

**Michał Nowakowski (MN):**

Good afternoon,

My name is Michał Nowakowski, and I'll be your host during today's conference dedicated to the CD PROJEKT Group's financial results for 2024. I will be co-presenting with Piotr Nielubowicz. After the presentation, we will invite you to participate in a Q&A session where we will be joined by Karolina Gnaś, our VP and Head of Investor Relations.

2024 was the year during which we achieved a major milestone in the development of the Witcher 4, previously known as project Polaris. In November, we announced that the game had entered the full-scale production phase. A team consisting of over 400 devs is now focused on scaling up the solutions developed during pre-production and validating them across the entire game.

The cherry on top came in December, when at The Game Awards event, we unveiled the first, massive trailer of The Witcher 4. It marks the beginning of a new saga with Ciri as the protagonist and a natural successor to Geralt, embarking on her own journey to become a professional monster slayer.

Ciri brings fresh possibilities and energy to the franchise, reigniting buzz around the Witcher universe. Younger than Geralt, she introduces a dynamic combat style and a unique approach to the challenges ahead. Narratively, her journey is full of growth, conflict, and depth, making her not only an excellent lead character but also a compelling and natural evolution of The Witcher legacy.

The fan anticipation for this new chapter was clear at TGA, where the trailer became the most-watched of the event, with over 8 million views on IGN's channel within the first 72 hours after the event.

Similarly, global media outlets were thrilled by our reveal. The Witcher 4 generated great interest, being the most talked-about game after The Game Awards. It dominated headlines and articles proving that the gamers are hungry for more stories to be told in the Witcher universe.

Our second franchise, Cyberpunk, is also riding high. The base game consistently maintains a high recent review score on Steam which currently stands at a level of 95%. This shows that our commitment to the game is highly appreciated by the community. Additionally, last year the game won additional accolades, including BAFTA award in the Evolving Game category.

On that note, in December we released another major update for the game – called Update 2.2 and - which introduced new features, and a whole range of additional gameplay and technical improvements.

Looking at sales, in November we announced that over 30 million copies of Cyberpunk 2077 had been sold, along with over 8 million copies of the Phantom Liberty expansion. And we are not stopping there - Cyberpunk 2077 is coming to the macOS platform this year, which will allow us to reach new players and further expand the Night City community. The game will be available for purchase in Mac App Store, GOG.COM, Steam and Epic Store.

In parallel, we are also broadening the universe built around the Cyberpunk games. In 2024 we announced another animation project which is currently under development, and in the future, will be released on Netflix. And that's just some of what we have in store regarding Cyberpunk.

Looking forward, I'd like to give you a brief overview of the current status of our other ongoing projects.

Regarding Project Sirius - we have decided to integrate The Molasses Flood team into our studio's structure by merging the company with CD PROJEKT RED Inc. - to ensure even better alignment in the scope and direction of the project. Although this naturally entails some changes in the project leadership - the project itself is proceeding.

Moving on to the next project, The Witcher Remake. Due to production process dependencies - among others related to assets and technology - we have decided to temporarily integrate its development with ongoing work on The Witcher 4. As a result, a small portion of The Fool's Theory team is currently supporting The Witcher 4 team. Our goal is to have the necessary assets, tools, and pipelines ready for more efficient development of The Witcher Remake.

As we have mentioned before, we're also currently working on some undisclosed projects, one of which is carried out in collaboration with Fool's Theory.

As for what's next for the Cyberpunk franchise - the Orion team is heading towards the end of the concept phase. This means that we'll be entering the pre-production phase in the coming weeks.

Moving to the 3rd IP. The vision of Hadar has progressed over the last year, becoming more detailed. Internal assumptions and ideas have been forged into main pillars that guide us forward. This year, the team's focus is on further development of our new IP and work on the game's story, while prototyping some gameplay solutions specific to Hadar. The aforementioned activities require a greater workload, hence the recent recruitment announcements for new positions.

As for our current allocation of development teams, the differences in team sizes versus the end of October - the overall number of developers increased by about 10%, to over 700.

The Witcher 4 remains above 400, a level we expect to maintain, with adjustments made as the project needs evolve.

Orion has seen the highest rate of growth since October 2024 and continues to be our primary recruitment focus. We plan to double the team working on a new Cyberpunk game by the end of 2025. Regarding our other projects in the pipeline, we plan to increase recruitment in response to evolving project needs.

And as the last thing from my part. I'm excited to share that we've entered into a strategic partnership with Scopely to develop a game set within one of CD PROJEKT's IPs.

That's all from me. Now it's time for financials. Piotr, the floor is yours.

**Piotr Nielubowicz (PN):**

Thank you Michał and good evening everyone.

Let's start the presentation of our 2024 financials with the Consolidated Profit and Loss account on slide 13. Our Group sales revenue for 2024 reached 985 million PLN - which corresponds to 80% of the revenues for the previous year when the Phantom Liberty expansion was launched.

Cyberpunk and Phantom Liberty were the main drivers of our sales, bringing 589 million PLN to the Group. It's worth mentioning that The Witcher products family remained a strong and stable

contributor to our revenues in 2024 with 163 million PLN in sales - slightly more than the year before.

Sales of goods and materials were mainly driven by GOG, which - looking at non-CD PROJEKT products - also recorded some growth versus the preceding year. The main reason for the cost of products and services sold being higher in 2023 than in 2024 was the premiere-related, higher amortisation of Cyberpunk and Phantom Liberty in Q3 and Q4 of 2023.

Speaking of amortisation - the most recent track record of the strong performance of the Witcher 3 and Cyberpunk has proven their longevity. Based on the achieved sales results we reevaluated our historic assumptions regarding both titles' useful life. This exercise led to adjustments in our assumptions for the amortisation schemes of the products. More details on this can be found in our 2024 financial statements. An important note - the new amortisation schemes will be applied starting from 2025.

Moving on to operating costs - our selling expenses decreased by 108 million PLN, down to 135 million. The savings came mostly from the following two areas:

- lower Cyberpunk IP publishing costs in the non-premiere year 2024,
- lower costs of product maintenance - and I will come back to that in a moment.

Parallel to that, in 2024, we involved ourselves more in the early phase research works on our future products - that was the main driver of growth for the Administrative expenses. On top of the projects you know - such as Orion, Witcher Remake and Hadar - 5 new product initiatives were kicked off last year, both in gaming and non-gaming. The research work costs also include our constantly growing AI engagement.

Moving further to other operating income and expenses - the positive balance of 30 million PLN in 2023 was supported by the partial reversal and partial write-off of our development expenditures related to project Sirius. This year no such one-off transactions supported our results.

The surplus for financial operations reported for 2024 at 64 million PLN came mainly from the usual drivers such as interest from bonds and deposits.

Moving further to our income tax. In 2023 we recorded a relatively high amount of withholding tax that could not be deducted from our local tax settlements - which increased the overall value of current income tax reported for that fiscal year.

In 2024 the tax due on income generated by the activities taxable within the IP Box tax regime amounted to over 18 million PLN. At the same time, the reported negative effective tax rate was mainly due to a change in the net deferred tax asset calculation totaling over 58 million PLN. This was related mainly to the disclosure of the historical costs qualified for the R&D relief as part of an adjustment to the tax declarations for years 2020 to 2023 in connection with obtaining favorable decisions of the Supreme Administrative Court and an individual interpretation relating to the R&D relief.

And finally, our net profit for the last year reached 470 million PLN - only 2% less than what we achieved in the comparative period of the Phantom Liberty premiere. The overall net profitability of the Group increased to 48% while for CD PROJEKT RED alone this factor was 58%.

Annual reports always make me take a longer term perspective on our business. Let's proceed to the next slide presenting over a decade of our revenues, costs and expenses. Two key events mark

our growth and cycles. The premiere of Witcher 3 in 2015 and the premiere of Cyberpunk in 2020. The order of things was different after each launch but now, for each of the cycles, we have a 5-year perspective to compare against - which I am going to present on the next slide.

I am proud to show that our revenues for the 5 year Cyberpunk cycle between 2020 and 2024 were 2.3 times higher compared to the 5 year Witcher 3 cycle that started in 2015. Cyberpunk clearly brought us to a new level.

And, an even better news, net profits for the Group presented in green, in the recent 5 year Cyberpunk era were 2.5 times higher than what we had achieved within the 5 years following the launch of The Witcher 3. I believe this is an impressive growth that we aim to continue - as reflected in our long-term product outlook and the goals of our incentive program for the coming years.

Now we can move on to the next slide – number 16 – our consolidated balance sheet.

On the Assets side - first, the core of our business - expenditures on development projects. The balance here increased by 168 million PLN. The new developments - mainly The Witcher 4, Sirius and Orion, but also some that are still unannounced - were responsible for a 274 million PLN increase, parallel to the decrease coming from amortisation driven mainly by the already released Cyberpunk 2077 and Phantom Liberty.

Along with the recent and planned growth of our development activity we also continue investing in our local infrastructure - as visible in the 77 million PLN increase of the Property, plant and equipment line item. This was mainly driven by the ongoing construction of a new building at our Warsaw campus. Our dev team working on The Witcher 4 will move in in the middle of this year.

The growth of our deferred tax assets comes mainly from the discussed recalculation of the R&D tax relief which we will be utilising in future fiscal years.

The total value of cash, deposits and bonds included in the three asset items marked with an asterisk is summed up under the table - and amounts to 1 billion 472 million PLN as of the end of 2024. I will have a separate slide to provide some more insight on our main cash flow drivers this year.

Moving forward to Liabilities and Equity - slide 17.

The most noticeable change here is the increase in our equity, driven, on the positive side, by the strong financial performance of 2024 and, on the other side, by the 2023 dividend paid out at the end of June 2024.

The board has not yet made the decision on our recommendation regarding allocation of 2024 profits. We will inform you immediately after its adoption.

Incidentally, an important decision in respect of future dividends was made in January this year: we adopted our first-ever dividend policy. Starting from the financial year 2025, the Management Board intends to recommend a dividend of at least 25% of the Company's net profit for each financial year. To ensure this does not impact our development projects, payouts may be delayed up to five years. Any difference between the 25% and the actual dividend will be reported in our financial reports, providing investors with clear expectations. Undistributed funds may also be used for share buybacks. This policy aims to enhance transparency for shareholders and set clear goals for management.

But coming back to our balance sheet - among liabilities - our trade liabilities and provisions grew over the last year but in general no major changes were noted in this section.

Now please move on to the next slide - number 18: CD PROJEKT RED's expenditures on Research works, Development, and Cost of product maintenance - presented here quarterly for 2024 and the comparative period.

After the premiere of Phantom Liberty, which took place at the end of the third quarter of 2023, we visibly regrouped our dev teams. During the fourth quarter of '23 - following the release - extra effort was dedicated to servicing the fresh expansion and the Cyberpunk Ultimate Edition released at that time. And starting this year we have been continuously growing our engagement in both research and development of future projects. The growth over the course of this year is clearly visible.

And finally – our main cash flow drivers on slide 9.

The 470 million PLN book net profit, which included over 78 million costs attributed to the research works, that I have permitted myself to extract on the next bar, was supported by 120 million PLN in amortisation and depreciation.

At the same time 98 million PLN was expensed for the acquisition of tangible and intangible assets - as discussed on the balance sheet slide.

Summing up all the above - thanks to the strong performance of our games we came up with an estimation of 590 million PLN generated by the ongoing business.

At the same time we continued our engagement into new projects and technologies both in the already mentioned research phase and development phase - 78 and 249 million PLN respectively.

And last but not least at the end of June - we shared with our shareholders a nearly one hundred million PLN dividend.

All in all, our financial reserves kept in cash, bank deposits and bonds increased by 163 million PLN over the reporting period, reaching 1.47 billion PLN.

To sum up this financial part I would also like to present where we are in terms of achieving the goals of our share-based incentive programs. The goal for the first 4 financial years of 2023 till 2026 was set at 2 billion PLN of our cumulated net profit. After 2 full years we have delivered 951 million PLN, which accounts for 48% of the target. Even though we do not plan to release The Witcher 4 by the end of 2026, we are still driven by this financial goal and although it is very ambitious, we stand a chance of achieving it within the given timeframe.

Before we move to Q&A, I would like to invite you to celebrate with us the 10th anniversary of the release of The Witcher 3: Wild Hunt. To mark this occasion we're launching The Witcher in Concert - a special world tour that will bring to life the open-world RPG's timeless score with a live orchestra performance. I personally can't wait to take part in it.

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

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**Q1:** I've got three. First of all – in terms of your partnership with Scopely – that's interesting. Can you, first of all, say whether you expect an upfront licensing fee for your IP from Scopely in relation to that project – or is it a question of the project running through and your getting your cut at the

end of it? And then – any sense of timings in terms of that project with Scopely – when it might deliver a game. The second question – you said near the end that you don't expect TW4 to be released by the end of 2026 – given that you kind of already know that now, can we have any confidence that it will land in 2027? And the final question – the slight reorganization of your project teams around Sirius, TW Remake and TW4 – does that in any way affect the timings of those projects and the way you're thinking about them?

**MN:** I'll start with the first two, which were about Scopely and the partnership which we've just revealed – unfortunately the answer to that is probably not going to be satisfactory. We have no further information to be added on that subject in this call. The time for that will come in the future.

**PN:** I can take the third question regarding the expected release date for TW4 – we are not going to announce a precise launch date for the game yet; all we could share for now to give more visibility to investors is that the game will not be launched within the timeframe of the first target of the incentive program which ends on 31 December 2026. And regarding the fourth question – no, there are no connections; there is nothing that we can image in terms of Sirius influencing TW4 – both projects run independent; Sirius is mostly being developed in North America on its own; we believe the changes will bring more efficiency and more alignment to the Sirius team with CD PROJEKT RED procedures and systems – and the way we develop games. At the same time, TW4 is being developed fully in Poland and the projects do not cross in any significant way.

**Q2:** In your opinion, how big is the chance that GTA6 will raise the standard price of AAA games?

**MN:** It will be an opinion – as we have no intimate knowledge – the opinion is that we're going to find out soon what's gonna happen. There's a likelihood, for sure; it's been indicated, but it's pure speculation, to be honest. Our stance is that if the standard price increases for the market, it will work towards our benefit, for sure.

**Q3:** In order to deliver your 2022-2026 incentive program target you still need to generate around 1 billion PLN in net profit in 2025/2026 – which seems extremely difficult without any new projects. Could you please shed some new light on any new projects that might help you achieve these goals?

**PN:** The incentive program targets are for 2023-2026 – so a small correction in terms of dates – but yes, that's true; we still need to deliver slightly above 1 billion PLN, and what I can say today is that our business success is based on the longevity of our products, active franchise flywheel management, and releases of new content – and we expect to be active in all of the mentioned areas within the remaining timeframe.

**Q4:** Now that you have entered full production for TW4, are you able to size the total development costs you expect for the game?

**PN:** In terms of headcount, since we believe that headcount is at the target size for now – it may fluctuate over time, but in general we are where we should be – yes, in terms of future costs, especially those related to future development stages like localization and QA that will get more intense towards the end of development, obviously things will change. But the general rule we will follow here is that we do not guide on future budgets.

**Q5:** Can we ask for an update on the progress of the animation/live action projects?

**MN:** We have no specifics to be shared; I can only say that these are two separate processes and when it comes to animation – we’ve seen some teases at the end of last year – so naturally I would expect more information coming soon on the animation side rather than regarding the live-action project. Other than that, we really have nothing new to share with you today.

**Q6:** What percent of investment expenditures are on animation/live action projects and unannounced project?

**PN:** Most investment expenditures on development projects come from the major products we are involved in – TW4 and Orion as of right now; the other projects are much smaller than the flagship titles we’re working on.

**Q7:** I have a question about the whole new Witcher trilogy. You probably already have some experience on the production of the new Witcher – based on this work, and observations of the entire development process so far, also taking into account the use of the new Unreal Engine – do you think it is possible to release the entire trilogy in a six-year window?

**MN:** At this moment in time we see nothing that would prove this goal to be impossible; our experience working with UE5 is actually pretty good; we’re progressing as planned and any hiccups we’re able to straighten out – ourselves and sometimes with support of the Epic team – so nothing changes in terms of our outlook towards the frequency of releases in the Witcher trilogy.

**Q8:** Kudos on the results. Could you once again explain what has happened on the tax line in Q4 2024 alone? Why was it that much negative?

**PN:** So – thanks to the favorable decisions of the Supreme Administrative Court and the individual interpretation relating to R&D tax relief – we could recalculate our historic disclosures of R&D tax relief in our past tax declarations for the years 2020-2023. Based on that, we were faced with an increased R&D tax relief available to the company, which influenced our deferred tax asset calculation – and this increase after the first tax asset calculation influenced the total tax calculation opposite to the 18 million in taxes we had paid under the IP BOX tax regime – and this extra R&D tax relief that we obtained thanks to SAC rulings will allow us to spend less on taxes in future years – utilizing the R&D tax relief in future years – but this tax relief is already available to the company, and part of it was also used in our 2024 tax declaration.

**Q9:** Can you update us regarding the development, deployment and use of generative AI tools within your development process? As a concrete example – do you plan to use any genAI tools for TW4 development?

**MN:** I think we mentioned before that last year we set up a team that’s investigating the potential use of AI solutions in our future products – including development of our own customized AI models – and we have several research projects underway; however, they are not necessarily focused on generative AI. genAI, to be honest, is quite tricky when it comes to legal IP ownership and so on – and many other aspects – so when it comes to implementation of any genAI in actual games, we really have nothing happening when it comes to TW4 or any projects in the near future. Should the legal status of that change, we may look at it, but there’s nothing happening with genAI specifically. There are various other tools we’re looking at, or using, but not so much genAI-oriented.

**Q10:** What is the impact on depreciation in 2025/2026 from the new accounting policy?

**PN:** It's not actually a new accounting policy – the policy is the same – however, based on the great performance of CP and TW3 in recent quarters, we decided to reevaluate our amortization schemes, which should be in line with the expected use of products in the future, and right now we've updated our plans for the future, hence – we also updated our amortization schemes. And as far as what size of effect it might have on our future results – what I can say from the top of my head is that for 2025 in terms of CP and Phantom Liberty together – the quarterly amortization was supposed to be around 16 million PLN, and after this reevaluation it will be down to approximately 13 million PLN, so the difference will be around 3 million PLN per quarter – it's not huge – and in the case of TW3 Next-gen version, the effect will be much smaller as the base amount for depreciation that still remains is a level of magnitude lower than what we're dealing with for CP and Phantom Liberty.

**Q11:** Why did research work costs edge down in Q4 compared to previous quarters in 2024? 10 million in Q4 2024 vs. 20 million per quarter in Q1-Q3 2024.

**PN:** I'm not sure if I understand the question right now, but I tried to give you an answer in our commentary – basically, we started capitalizing Orion expenditures in September, and that's why starting in Q4 the expenditures on development projects increased while early research work costs presented in G&A expenses decreased.

**Q12:** Do you plan any meaningful licensing deals in 2025 like the one you signed in 2024 with Sony for TW3?

**MN:** I understand it's about including TW3 in the PlayStation Plus subscription – so, our position is that subscription can work well for back-catalogue titles, and it always requires careful consideration on our end. In these cases we try to make the best possible decision businesswise – considering timing, whether it makes sense for the given franchise at the moment – so, long story short, we may consider that – that's not a confirmation on my part that we're doing something like this this year specifically – I'm just trying to explain how we look at these things. One thing I can definitely state is that we're definitely not fans of including our titles in the subscription services of any kind at launch, however, for the back catalogue – again, if it makes sense businesswise, timewise from the franchise's perspective, we may consider that. But that's no confirmation for 2025, 2026 or any other year coming from me right now.

**Q13:** Do you have any indication where your effective tax rate may settle in 2025/2026? Did I understand correctly that you have more deferred tax liabilities to recognize in 2025/2026?

**PN:** Bookwise we've already recognized deferred tax assets which we will consume in the future – hence our cash flows related to income tax will be somewhat limited. But at the same time, bookwise, we will be accounting for taxes in the regular way. I know it's not very precise guidance, but since tax calculations are pretty complex, we use two tax regimes – both IP BOX with 5% taxation and the standard 19% rate – what I can say now is that our standard taxation – in case nothing extraordinary happens – should land somewhere between 5% and 19% of gross profit.

**Q14:** I assume you participated in the recent GDC. In recent years the main topics were layoffs and AI in gaming. What issues dominated GDC this year?

**MN:** Interesting question. I did participate in GDC – I was there last week, together with many members of our team – and while you are correct that layoffs and AI were the subjects of the past years, I did not really find a very dominating subject this year. I think there were many people talking about everything at the same time – still, some of them talking about layoffs; there was a



lot of conversation on the industry rebounding; the AI chatter had gone a bit more quiet compared to the preceding years – which is not to say that AI is not a subject for the industry; on the contrary, I think it is, and I think everybody else does as well – it's just that the novelty of it had worn out a little bit, and it's not such a buzzword as last year. I think there's a lot of discourse around whether the industry is growing overall, and I've noticed that the perception of that depends on your position – depending on which corner of the industry you're occupying, some people believe it is, others believe it's not – and these are very subjective positions, to be honest. There was no specific dominant theme I could notice this year.

**MN:** As we have no further questions, I would like to thank everybody for joining us today – if you have any follow-up questions, feel free to contact our wonderful IR team – I hope you have a pleasant evening, and goodbye until next time. Thank you so much.