



**Current report No. 19/2022**

**Date:** 23 September 2022

**Subject:** Information on the proposed termination of cooperation with the publisher Take-Two Interactive Software, Inc. on the production of *Project Dagger*

**Legal basis:** Art. 17 Section 1 of the Market Abuse Regulation (MAR)

**Report content:**

The Management Board of PCF Group S.A. (the “**Company**”, the “**Issuer**”) hereby informs that on 23 September 2022 it received from Take-Two Interactive Software, Inc., a Delaware corporation with its registered office in New York, USA (the “**Publisher**”) a letter of intent to terminate the Development and Publishing Agreement dated 21 July 2020 pertaining to the financing and publishing of the game code named *Project Dagger* (the “**Agreement**”) by means of an agreement between the parties to the Agreement on its termination (the “**Understanding of Termination**”).

As of the date of this current report, the Management Board is reviewing in detail the received draft Understanding of Termination, which was attached to the Publisher’s letter. In accordance with the Management Board’s preliminary assessment, in addition to the standard provisions relating to termination of the Agreement, the draft Understanding of Termination contains a beneficial from the Company’s point of view proposal of modification of the principles of settlements between the parties established in the Agreement following termination of the Agreement, in particular differentiating the principles of settlement and the amount of reimbursement of advances for game production received from the Publisher under the Agreement depending on the mode of release of the game, i.e. release in either the self-publishing model or the model with a new publisher. The draft Understanding of Termination submitted by the Publisher does not contain provisions indicating the Publisher’s intention to exercise the option to buy the intellectual property rights to the products produced under the Agreement.

Pursuant to the terms of the Agreement the Group completed all the work commissioned by the Publisher in the schedule to the Agreement in the first half of 2022 and received the entire contractual remuneration therefor. Despite the Company’s Management Board’s discussions with the Publisher on establishing the terms of further cooperation with the Publisher, by the date of receipt of the draft Understanding of Termination the Company and People Can Fly U.S., LLC with its registered office in New York, USA have not entered into a further schedule with the Publisher specifying the terms and conditions for carrying out further work on the title *Project Dagger*. In light of the above circumstances, in the opinion of the Board of

Directors, the Agreement will be terminated on terms substantially consistent with those indicated in the draft Understanding of Termination.

In light of the above circumstances, in particular, in the absence of a new schedule with the Publisher, the lack of information on the Publisher's intention to exercise its option to buy-out the intellectual property rights to the products produced under the Agreement, while the Group continues to work on the game *Project Dagger*, and in the absence of the possibility of generating further revenue from the production of this game under the Agreement, the Group's expenditures on the production of the game *Project Dagger*, after meeting the criteria under International Accounting Standard 38 Intangible Assets, will be recognized for the purposes of the Group's financial reporting as development expenditures. The above recognition will materially affect the Group's financial results in the first half of 2022 and the Group's financial reporting and, in the opinion of the Management Board, will also affect the Group's financial results and the Group's financial reporting in subsequent reporting periods, in which work on *Project Dagger* will continue in the self-publishing model.

As of the date of the current report, the Group continues to produce the game *Project Dagger* in the self-publishing model using its own funds, while not excluding the possibility of continuing this production using debt financing, as well as further development of the title *Project Dagger* based on cooperation with a new publisher.

At the same time, the Management Board maintains the assumptions of the Group's updated strategy regarding annual launches of games produced by the Group in a working model with a publisher or in a self-publishing model, starting in 2024.

The Management Board will make public further information on terminating the cooperation with the Publisher in accordance with applicable laws.