

Adam Kiciński (AK):

Good afternoon. Welcome to the call on CD PROJEKT Group's financial results. Today we will briefly sum up the first quarter of 2023. My name is Adam Kicinski and I will run this presentation together with Piotr Nielubowicz. Michał Nowakowski will join us for the Q&A session.

Before talking about Q1 I would like to share with you some good news. I'm very proud to say that The Witcher 3: Wild Hunt hit 50 million copies sold. This - according to public data - ranks The Witcher 3 among the 10 best-selling video games of all time.

At the same time, the whole trilogy - Witches 1, 2 and 3 - has reached a total of over 75 million copies sold. This clearly shows the strength of the franchise and we are excited, looking forward to our next projects within the Witcher universe.

Let's now move to slide 4 - our developers' involvement in ongoing projects. As of the end of April, the Phantom Liberty team working on the final phase of the project, was over 320-people strong. Making them our biggest team. The Polaris team is still growing and has reached 220 developers. Bearing in mind recent developments, I'd like to take the opportunity and make some comments on two other teams. First, Sirius: Following the evaluation of the game, we decided, earlier this May, on a new framework for the Project. As a result, the composition of the team has changed – mainly on The Molasses Flood's side. Therefore, next time - the red part of the chart will naturally be smaller.

Second, GWENT: Having decided to entrust its future into the hands of the community, the resources and roles required are naturally declining. Over the past year we've been transferring some of the developers to other projects, but at the same time we have to part ways with a number of team members. So the GWENT development team will continue to gradually decrease in size till the end of this year.

And last but not least on my side: the marketing campaign for Phantom Liberty is kicking-off soon. Less than 2 weeks from now we'll be taking part in Summer Game Fest: Play Days in Los Angeles. We'll have hands-on sessions for press and content creators. And at a later date we're also planning plenty of hands-on opportunities for our community. So please stay tuned!

Now let's sum up the financials. Piotr, the floor is yours.

Piotr Nielubowicz (PN):

Thank you Adam.

Now let's dive into our results for the first 3 months of this year.

Let's start with our Consolidated Profit and Loss account on slide 7.

Unlike last year when in Q1 we had the premiere of Cyberpunk Next Gen edition, during the first quarter of this year we had no special sales events. Internally - both development-wise

and publishing-wise - we focused on preparations for the most important event of the year - the launch of Phantom Liberty. As a result, our sales revenue compared to last year was naturally lower, but still reached a robust 175 million zloty.

In contrast to total group sales, our cost of sales slightly increased - which comes mostly from increased depreciation due to the completion and release of the Witcher 3 Next Gen edition in Q4 last year.

Moving on to operating costs - our selling expenses decreased by 15 million zloty, down to 39 million. This was mainly driven by a decrease in Cyberpunk servicing costs as well as in Cyberpunk-IP-related publishing expenses. As regards Administrative expenses - they didn't change much compared to last year.

Moving further to other operating income and expenses - the positive balance of over 18 million zloty comes mostly from:

- partial reversal of the Sirius impairment allowance we made back in the 2022 books,
- and partial write-off of our Q1 '23 development expenditures related to the project.

All in all - Sirius impairment adjustments improved our EBIT by nearly 19 million zloty.

We are happy that we have managed to work out a new framework for the project and it is already set on its new, ambitious course.

Another supporting driver is visible in the income tax line. Our income tax for the period decreased by half compared to last year - mainly thanks to lower withholding taxes paid abroad.

All in all, our net profit for the first quarter of 2023 reached 69.7 million zł which is slightly above the solid result of the previous Q1.

Let's now move on to the next slide – number 8 – our consolidated balance sheet.

Over the first quarter of 2023 our balance of expenditures on development projects increased by 71 million zloty. This figure represents the balance of new expenditures on development projects for the period - 74 million zloty - plus the already mentioned nearly 19 million zloty impairment adjustment related to project Sirius, and less the amount we have recognised as costs for the period - 22 million zloty.

At the same time, among current assets, our trade receivables decreased by 91 million zł - which is standard for Q1, when we collect receivables for the preceding juicy Q4 period.

And last but not least - the total value of cash, deposits and treasury bonds included in the three assets items marked with an asterisk is summed up under the table and totals 1 billion 112 million zloty as of the end of March 2023. I will walk you through our main cash flow drivers in a moment.

Let's move on to the second part of the balance sheet - slide 9.

This time the situation regarding equity and liabilities is quite simple:

- our equity grew, mainly due to profits for the current period,
- and our liabilities - mostly trade liabilities - decreased since the end of 2022 - similarly to the decrease of receivables.

Now please move on to the next slide - number 10.

CD PROJEKT RED's expenditures on Research, Development, and Service of released games are presented quarterly since 2021 to illustrate the changes happening at the studio after the launch of Cyberpunk. I will now focus on comparing this Q1 to the past Q4, to highlight the most recent changes.

The yellow part represents our total costs of servicing our released games. The increase in Q1 comes from additional support we allocated for the next-gen edition of The Witcher 3 released recently in Q4. And also, as we are getting closer to completing Phantom Liberty, initial research works on new projects are on the rise - mainly Hadar and Orion – hence the slightly shorter blue bar and the more visible green bar. The main projects included in the blue part in Q1 were: Cyberpunk: Phantom Liberty, Polaris and Sirius.

And now – our simplified cash flow on slide 11.

Cashwise, the 70 million zloty in net book profit for the period was supported by 25 million zloty in depreciation and amortization for the period.

At the same time, when talking about cash expenses, the Sirius impairment allowance adjustment, in the amount of 19 million zloty, needs to be deducted.

The already mentioned change in our receivables and liabilities - represented by the next 2 bars - also significantly boosted our cash flows this Q1.

We used the positive operating cash flows to finance over 70 million zloty of expenditures on our development projects - which are the core of our business.

Altogether our financial reserves kept in cash, bank deposits and T-bonds increased by 21 million zloty over this first quarter.

Our strong cash position leads us to the next page and the recent announcement regarding the recommended allocation of profit earned in 2022. The board of CD PROJEKT recommended to the General Meeting to allocate 241 million zloty to the reserve capital and to share 100 million zloty with our shareholders by way of a dividend payout.

We continue to believe that a dividend is the most straightforward, instant and democratic way of sharing profits on equal terms with all shareholders.

That's all from me for now – thank you for your attention.

We can now move on to the Q&A section.

P1: Thank you. The first question is – there’s been some rumors around that Sony is interested in your business. In the past you’ve made it pretty clear you want to remain independent – so an update on your thoughts on that would be helpful. And then – could we have more clarity around Phantom Liberty; I know you haven’t announced a particular release date yet, but if you could be a bit more helpful on the modeling – is it more likely to come in Q3 or Q4 of this year? Thank you.

AK: I’ll take the first one. Nothing has changed on our end. I can repeat what we’ve been saying throughout the years: CD PROJEKT is not for sale. We want to remain independent; we have – I believe – an excellent strategy. For sure it’s not easy to execute, but it’s very exciting to follow our own path, so it’s a pure rumor.

Michał Nowakowski (MN): I’ll take the second one. We are, unfortunately, not guiding specifically on release dates. We’ll give more details come June, so very soon – as we have previously mentioned in our communication.

P1: Just a quick follow-up if I can: are there any more reversals of expenses around the Sirius project to come? Or is that basically finished now?

PN: We naturally believe there’s are no more reversals or writeoffs for Project Sirius; everything we knew was put into the financial report published today, and I hope nothing will change in the future – that’s the current status quo.

P2: Thank you very much for the opportunity to ask questions. The first one – on development costs, which accelerated quarter-on-quarter quite significantly. At the same time the number of developers remains broadly flat, and you’re basically maintaining your key projects. Shall we treat this increase as the underlying inflation in wages that you’re capitalizing? And the second question – could you please talk about the withholding tax effect? Was it a one-off event? How should we model the effective tax rate for the rest of the year? Thank you.

PN: I’m not sure the theory which is part of your first question is true. As far as I remember, and as was presented in the slides, our expenditures on development in Q1 were very similar to what we had in Q4 last year – actually, they were slightly lower – and yes, a bit higher than in previous quarters. On the other hand, we can expect the expenses on development, which are mainly driven by salaries, to increase as a natural consequence of wage inflation and adoption of a new remuneration policy at CD PROJEKT in 2023. Regarding withholding tax, how to model it – it’s really hard to guide you in this respect as withholding tax depends on our international partners withholding this tax from payments remitted to us. We are at the end of the chain in this respect, receiving reports and declarations specifying what taxes were withheld; this is not directly under our control. Having said that, in many jurisdictions some withholding taxes are deducted, although in some cases the treaties Poland signed with partnering countries specify that withholding tax is not to be applied.

P2: Thank you. If I may – one more question – on the coming Game Fest: what will you be showing there; could you explain in more detail? Will it be the gameplay?

MN: It's meant to be a surprise, so if it's still to be a surprise come June, I cannot disclose it here – so we will still have to ask you to be a bit more patient, but we seriously hope it's going to be worth it for you and for fans of the game. So, please – have some patience.

P3: Good evening. Just got one question: if we look at slide 10, I'm interested in how this chart phases over the rest of the year, broadly – not in terms of numbers, but in conceptual terms. Do we get any of the new Boston studio landing here before the end of the year – perhaps stacking up as a new element in development expenditures? Then – when Phantom Liberty is released, presumably some of the development expenditure box will go to a new P&L line? I'm interested in elements that will feed into Q2, Q3 and Q4 for slide 10.

PN: Regarding the Boston studio, it is included in the numbers on the bars presented on slide 10 – since the Boston studio is developing a project for CD PROJEKT RED, who is the publisher, and we accumulate all of the expenditures on Sirius project in our books; that's why Sirius is part of the expenditures you see on slide 10.

P3: I didn't mean The Molasses Flood; I know it's confusing – I meant your new planned own studio in Boston, and also in Vancouver, working on project Orion if I'm not wrong.

PN: So, once we accelerate our engagement in Orion it will be first visible in our research costs, and then – one day, once we move to the development phase – it will power the blue development expenditures part of the chart.

P3: And so should I see it pushing up the green line here – during the second half of 2023, or is that not something I should be considering in my modeling?

PN: We believe the studio should start operations in the beginning of 2024, however we already have some expenses related to project Orion and project Hadar – both included in the green part; once the studio is set up and starts operating in 2024, the green bar should increase.

P3: And then – once Phantom Liberty is released – the P&L part of this par will go up, and the blue part will go down? Right?

PN: Once Phantom Liberty is released we'll definitely have to dedicate some resources to patching and updating Phantom Liberty; this will be represented by the yellow service costs part. Some people will join Polaris – that is already in the development phase, so it should boost the Polaris part of the blue bar – and some will join Orion, which will initially be presented in green, among research-phase expenditures.

Text questions

Q1: Could you explain what is the Cyberpunk IP publishing service in selling costs?

PN: So, last year, in the first quarter of 2022, most of the costs were related to the next-gen edition of Cyberpunk which had its release then. This year, during the first quarter most of the 9 million PLN amount was related to our preparation of our campaign dedicated to the

Phantom Liberty launch. There was also some amount related directly to supporting Cyberpunk – the base edition of the game – but most is to be attributed to preparation of the Phantom Liberty campaign.

Q2: You gave the total number of The Witcher 3 sales. What can we say about copies of Cyberpunk sold? Still no next large level reached?

MN: When it comes to this question – we have announced the new threshold for The Witcher 3, and when we have a next-round threshold for Cyberpunk, we'll share the news as well.

AK: As we have no more questions, thank you very much for joining us today. If you have any follow-up questions, do not hesitate to contact our IR team directly – by mail or by phone. Have a nice evening; good bye.