

**Adam Kiciński (AK):**

Good morning, welcome to the annual results conference of CD PROJEKT Group. Today we will talk about key business events and financial data for 2019. My name is Adam Kiciński and I will run the presentation together with Piotr Nielubowicz, as always. There is also Michal Nowakowski with us and he will join the discussion in the second part of the conference when the Q&A session is planned. The presentation in PDF format is available on our web page [cdprojekt.com](http://cdprojekt.com) in the first white tile on the right, titled CD PROJEKT Group presentation FY 2019.

In the past Piotr and I were on the stage together during annual conferences. This time, exceptionally, the conference is organized as a conf call due to the pandemic circumstances. And I would like to start the presentation with a short update of our response to COVID-19. Let's jump to slide number 3. We started an intensive preparation to be able to work from our homes in the first half of March. We multiplied the connection bandwidth of the office – laid down new cables, bought new hardware and software enabling us to effectively connect all team members to our internal servers, so they can all work remotely. By the 16th of March we had already moved over a 1000 people from CD PROJEKT RED and GOG offices to the safety of their homes. The whole operation went smoothly. Of course, all those measures were preventive, as by mid-March the epidemic in Poland was only just starting. The first 3 weeks of remote work have shown that we are able to carry on all internal work without major turbulences. Therefore, our plans haven't changed and we are vigorously continuing preparations for Cyberpunk's September launch.

Moving on to the summary of last year I would like to start with a couple of slides about the key business events of 2019. Let's jump to slide number 6. Our games debuted on new platforms. We released The Witcher 3 on Nintendo Switch in October and it was our first game ever released on a Nintendo platform. Therefore our flagship game and key generator of the current results is now available on four platforms. And regardless of the fact that the game is already five years old, its sales are still outstanding. Please move on now to the next slide – number 7. Last year we sold almost twice as many copies of Witcher 3 as in 2018. This is further solid proof that focus on quality is critical to our business and it's worth investing time and money in games that can sell for many years. On the next slide, number 8, you can see the increase of the digital distribution in sales of The Witcher 3 over the past 5 years. Today, digital distribution is a dominant revenue generator for us. Additionally, our royalties on The Witcher 3 products family on Steam, which is currently our biggest seller, have increased to 80% earlier this year.

Moving on to the next slide, that is number 9. GWENT, our online free-to-play game, debuted on Apple mobile devices in the end of October. It was a key milestone in GWENT development as the game was designed from the beginning with mobile devices in mind. On the next slide, number 10, we can see that iOS accounted for more than half of total revenues between its release and the end of the year. It clearly shows that GWENT landed well on mobile devices. And two weeks ago, we added the Android version, but this is a story best left for the summary of Q1 results, which is planned for May. Let's move on to slide number 11, and I'm passing the presentation over to Piotr. Piotr, the floor is yours.

**Piotr Nielubowicz (PN):**

Thank you, Adam. Last year was a very good year for us indeed, also with regard to the financial results achieved. Please go to slide number 12 – our profit and loss account. Group revenues exceeded 521 million PLN. Most of this amount – 304 million – came from sales of our own products: The Witcher 3 – including the release on Switch, GWENT – which premiered on iOS devices, Thronebreaker, The

Witcher 2 and The Witcher 1. The next line – 38 million PLN in Revenues from sales of services – was delivered by CD PROJEKT RED and consists of revenues obtained in collaboration with external publishing partners, in the framework of the Cyberpunk promotional campaign and, to a lesser degree, the promotion of The Witcher 3 release on Nintendo Switch.

The next big source of the Group's revenues came from the GOG.com segment and 154 million PLN in its digital sales – presented in Revenues from sales of goods and materials. As usual, the GOG platform and GOG GALAXY sales beat the result of the previous year. This line also includes 35 million PLN in revenues of CD PROJEKT RED which mainly consist of sales of physical elements of Cyberpunk collector's edition, and physical elements of The Witcher 3 on Switch to our distributors. And also, our first 6 million PLN in revenues generated by the CD PROJEKT RED Store which started operation in the middle of 2019.

All in all – our 2019 sales grew by 44% compared to the level achieved in 2018.

Where sales grow, the costs of products, goods and materials sold usually increase as well. The increase of Costs of products and services sold comes from full-year depreciation of Expenditures on development projects related to GWENT and Thronebreaker – both products were released at the end of 2018 and therefore the proportional depreciation in 2018 was lower. Moreover, in the last quarter of 2019 we released and started depreciating expenses related to The Witcher 3 Switch edition. The Cost of goods and materials sold also went up – however, the increase was slightly lower than the growth of revenues for this category.

Great sales allowed us to achieve 360 million PLN in Gross profit on sales – 40% more than the year before. At the same time, all operating costs grew by 25% and reached nearly 180 million PLN. The growth comes mainly from three cost groups: promotional and advertising expenditures – especially related to Cyberpunk, GWENT and The Witcher 3; remuneration of team members – both fixed and dependent upon our Group's result; early recognition of costs related to our incentive program due to revision of the expected moment of attainment of the goals of the program.

Since operating costs increased less than our gross profit on sales, we enjoyed 60% growth of EBIT and the same 60% growth of the Net profit of the Group.

Our Net profit for 2019 reached 175 million PLN.

A large part of our result was delivered during the fourth quarter of last year – please go to the next slide, slide number 13. This chart presents CD PROJEKT Group's quarterly revenues for 2018 and 2019. The Q4 release of Witcher 3 on Switch and GWENT on iOS significantly added to the sales of the best season of the year. On top of that – the popularity of The Witcher series from Netflix certainly added to the recognition of the Witcher universe at the very end of the 4th quarter.

As you all know, the revenues we book into our P&L are offset by costs and expenses, and the remaining revenue that is not expensed becomes our profit. Please flip to slide no. 14 that presents how the quarterly revenues were allocated between costs and expenses and net profits. During the last quarter of 2019 our net profit was greater than all the costs and expenses together, which means that the net profitability we reported for this quarter reached 51% of revenue.

I am really proud to say that with respect to sales, the 4th quarter of 2019 was the best 4th quarter we have ever had in the history of the CD PROJEKT Group. Better still – it was the best 4th quarter ever, not only in terms of sales, but also in terms of our net result.

Let's go to the next slide – number 15 – our balance sheet. Our fixed assets grew – especially in line with the development of Cyberpunk, The Witcher 3 on Switch and other projects we work on – which is visible in the Expenditures on development projects. I will come back to this in a moment in more detail.

All other fixed assets grew by nearly 140 million PLN and this growth comes mostly from the following. First, investment into our campus: at the end of October we acquired the building complex in which we have successfully been growing for the last two decades. We want to create a unique complex, tailor-made to game development's needs, that will secure our future growth and working space for upcoming projects. Second – recognition of rights under our different lease agreements, in line with the application of IFRS 16, with a total value of 20 million PLN – which is offset by the corresponding Other financial liabilities on the liabilities side. And last, all tangible and intangible assets we purchased or replaced last year.

Inventories at the end of 2019 reached nearly 13 million PLN and grew due to preparations for Cyberpunk's premiere. This also includes the newly created inventory of the CD PROJEKT RED Store which started its operation in 2019 and is serving both European and North American markets.

Receivables went up at the end of last year, to the considerable level of 210 million PLN, which is 152 million more than at the end of 2018. The reason for this high value comes from great sales at the end of the year, and VAT-related receivables – mostly linked to our purchase of immovable property. Good news is that 2019 receivables have been flowing to us in 2020 with no turbulences.

Another significant line – Cash and bank deposits – I will come back to this in a moment.

Our Equity grew and there were two major opposite forces shaping it – dividend paid out to shareholders and net profit of 2019. Long term liabilities – this is mostly the other side of the MSSF 16 and leasing agreements I mentioned a minute ago. Our liabilities at the end of 2019 grew slightly, reaching 73 million PLN, which comes mostly from trade liabilities of both GOG and RED segments.

And, finally, my favorite line item among liabilities – Deferred revenues – 145 million PLN out of the 161 million PLN comes from advances on royalties for Cyberpunk PC digital preorders and initial advances on minimal guarantees from our physical distributors. This line grew quarter by quarter in 2019. It's worth mentioning that it also grew during the 4th quarter as the incoming amounts related to Cyberpunk were higher than the total value of advances related to Witcher 3 on Switch which was released in Q4, and all the pre-orders were booked into sales.

Provisions – these include different provisions but the most significant item is related to reserves for annual bonuses dependent on our profit for the year. This year the results outperformed the past year, and therefore provisions for 2019 profit-related bonuses are higher than the year before.

Let's go to the next slide – number 16: changes in our Expenditures on development projects. We started 2019 with nearly 243 million PLN invested into development. Out of this, 178 million was related to work in progress and 65 million to finished projects – GWENT and Thronbreaker. During

2019 this item of our balance sheet increased by 173 million PLN – mostly due to development of Cyberpunk, The Witcher 3 on Switch and other projects we have worked on.

In October 2019 we accomplished the Switch project and 13 million PLN was moved from work in progress to finished goods. Finally, during 2019, we depreciated nearly 30 million PLN in expenditures on finished development projects – GWENT, Thronebreaker and The Witcher 3 for Switch, starting from October. The total amount of Expenditures on development projects at the end of 2019 reached nearly 386 million PLN.

Let's go to next slide – number 17. Our cash and bank deposits balance decreased over 2019 due to three major reasons: we paid 101 million PLN in a dividend, invested 121 million PLN into fixed assets – with the largest investment being our own campus – and we spent 165 million PLN on development projects. All our remaining activities generated 210 million PLN in positive cash flows – that is 35 million more than our net profit of the period. And – more good news – at the end of 2019 we still had 210 million PLN in open receivables, which – as I said a minute ago – reinforce our accounts in 2020.

Please turn to slide 18. The results and achievements of last year allowed us to attain the goals of our incentive program, which I would like to present starting from slide 19. The first goal – responsible for 20% of entitlements – was for our stock price to grow as much as the WIG indeks + 100 percentage points. Between the end of 2015 and the end of 2019 the WIG index grew by 25%, while CD PROJEKT shares grew... substantially more, nicely exceeding the targets.

On the next slide – number 20 – please find our profit target for the years 2016 to 2019, responsible for 80% of entitlements. The profit target was 618 million PLN. Altogether, during the last four years, we earned 735 million PLN, which is 117 million above the target.

Therefore, both goals of the incentive program on the Group level were attained. Formal confirmation will come after our annual shareholders' meeting.

As the old incentive program will soon be over and as we have big challenges and opportunities in front of us, we, the board of the company, would like to propose to the shareholders' meeting of CD PROJEKT another long-term incentive program for key CD PROJEKT Group team members. Basing on our successful past results we believe the next program should be shaped along the same logic as our two previous programs.

The current program included three base goals that grew over time – please refer to slide number 21. Obviously, the goals of the new incentive program should be updated – to put them into perspective, we presented them on slide 22 together with the goals of the current program.

During the timeframe of our first incentive program, until the release of The Witcher 3, the CD PROJEKT Group earned between 5 and 28 million PLN annually. After the release of The Witcher 3, during the timeframe of the most recent incentive program, our net profits varied between 100 and 250 million PLN annually. We would like the new program to move us again to a new level where our average net profits could be measured in the billions.

Same as last time we would also like to set “premium” goals – please have a look at slide 23. 10 billion zloty is the ultimate goal for the 6-year period between 2020 and 2025.

At the same time we do not want to be driven solely by the need to achieve particular financial results. As always, the main target for us is to stay focused on quality, to be fair to gamers and develop the greatest games we can imagine. If we do that – I am convinced the profits will come as a natural consequence of our work and dedication.

Thank you – that is all from my side. We can now start the Q&A session.

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**Participant 1:** Hi, thank you very much. Three questions from me. The first may sound like – fortunately, everything is going well with regard to working from home and development – and everything seems good. What about any elements of the release of CP77 that are outside of your control? We hear about ratings agencies that are slowed down. And then I have some questions regarding your incentive program. Looking at those slides you can see a slightly bigger increase in your target for 2025 compared to 2024. Is that implying anything about the release cadence of certain games? And then an update on tax would be nice – what tax are you using your base case assumptions?

**Michał Nowakowski (MN):** I will start with the first question; the others will be addressed by Piotr. The first one – you were asking about the rating agencies? [**P1:** Yes – we read about Japan closing for a month; we don't know if others will] We have obtained the vast majority of ratings already for the game. The game has been submitted for rating – I don't remember the exact date – but it was earlier in March, and by now we have obtained the vast majority of ratings, so there's no risk of not obtaining ratings in any of the major markets. We don't really see any major risks that may impede us or stop us in any way from launching in September. There are some difficulties in the localization process; specifically with recording some of the voiceovers. Most studios are closed for the time being; however, we have managed to record the vast majority of the voiceovers – but there are always some last pick-up sections. We are not very worried about that, because that's something we can add in the form of a patch that the customers who buy the game in September can just download, but that process has been hampered here and now. Still, this is not something we have identified as a major risk – and it's the only thing on our radar. Everything else, we're already past that hurdle or it's things that are progressing smoothly; "business as usual" I would say.

**PN:** The targets of the incentive program are not directly linked to our financial plan, but there are somewhat linked to the roadmap for products that we are planning to bring to the market. But it's more of a general idea, with – I believe – ambitious goals for the future that we would like to meet by releasing games. I cannot directly answer the question about effective tax. We will always be doing our best to pay the required taxes basing on future regulations. The standard income tax rate is 19% and this year we have been able to lower it to about 7% effective tax rate, due to tax preferences which we could apply – this includes IP BOX and relief for development work. Future targets are not directly linked to tax being a couple of percentage points higher or lower.

**Participant 2:** Thank you very much and good morning. The first question is on the marketing strategy for CP. With the conferences shut down, can you explain a bit more how you're going to reach people and market the game? Secondly, with physical stores also shut down – we don't know how long this is going to last; hopefully not that long – can you give us any insight regarding potential "hitches" with physical stores? You said the release is expected to be about 50% physical in the first few weeks. Will you revise that view based on what's happening with the physical stores? And lastly, can you say anything at all about the mobile game that Spokko is working on, and any timelines?

**MN:** Hello. I'm going to take the first two questions; Spokko – I'll pass to Adam or Piotr. So first of all, the marketing strategy and the missing E3: we've been planning for that since as early as the second half of February, so it's not been too much of a surprise for us, to be honest. We've been working on a digital strategy to unveil new facts about the game to the players at these events. One has to remember that while E3 and all that is, of course, super important, the conferences present the vast majority of content to the consumers in digital format – people are watching that on streams; Twitch, YouTube and so on – when it comes to the mass consumer. So that has changed; we're working on smart ways to present it to as large volumes of people as we can. I'm not going to go into details on this call, since it's part of the marketing strategy, but we have plans for Jun-Sep without any physical events happening. We're able to execute the whole marketing mix without that. When it comes to the final marketing mix, there are various scenarios we're considering, including purely digital marketing. We're not at this moment excluding other forms of marketing, such as physical in-store presence, but that will depend on how the situation in each particular market is going to evolve. The situation is so specific that a lot of these assets available for marketing in special places are pretty much frozen right now, and we'll be able to react very fast. We are ready in terms of our assets to be everywhere we want to be – both physical and digital. So we're keeping our flexibility for as long as we can; we're constantly updating each other on the major markets but also on the smaller markets, and we'll react depending on what the situation is as we get closer to September. When it comes to retail stores, the vast majority of the retail market is closed. The effect of that varies depending on the market – despite the closure of physical stores sales have spiked. This happened with some of the hardest hit markets, to the point that, in those markets, the consoles are completely sold out and box sales have actually increased. We recognize that this is a dynamic situation and just because it happened in March does not mean that the situation will be the same in April. All said, we are launching in September – that's five months from now – so we assume that things will have changed significantly and we hope for the better; we imagine that stores may be open. There's also the question of what retail channels will gain or lose advantage in a given market, but what we're seeing is that in the territories where this is happening – with retail gaining or losing importance – the overall numbers seem to remain more or less the same, and of course with retail, you'd expect it to naturally benefit from delivery of packages straight to people's homes. They are taking advantage of that situation – just because it was their natural source of business anyway. Coming back to your final question, concerning the split, we've built a couple of scenarios depending on what may happen in September, but we're not officially changing that split. The split may change slightly in favor of digital distribution, for sure, which would mean bigger revenues for us, but this does not have to be the case. A lot will depend on how retail will cope with the situation in the coming months and what's going to be the outcome of that come September – but for now we're not making major shifts in our planning. It's still early, but the situation does not look grim or bad, for sure.

**AK:** Regarding Spokko, we cannot say too much at this moment. The game is playable, we're testing the prototype. One of our lessons from GWENT is that releasing an online game should wait until the moment we're sure we have amazing, cool gameplay. So we're focused on internal testing and making the game better and better – and it's too early to say when it'll be ready for release. The fact that we want to release a very polished product is more important bearing in mind that the game is purely mobile. For now we can't share further details about the Spokko project.

**Participant 3:** Hi guys! I've got two questions. One is a follow-up to Matthew's question regarding the physical/digital split. I mean – we all have a go at our model, trying to see the difference between the physical unit and the digital unit – is there anything you can say now to help us understand the difference between 60:40 and 50:50 – the kind of benefit per unit you get in your revenues for digital

vs. physical? And second question – in terms of the competition around your launch date. We've seen a few games being delayed already; I guess we can all imagine a few more may be delayed because it's difficult to market games at this moment. Is there a risk that we're going to have quite a pile-up of new launches towards the back end of the year, and that make it more difficult for you in terms of number of units – from a competitive point of view?

**MN:** I can start with the second question regarding the pile-up in September. There's some shift of releases happening right now; frankly speaking I'm aware of one major one – it's The Last of Us, the only big one I'm aware of, and they haven't proposed a new date yet; but coming back to the origins of your question – we're not really worried. You're never launching in a time that's exclusive to you; there's no such thing. September has anyway been a very competitive period and we've always been aware of that. That's fine; we believe we're launching a must-have title; people are going to choose it because they have been waiting for that and this is going to be the moment they can enjoy it. So we don't know how many titles are going to pop up in that window; nobody knows that for sure – probably not even the owners of the brands, because they've not made up their minds just yet – but we're not planning to move our dates just because somebody else is going to land in the window.

**PN:** OK, coming back to the first question – what could be the impact of changing proportions between physical and digital sales – historically, for the initial period of The Witcher 3 market sales on each digital copy we were earning twice as much as on each physical copy. But this data is valid for the specific case of The Witcher 3. Our physical royalties are paid based on the revenue made by the physical distributor plus all costs related to the premiere and distribution of the game. Some of the costs are fixed costs, like the marketing campaign, so the final royalty per copy is dependent on what is the proportion between the variable revenues and the fixed costs of releasing the game. The more you sell, the greater the proportion of royalties. Therefore I cannot give you a clear answer, especially in this new situation – as it represents a new opening, so to speak, and the situation we know from the past may not be naturally applicable to future sales.

**Participant 4:** Good afternoon and congratulations on good results. I would like to ask some questions. Firstly, how would you assess preorders for CP77. Can you share any updates? Secondly, could you share any updates on your plans related to new games – do you have more clarity about CP Multiplayer and how it will be monetized? And the last question is about your expenditures on development of new games and technologies; they reached 175 million in 2019. What trends would expect in 2020 and thereafter?

**MN:** On preorders – we're not disclosing the numbers of details. I can restate that we are happy with these, but it has always been the plan not to share the specifics about that.

**AK:** Regarding our next project – we are going to talk a bit more about the future after releasing CP. So for now, we're not going to reveal any more details about future projects. We stated that there will be future events after Cyberpunk, but right now we want to focus on CP and not to distract our gamers.

**PN:** We're not giving any guidance on future results, but the general situation with our development for the future is that we're not going to be shrinking the team – we will probably even expand it, as we keep hiring and growing. Salaries, which are a big part of our R&D expenses, will not decrease. At the end of 2019 – and the same will apply to the first quarters of 2020 – we will also have extra expenses related to localization, testing and the final stage of production of CP. Obviously after you release the

game, this part will be gone for some time until we finish another project and this should reduce our quarterly and annual expenses on development projects.

**AK:** We will now proceed with questions received in written form – how many developers are working on CP77 and how many are working on the multiplayer version of the game? There are 600 people altogether working on CP-related projects – a bit fewer than 600 – and the team is focused on the single-player release. Some multiplayer people are also engaged in the single-player release and the other way around since those projects are directly connected. The team in Wrocław – 40 people – is dedicated to multiplayer. So, the vast majority of the team is working on the single-player release.

**MN:** The next question is: do you feel comfortable with the September release of Cyberpunk? What else is there to do to finish the game? How many people are QA testing the game? So – do we feel comfortable with the September release of Cyberpunk – yes, we do. What else is there to finish the game – lots of small things adding up to a larger thing, but to simplify – we need to send the game for certification to third parties, and then it's pretty much work on the zero-day patch, fixing and polishing – and that's pretty much it. The game is in a complete form; it's done and it's all bugfixing, polishing and – like I said – a lot of smaller and bigger activities, adding together to that stage where we send certification, it goes into manufacturing; some components are already being manufactured or have been manufactured in physical form. In terms of QA testing – it's about 130-150 people working on it right now.

**PN:** Another question – do you plan buyback of stocks to offset supply of stocks after the current incentive program is over? Any such decision on our side would have to be reported; so far there has been no report on that – so there's no decision at all in this respect.

And another one: do you think that your effective tax rate from 2019 will be sustainable in the next quarters? Could you comment on how this rate is calculated? So, our effective tax rate for 2019, as I already mentioned, is based on IP BOX and R&D relief. In order to be able to qualify for tax preferences we need to have products that meet the criteria of the tax preference programs, and in the case of The Witcher we could apply it nearly entirely, but with other projects it's not that easy. So, the effective tax rate in the future may vary depending on the situation, on our release and on the composition of our revenues and profits – on where we make the profits; physical sales of gadgets and similar products do not qualify, but the vast majority of our games does. So it depends on the products and revenues we will generate in the future.

**MN:** The next question is – it is difficult to provide physical copies of games these days. Considering this, have you considered postponing the premiere of Cyberpunk? So, first of all I'm not sure what's meant by "providing physical copies of games these days", so I'll try to answer from several angles. First of all, the manufacturing is not impeded in any way – even right now, at all the facilities it's pretty much happening normally without any difficulties. If you mean by "provide" providing to physical stores – it's not impeded at all either; with all the physical stores that continue to sell products, the transport is happening normally and there are no issues whatsoever. With providing to end customers – it's something I have already addressed. Even right now, in some hardest-hit countries – I don't want to say specifically, but there has been an increase in physical copy sales – not just digital, but physical. So it seems a lot of retailers have adapted very well to this situation, although it's not something we've been expecting to be perfectly honest with you. Again, time will tell how the situation will evolve should they remain closed, but right now in the vast majority of markets there doesn't seem to be as much impact as we thought, oh the physical side of things. Again, just to remind you that we're



launching in September – not right now and not in May or June – and we do assume that things will change, hopefully for the better, by September. Currently there's no damage in the supply chain, from manufacturing through shipping to the end consumer of the physical boxes – but I would be far from judging the impact of the situation in September, because the situation may be very different; we're hoping it'll be better.

**AK:** The next question is: is current testing of Cyberpunk internal or external? So the answer is – both. We have both internal and external testers. Internal testers work from their homes through VPN, so the situation is very similar to what we had with TW3, although the number of testers is almost doubled compared to TW3.

**PN:** The next question – where does the difference between the base and optimistic scenario, which is 8.3 billion PLN vs. 10 billion PLN net come from? Does it depend on the release date of the next big title? No. The difference between the base case and the premium scenario is that the premium target is based on the base target; however, with the assumption that the target will be achieved one year early. So the fourth-year target in the best case should be achieved in three years, the fifth-year target in four years and the sixth-year target in five years. By moving the target by one year obviously we end up with a gap in the 6th year and the premium goal – 10 billion PLN for that year – is our “dream” of what we would like to achieve in such a premium scenario, and it does not depend on releasing or not releasing another game within the sixth-year timeframe.

Another question – we can only find the preorders from Steam and GOG. Could you provide us with any comments on whether console sales – not included in the deferred revenues position – may be similar to PC? In general, preorders on consoles are lower compared to PC. PC is a more preorder-friendly platform, and our balance sheet does not show console preorders because the console platform holders are not prepaying advances on royalties based on preorder effectiveness. Therefore, it's not visible. In the deferred revenues line we present only PC preorders' advances and also advances from our physical distributors with whom we have contracts, and basing on those contracts some advances are due to us prior to the release of the game.

**MN:** The question – since you already have development kits from Sony and Microsoft – I assume it's about next-gen – can we assume that once future consoles hit the market, Cyberpunk will be immediately available, or will you require some time to finish these releases? So, we have announced in response to MS announcement of Smart Delivery – that, when the version of CP for next-gen is ready, it will be available for players who purchased the Xbox One version. There's no official announcement coming from PlayStation, so we cannot confirm or deny anything; it's Sony that needs to first address the issue and then we'll be happy to make a comment, but we cannot jump the gun ahead of them – I hope you'll understand. In terms of Microsoft consoles, we have officially confirmed both the updates and the cross-gen availability, meaning you will be able to play the game from the get-go on next-gen; however when it comes to a proper full-blown next-gen version, that's going to come later; we haven't announced when and I don't have a new comment here on that – but this patch will be available for everybody who purchases the Xbox One version here and now; once that update is live they'll be able to download it free of charge. That's our official announcement. And again, I cannot comment on the policies of third parties until they've officially announced them, so I cannot address the PlayStation part of the question.

**AK:** The question is – how big an impact of Netflix do you see on sales of The Witcher in Q1? As Q1 results haven't been published yet, I cannot comment too much, but obviously we see the impact. The

Netflix series is popular, and it works in favor of the popularity of the whole franchise, influencing the games as well. As you've just seen in our presentation, sales of TW3 last year almost doubled compared to sales of the same title in 2018 – and it happened mostly due to our sales activities, since the Netflix series debuted 10 days before the end of the last year, so it helped only in a very narrow window. This year the Netflix effect will probably be more visible, since it covers the whole period.

**PN:** Another question – were the costs of the settlement with Andrzej Sapkowski fully recognized in P&L for Q4 2019? The consequences of the contract we signed with Mr. Sapkowski are fully included in our financial statement. Not all of them are our immediate costs in the Q4; some will materialize later on during our cooperation; however, all the provisions, rights and costs required are already included in our 2019 annual report.

Another question – can you please provide us with information on what amount you transferred from deferred revenues to P&L as a result of The Witcher 3 Switch release? No, we do not reveal this information but obviously the total preorder amount for Switch was lower than the Q4 value of preorders for Cyberpunk.

Will the shares that will be allocated under the current incentive program be issued or purchased on the market? We didn't make any final decision on that but looking at the number of shares and current market price I'd say the buyback option to fully execute the incentive program is less probable than issue of new stock, exactly as has happened with the first and second edition of the incentive program.

Another question about dividends: we didn't make any final decision about dividends for 2019, but in general we believe the time we have right now should be used on the development and release of Cyberpunk, and we need to do all we can to help and minimize any potential risks, and paying dividends during this time is probably not in line with such a philosophy.

**AK:** Thank you very much. If you have more questions, please address them directly to our IR department. Thank you for participating in our conference and see you – hopefully – next time live on stage.