

Disclaimer

This English translation has been prepared solely for the convenience of English-speaking readers. Despite all efforts, there may be some discrepancies from the actual statements. CD PROJEKT, its representatives and employees disclaim any responsibility in this regard.

Transcript of the chat session dedicated to CD PROJEKT Group's H1 2024 earnings – 29 August 2024

Moderator: Welcome to our investors' chat with representatives of the Management Board of CD PROJEKT SA – Piotr Nielubowicz, CFO, and Karolina Gnaś, VP for Investor Relations. The topic is the CD PROJEKT Group's earnings report for the first half of 2024.

Allow me to remind you of our rules: questions are first reviewed by the moderator. We publish selected questions asked by our guests, along with replies. Queued questions from each user are displayed at the bottom of your respective screens. The moderator may reject questions which violate our terms of service.

A note for journalists covering today's chat: any use of citations in your press materials requires proper attribution of source. In case of any questions or doubts, please contact us at biuro@stockwatch.pl.

You may now ask your questions. If you have problems viewing answers, please refresh your browser tab. We also encourage participants to share the chat and comment on it in social media, using the #czatStockWatch hashtag.

Piotr Nielubowicz (PN), Karolina Gnaś (KG): Greetings and welcome to our investors' chat following the release of our H1 2024 earnings. We will be at your disposal over the next 45 minutes – go ahead and submit your questions!

Guest: Is development of Polaris proceeding without problems? Are you satisfied with the results? Do you still think you'll meet the earnings goal in Inventive Program B for 2024-2027, at 3 billion PLN in consolidated net profit?

PN: We're happy with our progress – as announced, Polaris will soon enter the production phase. With regard to earnings goals in Program B – we've always aimed high and set very ambitious goals for ourselves. We believe we can achieve them.

Jaskier: When can we expect the release of The Witcher 1 remake in 2025?

KG: Work is progressing, but we're still at a very early stage. This project is partially dependent on solutions being developed and tested for Polaris.

anti: Other than Polaris, other projects have relatively small teams, which suggests work is still at a very early stage. What's the reason? Are you searching for the right concepts? Do you have problems building teams? Perhaps there are problems with development?

PG: Depending on the stage and scale of each project, demand for manpower fluctuates. We assess the size of the teams working on each project as adequate given the current workload.

pawel b: Would you consider increasing the dividend? Or, alternatively, would it be better to use these funds to finance employees and pay out bonuses?

PN: We're expecting investments in new projects, of which there are quite a few, so we will analyze the situation and decide upon potential dividend payouts on a year-by-year basis.

Dave: Which of the two projects – Sirius or The Witcher Remake – is more important for you, and why? Which one is more likely to be released first? (I'm not counting other projects here.)

KG: Each of these projects is important for us. We do not comment on the order of releases.

Gameletter.pl: At yesterday's call you mentioned that the first Cyberpunk team was too large and that this won't be repeated in the case of Polaris and Orion. What, then, is the maximum assumed headcount for each of these projects?

PN: Our goal is to maintain the team size at four hundred-odd people during peak development periods for our largest projects. Of course, these teams may be further supported from developers who belong to the Shared Services department.

Dave: Do you already have specific ideas about the Hadar world and who the main protagonist may be? Or are you still considering various options and have not yet settled on any specific plans?

KG: We already have a direction in which we want to take the Hadar universe. I can't reveal anything else at this stage.

Dave: Do you believe that you can develop the Hadar projects and release the game by 2032 – or earlier? Have you set any internal deadlines for developing this game – eg. within the coming 8 years?

KG: It's too early to speculate about release dates. Right now we're working on the concept of the IP.

bginvest: Greetings. When did you begin recognizing Polaris development costs on your balance sheet, in the "Expenditures on development projects" category?

PN: Polaris development expenditures are being capitalized on our balance sheet since March 2022.

anti: When you published your ambitious strategy back in 2022 it seemed CD PROJEKT would want to substantially scale up its activities; however, your employment numbers haven't increased by that much since then. Is this about being prudent with your investments, or are there any other obstacles?

PN: Since 2021 we've undergone a major reorganization, shifted to new development methodologies, started working with a new, externally developed engine, opened two new offices – in Vancouver and Boston – and initiated large-scale collaboration with external partners. We believe all this improves our efficiency, and regard our current team sizes as adequate given our strategy and project portfolio.

bginvest: Will the massive success of Black Myth: Wukong have any effect on your business decisions regarding the Chinese market – and if so, what kind of effect? Do you believe Wukong may positively influence sales of your releases in China?

KG: This success shows there is interest and a market for single-player games in China. CD PROJEKT has been active on the Chinese market for many years – our main releases are localized into Chinese and they enjoy popularity in China.

Gość: Greetings. I've heard you're working on new animation projects for the Cyberpunk IP. Is this true? Does it still involve collaboration with Studio Trigger?

KG: As mentioned at yesterday's call, we are definitely interested in new animation projects set in the Cyberpunk universe. That's all we can say right now. Expect more to come. ;)

bginvest: Huge cash pile, no debt, stable revenues. Are you contemplating buy-back of shares?

PN: If we decide on a buy-back – naturally, we will announce it in the form of a current report, in line with regulatory requirements.

anti: Is the significant increase in employment numbers at Fool's Theory linked to The Witcher 1 Remake? What stage is this project at? Would you say it's „full steam ahead”?

KG: We do not comment on employment numbers at companies which are not part of the CD PROJEKT Group. As mentioned during the call, work is progressing, but remains at an early stage.

Gość: What's the profitability of the GOG platform and what are your plans regarding its future? To what extent do you consider it a key element of the Group?

PN: The ability to directly deliver our products to gamers supports our activities and our business performance, especially during release periods. With regard to Phantom Liberty, during the release window GOG accounted for 10% of sales.

Dave: Do you have any ideas for a mobile game which you could outsource? Or is it a case of people approaching you with game concepts? Are you in any talks with potential partners in this regard, or perhaps you've already selected someone to collaborate with?

PN: We want to attract quality partners who understand the universe and share our project vision. Talks are underway – so stay tuned. :)

sawestor: Does the announced commencement of capitalization of Orion expenses imply beginning of the preproduction phase?

PN: We will soon meet all the requirements and begin capitalization of this projects – we're close to completing the necessary steps and assembling the documentation required for this purpose under IFRS. That doesn't mean we'll automatically enter preproduction – this will require a bit more time.

CSharpBeginner: To what extent is the current Polaris team trained in the use of UE technology? When production begins – are all your developers ready, or are you looking at a training/induction period? If so, can you assess – in percentage terms – what part of the Polaris team is 100% ready to carry out development using UE?

PN: We began working with Unreal Engine over two years ago – we now feel confident and satisfied with our choice of technology.

sasky: Greetings. A question concerning your pricing policy and monetization of CP77. How often – and to what extent – will you be lowering the price of the base game, the expansion and the bundle? Only in conjunction with Steam sales, or more frequently?

KG: We want to carry on with our existing policy in this regard. Digital distribution offers ways to dynamically adapt to changing market conditions and distributor recommendations.

sawestor: Am I correct in interpreting Mr. Nowakowski's yesterday's comment as a claim that the development phase of CD PROJEKT games takes, on average, 4-5 years?

KG: Mr. Nowakowski meant the entirety of the game production process – from the start of preproduction all the way until launch.

bginvest: Will Andrzej Sapkowski's new Witcher novel and the new season of The Witcher on Netflix affect your marketing decisions?

PN: We believe all such projects enrich the universe. Additionally – and this goes without saying – we're fans of Mr. Sapkowski's work.

PN, KG: Thank you for taking part in today's chat. We invite you to the next session accompanying our 2024 earnings. Good bye!