

Michał Nowakowski (MN):

Good afternoon,

My name is Michał Nowakowski and I'll be your host during today's conference, where we sum up the first quarter of 2024. I will be co-presenting with Piotr Nielubowicz. After the presentation part, we invite you to participate in a Q&A session where we will be joined by Adam Kicinski.

After an intense year 2023, the first quarter of 2024 was a period when the studio focused on the development of new projects, while also benefiting from the results of the tremendous work put into improving Cyberpunk 2077 and Phantom Liberty, a spy-themed expansion.

All that effort is appreciated by gamers. In May the recent player review score for Cyberpunk 2077 reached 95% - for the first time ever - which is the rating threshold for the "Overwhelmingly Positive" badge on Steam.

This slide presents the road we have traveled together since the game's debut at the end of 2020. We have put a lot of effort into patching, updating and adding new content, while also making sure we continue to listen to our community. As a result, the review score has been progressively increasing. I would like to take this opportunity to thank our development team and all the players for their support and valuable feedback which helps us deliver the best possible cyberpunk experience ever.

Our effort is appreciated not only by gamers. Recently we have been honored with one of the most prestigious accolades in the industry - the studio's first-ever BAFTA award. Cyberpunk 2077's won the Evolving Game category, being critically acclaimed for the hard work the team had put into developing the game over the past three years. Together with the Phantom Liberty expansion, Cyberpunk 2077 now boasts close to 300 awards from industry organizations and media outlets worldwide.

Our business strategy is built around long-sellers. We constantly organize various activities to boost sales of games from our back catalog. In March we ran a short but intensive campaign to support continued sales of Cyberpunk 2077. In cooperation with Xbox and PlayStation, the game was made available to all owners of current-generation consoles to play for free during the final weekend of March.

This free trial campaign served as an effective tool in sustaining interest and engagement in Cyberpunk 2077, following last year's Ultimate Edition launch, significantly bolstering our overall sales.

Things are happening also in the Witcher universe. Just a week ago, on May 21, we launched REDkit – a modding tool for The Witcher 3: Wild Hunt. This tool allows fans to create their own adventures in the Witcher universe, and to modify the characters, their appearance, quests, locations and dialogues. The Witcher 3 REDkit was enthusiastically received by gamers and we can't wait to see what kinds of projects they will create. We believe this will breathe a new life into The Witcher 3 on the eve of its 10 anniversary.

Now let me briefly guide you through the current project engagement of our dev teams.

The most visible difference versus the previous update concerns the team responsible for maintaining Cyberpunk 2077 and Phantom Liberty. As we finished fixing and updating the game, the corresponding category has disappeared from the chart and developers have been reassigned to other projects.

The sizes of other teams have remained almost unchanged since the last update in February. This is in line with our recruitment plans for 2024, wherein we aim to maintain current employment levels. The

Boston hub remains our top recruitment target this year, as we are still in the process of building the team that will deliver another fantastic experience in the Cyberpunk universe.

And since we're about to dive into financials, let me turn it over to Piotr.

Piotr Nielubowicz (PN):

Thank you Michał and good evening everyone.

Let's start with our Consolidated Profit and Loss account on slide 9. Our Group sales revenue for the first three months of 2024 reached 227 million zloty. That's 30% above the revenues of the comparative period. Again, Cyberpunk and Phantom Liberty allowed us to reach new heights compared to past first quarters. What is not directly visible here is that despite a very strong Polish zloty this year, both CD PROJEKT RED and GOG.com enjoyed sales increases versus a year ago.

Our cost of sales increased as well - mainly driven by the amortization of Phantom Liberty and Cyberpunk.

Moving on to operating costs - our selling expenses decreased by 8 million zloty, down to 31 million. This was mainly driven by a decrease in the cost of maintenance dedicated to our released products. I will come back to this in a moment.

As regards administrative expenses - the increase in this category was driven mainly by expenses on early-phase works on new products - presented as "research work costs" - driven mainly by Orion, Canis Majoris and Hadar. This is a good sign, confirming that we are progressing here.

And while we are on the topic of research work costs - recognizing its growing significance in our operations, starting this quarter, we will add a new line directly to the profit and loss account statement to present the value of research costs for reported periods. I hope you will find it useful.

Moving further to other operating income and expenses - as you may remember, the positive balance of nearly 20 million zloty during the comparative period was supported by the partial reversal and partial write-off of our development expenditures related to project Sirius. This year no such extraordinary transactions supported our results.

The surplus for financial operations reported for 2024 Q1, at 16 million zł, came from usual drivers such as interest from deposits and bonds, with nearly no impact coming from foreign exchange-related operations.

Moving further to our income tax. During 2024Q1 we recognized an increase in the value of R&D tax relief available to the company, which led to an increase in the deferred tax assets calculation. This, together with a decrease in deferred tax provisions - together 16 and a half million zloty - exceeded our current income tax amount, leading to a rare situation where the income tax amount reported in the P&L statement is technically negative. What is worth mentioning here is that our current consolidated income tax included in the P&L calculation for the first quarter of 2024 amounted to a healthy 14 million zloty.

All in all, our net profit for 2024Q1 amounted to a nice round one hundred million zloty - 44% more than what we achieved in the comparative period. The net profitability of the Group also exceeded 44% while for CD PROJEKT RED alone this factor was over 53%.

Let's now move on to the next slide – number 10 – our consolidated balance sheet. On the Assets side - as usual, first, expenditures on development projects. The balance here increased by 28 million zł during the first 3 months of 2024. The new developments - mainly Polaris and Sirius - were responsible

for a 54 and a half million zloty increase, parallel to the decrease coming from depreciation driven mainly by the already released Cyberpunk and Phantom Liberty. At the same time, among current assets, our trade receivables decreased by 105 million zł thanks to collection of high, post-Q4 receivables this year.

And last but not least - the total value of cash, deposits and bonds, which are included in the three asset items marked with an asterisk. The total is summed up under the table - and amounts to 1 billion 446 million zloty as of the end of March 2024. I will have a separate cash flow slide to give some more insight on our main cash flow drivers this year.

Moving forward to the second part of the balance sheet - slide 11. The most noticeable change here is the increase in our equity, driven by the strong financial performance in the first quarter.

Now please move on to the next slide - number 12: CD PROJEKT RED's expenditures on Research works, Development, and Cost of product maintenance - presented here quarterly since 2023. This chart nicely illustrates changes at the studio during recent quarters. At the end of 2023 Q3 we released Phantom Liberty, as a result of which in Q4 of last year, a visible part of our development team (presented in blue) was engaged in either initial maintenance of the game - represented by the yellow part, - or further acceleration of research works on new products.

In the first quarter of this year, we were already able to significantly reduce our involvement in maintenance work, which allowed us to increase our engagement in development of new games and, even more, in research related to our subsequent projects.

And finally – our simplified cash flow on slide 13. Cash-wise, the one hundred million zloty in net book profit was supported by 30 million zloty in depreciation and amortization for the period. 89 million zloty came from change in receivables, liabilities and provisions - mainly thanks to collection of our post-Q4 trade receivables during the reported period. At the same time, cash-wise we invested over 50 million zloty in the development of new games and technologies.

All in all, our financial reserves kept in cash, bank deposits and bonds increased by 137 million zloty over the reporting period, reaching 1.45 billion zloty. For us, this is the high water mark since the post-Cyberpunk dividend payout in 2021.

I would also like to summarize and visualize our generation of cash, deposits and bonds over the recent 3 quarters which correspond to the release and post release window of Phantom Liberty. Please go to the next slide, number 14.

At the end of the quarter directly preceding the Phantom Liberty release quarter, the total value of our financial reserves amounted to 930 million zloty. This means that over the last 3 quarters, while spending around a quarter billion zloty on development, research and maintenance of our products, we generated a net increase in our financial reserves of over half a billion zloty.

I am super proud of the performance of Cyberpunk and Phantom Liberty, and as we progress with more Cyberpunk projects, I am sure that this is still only the beginning for the franchise.

That is all from me for now. We can move on to the Q&A session, thank you!

Q1: Thank you for taking my questions; I've got three if that's OK. The first one I want to ask is about Polaris development and using UE5 as the game engine. You've talked in the past about how that's going to be a relatively big shift for everyone involved. Do you have any updates or thoughts on the

challenges there, or the opportunities there – would that really require you to go into production before you really know? Second, there have been a lot of layoffs across the industry this year, potentially reflecting a more negative outlook on the consumer for video games. Is that something you share in terms of outlook, or, alternatively, could it actually help your recruitment efforts in Boston and the US in general? And lastly, update your thoughts on consolidation again – there's some going around – you've given a view on this in the past; whether CD PROJEKT would benefit from being part of a bigger group, or equally, acquiring some capabilities? Thanks.

MN: Hi; Michał Nowakowski. I'll try to go through the first two questions, and let me refocus the third one. So, first – and please correct me if I'm framing the question wrong – but the way I took it is, you're asking how we feel about developing Polaris with UE and whether there are any challenges perceived, and so on. So, assuming this was the question – we feel good with Unreal. There's obviously still a lot of development, including development of some tools specific to the game, which, by the way, is something we would be doing even using our own technology; the collaboration with Epic is quite unique – at this point in time it's giving us exactly what we had been hoping for; there are moments when we collaborate on things with them; there are many moments when we do things on our own, but most importantly, the core foundation of technology is not something that is our core burden – which was the case when we were developing our own proprietary tech. It gives us space to focus on creating content and figuring out how to tell stories in our games. So we feel good – we feel we're in a fine spot with UE5. Now, the second question about layoffs – layoffs are, first and foremost, personal tragedies for a lot of people around the world, in this industry – so it's hard to look at it as a positive thing; although in this regard – when it comes to our plans specifically – we don't really plan any special increases because of layoffs happening somewhere. We do go about recruitment according to plan, as agreed internally with us, as fits the production schedule – so there's nothing special happening. Are there any special opportunities because of, you know, misfortunes happening around? Yes; there are sometimes, but it's not some special Christmas happening for us in the middle of June – nothing of the kind; that's not even the way we look at it. So I'd say it's going per our plans, for the positions we are planning, and there's nothing extraordinarily special happening around that. The third question was, I believe, about consolidation and whether we would benefit from being part of a larger group. So, on that part we have a goal and ambition to remain independent – that's always been the case and nothing has changed. We do not intend or plan to be acquired by anyone else; in terms of us doing the acquisitions – it's not a core part of our strategy; we're not like – let's say on the proverbial hands to find a target for acquisition. Should we find people thinking alike – that would be a good fit for our strategy going forward, things may happen – but there's nothing we're actively pursuing, trying to find – or anything of the kind.

Q1: Thank you; could I just come back on the second one – on the layoffs – I think you understood me correctly; I asked if there were some opportunities in that, clearly they're.. it's sort of negative; the other part of the question was – presumably there's a response to the industry recognizing perhaps consumer demand going forward; do you think that's the case; do you recognize that in any of what you see?

MN: When it comes to us specifically – we can only speak about us – we don't see any threat or any weakness in terms of consumer demand going forward; what I could say is some sort of thing – not just in our industry, but in terms of industry in general – there's a lot of content in general for anything you can think of. That's true for games; that's true for the Hollywood industry, and the competition is just very, very fierce. But we strongly believe we're occupying a portion of the market that's quite unique, and we believe we're also able to come to the market with things, with games, with stories that are truly emotional, and very unique in what they offer as value to our consumers. So I wouldn't say we're

more worried about launching our things in the future than we were 5 or 10 years ago. In case of our situation there's nothing special about that; I don't see that.

Q2: Good evening; I've got three please. First of all, should we expect administrative expenses to reduce through the year, the three quarters of the year, and meanwhile capped development costs to increase as research work spending moves into development expenditure? Or are we going to fix on this pattern for a few quarters now? Second question: have you had any discussions regarding licensing your two big franchises to make a mobile game? And the third question – can I just confirm that you have no plans at all to release any further content for CP77 – obviously before Project Orion.

PN: I'll take the first question – Piotr Nielubowicz – regarding administrative expenses, and especially research work costs vs. development. Yes, that's true, once we progress with the projects currently in research into development, the administrative expenses should naturally decrease. However, the truth is, we're not guiding right now when one of the three projects currently in the research phase will move to the development phase.

MN: I'll take the question about mobile games. When it comes to mobile games, as we mentioned before, we are definitely interested in doing some licensing in that area, but there's nothing yet to announce. When the proper moment arrives, you will definitely know. The third question – please correct me if I'm wrong – are we done with development of CP? [**Q2:** Yes, you wouldn't release a surprise second expansion or any other further content despite the current good reception of the game]. So when it comes to an expansion, we're not planning any more expansions. We stated this, I believe, towards the end of the last year, more or less. So we're done with that, and are moving on to what Cyberpunk future is, in terms of a sequel. When it comes to updates, there could be small things happening in terms of maintenance, but we're not planning anything major – so basically, it's pretty much done. More maintenance than anything else.

Q3: Good evening, thank you very much for the presentation. I have three questions as well. First one on taxation – can you please explain the dynamics behind tax benefit in the first quarter, and maybe guide on the effective rate for the full year? Should we expect any positive surprises on the tax front in the remaining quarters of the year? That's my first question. The second would be on marketing of the Witcher. Thinking about how you plan to market and advertise The Witcher 4; I'm trying to understand the next milestone – what to expect from you in the next 12-18 months. If you can't guide directly, perhaps you can remind us how it was with the first Cyberpunk; at what point in the development process did you release the first teaser or gameplay trailer for CP. And the last question – on the incentive program; if I remember correctly, you're introducing the next stage of the incentive program every summer; can you remind us when you will reveal the targets for the next stage of the incentive program? Thank you very much.

PN: I'll take the first question regarding the dynamics of taxation in the first quarter. This year we were able to recognize an additional amount of R&D tax relief available under the Polish tax regime. This was based on the calculation of past costs, and it was done this year, and therefore right now we were able to include it in our deferred tax calculation, which led to the increase in deferred tax assets, and therefore influenced the final amount presented in the P&L statement. What I can say is that the situation where the effective taxation is negative in the case of a positive gross result. It is rather rare and shouldn't be expected in the future; however, at the same time I would like to draw your attention to the fact that the tax regime right now in Poland; especially the use of tax relief – either the R&D tax relief, or innovative employee tax relief – is quite complex. I wouldn't like to provide specific guidance in this respect; what I can tell you is that we're still analyzing the laws, which are relatively fresh – we're asking for tax rulings; we get certain tax rulings and explanations from tax authorities, and once we get

them, we can apply them to our tax calculations, and this can, in some quarters, improve the tax performance of the company. Such improvement was also visible in the first quarter of this year; however, this shouldn't be the case each and every quarter from now on; it's a rather rare situation that we experienced at the beginning of this year.

MN: I'll take the second question about marketing around The Witcher. So – when it comes to Cyberpunk, we actually showed the first teaser around 8 years before the release of the game; 7-8 years or so; but I do understand you probably mean more what we had shown at E3 back then, which was roughly 2 years before the launch; 2 and a bit. However, I would actually not look at Cyberpunk as the guidebook on how it's going to be with The Witcher specifically. Having said that – and again, I will not guide on specific modelling; not like we will drop something 12, 18 or whatever months from now. So I will refrain from attaching myself to time, but you may expect us to do things like teaser trailers or informative trailers happening even before we start the actual marketing campaign, whereas by marketing campaign we understand the moment in time when it's getting "actionable" – preorder now, download something, things like that – anything that happens before is going to be more informative, PR-oriented, and so on, and that's something you can expect earlier than the actual kickoff of the marketing campaign, but I wouldn't necessarily look at what happened at which moment in time with CP – that won't necessarily match what we're gonna do here.

Adam Kiciński: And I'll take the third one: the next stage of the incentive program. So the second stage is already public; we set the goal for years 2024-2027, for four years, and the goal is 3 billion net profit; it was released earlier this year, and the next stage – 2025-2028 – will be released in Q1 next year. So each year we will be releasing it stage-by-stage in Q1.

Q4: Thank you for taking my questions. With regard to the Witcher REDkit market. Is there a monetization strategy here? Could you give us a view of how that will cost you, or how you think about cost structure? Is that a precursor of a longer-term strategy about modkits for CP or future games? And a fairly longer-term question in terms of phasing your game releases – where do you think CD PROJEKT is trying to get in terms of how future releases will be phased? Just one large title, stop, one large title – or how do you think about that? Thank you.

MN: I'll start with the first one – there is no direct monetization strategy behind the modkit; it's available free of charge for the PC and modding is not something you can do on consoles. When it comes to how we think about that – we think that unleashing the creativity of the community is a big thing, especially at the scale that the game already has; we have more than 50 million copies sold, as announced way back, and that's a great number of people, and a lot of them want to have a job at being a bit more creative with the setting they love. And it has many benefits – something that's maybe not public knowledge, but quite a few of our developers, even senior ones, came from the modding communities and came to the studio because they did something we noticed, and basically was proof of their skill, capabilities, and so on. Another thing is, it reinvigorates the community and interest in the game; it can translate – even by word of mouth – into additional sales. More cool things, in general, cannot generate anything other than a lot of good will, a lot of fun, and a lot of good groundwork for what's to come for the next Witcher game in the series – that's how we think about that. But to be very precise, there's no direct monetization, there's no need to pay anything, and the company does not directly benefit from anything transactional. We're constantly – in terms of future things, Cyberpunk, etc. related – once we have something on our hands we'll definitely talk about that, but in general I'll indicate that community-created content, in terms of mods that are enabled and powered by well-prepared tools is something we're fond of, and we do see value in that, in terms of how we interact with the fans. When it comes to the second question, could I ask you to repeat?

Q4: Just to talk about, long-term, how you think about the phasing of your games; obviously Polaris has the biggest number of developers working on it today, but then – the phasing for Orion and Sirius – even longer-term – how are you thinking about how CD PROJEKT will be looking to release games; is this a case of just because you’re... you will only focus on one large game at a time, or is there an opportunity to make it a bit less lumpy, shall we say?

MN: So here we can definitely comment – we already worked on two projects at the same time when working on Phantom Liberty, because it was a game-size project, with almost 300 people working on it, as disclosed. At the same time, we had already been working on Polaris. So we have experience working on more than one project; we are working on more than one project at this point in time as well; there’s CP2 being developed in Boston; there’s Polaris being developed predominantly here in Europe, and obviously we have other projects with other teams – like Sirius, in Boston, with TMF; The Witcher 1 remake done in cooperation with Canis Majoris [edit: there should be Fool’s Theory] – so you can definitely expect us to release more titles, and the cadence of launches is something we definitely plan to increase, although I will obviously not comment on the spacing between the projects timewise – and if there’s anything more that I missed in the question, feel free to guide me here – but that will be my answer.

Q5: Good evening everyone and thanks for the presentation. I have two questions. The first one is a bit more high-level: do any recent games have any in-game mechanics – highly specific things that you admire and you think would go well in The Witcher universe? And secondly, Larian Studios have just opened up a new studio in Warsaw, and they’re known for world-class RPGs. Do you see any particular threats here that they may go for some of CD PROJEKT’s senior developers and senior people? Thank you very much.

MN: When it comes to recent games that have any mechanics and features that we admire – we’re obviously, on top of being a dev studio, also fans of games, so we constantly look at everything that we like – and it doesn’t necessarily have to be huge games; we’re fascinated by the creativity of smaller studios, smaller teams – and I don’t think I can personally give an honest answer for the whole studio, which consists of many individuals with many tastes, and many flavors – but I think we are inspired by a lot of creative output that is out there, created by, you know, peers and colleagues in the industry; I’m sure and hopeful that maybe we’re an inspiration for some of them as well – but there’s nothing super specific like “XYZ did this, and we love it, and we have to do it in the same way”, so that’s the way we look at it. Now, when it comes to Larian opening a new studio in Warsaw – the more the merrier to be honest – Larian are great people, the team is great, what they did with Baldur’s Gate is great; I completed the game, I love it, I’m a big fan of D&D series from the old times; not much time to play now, that is. Do we see it as a threat? There’s always the threat that somebody may leave and go somewhere else; to be honest, whether they have a studio in Warsaw or job opportunities somewhere else – the difference is not that big. The world is a pretty small place and developers – especially senior – are often fairly mobile, and if somebody didn’t want to work on a project but really dreamed of working somewhere else, they’ll do it anyway – so, to be honest, having Larian next door or not does not change that much from a market perspective. And we wish them nothing but the best.

Q5: Thank you very much, and I’ll just add a little joke – so CD PROJEKT management is spending 150 hours to play games instead of making The Witcher 4! Just a little joke. Thank you very, very much. Appreciate it.

MN: It took a me a little bit less, because... oh my god, it took me seven months to complete it – so yeah, I think it speaks a lot about my time for playing games; it’s not [cross-talk] and that’s a very long game, so... it took me a while.

[Chat questions]

Q6: How is work on the next Witcher game progressing?

MN: As mentioned before, we're finishing the pre-production phase; we're nearing the end of the pre-production phase this year and we're planning to enter the production phase later this year, so this is the kind of update we can give you now. For the second question – things are moving, things are progressing, and the big shift compared to where we were even able to be last year is that the writer strikes happened; the Actors' Guild happened – so the whole mood is more relaxed and open for conversations. We're happy with where this project is right now, and obviously once we have any news, any information to share, we will.

PN: One more addition from our side – we can see the question but we cannot share the question with you, and Michał already answered it, so the question to which Michał gave the answer, the second one, is “can you please tell us a little bit more about Cyberpunk-based movie and TV series?” And the answer you already know.

Q7: Could you confirm or deny the Internet rumor regarding Polaris trailer that is supposed to be released in June this year, and is supposed to be prepared by Platige Image.

MN: We don't comment on speculations – whether regarding timing, or who's working or not working on any possible teasers or trailers – so I don't have any specific comment here.

Q8: Could you explain how you achieved relatively flat research, development and product maintenance costs over several quarters while at the same time maintaining high salary increases in recent years.

PN: The answer is pretty simple – especially development, but also, to some degree, research costs include not only salaries, but also outsourcing costs, which, in the case of finalizing development – which was the case in Q1, Q2 and Q3 last year for Phantom Liberty – were always higher in the final phase of development. Just to give you an example, in the final phase we can see the costs of external localization, translations, recordings, actors – all this – also the cost of testing the game – and they boost the expenses in the final phase. This was visible in the totals I presented to you in my part of the presentation, and this part of external expenses was not that present in Q4 of last year or Q1 of this year, and that's the reason you saw a small decline in expenses – even though, in general, the salaries have increased.

Q9: Is the Polaris concept still a pure RPG or may there be some changes vs. The Witcher 3?

MN: Polaris – the next Witcher game – is definitely still a role-playing game; however, obviously, there will be some changes vs. TW3 – we don't want to be stuck in the same spot; we always wanted to push the boundaries and try to discover new ways of telling the story – so we want to move in new directions as well; you can expect new things in the next Witcher game as well.

Q10: Have you booked any Boston-related Orion costs in the GNA already in Q1 2024?

PN: The answer is yes, even starting in the end of 2023 when the Boston team was initiated and began work on Orion – we began recognizing costs related to Orion coming from Boston even in 2023, and obviously this continued in 2024, and these costs are on an incline.

MN: Since it seems we have no further questions, I would like to thank all of you for participating in the call today, and should you have any additional questions, do not hesitate to reach out to our IR team – and I hope you all have a nice evening. Goodbye!