



# DISCLOSURE OF THE TAX STRATEGY IMPLEMENTED

by CD PROJEKT S.A. in the fiscal year 2023

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# 01

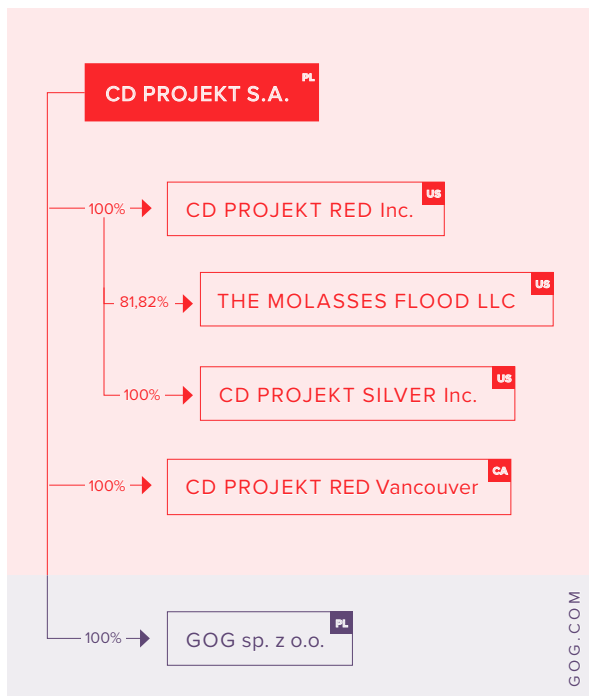
**Introduction to the  
disclosure of the tax  
strategy implemented in  
the 2023 tax year**



## I. Basic information about the Group

The CD PROJEKT Group (further: “Group” or “CD PROJEKT Group”) carries out business operations in a global, dynamically developing video game industry. CD PROJEKT S.A. (further: “Company”) heads the CD PROJEKT Group that upon the end of 2023 comprised six companies::

Figure 1 Segments of CD PROJEKT Group activities (at 2023 year-end)



The Group’s controlling entity is CD PROJEKT S.A. listed on the Main Market of the Warsaw Stock Exchange. The Company is included in the WIG20 index that aggregates twenty largest and most liquid companies on the Warsaw trading floor.

Upon the end of 2023, the Group was hiring a total of 1 168 employees and collaborators.

The two basic segments of the Group activities are CD PROJEKT RED (video games development and publication activities) and GOG.COM (computer games distribution activities).

The CD PROJEKT RED segment activities consist of the development and publication of video games intended for personal computers and the latest generation of gaming consoles. Video games are developed by the studio CD PROJEKT RED that operates within the CD PROJEKT Group structure. The studio’s main products are three Witcher series games, including the last one of the trilogy - The Witcher 3: Wild Hunt together with two story expansions, and Cyberpunk 2077 together with Phantom Liberty being a game expansion released on 26 September 2023. Within the GOG.COM segment, games are sold and distributed directly to the gamer’s computer via the proprietary platform GOG.com and the GOG Galaxy application.





## II. Tax strategy vs. sustainable business development



The CD PROJEKT Group views the discharge of tax obligations as a material component of social responsibility in the countries where it carries out business operations.

An expression of principles to which the CD PROJEKT Group adheres are [Rules of the Game. Business and Ethics Standards at the CD PROJEKT Group](#) adopted by the Company Management Board in 2021 and updated in 2022, which in essence constitute a declaration of compliance with the utmost ethical standards, legal regulations, and

principles underpinning the CD PROJEKT Group companies' day-to-day business. An element of that declaration is the Group's undertaking to ensure compliance of its business activities with applicable provisions of domestic and international law, e.g. customs, trade, and tax regulations.

Driven by the principles of tax security and social responsibility, the Group does not take actions - whether locally or internationally - which would lead to the avoidance of taxation through tax optimization, or to solutions that

would not be compatible with the legislator's intent or the spirit of the law (tax integrity principle). Nor does the Group conduct operations in countries that engage in harmful tax competition. All the companies that belong to the Group possess appropriate business substance enabling the performance of business operations assigned to them.

As published in the consolidated financial statements for 2023 (note 40), the conditions of intragroup transactions are determined on market terms by applying the arm's length principle and are subject

to regular screening based on the recommendations and methods set out in the OECD Guidelines and in national legislation. The purpose of relying on the Guidelines is to prevent tax base erosion and profit shifting.

The companies constituting the Group discharge tax obligations with due care, by way of transparent tax reports, timely payment of public and legal dues, and ongoing communication with central and local government authorities, including tax administration bodies.



### III. Effective tax rate

The table below shows CD PROJEKT S.A.'s consolidated financial data and the effective tax rate for 2023 (all figures in PLN thousands).

Item	Company	Consolidated figure
Sales revenues	1 036 542	1 230 199
Cost of products, services, goods and materials sold	253 818	380 567
Gross profit/(loss) from sales	782 724	849 632
Gross operating profit/(loss)	458 637	469 040
Pre-tax profit/(loss)	530 862	538 492
Income tax	56 157	57 387
<b>Effective tax rate</b>	<b>11%</b>	<b>11%</b>

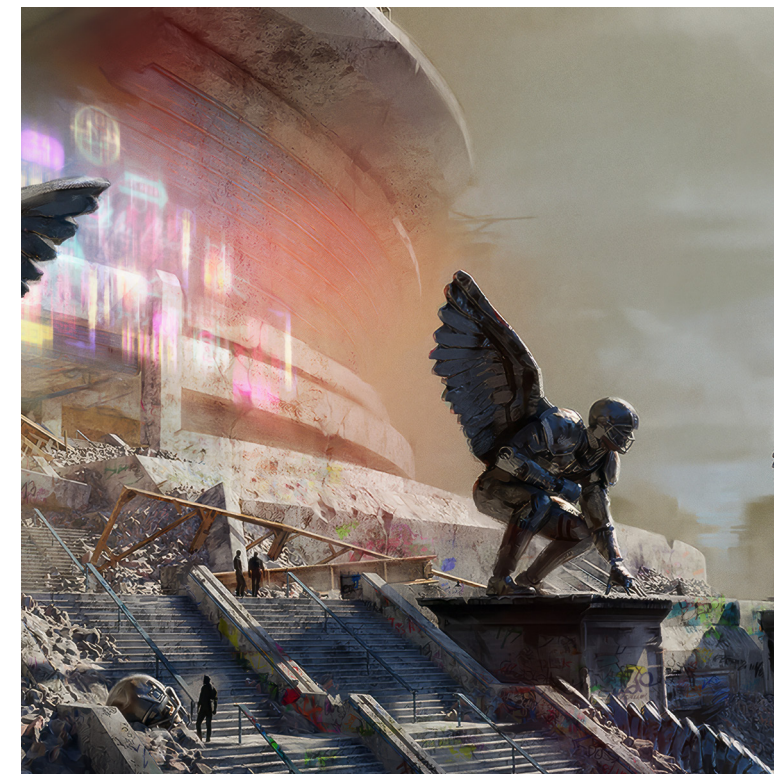
At the 2023 year end the Company posted a net profit of PLN 474.7 million. As showed in the Company's financial statements for 2023, the effective tax rate - calculated as the ratio of CIT to pre-tax profit - was 11%. The nominal tax rate in Poland is 19%.

The profile of the Company's business operations consists in broadly understood development of video games and technologies, which is aligned with the aims of Poland's program to support

innovativeness. As a result, the Company is a beneficiary of the research and development tax relief. In addition, once certain formal prerequisites and conditions arising from the

CIT Act are fulfilled, profits generated by the Company from the sale of licenses to distribute video games are subject to a preferential income tax rate of 5%.

Having confirmed the fulfilment of the prerequisites contained in article 19 of the Act on Certain Forms of Support for Innovative Activities dated 30 May 2008, the Minister of Development and Technologies issued decision no. DNP-V.4241.27.2023.2 of 23 August 2023 which confirmed that the Company maintained the status of a research and development center having been acquired by way of decision 4/CBR/18 of 19 June 2018. This status enables the Company to take advantage of the R&D relief by expanding the specification of eligible costs, and to



increase twofold the percentage of selected eligible costs charged against the income tax base.

Also, the Company enjoys the benefit provided under the amended CIT Act that entered into effect on 1 January 2022. The amendments concern the simultaneous application of the R&D relief and the preferential income tax rate of 5%. Consequently, given the available tax incentives, the Company's effective tax rate is lower than the basic 19% income tax rate applicable in Poland. Furthermore, the Company takes advantage of the innovative employee relief introduced on 1 January 2022.

## IV. Principles of managing tax risk

Following the approach adopted and promoted by the Company Management Board, while taking decisions that entail tax consequences the Company is highly averse to tax risk. Tax decisions made by the Company are preceded by diligent analyses carried out and recommendations put forward by experts employed in the internal legal and tax departments.

The Company's tax matters are handled by a qualified team of individuals who have appropriate knowledge and competence and who regularly participate in training courses upgrading their tax knowledge. Upon the end of 2023 the tax and legal departments employed in total 32 professionals responsible

for monitoring, identifying, and eliminating tax and legal risks that arise in the Group's business operations.

The Company's financial and accounting - including tax - activities, and financial and non-financial reporting processes are supervised by the Chief Financial Officer being a Management Board Member. The supervision consists in close cooperation with all the business units and it ensures that tax consequences are examined and taken into account whenever business decisions are made. The Company Management Board is informed about the present tax situation, any and all regulations that are currently being drafted, and

up-to-date requirements envisaged by tax law which apply to the Company's activities.

Driven by the principles of prudence and due care, the Company also relies on national and foreign third-party advisors' opinions, expertise, and experience. The Company regularly commissions third-party tax audits covering the local and foreign companies, such as a review of tax scheme reporting carried out in 2023. Whenever doubts arise about interpretations of tax law, the Company takes actions leading to obtaining individual tax rulings.

In addition, internal procedures approved by the Management Board apply throughout the Group, the purpose of which is to identify and mitigate tax risks. In order to mitigate the potential risk of noncompliance, the internal tax and legal teams monitor legislative processes and implement appropriate procedures, so that coordination of internal processes can be ensured and legal and tax obligations can be appropriately discharged.





# 02

## Disclosure of tax strategy implemented by CD PROJEKT S.A. in the 2023 tax year

Based on article 27c of the CIT Act, CD PROJEKT S.A. discloses information about the performance of tax strategy for the tax year that started on 1 January 2023 and ended on 31 December 2023





## I. Disclosure of the Company's processes and procedures ensuring appropriately managed discharge of obligations arising from tax law

There are a number of processes and procedures followed within the Company, the purpose of which is to correctly and timely discharge tax obligations. Their application is to ensure the transparency of decision-making processes, an appropriate risk assessment, a review of the up-to-dateness of and the actual adherence to the established principles, as well as the assessment of the impact of business decisions on tax issues. In the 2023 tax year the following policies and procedures were among other things in effect:

- Procedure of settling expenses in CD PROJEKT Group companies;
- Withholding tax procedure in CD PROJEKT Group;
- Transfer Pricing procedure in CD PROJEKT Group;
- Tax scheme disclosure procedure in CD PROJEKT Group;
- Manual and tool to verify business partners' details – VAT;
- Split Payment Mechanism procedure in CD PROJEKT Group;
- Procedure and tool to verify "whitelisted" bank account numbers;
- Internal principles to confirm changes in bank accounts;
- Donation policy;
- Technical manual for using Uniform Control Files;
- Internal principles of circulating promotional materials;
- Internal principles of issuing debit/credit notes (accounting procedure);
- Conduct during inspections - a practical guide;

The procedures are subject to an ongoing review in terms of the current legal status and the applicable case law of tax authorities and administrative courts.







## II. Disclosure of voluntary forms of the Company's cooperation with National Tax Administration authorities in 2023

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In 2023 the Company did not engage in voluntary cooperation with National Tax Administration authorities, referred to in article 20s of the Tax Code of 29 August 1997 (uniform text of the Journal of Laws: 2023.2383, further: "TC") (cooperation agreement), article 83 section 2 of the Act on Resolving Double Taxation Disputes and Entering into Advance Pricing Agreements dated 16 October 2019 (Journal of Laws 2023.948) (advance pricing agreements), and article 26b of the CIT Act (opinion on the applicability of exemption from flat-rate income tax).

Notwithstanding, the Company actively cooperates with National Tax Administration authorities whenever it receives any inquiries therefrom. The Company's replies contain appropriate explanations given to the best of the Company's knowledge, in accordance with applicable regulations.

## III. Disclosure of the discharge by the Company of tax obligations in the Republic of Poland

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In the 2023 tax year the Company discharged tax obligations in relation to:

- Corporate income tax, including withholding tax;
- Personal income tax, including withholding tax;
- Goods and services tax;
- Civil transactions tax;
- Excise tax;
- Real estate tax.

The Company exercises due care in settling tax liabilities and discharging the obligation to submit tax returns and disclosures within the deadlines set out in tax law. Any deviation from that norm are reported to appropriate authorities and the applicable obligations are discharged without delay.



#### IV. The number of disclosures of tax schemes submitted to the Head of the National Tax Administration and referred to in article 86a § 1 point 10 of the TC, by type of applicable tax

The Company discharges its obligations of providing the Head of the National Tax Administration with tax schemes (MDR), while exercising due care. The Company implemented an appropriate procedure and training concerning the discharge of tax scheme reporting obligations. The discharge of such obligations rests with and is supervised by the internal tax team.

In 2023 the Company provided the Head of the National Tax Administration with:

- 11 disclosures of the application of tax schemes (MDR-3) including 10 concerning corporate income tax and 1 concerning personal income tax;
- 4 disclosures of the application of a standardized tax scheme (MDR-4) including 3 concerning corporate income tax and 1 concerning personal income tax.
- 5 disclosures of tax schemes (MDR-1) including 4 concerning corporate income tax and 1 concerning personal income tax;

#### V. Disclosure of transactions with affiliates within the meaning of article 11a section 1 point 4 of the CIT Act, the value of which exceeds 5% of total assets value within the meaning of the Accounting Act, determined based on the Company's last approved financial statements; including entities other than tax residents in the Republic of Poland







The total value of transactions with affiliates within the meaning of article 11a section 1 point 4 of the CIT Act exceeded 5% of the Company's total assets reported in its 2023 financial statements.

The table below shows transactions with affiliates carried out in 2023, together with their simplified descriptions:

Affiliate	Transaction type	Value in PLN thousands
GOG Sp. z o.o.	Sale - grant of license	42 387
GOG Sp. z o.o.	Sale - other performances	1 206
GOG Sp. z o.o.	Sale - other performances	1 340
The Molasses Flood LLC	Purchase - programming services	44 681
The Molasses Flood LLC	Sale - other performances	2
CD PROJEKT RED Vancouver Studio Ltd.	Purchase - programming services	17 716
CD PROJEKT RED Vancouver Studio Ltd.	Sale - other performances	30
CD PROJEKT RED Inc.	Purchase - programming services	3 134
CD PROJEKT RED Inc.	Purchase - marketing services	16 764
CD PROJEKT RED Inc.	Sale - other performances	1 241
CD PROJEKT RED Store Sp. z o.o.	Sale - other performances	57

In addition, CDP SA extended to the company The Molasses Flood LLC a loan for a total amount of USD 1,150 thousand and made a capital contribution of a total of USD 1,820 thousand to the company CD PROJEKT RED Inc..

The fees paid in 2023 to the Members of the Management Board and Supervisory Board are reported in the financial statements.

**VI. Disclosure of restructuring activities planned or undertaken by the Company, which may affect tax liabilities of the Company or its affiliates within the meaning of article 11a section 1 item 4 of the CIT Act.**

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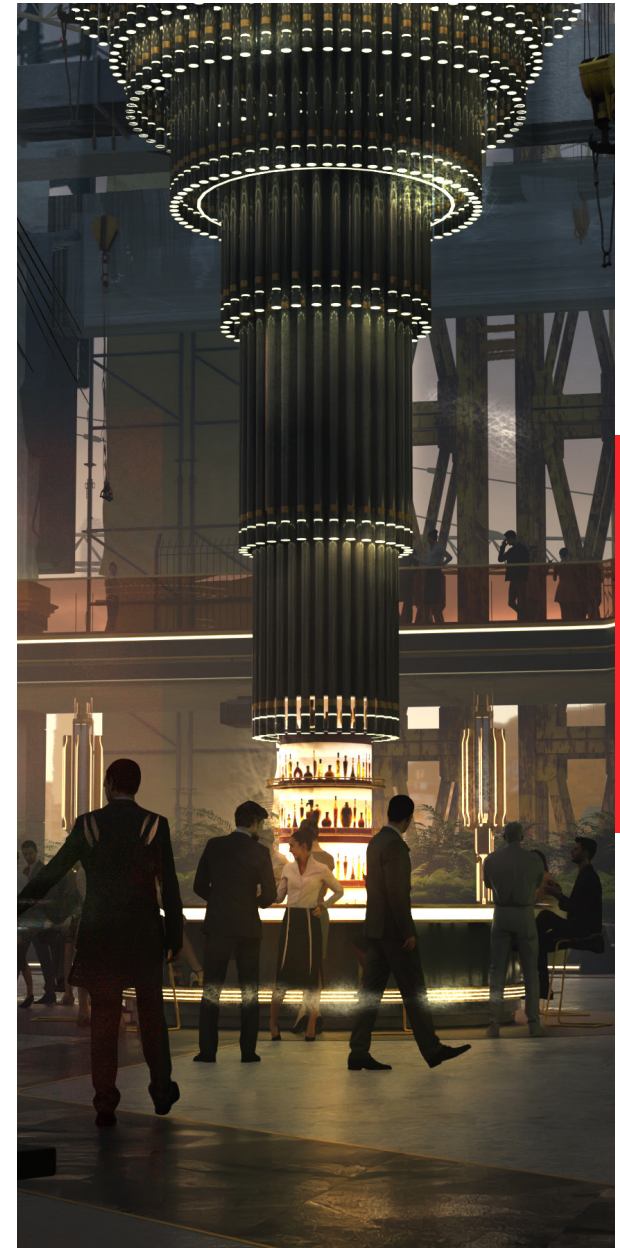
In 2023 the Company participated in restructuring activities consisting of merging the Company with its subsidiaries Spokko sp. z o.o. and CD PROJEKT RED STORE sp. z o.o.

**VII. Disclosure of the Company's requests for issuing: a) a general tax ruling referred to in article 14a § 1 of the TC, b) a tax ruling referred to in article 14b of the TC, c) binding rate information referred to in article 42a of the Goods and Services Tax Act of 11 March 2004 (uniform text of the Journal of Laws: 2023.1570), d) binding excise information referred to in article 7d section 1 of the Excise Tax Act of 6 December 2008 (uniform text of the Journal of Laws: 2023.1542).**

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In 2023 the Company submitted eight requests for issuing individual tax rulings referred to in article 14b of the TC, including:

- Five requests concerning corporate income tax;
- One request concerning goods and services tax;
- Two requests concerning personal income tax.





**VIII. Disclosure of the Company's tax settlements on territories or in countries that engage in harmful tax competition, indicated in secondary legislation issued under article 11j section 2 of the CIT Act and under article 23v section 2 of the PIT Act of 26 July 1991 (uniform text of the Journal of Laws: 2022.2647), and in announcements of the minister appropriate for public finances, issued under article 86a § 10 of the TC**

In 2023 the Company did not make any tax settlements on territories or in countries engaged in harmful tax competition, nor was it a registered taxpayer on any such territories or in any such countries.

