

Michał Nowakowski (MN): Good afternoon,

My name is Michał Nowakowski, and I'll be your host during today's conference, where we will sum up the first half of 2024. I will be co-presenting with Piotr Nielubowicz. After the presentation, we invite you to participate in a Q&A session.

With all hands on deck focused on development, the first half of 2024 can be seen as a quiet period in terms of big announcements. However, during that time, we organized plenty of activities to support sales of games from our back catalogue. We offered players free trial versions, seasonal sales, and even mod kit. All these initiatives had a positive impact not only on sales but also on the longevity and community engagement around our games.

And that's not all, as our franchise flywheel spins it continuously offers players new opportunities to interact with our brands, such as tabletop games, apparel, and even pop-up anime stores, like the one we recently opened in Japan.

And now, as always, let me sum up the current project engagement of our development teams.

As you can see on the chart, the situation in our ongoing projects this year is pretty stable and they have been progressing at a consistent pace. As a result, the differences between the end of April and the end of July are marginal. The sizes of each team have changed only slightly since the last status update we shared three months ago.

The Polaris team is maintaining the right scale to enter the production phase very soon, while our work on both announced and unannounced projects is steadily progressing.

That's all from me. Now, let's dive into the financials. Piotr, the floor is yours.

Piotr Nielubowicz (PN): Thank you Michał, and good evening everyone.

As usual let's start with our Consolidated Profit and Loss account on slide 5.

Our Group sales revenue for the first half of 2024 reached 425 million zloty, nearly one third more than in the comparative period. The growth was primarily driven by Cyberpunk which was supported and reinvigorated by Phantom Liberty.

We achieved this despite the very strong Polish zloty this year and both CD PROJEKT RED and GOG.com enjoyed year-over year increases in sales.

Our cost of sales increased as well - mainly driven by the amortization of Phantom Liberty and Cyberpunk.

Moving on to operating costs - our selling expenses decreased by 24 million zloty, down to 61 million. This was mainly due to a decrease in maintenance costs for our released products and lower publishing expenses as Phantom Liberty launch is already behind us.

As regards Administrative expenses - the increase in this category comes directly from expenses on early-phase works on new projects - presented as "research work costs" - and was driven mainly by Orion, Canis Majoris and Hadar. Out of these three, we believe that although we need more time to start the preproduction stage, Orion is not far from completing all the required formal preparations and documentation to start being capitalized.

Moving further to other operating income and expenses – the positive balance of 25 million zloty during the comparative period was supported by the partial reversal and partial write-off of our development expenditures related to project Sirius. This year no such one-off transactions supported our results.

The surplus for financial operations reported for 2024 H1 at 35 million zł came from the usual drivers such as interest from deposits and bonds.

Moving further to our income tax. Last year we recorded a relatively high amount of withholding tax that was not possible to be deducted from our local tax settlements - which increased the overall value of current income tax reported for that period.

This year the influence of non-recoupable withholding tax was much lower, hence the decrease in the current income tax line.

At the same time, during the first half of this year we recognized an increase in the value of R&D tax relief available to the company, which led to an increase in the deferred tax assets calculation. All in all our total income tax included in the P&L statement for the first half of this year amounted to 5 million zloty.

And finally, our net profit for the first half of this year amounted to a nice round one hundred and seventy million zloty - 88% more than what we achieved in the comparative period.

The overall net profitability of the Group reached 40% while for CD PROJEKT RED alone this factor was close to 50%.

And as far as financial efficiency is concerned - what I would also like to draw your attention to is that from the one hundred million zloty of additional revenue compared to last year, we generated 80 million in additional net profit.

Now we can move on to the next slide – number 6 – our consolidated balance sheet.

On the Assets side - first, the usual expenditures on development projects. The balance here increased by 59 million zł during the first half of 2024. The new developments - mainly Polaris and Sirius - were responsible for a 112 million zloty increase, parallel to the decrease coming from depreciation driven mainly by the already released Cyberpunk and Phantom Liberty.

In preparation for future growth of the company we continue investing into our local infrastructure – as visible in the 34 million zloty increase of the Property, plant and equipment position. This growth was mainly driven by ongoing construction of a new building on our Warsaw campus - where the new Polaris trilogy dev team is planned to be located.

At the same time, among current assets, our trade receivables decreased by 110 million zł thanks to this year's collection of the high, post-Q4 receivables.

And as usual - the total value of cash, deposits and bonds, which are included in the three asset items marked with an asterisk. The total is summed up under the table - and amounts to 1 billion 365 million zloty as of the end of June 2024. I will have a separate slide to give some more insight on our main cash flow drivers this year.

Moving forward to the second part of the balance sheet - slide 7.

The most noticeable change here is the increase in our equity, driven, on the positive side, by the strong financial performance in the first half of this year and, on the other side, by the 2023 dividend paid out at the end of June this year.

Among liabilities - a visible change comes in the provisions line. Compared to the level at the end of last year - our provisions decreased by 26 million zloty – which resulted mainly from this year's settlements of results dependent bonuses for 2023 when Phantom Liberty was released.

Now please move on to the next slide – number 8: CD PROJEKT RED's expenditures on Research works, Development, and Cost of product maintenance - presented here quarterly since 2023.

After the premiere of Phantom Liberty at the end of the third quarter of 2023 we visibly regrouped our dev teams. During the fourth quarter - following the release - extra effort was dedicated to servicing the fresh expansion and the Cyberpunk ultimate edition released at that time. And starting this year we have been continuously growing our engagement in both research and development of future projects.

And finally – our simplified cash flow on slide 9.

The one hundred seventy million zloty book net profit, which included 46 million costs attributed to the research works, that I have permitted myself to extract on the next bar, was supported by 60 million zloty in depreciation and amortization for the period.

Collection of receivables, despite a decrease in liabilities and provisions, allowed us to generate 61 million zloty during the first 6 months of year.

At the same time 37 million zloty was expensed for the acquisition of tangible and intangible assets – as discussed on the balance sheet slide.

Summing up all the above – thanks to the longevity and continued strong performance of our games we came up with an estimation of over 300 million zloty generated by the ongoing business.

At the same time we continued work on new projects and technologies both in the already mentioned research phase and development phase - 46 and 107 million zloty respectively.

And last but not least at the end of June - we shared with our shareholders a nearly 100 million zloty dividend.

All in all, our financial reserves kept in cash, bank deposits and bonds increased by 56 million zloty over the reporting period, reaching 1.37 billion zloty.

Summing up the financial part - even though this year we had no new releases, H1 results show that our existing catalog is healthy and strong allowing us to not only finance work on multiple new projects but also, yet another year in a row, pay out a dividend to our shareholders.

That is all from me for now. We can move on to the Q&A session, thank you!

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Q1: Good afternoon, I've got two questions. First of all – in Q2 you had 57 million PLN in cash spend on development projects. Is that a sensible way to think about Q3 and Q4? Or should it logically continue to increase as your two main areas of focus – in terms of development – build? And the second

question: have you had any discussions since we last heard from you with third parties regarding the licensing of your IP for the creation of mobile games?

PN: I'll take the first question. In terms of our expenses on development projects, yes we are slowly progressing and increasing, as was visible on the slide with servicing, research and development works. Moreover, as I've mentioned with Orion we are close to moving from the research phase to the development phase in IFRS terms, so this part of expenditures that were so far booked in our P&L will soon be treated as development expenses and capitalized on our balance sheet.

MN: I'll take the second question. In terms of licensing IP for mobile games – we don't have any announcement to share here and now. Should there be anything we can show, a wider group of people will be doing that in due time.

[Chat questions]

Q2: Can you tell us more about your work on Unreal Engine? Does working on a game with such a large open world as Witcher 4 pose a challenge for this technology?

MN: Nothing we're doing is easy – but at the same time we feel quite confident with our choice and open-world technology in our collaboration with Epic – on making this technology viable for open-world games – we're making a lot of tools for ourselves. In due time we'll be showcasing what we're working on, and you'll have a chance to judge for yourselves. But we're confident with our choice.

Q3: Would you rather follow the Rockstar path of sharing news independently on your own, or are you more inclined to use big gatherings and so on?

MN: I think the way we look at it is a mix of both to be perfectly honest – as we did in the past, sometimes we do things on our own, like streams, sharing news with fans – but we do not stay away from global events like game festivals or third-party online or physical events. So I think it's a mix of both in our case.

Q4: After redefining the framework of the Sirius project, do we still have to take into account that it's a potentially experimental project and that you may abandon the project at some stage if it does not meet your expectations?

PN: Work on Sirius is definitely progressing. The game is being developed by Molasses Flood, an autonomous studio, and it's a different type of game compared to our AAA single-player RPGs. In this sense, it may be treated as experimental. We closely monitor results of development work on an ongoing basis, and thus we're satisfied with them.

Q5: How was gamescom from your point of view? Any fruitful meetings? Could you give us an update on the live-action project?

MN: As for gamescom, I thought it was a very good gamescom – we had lots of updates, lots of catch-ups and lots of "new opportunities" meetings. But you have to understand that from a meeting to things happening – it can take years. But in general, we were very happy with how things came together for us from all possible angles. As for the live-action project – we don't have any new updates, but we're happy with how things are progressing on that front. When the time is right, we'll be sharing more, that's for sure.

Q6: When should we expect your dev team to start growing more visibly?

PN: In general terms, the biggest part of the team is working on Polaris right now, and in this respect we feel the team is complete. It will grow a bit, but we believe we have onboard all – or most of the people who are required for the project. So at this stage of our activities we do not expect any significant increases. At the same time, with Sirius and Orion – particularly Orion – we expect future growth, even next year. As presented on one of the slides, the Orion team now numbers 60 people and we believe that over the course of the next year it should double. Sirius will also grow, but probably not that dynamically. And with regard to other projects – we also keep growing, but since some are carried out in collaboration with external partners, the headcount on our side is limited.

Q7: When creating the framework for the new Polaris saga, did you rely on any surveys about what players expect? Or are the assumptions of this project based entirely on your own intuition?

MN: We've never, in all our history, developed games based on any surveys. It's a mix of knowing your niche, being the expert in it, and relying on your guts. We do obviously carry out research and trials when it comes to UX or interfaces – but not in terms of how the storyline should go. None of the Witcher saga games were done this way and we don't see it happening in the future. How we're planning the next trilogy is in line with what we've been thinking of for a long time on a high level, and obviously we'll get into more detail as we get closer to the launch of the first of these games.

Q8: How is the team building going for the Orion project? When can the team growth for this project be expected to accelerate? What might be the target size of the team working on the Polaris project?

PN: For the first one, as I've already mentioned, we plan to double the team over the next year. The team works at three locations – Poland, Vancouver and Boston – and it's a mix of people cooperating together, and we definitely plan to grow it. The next one was about the target size of the Polaris team – it's slightly above 400 right now, and I believe we should continue development of the game with 400-something people. The team may grow somewhat, but I believe we'll stay at the 400-something level with this project.

Q9: What about building a portfolio in the sphere of pop culture? Will the Cyberpunk EDGERUNNERS series have a continuation?

MN: Yes, we are planning to have more in the sphere of pop culture; this is very much in our interest. When it comes specifically to Cyberpunk: EDGERUNNERS having a continuation – I'd rather bring back what I've said before: we definitely plan to do more in terms of animation with Cyberpunk. I hope that's enough for an answer. Expect to see more, for sure, but that's as far as I can go right now.

Q10: Can you please comment on when you will be able to update the market with a hard release date of the next game? Or what milestone do you need to see to be in a position to set the release date?

MN: We will update the market on release dates when we kick off preorders – that's an obvious answer, and there's no further magic to it. I can probably narrow it down – for example, the digital console storefronts enable you to start preorders not earlier than one year before the launch date. So that gives you sort of an idea – and when it comes to milestones and so on – we don't really comment on this specifically.

Q11: As for now, the Polaris team seems visibly smaller than the Cyberpunk team at its peak. Should it grow going forward, or stay around the current level? Is the target Orion team expected to also be smaller than for Cyberpunk? More like Polaris?

PN: So, basically, yes – as I mentioned before, one of the lessons from Cyberpunk development was that the team was – in our opinion – a bit too big, and we would like to work on future projects with

slightly smaller team vs. the Cyberpunk team – that’s the approach we’re trying right now both with Polaris and with planning Orion over the next years.

Q12: Once an AAA game enters the production phase, how long does it usually take for it to be ready for launch? Is there any reason why Polaris might take a shorter or longer time?

MN: I think the answer varies from game to game – in general – well, there are AAA games that are developed in, perhaps, 3 years, and there are also games that have been in production for a very long time – historically for our games, between the moment we start and the moment we launch, we’re looking at 4-5-ish years. Is there any reason why Polaris might take more or less? Nothing that really comes to mind. It’s got every tool possible at its disposal, so we just progress along the regular path.
/// Company comment: this applies to the entire process of developing a game - not the production phase itself.

Q13: You mentioned that your work on yet-unannounced projects is progressing. Are you talking about a potentially new game that you have not been announcing, or did you mean other projects around existing franchises?

PN: Unfortunately it’s too early for us to share anything with you today on unannounced projects – but, as always, we have new idea that we are researching, testing and assessing internally.

MN: Since we have no further questions, I would like to thank you for participating today – and should you have any additional questions, please do not hesitate to reach out to our IR team. Have a nice evening and good bye.

PN: Thank you and good bye.