

Adam Kiciński (AK):

Welcome to CD PROJEKT'S Q1 2020 results conference call. My name is Adam Kiciński and I will run the presentation together with Piotr Nielubowicz. There is also Michal Nowakowski with us and he will join the discussion for the Q&A session that is planned after the presentation. The presentation is available on our web page cdprojekt.com.

What you can see on the cover slide of the presentation is not V it's actually a Roman five to mark the fifth anniversary of the release of The Witcher 3. And, thanks to gamers, we've just got a birthday present - take a look at the second slide. Sales of the Witcher series have hit another sales milestone, totaling 50 million copies, with Witcher 3 accounting for almost 2/3 of that number. Piotr will later tell you a bit more about figures. Let's go to slide number 3 and have a short update on COVID.

We are still working from our homes and have adapted to the situation. We are focused on the final phase of Cyberpunk and the whole development team will continue to work remotely till the end of August. We are also supporting local charities in the fight against the epidemic.

Moving on to key business events of Q1 I would like to start with Thronebreaker's release on Nintendo Switch - please go to slide no 4. As you may know Thronebreaker is our original take on CCG, blended with classic isometric RPG. It found its niche within which it is performing well. Let's move on to slide no 5.

At the end of Q1 we released Gwent on Android as planned. It's worth mentioning that just as on iOS Gwent is highly scored on Android. On the next slide so no 6 you can see our revenues for the first week after the release on each platform. For PC and consoles as a launch we took the re-release of Gwent so called Homecoming that took place at the end of 2018. Now our CCG is available on all systems, but on PC we've just extended accessibility by releasing Gwent on Steam earlier this month. Let's jump to slides no 8 and 9.

For the first time media representatives and global opinion leaders will be able to try out Cyberpunk 2077 in June. This is an important milestone for us and we expect to collect initial feedback around mid-June. Also, we plan to run Night City Wire, which will take place on June 11th. For now we are not providing any detailed information regarding this event, but we wish to already invite everyone to tune in to our broadcast.

Let's move on to the financial part - Piotr the floor is yours.

Piotr Nielubowicz (PN):

Thank you, Adam. I am proud to say that both in respect of sales and net profit the 1st quarter of this year was the best 1st quarter we ever had in our history. Let's jump directly to page number 11 – CD PROJEKT Group profit and loss calculation.

Our consolidated revenues reached nearly 193 million PLN which is 2.4 times more than a year ago. Both our segments posted increased sales – GOG grew nearly by half and CD PROJEKT RED... tripled its last year's 1st quarter sales.

Where did the growth come from and what supported it?

There is no simple answer. Looking at our products in Q1 this year we saw excellent performance of the Witcher 3 - including the Switch Edition which wasn't released until last October. Other new products that added to this year and were not available in Q1 2019 are the ones Adam just mentioned a minute ago:

- Gwent released on iOS last Q4 and on Android at the end of March this year - and
- Thronebreaker – released this year on Nintendo Switch

The above 4 new editions boosted our sales this year vs the 1st quarter of 2019 but we also experienced increased sales of our other products. We believe that there was more than one reason behind it:

- first, the Netflix series released at the end of 2019 which added to the recognition of the Witcher universe, and
- the lockdowns implemented in many countries around the world due to the covid pandemic.

Along with the increase of revenues our costs quarter on quarter also grew – on the COGS level the growth was 1.7 times – which allowed the gross profit on sales to increase 2.8 times. And on the operating costs level the growth was 1 and a half times which made the EBIT grow 4.8 times versus last year. Along with higher financial incomes and proportionally lower income tax our net profit for the first 3 months of 2020 reached 92 million PLN growing over 5 times comparing to the first quarter of 2019.

To put this into some longer perspective please have a look at the next page – page number 12. Revenue-wise during the last 2 quarters it seems like Christmas came twice.

The next page presents our net profit versus sales – both in the last Q4 and in Q1 roughly 50% of our Group sales stayed with us as net profit after taxation.

The next table – our balance sheet – page number 14. Assets and Fixed assets to start with. The main growth comes from expenditures on development projects – obviously mainly due to Cyberpunk 2077 development. And again, to put it into some longer perspective – please have a look at the chart on the next page – our outgoing cash for expenditures on development projects. During the first 3 months of 2020 we spent a bit less on developing games and technologies than we did in the preceding quarter. This is mainly due to completion of the Witcher 3 Switch port and lower spend on external services - mainly related to Cyberpunk due to getting closer to the accomplishment of the project.

Continuing with the balance sheet on the next page – within working assets two positions changed – our receivables decreased – this is natural since after the successful fourth quarter of 2019 we had relatively high open balance of receivables.

And – the nicest part – our cash position (including all bank deposits) grew by 128 million zł – I will get to this in a moment.

Equity and Liability. Equity grew driven by our profits of the period. And on the short-term liabilities side the biggest change was reported in the deferred revenues line – the over 22 million PLN increase comes mainly from our royalties on continuously growing PC digital preorder sales of Cyberpunk.

OK – and the most important – changes in our cash position – please flip to next page. We started this year with 482 million zł on our accounts. Our net profit for the period reached 92 million zł. From the reduction of receivables we got additional 73 million PLN in inflows.

The balance of all other adjustments added 17 million and the main positive driver here comes from inflows related to the deferred revenues on Cyberpunk of 22 million PLN. At the same time we spent 54 million PLN on development – as I said a minute ago – slightly less than in Q4. All in all we ended march with 610 million PLN of cash and deposits. That is 128 million more than the opening balance for the year.

As many of you may know a few weeks ago we reported our plan to diversify the allocation of our cash assets. We would like to convert up to 300 million PLN into treasury bonds split 50/50 between domestic and foreign t-bonds. The foreign ones issued by the USA, Germany and Switzerland. The FX

exposure should be limited by respective hedging transactions. We are currently in the process of relocating the funds.

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

Q1: Thanks a lot. I've only got one question. You said you wouldn't be giving much more details around the June 11 events, but could you say whether the June 11 events are a strong signal that you are indeed ready to launch the game in mid-September as you previously outlined?

Michał Nowakowski (MN): Hi, this is Michał Nowakowski speaking. The June 11 event is not really related to the launch date. It was supposed to be E3 – we were planning things for that time no matter what. I'm saying this because it's just that – Night City Wire is what we would have prepared for E3; of course, it's in a different form because there's no gathering of people in a convention center in LA; it's digital, so it'll follow a different format, but it's predominantly really just that.

Q1: Is there anything you've come across in terms of home working or foreign translation or anything that would make you think that you're not on track for the launch date?

MN: No, the release continues to be scheduled for September 17 and the whole team is working really hard to deliver on that date. The final few months are always the biggest hurdle, so these are always the most crucial months – and we know that from our past experience. We've been there a couple of times in the past and of course this is the first time we're doing that remotely, so we learn as we go – but that's as much as I can say. Thank you.

Q2: Morning everyone. I have a couple of questions. The first one is on the Witcher. Trying to look back when you went through the 40 million mark for sales on all platforms – could you tell us approximately when that was to give us a sense of the cadence up to the current level of total sales? And you mentioned in your prepared remarks that there two impacts regarding demand for The Witcher, one being the Netflix series and the other being the lockdown – I wonder if you can talk about what the mix between those two influences on demand has been; which one is more important? Obviously you can expect the Netflix effect to be ongoing and the lockdown effect not to be, so some comments on that would be helpful. And secondly – we're coming out of lockdowns in developed Europe and obviously in the markets where you expect to launch Cyberpunk in September, so could you provide some comments about the demand environment which you anticipate for the launch – as the lockdown ends you may have a bit less tailwind in terms of consumer demand for your products than you have right now. So – some comments on that would be helpful. Thank you very much.

AK: Hello, Adam Kiciński. We announced 40 million of The Witchers at E3 last year, in June 2019. So it took us less than a year to add 10 million to this – and most of this 10 million is of course The Witcher 3. Piotr, would you continue?

PN: Yes. The question was about what has the bigger impact on our sales – was it the Netflix series or the COVID lockdown situation. Obviously, we do not precisely track users and their motivations so we're unable to answer the question – but as I tried to state during my part of the presentation, there were several factors stimulating our sales; first of all – new product releases, and secondly, the market situation and the Netflix effect. So I believe no individual factor would have such an impact, but combined together they allowed us to visibly increase our revenues. I think that's all I can say – it's really hard to measure what had the bigger impact, whether it was Netflix or the COVID pandemic.

AK: And I would add that last year revenues from The Witcher 3 were double the 2018 figure. So it's not just that the first quarter of 2020 or last quarter of 2019 was great – in fact, the whole year 2019

was great. There may be one more factor: we're heavily promoting Cyberpunk (although the main campaign is still ahead of that) and there's an obvious association between The Witcher and Cyberpunk – as we produce both – so it may be just like with any past release: any game we release helps sales of the back catalogue, so perhaps the promotional activities are helping sales of The Witcher 3 as well.

Q2: And the demand environment for the September release?

MN: I'll take this one. This is Michał Nowakowski again. So – we're in constant touch with all markets; your question is mostly relevant when it comes to the physical market, because in terms of digital distribution there hasn't really been any barrier in access to storefronts globally. There have been, of course, quite a few barriers when it comes to physical purchases and stores being open around the world. So the situation obviously varies depending on the territory, but it's increasingly optimistic – almost globally, I would say. There's more store reopenings, maybe except for Latin America and South America where the situation is quite grim. But even there – at least when it comes to Brazil – there's hope of the situation getting better in September; we've had a chat about that with our partners a week and a half ago, so it's relatively fresh – but when it comes to key markets like the US, Europe and Asia – there's perhaps no huge optimism, but everyone believes things are going to go back to stores being open, customers being able to make purchases etc. So that's how we view the situation – we do believe that things are going to improve in terms of stores being available for customers. This may vary; there may be some hiccups but generally the stores should be open in September; that's what the market seems to believe.

Q3: Hello everybody. I have three questions. One was on staff, how the numbers are changing, and about recruitment. The second one is about Cyberpunk: the process of adapting the game for next-gen consoles and whether the hardware and the work-from-home situation was affecting that. And finally, I want to ask about GWENT. Unlike sales of The Witcher – if people buy The Witcher today, there's not going to be DLC in a year; it's a one-off event until the next game in the universe arrives, which I believe is going to be a while from now, I'm sure – whereas with GWENT – the more players, the more potential for monetization, particularly on mobile devices, and also it's a test run for a live game. So – just interested in the extent to which GWENT has gone and your experience in this regard. Thank you.

AK: Hello, I'll take the first one. In terms of recruitment – before the outbreak, last year, we decided to slow down recruitment for 2020. This is very natural; every time we release a game, we focus solely on this and we do not hire that much. Of course there are always some open positions, but that's about 10 or 20% of normal recruitment activity. So we're dealing with that without major problems. Of course recruiting remotely is a bit tougher – well, maybe not recruiting itself but onboarding; the first month. But the number of people joining us this year is very limited and we don't see any threats in this regard.

MN: The second one was about next-gen, right? As you know, we're working on PC, PS4 and Xbox One releases; we don't have that much to comment upon in terms of next-gen. The focus is on the announced platforms. And the last question about GWENT – could you rephrase it to make sure we understand the question?

AK: I'll add that of course, we're going to next-gen. We're not talking about this because we're focused on current-gen; but as we said, next-gen Cyberpunk will be released next year.

Q3: Understood. My GWENT question had two parts the first one was about your experience operating a live game – as you are going to have a Cyberpunk online game in the future, and also – the sales you make on new players that you bring in to GWENT can benefit you in future periods. For example, when someone buys a copy – as I've done – of The Witcher 3, there's no DLC or anything else for me to spend

money on until another Witcher game comes out – which we do anticipate – so it's a one-off; whereas there's recurring business in GWENT.

MN: Of course, we've accumulated a great deal of experience in the past couple of years when it comes to operating a live game. This was the first one for us, so – it has been a big experience. In theory we knew quite a bit, but in practice it turns out that you learn every day as you make progress, which was definitely the case with us. When it comes to the lessons we've taken from GWENT – yes, there are quite a few things we're going to apply to Cyberpunk multiplayer – but not to say that there are going to be any microtransactions in CP single-player. We've stated it a number of times but I prefer to emphasize that because sometimes things get quoted in weird ways. So yes, the multiplayer edition is something we plan to operate, not just to launch – so yes, it's a long-term thing we're envisioning and an operation that you can imagine – a bit like GWENT – will have several smaller launches from the moment of the big opening. There's going to be additional content produced and launched on a regular and steady cadence. We want to make sure that people who enjoy this form of gameplay will be happy to come back for new content as we continue to develop it.

Q3: Thanks, I'm sure you're right to remind people about there being no monetization in single-player – before Twitter melts. [chuckle] Can I just come back to Adam and ask a question related to staff. How do you feel about your experience of working from home and the potential for future operation of the Group – in terms of your Warsaw or Wrocław staff working from home but also in terms of plans to have a distributed workforce, because – apparently people can effectively work from home. Do you have any thoughts regarding a longer-term pattern of work?

AK: Yes, we have, but we're not ready to share them. We're discussing the matter and we're not sure – we'll see how we feel in September, 3 months from now. One thing I'm sure about is that in a creative environment being able to work in a group in one place adds value. That's why we try to do as much as possible in Warsaw. Of course we have two teams outside of Warsaw, but everything gravitates to Warsaw eventually. So I'm a bit skeptical about long-term full-time remote work.

Q4: Hi guys. I've got two follow-ups. First of all, Ubisoft at their most recent call talked about issues surrounding motion capture, localization, voice recording, things that would need to be done physically, which they worried would delay one or more of their games. Is all of that done for Cyberpunk – all the things on the list of things that would be difficult to do from home? And second question – I'm sure you've been tracking the recent uptick in sales of game consoles during lockdown. Do you think that uptick is enough to make you more confident about the number of console units of Cyberpunk you can sell?

MN: When it comes to mo-cap and things which create a lot of difficulties for some of the other studios – they're actually behind us. As we've mentioned during our last conference; most challenges related to raw production, such as localization, recording etc., are actually slowly going away. I won't say they're completely gone, but they're minor and we're not really worried about that. When it comes to physical mo-cap sessions and so on, we're good and this is no longer a threat. We're at the bugfixing and polishing stage rather than at the stages you described earlier. When it comes to the number of consoles – we've been confident with the number of consoles before; of course – the more consoles, the better for us from our perspective. It's very hard to draw a direct correlation between the number of potential units sold and the number of consoles sold; especially the ones sold at the end of the lifecycle – because they're often very casual consumers who may reach for a sports or racing game but not for something like the game we're working on. So we're not really attaching great value to that. I'm sure there will be some consumers for us from that last cohort – new owners, but I don't think we're creating – in our heads – significant value around that, to be honest.

Q5: Do you plan more cooperation with NVidia; connecting sales of Cyberpunk with graphic cards or something else?

MN: We can only talk about what is announced. We have marketing co-op with NVidia, so there's quite a few things, most of which have been announced beforehand – although some things may still come up. We're not planning to bundle Cyberpunk keys with graphic cards. This is a very specific question and I can definitely respond that it's not in our plans. Our plans involve certain PR activities around each other's brands, which is a normal activity in terms of marketing cooperation. NVidia is certainly a partner when it comes to Cyberpunk.

Q6: I have a question – correct me if I'm wrong, but when we were talking 3 months ago, we mentioned some time buffers and that the September date was there because the summer might not be best for sales; now there seems to be a bit more focus on the fact that working from home presents certain difficulties – is this a correct impression? Could you elaborate on the fact that earlier on you were talking about certain time buffers – though I imagine you still want to release for the current generation of consoles?

MN: I think you're touching on a similar thing as what was asked at the very beginning. I don't really have much to add to that, to be honest. As I've said, we're working towards Sep 17, working from home, finishing the game from home – which is a first for us, but that's pretty much it. And as I've mentioned in addressing yet another question, yes, we're focusing on current-gen consoles and PCs. When it comes to next-gen, we're definitely gonna be out on them, but we'll announce that when we have something to announce, which, unfortunately, is not now.

Q7: Hi. My first question was already answered – I wanted to ask about localization and how their progress is going; you did talk about the pandemic slowing things down but mentioned that you've already gotten through this. The second question – you said the company is getting bigger in terms of capitalization; have you considered dual listing on exchanges other than WSE, and if so – what benefits you would like to see from such dual listing.

AK: Adam Kiciński here. I'll take this one. Dual listing is something we might consider one day – but to be clear, CD PROJEKT is a Polish company; we're doing business in Poland, we're listed on the Polish exchange and we're happy with it. The only thing we might consider one day is to have access to a broader audience of fans – but this is a matter for the distant future. For now we're focused on delivering the game and are not considering any such projects in the near future.

Q8: Good afternoon. In a follow-up to one of the previous questions it was mentioned that recruitment for 2020 has slowed down. Could you provide an update on your plans – when exactly you expect the company to be able to work on two AAA titles at the same time, with two teams at full capacity – I'm not talking about the multiplayer – but on base AAA titles.

AK: Multiplayer is planned to be AAA – so it's definitely among these titles. Bear in mind that we don't need the same size team for the entire production course. It's better to start with a smaller team; 70-80 people; sometimes even 50 for the first year; and then increase the size of the team – it grows rapidly when you enter the full production phase; somewhere around the middle of the project. So it's better not to have two big teams at the very beginning. So I believe that after Cyberpunk we'll be ready to start working on more than one thing at the time.

Q9: Could you please clarify your decision to allocate cash assets towards the purchase of treasury bonds? Does this affect potential dividends after the release of Cyberpunk?

PN: The decision is based on the idea of further diversification of cash allocation. Historically we kept all our cash in banks; we've decided that due to the possible higher volatility of the market, it's better to spread our cash around and purchase some bonds, which is what we're arranging right now. Regarding dividends – these two events are in no way related to one another. I'd say that the idea of diversifying cash right now comes from the fact that we're not assuming any dividends for this year, so we know how much cash we have and we want to spread it.

Q10: Did you change your internal assumptions regarding share of digital vs physical copies during the first month after the release of Cyberpunk?

MN: We do assume that there may be more digital copies sold than we planned in 2019 – just because this year the situation has provided the first experience of buying something digitally for many people, and perhaps some of them will convert to digital purchases semi-permanently, but note also that we have an attractive physical retail offering – which is a highly unusual situation for a new game being launched. So I'm saying there's going to be consumers who will want a physical copy. So, internally, we're not adjusting the share of physical-vs-digital by a landslide. We assume there might be some uptick, but not a landslide. Still, it's a guessing game, to be honest.

Q11: What is the expected stable FPS rate on Xbox One?

AK: I'm sorry, but this is to be announced in the future – we're not revealing such details right now. We'll provide more information closer to release.

Q12: Do you have more details around the mid-June playable information for media and invited gamers? Are they signing NDAs, is this Company-only feedback?

MN: Let me start from the end: the media invited to hands-on presentations do sign NDAs and there's an embargo. Once it expires, they'll be able to reveal their opinions and experiences publicly – so it's not Company-only feedback; it's not internal – it's actually meant to be revealed publicly. And that's as much as we can reveal right now about the mid-June hands-on experience.

Q13: Do you expect that elevated demand for games will be sustainable after the lockdown ends, having in mind the looming economic downturn – or do you think that it will require much stimulus from studios to keep players on consoles/PCs; how does it affect the Cyberpunk release?

MN: It's a convoluted question, but let me say that we do strongly believe that having high-quality entertainment in the form of a videogame or a movie or anything else is going to be sustainable after the lockdown ends. People are, of course, craving outdoor activities, but knowing humanity that'll probably be satiated at some point and people will revert to more normal behavior: equal desire to have fun outside and indoors, with a movie or a videogame or whatnot. So I do believe that if you create a compelling experience in the form of a movie or a videogame, an AAA epic experience, then people will want that, because it's a form of having fun – which humanity enjoys. So I don't think it will require any additional stimulus apart from creating content and telling people by means of marketing that the game is out and making sure the media write about that – the ABC of what we're doing. We don't expect to have negative impact, if that's your question, on the Cyberpunk release.

Q14: Could you please give us an update about customers' behavior in April and May? Do you still see an elevated demand for gaming or are customers full of gaming and you see that demand is cooling down?

AK: Let us report the second quarter first, and then we'll be glad to comment, but there's nothing spectacular that we're noticing in terms of sales in April and May. Gamers aren't getting bored with

games and we see no significant increase or decrease compared to what we were expecting based on previous months.

Q15: How long is the embargo for reviews in June?

MN: I cannot comment exactly on that, but typically such embargos are there to make sure that the whole group of journalists who have access to such portions of the game, has had enough time to experience them and write opinions, and so on. And that's as much as I can share.

AK: As we have no more questions I'd like to thank you and let's meet at the conference during which we'll talk about our results from the first half of the year. Bye bye!