

**Individual investors' chat session conducted on 30 August 2019 on**  
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**Moderator:** Welcome to the investors' chat session with members of the CD PROJEKT Management Board – Adam Kiciński and Piotr Nielubowicz. Today we're discussing our H1 2019 earnings and the Company's future development plans.

**Adam Kiciński and Piotr Nielubowicz:** Greetings. We welcome all participants and invite you to ask questions.

**Marek Karnecki:** How do you assess the odds that the long-awaited Cyberpunk will be released on time?

**Piotr Nielubowicz:** Cyberpunk is coming out on 16 April 2020 and we're committed to this date.

**Mateusz:** The Company has a lot of cash and a good outlook given the upcoming release of Cyberpunk 2077. In light of this – does it plan any further takeovers? Was the purchase of Strange New Things a one-off transaction or do you intend to continue growing in this manner?

**Piotr Nielubowicz:** Our growth strategy is not based on takeovers, although – as in the case of SNT – these might occasionally happen. We focus on achieving organic growth.

**Graczkospolita.pl:** It's been a long time since the release of Thronebreaker. How does the company view its sales numbers. Are there plans to revisit this concept (for example in a new installment or a port to other consoles)?

**Adam Kiciński:** We recouped the game's development costs a while ago, although we had anticipated stronger sales. At the moment we do not intend to publish further games of this type.

**Graczkospolita.pl:** After a mediocre 2018, GOG has seen some significant changes. Can the Board reveal their effects? Has the store significantly improved its earnings?

**Adam Kiciński:** Yes, the store's earnings are significantly better, as revealed in our financial statement. GOG also held its best-ever Summer Promo campaign and released several cult classics from Blizzard Entertainment.

**Mazi:** What portion of H1 2019 earnings does the newly launched CD PROJEKT STORE account for?

**Piotr Nielubowicz:** CD PROJEKT RED STORE sp. z o.o. is excluded from consolidation – the financial statement does not include its revenues.

**aircanada15:** Hello. Could you comment – in general terms – on the relation between preorders and your corresponding expectations? As of today, do most preorders concern the PC edition or console editions?

**Adam Kiciński:** The digital PC edition account for a vast majority of preorders. We are satisfied with the performance of the preorder campaign.

**aircanada15:** Given that the Nintendo Switch edition is developed by a subcontractor, am I to understand that the subcontractor will collect a share of the associated revenues? If so, will this share be significant?

**Piotr Nielubowicz:** We finance all costs of porting W3 to Switch and, consequently, are entitled to all sales revenues.

**aircanada15:** Has anything changed in the recent months with regard to CP2077 marketing expenses? Or will the declared share of costs borne by your company and by the publishers remain unchanged in relation to preliminary agreements?

**Adam Kiciński:** We haven't seen any significant changes in the recent months.

**aircanada15:** Will CD PROJEKT revenues from distribution of physical copies of Cyberpunk be similar to those obtained for W3 ?

**Adam Kiciński:** Yes, they will be similar.

**aircanada15:** Are the Cyberpunk development costs depreciated in a similar manner to W3 development costs? (Specifically – are you anticipating a certain sales volume and assigning a specific unit cost to each copy sold?)

**Piotr Nielubowicz:** CP development will be depreciated beginning in the month of release, in proportion to the anticipated distribution of sales over time. The corresponding estimates will be based on the performance of our earlier releases.

**Gość:** Does the company have specific ideas regarding further high-budget releases after CP2077?

**Adam Kiciński:** Yes, we do.

**Zonk:** You have accomplished a great deal over the recent years, in terms of the quality of your products, your brand name recognition and (most importantly) reputation among gamers. Do you have any plan, or vision – going forward – of how to reconcile shareholders' expectations (increased profits, dividends) with your passion for videogame development (as well as respect for gamers, which appears to be the key issue, given the experience of others) so that you don't become another EA?

**Adam Kiciński:** From the very beginning we have focused on what's best for gamers. We believe our investors understand this philosophy and that it explains why we have come this far.

**Gość:** Hello. I would like to ask about the anticipated breakdown of Cyberpunk sales for PS4, Xbox and PC. Do you expect to see similar sales figures for each platform, or will one of them dominate? Greetings, Zbyszek.

**Adam Kiciński:** Initially we expect consoles to account for the bulk of sales; however later on the PC edition will begin to dominate.

**Stockwatcher:** 40 million copies sold... a jaw-dropping achievement. What portion of that figure corresponds to The Witcher 3?

**Adam Kiciński:** Over half.

**Gość:** What exactly goes into the reported revenues from sales of products in the GOG segment? Is it the GOG share of GWENT and Thronebreaker revenues across all platforms, as apportioned under the consortium agreement? Or does it also include The Witcher?

**Piotr Nielubowicz:** In the GOG.com segment revenues from sales of products correspond mainly to the portion of aggregate GWENT and Thronebreaker sales attributable to GOG under the consortium agreement. With regard to GOG.com, Witcher-related sales revenues are aggregated with sales of goods.

**NightCityLife.de:** During the marketing campaign for Cyberpunk 2077 you announced a game called Cyberpunk 2077 – Afterlife: The Card Game. Do you plan to announce additional cooperations or products within the launch window, which are based on Cyberpunk 2077 like e.g. novels and comics to introduce more customers to the video game’s universe?

**Adam Kiciński:** Yes. We constantly extend our cooperation with external partners.

**Radek:** Can you share information regarding the GOG 2.0 roadmap? Will there be an open beta following the closed beta stage? Are you setting a specific deadline – perhaps associated with the release of Cyberpunk 2077 – to launch GOG 2.0?

**Adam Kiciński:** The open beta should be coming out in several months. The closed beta is used to gather feedback from users and develop further features. I invite you to join the closed beta.

**MichałK:** Netflix will be airing The Witcher in two months’ time. Have you considered promoting your products via product placement in the TV series? If Game of Thrones could feature a Starbucks cup, it is easy to imagine protagonists partaking in a game of Gwent...

**Adam Kiciński:** We have no such plans.

**MichałK:** Mr. Abert Rokicki forgot to ask this question during the conference so I have to fill in for him: does the Company plan to introduce a formal dividend policy?

**Adam Kiciński:** We are not considering that at present.

**MichałK:** How many people worked on porting The Witcher to Switch, and for how long?

**Piotr Nielubowicz:** We carried out this project in collaboration with an external partner. In total, the project involved several dozen people. Work began roughly a year ago.

**Przemek:** You posted over 90M in trade receivables. If I understand correctly, this substantial surplus is also due to recognition of preorder receivables from distributors other than GOG.com, which have been collected by the company in July but corresponded to preorders placed by the end of June. Under such circumstances, I understand that your books would report: Debit – trade receivables; Credit – deferred revenues. However, in the case of GOG.com you collect cash directly and therefore the books should show: Debit – cash; Credit – deferred revenues. Can you confirm that you follow this accounting scheme, and also declare whether preorders account for more than 50% of your trade receivables as of 30 June 2019?

**Piotr Nielubowicz:** Yes, we confirm this accounting scheme; however we will refrain from commenting upon the share of preorders in our consolidated sales revenues.

**Przemek:** Other receivables associated with advance payments for deliveries are greater than 23M, which is roughly the same as in Q1 2019 (-0.7M). Does this mean that there were no new prepayments in Q2? Will such prepayments be recognized in your profit and loss account following the release of CP 2077, or perhaps earlier?

**Piotr Nielubowicz:** The bulk of our prepayments was remitted in Q1 2019. Prepayments for deliveries should be settled at the moment said deliveries are received. Regarding the profit/loss account, they will be recognized once the given products or services qualify as costs.

**Przemek:** I'm led to understand that revenues from sales of services (31M) are one-off, that they're offset by the cost of services sold and selling costs, and that *de facto* they represent re invoicing of a portion of marketing expenses borne by your distributors/business partners. Should I then assume that there has been a change since the release of W3, where some marketing expenses were covered by distributors who would later deduct their share from your sales revenues? As I understand, your increased recognition and improved financial standing now enable you to cover all marketing costs, and even ask distributors to shoulder some of those costs?

**Piotr Nielubowicz:** This depends on the number of copies sold.

**Przemek:** You mentioned that CD PROJEKT RED STORE is excluded from consolidation because it does not meet the consolidation threshold. What is this threshold, and do you expect to consolidate this company in 2020? Given the hype surrounding your store, will the launch of its USA/Canadian branch produce a marked difference in your revenues and earnings over the coming years?

**Piotr Nielubowicz:** All information regarding consolidation thresholds can be found in the financial statement.

**Uroboros:** After the close of your current incentive program (which looks set to wrap up in 2019) are you considering another such program?

**Adam Kiciński:** Definitely.

**Mirek:** What is the breakdown of preorders between GOG and Steam?

**Piotr Nielubowicz:** In the initial period the Steam/GOG ratio was roughly 2:1.

**Gość:** Everyone is hyped for Cyberpunk. But surely it can't be all about Keanu. :) Have GOG and Thronebreaker fulfilled your expectations?

**Adam Kiciński:** Let's not count our chickens before they hatch. We haven't yet begun to work on the new incentive program.

**Bomber:** When will you begin distribution of new gadgets, including Cyberpunk-themed apparel?

**Adam Kiciński:** We continue to roll out new products all the time.

**Bartosz:** Greetings! Are you preparing a new strategy for the years beyond 2021? Will you maintain your current growth vectors or are you looking at major changes?

**Adam Kiciński:** We always plan far ahead. We intend to maintain our current vectors.

**Gengulo:** Could you elaborate about your revenues from sales of services? What exactly does this 30 million PLN figure represent?

**Piotr Nielubowicz:** Revenues from sales of services correspond mainly to our collaboration with publishing partners in the scope of marketing Cyberpunk.

**kucpap:** By saying that “the digital PC edition account for a vast majority of preorders” do you specifically mean the preorders reported in your financial statement, or all preorders, including those which haven’t been reported (including console and box editions)?

**Piotr Nielubowicz:** Our statement includes 100% of preorders. This is where the bulk of our preorders comes from.

**maaciekw:** Does the statement include revenues obtained by the store, e.g. from royalties associated with the use of The Witcher or Cyberpunk trademarks?

**Adam Kiciński:** Yes, licensing royalties are recognized by CD PROJEKT SA.

**Uroboros:** Approximately how many employees can fit in the building you purchased at the turn of the year?

**Adam Kiciński:** Roughly 250-300.

**marcin:** Will CP feature rentable advertising banners?

**Piotr Nielubowicz:** Right now we have no such plans.

**ksiegowy:** Do your reported future period revenues only consist of preorders, or do they include advance payments, e.g. in the scope of minimum guarantees?

**Piotr Nielubowicz:** Yes, this figure comprises preorders, minimum guarantees, advance payments for deliveries and subsidies.

**zainteresowany:** Is the gadget store coming to Japan, China or Asia in general?

**Piotr Nielubowicz:** Our near-term plans are to bring it to North America.

**gracz:** Are the current tests of GOG Galaxy 2.0 producing favorable results? Are you introducing far-reaching modifications in response to testers’ feedback?

**Adam Kiciński:** The reception of GOG Galaxy 2.0 is very positive. Feedback is used to fine-tune existing features.

**Analitik Fundamentalny:** One further question regarding advance payments for deliveries. I had assumed that the payments remitted to suppliers mostly represented prepayments for elements of the game’s collector’s editions as well as advance payments for marketing events, including the Company’s largest to-date marketing event, i.e. its participation in E3 in Los Angeles. However, that event is now behind us and yet those prepayments have not been settled.

Am I then correct in concluding that they mostly concern elements of the collector's edition, which will be distributed shortly before or after the release date? Will such elements be sold or given away?

**Piotr Nielubowicz:** For the most part, these prepayments are related to production of elements of the Cyberpunk collector's edition. Of course, this is a product which we intend to sell.

**ksiegowy:** Have all distributors with whom you have signed contracts already remitted minimum guarantees, or do your reported deferred revenues only cover some of them?

**Adam Kiciński:** Only some. The remainder of minimum guarantees is collected after the release date.

**ksiegowy:** Are you allowed to use the Cyberpunk IP only for a certain duration, or is the right open-ended? Will the IP owner participate in sales revenues?

**Adam Kiciński:** We bought the IP and are now its exclusive owner.

**KarolM:** Will the new Cyberpunk-themed card game have a physical counterpart or will it be strictly virtual?

**Adam Kiciński:** There will only be a physical edition of Afterlife.

**gracz:** What are the required PC hardware specs for running Cyberpunk?

**Adam Kiciński:** It's too early to discuss hardware requirements – the code optimization process is still ahead of us.

**inwestor\_2k:** Why wasn't Adam Badowski present at the earnings conference?

**Adam Kiciński:** Adam B. is busy developing the game. :)

**gość:** Will Cyberpunk also be available on current-generation consoles?

**Piotr Nielubowicz:** Cyberpunk has been announced for PlayStation 4, Xbox One and the PC.

**Tombo:** How many employees work at the CD PROJEKT Capital Group, including its administration and subsidiaries (GOG, Spokko)?

**Piotr Nielubowicz:** At the end of June our workforce numbered 953 people.

**Analityk Fundamentalny:** You reported 7.9 million in consolidation eliminations on deferred revenues (between CD Red and GOG). What does this figure represent?

**Piotr Nielubowicz:** This figure concerns settlements between GOG.com and CD PROJEKT RED in association with preorders.

**Gość:** How many game developers work for the company right now?

**Piotr Nielubowicz:** The Group employs over 600 developers.

**andy\_dufresne:** Why Keanu? How did you arrive at this idea?

**Piotr Nielubowicz:** Keanu Reeves has a long history of playing driven characters who rebel against the system (e.g. Neo in Matrix). Johnny Silverhand is one such character.

**Mesjarch:** What are your plans regarding the branches in Kraków and Wrocław? Will they mainly support the Warsaw studio or work on other projects?

**Adam Kiciński:** Our ambition is for them to become autonomous, but achieving this will take some time. We also think it's important for our branches to cooperate.

**Adam Kiciński and Piotr Nielubowicz:** Thank you for participating in the chat session! See you next time.

**Moderator:** On behalf of the editorial board of StockWatch.pl I would also like to thank you for the lively discussion and invite you to our next meeting with CD PROJEKT representatives.