

Chat session with individual investors held on 27 March 2019 on www.stockwatch.pl

Moderator: Welcome to the last investor chat session of the GAMING WEEK block on StockWatch.pl. Today we're hosting Adam Kiciński and Piotr Nielubowicz from CD PROJEKT.

Moderator: First, an announcement for journalists covering today's chat: any quotations appearing in your newsfeeds must be accompanied by the proper attribution. If you have any questions or concerns, please contact biuro@stockwatch.pl

Adam Kiciński, Piotr Nielubowicz: Greetings – we invite you to ask your questions.

Piotr: Hello CDR gentlemen! Does your strategy for 2016-2021 anticipate any AAA game other than Cyberpunk 2077? This includes a potential sequel – Cyberpunk 2077 (2) – or an online edition of that game. To make myself clear – do you intend to publish another AAA release other than Cyberpunk 2077? Thanks for your reply; bye.

Adam Kiciński: Hello. We wish to extend our greetings to all participants of today's chat. All comments regarding our strategy were included in our presentation at today's investor conference.

investor 2k: Hello, a quick question: will we learn the release date of Cyberpunk 2077 at E3?

Piotr Nielubowicz: This will be the grandest appearance at E3 in CD PROJEKT's history, but I don't want to spoil any surprises. I invite you to follow events at the fair.

Guest: What comes after Cyberpunk? Does the company have detailed plans in place for further games? What genres will those games represent?

Adam Kiciński: Naturally we have plans for what comes after Cyberpunk; however we will not reveal any of them just yet.

Lapa72: Will the Company pay out a dividend for 2018?

Piotr Nielubowicz: We do not have a dividend policy in place. Any decisions in this regard are up to the General Meeting.

Cahir16: Mr. Adam, regarding 2018 – you referred to this period as “the year of GWENT”. Am I to understand that 2019 will be “the year of Cyberpunk 2077”? Or will that be 2020? ;)

Adam Kiciński: In terms of our main message, 2019 will be the year of both GWENT and Cyberpunk 2077.

Radek: GWENT's failure to become a smash hit is, in my opinion, due to the lack of a mobile edition. You published GWENT for consoles and PC, while it should have initially been released for mobile devices. I would be keen to play GWENT during quiet moments when I am away from my kids – for example in the morning, in the toilet or during my daily commute. Unfortunately, I don't have access to my PC there. Why did you wait so long with announcing a mobile edition? After all, all signs suggest that such an edition will eventually appear.

Adam Kiciński: In case you didn't watch today's conference, we have good news for you: we did indeed announce a mobile edition.

Zimazi: Has CD PROJEKT already taken steps to secure IP rights for its future games? Or will the next project be based on an entirely new IP, created solely by Studio employees?

Piotr Nielubowicz: The basic idea behind RED ENGINE is that it should be flexible and adaptable, capable of offering new technological solutions to gamers.

af trader: Hello. I would like to ask you to present your strategy regarding GOG – but in more detail, given that the platform is quickly losing its market share, its users are aging and competition has emerged among gaming stores. On top of that, Google has begun to stream games and Amazon may follow. Are you leaving GOG high and dry?

Adam Kiciński: To the contrary. We have been long at work on a new technology which will be unveiled in the second quarter. We are also continually adding new content – recently, we added Diablo and will soon roll out Warcraft I and II.

SW-fan: Dear Sirs. Thank you for holding another chat session with us, the small fry. I'm sure you know how many elements from The Witcher have appeared in Assassin's Creed Odyssey. I am personally indignant – that game clearly rips off 80% of your content. I would like to ask whether CD PROJEKT can secure and protect its own IP, if not for The Witcher then at least for Cyberpunk, so that others don't blatantly copy your work.

Piotr Nielubowicz: We feel proud when our games inspire other creators.

olo: Hello; are you planning to engage in any e-sports activities?

Piotr Nielubowicz: Yes, since 2017 we have been organizing the GWENT Masters series.

af trader: I am disappointed by the lack of incentives for gamers to hold CD PROJEKT stock and by the lack of a regular dividend, if not in cash then at least in vouchers and discounts for games sold on GOG. How long can one boast of merely holding stock? That routine eventually gets old.

Adam Kiciński: An interesting suggestion; we will definitely consider it.

Dominik: What's your take on GWENT? Do you view it as an FTP testbed or rather as a proper investment expected to produce cash gains?

Adam Kiciński: Both, in fact.

AT: Have revenues from Thronebreaker enabled you to recoup the corresponding expenses, both in terms of development and marketing? I also wish to ask the same about GWENT.

Piotr Nielubowicz: Our products – GWENT and Thronebreaker, the latter released towards the end of 2018 – only slightly improved the Group's net profit in the current period.

Guest: Does the company have plans for future growth by acquisition? The takeover of SNT in Wrocław is a relatively small affair given CD PROJEKT's financial capabilities.

Adam Kiciński: Thus far we have banked on organic growth, which has yielded good results and remains our main strategy for the future. Nevertheless we do not rule out further acquisitions as long as they bolster our strategy and are in the spirit of our business philosophy.

Guest: How does the company view Nintendo Switch? Both GWENT and Thronebreaker appear ideally suited to this console.

Adam Kiciński: Switch is fantastic!

Analityk Fundamentalny: The R&D tax relief has greatly reduced your CIT – if indeed the reported decrease in 2018 tax was due to this factor. Do you need to fulfill any other criteria, or is this a “done deal”? Has the auditor expressed any concerns given that you had to postpone publication of your financial statement?

Piotr Nielubowicz: Details concerning the calculation of corporate income tax, including R&D tax relief, can be found in Note 5 of the Group's consolidated financial statement. The change in publication date was not due to any concerns on the part of the auditor.

Analityk Fundamentalny: You claim that your selling costs include participation in fairs where Cyberpunk is showcased. Are all such costs attributable to the CD PROJEKT RED segment or do some of them "trickle down" to GOG.com?

Piotr Nielubowicz: The costs of promoting GWENT are split between consortium partners (CD PROJEKT RED and GOG) by applying the agreed-upon ratio, while promotion of all other products falls to CD PROJEKT RED.

Analityk Fundamentalny: Has the passenger car listed as being held for sale been used by any member of the Board, or perhaps by the Witcher or Cyberpunk??? If so, please tell me – what brand and how much.

Adam Kiciński: The car is for sale – please send me a private message.

Guest: A request for you to comment on the reason behind acquiring immovable property, and on its intended use.

Adam Kiciński: We continue to expand and recruit additional employees.

Guest: You reported 19.7 million PLN in „Minimum guarantees and advance payments at GOG” as part of your prepaid expenses. Can you elaborate what this figure means and when, and to what extent, it will be entered in your current accounts?

Piotr Nielubowicz: At the end of 2018 the aggregate balance of advance payments received in lieu of future royalties was 22.6 million PLN. As a rule, these payments become our revenues once the game is released.

Guest: Your other receivables include 9.2 in withholding tax, reportable in your annual statement (following receipt of residence certificates). Have you run into any problems, during this year or the past year, requiring you to write off such assets?

Piotr Nielubowicz: Accounting of withholding tax generally does not present any problems.

Guest: The GOG announcement regarding the discontinuation of the Fair Price Package mentions that "With an increasing share paid to developers (...)" Does this mean that GOG takes less than the standard 30% cut on games? Can you reveal the actual cut and how it compares to the 12% cut at Epic Games Store? If you did indeed reduce your cut, how will this affect the financial results of the store? Has this enabled you to attract new partners with whom you had previously been unable to cooperate?

Adam Kiciński: We do not disclose specific conditions since we adopt a custom-tailored approach to each of our partners. We take into account the amount of work which we ourselves need to invest, and we adapt to market trends. This approach has enabled us to distribute eagerly anticipated landmark AAA releases such as Bloodlines 2 or Age of Wonders: Planetfall.

Kris: Will Cyberpunk be available not just for the PC but also for Xbox and PS4 on its release date?

Piotr Nielubowicz: Yes.

Guest: Hello. Only several weeks ago Burza and Slama commented on Twitch that "we are thinking about mobiles but it's not the right moment; not yet ..." Why the sudden change of heart? Is it due to your work on Crimson Curse?

Piotr Nielubowicz: Burza and Jason did not want to spoil today's surprise. ;)

Lukail: So what's up with Lady Gaga? ;) Will she appear in the game/trailer, or perhaps personally at E3? :)

Adam Kiciński: Unfortunately we have no such plans.

Guest: Are Thronebreaker revenues also settled in the framework of your consortium, or do they belong entirely to the CD PROJEKT RED segment?

Piotr Nielubowicz: Yes, as a member of the GWENT family of products, Thronebreaker is developed jointly by RED and GOG.

księgowy: What's the split of the 76 million PLN in development costs between GWENT and Thronebreaker?

Piotr Nielubowicz: GWENT is responsible for the lion's share of these costs.

Cygan: What competitive edge will Cyberpunk hold over other competing releases?

Adam Kiciński: We invite you to follow E3.

księgowy: Do the advance payments listed on your balance sheet represent CP2077 or GWENT in China?

Piotr Nielubowicz: The payments reported at the end of 2018 concern Cyberpunk.

zainteresowany: What's the status of GWENT certification in China?

Adam Kiciński: GWENT was certified in China in 2017.

Morty: You have recently tested the waters with regard to opening a store carrying gadgets and accessories related to your games. Can you tell us more, for example – when will the store be opened?

Adam Kiciński: Stay tuned.

RaV: Alienware laptop ads make use of Cyberpunk content. Is the marketing idea yours or did it come from Dell?

Piotr Nielubowicz: Dell is among CD PROJEKT's technology partners. This is a joint marketing activity.

Zubrzyk100: Greetings. Is the company seriously planning to enter the mobile games market? Right now that market is larger than the PC/console market, and it's predicted to grow at a much faster pace.

Adam Kiciński: Today we announced a mobile release of GWENT. Last year we also incorporated Spokko – a subsidiary company working on mobile projects.

Miau: Are you also coming to gamescom?

Adam Kiciński: Yes, we're at gamescom every year.

Guest: Has the company obtained revenues from selling its IP (Geralt the Witcher) to other companies (see for instance Monster Hunter)?

Adam Kiciński: Guest appearances of the Witcher are purely a marketing device.

Blaines: Is it standard practice to claim all tax relief and spread Thronebreaker development costs over time, or was it done just so that you could report a profit?

Piotr Nielubowicz: It is standard practice in the industry to amortize development expenses over time. We did the same with The Witcher 3.

Guest: Are you preparing estimates showing what percentage of CP2077 sales will be carried out on GOG as opposed to Steam?

Piotr Nielubowicz: Yes, naturally.

Blaines: IN FACT, SCREW ALL QUESTIONS, YOU'RE THE BEST.

Adam Kiciński: THANKS!

Guest: Will there be special media events prior to release of Cyberpunk, as was the case with The Witcher 3 (I'm referring to the castle event)?

Adam Kiciński: Yes, we do that for each of our games.

Bioly: Is the company working on mobile games, or focusing on the PC?

Adam Kiciński: Spokko is working on a game targeting mobile devices.

Hayate: Are you open to collaboration with other brands such as Acer (Predator)? They're currently the market leader among gaming laptop vendors.

Piotr Nielubowicz: Yes, we're open to collaboration with hardware manufacturers.

Guest: Have you considered alternatives to holding cash in bank accounts?

Piotr Nielubowicz: We invest in development and promotion of videogames, and allocate our surplus cash to bank deposits.

Guest: CD PROJEKT RED is renowned for its RPGs, but are you considering development of games representing other genres?

Adam Kiciński: We are – GWENT is one such game.

Guest: Do you intent to re-release W1 and W2 for other platforms? Unfortunately I wasn't able to play W2 (though I do own a physical copy :)) since my hardware was not powerful enough. Now I have a PS4 and would gladly play W2 on it!

Piotr Nielubowicz: We have no such plans.

Sławoj: Is Spokko working on a mobile project that's larger than the mobile edition of GWENT?

Adam Kiciński: Spokko is working on an ambitious project that has nothing to do with GWENT.

Adam Kiciński and Piotr Nielubowicz: Thank you all for participating and for your excellent questions. See you around.

Moderator: On behalf of the editorial board of StockWatch.pl I would also like to thank you for the lively discussion. The session was attended by nearly 900 investors! I wish to invite you to follow our other chat sessions and take part in the next edition of GAMING WEEK.