

## A transcript from investor chat that was held on 28 August 2018 on [www.stockwatch.pl](http://www.stockwatch.pl)

**Moderator:** Welcome to our investors' chat with CD PROJEKT board members Adam Kiciński and Piotr Nielubowicz. Today we are discussing the financial results for the first half of 2018 and the Company's plans.

**Moderator:** A reminder for journalists covering the chat session: when quoting excerpts from today's conversation in your media releases you are obligated to include an appropriate attribution. Should you have any questions or concerns please contact us at [biuro@stockwatch.pl](mailto:biuro@stockwatch.pl).

**Piotr Nielubowicz:** Good afternoon ladies and gentlemen. We invite you to submit questions.

**Piotr:** When is Cyberpunk 2077 coming out?????

**Piotr Nielubowicz:** As soon as it's ready.

**Mordimer:** When will CDP reveal details of their plans concerning The Witcher universe?

**Adam Kiciński:** At the moment we are focusing on two projects set in this universe: GWENT: The Witcher Card Game and Thronebreaker.

**\_ghost\_:** Is the second AAA game set to come out by 2021 a full-fledged RPG in the style of The Witcher 3 or Cyberpunk 2077 and marketing for approx. 60 USD, a multiplayer component for Cyberpunk 2077, or another kind of expansion?

**Piotr Nielubowicz:** We currently focus on communication related to GWENT and Cyberpunk. At the moment we are not discussing further projects.

**Daniel:** Is the company planning to take over or establish additional commercial entities?

**Piotr Nielubowicz:** Our strategy entails organic growth, but we do not exclude acquisition of external entities such as the SNT team or Spokko. In all circumstances, however, the process must conform to our growth strategy and organizational culture.

**Layne Staley:** Why are dialogues so short? An RPG is not just a shooter; it is more important to identify with the protagonist and doing so require more than just a single sentence consisting of, at most, five words.

**Adam Kiciński:** When picking content for our demo we wanted to focus on dynamic scenes which would not overwhelm the gamer with complex dialogue. We are well known for crafting nonlinear storylines and, accordingly, this was a conscious decision on our part.

**inwestor\_2k:** CD PROJEKT holds 662 million PLN in cash. A question for Mr. Nielubowicz: how do you manage this pile of money? Do you set up deposits, purchase bonds – state-issued or commercial – or perhaps simply stuff it in a bank account?

**Piotr Nielubowicz:** At the end of June 2018 we held 608 million PLN in cash assets. We allocate cash to bank deposits with varying maturity periods at several banks which cooperate with us.

**Ewelina:** What's the story behind the Spokko idea? Diversification of revenues? Do you foresee a slump in your core business?

**Adam Kiciński:** We have known the Spokko people for a long time. They had approached us with a cool idea which we decided to invest in.

**Analityk Fundamentalny:** Your other working assets increased by 9.3 million PLN – you announced that these are mainly comprised by income tax receivables (if I understand correctly). Can you explain why you expect a refund of income tax and how this will affect your P/L account?

**Piotr Nielubowicz:** We do not anticipate a refund; instead we expect to consume the reported overpayment in future reporting periods. This is a balance sheet item which does not directly affect our profit and loss account – as a rule, this account includes tax payments associated with the current reporting period.

**Analityk Fundamentalny:** 6. The reported increase in your other fixed assets is 16 million PLN – what part of this figure corresponds to your purchase of the Wrocław studio/company? Are there any outstanding purchase costs related to this event, or has everything been settled and paid for?

**Piotr Nielubowicz:** Acquisition of SNT accounts for roughly 10 million PLN. The whole transaction has already been settled.

**Analityk Fundamentalny:** 7. Your results slides show an increase of R&D expenses in the GOG segment, which has persisted for at least 2 quarters. Is this caused by accounting changes in this segment, or by other factors – and if so, of what nature?

**Piotr Nielubowicz:** No; this is related to current development expenses at GOG, related to GWENT, to the functionality of the online store and to GOG Galaxy.

**Mardoniusz:** Hi Adam and Piotr, I would like to ask about the target number of employees which the Company regards as optimal given its growth plans. I would also like to ask how many people are employed at each location.

**Adam Kiciński:** We intend to expand all aspects of our business, and our business is built on people – hence the persistent growth. The vast majority of our employees are based in Warsaw. We have around 70 people in Kraków. Wrocław is a new thing, and we currently employ around 20 people there. Then we have around a dozen people in LA and in Shanghai, as well as around a dozen PR and social media representatives covering key territories.

**gracz:** What kind of message do you want your games to convey?

**Adam Kiciński:** We want the stories told by our games to remain with gamers for a long time. We tell mature stories which often touch upon contemporary issues (even though the universes may be imaginary). We are gamers ourselves, and we make games for gamers.

**Mardoniusz:** Hi Adam and Piotr, looking at the effects of exchange rates upon the Group's results I wonder whether you envision a possible postponement of the Cyberpunk 2077 release if the exchange rates happen to be unfavorable on the scheduled date? I'm referring to the fact that sales volumes are at their maximum level during the first two weeks following release, and also to the importance which the Company attaches to this seminal project.

**Piotr Nielubowicz:** The release date is independent of market conditions and currency rates.

**Mardoniusz:** Hi Adam and Piotr. I'm glad that you have decided to invest in a start-up. I myself happen to have a business idea which the Company might be interested in pursuing. Is it possible to meet and present it to you personally? My linked-in: <https://pl.linkedin.com/in/mardoniuszma%C4%87kowiak>

**Piotr Nielubowicz:** Please e-mail us at [biz@cdprojektred.com](mailto:biz@cdprojektred.com)

**Mardoniusz:** Hi Adam i Piotr. The current generation of consoles has been around for several years. I assume that, when you finally release Cyberpunk, the game will be compatible with all hardware platforms available on the market? ;) I would also like to ask whether you intend to release the game for Nintendo Switch, with its user base of nearly 20 million.

**Adam Kiciński:** Cyberpunk 2077 is targeted for the PC, Xbox One and PlayStation 4.

**rad999:** Hello. Does CD PROJEKT plan to issue new stock? Regards.

**Piotr Nielubowicz:** We do not currently plan to release stock as a means of securing additional cash. However, new stock may be issued in the framework of our current incentive program covering the years 2016-2021.

**Uroboros:** You have released 48 minutes of Cyberpunk gameplay – are you not afraid that this will lead to a culmination of marketing hype and that it will be much more difficult to build up hype prior to the actual release? For example, new Cyberpunk trailers will no longer be as hotly anticipated given that gameplay etc. has already been made public.

**Adam Kiciński:** The 48-minute gameplay trailer is part of our planned and forethought promotional campaign. The campaign involves buildup of peak „hype” at the moment of release.

**Gatto:** Will there be cats in the game?

**Piotr Nielubowicz:** There is already one cat in CP2077 demo – check it out at 23:22.

**Tarathelion:** 2018 was supposed to be the year of intensive expansion work on GWENT. Given the reboot of GWENT these plans have been put on hold. Should we expect regular updates after the release of Homecoming? Is the team working on additional campaigns, factions etc. (other than the previously announced ones, e.g. the vampire-themed expansion, TB, new faction) or are you waiting to assess the reception of HC and TB before you initiate work on new adventures?

**Adam Kiciński:** The launch of Homecoming marks another milestone in the GWENT lifecycle. After its release we will continue to maintain the game and expand it with further content.

**Uroboros:** Is GOG planning to roll out additional language localizations of its platform?

**Piotr Nielubowicz:** No, we currently focus on exploiting the potential of our current markets and of GOG Galaxy.

**Fortnite:** Which hardware platform was used to power your yesterday's Twitch broadcast?

**Adam Kiciński:** Gameplay was recorded on a PC with the following configuration:

- CPU: Intel i7-8700K @ 3.70 GHz
- MB: ASUS ROG STRIX Z370-I GAMING

- RAM: G.Skill Ripjaws V, 2x16GB, 3000MHz, CL15
- GPU: GeForce GTX 1080 Ti
- SSD: Samsung 960 Pro 512 GB M.2 PCIe
- PSU: Corsair SF600 600W

**Fortnite:** How do Q2 GWENT revenues square against Q1 and Q4 2017?

**Piotr Nielubowicz:** Due to the implementation of the Homecoming project and a reduction in marketing activities Q2 2018 revenues were lower than during the preceding quarters.

**CDProjektFUN:** What caused the large increase in development expenditures in the second quarter? Is it entirely due to takeovers?

**Piotr Nielubowicz:** It was caused by our recruitment activities, intensive work related to preparation of content for E3 and increases expenditures related to GWENT and Thronebreaker in the run-up to their release.

**Fortnite:** From the point of view of apportioning GWENT revenues, does the situation in China differ from other markets in some way?

**Adam Kiciński:** Yes, in China we cooperate with an independent publisher and share our profits with them. In other territories we publish the game ourselves.

**Mirek:** Will Spokko work only on the mobile version of GWENT or are you also planning to release mobile Witchers?

**Adam Kiciński:** Spokko is working on its own individual project.

**Mirek:** Are you preparing a huuuuuge DLC for Cyberpunk like you did with The Witcher?

**Adam Kiciński:** It is too early to discuss Cyberpunk 2077 expansions – right now our focus is on finishing the main game.

**Michał:** When will you announce the Thronebreaker retail price and begin accepting preorders?

**Piotr Nielubowicz:** Stay tuned :)

**SW-fan:** Why even bother with the mobile segment? Bigger fish than you have tried and failed!

**Adam Kiciński:** We like a challenge and believe we have struck upon a cool idea.

**Michał:** Please describe the current state of work on the Homecoming project. We had expected initial releases a month ago, but the presentation was cancelled at the last moment. Does this spell a delay compared to the previously announced 6-month period?

**Piotr Nielubowicz:** The full version of GWENT and Thronebreaker are both scheduled for release in Q4 2018.

**Krzysz:** Are you happy with your progress on Cyberpunk 2077?

**Adam Kiciński:** Yes we are.

**Czerwony:** Is your plan to publish two AAA games by 2021 still in force? There's some speculation in online fora that the late release of CP2077 may invalidate it.

**Adam Kiciński:** Yes, the plan is still in force.

**anty\_teresa:** Do GOG R&D expenditures include the portion of GWENT development expenses borne by GOG in association with its participation in the consortium?

**Piotr Nielubowicz:** GOG expenditures relate, among others, to the online features of GWENT for which GOG is responsible in line with the consortium agreement.

**Wojetek:** In an interview given to Polygon.com at the Electronic Entertainment Expo 2012 Mr. Marcin Iwiński remarked that, in addition to work on Cyberpunk 2077, you are also working on a new edition of an RPG. Is this work still ongoing and does CD PROJEKT intend to publish a pen-and-paper RPG set in the CP2077 universe?

**Adam Kiciński:** Our strategy foresees two major releases by 2021. Cyberpunk 2077 is one of them.

**Misiek:** Are provisions for conditional compensation dependent on your results created in proportion to the anticipated revenues/profits, or linearly in relation to the annual result?

**Piotr Nielubowicz:** Provisions are created on the fly depending on our actual results.

**mgruszecki:** What are your forecasts regarding 2019 net revenues and profits?

**Piotr Nielubowicz:** We do not publish forecast and, consequently, will not comment upon future results.

**Oxygen21:** Did you expect the Cyberpunk gameplay trailer to meet with such positive reactions?

**Adam Kiciński:** We always worry – up until the last moment. Publishing new things is an emotionally taxing process.

**Thexerophyte:** Has the FCK DRM campaign met with any reactions from the community or developers? What is it expected to achieve?

**Adam Kiciński:** The campaign has been ongoing since the founding of GOG. We regard it as a cornerstone of the platform.

**Analityk Fundamentalny:** One more question related to income tax receivables. As I understand, you paid high tax during one of the reported months, but in later months the cumulative tax base was lower, and this explains the lower balance of receivables; is this correct?

**Piotr Nielubowicz:** Our income tax is significantly affected by withholding tax levied at source and associated with licensing royalties remitted by our foreign partners.

**Guest:** Does the company plan to expand its R&D branches and seek additional public/UE funding in future editions of the funding program (until 2020)?

**Adam Kiciński:** We plan to expand our R&D activities because we engage in innovative work. We intend to seek funding wherever it becomes available.

**Gość:** Do you play games from other publishers/studios?

**Adam Kiciński:** Yes. The vast majority of our employees are gamers.

**mike:** First of all, congratulations – yesterday’s events convinced me that CP2077 will mark another success for your company. Referring to your reply to Wojetek’s question – has work on the “other release” already commenced?

**Adam Kiciński:** Yes, but it remains at a preliminary stage.

**Guest:** Is yesterday’s demo the exact same content which was showcased at E3?

**Adam Kiciński:** Yes, it is largely the same demo, although with certain differences – in the E3 edition the quest ended in daytime; yesterday we presented nighttime.

**Gosc:** Are you still passionate? Don’t you fear burnout following the release of CP2077? You are flying high right now. How do you stay motivated?

**Piotr Nielubowicz:** We still feel like we’re running a marathon and haven’t yet passed the 1km mark. :)

**Mark:** Have you already signed the first agreements with your partners concerning Cyberpunk? Will your marketing settlement model resemble the one applied for The Witcher, or do you intend to shoulder a greater portion of marketing expenses?

**Piotr Nielubowicz:** We expect that our participation in financing the Cyberpunk marketing campaign will be greater than in the case of The Witcher 3.

**Gość:** Greetings. You are taking over Spokko. How does this translate into increased employment at CD PROJEKT RED?

**Adam Kiciński:** Currently this involves approximately 10 people.

**Adam Kiciński and Piotr Nielubowicz:** Thank you for participation and for numerous questions.