suppliers for certain components required in the development of games, such as physics systems, audio libraries and other specialized software, along with the associated licenses. The operations of GOG sp. z o.o. depend on cooperation with developers, producers and publishers who supply final products and with whom online distribution and retail sale agreements are negotiated. Terminating cooperation with suppliers of products which are popular among GOG.com users may impact the platform's sales figures, and therefore the earnings of the GOG.com segment.

Actions taken: GOG.com minimizes the risk of losing key suppliers by maintaining good trade relations and by working to diversify its supply chains and attract new suppliers. With regard to the CD PROJEKT RED segment, the Company actively monitors the market and may take steps to replace selected components or tools used in the production process, should such changes become necessary.

Risk of incorrectly estimating demand and future sales

Description: Developing, publishing and distributing products, whether proprietary or licensed, requires that their sales potential be estimated before the given product is released. The popularity of a given product among customers depends on many factors, including its quality, reviews and ratings posted on community portals or hype surrounding the products. Other factors, beyond the Group's control, include releases of competitors' products in the given timeslot as well as changes in customers' habits or trends. In practice, individual products differ greatly with respect to their revenue generation potential. GOG.com faces an additional risk related to the so-called minimum guarantees, i.e. advances on licensing royalties prepaid to suppliers of games which are offered for sale on GOG.com.

Incorrectly estimating expenses and future sales of a given product in either activity segment may affect future earnings of the CD PROJEKT Group.

Actions taken: CD PROJEKT Group member companies apply their longstanding experience to determine the commercial potential of each product they release, whether proprietary or licensed from an external supplier. Nevertheless, the risk of incorrectly estimating demand and sales volume cannot be entirely eliminated.

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

Description: The Company distributes its own products via physical channels (brick-and-mortar stores) as well as digitally, which – except for the Group's proprietary GOG.com platform – relies on cooperation with external distributors. Distribution of Company products in retail stores may be suspended or restricted e.g. due to trade restrictions introduced in many countries following the breakout of the SARS-CoV-2 pandemic. Company games may also be temporarily withdrawn from selected storefronts due e.g. to additional arrangements agreed upon with the distributor, and their return to such storefronts may depend on multiple factors, some of which may be outside of Company control. There is also a risk of temporary unavailability of Company products in certain distribution channels due to dissolution or expiration of distribution agreements.

Temporary withdrawal of Company products from certain traditional and digital distribution channels may negatively affect sales of such products and thereby impact the Company's and Group's earnings.

Development of games for "closed" platforms, such as gaming consoles or iOS devices, and distributing games on markets where the applicable legislation calls for certification (e.g. China) requires direct cooperation with the certifier. Changes in local regulations or internal requirements and procedures affecting the Group's business partners are a significant risk, as is termination of cooperation between the developer and the platform proprietor, delays in the certification process or denial of certification. Each of those events may adversely impact revenues from sales of the Group's products in selected territories or platforms.

Actions taken: To minimize the risk of unavailability of CD PROJEKT RED products in online distribution channels the Company cooperates with a broad range of proprietors of digital distribution platforms. As for risks associated with denial of certification and, consequently, the inability to market products in territories and on certain hardware platforms, in justifiable cases the Company engages with local partners who possess the experience and knowledge required to secure certification of the game (or of its new editions or supplementary content) prior to its rollout on the given market.

Risk of loss of reputation

Description: Good reputation of the Company and of its subsidiaries may induce customers to purchase products and services offered by the Group, improve its growth prospects and enable it to attract and retain skilled employees, collaborators, subcontractors and business partners. Events emerging in the course of daily operations at the Company and the Group, such as media reports of crunch time, performance issues related to certain products or postponement of previously announced release dates may damage the reputation of the Company and other member companies belonging to the Group, and thereby impair the Group's financial standing. Thereafter, regaining trust may be a lengthy process, entailing additional expenditures.

Actions taken: The release of *Cyberpunk 2077* – CD PROJEKT RED's newest videogame – failed to live up to the high expectations held by some customers, and tarnished the Company's image among gamers, business partners and investors. In reaction to problems reported by gamers, particularly the game's performance on the so-called old-gen consoles, the Company decided to offer refunds to customers who had purchased the game on these platforms, in the framework of the "Help Me Refund" campaign. Immediately after the launch of *Cyberpunk 2077* the Company also began releasing patches and updates which fix some of the reported issues and bugs. It also intends to continue providing support for the game.

Rebuilding reputation is a priority for the Company for the coming years. In its Strategy Update published on 30 March 2021 the Company outlined a range of activities it intends to undertake to regain trust among gamers, team members, business partners and investors. These include redoubled effort to improve gameplay quality as well as rolling out major changes in the scope of game development, project management and team management.

Risk associated with leak or loss of data, or malfunction of critical IT infrastructure

Description: The activities of the Group are dependent upon correct operation of internal IT systems, including servers and networks, as well as Internet access channels. Outages and technical malfunctions may render the Group unable to perform its daily activities and may disrupt the operation of the Group's online services.

Data storage and data processing carries the risk of theft or leakage of critical information. Technical issues affecting the Group's data storage services, or access by unauthorized parties may result in outages, data loss, reduced sales revenues and unforeseen costs or penalties. Such occurrences may also negatively impact the Group's reputation and undermine trust on the part of gamers and business partners.

Actions taken: In order to facilitate uninterrupted operation of its technical infrastructure and mitigate the associated risks the Group has introduced a range of safeguards ensuring adequate availability of critical systems and services. Given that most of these services are located on the Group's premises, the main server room has been equipped with the following safety features:

- uninterrupted power supply system with a backup generator and UPS panel,
- automatic inert gas-based fire suppression system,
- access control with contactless passcards and PINs,
- redundant air conditioning system,
- alarm system,
- CCTV system,
- automatic monitoring of key environmental parameters (temperature, humidity, power status, etc.).

To ensure adequate access to data, an automatic backup system has been deployed. Backups are created on a predetermined schedule and stored both onsite and offsite.

Many key processes are performed with the use of redundant solutions, ensuring seamless failover in the event of a primary system malfunction so that the infrastructure as a whole continues to operate correctly. To ensure confidentiality of protected data, all data stored on the Group's hard drives is encrypted at rest. Encryption also applies to data transmitted over network links. Access to data is on a need-to-know basis, all user activity is monitored and permissions are validated on a regular basis.

The Group works to ensure proper maintenance of its critical IT infrastructure, with continuous monitoring and periodic upgrades to improve the operation of servers and other systems. Nevertheless, despite the Group's best efforts, risks associated with hardware malfunctions, defective solutions supplied by external partners, or human error resulting in outages, leaks or loss of data, cannot be entirely eliminated.

LEGAL RISKS

Risk associated with processing of personal data

Description: Processing personal data is regulated by the relevant legislation, including Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (also referred to as the General Data Protection Regulation or GDPR), which fully entered into force in Poland on 25 May 2018. The Group has set up a legal, organizational and technical framework which enables secure processing of personal data, in compliance with the new Regulation. Should existing or future personal data protection solutions fail to operate as expected, leakage, corruption or loss of personal data may ensue, whether due to system malfunction, human error or malicious actions by third parties. Infringement of data protection legislation may result in financial penalties imposed by the relevant authorities, and may also impact the Group's reputation and undermine customer trust. Starting on 25 May 2018 the potential consequences of such infringement have become much more severe due to the raise in penalty caps and an expansion of remedial prerogatives appertaining to authorities. Exercise of these prerogatives has the potential to negatively impact the financial standing of the Group's member companies, and hamper their ongoing and future activities.

Actions taken: With regard to processing of personal data, CD PROJEKT Group member companies are assisted by internal mechanisms in place at the Group, as well as by external entities. The Group has established internal structures responsible for personal data protection and information security, and undertook action to further develop its information security system, particularly in the context of facilitating remote work. Despite introduction of formalized procedures in this regard, the data security risks associated with operating activities cannot be entirely eliminated.

Risk associated with intellectual property rights

Description: Effective acquisition, licensing and protection of intellectual property rights (including trademarks) held by the Group is an important aspect of the Group's activities.

Group member companies acquire copyrights (e.g. in the videogame development process) on the basis of contracts concluded with authors, employees, affiliates and external suppliers. Despite introduction of suitable

contractual provisions regulating copyright management, situations may arise where copyright has not been effectively transferred to the Group, acquired from an unauthorized party or inadvertently infringed. An additional risk involves conflicts between provisions which protect the interests of IPR holders in various jurisdictions. The Group performs continuous analysis of such risks and works to adapt the material content of its service contracts to minimize them.

Due to the global reach of CD PROJEKT Group products and services, it is natural to offer such products and services in local languages and using national alphabets. This, however, involves the risk that a brand name or trademark held by the Company may conflict with an existing trademark, giving rise to copyright infringement claims. In addition, the Group may be unable to locally register some of its trademarks due to their resemblance to trademarks which have already been registered. The Group actively monitors trademark claims filed by third parties and conducts analysis of existing trademarks before deciding on names for its own products.

Videogames created by CD PROJEKT RED are highly complex products and their in-game worlds comprise hundreds of thousands of components, including fictional designs, names, places and items. There is a risk that some of the designs, names or items created at the Studio will resemble real-world designs, names or items to which intellectual property rights (trademarks or copyrights) apply. This may result in copyright infringement claims. The Group invests much effort into preventing such conflicts from arising at the development stage; however, given the multitude of elements as well as of the relevant regulations and territorial considerations, the risk of inadvertent infringement of third-party intellectual property rights cannot be ruled out.

Some jurisdictions permit patenting of software, information technology concepts or elements of videogames. Group member companies attempt to monitor the situation in this regard; however due to the nonuniform nature of applicable laws, some of which extend far-reaching protection to patent holders, patent infringement claims against the Company cannot be ruled out. It should be noted that any claim filed against the company in conjunction with potential infringement of intellectual property rights, patents or trademarks may negatively affect the Group's reputation and growth prospects.

Group revenues are also negatively affected by the actions of parties who distribute its products without the owner's consent, thus violating intellectual property laws. CD PROJEKT Group member companies have no direct control over the scale of such illegal distribution. Insofar as is possible, Group members try to attract customers by releasing products in various price brackets, published in an appealing manner and therefore providing good value for money – both via services operated by GOG sp. z o.o. and with regard to the Group's own products.

Actions taken: The Group continually improves the legal safeguards present in third-party contracts and registers its trademarks throughout the European Union and elsewhere. The Group carries out ongoing monitoring of its products and services with regard to potential infringement of third-party rights. The Group also takes action to combat infringement of its own IPR – among others, by monitoring online auction portals and distribution platforms in Europe, the United States and Asia. Auctions which violate the Group's IPR are regularly struck down, depending on the solutions offered by the given portal.

Risk associated with improper assessment or unauthorized access to inside information

Description: As an issuer of securities, the Company must observe disclosure obligations and perform assessment of emerging information to determine whether it might constitute inside information. Given the need to assess the confidentiality of information prior to its disclosure, the Company runs the risk of incorrectly concluding that certain information does not constitute inside information, and, consequently, failing to meet its disclosure obligations, which may result in fines or other penalties. Employees and collaborators of the Group gain access to information which may be regarded as inside information in the course of participating in the Group's operations. This includes e.g. information about future unannounced projects, release dates, significant transactions, financial results or marketing plans. Improper discharge of disclosure obligations through unauthorized disclosure of inside information, whether intentional or unintended, may result in financial penalties and impact the Company's and the Group's financial standing.

Actions taken: The Company has instituted a set of regulations governing circulation and protection of inside information at the CD PROJEKT Group, listing events which the Company regards as representing inside information. The Company also maintains lists of individuals who have access to inside information, and notifies these individuals about their rights and responsibilities arising from such access. Moreover, the Company signs non-disclosure agreements with its employees, collaborators and business partners. These agreements specify the basic responsibilities associated with potential access to inside information. The Group works to train and raise the awareness of its employees and collaborators with regard to circulation of inside information at the Group's member companies.

Risk associated with changes or differing interpretations of legislative and fiscal regulations, and risk related to subsidies

Description: Legal regulations, both in Poland and abroad, are subject to frequent changes, which – along with the variability in the interpretation of existing law – elevate the risk of engaging in business activities. This risk manifests itself e.g. with regard to taxation, trade regulations, intellectual property law, labor law and capital market law. Any change in legislation has the potential to negatively impact Group activities by incurring administrative penalties, increasing operating costs or invalidating projections concerning future events. Legislative changes may also impact the legal environment in which the Group conducts its operations. Introduction of new regulations may be associated with inconsistent case law and conflicting interpretations by public administration bodies.

Significant changes are occurring in Polish tax law. Legislative bodies have imposed additional reporting obligations upon taxpayers and introduced a range of new restrictions related e.g. to qualifying expenditures to cost categories, while also introducing new forms of tax relief, enabling taxpayers to reduce their overall tax burden. When deciding to make use of such relief, the CD PROJEKT Group must develop appropriate internal documentation and settlement standards, which, in turn, may potentially be brought into question by tax authorities.

Group member companies also benefit from subsidies which support ongoing investment and development projects. Relying on this form of funding may involve a risk of having the relevant documentation, justifications for funding requests or calculations and settlements questioned by the authorities – while the projects are in progress as well as for many years following their conclusion.

The CD PROJEKT Group has no influence upon the legislative process in Poland or abroad.

The activities of the CD PROJEKT Group may be materially affected by Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC. This directive imposes new requirements upon copyright purchases and online platforms, and confers additional upon IP creators. Notably, member states may repudiate certain provisions of the Directive with regard to certain branches of the industry. Implementation of the Directive by member states should occur by 7 June 2021. CD PROJEKT is monitoring ongoing work on implementing the Directive. In order to secure its own interests, as well as the broader interests of the videogame industry, on 30 September 2020 the Company submitted its position paper in the framework of consultations carried out by the Ministry of Culture and National Heritage.

Given the specific nature of the industry in which the Group operates, i.e. strong reliance on time-restricted projects which correspond closely to the videogame publishing schedule, work on developing new products and services involves individuals whose affiliation with the Group relies on contracts other than a standard contract of employment. Consequently, there is a risk that the legality of concluding such contracts may be brought into question. This, in turn, may necessitate amending existing contracts and exposes the Group to potential administrative penalties or additional expenses as mandated by contract law.

Actions taken: To minimize the risk associated with significant changes in legal regulations applicable to the Group's activities, the Group has established autonomous legal units affiliated with each of its activity segments, as well as internal tax departments which oversee the correctness of fiscal settlements. To minimize the attendant risks, legal and tax teams monitor legislative processes and implement procedures which aim to systematize internal procedures and guarantee proper discharge of legal obligations by the Group.

Risk associated with conflicts of jurisdiction

Description: Member companies of the CD PROJEKT Group are subject to legal and fiscal regulations in countries where they operate, in countries where they distribute their products and goods, as well as – to some extent – in countries in which they purchase or license products and technologies used in the videogame development process. Large portions of sale, purchase and licensing agreements concluded with foreign parties fall within the jurisdiction of countries indicated by the Group's business partners. This creates the risk of incorrect interpretations of foreign law or of the provisions of contracts governed by foreign law. Such exposure to multiple legal systems also carries the risk of potential inadvertent breaches of foreign law.

Actions taken: In order to mitigate this risk, Group members employ the services of foreign legal consultants who specialize in the relevant fields.

TEAM-RELATED RISKS

Risk associated with availability and recruitment of specialists

Description: The activities and growth prospects of CD PROJEKT Group member companies are greatly dependent on maintaining an experienced, knowledgeable and motivated workforce. As the Polish videogame industry has only been dynamically expanding over the past dozen or so years, Polish universities and vocational training schools have not yet had time to train a sufficient number of professionals specializing in videogame development. Current activities of the Group, as well as its future development plans, call for further recruitment of employees, both Polish and foreign. The inability to attract world-class specialists, or the loss

of experienced employees, might impact the quality and release schedule of Group products, and therefore also the Group's financial result.

Actions taken: Member companies of the Group work to expand their internal HR and recruitment departments in order to mitigate this risk. They provide employees with good employment conditions, competitive salaries, bonuses, incentive programs, involvement in Employee Pension Programs, free-of-charge or co-financed training courses, and other benefits, including private healthcare, two in-house canteens, an in-house gym and admittance to external clubs and sports venues. The Group has also implemented a relocation program for foreign employees in order to ease their immigration and settlement in Poland.

Risk associated with retention of key team members

Description: One of the key assets of the CD PROJEKT Group, with a decisive influence on its growth dynamics, is its team – composed of world-class managerial staff and highly trained specialists at every level of the organization.

A sudden change in the composition of managerial staff caused by events outside the Company's control (such as illness) or resulting from a voluntary resignation may affect the Company's strategic bearing and the ways in which business decisions are undertaken. Failure to retain key team members at the Group may also impact daily activities such as the pace of ongoing development work.

Actions taken: The CD PROJEKT Group presents its employees with the ability to work on large-scale, ambitious and innovative projects, which offer many opportunities for career and personal development. The Group's internal training and workshop curriculum actively supports development of capabilities and soft skills. In addition to professional training, the Group also offers competitive salary and compensation packages by monitoring trends related to various job positions. The Group has also instituted a system of bonuses, settled on an annual basis and involving all team members who have been active during the given year. Bonuses assigned under this system depend on the Group's net profit, or that of its individual segments, for the given financial year. CD PROJEKT also presents persons regarded as crucially important for the Group and who meet its internal criteria with an option to enroll in long-term incentive programs where participants may become eligible to claim Company shares at a predetermined historical price. Persons employed by member companies of the Group have access to extensive benefits packages.

Regardless of the actions undertaken by the Group, certain employment turnover is unavoidable and natural. Given the specific nature of the Group's activities, which focus on long-term projects, such turnover typically increases in periods following each release.

Risk of noncompliance with employment regulations

Description: Given the number and diversity of individuals employed at the Group (refer to the section titled "The CD PROJEKT Group as an employer" elsewhere in this report) there is a risk of violating employment regulations in the course of daily activities at Group member companies.

In this context the Group may be subject to periodic inspections carried out by institutions and authorities authorized to perform such inspections. There is also a risk of lawsuits being filed by former employees alleging breaches of labor law and employment regulations.

Actions taken: With regard to proper management of employment risks, the Company undertakes a range of activities to institute regulations which concern employees' rights and responsibilities, including anti-mobbing / anti-discrimination procedures as well as diversity policies. Employees are able to anonymously report any irregularities, including breaches of employment regulations, and there are systems in place which protect whistleblowers from potential retribution. To ensure full transparency in cases where the Company has been notified of a suspected breach of employment regulations (such as mobbing or discrimination) an internal commission is formed to investigate the matter further.

FINANCIAL RISKS

Asset impairment tests

In accordance with the International Financial Reporting Standards, Group member companies conduct periodic impairment tests of their assets. Positive results of future tests cannot be guaranteed.

Risk of loss of liquidity and credit risk

Description: Within the CD PROJEKT Capital Group implementation of annual plans, including plans related to liquidity, is verified and discussed in monthly cycles. To mitigate the risk of client insolvency, the Group performs ongoing monitoring of the collection of receivables. Collection of impaired receivables is subcontracted to external entities which specialize in such activities. In the course of its activities the Group encounters concentration of demand, where sales to individual clients exceed 10% of the Group's aggregate sales revenues.

Actions taken: The Group actively manages its working assets, monitoring its financial resources and debt in relation to equity and financial result, both current and anticipated, as well as its future investment plans. As of the publication date of this report the CD PROJEKT Group has no outstanding debt under any credit or loan agreement, and has access to its own financial assets which comprise cash, bank deposits and investments in treasury bonds. Surplus cash is deposited in banks which collaborate with the Group or allocated to low-risk financial instruments (which involves diversification of deposits and investments). Liquidity management at the Group aims to – insofar as possible – secure sufficient liquidity to permit the Group to discharge its liabilities and safely implement its plans related to development of new videogames, publishing activities and investments.

EXTERNAL RISKS

Risk associated with PLN strengthening against USD and EUR

Description: Due to the global scope of its activities the Group obtains most of its revenues in foreign currencies. Consequently, the Group is subject to risks associated with sudden changes in exchange rates, particularly the strengthening of PLN against foreign currencies.

Most of the publishing and distribution contracts to which CD PROJEKT S.A. is party (as a videogame developer) are denominated in foreign currencies – typically in USD or EUR. As a result, the strengthening of PLN against foreign currencies is regarded as an unfavorable circumstance by the Group, reducing its revenues from distribution and licensing contracts. GOG sp. z o.o. obtains revenues in 13 currencies, including primarily USD, and to a lesser extent EUR, PLN, GBP, RUB, CAD, AUD and others, while expenses are mostly borne in USD and PLN. Accordingly, the strengthening of PLN or EUR against the currencies in which GOG sp. z o.o.

obtains revenues is, as a rule, viewed as an unfavorable circumstance by the CD PROJEKT Group, reducing the profitability of GOG sp. z o.o.

Group member companies also make purchases of products and services in foreign currencies – in these cases, the weakening of PLN against such currencies may result in unfavorable exchange rate differences.

Actions taken: CD PROJEKT S.A. attempts to minimize its exposure to fluctuations in exchange rates, however the corresponding risks cannot be entirely eliminated.

Risk associated with changes in macroeconomic conditions, prices, interest rates and inflation

Description: The overall condition of the global economy, including political and economic crises as well as the spread of pandemics may affect the activities, financial standing and earnings of the CD PROJEKT Group. A negative pandemic-related, macroeconomic or political outlook may hinder access to sources of financing, elevate prices of goods and services, induce consumers to adopt a conservative stance, or result in restrictions upon the sale of products as a result of economic sanctions or local regulations.

The monetary policy pursued by the Polish National Bank with regard to interest rates affects the inflation rate in Poland and, consequently, may affect the Group's financial revenues. Given that surplus cash is invested, among others, in bank deposits and treasury bonds, a decrease in interest rates may lead to a reduction in such revenues. Financial gains obtained from allocating surplus cash to bank deposits and investment in treasury bonds not fully offset losses due to inflation.

Actions taken: Group member companies monitor the impact of global economic conditions upon their respective markets and adjust their actions accordingly.

Risk associated with competition on the digital entertainment market

Description: The CD PROJEKT Group is active on the global electronic entertainment market, characterized by strong saturation and availability of various forms of entertainment, depending on the preferences and income obtained by the given household. The Group therefore competes for customers' time, attention and involvement with traditional entertainment outlets, including TV and cinema, as well as with suppliers of products which can be consumed at any time and in any place, including other videogame developers, VOD platforms, social media and other forms of entertainment content available online.

The Group's performance may be affected by emergence and spread of new forms of entertainment, product quality and innovation, technological merit, as well as competitors' ability to build strong communities around their products and services.

Actions taken: The Group remains focused on developing cutting-edge RPGs which go straight to the hearts of gamers throughout the world, ensuring a lasting place for its franchises in the global popular culture. This goal is pursued, among others, by offering innovative, high-quality products which break the mold. The Group's Strategy Update, unveiled on 30 March 2020, also envisions further development of franchises beyond their respective core products by pursuing projects in areas of entertainment which have not yet been explored by the Group. Enriching franchises with additional products should increase their recognition throughout the world and enable the Group to successfully compete for customers' time and attention with other entertainment providers.

Risk associated with the condition of the Warsaw Stock Exchange / market manipulation attempts

Description: The price of CD PROJEKT S.A. stock on the Warsaw Stock Exchange is subject to natural fluctuations. Stock price depends on various factors, only some of which are under the Group's control – examples include the Group's financial standing, its growth prospects or the general condition of the capital market. In addition, stock price may be affected by misleading or erroneous information or rumors concerning the Group's condition or its activities, disseminated by third parties (market manipulation).

Actions taken: CD PROJEKT S.A. makes every effort to provide investors with equal access to accurate information by publishing current and periodic reports, updating its corporate website at www.cdprojekt.com, actively managing its IR Twitter profile at [@CDProjektRED_IR](https://twitter.com/CDProjektRED_IR), scheduling regular meetings with investors and market analysts, and managing a dedicated investors' forum on the Company's web portal.

Risk associated with the SARS-CoV-2 (COVID-19) pandemic

Information concerning the effect of the pandemic upon the Group's activities is provided in the section titled "Effect of the COVID-19 pandemic on CD PROJEKT Group activities" elsewhere in this report.

ENVIRONMENTAL RISK

Risk of regulatory noncompliance in the scope of environmental protection

Description: The CD PROJEKT Group is mainly exposed to regulatory risks which stem from the potential mismatch between its activities and the corresponding legal regulations, or improper observance of environmental laws which apply to the Group. Cases of noncompliance may result in fines being imposed upon Group member companies by regulatory agencies. In addition, Group member companies may be exposed to environmental risks arising from one-time events, such as a breach of environmental regulations in the execution of a construction project, failure to safeguard cooling infrastructure against leaks or contracting waste management to unauthorized entities, as well as other environmental risks related to possession and use of properties either held directly by the Group or leased for the purposes of its business activities.

Actions taken: Minimizing environmental impact and rolling out new ecologically conscious solutions are a priority for the Group. In 2020 the Management Board of CD PROJEKT S.A. decided to begin work on instituting an integrated groupwide environmental risk management system, and to apply for an EMAS environmental certificate. Planned periodic environmental and managerial audits associated with this certification will help the Group ensure regulatory compliance and enable it to monitor potential environmental risks on an ongoing basis.

DIVERSIFICATION OF CREDIT RISK FOR FINANCIAL RESERVES HELD IN 2020

In line with its adopted philosophy, the CD PROJEKT Group maintains financial reserves which secure the autonomy and stability of its operations, enable further dynamic growth, provide funding for development of new videogames and technologies along with promotional activities carried out in support of anticipated releases, permit further investments and constitute a buffer which enables the Group to react to unforeseen circumstances or exploit emerging opportunities. Group member companies allocate their monetary assets in a way which acknowledges existing and planned funding requirements while mitigating credit risk and maximizing revenue from interest. At the end of December 2019 the Group held 482 301 thousand in monetary assets. Throughout

2020 this figure increased to 874 688 thousand PLN (as of 31 December 2020).

Most of the Group's financial resources are held by CD PROJEKT S.A.

In the Management Board's opinion, up until the end of the first quarter the credit risk associated with the financial resources held by the Group had been adequately mitigated by diversifying allocation to include domestic and foreign banks whose credit ratings are not worse than BBB- according to S&P and Fitch, or Baa1 according to Moody's. Following the outbreak of the COVID-19 pandemic, which brought about increased uncertainty concerning the future state of the global economy and its potential effect on the banking sector, in the second quarter of 2020 the Management Board of the Company undertook the decision to further diversify allocation of financial resources by including banks (in line with existing criteria) along with a limited number of issuers of treasury bonds (Germany, Switzerland, USA, Poland) whose credit rating is not worse than A-according to S&P and Fitch, or A2 according to Moody's.

Implementation

On 5 May 2020 the Management Board of CD PROJEKT S.A. decided to earmark up to 300 000 thousand PLN in surplus cash for the purchase of treasury bonds, as follows:

- up to 150 000 thousand PLN in domestic treasury bonds issued by the Polish State Treasury,
- up to 150 000 thousand PLN in foreign treasury bonds issued by USA, Germany and Switzerland, denominated in the respective currencies of their issuers.

The Board also limited the redemption period of any purchased bonds to 3 years (5 years for part of the US treasury bond portfolio).

At the same time, the Board decided to mitigate exchange rate risks associated with purchasing foreign bonds denominated in the currencies of their issuers by moving to conclude symmetric purchases of derivative instruments, i.e. forward sale contracts.

As of 31 December 2020 the Company held treasury bonds with a total balance sheet value of 146 985 thousand PLN.

Treasury bonds held on 31.12.2020	S&P	Fitch	Moody's	
Polish State Treasury bonds (denominated in PLN)	A-	A-	A2	49 588
US Treasury bonds (denominated in USD)	AA+	AAA	AAA	44 545
Swiss Treasury bonds (denominated in CHF)	AAA	AAA	AAA	32 023
German Treasury bonds (denominated in EUR)	AAA	AAA	AAA	20 829
Total treasury bonds held				146 985

The following table presents the concentration of financial assets, deposits and treasury bonds weighted by the total value of each category of diversified assets, with regard to the credit rating of financial institutions and issuers of treasury bonds.

Credit rating of financial institution / issuer of treasury bonds		As of 31.12.2020	As of 31.12.2019
Highest	AAA to AA- acc. to S&P and Fitch; Aaa to Aa3 acc. to Moody's	13.26%	0.00%
Medium-high	A+ to A- acc. to S&P and Fitch; A1 to A3 acc. to Moody's	43.60%	26.99%
Medium	BBB+ to BBB- acc. to S&P and Fitch; Baa1 to Baa3 acc. to Moody's	43.14%	73.01%

Purchases of domestic treasury bonds were carried out by directly issuing purchase orders via the PKO BP Brokerage House.

Purchases of foreign treasury bonds were carried out in the framework of a debt instrument portfolio management contract concluded with Credit Suisse AG. The bank manages investment accounts denominated in currencies which correspond to the currencies in which the Company has decided to purchase debt instruments. A dedicated Asset Manager, employed by the bank, manages the investment portfolio in accordance with the profile specified by the Company.

Assessment of the business model concerning purchase of bonds

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

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

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

Treasury bonds estimated at fair value through other comprehensive income (portfolio managed by Credit Suisse) – PLN thousands	97 397
Swiss Treasury bonds – CHF	32 023
German Treasury bonds – EUR	20 829
US Treasury bonds – USD	44 545
Treasury bonds estimated at amortized cost (transactions carried out directly by CD PROJEKT S.A.) – PLN thousands	49 588
Polish State Treasury bonds – PLN	49 588

Mitigation of exchange rate risks associated with purchasing and holding bonds denominated in foreign currencies

In order to mitigate the exchange rate risks associated with holding assets denominated in foreign currencies, for each foreign currency contribution to its investment account the Company concluded a symmetric forward sale contract involving the given currency. The following table summarizes the forward contracts concluded in 2020 for each currency.

Forward contract currency	Value of forward contracts (foreign currency units)	Value of forward contracts (PLN equivalent, according to forward exchange rates)	Estimated fair value of forward contracts as of 30 December 2020 (PLN)
CHF	7 630	33 467	1 231
EUR	5 550	25 175	-387
USD	11 740	49 307	5 604
Total		107 949	6 448

In line with its adopted policy, the Company mitigates exchange rate risks in proportion to the total balance of its foreign currency investment accounts and not to the value of bonds held. Consequently, the total value of forward contracts may exceed the total value of bonds held. The resulting surplus serves to secure unused financial resources which remain in the respective investment accounts. These resources are interest-free, and the credit rating of Credit Suisse is moderately high.

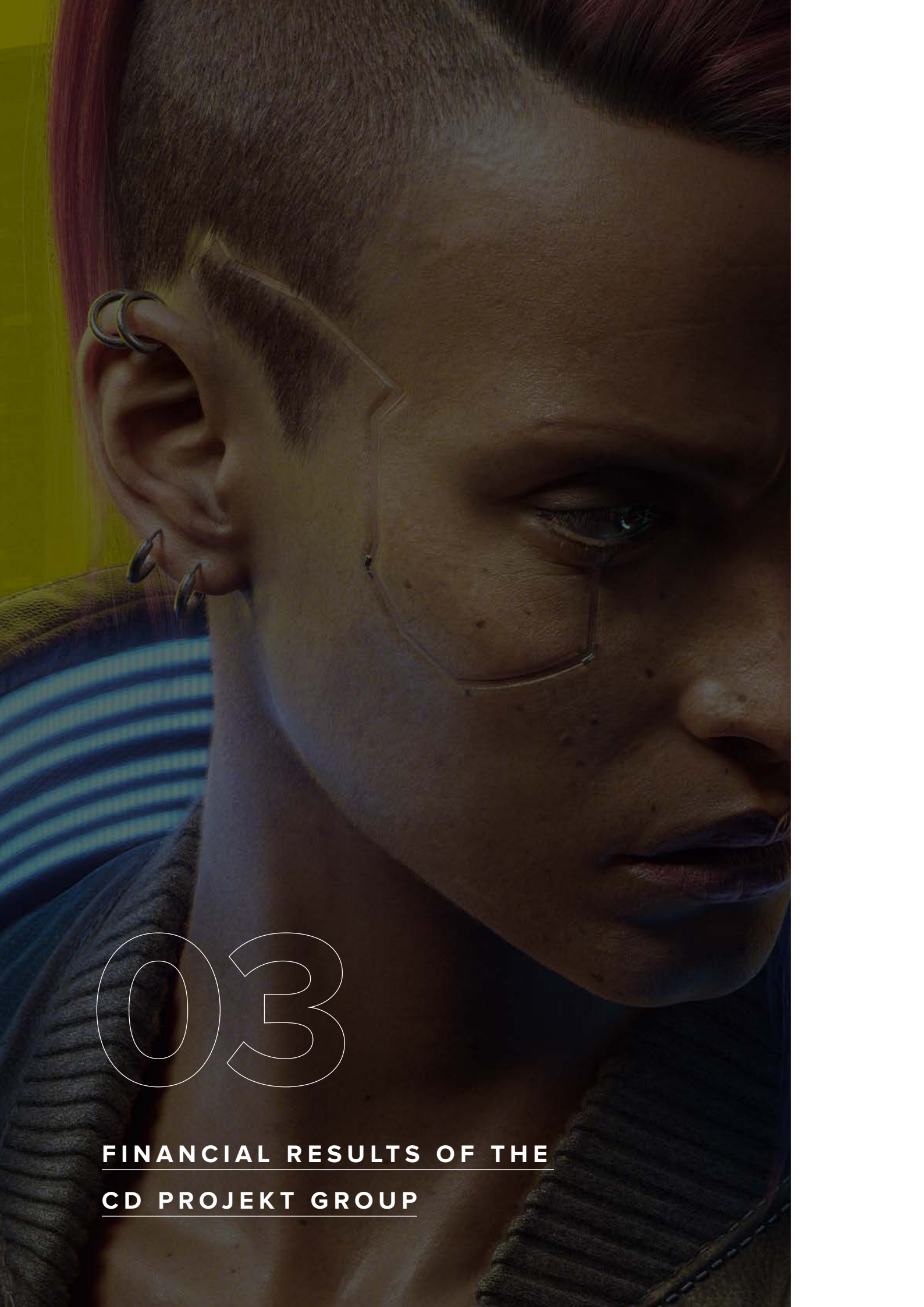
The Management Board of the Company has decided not to engage in hedge accounting with regard to forward contracts which secure foreign-currency assets held in the aforementioned investment accounts (cash, treasury bonds).

Interest rate risks associated with purchase of bonds

The Company does not pursue an active interest rate risk mitigation policy with regard to the purchased bonds. In order to minimize this risk – which might affect the fair value of bonds during the investment period – the Company restricts itself to purchasing domestic treasury bonds as well as treasury bonds issued by foreign entities with strong credit ratings (Switzerland, Germany, USA). The Company's intent is to hold the acquired bonds until they are redeemed.

Redemption periods for treasury bonds purchased as of 31 December 2020

2021	48%
2022	41%
2023	4%
2024	7%
Weighted treasury bond portfolio	100%



03

FINANCIAL RESULTS OF THE
CD PROJEKT GROUP

Overview of key economic and financial indicators disclosed in the consolidated and separate financial statement

GRI 201-1

DESCRIPTION AND ASSESSMENT OF FACTORS AND UNUSUAL CIRCUMSTANCES AFFECTING THE GROUP'S FINANCIAL RESULT IN 2020

The most significant circumstances affecting the financial result, assets, liabilities, capital and cash flows of the CD PROJEKT Capital Group in 2020 included:

- finalization of development and release of *Cyberpunk 2077* (on 10 December 2020);
- continuing strong sales of *The Witcher 3: Wild Hunt*, together with its expansions (*Hearts of Stone* and *Blood and Wine*);
- maintenance and further development of *GWENT: The Witcher Card Game*.

UNUSUAL CIRCUMSTANCES

No unusual circumstances with a major effect upon the Group's financial result occurred in 2020.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Table 11 Selected data from the segmented consolidated profit and loss account of the CD PROJEKT Group (PLN thousands)

	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019
	CD PROJEKT GROUP		CD PROJEKT RED segment		GOG.com segment		Consolidation eliminations	
Sales revenues	2 138 875	521 272	1 895 913	369 332	343 748	162 256	-100 786	-10 316
Revenues from sales of products	1 839 932	304 475	1 786 145	292 386	12 937	7 633	40 850	4 456
Revenues from sales of services	2 242	38 304	5 251	41 945	132	250	-3 141	-3 891
Revenues from sales of goods and materials	296 701	178 493	104 517	35 001	330 679	154 373	-138 495	-10 881
Cost of products, services, goods and materials sold	491 364	161 308	347 436	53 763	243 653	114 275	-99 725	-6 730
Cost of products and services sold	256 105	31 657	252 340	25 606	5 963	6 361	-2 198	-310
Cost of goods and materials sold	235 259	129 651	95 096	28 157	237 690	107 914	-97 527	-6 420
Gross profit (loss) from sales	1 647 511	359 964	1 548 477	315 569	100 095	47 981	-1 061	-3 586
Selling costs	408 016	125 341	341 633	86 476	67 344	41 029	-961	-2 164
General and administrative costs	66 435	57 113	59 426	54 132	7 195	4 400	-186	-1 419
Other operating revenues	8 535	8 274	8 835	8 085	1 469	1 424	-1 769	-1 235
Other operating expenses	24 421	5 503	25 243	6 308	813	399	-1 635	-1 204
(Impairment)/reversal of impairment of financial instruments	-97	5	-97	5	-	-	-	-
Operating profit (loss)	1 157 077	180 286	1 130 913	176 743	26 212	3 577	-48	-34
Financial revenues	17 081	9 463	15 912	9 673	1 169	466	-	-676
Financial expenses	9 209	587	6 278	547	3 032	735	-101	-695
Profit (loss) before tax	1 164 949	189 162	1 140 547	185 869	24 349	3 308	53	-15
Income tax	10 622	13 847	6 918	13 522	3 694	325	10	-
Net profit (loss)	1 154 327	175 315	1 133 629	172 347	20 655	2 983	43	-15

CLARIFICATIONS REGARDING THE SEGMENTED CONSOLIDATED PROFIT AND LOSS STATEMENT OF THE CD PROJEKT GROUP

The Group's **Sales revenues** in 2020 reached 2 138 875 thousand PLN, which is 310.3% more than the 2019 annual figure. This marks the highest ever level of revenues obtained by the Group in its history – chiefly due to the December release of *Cyberpunk 2077*, which is responsible for the bulk of the Group's consolidated revenues for this period.

The largest share in the Group's sales revenues (86.0%) was from **Revenues from sales of products** with an aggregate value of 1 839 932 thousand PLN (504.3% y/y increase). The vast majority of this figure came from the CD PROJEKT RED segment, which generated 1 786 145 thousand PLN in revenues from:

- a. licensing royalties associated with the release of *Cyberpunk 2077*;
- b. licensing royalties associated with continuing excellent sales of *The Witcher 3: Wild Hunt*, along with its expansions – *Hearts of Stone* and *Blood and Wine* – and its Nintendo Switch release;
- c. revenues obtained in the framework of *GWENT: The Witcher Card Game*, released to users of Android devices (March 2020) and clients of the Steam platform (May 2020), which was also extended with a new gameplay mechanism called *Journey*, and received two expansions: *Master Mirror* and *Way of the Witcher*;
- d. licensing royalties from digital distribution of *Thronebreaker: The Witcher Tales* (released for Nintendo Switch in January 2020);
- e. licensing royalties associated with *The Witcher 2* and *The Witcher*, as well as other licensing revenues related to franchises operated by CD PROJEKT RED.

In the GOG.com segment, the value of Revenues from sales of products represented mainly GOG's share in revenues generated by *GWENT: The Witcher Card Game* and *Thronebreaker: The Witcher Tales*, apportioned in accordance with the consortium agreement.

Consolidated **Revenues from sales of services** reached 2 242 thousand PLN (0.1% of the Group's aggregate sales revenues) – mainly shipping charges remitted by customers of the CD PROJEKT RED GEAR store. The observed y/y reduction (94.1%) was mainly due to a one-time event occurring in 2019 (when the CD PROJEKT RED segment co-financed promotional campaigns organized together with its publishing partners).

Revenues from sales of goods and materials, at 296 701 thousand PLN, represented 13.9% of the Group's aggregate sales revenues, having increased by 66.2% since 2019.

The largest contribution to this revenue category is the digital distribution of games sourced from external suppliers directly to end customers via the GOG.com platform and the GOG GALAXY application. In 2020 this distribution reached its highest level in GOG.com's history. Total sales of goods and materials in the GOG.com segment were valued at 330 679 thousand PLN, which represents a 114.2% increase – chiefly due to a series of successful promotional activities, i.e. the best-ever Spring Sale campaign, along with two other major events: Summer Sale and Winter Sale. In 2020 the most important new release on GOG.com was *Cyberpunk 2077*. Other notable releases included *Baldur's Gate 3*, *Metal Gear Solid*, *Castlevania & Contra* and *Dishonored*.

In the CD PROJEKT RED segment, revenues from sales of goods and materials reached 104 517 thousand PLN. In 2020 this figure comprised mainly revenues from sales of box sets and elements of box sets of the Studio's

own videogames (including carrier media, boxes, figurines and gadgets). The near-threefold increase compared to 2019 (by 69 516 thousand PLN) was mostly due to the release and distribution of *Cyberpunk 2077*, but a notable contribution came from *The Witcher 3*, particularly its Nintendo Switch release, as well as from sales carried out by the CD PROJEKT RED GEAR merch store, which markets tie-in products associated with the Group's games and brands to fans throughout Europe and North America.

Cost of products, services, goods and materials sold, directly offsetting sales, were reported at 491 364 thousand PLN and increased by 204.6% compared to the 2019 year-end figure.

The **Cost of products and services sold**, at 256 105 thousand PLN, increased by 224 448 (709.0%) compared to 2019. This line item represents depreciation of development projects at CD PROJEKT S.A. and GOG sp. z o.o. – mainly games developed by CD PROJEKT RED. The reported increase in 2019, given a similar level of depreciation of *GWENT: The Witcher Card Game*, *Thronebreaker: The Witcher Tales* and *The Witcher 3: Wild Hunt* for Nintendo Switch – is due to the commencement of depreciation of *Cyberpunk 2077*.

In line with the accounting policies in force at the Group expenditures on development projects for which a reliable estimate of the quantity and volume of sales budgets can be provided, are depreciated in proportion to the consumption of economic benefits, measured as the number of copies sold. For other projects, the Group recognizes depreciation using the straight-line method. For projects whose development costs were subject to depreciation in 2020 the following rules apply:

- 40% of *Cyberpunk 2077* development expenditures was recognized as costs in 2020, in the release quarter, while the remaining 60% will be depreciated throughout a five-year economic use period, at 3% per quarter;
- *GWENT* development expenditures are depreciated using the straight-line method, throughout three years following the game's full official release (October 2018);
- Development expenditures related to *Thronebreaker: The Witcher Tales* (released in October 2018) and *The Witcher 3: Wild Hunt* for Nintendo Switch (released in October 2019) are depreciated throughout three years following their respective releases; however, in their case depreciation is based on the expected breakdown of future revenues, projected on the basis of sales data for past projects.

This line item also includes the Group's own costs related to the reported revenues from sales of services.

The **Value of goods and materials sold** by the Group in 2020 was 235 259 thousand PLN – 81.5% more than in 2019.

The largest contribution to this figure comes from the cost of goods licensed from GOG.com suppliers – in this context, the reported increase reflects the increased volume of sales carried out in the GOG.com segment. In addition, following the release of *Cyberpunk 2077*, an increase by 66 939 thousand PLN (237.7%) was reported in the costs of physical box sets sold to distributors, components thereof, and other franchise products in the CD PROJEKT RED segment.

In 2020 the CD PROJEKT RED segment obtained 1 548 477 in gross sales income, i.e. 1 232 908 thousand PLN more than in 2019 (390.7% increase).

The gross sales income in the GOG.com segment reached 100 095 thousand PLN, which is 108.6% more than in 2019.

Altogether, the CD PROJEKT Group posted a consolidated 2020 **Gross profit from sales** at 1 647 511 thousand PLN, which represents an increase by 1 287 547 thousand PLN (357.7%) compared to 2019. The most significant effect on the reported gross profit from sales was exerted by the highly profitable sales of *Cyberpunk 2077*, as well as *The Witcher 3*, together with that game's expansions.

The Group's **Selling costs** were reported at 408 016 thousand PLN, having increased by 225.5% compared to 2019. This increase is mainly due to expenditures incurred in the CD PROJEKT RED segment in association with the release and marketing of *Cyberpunk 2077*.

In the CD PROJEKT RED segment aggregate selling costs for 2020 reached 341 633 thousand PLN – 295.1% more than the year before. Both in the reporting period and in the reference period the bulk of this figure comprises expenses related to promoting CD PROJEKT RED products. In the reporting period these concerned mainly the aforementioned intensive promotional activities surrounding the release of *Cyberpunk 2077*, as well as – to a lesser degree – ongoing marketing support of *GWENT: The Witcher Card Game*.

Other than marketing campaigns, significant contributions to the Group's selling costs come from:

- remuneration of internal publishing teams (both fixed and result-dependent) as well as result-dependent remuneration of management board members at the Group's companies – their effect upon the Group's consolidated selling costs increased in 2020 compared to the reference period due to the significant y/y increase in the Group's net profit;
- maintenance, upkeep and further development of previously released products, mainly in the following scope:
 - *GWENT: The Witcher Card Game* – in 2020 expenditures were incurred in association with porting the game to mobile Android devices and releasing it on Steam, as well as developing additional content such as the *Journey* mode and expansions – *Master Mirror* and *Way of the Witcher*. Expenditures related to these updates are split between CD PROJEKT RED and GOG.com in line with their consortium agreement;
 - *Cyberpunk 2077* – in the CD PROJEKT RED segment some initial costs related to optimizing the game were recognized in 2020, representing work performed between the game's release and the end of the reporting period.

In addition, the Group's selling costs include expenses reported in the GOG.com segment related to operating the GOG.com platform, including in particular:

- compensation of the team responsible for the platform's maintenance, development and promotional activities;
- transaction costs related to processing payments;
- depreciation, including of finished development projects;
- costs of IT services involved in processing sales;
- costs of marketing activities which concern the GOG.com platform and the GOG GALAXY application.

The Group's **General and administrative expenses** in 2020 were reported at 66 435 thousand PLN – 16.3% more than in the reference period.

The bulk of the above figure comes from fixed and result-dependent remuneration of administrative teams, fixed remuneration of board members at the Group's member companies, as well as expenses related to the incentive program, along with other bought-in services which qualify for this category.

The strongest effect on the 2020 year-end figure was from provisions for compensation dependent on the Group's financial result, which is a direct consequence on the significant increase in the Group's net profit in 2020. In addition, an increase in external costs incurred in the course of administrative activities was also reported – this is mainly due to expansion of the Group's workforce and activity range over the presented 12-month period.

The above-mentioned effect was partly compensated for by a reduction in costs related to the incentive program, compared to 2019, where a change in estimates regarding the program's vesting period (i.e. the expected shortening thereof) resulted in a one-time cost item (15 193 thousand PLN).

Other operating revenues, at 8 535 thousand PLN, comprised mainly revenues obtained in the CD PROJEKT RED segment from subleasing of office space belonging to the commercial campus in Warsaw (at Jagiellońska 74) which the Group had acquired in the fourth quarter of 2019.

Regarding **Other operating expenses**, in 2020 the Group reported 24 421 thousand PLN – primarily as a result of transactions occurring in the CD PROJEKT RED segment. In addition to standard maintenance and upkeep of office space subject to subleasing, this category also comprises the following categories, which together are responsible for the significant increase compared to the 2019 year-end figure.

- cost of the Help Me Refund campaign related to *Cyberpunk 2077*, whereby purchasers of the game's PS4 and Xbox One editions could obtain full refunds;
- provisions for disposal costs of surplus goods and components – mainly elements of *Cyberpunk 2077* box sets;
- donation made to the Great Orchestra of Christmas Charity Foundation which collects money to aid the fight against the COVID-19 pandemic;
- recognition as costs of the book value of technical infrastructure dismantled as part of the ongoing renovation of the CD PROJEKT campus.

In 2020 Group member companies obtained 17 081 in **Financial revenues**. This is 80.5% more than in 2019, mainly due to recognition (at 9 265 thousand PLN) of foreign currency exchange rate hedges related to foreign treasury bonds which CD PROJEKT S.A. had purchased. Aggregate interest on bank deposits was reported at 7 582 thousand PLN – 18.8% less than in the reference period; a consequence of the general downturn in the banking system's deposit drive.

Financial expenses in the reporting period increased by 1 468.8%, to 9 209 thousand PLN, primarily due to surplus negative exchange rate differences. This major increase in negative exchange rate differences in the CD PROJEKT RED segment was associated mainly with estimation of foreign treasury bonds, denominated in foreign currencies, in correspondence with the estimation of exchange rate hedges aggregated with Financial revenues.

At the end of 2020 the Group reported a surplus of Financial revenues over Financial expenses – the balance, i.e. 7 872 thousand PLN, was 11.3% lower than in the reference period.

The consolidated **Gross profit** for 2020 was 1 164 949 thousand PLN, i.e. 975 787 thousand PLN more than the year before (515.8% increase).

The Group's **Income tax** for 2020, recognized in the profit and loss account, was 10 622 thousand PLN: 15 088 thousand PLN in current-period income tax and 13 762 thousand PLN in withholding tax, along with a reduction

by 18 220 thousand PLN, representing deferred tax.

CD PROJEKT S.A. obtains taxable income from two sources: operating activities and capital market income. In the scope of its operating activities, the Company recognizes income from eligible intellectual property rights (further referred to as "IP Box eligible income") as well as other income.

Current income tax strongly depends on when taxable revenue is recognized – this moment is deferred with respect to the corresponding recognition of revenue for accounting purposes. Given that the reporting deadlines for distributors who collaborate with the Company fall within 2021, a significant portion of 2020 accounting revenues will be invoiced and recognized in the 2021 fiscal year (this applies particularly to revenues related to the release of *Cyberpunk 2077*, which took place in late 2020). 2020 revenues invoiced in the following fiscal year were estimated at 999 455 thousand PLN, whereas the development costs of *Cyberpunk 2077* were fully recognized for tax purposes in 2020, along with the first batch of revenues generated by the game.

In addition to the above, income tax applicable to sources of income other than IP Box eligible income is affected by R&D tax relief and the associated option to deduce a portion of the eligible expenses from the tax base.

IP Box eligible income is subject to a tax rate of 5%, while other income from operating activities is subject to a tax rate of 19%. The income tax reported in the Company's financial statement results from applying a tax rate of 5% to IP Box eligible income. In 2020 income obtained from *The Witcher 3: Wild Hunt* along with its expansions – *Hearts of Stone* and *Blood and Wine* (for PC, PS4 and Xbox One) – as well as *Cyberpunk 2077* was regarded as IP Box eligible income. The Group reported tax related to *The Witcher 3: Wild Hunt* along with its expansions – *Hearts of Stone* and *Blood and Wine* – separately from the surplus of tax costs over tax revenues in the context of *Cyberpunk 2077*.

Regarding revenues from capital market income, due to the reduction in interest rates along with activities related to buy-back and resale of own shares, in 2020 the Company posted a surplus of costs over taxable revenues.

GOG sp. z o.o. obtains most of its revenues from base operating activities. i.e. digital distribution of videogames. A small portion of GOG revenues qualify as capital market revenues. GOG does not obtain any IP Box eligible income – all of its income is subject to a tax rate of 19%.

The income tax due in 2020 in the GOG.com segment was mainly affected by finalization and recognition as tax costs of expenditures on development projects in the framework of GOG GALAXY 2.0, GOG GALAXY Store, Insights and REDlauncher. GOG.com also obtained R&D tax relief, deducting eligible costs related to its finished development projects from its 2020 tax base.

The Group's consolidated **Net profit** for 2020 was 1 154 327 thousand PLN, which is 979 012 thousand PLN (558.4%) more than in the preceding year. 1 133 629 thousand PLN came from the CD PROJEKT RED segment (557.8% y/y increase), while 20 655 thousand PLN was attributable to the GOG.com segment (592.4% y/y increase).

Both with regard to consolidated sales revenues and the consolidated net profit, 2020 can be regarded as the best reporting period in CD PROJEKT Group's history.

Table 12 Net profit margin – alternative approach to measuring earnings

	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019
	CD PROJEKT Group		CD PROJEKT RED		GOG.com	
Net profit margin (Net profit / sales revenues)	54.0%	33.6%	59.8%	46.7%	6.0%	1.8%

The net profit margin provides additional information regarding the part of sales revenues which remains in possession of the enterprise (as net profit) following deduction of all applicable costs and tax burdens reported in the profit and loss account. An increase in this ratio indicates higher efficiency of business activities relative to sales revenues. The net profit margin is a standard and commonly used indicator in financial analyses. Its usefulness has been analyzed with regard to information on the effectiveness of CD PROJEKT Group and its individual activity segments, supplied to investors.

In 2020 the Group's net profit margin reached 54%. The reported increase, both on the level of the Group and within each of its activity segments, is associated with the higher year-over-year growth dynamics observed in the scope of sales revenues and gross sales profit in relation to the accompanying increase in operating costs. The most significant influence on the reported net profit margin in 2020 came from transactions related to the release of *Cyberpunk 2077*.

The Group also wishes to announce that it is forgoing the use of the gross margin (share of gross profit from sales in sales revenues). In the Management Board's opinion the variability of this margin for the Group as a whole and for its dominant activity segment (CD PROJEKT RED) is largely due to the fluctuating ratio between sales revenues and ongoing depreciation of expenditures of development projects. In the absence of a parallel analysis of other elements of the financial statement this ratio does not reliably represent the effectiveness of activities conducted by the Group.

SELECTED DATA FROM THE PROFIT AND LOSS ACCOUNT OF CD PROJEKT S.A.

Table 13 Selected data from the profit and loss account of CD PROJEKT S.A. (PLN thousands)

	01.01.2020–31.12.2020	01.01.2019–31.12.2019
Sales revenues	1 883 645	361 381
Revenues from sales of products	1 786 270	292 385
Revenues from sales of services	1 840	39 060
Revenues from sales of goods and materials	95 535	29 936
Cost of products, services, goods and materials sold	338 760	50 600
Cost of products and services sold	249 476	25 735
Cost of goods and materials sold	89 284	24 865
Gross profit (loss) from sales	1 544 885	310 781
Selling costs	344 565	86 779
General and administrative costs	54 875	49 344
Other operating revenues	8 904	8 210
Other operating expenses	25 309	6 425
(Impairment)/reversal of impairment of financial instruments	-97	5
Operating profit (loss)	1 128 943	176 448
Financial revenues	16 013	9 821
Financial expenses	6 120	407
Profit (loss) before tax	1 138 836	185 862
Income tax	6 601	13 036
Net profit (loss)	1 132 235	172 826

CLARIFICATIONS REGARDING THE PROFIT AND LOSS STATEMENT OF CD PROJEKT S.A.

CD PROJEKT S.A. is the parent company of the CD PROJEKT Group and the largest entity within the Group as well as within the CD PROJEKT RED segment. Consequently, clarifications regarding the consolidated profit and loss account of the Group (except for data referring directly to the GOG.com segment) and of the CD PROJEKT RED segment (excluding the effects of its far smaller subsidiaries – CD PROJEKT RED STORE sp. z o.o. and CD PROJEKT Inc.) – are generally applicable to the activities and results of CD PROJEKT S.A.

In 2020 CD PROJEKT S.A. reported 1 883 645 thousand PLN in **Sales revenues**, which is 421.2% more than in 2019. The Company's **Net profit** for 2020 was 1 123 235 thousand PLN, i.e. 555.1% more than in the preceding year.

Sales revenues and net profit obtained by CD PROJEKT S.A. represented 88.1% and 98.1% of the Group's consolidated revenues and consolidated net profit respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CD PROJEKT GROUP

Table 14 Selected data from the consolidated statement of financial position (PLN thousands)

	31.12.2020	31.12.2019*
FIXED ASSETS	764 178	679 389
Property, plant and equipment	105 349	105 267
Intangibles	59 790	59 763
Expenditures on development projects	406 798	385 848
Investment properties	48 841	44 960
Goodwill	56 438	56 438
Shares in subsidiaries excluded from consolidation	8 195	8 025
Deferrals	11 676	18 730
Other financial assets	51 588	-
Deferred income tax assets	15 182	-
Other receivables	321	358
WORKING ASSETS	2 130 300	724 719
Inventories	6 957	12 862
Trade receivables	1 205 603	129 573
Current income tax receivables	-	20 349
Other receivables	70 210	60 078
Deferrals	13 383	19 556
Other financial assets	106 444	-
Bank deposits (maturity beyond 3 months)	563 335	49 406
Cash and cash equivalents	164 368	432 895
TOTAL ASSETS	2 894 478	1 404 108

* adjusted

	31.12.2020	31.12.2019*
EQUITY	2 187 356	1 105 651
Parent entity shareholders' equity	2 187 356	1 105 651
Share capital	100 655	96 120
Supplementary capital	774 851	777 090
Supplementary capital from sale of shares above nominal value	113 844	3 861
Other reserve capital	45 547	54 657
Exchange rate differences	1 091	898
Retained earnings	-2 959	-2 290
Net profit (loss) for the reporting period	1 154 327	175 315
LONG-TERM LIABILITIES	166 153	25 239
Other financial liabilities	16 006	17 751
Other liabilities	3 173	3 421
Deferred income tax liabilities	-	2 935
Deferred revenues	963	364
Provisions for employee benefits and similar liabilities	398	255
Other provisions	145 613	513
SHORT-TERM LIABILITIES	540 969	273 218
Other financial liabilities	2 933	2 154
Trade liabilities	115 444	59 866
Current income tax liabilities	1 742	118
Other liabilities	33 134	11 041
Deferred revenues	47 758	161 364
Provisions for employee benefits and similar liabilities	4	2
Other provisions	339 954	38 673
TOTAL EQUITY AND LIABILITIES	2 894 478	1 404 108

* adjusted

CLARIFICATIONS REGARDING THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CD PROJEKT GROUP

Assets

At the end of 2020 the Group's **Fixed assets** were jointly valued at 764 178 thousand PLN, having gained 84 789 thousand PLN since the end of 2019 (12.5% increase).

Property, plant and equipment, at 105 349 thousand PLN, represents mainly:

- value of the property complex at Jagiellońska 74, purchased in October 2019, corresponding to parts of the complex which are used by CD PROJEKT S.A. for its own purposes;
- machinery and equipment, which comprises, among others, servers and other electronic devices used in the Group's activities;
- assets representing the usufruct of leased office space (with the corresponding recognition of liabilities arising from office space lease agreements, represented as Other financial liabilities).

The aggregate value of Property, plant and equipment did not undergo appreciable changes throughout the reporting period.

Regarding **Intangible assets**, jointly valued at 59 970 thousand PLN at the end of 2020, the largest contribution to the reported figure comes from the CD PROJEKT brand name and *The Witcher* trademark, with a combined value of 33 199 thousand PLN, along with other intellectual property rights held by the Group (18 283 thousand PLN), computer software (6 622 thousand PLN), intangible assets under construction (1 158 thousand PLN) and patents and licenses (528 thousand PLN). The total value of the Group's Intangible assets did not change significantly during 2020.

Expenditures on development projects, which cover work on new products and technologies at Group member companies, had a 2020 year-end balance of 406 798 thousand PLN, having increased by 20 950 thousand PLN since 31 December 2019 (5.4% increase). Following the launch of *Cyberpunk 2077* in December 2020 and the commencement of depreciation of its development costs, significant changes occurred in the breakdown of the aggregate figure into development projects in progress and development projects completed:

- **Expenditures on development projects completed**, had a net balance sheet value (following depreciation) of 377 911 thousand PLN, having increased by 329 641 thousand PLN since the end of 2019. An increase by 589 139 thousand PLN corresponded to the launch of *Cyberpunk 2077* in the CD PROJEKT RED segment (567 458 thousand PLN in expenditures) and – to a lesser extent – finalization of work on GOG GALAXY and REDlauncher in the GOG.com segment. This was partly offset by depreciation of the above-mentioned projects, which started in 2020, as well as ongoing depreciation of the Group's earlier releases: *GWENT: The Witcher Card Game*, *Thronebreaker: The Witcher Tales* and *The Witcher 3: Wild Hunt Complete Edition* for Nintendo Switch. Development expenses associated with all other games released by CD PROJEKT RED had been fully depreciated in past reporting periods;
- **Expenditures on development projects in progress** had a value of 28 887 thousand PLN at the end of 2020 and despite significant development expenditures incurred during the reporting period (280 448 thousand PLN), owing to finalization of the above-mentioned projects and reassignment of significant expenses from this category to expenditures on development completed (589 139 thousand PLN in total) the reported figure was 308 691 thousand PLN lower than the corresponding 2019 year-end figure (91.4% decrease).

The next important contribution to the CD PROJEKT Group's Fixed assets in the reporting period came from **Goodwill** (56 438 thousand PLN). Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company's share in the net fair value of all assets and liabilities (including contingent liabilities) of the controlled entity on the date of acquisition. The bulk of the reported figure (46 417 thousand PLN) is a result of the merger between the parent entity and the CDP Investment Capital Group which occurred on 30 April 2010, along with settlement of the purchase of the Wrocław-based development studio from Strange New Things sp. z o.o. sp. k., which occurred on 18 May 2018 (10 021 thousand PLN). The reported goodwill did not change in 2020.

Investment properties, valued at 48 811 thousand PLN, comprise parts of the commercial properties at Jagiellońska 74 and 76 which are subjected to subleasing (with respect to affiliates as well as external entities). The reported increase – by 3 881 thousand PLN – results from the surplus of renovation expenditures over the aggregate value of depreciation, properties dismantled and reassignment to PP&E (as Buildings and structures – for properties which the Group uses for its own purposes).

Shares in subsidiaries excluded from consolidations had a 2020 year-end value of 8 195 thousand PLN. This figure corresponds to the share capital of Spokko sp. z o.o. as well as capital contributions to CD PROJEKT Co. Ltd. With a registered office in Shanghai.

Other financial assets were jointly valued at 51 588 thousand PLN. This line item mainly represents the value of domestic treasury bonds with maturity periods exceeding 12 months, purchased in 2020 in the framework of diversifying credit risks. Such bonds are estimated at amortized cost.

At the end of 2020 the CD PROJEKT Group held 2 130 300 thousand PLN in **Working assets**. The balance of working assets increased by 1 405 581 thousand PLN compared to the end of 2019 (193.9% increase).

The value of the Group's **Inventories** was reported at 6 957 thousand PLN, having decreased by 5 905 thousand PLN (45.9%) since the end of 2019. The reported figure represents mainly box sets and components of box sets of the Studio's own videogames supplied to external distributors, including the release batch of *Cyberpunk 2077*, as well as inventories held by the CD PROJEKT RED GEAR merch store which markets tie-in products associated with the Group's releases to customers based in Europe and North America.

Trade receivables represent an important contribution to the Group's aggregate Working assets. As of 31 December 2020 these receivables had an aggregate value of 1 205 603 thousand PLN. The reported increase since the end of 2019 – by 1 076 030 thousand PLN (830.4%) – was mainly attributable to the CD PROJEKT RED sector, which recognizes trade receivables in relation to licensing reports covering the final quarter of 2020 (particularly sales of *Cyberpunk 2077* in its release window), submitted to the Company after the balance sheet date.

The Group's **Other receivables** had a 2020 year-end value of 70 210 thousand PLN, which represents an increase by 10 132 thousand PLN compared to the end of 2019. This figure primarily comprises VAT settlements, withholding tax deducted at source by CD PROJEKT RED's foreign licensees and reportable in the Company's annual tax declaration, as well as prepayments for products and services in the CD PROJEKT RED sector.

Short-term and long-term **Deferrals** (13 383 thousand PLN and 11 676 thousand PLN respectively) were mainly affected by the so-called minimum guarantees (not included in the profit and loss account as of the balance

sheet date), i.e. prepayments made by GOG.com to its suppliers in relation to future licensing royalties associated with distribution of games on the GOG.com platform (14 630 thousand PLN). Deferrals also include prepayments related to marketing activities, as well as license fees which are settled by CD PROJEKT RED over time. Throughout 2020 the total value of deferrals decreased by 13 227 thousand PLN (34.5%).

Other short-term financial assets had a reported value of 106 444 thousand PLN. The bulk of this figure corresponds to treasury bonds estimated at fair value through other comprehensive income, purchased by the Company in 2020 in the framework of diversifying credit risk.

The aggregate value of **Cash and cash equivalents** and **Bank deposits (maturity beyond 3 months)** was 727 703 thousand PLN, having increased by 245 402 thousand PLN since the end of 2019 (50.9% increase). Factoring in the value of other liquid assets, i.e. treasury bonds, on 31 December 2020 the Group held 874 688 thousand PLN in financial reserves – 392 387 thousand PLN more than at the end of 2019.

The Group's total assets had a 2020 year-end value of 2 894 478 thousand PLN. 26.4% of this figure corresponded to fixed assets (compared to 48.4% at the end of 2019), with the remaining 73.6% representing working assets (51.6% at the end of 2019).

Equity and liabilities

As of 31 December 2020, the CD PROJEKT Group's **Equity** had a value of 2 187 356 thousand PLN – 1 081 705 thousand PLN more than at the end of 2019 (97.8% increase). The main reasons for this change include:

- current-period result – total comprehensive income – increase by 1 154 962 thousand PLN;
- purchase of own shares in the implementation of the incentive program in force between 2016 and 2019 – reduction by 214 259 thousand PLN;
- net inflows from sale of own shares and issue of shares in the implementation of the above-mentioned incentive program – increase by 126 125 thousand PLN;
- costs related to the incentive program – increase by 14 877 thousand PLN.

The Group's **Long-term liabilities** had a value of 166 153 thousand PLN, which represents an increase by 140 914 thousand PLN (558.3%) compared to the end of 2019.

The main cause of the reported increase in long-term liabilities was recognition in the CD PROJEKT RED segment – as **Other provisions** – of long-term provisions related to sales of *Cyberpunk 2077* in its release window (Q4 2020) and specifically to the expected adjustments of licensing reports which, given that the release is to be contractually settled after four full quarters of sales, were estimated at 145 613 thousand PLN. This estimate was based on information obtained from distributors concerning sales to retail distribution networks, retail sales to end customers, number of copies present in various distribution channels and warehouses, as well as the distributors' professional judgment concerning expected sales throughout 2021.

Liabilities related to perpetual usufruct of land comprising the properties at Jagiellońska 74 and 76, aggregated with **Other financial liabilities** (pursuant to IFRS 16).

The aggregate value of **Short-term liabilities** was 540 969 thousand PLN at the end of 2020 and increased by 267 751 thousand PLN in the reporting period (98.0%). Short-term liabilities comprise the items listed below.

Trade liabilities, which had a value of 115 444 thousand PLN, having increased by 55 578 thousand PLN (92.8%) compared to the end of 2019. An important part of these liabilities is represented by licensing royalties owed by GOG.com – royalties arising in the fourth quarter in 2020 but payable in future reporting periods. The reported significant increase in this line item is due to current trade liabilities in the CD PROJEKT RED segment, which increased due to costs related to the release of *Cyberpunk 2077*.

Other liabilities, at 33 134 thousand PLN, increased by 22 093 thousand PLN compared to the end of 2019. The aggregate figure is mainly comprised of current tax liabilities (VAT, PIT, withholding tax) and social security liabilities.

The Group's **Deferred revenues** were reported at 47 758 thousand PLN and decreased by 113 606 thousand PLN in the reporting period. This line item comprises primarily the following:

- CD PROJEKT RED – licensing royalties associated with preorders of digital editions of PC games scheduled for release in future reporting periods;
- CD PROJEKT RED – so-called minimum guarantees, i.e. prepayments paid or payable by foreign publishers and distributors in relation to licensing royalties for games scheduled for release in future reporting periods;
- GOG.com – preorders of games scheduled for release in future reporting periods;
- CD PROJEKT RED and GOG.com – deferred revenues related to subsidies;
- GOG.com – deferred revenues corresponding to transactions with customers (including Store Credit and Wallet contributions).

The reported decrease is due to the launch of *Cyberpunk 2077* in December 2020, which triggered settlement of most minimum guarantees and royalties associated with digital preorders.

At the end of 2020 the Group reported 14 867 in deferred revenues from subsidies and 30 985 in deferred revenues from future period sales.

Other short-term provisions had a reported year-end value of 339 954 thousand PLN and increased by 301 281 thousand PLN (779.0%) compared to the end of 2019. The reported figure comprises:

- provisions for compensation dependent on the Group's financial result, and other compensation (256 130 thousand PLN);
- provisions related to adjustments of orders or licensing reports concerning Q4 sales, either already performed or agreed upon with distributors in the first quarter of 2021 (40 465 thousand PLN);
- provisions for costs related to the "Help Me Refund" campaign, estimated on the basis of the quantity of refunds requested by customers, and the estimated operating and financial expenses related to the campaign (8 459 thousand PLN);
- provisions for other expenses, including mainly costs related to the release of *Cyberpunk 2077* which have not been invoiced as of the balance sheet date;
- provisions for disposal of surplus goods and components – mainly elements of box sets of *Cyberpunk 2077*.

As of 31 December 2020 equity accounted for 75.6% of the aggregate equity and liabilities of the CD PROJEKT Group, with the remaining 24.4% corresponding to short- and long-term liabilities.

STRUCTURING OF CONSOLIDATED ASSETS AND LIABILITIES WITH REGARD TO LIQUIDITY

Solid earnings posted in past years and particularly in 2020 have enabled the CD PROJEKT Group to amass assets with a total balance sheet value of 2 894 478 thousand PLN. The Group's equity, valued at 2 187 356 thousand PLN on 31 December 2020, corresponds to 75.6% of this figure.

At the close of the reporting period the Group held financial reserves valued at 874 688 thousand PLN, in the form of bank deposits and treasury bonds (both domestic and foreign). The Group had no outstanding debt under any credit or loan agreement.

Regarding the Group's assets, **Working assets** comprise 73.6% of the aggregate figure and are mainly composed of Cash and cash equivalents, Bank deposits (maturity beyond 3 months), Other financial assets and Trade receivables (including receivables associated with the release of *Cyberpunk 2077*), which Group member companies expect to collect in the first quarter of 2021. Altogether, these four items represent 72.3% of the Group's total assets.

The available cash, bank deposits and treasury bonds ensure high liquidity for the Group and may secure its further growth which includes future videogame development projects, work on new technologies, promotional support for planned releases and facilitating future investments. They also provide a financial cushion which allows the Group to react to unforeseen events or exploit emerging opportunities.

Regarding **Fixed assets** (26.4% of all assets) the largest contribution comes from **Expenditures on development projects** (14.1% of all assets), mostly related to *Cyberpunk* which has recently been released to the market, along with yet-to-be-depreciated development expenditures for earlier games which continue to generate revenues, i.e. *GWENT: The Witcher Card Game* and *Thronebreaker: The Witcher Tales* (released in 2018), *The Witcher 3: Wild Hunt* for Nintendo Switch (released in 2019), as well as the Group's other ongoing development projects.

The Group also invests in infrastructure which enables it to carry out and expand its activities. **Property, plant and equipment, Intangibles** and **Investment properties**, jointly valued at 213 980 thousand PLN, represent 7.4% of the Group's consolidated assets.

The **Goodwill** resulting from business combinations and mergers, along with **Shares in affiliates excluded from consolidation**, at 64 633 thousand PLN, represented 2.2% of the CD PROJEKT Group's consolidated assets.

Other current investments include minimum guarantees paid in the GOG.com segment to suppliers of distribution licenses for products sold via the platform. These guarantees correspond to 14 630 thousand PLN in long- and short-term **Deferrals**.

The four asset categories listed above, with an aggregate balance sheet value of 700 041 thousand PLN, corresponded to 24.2% of the Group's total assets and therefore represent the main direction of investments pursued by the Group, fully covered by its accumulated equity.

SELECTED DATA FROM THE STATEMENT OF FINANCIAL POSITION OF CD PROJEKT S.A.

Table 15 Selected data from the statement of financial position of CD PROJEKT S.A. (PLN thousands)

	31.12.2020	31.12.2019*
FIXED ASSETS	742 873	645 312
Property, plant and equipment	101 050	100 684
Intangibles	109 293	109 573
Expenditures on development projects	384 625	360 030
Investment properties	48 841	44 960
Shares in subsidiaries excluded from consolidation	24 567	23 830
Deferrals	5 535	3 519
Other financial assets	53 465	2 650
Deferred income tax assets	15 465	-
Other receivables	32	66
WORKING ASSETS	2 006 389	670 056
Inventories	3 827	8 485
Trade receivables	1 255 867	124 853
Current income tax receivables	-	19 236
Other receivables	48 922	67 252
Deferrals	3 366	2 112
Other financial assets	107 125	1 037
Bank deposits (maturity beyond 3 months)	422 914	14 186
Cash and cash equivalents	164 368	432 895
TOTAL ASSETS	2 749 262	1 315 368

* adjusted

	31.12.2020	31.12.2019*
EQUITY	2 131 344	1 071 925
Equity attributable to shareholders of the parent entity	2 131 344	1 071 925
Share capital	100 655	96 120
Supplementary capital	737 542	744 463
Supplementary capital from sale of shares above nominal value	113 844	3 861
Other reserve capital	47 068	54 655
Net profit (loss) for the reporting period	1 132 235	172 826
LONG-TERM LIABILITIES	164 990	24 459
Other financial liabilities	14 917	15 915
Other liabilities	3 173	3 421
Deferred income tax liabilities	-	4 870
Deferred revenues	910	7
Provisions for employee benefits and similar liabilities	377	246
Other provisions	145 613	-
SHORT-TERM LIABILITIES	452 928	218 984
Other financial liabilities	2 053	1 432
Trade liabilities	73 024	25 067
Current income tax liabilities	1 296	-
Other liabilities	4 933	5 051
Deferred revenues	42 286	151 595
Provisions for employee benefits and similar liabilities	3	2
Other provisions	329 333	35 837
TOTAL EQUITY AND LIABILITIES	2 749 262	1 315 368

* adjusted

CLARIFICATIONS REGARDING THE STATEMENT OF FINANCIAL POSITION OF CD PROJEKT S.A.

CD PROJEKT S.A. is the parent company of the CD PROJEKT Group and the largest entity within the Group as well as within the CD PROJEKT RED segment. Consequently, clarifications regarding the consolidated statement of financial position of the Group (except for data referring directly to the GOG.com segment and the effects of subsidiaries – CD PROJEKT RED STORE sp. z o.o. and CD PROJEKT Inc.) – are generally applicable to the activities and results of CD PROJEKT S.A.

The balance sheet total of CD PROJEKT S.A. at the end of 2020 was 2 749 262 thousand PLN and was lower than the balance sheet total of the CD PROJEKT Group by 145 216 thousand PLN, representing 95% of the Group's consolidated assets. At the end of 2019 the corresponding difference was 88 740 thousand PLN, with CD PROJEKT S.A. accounting for 93.7% of the Group's consolidated assets.

Key differences between the consolidated statement of financial position of the CD PROJEKT Group and the separate statement of financial position of CD PROJEKT S.A. are as follows:

- Goodwill – representing the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company's share in the net fair value of all assets and liabilities (including contingent liabilities) of the controlled entity on the date of acquisition. In the separate financial statement goodwill is represented in the Intangible assets category, at 49 168 thousand PLN, while in the consolidated statement it is disaggregated as a distinct fixed asset valued at 56 438 thousand PLN;
- Shares in subsidiaries – as the holding company for other member companies of the Group, CD PROJEKT S.A. discloses in its separate financial statement the value of shares in subsidiaries which it holds. At the end of 2020 the corresponding figure was 24 567 thousand PLN. The value of these shares is either subject to consolidation eliminations or disaggregated as Shares in subsidiaries excluded from consolidations;
- Other asset and liability categories – the separate financial statement is exclusive of values contributed by other member companies which belong to the Group, including in particular the contributions of GOG sp. z o.o. whose balance sheet total represents 7.8% of the CD PROJEKT Group's consolidated balance sheet total.

SELECTED DATA FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CD PROJEKT GROUP

Table 16 Selected data from the consolidated statement of cash flows (PLN thousands)

	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019
OPERATING ACTIVITIES		
Net profit (loss)	1 154 327	175 315
Total adjustments:	(460 131)	54 769
Depreciation of PP&E, intangibles, expenditures on development projects and investment properties	13 559	8 117
Depreciation of expenditures on development projects recognized as cost of products and services sold	254 105	29 370
Profit (loss) from exchange rate differences	2 220	-
Interest and profit sharing	(7 188)	(8 788)
Profit (loss) from investment activities	(5 440)	(1 283)
Change in provisions	366 499	10 585
Change in inventories	5 905	(12 604)
Change in receivables	(1 083 890)	(126 397)
Change in liabilities excluding credits and loans	77 319	11 421
Change in other assets and liabilities	(100 033)	115 774
Other adjustments	16 813	28 574
Cash flows from operating activities	694 196	230 084
Income tax on pre-tax profit (loss)	(3 140)	13 847
Withholding tax paid abroad	13 762	-
Income tax (paid)/reimbursed	6 890	(27 225)
Net cash flows from operating activities	711 708	216 706
INVESTMENT ACTIVITIES		
Inflows	823 545	881 888
Reimbursement of advance payment for investment properties and perpetual usufruct of land	-	1 667
Sales of intangibles and PP&E	22	136
Closing bank deposits (maturity beyond 3 months)	754 581	870 742
Maturation of bonds	59 426	-
Interest on bonds	115	-
Inflows from forward contracts	1 801	-
Other inflows from investment activities	7 600	9 343

Outflows	929 931	1 046 386
Purchases of intangibles and PP&E	18 516	91 509
Expenditures on development projects	203 076	164 990
Purchase of investment properties and activation of future costs	8 336	36 743
Capital contributions to subsidiary	-	4 500
Loans granted	4 500	-
Purchase of bonds and the associated purchasing costs	209 441	-
Opening bank deposits (maturity beyond 3 months)	486 054	748 644
Other outflows from investment activities	8	-
Net cash flows from investment activities	(106 386)	(164 498)

FINANCIAL ACTIVITIES

Inflows	126 124	-
Net inflows from sale of own shares and issue of stock in the exercise of options granted under the incentive program	126 124	-
Outflows	217 517	107 180
Purchase of own shares in order to enable exercise of options granted under the incentive program	214 259	-
Dividends and other payments due to equity holders	-	100 926
Payment of liabilities arising from lease agreements	2 857	5 708
Interest payments	401	546
Net cash flows from financial activities	(91 393)	(107 180)
Total net cash flows	513 929	(54 972)
Balance of changes in cash and cash equivalents	513 929	(54 972)
Cash and cash equivalents at beginning of period	49 406	104 378
Cash and cash equivalents at end of period	563 335	49 406

CLARIFICATIONS REGARDING THE CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CD PROJEKT GROUP

In the scope of its **Operating activities** in 2020 the CD PROJEKT Group reported 711 708 thousand PLN in positive net cash flows, i.e. 495 002 thousand more than in the reference period (228.4% increase).

The highest-ever level of sales revenues in the Group's history, achieved thanks to the release of *Cyberpunk 2077* and continuing strong sales of *The Witcher* videogame series, translated into a net profit of 1 154 327 thousand PLN, representing the base for operating cash flows. This figure was subsequently adjusted by the following:

- I. Non-cash items (total: +647 756 thousand PLN):
 - **Depreciation of expenditures on development projects recognized as selling costs** (+254 105 thousand PLN) – mainly depreciation of development expenditures related to *Cyberpunk 2077* (released in Q4 2020), *The Witcher 3: Wild Hunt – Complete Edition* for Nintendo Switch (released in Q4 2019) and *GWENT: The Witcher Card Game* along with *Thronebreaker: The Witcher Tales* (released in Q4 2018);
 - **Changes in provisions** (+366 499 thousand PLN), resulting from creation of provisions for compensation dependent on the Group's financial result and for other compensation, which were higher than the year before, along with provisions related to the launch of *Cyberpunk 2077* in late 2020;
 - **Depreciation** (+13 559 thousand PLN);
 - **Other adjustments** (+16 813 thousand PLN) – mainly settlement of costs related to the incentive program;
 - **Profit (loss) from exchange rate differences** (+2 220 thousand PLN) related to estimation of treasury bonds;
 - **Profit (loss) from investment activities** (-5 440 thousand PLN) – estimation of exchange rate hedges securing purchases of foreign treasury bonds, as well as the value of liquidated investment properties.

- II. Items related to changes in working assets and short-term liabilities (total: -1 100 699 thousand PLN):
 - **Changes in receivables** (-1 083 890 thousand PLN), primarily representing increases in the balance of trade receivables at the end of December 2020 due to the high volume of sales realized towards the end of 2020 (mostly associated with the release of *Cyberpunk 2077*);
 - **Changes in other assets and liabilities** (-100 033 thousand PLN) mainly related to settlement of a significant portion of retained earnings recognized before 2020 in association with preorders of *Cyberpunk 2077*;
 - **Changes in liabilities except credits and loans** (+77 319 thousand PLN), primarily affected by the reported increase in trade liabilities;
 - **Changes in inventories** (+5 905 thousand PLN), mainly due to a decrease in inventories associated with sales of physical components of box sets of *Cyberpunk 2077* during the reporting period.

- III. Item recognized elsewhere in the cash flow statement – **Interest and profit sharing** (-7 188 thousand PLN);

- IV. Difference between income tax due as reported in the profit and loss account for 2020 and income tax actually paid in the reporting period (+17 512 thousand PLN).

Throughout 2020 the Group generated 106 386 in negative net cash flows from **Investment activities**, compared to 164 498 in negative cash flows in the preceding year.

Key investment-related expenses which correspond to outflows from investment activities (at 234 428 thousand PLN) include:

- **Expenditures on development projects** (203 076 thousand PLN), particularly the final, most cost-intensive development phase of *Cyberpunk 2077*, along with other projects underway at CD PROJEKT RED and work related to development of technologies in the GOG.com segment;
- **Purchases of intangibles and PP&E** (18 516 thousand PLN) and **Purchases of investment properties and activation of future costs** (8 336 thousand PLN), mainly expenses related to redevelopment of CD PROJEKT's campus – the reported decrease in the sum of these outflows compared to the reporting period is mainly due to the fact that in 2019 the Company concluded a purchase transaction concerning the property at Jagiellońska 74 and remitted payment for the property at Jagiellońska 76;
- **Loans granted** to the Spokko sp. z o.o. subsidiary (4 500 thousand PLN) to facilitate development work on *The Witcher: Monster Slayer* currently underway at Spokko.

In the scope of operations involving financial instruments, the Group generated negative cash flows from the expansion of its **Treasury bond** portfolio (by 150 015 thousand PLN) as well as positive cash flows associated with reduction in the aggregate value of **Bank deposits** (by 268 527 thousand PLN), both of which are presented in the Financial activities category.

Other inflows from investment activities include interest accrued on bank deposits during the reporting period, with a total value of 7 600 thousand PLN (recognized as **Other inflows from investment activities**).

In 2020 the Group generated 91 939 thousand PLN in negative cash flows from **Financial activities** (compared to 107 180 thousand PLN in negative cash flows during the reference period, where a dividend was paid out in the amount of 100 926 thousand PLN). During the reporting period the balance of cash flows from financial activities was mainly affected by transactions related to buy-back and resale of own shares, as well as issue of new stock in the exercise of entitlements incorporated by subscription warrants which had been assigned in the framework of the Group's 2016–2019 incentive program.

Altogether, in 2020 the CD PROJEKT Group obtained 513 929 thousand PLN in positive **Net cash flows**, compared to 54 972 thousand PLN in negative net cash flows during the reference period.

Throughout 2020 the balance of the Group's financial reserves, which consist of cash, bank deposits and treasury bonds, increased by 392 387 thousand PLN, to 874 688 thousand PLN. In parallel, during the reporting period the Group incurred investment expenditures related to development of new videogames and technologies, and engaged in intensive marketing campaigns promoting its products.

SELECTED DATA FROM THE STATEMENT OF CASH FLOWS OF CD PROJEKT S.A.

Table 17 Selected data from the statement of cash flows of CD PROJEKT S.A. (PLN thousands)

	01.01.2020- -31.12.2020	01.01.2019- -31.12.2019
OPERATING ACTIVITIES		
Net profit (loss)	1 132 235	172 826
Total adjustments:	(551 010)	62 345
Depreciation of PP&E, intangibles, expenditures on development projects and investment properties	5 647	5 059
Depreciation of expenditures on development projects recognized as cost of products and services sold	248 164	23 009
Profit (loss) from exchange rate differences	2 223	42
Interest and profit sharing	(7 246)	(8 572)
Profit (loss) from investment activities	(5 438)	(1 270)
Change in provisions	359 214	8 905
Change in inventories	4 658	(8 227)
Change in receivables	(1 110 415)	(124 052)
Change in liabilities excluding credits and loans	47 553	15 540
Change in other assets and liabilities	(111 936)	121 481
Other adjustments	16 566	30 430
Cash flows from operating activities	581 225	235 171
Income tax on pre-tax profit (loss)	(7 161)	13 036
Withholding tax paid abroad	13 762	-
Income tax (paid)/reimbursed	7 254	(26 224)
Net cash flows from operating activities	595 080	221 983
INVESTMENT ACTIVITIES		
Inflows	824 849	908 223
Sales of intangibles and PP&E	17	130
Expenditures on development projects reassigned in the framework of a consortium agreement	312	16 122
Reimbursement of advance payment for investment properties and perpetual usufruct of land	-	1 667
Repayment of loans granted	1 049	10 605
Closing bank deposits (maturity beyond 3 months)	754 581	870 742
Maturation of bonds	59 426	-
Interest on bonds	115	-
Inflows from forward contracts	1 801	-
Other inflows from investment activities	7 548	8 957

Outflows	920 760	1 051 320
Purchases of intangibles and PP&E	16 321	90 751
Expenditures on development projects	196 100	157 072
Purchase of investment properties and activation of future costs	8 336	36 743
Capital contributions to subsidiary	-	4 500
Loans granted	4 500	13 610
Purchase of bonds and the associated purchasing costs	209 441	-
Opening bank deposits (maturity beyond 3 months)	486 054	748 644
Other outflows from investment activities	8	-
Net cash flows from investment activities	(95 911)	(143 097)
FINANCIAL ACTIVITIES		
Inflows	126 124	484
Net inflows from sale of own shares and issue of stock in the exercise of options granted under the incentive program	126 124	-
Collection of receivables arising from financial lease agreements	-	459
Interest collected	-	25
Outflows	216 565	106 333
Purchase of own shares in order to enable exercise of options granted under the incentive program	214 259	-
Dividends and other payments due to equity holders	-	100 926
Payment of liabilities arising from lease agreements	2 015	5 000
Interest payments	291	407
Net cash flows from financial activities	(90 441)	(105 849)
Total net cash flows	408 728	(26 963)
Balance of changes in cash and cash equivalents	408 728	(26 963)
Cash and cash equivalents at beginning of period	14 186	41 149
Cash and cash equivalents at end of period	422 914	14 186

CLARIFICATIONS REGARDING THE SEPARATE STATEMENT OF CASH FLOWS OF CD PROJEKT S.A.

CD PROJEKT S.A. is the parent company of the CD PROJEKT Group and the largest entity within the Group as well as within the CD PROJEKT RED segment, responsible for 88.1% of the Group's consolidated sales, controlling (as of 31 December 2020) 80.7% of the Group's cash assets and bank deposits, and having a decisive influence on cash flows reported by the Group. Consequently, clarifications regarding the consolidated statement of cash flows of the Group (except for data referring directly to the GOG.com segment and the effects of subsidiaries – CD PROJEKT RED STORE sp. z o.o. and CD PROJEKT Inc.) – are generally applicable to the activities and cash flows at CD PROJEKT S.A.

DISCLOSURE OF THE FEASIBILITY OF INVESTMENT PLANS

In line with the information presented above, at the end of 2020 the Group had no outstanding liabilities under any credit or loan agreements, and held 874 688 thousand PLN in its own cash assets, bank deposits and treasury bonds. The balance of the Group's trade receivables at the end of 2020 was 1 205 603 thousand PLN, while the balance of its short-term liabilities was 540 969 thousand PLN. Future investment plans are expected to be financed with the Group's own resources along with positive cash flows from operating activities. As of the publication date of this report the Group anticipates no difficulty in securing adequate financing for its near-term investment plans.

DISCLOSURE OF CREDITS AND LOANS IN 2020

Throughout 2020 the CD PROJEKT Group had no outstanding debt under any credit or loan agreement.

DISCLOSURE OF CREDITS AND LOANS GRANTED IN 2020

In 2020 no member company of the CD PROJEKT Group granted any credits or loans to external entities. CD PROJEKT Inc., CD PROJEKT RED STORE sp. z o.o. and Spokko sp. z o.o. have access to financing under a loan agreement concluded with CD PROJEKT S.A.

DISCLOSURE OF GUARANTEES AND SURETIES GRANTED IN 2020, AND OTHER OFF-BALANCE SHEET ITEMS

Information regarding guarantees, sureties and other off-balance sheet items can be found in the Consolidated Financial Statement of the CD PROJEKT Group for the period between 1 January and 31 December 2020.

DISCLOSURE OF THE CURRENT ECONOMIC AND FINANCIAL STANDING OF THE GROUP

In recent years the Group has consistently remained profitable, generating positive cash flows from operating activities. Recent development activities, culminating in the release of *Cyberpunk 2077* – the largest such event in the Group's history – elevated the Company and the Group to a new level both in terms of business and financials, while also revealing certain areas which require improvements.

Throughout the reporting period the parent Company worked to increase its capability for development of new videogames by adding more staff, building the required infrastructure and bringing a new franchise to the market. Likewise, GOG.com also increased its scale of activities and revenues. The Group holds significant cash reserves and its current economic and financial standing should be regarded as stable.

DISCLOSURE OF THE PROJECTED ECONOMIC AND FINANCIAL STANDING OF THE GROUP

In line with the CD PROJEKT Group Strategy Update, published on 30 March 2021, in the coming years the Group's activities will focus on existing and new projects in the framework of two franchises: *The Witcher* and *Cyberpunk*. As far as 2021 is concerned, the Company has announced the following new releases:

- *The Witcher: Monster Slayer* – a mobile AR game developed by Spokko sp. z o.o. – one of the Group's subsidiaries;
- *The Witcher 3: Wild Hunt* – next-gen console edition;
- *Cyberpunk 2077* – next-gen console edition.

Regarding the following year, CD PROJEKT RED has announced an anime series created in collaboration with Studio Trigger: *CYBERPUNK: EDGERUNNERS*. The series will be available on Netflix. This is in addition to further development of *GWENT: The Witcher Card Game*, the GOG.com service and other unannounced projects.

As of the publication date of this report the Board regards the Group's economic and financial standing as good and does not perceive any threats to its liquidity or solvency within 12 months of the balance sheet date.

DISCLOSURE OF TRANSACTIONS WITH AFFILIATES

In 2020 the CD PROJEKT Group engaged mainly in the following types of transactions with affiliates:

- sales of licenses between CD PROJEKT S.A. and GOG sp. z o.o., as required by these companies' respective business profiles;
- procurement of accounting, HR, legal, financial, administrative and managerial services from CD PROJEKT S.A. by its subsidiaries;
- subleasing of office space;
- procurement of CD PROJEKT Inc. services by CD PROJEKT S.A. and GOG sp. z o.o. in the scope of coordinating promotional and publishing activities in North America;
- procurement of CD PROJEKT Co., Ltd. services by CD PROJEKT S.A. in the scope of coordinating promotional and publishing activities in China;
- loans granted to CD PROJEKT Inc., CD PROJEKT RED STORE sp. z o.o. and Spokko sp. z o.o. by CD PROJEKT S.A.;
- collaboration in the scope of maintaining the online merch store, licensing and developing merchandise – between CD PROJEKT S.A. (videogame developer and IP holder) and CD PROJEKT RED STORE sp. z o.o. and

CD PROJEKT Inc. (operators of merch stores in their respective territories);

- other minor transactions associated with day-to-day activities (e.g. re-invoicing joint expenses).

Transactions between affiliates are concluded on market terms as required by the business profiles of each member of the CD PROJEKT Group. A detailed description of procedures which govern transactions between affiliates is included in the Consolidated Financial Statement of the CD PROJEKT Group for the period between 1 January and 31 December 2020.

CD PROJEKT S.A. and GOG sp. z o.o. cooperate in the framework of development of *GWENT: The Witcher Card Game* and *Thronebreaker: The Witcher Tales*. According to the consortium agreement, each company bears a portion of *GWENT* project expenses, and is entitled to the corresponding share of the associated revenues.

DISCLOSURE OF THE MAIN DOMESTIC AND FOREIGN INVESTMENTS AND OF THE STRUCTURE OF THE MAIN CAPITAL DEPOSITS

At the end of 2020 important contributions to the Group's reported assets came from cash (563 335 thousand PLN) and bank deposits with maturity periods exceeding 3 months (164 368 thousand PLN). Surplus cash is deposited in banks which cooperate with the Group or invested in low-risk financial instruments (in line with the principle of diversifying the deposit and investment portfolio). As of 31 December 2020 the aggregate value of cash, cash equivalents and bank deposits was 727 703 thousand PLN. Further information regarding the Company's cash allocation policy and treasury bond portfolio can be found in the section titled "Diversification of credit risk for financial reserves held in 2020", elsewhere in this report.

The business activities of the Group, and particularly of CD PROJEKT S.A., are directly associated with development and distribution of videogames. Development of new releases constitutes the primary investment activity of the Group and its parent Company. R&D expenditures are disclosed as part of the Fixed Assets category, in the Expenditures on development projects line item. At the end of 2020 the cumulative balance of these expenditures was 406 798 thousand PLN, which corresponds to a y/y increase of 20 950 thousand PLN. As of 31 December 2020 the balance of development expenditures in the CD PROJEKT RED segment was 384 601 thousand PLN, while the corresponding figure in the GOG.com segment was 22 210 thousand PLN. Further information regarding changes in expenditures on development projects throughout 2020 can be found in the commentary section accompanying the consolidated statement of financial position of the CD PROJEKT Group, elsewhere in this report. CD PROJEKT RED intends to continue building its production capabilities and increasing the quantity and scale of ongoing projects.

Following purchase of investment properties located in Warsaw at Jagiellońska 74 and 76 (in 2018 and 2019), the CD PROJEKT Group began redeveloping its campus, adapting it to its needs and specific profile of its activities. The Group intends to carry on with this process in the coming years.

Detailed information regarding individual components of the Group's property, plant and equipment can be found in the commentary section accompanying the consolidated statement of financial position, elsewhere in this report.

At the end of 2020 the CD PROJEKT Group controlled two wholly owned foreign subsidiaries: CD PROJEKT Inc.

(Los Angeles) and CD PROJEKT Co., Ltd. (Shanghai). Domestic subsidiaries of the Group included GOG sp. z o.o. (100% share), Spokko sp. z o.o. (incorporated in 2018; 75% share) and CD PROJEKT RED STORE sp. z o.o. (100% share). The aggregate value of investments in domestic and foreign subsidiaries reported in the separate financial statement of CD PROJEKT S.A. – the Group's holding company – was 24 567 thousand PLN.

In its strategy update, published on 30 March 2021, the Company announced that it had signed a term sheet concerning planned acquisition of the Digital Scapes studio, based in Canada.

Throughout 2020 the CD PROJEKT Group financed its current activities and investments with its own funds.

DISCLOSURE OF SIGNIFICANT DIFFERENCES BETWEEN THE FINANCIAL RESULTS REPORTED IN THE ANNUAL FINANCIAL STATEMENT AND EARLIER PROJECTIONS COVERING THE GIVEN YEAR

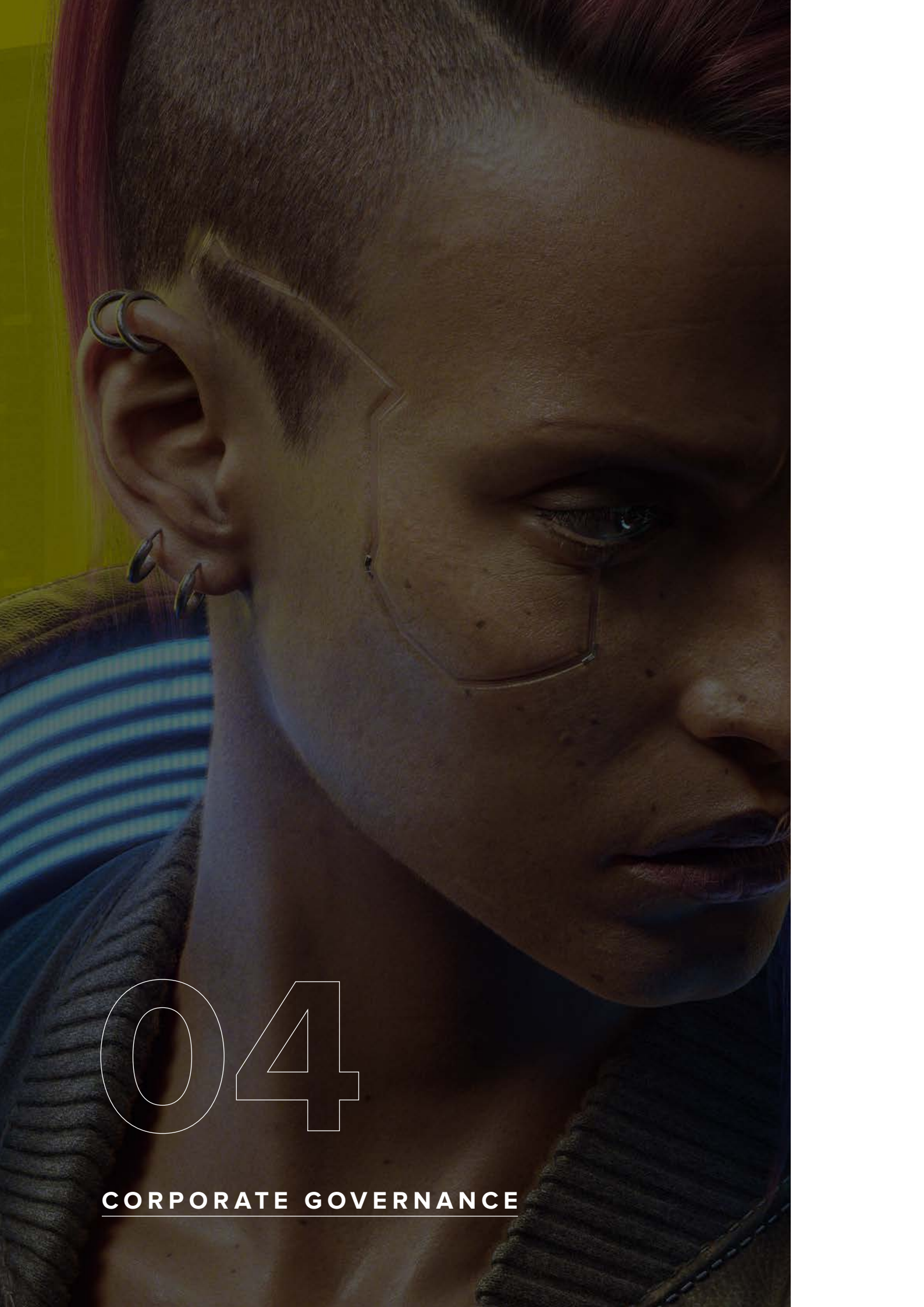
The CD PROJEKT Group never published any financial projections for 2020. Accordingly, no description of the significant differences between the Group's actual results and earlier projections is provided.

DISCLOSURE OF THE APPROPRIATION OF REVENUES GENERATED BY ISSUING CAPITAL MARKET INSTRUMENTS UP UNTIL THE PUBLICATION DATE OF THE REPORT

As a result of exercise of entitlements assigned under the incentive program in force between 2016 and 2019, the Company:

1. throughout 2020 carried out:
 - buy-back of its own shares, expending 214 259 thousand PLN;
 - sale of the aforementioned shares and issue of new shares, obtaining a total of 126 124 thousand PLN in the associated revenues;
2. in March 2021 issued new shares obtaining a total of 2 149 thousand PLN in the associated revenues.

Revenues obtained by the Company from issuing new stock in the framework of the aforementioned incentive program partly offset the expenses related to the buy-back of stock, which was carried out to facilitate execution of entitlements assigned under the program.



04

CORPORATE GOVERNANCE

Entity contracted to audit financial statements

On 14 May 2020 the Supervisory Board of CD PROJEKT S.A. selected Grant Thornton Polska sp. z o.o. sp. k. with a registered office in Poznań as the entity contracted to conduct a review of the semiannual financial statement and audit the annual financial statement of the Company and its Group for 2020 and 2021. Grant Thornton Polska sp. z o.o. sp. k. has also been contracted to audit the financial statement of GOG sp. z o.o., CD PROJEKT RED STORE sp. z o.o. and Spokko sp. z o.o.

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

The Company's share capital amounts to 100 738 800 PLN, divided into 100 738 800 shares with a nominal value of 1 PLN per share. The shareholding structure is determined on the basis of formal notices issued by shareholders who control at least 5% of the total number of votes at the General Meeting of Shareholders.

Table 18 Shareholders controlling at least 5% of the vote at the General Meeting as of the publication date of this report

	Number of shares	% of share capital	Number of votes at the GM	% of total number of votes at the GM
Marcin Iwiński	12 873 520	12.78%	12 873 520	12.78%
Michał Kiciński*	10 003 852	9.93%	10 003 852	9.93%
Piotr Nielubowicz	6 858 717	6.81%	6 858 717	6.81%
Free float	71 002 711	70.48%	71 002 711	70.48%

*As disclosed in Current Report [63/2020](#) of 8 December 2020

The percentage share in the Company's share capital and in the total number of votes at the General Meeting is calculated on the basis of the most recent notices received from Company shareholders as of the publication date of this report.

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

INCENTIVE PROGRAM ACTIVE IN THE YEARS 2016-2019

On 24 May 2016 the General Meeting adopted resolution no. 20¹⁸, which provides a detailed description of the goals of the incentive program covering the 2016–2021 period. The maximum number of entitlements assignable under the program was 6 million, of which 5 535 500 was ultimately assigned. Following positive verification of the attainment of the program's goals in the 2016–2019 period, 5 167 500 entitlements became exercisable by the entitled parties. In order to facilitate vesting of the program, the Company sold a total of 516 700 of its own shares, which had previously been bought back on the open market, to the entitled parties. The remaining entitlements vested by way of an issue of 4 650 800 subscription warrants. By the publication date of this report the entitled parties had exercised 4 618 800 from a total of 4 650 800 subscription warrants, entitling their holders to claim shares issued in the course of a conditional increase in the Company share capital. The remaining 32 000 Series B subscription warrants (entitling holders to claim the equivalent number of shares) may be exercised by 31 October 2022.

On 4 December 2020, the newly issued Series M shares (4 534 624 shares in total) were admitted to organized trading by the Warsaw Stock Exchange.¹⁹

Following the balance sheet date, on 31 March 2021, 84 176 newly issued Series M shares were admitted to organized trading by the Warsaw Stock Exchange.²⁰

INCENTIVE PROGRAM FOR 2020–2025

Pursuant to General Meeting adopted on 28 July 2020²¹ and 22 September 2020²², a third edition of the Company incentive program, covering the years 2020–2025, was formally instituted. In line with the adopted stipulations, a total of 4 000 000 entitlements may be granted under the program. The program may vest by issuing and assigning to entitled parties a certain quantity of subscription warrants which incorporate the right to acquire parent Company shares issued in the framework of a conditional increase in the Company share capital, or, alternatively, by extending an offer to entitled parties to purchase Company shares which will have previously been bought back by the Company on the open market. Acquisition and exercise of subscription warrants or the purchase of the parent Company's own shares by the entitled parties, as appropriate, is predicated upon attaining certain goals and criteria defined under the program. These include earnings goals

18 Full text available in Current Report no. [18/2016](#)

19 As disclosed in Current Reports no. [60/2020](#), [61/2020](#), [60/2020/K](#) i [61/2020/K](#)

20 As disclosed in Current Report no. [16/2021](#)

21 The corresponding resolution is described in Current Report no. [10/2020](#)

22 The corresponding resolution is described in Current Report no. [41/2020](#)

(80% of entitlements), market goals (20% of entitlements), individual goals (in selected cases) as well as – in all circumstances – fulfillment of a loyalty criterion up until the day the attainment of the program's goals and criteria is declared.

Result goal – 80% of entitlements

Base variant, entitling participants to exercise their entitlements at the base price:

Achieving consolidated net earnings from continuing activity for the Group as a whole, increased by costs related to estimation of the granted entitlements as entered in the Group's accounts for each verification period, of at least:

- a) for the financial years 2020–2023 – 6 billion PLN and at least 59.02 PLN per Company share outstanding on the final date of the corresponding verification period, or
- b) for the financial years 2020–2024 – 7 billion PLN and at least 68.86 PLN per Company share outstanding on the final date of the corresponding verification period, or
- c) for the financial years 2020–2025 – 8.3 billion PLN and at least 81.65 PLN per Company share outstanding on the final date of the corresponding verification period.

Alternative variant whereby any of the above stated goals are achieved one year in advance, entitling participants to exercise their entitlements at a discount:

Achieving consolidated net earnings from continuing activity for the Group as a whole, increased by costs related to estimation of the granted entitlements as entered in the Group's accounts for each verification period, of at least:

- a) for the financial years 2020–2022 – 6 billion PLN, or
- b) for the financial years 2020–2023 – 7 billion PLN, or
- c) for the financial years 2020–2024 – 8.3 billion PLN, or
- d) for the financial years 2020–2025 – 10 billion PLN and at least 98.37 PLN per Company share outstanding on the final date of the corresponding verification period.

Market goal – 20% of entitlements

Entitlements exercised at base price:

A goal predicated upon the change in the price of CD PROJEKT S.A. stock on the Warsaw Stock Exchange in such a way that the percentage difference between the closing price of CD PROJEKT S.A. stock on the verification date and the corresponding closing price on 22 September 2020 is more than 100% greater than the corresponding change in the value of the WIG index over the same period.

With regard to entitlements assigned in 2020, the base exercise price is 390.59, while the discounted price is 317.06 PLN.

As of the publication date of this report, a total of 2 592 000 entitlements have been issued under the 2020–2025 incentive program.

Information regarding the control system of employee share programs

The incentive program under which Company shares may have been awarded, covering the activities of the Company and its Group in the 2016–2019 period, was approved by the General Meeting of Shareholders on 24 May 2016. A detailed set of terms and conditions was endorsed by the Supervisory Board and subsequently approved by the Management Board on 5 July 2016.

The incentive program under which Company shares may be awarded, covering the activities of the Company and its Group in the 2020–2025 period, was approved by the General Meetings of Shareholders on 28 July 2020 and 22 September 2020. A detailed set of terms and conditions was endorsed by the Supervisory Board and subsequently approved by the Management Board on 30 October 2020.

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

Disclosure of the purchase of own shares

Pursuant to Resolution no. 21 of the Ordinary General Meeting of 28 July 2020, between 30 July and 17 August 2020 the Company carried out a buy-back of its own shares. Shares were purchased on the official regulated market of the Warsaw Stock Exchange. Altogether, 516 700 shares were purchased for a total of 215 259 thousand PLN. These shares were subsequently offered to entitled parties as a partial settlement of entitlements assigned under the Company incentive program active in the years 2016–2019.

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

Table 19 Shares held by members of the Management Board and Supervisory Board of the Company

Name	Position	as of 22.04.2021	as of 31.12.2020	as of 01.01.2020
Adam Kiciński	President of the Board	4 046 001	4 046 001	3 322 481
Marcin Iwiński	Vice President of the Board	12 873 520	12 873 520	12 150 000
Piotr Nielubowicz	Vice President of the Board	6 858 717	6 858 717	6 135 197
Adam Badowski	Board Member	692 640	692 640	150 000
Michał Nowakowski	Board Member	580 290	580 290	37 650
Piotr Karwowski	Board Member	108 728	108 728	3 100
Katarzyna Szwarc	Chairwoman of the Supervisory Board	10	10	10
Maciej Nielubowicz	Supervisory Board Member	51	51	51

On 4 September 2020, in light of attainment of the goals and criteria of the Incentive Program in force between 2016 and 2019, instituted by resolution no. 21 of the Ordinary General Meeting of 24 May 2016 and the Terms and Conditions of the Incentive Program active in 2016–2019 adopted on the basis of the aforementioned resolution, members of the Management Board exercised part of their assigned entitlements by acquiring Company shares as follows:

- Adam Kiciński purchased 76 480 shares for a total of 1 709 thousand PLN;
- Marcin Iwiński purchased 76 480 shares for a total of 1 709 thousand PLN;
- Piotr Nielubowicz purchased 76 480 shares for a total of 1 709 thousand PLN;
- Adam Badowski purchased 57 360 shares for a total of 1 281 thousand PLN;
- Piotr Karwowski purchased 11 272 shares for a total of 251 thousand PLN;
- Michał Nowakowski purchased 57 360 shares for a total of 1 281 thousand PLN.

Between 4 and 24 September 2020, in the framework of implementation of the aforementioned Incentive Program, pursuant to resolutions no. 20 and 21 of the Ordinary General Meeting of 28 July 2020, individuals enrolled in the Program, including members of the Company Management Board, sold Company shares which they had previously acquired under the Program, as listed above. This resale of own shares previously bought from the Company served to provide Program participants with a source of funding with which to finance the vesting of remaining entitlements assigned to them under the Program, including remittance of the issue price of Series M shares claimed in the exercise of rights incorporated by subscription warrants, along with discharge of the corresponding fiscal liabilities. These transactions should not be regarded as undertaken in the scope of individual investment-related decisions on the part of Company executives – rather, they resulted from their enrollment in the Program.

In Current Report no. 46/2020 of 25 September 2020 the Company announced a series of stock purchase transactions carried out by Management Board members in the exercise of rights incorporated by the remaining subscription warrants which had previously been assigned to those members under the incentive program in force at the Group between 2016 and 2019:

- Adam Kiciński exercised the rights from 723 520 Series B subscription warrants and consequently acquired 723 520 Series M shares of the Company;
- Marcin Iwiński exercised the rights from 723 520 Series B subscription warrants and consequently acquired 723 520 Series M shares of the Company;
- Piotr Nielubowicz exercised the rights from 723 520 Series B subscription warrants and consequently acquired 723 520 Series M shares of the Company;
- Adam Badowski exercised the rights from 542 640 Series B subscription warrants and consequently acquired 542 640 Series M shares of the Company;
- Piotr Karwowski exercised the rights from 108 728 Series B subscription warrants and consequently acquired 108 728 Series M shares of the Company;
- Michał Nowakowski exercised the rights from 542 640 Series B subscription warrants and consequently acquired 542 640 Series M shares of the Company.

In Current Report no. 48/2020 of 29 September 2020 the Company announced that one of its Management Board members had sold Company stock. In line with the notification received by the Company on 29 September 2020, Mr. Piotr Karwowski had sold 3 100 shares of the parent Company on the regulated market of the Warsaw Stock Exchange.

In Current Report no. 61/2020 of 4 December 2020 the Company announced that the Warsaw Stock Exchange had issued a decision admitting 4 534 624 Series M shares to trading on the organized market, and that the corresponding shares had been deposited in the securities accounts held by entities which had claimed them in the course of implementing the incentive program. This resulted in an increase in the number of shares held by Management Board members equivalent to the number of subscription warrants as listed above.

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

Management structure

GRI 102-18

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

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



Adam Kiciński – President of the Board

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



Marcin Iwiński – President for International Affairs

Coordinates the Company's international activities and the corresponding policies. Takes part in supervising and managing the Company's foreign subsidiaries. Co-develops and coordinates global publishing plans. Coordinates and participates in shaping relations with the gaming community.



Piotr Nielubowicz – Vice President and CFO

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



Adam Badowski – Board Member

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



Michał Nowakowski – Board Member

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



Piotr Karwowski – Board Member

Oversees the Group's activities in relation to online gaming and services. Also supervises the activities and development of the GOG.com segment, and of *GWENT*.

Management Board members represent the Company and its Management Board. Management Board members cooperate with one another, share information regarding important matters affecting the Company, jointly manage the Company and jointly bear the associated responsibility. The Management Board, acting as a collective body, formulates the Company's strategies, develops its financial plans and manages the Company in such a way as to ensure implementation of these strategies and plans. The Management Board has embraced the concept of collective management in order to enhance its own capabilities for strategic thinking, build upon its positive energy and uphold the belief that nothing is truly impossible. Deep mutual trust, coupled with a shared set of core beliefs and ethics, enable the Management Board to discharge its duties efficiently and without undue bureaucracy.

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

No changes in the composition of the Company Management Board occurred in 2020.

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

Katarzyna Szwarc	Chairwoman of the Supervisory Board; Audit Committee Member
Piotr Pągowski	Deputy Chairman of the Supervisory Board; Audit Committee Member meeting independence criteria
Maciej Nielubowicz	Secretary of the Supervisory Board; Audit Committee Member
Michał Bień	Supervisory Board Member; Chairman of the Audit Committee
Krzysztof Kilian	Supervisory Board Member; Audit Committee Member meeting independence criteria

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

No changes in the composition of the Supervisory Board occurred in 2020.

Gross compensation of members of the Management Board and Supervisory Board of CD PROJEKT S.A.

On 27 August 2020, acting under authorization expressed in Resolution 19 of the Ordinary General Meeting of 28 July 2020, the Supervisory Board of the Company adopted Resolution 1, instituting a remuneration policy at CD PROJEKT S.A.

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

ADAM KICIŃSKI, PRESIDENT OF THE BOARD

Mr. Kiciński's base remuneration paid by CD PROJEKT S.A. in 2019 was 420 thousand PLN, all of which represented his base salary. In 2020 this base salary remained unchanged at 420 thousand PLN. In 2020 Mr. Kiciński also received bonuses under the incentive program in force at the Company. This variable portion of his salary associated with the net earnings of the Group in 2019, was 3 682 thousand PLN, while the portion associated with the net earnings of the Group in 2020 was 24 241 thousand PLN. The latter portion had not been disbursed as of the balance sheet date.

MARCIN IWIŃSKI, VICE PRESIDENT OF THE BOARD

Mr. Iwiński's base remuneration paid by CD PROJEKT S.A. in 2019 was 336 thousand PLN, all of which represented his base salary. In 2020 this base salary remained unchanged at 336 thousand PLN. In 2020 Mr. Iwiński also received bonuses under the incentive program in force at the Company. This variable portion of his salary associated with the net earnings of the Group in 2019, was 3 682 thousand PLN, while the portion associated with the net earnings of the Group in 2020 was 24 241 thousand PLN. The latter portion had not been disbursed as of the balance sheet date.

PIOTR NIELUBOWICZ, VICE PRESIDENT OF THE BOARD

Mr. Nielubowicz's base remuneration paid by CD PROJEKT S.A. in 2019 was 348 thousand PLN, all of which represented his base salary. In 2020 this base salary remained unchanged at 348 thousand PLN. In 2020 Mr. Nielubowicz also received bonuses under the incentive program in force at the Company. This variable portion of his salary associated with the net earnings of the Group in 2019, was 3 682 thousand PLN, while the portion associated with the net earnings of the Group in 2020 was 24 241 thousand PLN. The latter portion had not been disbursed as of the balance sheet date.

ADAM BADOWSKI, BOARD MEMBER

Mr. Badowski's base remuneration paid by CD PROJEKT S.A. in 2019 was 396 thousand PLN, all of which represented his base salary. In 2020 this base salary was increased to 397 thousand PLN. In 2020 Mr. Badowski also received bonuses under the incentive program in force at the Company. This variable portion of his salary associated with the net earnings of the Group in 2019, was 2 542 thousand PLN, while the portion associated with the net earnings of the Group in 2020 was 16 738 thousand PLN. The latter portion had not been disbursed as of the balance sheet date.

MICHAŁ NOWAKOWSKI, BOARD MEMBER

Mr. Nowakowski's base remuneration paid by CD PROJEKT S.A. in 2019 was 360 thousand PLN, all of which represented his base salary. In 2020 this base salary remained unchanged at 360 thousand PLN. In 2020 Mr. Nowakowski also received bonuses under the incentive program in force at the Company. This variable portion of his salary associated with the net earnings of the Group in 2019, was 2 542 thousand PLN, while the portion associated with the net earnings of the Group in 2020 was 16 738 thousand PLN. The latter portion had not been disbursed as of the balance sheet date.

PIOTR KARWOWSKI, BOARD MEMBER

Mr. Karwowski's base remuneration paid by CD PROJEKT S.A. in 2019 was 60 thousand PLN, all of which represented his base salary. In 2020 this base salary was increased to 102 thousand PLN. Mr. Karwowski does not participate in the incentive program in force at CD PROJEKT S.A., however he does participate in the incentive program in force at GOG sp. z o.o. as a board member thereof. His compensation, disbursed by GOG sp. z o.o. in association with the aforementioned function, is disclosed in the table below.

OLEG KLAPOVSKIY, BOARD MEMBER

Mr. Klapovskiy's base remuneration paid by CD PROJEKT S.A. in 2019 for the period between the beginning of the year and his resignation on 23 May 2019 was 24 thousand PLN. Mr. Klapovskiy did not participate in the incentive program in force at CD PROJEKT S.A., however he does participate in the incentive program in force at GOG sp. z o.o. as a board member thereof. No associated compensation was disbursed by GOG sp. z o.o. in 2019 by the day of his resignation from the Management Board of CD PROJEKT S.A., i.e. by 23 May 2019. Consequently, no such compensation is listed in the table below.

Table 20 Compensation paid to members of the Management Board of CD PROJEKT S.A. during their tenure as members of the Company's managerial bodies, and paid by the Company's subsidiaries in association with discharging managerial duties at these subsidiaries (PLN thousands)

	01.01.2019–31.12.2019	01.01.2020–31.12.2020
Marcin Iwiński	24	24
Piotr Karwowski	725	946
Oleg Klapovskiy	88*	-

*by 23 May 2019

The share-based incentive program for 2016–2019 was instituted by the Extraordinary General Meeting of 24 May 2016 for the benefit of key employees of the Company and other Group member companies, as well as other persons regarded as having crucial influence on their earnings. The program's conditions were specified in resolutions adopted by the General Meeting of 24 May 2016, the related Terms and Conditions document as well as further resolutions issued by the Company's Supervisory Board and Management Board. The program vested as a result of the Group's earnings in the 2016–2019 period, and, consequently, in 2020 entitled parties belonging to the Management Board of CD PROJEKT S.A. exercised their assigned subscription warrants and acquired Company stock. The following table lists potential benefits and entitlements obtainable by members of the Management Board in association with their enrollment in the incentive program in force between 2016 and 2019.

Table 21 Assigned entitlements and potential benefits (in PLN thousands) obtainable by Management Board members in conjunction with their enrollment in the 2016–2019 incentive program

Name	Position	Entitlements exercised	Potential benefits	
			01.01.2019–31.12.2019	01.01.2020–31.12.2020
Adam Kiciński	President of the Board	800 thousand	3 850	853
Marcin Iwiński	Vice President of the Board	800 thousand	3 850	853
Piotr Nielubowicz	Vice President of the Board	800 thousand	3 850	853
Adam Badowski	Board Member	600 thousand	2 877	640
Michał Nowakowski	Board Member	600 thousand	2 877	640
Piotr Karwowski	Board Member	120 thousand	235	110

Pursuant to resolutions of the General Meetings of 28 July 2020 and 22 September 2020 a third edition of the Company's incentive program was instituted, covering the years 2020–2025. The program involves key employees and collaborators of the Company and other companies constituting its Group, as well as other persons regarded as having influence on the financial results of the Company and its Group, as specified in resolutions adopted on 28 July 2020 and 22 September 2020 by the General Meeting of CD PROJEKT S.A., the Terms and Conditions of the Incentive Program and the corresponding resolutions of the Supervisory Board and Management Board. The value of potential benefits assignable to members of the Management Board under the incentive program for 2020–2025 is listed in the table below.

Table 22 Entitlements assigned and potential value of monetary benefits (in PLN thousands) obtainable by members of the Management Board in light of their involvement in the 2020–2025 incentive program

Name	Position	Entitlements granted	Potential benefits
			01.01.2020–31.12.2020
Adam Kiciński	President of the Board	200 thousand	536
Marcin Iwiński	Vice President of the Board	200 thousand	536
Piotr Nielubowicz	Vice President of the Board	200 thousand	536
Adam Badowski	Board Member	200 thousand	536
Michał Nowakowski	Board Member	200 thousand	536
Piotr Karwowski	Board Member	200 thousand	536

The value of potential benefits listed in the table above, payable to Management Board in light of their involvement in successive editions of long-term incentive programs settled in Company shares is based on the fair value of assigned entitlements on the grant date, as calculated by a licensed actuary. These values have been duly recognized as Group expenditures in the years 2019 and 2020 respectively.

The difference between the market value of CD PROJEKT shares and their respective claim or purchase prices, calculated for the given exercise date under the terms of successive incentive programs may differ significantly from the estimation prepared by the actuary on the grant date and recognized on the Group's balance sheet. Future benefits obtainable by participants of the program will depend on the share price at the moment of purchase or take-up of shares by entitled parties (or, with regard to the incentive program in force between 2016 and 2019 – after the end of the mandatory one-year lock-up period, which begins on the date of submission of a notification confirming the intent to claim Company shares in the exercise of subscription warrants).

Assignment of benefits to Management Board members

The variable portion of the Management Board members' compensation under the groupwide incentive program is strictly dependent on the net financial result of the Group and settled in annual cycles.

Compensation of Supervisory Board members

Table 23 Gross compensation paid out to members of the Supervisory Board of CD PROJEKT S.A. in 2019 and 2020 (PLN thousands)

Name	01.01.2019–31.12.2019	01.01.2020–31.12.2020
Katarzyna Szwarc – Chairwoman of the Supervisory Board	120	120
Piotr Pągowski –Deputy Chairman of the Supervisory Board	63	72
Maciej Nielubowicz – Secretary of the Supervisory Board	72	72
Michał Bień – Supervisory Board Member; Chairman of the Audit Committee	72	72
Krzysztof Kilian – Supervisory Board Member	63	72

DISCLOSURE OF RETIREMENT BENEFITS AND SIMILAR COMPENSATION PAYABLE TO FORMER MEMBERS OF THE ISSUER'S EXECUTIVE, SUPERVISORY OR ADMINISTRATIVE BODIES, AND OF ANY LIABILITIES ASSOCIATED WITH SUCH BENEFITS, SPECIFYING THE AGGREGATE AMOUNTS FOR EACH CATEGORY OF RECIPIENTS

As of 31 December 2020 the Company had no such liabilities.

AGREEMENTS BETWEEN THE ISSUER AND MEMBERS OF ITS MANAGING AND SUPERVISORY BODIES CONCERNING COMPENSATION IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL

As of 31 December 2020 and as of the preparation date of this report all members of the Company's managing bodies discharged their duties on the basis of appointment resolutions adopted by the Supervisory Board, and there were no provisions in force regulating compensation in the event of their resignation or dismissal.

TRANSACTIONS BETWEEN THE ISSUER AND MEMBERS OF ITS MANAGING AND SUPERVISORY BODIES NOT OTHERWISE REPORTED

Other than the transactions carried out in 2020 and listed in this report, related to participation in and vesting of the incentive program in force between 2016 and 2019 (i.e. purchase of Company shares and take-up of Company shares in the exercise of rights incorporated by subscription warrants), no significant transactions with members of the managing and supervisory bodies of CD PROJEKT S.A. occurred in 2020.

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

Changes in basic management practices at the Company and its Group

No significant changes in basic management policies affecting the Company and its Group occurred in 2020.

Corporate governance policies

CD PROJEKT S.A. follows the corporate governance policies listed in the "Best Practice for WSE Listed Companies 2016" document, published as an attachment to Resolution no. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange on 13 October 2015. Details concerning the implementation of specific corporate governance policies at CD PROJEKT S.A. in 2020 constitutes a separate part of this annual report can be found on the Company website at www.cdprojekt.com.

Disclosure of significant legal proceedings

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

LITIGATION IN WHICH CD PROJEKT S.A. IS THE PLAINTIFF OR CLAIMANT

CD PROJEKT S.A. (formerly Optimus S.A.) vs. State Treasury

On 15 February 2006 the Management Board of Optimus S.A. filed a complaint in the District Court for the City of Kraków, 1st Civil Department seeking monetary damages from the State Treasury in the amount of 35 650.6 thousand PLN in relation to decisions issued by the Inspector of Treasury Control concerning VAT liabilities allegedly incurred by the Company's legal predecessor. On 24 November 2003 the Supreme Administrative Court in Warsaw vacated these decisions as unlawful.

On 9 December 2008 the District Court for the City of Kraków issued an interlocutory judgment holding the Optimus claim valid in rem. This judgment concerned the validity of the Company's claim for monetary damages. On 19 May 2009 this judgment was vacated by the Appellate Court for the City of Kraków, 1st Civil Department, which remanded the case to the District Court for further proceedings.

On 1 August 2014 the District Court for the City of Kraków issued a final judgment closing the proceedings in the court of first instance. The District Court's judgment awarded the Company 1 090.5 thousand PLN plus statutory interest for the period between 15 November 2005 and the remittance date, dismissing the lawsuit on all other counts.

On 9 October 2014 the Company filed an appeal against the District Court's judgment with regard to those sections in which the District Court dismissed the Company's claims, and also the section concerning the cost of legal proceedings associated with the case. A parallel appeal against the section in which the District Court affirms the Company's claims was filed by the State Treasury. On 21 December 2018 the Appellate Court overruled the judgment of the court of first instance by dismissing the Company's lawsuit in its entirety.

The Company subsequently filed a cassation appeal against the portion of the judgment which reverses the earlier judgment of the District Court in Kraków by dismissing the lawsuit, as well as the portion in which the judgment dismisses the Company's appeal concerning the costs of legal proceedings.

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

Case against certain individuals (including former Board members of Optimus S.A.) for actions detrimental to the Company

In case no. XVIII K 126/09, following indictment filed by the District Attorney in the District Court for the City of Warsaw, on 27 October 2016 the District Court convicted Mr. Michał L., Mr. Piotr L. and Mr. Michał D. of violating sections 296 §1, 296 §3 and others of the Penal Code. The Company acted as an auxiliary prosecutor in the

court of first instance and will retain this status until the trial has concluded. Having found the defendants guilty, the Court awarded the Company 210 thousand PLN in damages under Art. 46 of the Penal Code. According to the operative part of the judgement total losses sustained by the Company as a result of the defendants' actions were estimated at not less than 16 million PLN (this figure follows from standard regulations applicable to criminal trials). The Company subsequently filed an appeal against the judgment, contesting, among others, the amount of damages awarded to the Company. On 26 October 2017 the Appellate Court vacated the judgment of the court of first instance and remanded the case to be retried in full. The parent company continues to act in the capacity of an auxiliary prosecutor.

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

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

On 25 December 2020 and subsequently on 15 January 2021 the Management Board of the Company received information concerning the filing of civil class action lawsuits in the US District Court for the Central District of California, by law firms acting on behalf of groups of holders of securities traded in the USA under the ticker symbols "OTGLY" and "OTGLF" and based on Company shares, whereby the plaintiffs call for the court to adjudicate whether the actions undertaken by the Company and members of its Management Board in connection with the release of *Cyberpunk 2077* constituted a violation of federal laws, i.a. by misleading investors and, consequently, causing them to incur damages. The complaints do not specify the quantity of damages sought.

As of the preparation date of this report the Company has been notified of two further lawsuits filed in the aforementioned court against CD PROJEKT and materially consistent with the aforementioned litigation. According to information available to the Company and the opinion provided by the law firm which represents the Company in this regard, following the selection of the lead plaintiff, all such lawsuits will be merged into a single case should the need for court proceedings arise.

The Company will undertake vigorous action to defend itself against any such claims.

Adam Kiciński

President of the Board

Marcin Iwiński

Vice President of the Board

Piotr Nielubowicz

Vice President of the Board

Adam Badowski

Board Member

Michał Nowakowski

Board Member

Piotr Karwowski

Board Member

Table 24 GRI Index

GRI 102-55

Code	Description	Page
GRI 102-1	Name of the organization	7
GRI 102-2	Activities, brands, products, and services	7
GRI 102-3	Location of headquarters	7
GRI 102-4	Location of operations	8
GRI 102-5	Ownership and legal form	40
GRI 102-6	Markets served	7
GRI 102-7	Scale of the organization	5, 7
GRI 102-8	Information on employees and other workers	21
GRI 102-9	Supply chain	59
GRI 102-10	Significant changes to the organization and its supply chain	40
GRI 102-11	Precautionary Principle or approach	83
GRI 102-12	External initiatives	14
GRI 102-13	Membership of associations	16
GRI 102-14	Statement from senior decision-maker	3
GRI 102-15	Key impacts, risks, and opportunities	40, 47, 79, 83
GRI 102-16	Values, principles, standards, and norms of behavior	14
GRI 102-17	Mechanisms for advice and concerns about ethics	16
GRI 102-18	Governance structure	136
GRI 102-40	List of Stakeholder groups	12
GRI 102-41	Collective bargaining agreements	21
GRI 102-42	Identifying and selecting stakeholders	12
GRI 102-43	Approach to stakeholder engagement	12
GRI 102-44	Key topics and concerns raised	12
GRI 102-45	Entities included in the consolidated financial statements	51
GRI 102-48	Restatements of information	No restatements
GRI 102-49	Changes in reporting	No significant changes
GRI 102-50	Reporting period	2020.financial year

GRI 102-51	Date of most recent report	8 April 2020
GRI 102-52	Reporting cycle	annual
GRI 102-53	Contact point for questions regarding the report	150
GRI 102-55	GRI content index	147
GRI 102-56	External assurance	Report not subject to external assurance with regard to GRI compliance
Economic topics		
GRI 201-1	Direct economic value generated and distributed	101
GRI 201-3	Defined benefit plan obligations and other retirement plans	31
GRI 201-4	Financial assistance received from government	81
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	In 2020 the ratio was: – for women: 148% – for men: 164%
GRI 202-2	Proportion of senior management hired from the local community	In this context the local community is construed as the Polish market in this context. Polish citizens account for 89% of senior managerial staff.
GRI 203-1	Infrastructure investments and services supported	38
GRI 205-3	Confirmed incidents of corruption and actions taken	16
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	74
Environmental topics		
GRI 302-4	Reduction of energy consumption	37
GRI 306-2	Waste by type and disposal method	38
GRI 306-3	Significant spills	Not applicable
GRI 306-4	Transport of hazardous waste	38
GRI 306-5	Water bodies affected by water discharges and/or runoff	Not applicable
GRI 307-1	Non-compliance with environmental laws and regulations	Not applicable
Social topics		
GRI 401-1	New employee hires and employee turnover	21
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	25, 30, 31
GRI 401-3	Parental leave	21
GRI 402-1	Minimum notice periods regarding operational changes	29

GRI 403-1	Occupational health and safety management system	33
GRI 403-3	Occupational health services	33
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	33
GRI 403-5	Worker training on occupational health and safety	33
GRI 403-6	Promotion of worker health	25
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	32
GRI 403-8	Workers covered by an occupational health and safety management system	33
GRI 403-9	Work-related injuries	One work-related injury was reported at the Group in 2020.
GRI 403-10	Work-related ill health	No cases of suspected work-related illness were reported at the Group in 2020.
GRI 404-1	Average hours of training per year per employee	27
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	27
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	27, 30
GRI 405-1	Diversity of governance bodies and employees	18, 19, 20, 21, 21
GRI 406-1	Incidents of discrimination and corrective actions taken	16
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	No such risk was identified.
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	No such risk was identified.
GRI 412-2	Employee training on human rights policies or procedures	No employee training on human rights took place in 2020.
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	No such impact was identified.
GRI 417-1	Requirements for product and service information and labeling	59
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	59
GRI 417-3	Incidents of non-compliance concerning marketing communications	14
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	14
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	14

