

Financial results of the CD PROJEKT Group in the first half of 2014

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Presentation outline

Overview of financial results

Update on key events

Mobile device market

The Witcher Battle Arena – introduction

Q&A session

CD PROJEKT Group – key financial indicators

	2013 H1	2014 H1	2014 Q1	2014 Q2
Sales revenues	63 058	74 588	30 804	43 784
Cost of products, goods and materials sold	40 057	53 483	23 075	30 408
Gross profit from sales	23 001	21 105	7 729	13 376
Other profits less other costs	574	2 987	1 185	1 802
Selling costs	10 497	13 113	5 204	7 909
General administrative expenses	6 098	6 983	3 101	3 882
EBIT	6 980	3 996	609	3 387
Balance of financial revenues and costs	639	2 318	1 222	1 096
Gross profit	7 619	6 314	1 831	4 483
Income tax	(92)	1 694	445	1 249
Net profit	7 711	4 620	1 386	3 234
Net profit attributable to parent entity	7 711	4 541	1 498	3 043
Costs of ongoing development of videogames*	6 209	8 257	2 972	5 285
Changes in ongoing development in the videogame	9 055	19 127	8 764	10 364
Total expenditures associated with future releases	15 264	27 384	11 736	15 649
Cash at beginning of period	26 866	39 684	39 684	41 849
Cash at end of period	26 511	51 176	41 849	51 176
Changes in cash assets	-355	11 492	2 165	9 327
No. of countries with scheduled distribution of W3 box sets	1	91		
Months until release	16	8		

* Costs of sales and general administrative expenses in the videogame development segment

Distribution and publishing activities in Poland – results

	2013 H1	2014 H1	2014 Q1	2014 Q2
Sales revenues	21 851	30 748	13 471	17 277
Cost of products, goods and materials sold	17 685	26 565	12 519	14 046
Gross profit (loss) from sales	4 166	4 182	952	3 230
Other profits less other costs	78	(50)	(40)	(10)
Selling costs	4 624	5 476	2 607	2 868
General administrative expenses	1 941	1 939	986	953
Gross profit (loss) from operating activities	(2 320)	(3 282)	(2 681)	(601)
Financial income less financial costs	287	578	142	436
Profit loss before taxation	(2 034)	(2 704)	(2 539)	(165)
Income tax	(953)	(288)	(282)	(6)
Net profit (loss)	(1 081)	(2 416)	(2 257)	(159)

Global digital videogame distribution – results

	2013 H1	2014 H2	2014 Q1	2014 Q2
Sales revenues	33 327	35 390	14 172	21 218
Cost of products, goods and materials sold	19 871	23 237	9 125	14 112
Gross profit (loss) from sales	13 456	12 153	5 047	7 106
Other profits less other costs	13	9	5	4
Selling costs	4 930	6 262	2 668	3 595
General administrative expenses	1 093	804	331	473
Gross profit (loss) from operating activities	7 446	5 095	2 053	3 042
Financial income less financial costs	(155)	103	104	(1)
Profit loss before taxation	7 291	5 198	2 157	3 041
Income tax	942	675	279	396
Net profit (loss)	6 349	4 523	1 878	2 645

Videogame development – results

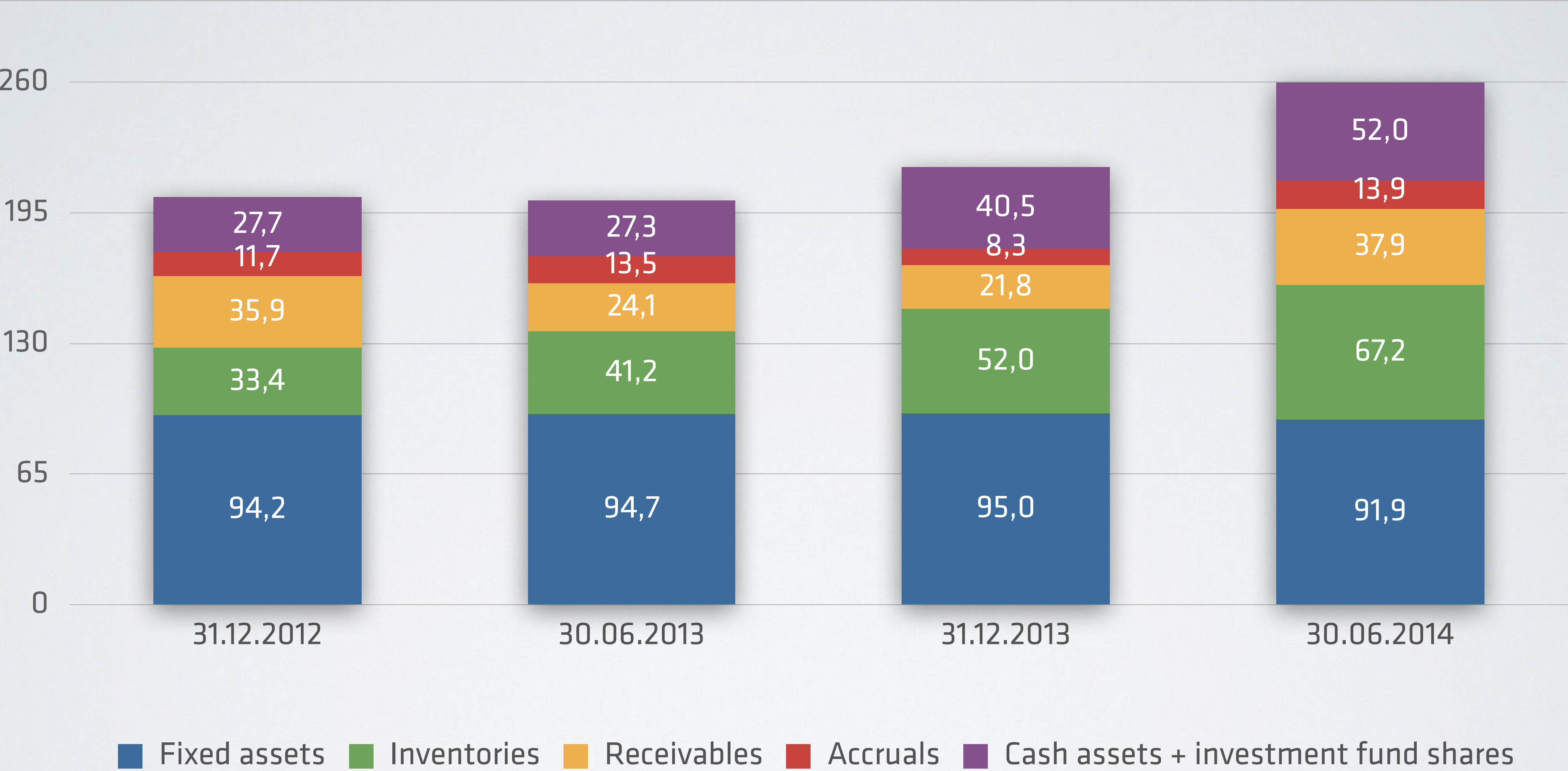
	2013 H1	2014 H1	2014 Q1	2014 Q2
Sales revenues	10 674	12 911	5 005	7 906
Cost of products, goods and materials sold	2 895	4 500	1 675	2 825
Gross profit (loss) from sales	7 779	8 411	3 330	5 081
Other profits less other costs	185	598	65	533
Selling costs	3 354	4 734	1 419	3 315
General administrative expenses	2 855	3 523	1 553	1 970
Gross profit (loss) from operating activities	1 755	752	423	329
Financial income less financial costs	423	1 193	615	578
Profit loss before taxation	2 178	1 945	1 038	907
Income tax	(5)	1 007	264	743
Net profit (loss)	2 183	938	774	164

Other activities – results

	2013 H1	2014 H1	2013 H1 adjustment*	2014 H1 adjustment**	2013 H1 adjusted	2014 H1 adjusted
Sales revenues	3 183	3 317			3 183	3 317
Cost of products, goods and materials sold	318	424			318	424
Gross profit (loss) from sales	2 865	2 893			2 865	2 893
Other profits less other costs	297	2 429			297	2 429
Selling costs	678	938			678	938
General administrative expenses	2 384	2 968			2 384	2 968
Gross profit (loss) from operating activities	100	1 416			100	1 416
Financial income less financial costs	13 550	(12 391)	(13 466)	12 837	84	446
Profit loss before taxation	13 650	(10 975)	(13 466)	12 837	184	1 862
Income tax	(62)	326			(62)	326
Net profit (loss)	13 712	(11 301)	(13 466)	12 837	246	1 536

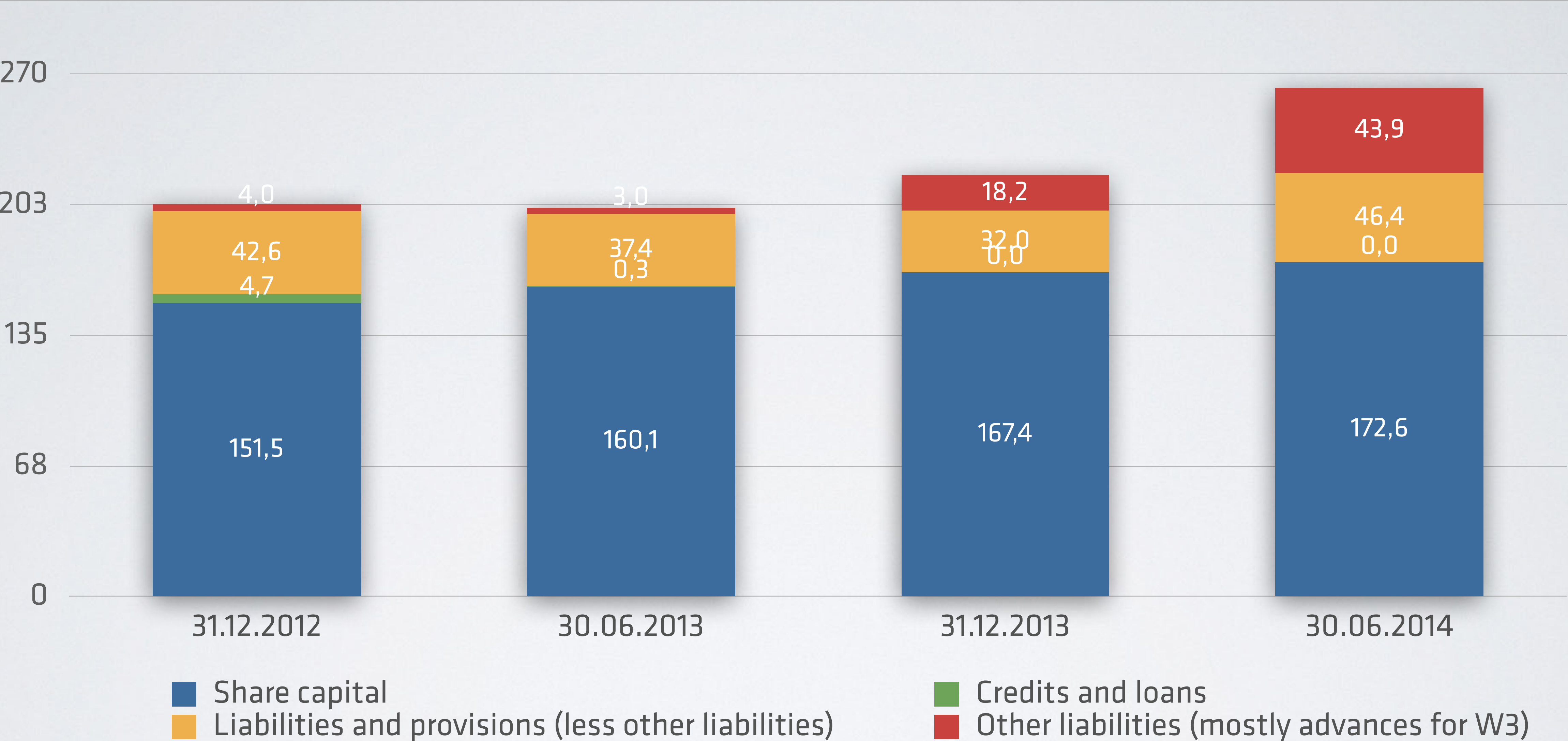
* adjustments due to dividend payments ** adjustments due to sale of cdp.pl shares ⁷

CD PROJEKT Group – asset class breakdown



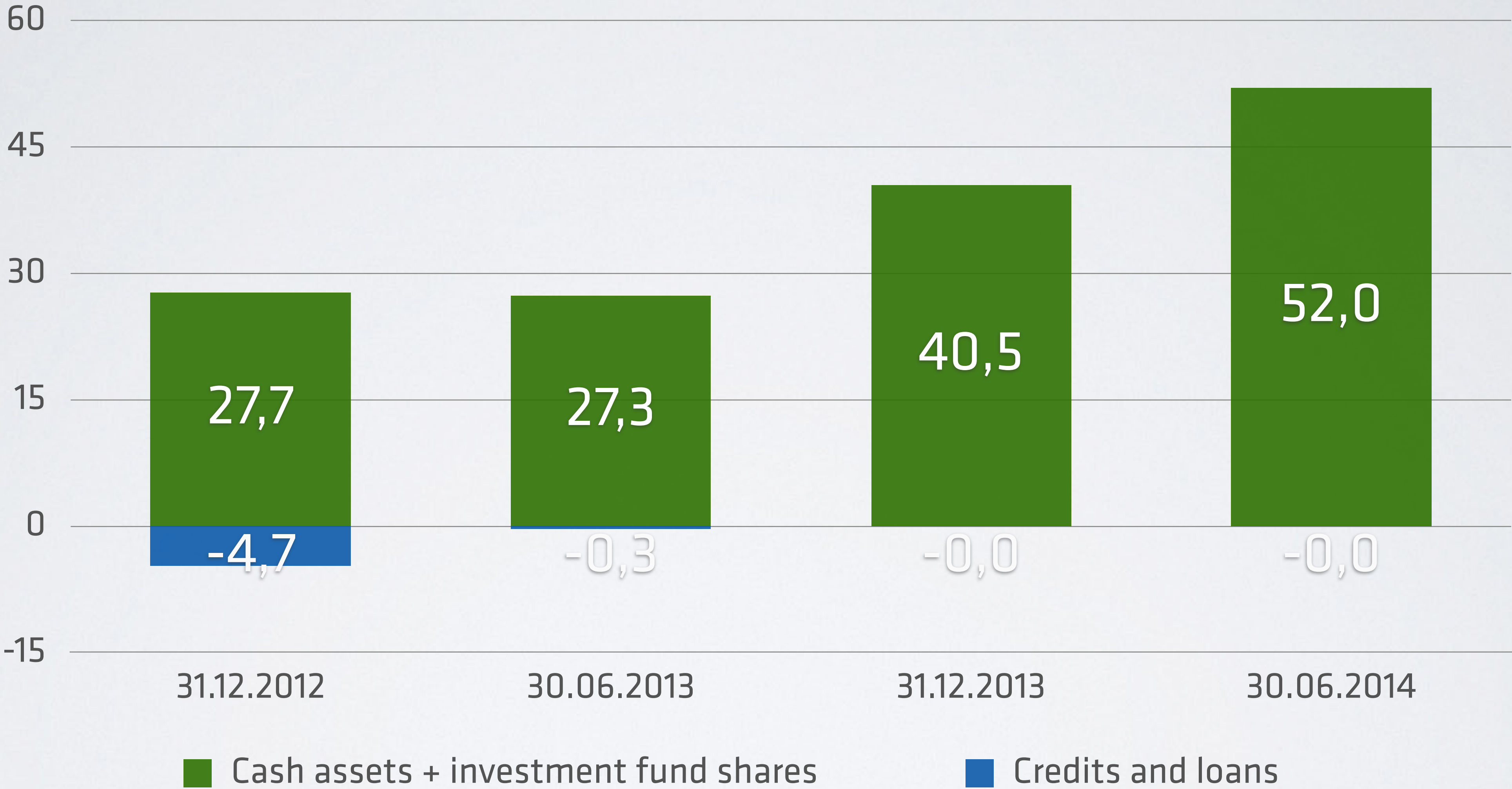
*all figures in PLN millions

CD PROJEKT Group – liability class breakdown



*all figures in PLN millions

Cash assets + investment fund shares - credits and loans



*all figures in PLN millions

Cash flows

	2013 H1	2014 H1	2014 Q1	2014 Q2
Operating activities				
Profit/loss after tax	7 711	4 620	1 386	3 234
Changes in inventories	(7 799)	(15 231)	(6 204)	(9 027)
Changes in receivables	11 977	(15 904)	(13 221)	(2 683)
Changes in liabilities except credits and loans	(6 119)	36 925	22 038	14 887
Other adjustments	516	(2 944)	(648)	(2 296)
A. Net cash flows from operating activities	6 286	7 466	3 351	4 115
Investment activities				
Inflows	186	7 690	405	7 285
Outflows	2 028	3 477	1 475	2 002
B. Net cash flows from investment activities	(1 842)	4 213	(1 070)	5 283
Financial activities				
Inflows	71	90	4	86
Outflows	4 870	277	120	157
C. Net cash flows from financial activities	(4 799)	(187)	(116)	(71)
F. Cash flows at beginning of period	26 866	39 684	39 684	41 849
D. Total net cash flows	(355)	11 492	2 165	9 327
G. Cash flows at end of period	26 511	51 176	41 849	51 176

Key events - update

GOG.com - H1 2014 summary

- Support for the third OS – Linux, with over 70 games released for this system
- The Witcher 3 preorder campaign officially launched
- Wrap-up of ongoing R&D projects – announcement and deployment of new technologies: beta tests of GOG Galaxy together with The Witcher Adventure Game; the first DRM-free motion pictures released on GOG.com
- GOG 4.0: Support for local currencies (EUR, GBP, AUD, RUB) and local payment methods popular in selected countries: Giropay (Germany), Sofort (Germany, UK), Webmoney (Russia), Yandex (Russia)

CD PROJEKT RED - H1 2014 summary

- Over 8 million copies of The Witcher games sold
- The Witcher Battle Arena announced
- Five issues of Witcher-themed comic published by Dark Horse Comics in collaboration with CD PROJEKT RED
- The Witcher 3 preorder campaign launched on 5 June 2014 in key territories, for three hardware platforms (PC, PlayStation 4, Xbox One)
- Strong presence at key trade events – E3 in Los Angeles (June 2014) and Gamescom in Cologne (August 2014). CD PROJEKT RED presentations attended by approximately 20 thousand spectators in total.
- Conclusion of distribution agreements concerning The Witcher 3: Wild Hunt

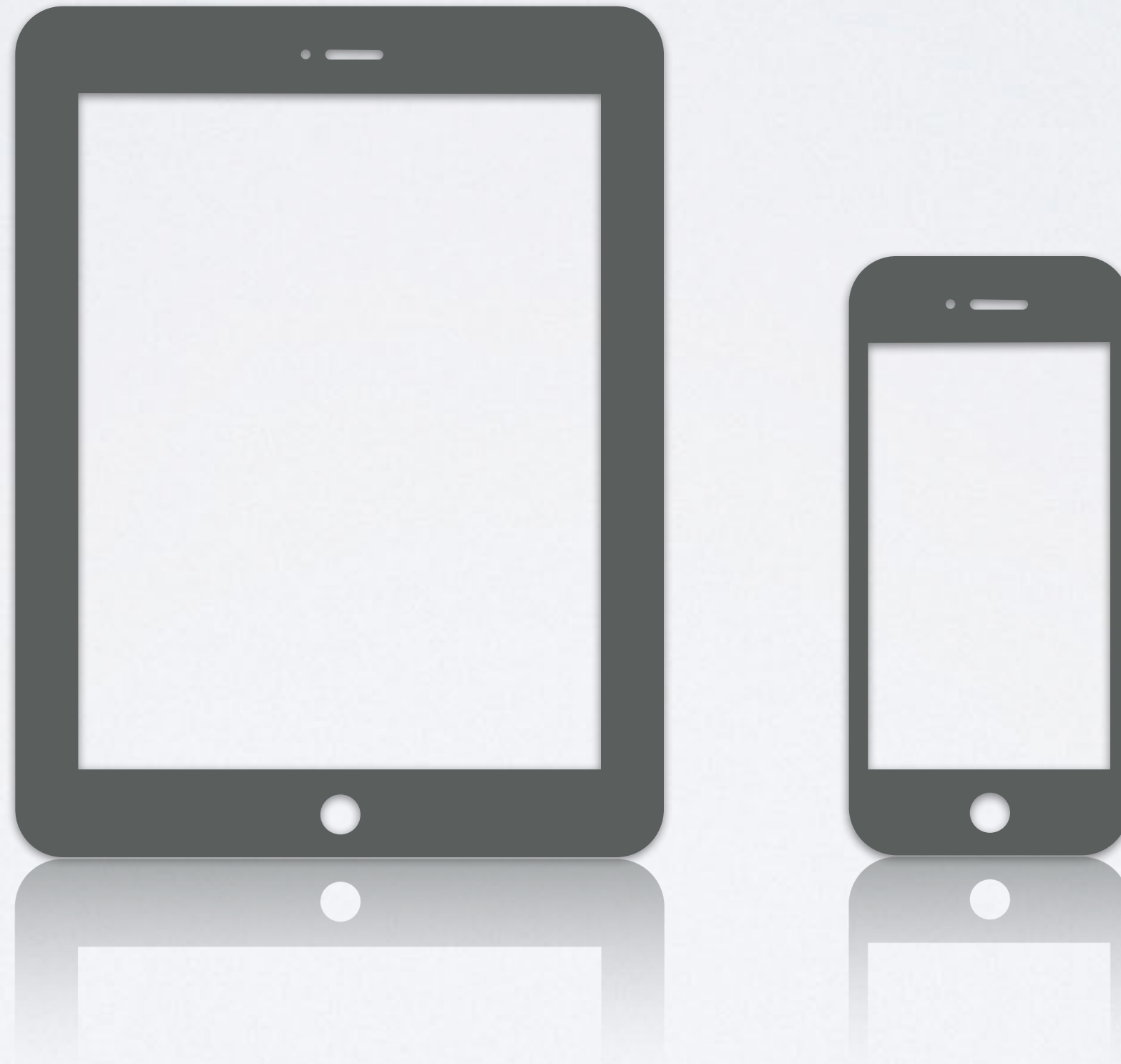
The Witcher 3: Wild Hunt – distribution of box version

Territories covered by direct distribution agreements concerning the box version of W3



17 distribution agreements with partners covering 109 countries + worldwide digital distribution on GOG.com and Steam

New market and new business model



Mobile market - research

- According to Juniper Research the volume of the mobile videogame market was estimated at 3.6 billion USD in 2014.*
- Juniper Research expect a threefold increase in market volume by 2019, reaching a total of 13.3 billion USD.
- The forecasted growth will be due to increasing device storage space, improved graphical performance, greater mobile network bandwidth and consumer demand for greater convenience and ubiquitous access.

Top performers in the F2P segment in 2013

	Release date	Country	Genre	Revenues (USD millions)
CrossFire	2008/2009	South Korea	MMO FPS	957
League of Legends	2009	USA	MOBA	624
Dungeon Fighter Online	2005	South Korea	Action MMORPG	426
World of Tanks	2011	Belarus/UK	MMO	372
Maplestory	2003	South Korea	MMORPG	326
Lineage	1 998	South Korea	MMORPG	257
World of Warcraft	2004	USA	MMORPG	213
Star Wars: The Old Republic	2011	USA	MMORPG	139
Team Fortress 2	2007	USA	FPS	139
CounterStrike Online	2008	South Korea/USA	FPS	121

source: SuperData Research, 2014

The Witcher Battle Arena

- Establishing a foothold in a new, dynamically growing market.
- We expect that this mobile project – and others like it – will eventually constitute a core of our business and provide a stable revenue stream.
- The project is scalable and carries a low startup cost. Future expenses can be adjusted according to the game's popularity and market penetration.
- Minimal business risk associated with the project.



The Witcher Battle Arena

- Free-to-play MOBA (Multiplayer Online Battle Arena) game set in The Witcher universe and designed for mobile devices – tablets and smartphones running iOS, Android or Windows Phone OS.
- Fair treatment of players – no “pay to win” fees, crystals or timers; equal chances for everyone.
- We profit from “vanity items” which alter the visual presentation of player characters and weapons.
- The game is aimed at players aged 13 and up, significantly broadening our target demographic.
- Closed beta tests to commence soon.
- The full game will be distributed by leading online application retailers – AppStore and Google Play.

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Thank you!



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