

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 2025. 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.

Starting off, please let me highlight some truly exciting news for Cyberpunk 2077.

On April 2nd, during the highly anticipated Nintendo Direct conference, we revealed that Cyberpunk 2077: Ultimate Edition would be a launch title for the brand-new Nintendo Switch 2, debuting alongside the console on June 5th, 2025 – which is just a week away!

This is a milestone moment for us, marking the very first time one of our games will be a launch title on a new platform. The anticipation surrounding Nintendo Switch 2 is immense, and we believe this presents a fantastic opportunity to introduce the world of Night City to a whole new wave of players.

This isn't just a simple port. Our teams have worked diligently to tailor the Cyberpunk 2077: Ultimate Edition experience specifically for the innovative capabilities of Nintendo Switch 2.

Initial reactions from the media and players who have had hands-on time with Cyberpunk 2077 on the Switch 2 at Nintendo's global preview events have been very encouraging, and while the ultimate judgment, of course, rests with the players, we feel optimistic about the upcoming launch.

Building on the excitement and continued growth of the Cyberpunk universe that we just highlighted with the upcoming Nintendo Switch 2 launch, I'm also thrilled to announce a significant milestone for the Phantom Liberty expansion, which has now surpassed 10 million copies sold worldwide since its release back in September 2023! This achievement, reached in just over twenty months, is a powerful testament to both the quality of the expansion and the enduring appeal of the Cyberpunk franchise.

And that appeal, along with our desire to tell new, captivating stories is precisely what fuels our ongoing work on the future of the Cyberpunk franchise. I'm pleased to share that Cyberpunk 2, which we had previously referred to as Project Orion, successfully concluded its concept phase a few weeks ago and has transitioned into pre-production. Thus, we are well on our way towards delivering the next big Cyberpunk game in due time.

Now, shifting gears, let's move to The Witcher franchise. On May 19th, just over a week ago, we proudly celebrated the 10th anniversary of the release of The Witcher 3: Wild Hunt. This groundbreaking title is not only a pop culture phenomenon that has captured the hearts of millions of players worldwide, but it also represents a cornerstone of CD PROJEKT's success over the past decade.

Looking back at these past ten years, the commercial success of The Witcher 3: Wild Hunt has been nothing short of phenomenal. I am incredibly proud to announce that global sales of The Witcher 3 have now surpassed an astounding 60 million copies.

Reflecting on the premiere ten years ago, we had no idea what lay ahead. Even in our wildest dreams, we couldn't have imagined how significant this would become for all of us. I would like to extend my deepest gratitude to everyone who was part of that journey – whether as a team member, a dedicated fan, or a fan who ultimately became a team member.

This remarkable figure of 60 million copies firmly establishes The Witcher 3 as one of the best-selling games of all time, a testament to its enduring quality, immersive world, and unwavering support of our global player base. Our goal is now to introduce them, along with those who are not yet familiar with our franchise, to a new saga that will begin with the upcoming fourth installment of The Witcher.

Over the past decade The Witcher 3: Wild Hunt has generated an impressive 2.4 billion PLN in revenues. This remarkable financial performance underscores the enduring value of the franchise and its continued contribution to CD PROJEKT's strong financial foundation - enabling us to dive into new projects and pursue our creative vision independently as we shape the future of both The Witcher and the Cyberpunk universes, as well as our third IP codenamed Hadar.

Regarding current project allocation, as of the end of April our dev team has expanded slightly, now consisting of over 730 talented developers. The Witcher 4 team, with over 420 developers on board, focuses on production-phase work, while the Cyberpunk 2 team has entered the pre-production phase and will be our primary recruitment focus for this year. Beyond these undertakings, our other pipeline projects have seen minor adjustments in team sizes, aligning with their ongoing progress and evolving workload requirements.

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.

As usual let's start this part of the presentation with the Consolidated Profit and Loss account on slide 10. Our Group sales revenue for the 1st quarter of 2025 reached 226 million PLN - essentially the same as in the corresponding period last year. Despite the passing of another year, games from both product families: Cyberpunk and The Witcher - generated revenue levels similar to those of the prior year.

Our sales of goods and materials reached 45 million PLN and recorded 11% growth. This growth was entirely driven by the GOG.com platform, where we saw an increase in sales, particularly for classic titles, which we attribute to initiatives focused on game preservation and the GOG Preservation Program.

Our cost of products and services sold consists mostly of Phantom Liberty, Cyberpunk and Witcher 3 amortizations. This position is lower in Q1 2025 compared to Q1 2024 mainly for two reasons: firstly, due to the use of a declining amortizations model; and secondly, because we extended the estimated useful lives of our assets at the end of last year — a decision which appears fully justified given the strong performance of our games again this year. More details on our amortization schemes can be found in our recent annual report.

[technical break]

Moving on to operating costs - in 2025 Q1 they also remained stable vs. last year; however, their structure changed. On the one hand, the Research work costs decreased after the Cyberpunk 2 project changed its IFRS status in September 2024 from research to development, which qualifies for capitalization. And on the other hand, this year we had some extra expenses related to the implementation of our new ERP system (which just went live) as well as increased costs of our incentive programs due to a new tranche of entitlements being granted.

All in all, our EBIT reached nearly 96 million PLN - 18% more than a year ago.

Negative income tax for the 1st quarter of the previous year was not typical for our business. Neither is the relatively high income tax we recorded for the 1st quarter of this year. Most of this amount - nearly 22 million PLN - came from adjustments relating to our prior years driven mainly by corrections of our bookings related to the withholding taxes - events of a one-off nature.

And, finally, our net profit for the first quarter of this year reached 86 million PLN. The overall net profitability of the Group was 38% while for CD PROJEKT RED alone this factor was 47%.

Now we can move on to the next slide – number 11 – our consolidated balance sheet.

On the Assets side - the core of our business - expenditures on development projects. The balance here increased by nearly 90 million PLN. The new developments - mainly The Witcher 4, Cyberpunk 2 and Sirius, but also some projects that are still unannounced - were responsible for a 104 million PLN increase, parallel to the decrease coming from amortizations driven mainly by the already launched Cyberpunk 2077 and Phantom Liberty. And while we are on the topic of development expenditures, we estimate that the dev budget of the upcoming version of Cyberpunk 2077 for Nintendo Switch 2 will be around 10 million PLN. We believe this investment will help us make Cyberpunk more accessible to new clients, extend its lifecycle and further strengthen the franchise flywheel.

We also continue investing in our local physical assets - as visible in the 21 million PLN increase of the Property, plant and equipment line item. This was mainly driven by the final phase of the construction of a new building at our Warsaw campus - where the Witcher 4 will continue to be developed beginning this June.

Our trade receivables decreased over the first 3 months of the year - which is typical after the juicy Q4 sales period, and the high level of trade receivables recorded at the end of last year.

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 489 million PLN as of the end of this March. Our financial position increased by 17 million PLN over the first quarter. Within this change, GOG was responsible for a decrease by 10 million PLN driven by payments to its game suppliers in correspondence with Q4 sales - which is typical for first quarters. At the same time, CD PROJEKT RED generated a 27 million PLN increase in its financial reserves. I will have a separate slide to provide some more insight on our main cash flow drivers this quarter.

Moving forward to Liabilities and Equity - slide 17. The most noticeable change here is the increase in our equity, driven by the strong financial performance of the recent Q1. Along with a decrease in trade receivables by 80 million PLN, our liabilities also decreased - by 36 million PLN. This occurred in both segments and is also typical for first quarters.

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 on a quarterly basis over the last 5 quarters.

We keep investing more and more while our projects move from research to development and become more and more advanced. Currently 9 projects - of different types and sizes - are at the development stage, three of which are still unannounced.

And finally – our main cash flow drivers on slide 19.

The 86 million PLN book net profit was supported by 24 million PLN in amortizations, depreciation and non-cash costs of our share-based incentive programs. At the same time 36 million PLN was expensed for the acquisition of tangible and intangible assets - as discussed on the balance sheet slide.

The overall change in receivables, liabilities and provisions boosted our cash flows by nearly 40 million PLN. At the same time, most of CD PROJEKT RED was engaged in working on new games - hence the investment of 100 million PLN into development projects.

All in all, our financial reserves kept in cash, bank deposits and bonds increased by the already mentioned 17 million PLN over the reporting period, reaching 1.49 billion PLN. And putting investments into currently developed products aside, our ongoing business generated 117 million PLN - which is over 36% more than the profit for the period.

That ends my commentary on the most recent results and allows me to move to a pretty nice conclusion. Our strong cash position and longevity of our products have allowed us to make two important decisions:

- we proposed to the general meeting a dividend from 2024 profits in the amount of nearly 100 million PLN - precisely 1 PLN per share;
- and we asked our general meeting to approve a share buy-back that would allow us to settle the first tranche of our incentive program next year. It involves up to 89 601 shares, with a current market value of around 20 million PLN.

And I can't wait to see what impact the Cyberpunk Ultimate Edition premiere on Nintendo Switch 2 will have on our Q2 and this year. The big day is only a week away.

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

Q1: Good evening; I've got two questions. First one – would you naturally expect that the Switch 2 release would mean that your sales of products and services would be higher in Q2 2025 than what was seen in Q1 2025? Or would it be just balancing out a slowing in other sales? The second question – Cyberpunk 2, as we're now calling it – I believe that The Witcher 4 went into pre-production in May 2022; we know that game would not be released during 2026 – so maybe we can say that we're looking at sometime between 5 and 6 years of that period between the pre-production phase and release? So that would put Cyberpunk 2 in late 2030 or 2031. Is that a broadly sensible way to think about it?

PN: Hello Nick; what I can say for now is that Nintendo 2 sales should have a visible impact on our revenues from sales of products for the second quarter of the year – but as for now I wouldn't like to be guiding how much better or worse Q2 would be vs. Q1.

MN: I'll try to deal with the second question. I can reiterate what I said at one of the previous calls – which is that our journey from pre-production to the final release takes 4-5 years on average; so a bit less than what you said in the question – but having said that, keep in mind that each project is unique and there are many variables that influence the final outcome, so I would not lead you on specific years – but yep, this is pretty much what it looks like.

Q2: What exactly do you understand by the three unannounced projects? For example – do you count a project like Hadar in the number – which is not revealed yet, but mentioned in the pipeline – or projects that you have not mentioned before?

MN: I'm happy to deal with this one. Unannounced projects are projects which have not been hinted at specifically at any point. So, Hadar would not be one of those projects because although we have not said anything specific about Hadar or delved into any details involving it, we have been talking about it for a while. So, these are projects that have not been mentioned in any kind of communication by us before. I hope that addresses the question.

PN: I'd also like to add something from my side as I mentioned unannounced projects when commenting on capitalized projects in our expenditures on development projects – Hadar is absolutely not capitalized yet; we are not at this stage of production, so the three announced projects that I mentioned are projects that were already in development phase according to IFRS standards.

Q3: Could you please update us on the mobile project? Anything more except that you are cooperating with Scopely?

MN: I'll take this one – unfortunately there's nothing more we have to share on that matter in this call.

Q4: How many of these three unannounced projects that are being capitalized are gaming projects?

MN: Two projects are gaming projects and one is not.

MN: Since there are no further questions I would like to thank everybody who's been with us on this call and I guess we'll be in touch with you in due time during the next quarterly call. Thank you so much; good bye everybody!