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PCF GROUP SPÓŁKA AKCYJNA GROUP

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

FOR THE PERIOD OF JANUARY 1 - JUNE 30, 2023

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

PCF Group Spółka Akcyjna Group –

FINANCIAL HIGHLIGHTS (TRANSLATED INTO EUR)

	PLN		EUR	
	Jun 30 2023	Dec 31 2022	**Jun 30 2023**	Dec 31 2022
Statement of financial position				
Assets	481,857	350,804	108,275	74,800
Non-current liabilities	33,612	43,418	7,552	9,258
Current liabilities	54,053	29,757	12,146	6,345
Equity	394,192	277,629	88,577	59,197
Equity attributable to owners of the parent	389,845	272,306	87,600	58,062
PLN/EUR exchange rate at end of period	-	-	4.4503	4.6899

	PLN		EUR	
	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Jan 1–Jun 30 2023**	Jan 1–Jun 30 2022
Statement of profit or loss				
Revenue	68,666	90,592	14,885	19,513
Operating profit (loss)	(8,887)	21,371	(1,927)	4,603
Profit (loss) before tax	(11,361)	27,775	(2,463)	5,983
Net profit (loss)	(13,070)	25,480	(2,833)	5,488
Net profit (loss) attributable to owners of the parent	(13,435)	23,152	(2,912)	4,987
Earnings per share (PLN)	(0.43)	0.85	(0.09)	0.18
Diluted earnings per share (PLN)	(0.43)	0.84	(0.09)	0.18
Average PLN/EUR exchange rate in period	-	-	4.6130	4.6427

	PLN		EUR	
	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Jan 1–Jun 30 2023**	Jan 1–Jun 30 2022
Statement of cash flows				
Net cash from operating activities	32,560	53,539	7,058	11,532
Net cash from investing activities	(68,473)	(51,580)	(14,843)	(11,110)
Net cash from financing activities	134,545	(4,728)	29,166	(1,018)
Total net cash flows (net of the effect of foreign currency translation on cash)	98,632	(2,769)	21,381	(596)
Average PLN/EUR exchange rate in period	-	-	4.6130	4.6427

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

PCF Group Spółka Akcyjna –

FINANCIAL HIGHLIGHTS (TRANSLATED INTO EUR)

	PLN		EUR	
	Jun 30 2023	Dec 31 2022	**Jun 30 2023**	Dec 31 2022
Statement of financial position				
Assets	478,030	324,530	107,415	69,198
Non-current liabilities	10,896	20,484	2,448	4,368
Current liabilities	60,467	32,549	13,587	6,940
Equity	406,667	271,497	91,380	57,890
PLN/EUR exchange rate at end of period	-	-	4.4503	4.6899

	PLN		EUR	
	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Jan 1–Jun 30 2023**	Jan 1–Jun 30 2022
Statement of profit or loss				
Revenue	54,339	58,182	11,780	12,532
Operating profit (loss)	(352)	23,054	(76)	4,966
Profit (loss) before tax	(1,104)	30,176	(239)	6,500
Net profit (loss)	(2,585)	27,563	(560)	5,937
Earnings per share (PLN)	(0.09)	0.92	(0.02)	0.20
Diluted earnings per share (PLN)	(0.08)	0.91	(0.02)	0.20
Average PLN/EUR exchange rate in period	-	-	4.6130	4.6427

	PLN		EUR	
	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Jan 1–Jun 30 2023**	Jan 1–Jun 30 2022
Statement of cash flows				
Net cash from operating activities	48,502	26,622	10,514	5,734
Net cash from investing activities	(77,172)	(22,326)	(16,729)	(4,809)
Net cash from financing activities	130,798	(2,565)	28,354	(552)
Total net cash flows (net of the effect of foreign currency translation on cash)	102,128	1,731	22,139	373
Average PLN/EUR exchange rate in period	-	-	4.6130	4.6427

The financial data presented above has been translated into the EUR at the following exchange rates:

- items of the statement of profit or loss and the statement of cash flows – at the average exchange rate in the period, calculated as the mean of the exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period;
- items of the statement of financial position – at the mid exchange rate quoted by the National Bank of Poland for the last day of the reporting period.

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FOR THE PERIOD OF JANUARY 1 - JUNE 30, 2023

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	Jun 30 2023	Dec 31 2022
Non-current assets			
Goodwill	7	53,610	55,503
Intangible assets	4	183,951	130,023
Property, plant and equipment	5	12,574	11,780
Right-of-use assets	6	31,510	30,095
Long-term prepayments and accrued income		294	277
Deferred tax assets		60	222
Non-current assets		**281,999**	**227,900**
Current assets			
Contract assets	8	9,200	30,451
Trade and other receivables		24,005	23,448
Short-term prepayments and accrued income		1,302	1,022
Cash and cash equivalents		165,351	67,983
Current assets		**199,858**	**122,904**
Total assets		**481,857**	**350,804**

EQUITY AND LIABILITIES	Note	Jun 30 2023	Dec 31 2022
Equity			
Equity attributable to owners of the parent:			
Share capital	9	669	599
Share premium	9	259,554	121,869
Other components of equity	9	48,207	54,988
Retained earnings		81,415	94,850
Equity attributable to owners of the parent		**389,845**	**272,306**
Non-controlling interests		**4,347**	**5,323**
Equity		**394,192**	**277,629**
Liabilities			
Non-current liabilities			
Borrowings, other debt instruments	10	2,509	3,490
Leases		27,039	27,822
Deferred tax liability		1,043	2,289
Long-term accruals and deferred income		3,021	9,817
Non-current liabilities		**33,612**	**43,418**
Current liabilities			
Trade and other payables		20,294	11,167

Half-year report for the six months ended June 30th 2023 (all figures in PLN ‘000, unless stated otherwise)

Contract liabilities	8	1,707	2,792
Current tax liabilities		4,048	7,591
Borrowings, other debt instruments	10	7,040	2,089
Leases		5,854	4,198
Employee benefit obligations and provisions		2,257	1,717
Short-term accruals and deferred income		12,853	203
Current liabilities		**54,053**	**29,757**
Total liabilities		**87,665**	**73,175**
Total equity and liabilities		**481,857**	**350,804**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Continuing operations					
Revenue	3	68,666	90,592	33,749	40,238
Cost of sales	11	43,695	44,295	21,502	20,022
Gross profit (loss)		**24,971**	**46,297**	**12,247**	**20,216**
General and administrative expenses	11	31,140	25,109	16,815	12,231
Other income	11	381	949	178	827
Other expenses	11	3,099	766	2,996	685
Operating profit (loss)		**(8,887)**	**21,371**	**(7,386)**	**8,127**
Finance income	12	-	7,417	-	4,715
Finance costs	12	2,474	1,013	744	433
Profit (loss) before tax		**(11,361)**	**27,775**	**(8,130)**	**12,409**
Income tax	13	1,709	2,295	646	860
Net profit (loss) from continuing operations		**(13,070)**	**25,480**	**(8,776)**	**11,549**
Discontinued operations					
Net profit (loss) from discontinued operations		-	-	-	-
Net profit (loss)		**(13,070)**	**25,480**	**(8,776)**	**11,549**
Net profit (loss) attributable to:					
- owners of the parent		(13,435)	23,152	(8,877)	9,431
- non-controlling interests		365	2,328	101	2,118

EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

	Note	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
from continuing operations					
- basic	14	(0.43)	0.85	(0.29)	0.39
- diluted	14	(0.43)	0.84	(0.28)	0.38
from continuing and discontinued operations					
- basic	14	(0.43)	0.85	(0.29)	0.39
- diluted	14	(0.43)	0.84	(0.28)	0.38

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Net profit (loss)		**(13,070)**	**25,480**	**(8,776)**	**11,549**
Other comprehensive income					
Items reclassified to profit or loss					
Exchange differences on translation of foreign operations		(2,484)	5,516	(672)	3,341
Other comprehensive income, net of tax		**(2,484)**	**5,516**	**(672)**	**3,341**
Comprehensive income		**(15,554)**	**30,996**	**(9,448)**	**14,890**
Comprehensive income attributable to:					
- owners of the parent		(15,919)	28,668	(9,549)	12,772
- non-controlling interests		365	2,328	101	2,118

Notes are an integral part of this half-year report.

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent						
	Share capital	Share premium	Other components of equity	Retained earnings	**Total**	Non-controlling interests	**Total equity**
As at Jan 1 2023	**599**	**121,869**	**54,988**	**94,850**	**272,306**	**5,323**	**277,629**
Changes in equity in Jan 1–Jun 30 2023							
Cost of issue of Series E and Series F shares	-	(2,302)	-	-	**(2,302)**	-	**(2,302)**
Issue of Series E and Series F shares	70	139,987	-	-	**140,057**	-	**140,057**
Changes in Group structure (transactions with non-controlling shareholders)	-	-	(4,297)	-	**(4,297)**	(1,341)	**(5,638)**
Net profit (loss) for Jan 1–Jun 30 2023	-	-	-	(13,435)	**(13,435)**	365	**(13,070)**
Other comprehensive income net of tax for Jan 1–Jun 30 2023	-	-	(2,484)	-	**(2,484)**	-	**(2,484)**
As at Jun 30 2023	**669**	**259,554**	**48,207**	**81,415**	**389,845**	**4,347**	**394,192**

	Equity attributable to owners of the parent						
	Share capital	Share premium	Other components of equity	Retained earnings	**Total**	Non-controlling interests	**Total equity**
As at Jan 1 2022	**599**	**121,869**	**50,727**	**84,266**	**257,461**	**2,081**	**259,542**
Changes in equity in Jan 1–Jun 30 2022							
Measurement of warrants due to publisher Square Enix Limited	-	-	694	-	**694**	-	**694**
Dividends	-	-	-	(8,087)	**(8,087)**	(45)	**(8,132)**
Net profit (loss) for Jan 1–Jun 30 2022	-	-	-	23,152	**23,152**	2,328	**25,480**
Other comprehensive income net of tax for Jan 1–Jun 30 2022	-	-	5,516	-	**5,516**	-	**5,516**
As at Jun 30 2022	**599**	**121,869**	**56,937**	**99,331**	**278,736**	**4,364**	**283,100**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

	Equity attributable to owners of the parent						
	Share capital	Share premium	Other components of equity	Retained earnings	**Total**	Non-controlling interests	**Total equity**
As at Jan 1 2022	**599**	**121,869**	**50,727**	**84,266**	**257,461**	**2,081**	**259,542**
Changes in equity in Jan 1–Dec 31 2022							
Measurement of warrants due to publisher Square Enix Limited	-	-	1,543	-	**1,543**	-	**1,543**
Dividends	-	-	-	(8,088)	**(8,088)**	(45)	**(8,133)**
Changes in the Group's structure: liquidation of subsidiaries	-	-	-	-	**-**	(25)	**(25)**
Net profit (loss) for Jan 1–Dec 31 2022	-	-	-	18,672	**18,672**	3,312	**21,984**
Other comprehensive income net of tax for Jan 1–Dec 31 2022	-	-	2,718	-	**2,718**	-	**2,718**
As at Dec 31 2022	**599**	**121,869**	**54,988**	**94,850**	**272,306**	**5,323**	**277,629**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Cash flows from operating activities					
Profit (loss) before tax		**(11,361)**	**27,775**	**(8,130)**	**12,409**
Adjustments:					
Depreciation of property, plant and equipment		1,863	2,340	947	1,361
Amortisation of intangible assets		4,619	3,101	2,192	1,925
Depreciation of right-of-use asset		2,401	2,163	1,237	1,045
Impairment losses on intangible assets		587	-	587	-
Gain/(loss) on sale of non-derivative financial assets		-	(558)	-	(558)
Foreign exchange gains (losses)		604	1,123	(303)	2,598
Interest expense		1,238	634	659	309
Interest and dividend income		(146)	(758)	(146)	(306)
Other adjustments		1,328	(125)	2,172	(1,055)
Change in receivables	25	4,612	(5,524)	(1,221)	7,675
Change in financial assets		-	292	-	292
Change in liabilities	25	7,268	13,071	1,825	3,707
Change in provisions, accruals and deferrals		5,557	1,437	4,372	1,098
Change in contract assets and liabilities		20,166	10,370	7,892	8,143
Income tax paid		(6,176)	(1,802)	(5,230)	(1,626)
Net cash from operating activities		**32,560**	**53,539**	**6,853**	**37,017**
Cash flows from investing activities					
Payments for intangible assets		(64,804)	(49,448)	(35,874)	(34,734)
Payments for property, plant and equipment		(3,669)	(3,816)	(2,807)	(2,277)
Proceeds from sale of other financial assets		-	851	-	851
Interest received		-	833	-	833
Net cash from investing activities		**(68,473)**	**(51,580)**	**(38,681)**	**(35,327)**
Cash flows from financing activities					
Net proceeds from issue of shares		134,390	-	134,390	-
Share issue costs		(524)	-	(524)	-
Proceeds from borrowings and subsidies		5,526	615	5,526	13
Repayment of borrowings		(1,136)	(1,204)	(558)	(492)
Payment of lease liabilities		(2,791)	(3,017)	(1,269)	(1,854)
Interest paid		(920)	(114)	(539)	(61)
Dividends paid		-	(1,008)	-	(220)
Net cash from financing activities		**134,545**	**(4,728)**	**137,026**	**(2,614)**
Total net cash flows		**98,632**	**(2,769)**	**105,198**	**(924)**
Effect of foreign currency translation on cash		(1,264)	249	(713)	(271)
Net change in cash		**97,368**	**(2,520)**	**104,485**	**(1,195)**
Cash and cash equivalents at beginning of period		67,983	137,102	60,866	135,777
Cash and cash equivalents at end of period		**165,351**	**134,582**	**165,351**	**134,582**

PCF GROUP SPÓŁKA AKCYJNA GROUP

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

FOR THE PERIOD OF JANUARY 1 - JUNE 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The parent

The parent of the PCF Group Spółka Akcyjna Group (the "**Group**") is PCF Group Spółka Akcyjna (the "**Parent**"). The Parent is entered in the Business Register of the National Court Register maintained by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under No. KRS 0000812668. The Parent's Industry Identification Number (REGON) is 141081673.

The Parent's registered office is located at Al. Solidarności 171, 00-877 Warsaw, Poland.

It is also the principal place of business of the Group.

Composition of the Parent's Management Board and Supervisory Board

As at the date of authorisation of these interim condensed consolidated financial statements for issue, the Management Board of the Parent consisted of:

- **Sebastian Kamil Wojciechowski**, President of the Management Board.

In the period from January 1st 2023 to the date of authorisation of these interim condensed consolidated financial statements for issue, the composition of the Management Board did not change.

As at the date of authorisation of these interim condensed consolidated financial statements for issue, the Supervisory Board of the Parent consisted of:

- **Mikołaj Wojciechowski** – Chair of the Supervisory Board,
- **Jacek Pogonowski** – Member of the Supervisory Board,
- **Barbara Sobowska** – Member of the Supervisory Board,
- **Kuba Dudek** – Member of the Supervisory Board,
- **Dagmara Zawadzka** – Member of the Supervisory Board.

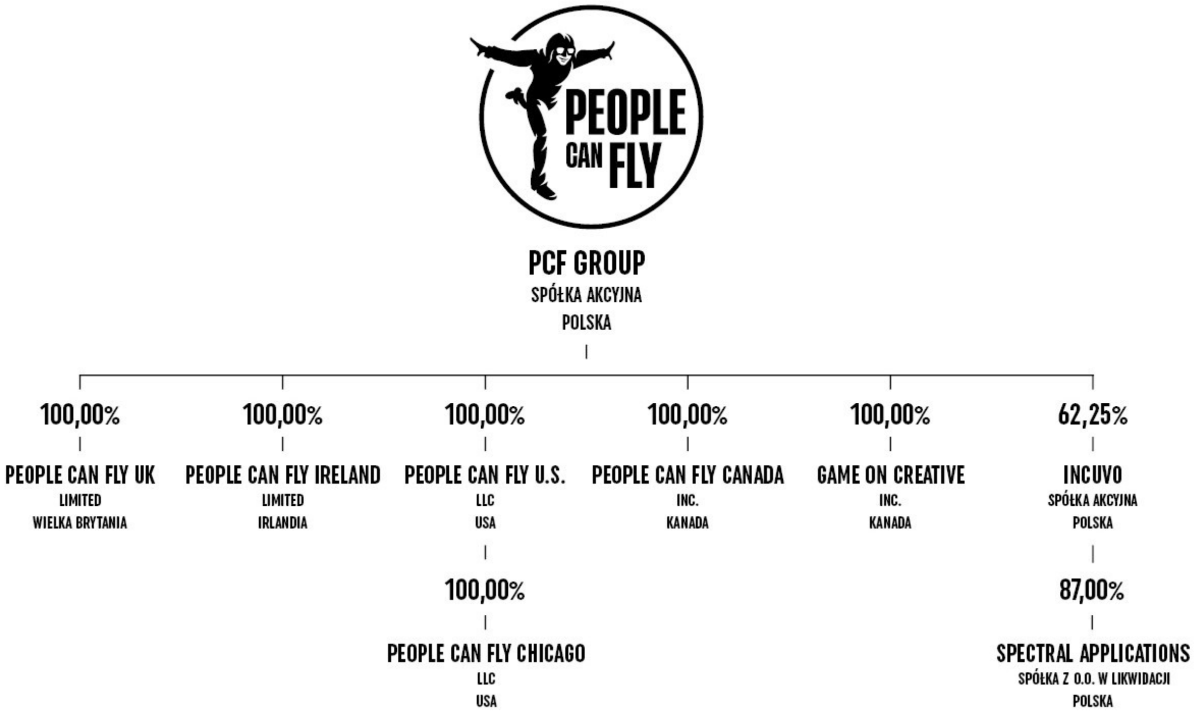
In the period from January 1st 2023 to the date of authorisation of these interim condensed consolidated financial statements for issue, the composition of the Supervisory Board did not change.

Business of the Group

The principal business of the Parent and its subsidiaries is development and publishing of video games. For a more detailed description of the business of the Group, see Note 3 on revenue and operating segments.

Composition of the Group

PCF Group S.A. is the Parent of the PCF Group S.A. Group. The chart below presents the composition and structure of the Group as at June 30th 2023.



The Parent has a branch, trading under the name PCF Group Spółka Akcyjna Oddział w Rzeszowie "Oddział Badawczo Rozwojowy" (Research and Development Branch), located at ul. Wrzesława Romańczuka 6, 35-302 Rzeszów.

The subsidiaries do not have any branches.

The Parent and the consolidated entities of the Group have been established for an indefinite time.

In the period from January 1st 2023 to the date of authorisation of these interim condensed consolidated financial statements for issue, there were no changes in the name or other particulars of the Parent.

Changes in the entity's structure in the interim period, including changes which follow from mergers, acquisitions or sale of subsidiaries, long-term investments, restructuring or discontinuation of business

The following change occurred in the Group's structure in the six months ended June 30th 2023:

- February 2nd 2023 saw the registration of People Can Fly Ireland Limited, a single-member subsidiary of the Parent which will provide publishing services within the Group;
- on February 17th 2023, the Parent's equity interest in Incuvo increased from 50.01% to approximately 62.25% of the share capital and total voting rights at Incuvo's General Meeting.

After the reporting date, there were no changes in the Group's structure. Following completion of the liquidation process for Spectral Applications spółka z ograniczoną odpowiedzialnością w likwidacji (in liquidation), an application was filed with the competent registry court on August 17th 2023 to remove the company from the Business Register of the National Court Register.

2. Basis of accounting and accounting policies

Basis of accounting used in preparing the consolidated financial statements

These interim condensed consolidated financial statements of the PCF Group Spółka Akcyjna Group (the "**interim consolidated financial statements**", "**interim financial statements**", "**consolidated financial statements**", "**financial statements**") have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* as endorsed by the European Union.

These consolidated financial statements present the financial position of the Group as at June 30th 2023 and December 31st 2022, results of the Group's operations for the six months ended June 30th 2023 and June 30th 2022, and cash flows for the six months ended June 30th 2023 and June 30th 2022.

These interim financial statements should be read in conjunction with the audited consolidated financial statements of the PCF Group Spółka Akcyjna Group for 2022, issued on April 28th 2023 (the "**consolidated financial statements for 2022**").

Going concern assumption

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future, i.e. for a period of at least 12 months from the reporting date. As at the date of approval of these consolidated financial statements for issue, no circumstances were identified which would indicate any threat to the Group and the Parent continuing as going concerns.

Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the relevant International Financial Reporting Standards (the "**IFRSs**") applicable to interim financial reporting, accepted by the International Accounting Standards Board (the "**IASB**") and the International Financial Reporting Interpretations Committee ("**IFRIC**"), as well as interpretations issued by the IASB, as endorsed by the European Union under the IFRS Regulation (Regulation (EC) No. 1606/2002), hereinafter referred to as the "**EU IFRSs**", as effective on June 30th 2023.

The EU IFRSs include the standards and interpretations accepted by IASB and IFRIC and endorsed for use in the EU.

To the extent not governed by the above standards, these financial statements have been prepared in accordance with the requirements of the Accounting Act of September 29th 1994 (consolidated text: Dz. U. of 2023, item 120, as amended) and the secondary legislation issued on its basis, as well as the requirements set out in the Minister of Finance's Regulation of March 29th 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Dz. U. of 2018, item 757, as amended).

The Group intends to apply amendments to IFRSs that had been issued but were not yet effective as at the date of issue of these consolidated financial statements as of the respective effective dates of the amendments.

Functional currency and presentation currency

The functional currency of the Parent and the presentation currency of these consolidated financial statements is the Polish zloty, and all amounts are expressed in thousands of Polish zloty (PLN), unless stated otherwise.

The functional currencies of the subsidiaries covered by these consolidated financial statements are the currencies of the main economic environments in which these subsidiaries operate. For the purposes of consolidation of the foreign subsidiaries, their financial statements are translated into PLN at the exchange rates quoted for these currencies by the National Bank of Poland. For consolidation purposes, the financial statements of foreign operations are translated into the Polish currency in accordance with the same rules as those described in the statement of accounting policies in the consolidated financial statements for 2022.

Accounting policies

The accounting policies and calculation methods applied in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for 2022 (see Note 2 to the consolidated financial statements for 2022), without any restatements of comparative data or corrections of errors.

New standards and interpretations that have been issued but are not yet effective

The Group has not elected to early adopt any of the standards, interpretations or amendments which have not taken effect. The Parent's Management Board is analysing the effect of the new standards, interpretations and amendments on the accounting policies applied by the Group and on the Group's future financial statements.

Standards and amendments to standards applied for the first time in 2023

The Group applied the following standards and amendments to standards for the first time:

- Amendments to IAS 1 *Presentation of Financial Statements* and Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- Amendments to IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- IFRS 17 *Insurance Contracts* amendments to IFRS 17;
- Amendments to IFRS 17 *Insurance Contracts*; Initial Application of IFRS 17 and IFRS 9 – Comparative Information.

The above standards and amendments to the standards had no material effect on the accounting policies applied by the Group.

Standards and amendments to standards adopted by the IASB but not yet endorsed by the EU

The IFRSs as endorsed by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards and amendments to standards which were not yet adopted as at the date of these financial statements:

- IFRS 14 *Regulatory Deferral Accounts* – pursuant to the European Commission's decision, the process of endorsement of the interim standard will not be initiated until the release of the final version of IFRS 14 (effective for annual periods beginning on or after January 1st 2016);
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – work on endorsing the amendments has been deferred indefinitely by the EU; effective date has been deferred indefinitely by the IASB;

- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current – deferral of the effective date, and Non-Current Liabilities with Covenants (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IFRS 16 *Leases* – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IAS 12 *Income Taxes* – International Tax Reform Pillar Two Model Rules (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* – Supplier Finance Arrangements (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* – Lack of Exchangeability (effective for annual periods beginning on or after January 1st 2025).

The above standards and amendments to standards would have had no material effect on these financial statements had they been applied by the Group as at the reporting date. The Group has not elected to early adopt any of the standards, interpretations or amendments which have not taken effect.

Significant judgements and assumptions

The accounting policies relating to professional estimates and judgments applied in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for 2022 (see Note 2 to the consolidated financial statements for 2022).

Audit and review by statutory auditor

The data presented in these interim consolidated financial statements as at June 30th 2023 and for the six months ended on that date, and the comparative financial data for the six months ended June 30th 2022, has been reviewed by an auditor. Data as at December 31st 2022 has been audited. The auditor's report on the consolidated financial statements for 2022 was issued on April 28th 2023.

The financial data for the three months ended June 30th 2023 and the comparative financial data for the three months ended June 30th 2022 included in these interim condensed consolidated financial statements have not been reviewed by an auditor.

PCF GROUP SPÓŁKA AKCYJNA GROUP

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

FOR THE PERIOD OF JANUARY 1 - JUNE 30, 2023

3. Revenue and operating segments

The Group divides its operations into four operating segments:

- contract development of video games ("development segment");
- copyrights to developed games (royalties) ("copyrights segment");
- self-publishing;
- other activities.

In the six months ended June 30th 2023, the **development segment** included primarily revenue from a game development project carried out by the Group with Square Enix Limited. Positive cash flows from this segment enable the Group to partially cover expenditure on games that the Group intends to publish on its own in the self-publishing model. In the six months ended June 30th 2023, the consideration received from the material trading partner in this segment accounted for over 75% of total revenue.

In addition, in connection with the development and publishing agreement signed with Microsoft Corporation on June 13th 2023 (for more details, see Note 23), the Group started to recognise revenue from the game development project Project Maverick.

In the comparative period, the Group generated revenue from game development projects carried out mainly with two publishers: Square Enix Limited and Take-Two Interactive Software, Inc.

Project Gemini

In the six months ended June 30th 2023, the Group carried out work contracted by the publisher Square Enix Limited under content riders for the development and publishing agreement.

Project Maverick

The Group is performing a contract to produce an AAA game based on Microsoft Corporation's intellectual property rights.

The **copyrights segment** included revenue from royalties for previously developed games.

The main source of the Group's revenue classified as revenue from the copyrights segment, i.e., the segment of royalties for previously developed games, is the development and publishing agreement for the game Bulletstorm: Full Clip Edition (remaster) of October 24th 2016, entered into between the Parent and Gearbox Publishing, LLC. The Parent has retained copyrights in Bulletstorm: Full Clip Edition by granting the publisher an exclusive licence for an indefinite term.

In addition, in accordance with the development and publishing agreement for the game Outriders, executed on February 16th 2016 between the Parent and Square Enix Limited, the Parent is entitled to royalties starting from the date of the game's release (April 1st 2021). The amount of royalties depends directly on the profit earned from the game's sale and represents its agreed percentage. As at June 30th 2023, the Parent received no royalties from the publisher, which means that as at the reporting date net receipts from the sale of Outriders were insufficient to recover the costs and expenses incurred by the publisher to develop, distribute and promote the title. Information on the receipt by the Parent of the consideration referred to above, or the receipt from the publisher of information on the recovery of the costs it has incurred in connection with the development, distribution and promotion of Outriders will be published by the Parent in a current report in accordance with applicable laws.

Self-publishing segment

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

In this segment, the Group classifies outlays as well as income and expenses related to the development of games that it plans to self-publish in the future.

Unlike in the development segment, in the self-publishing segment the Group carries out projects as a publisher, financing them with its own funds (or funds sourced from third parties under distribution, licence and similar contracts, or debt instruments) based on intellectual property rights that will remain owned by the Group.

February 2nd 2023 saw the registration of People Can Fly Ireland Limited, a single-member subsidiary of the Parent which will provide publishing services within the Group.

In the self-publishing segment, in the six months ended June 30th 2023 the Group recognised revenue from sales of the Green Hell VR game, published by Incuvo S.A. for use with Quest 2/Oculus Rift VR headsets (distribution through the Meta Quest platform owned by Facebook Technologies LLC of the U.S.), VR headsets for PCs (distribution through the Steam platform owned by Valve Corporation of the U.S.), and Pico Neo 6 and Pico 4 all-in-one standalone headsets. On June 15th 2023, Green Hell VR versions for new hardware platforms: HTC Elite XR and HTC Focus 3, were released.

Other activities segment

This segment includes in particular expenditure on the software system which the Group developed and named "PCF Framework", which is an overlay for the Unreal Engine graphics engine used to facilitate and optimise work on development of video games.

Financial results of the operating segments are based on internal data periodically reviewed by the Management Board of the Parent (the chief operating decision maker of the Group). The Management Board analyses results of the operating segments at the level of operating profit (loss). The Group analyses revenue for the above four segments, and no other analyses are performed.

In the six months ended June 30th 2023, there were no changes to the Group's accounting policies with respect to the identification of operating segments or the policies for measuring revenue, profit or loss and assets of the segments presented in the Group's most recent full-year consolidated financial statements.

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Jan 1–Jun 30 2023					
Region					
Europe	55,024	28	3,086	-	**58,138**
Other countries	8,566	589	1,373	-	**10,528**
Total revenue	**63,590**	**617**	**4,459**	**-**	**68,666**
Product line					
Games	63,590	617	4,459	-	**68,666**
Total revenue	**63,590**	**617**	**4,459**	**-**	**68,666**
Timing of transfer of goods/services					
At a point in time	-	617	-	-	**617**
Over time	63,590	-	4,459	-	**68,049**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

Total revenue	**63,590**	**617**	**4,459**	**-**	**68,666**
Jan 1–Jun 30 2022					
Region					
Europe	56,246	10	-	-	**56,256**
Other countries	23,658	782	9,896	-	**34,336**
Total revenue	**79,904**	**792**	**9,896**	**-**	**90,592**
Product line					
Games	79,904	792	9,896	-	**90,592**
Total revenue	**79,904**	**792**	**9,896**	**-**	**90,592**
Timing of transfer of goods/services					
At a point in time	-	792	-	-	**792**
Over time	79,904	-	9,896	-	**89,800**
Total revenue	**79,904**	**792**	**9,896**	**-**	**90,592**

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Apr 1–Jun 30 2023					
Region					
Europe	26,130	4	1,309	-	**27,443**
Other countries	4,885	395	1,026	-	**6,306**
Total revenue	**31,015**	**399**	**2,335**	**-**	**33,749**
Product line					
Games	31,015	399	2,335	-	**33,749**
Total revenue	**31,015**	**399**	**2,335**	**-**	**33,749**
Timing of transfer of goods/services					
At a point in time	-	399	-	-	**399**
Over time	31,015	-	2,335	-	**33,350**
Total revenue	**31,015**	**399**	**2,335**	**-**	**33,749**
Apr 1–Jun 30 2022					
Region					
Europe	27,643	5	-	-	**27,648**
Other countries	2,452	242	9,896	-	**12,590**
Total revenue	**30,095**	**247**	**9,896**	**-**	**40,238**
Product line					
Games	30,095	247	9,896	-	**40,238**
Total revenue	**30,095**	**247**	**9,896**	**-**	**40,238**
Timing of transfer of goods/services					
At a point in time	-	247	-	-	**247**
Over time	30,095	-	9,896	-	**39,991**
Total revenue	**30,095**	**247**	**9,896**	**-**	**40,238**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

Revenue, profit or loss, material non-monetary items and assets of the operating segments are presented below.

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Jan 1–Jun 30 2023					
Revenue from external customers	63,590	617	4,459	-	**68,666**
Total revenue	63,590	617	4,459	-	**68,666**
Segment's operating profit (loss)	(7,897)	617	(595)	(1,012)	**(8,887)**
Other information:					
Amortisation and depreciation expense	6,287	-	1,584	1,012	**8,883**
Impairment of non-current non-financial assets	-	-	587	-	**587**
Segment's assets as at Jun 30 2023	302,735	-	154,654	24,468	**481,857**
Expenditure on segment's intangible assets and property, plant and equipment	8,332	-	54,168	7,911	**70,411**
Jan 1–Jun 30 2022					
Revenue from external customers	79,904	792	9,896	-	**90,592**
Total revenue	79,904	792	9,896	-	**90,592**
Segment's operating profit (loss)	16,712	761	4,153	(255)	**21,371**
Other information:					
Amortisation and depreciation expense	6,804	32	513	255	**7,604**
Segment's assets as at Dec 31 2022	230,577	-	102,658	17,569	**350,804**
Expenditure on segment's intangible assets and property, plant and equipment	4,214	-	43,084	5,966	**53,264**

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Apr 1–Jun 30 2023					
Revenue from external customers	31,015	399	2,335	-	**33,749**
Total revenue	31,015	399	2,335	-	**33,749**
Segment's operating profit (loss)	(6,197)	399	(1,251)	(337)	**(7,386)**
Other information:					
Amortisation and depreciation expense	3,378	-	661	337	**4,376**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

Impairment of non-current non-financial assets	-	-	587	-	**587**
Segment's assets as at Jun 30 2023	302,735	-	154,654	24,468	**481,857**
Expenditure on segment's intangible assets and property, plant and equipment	5,529	-	31,655	3,435	**40,619**
Apr 1–Jun 30 2022					
Revenue from external customers	30,095	247	9,896	-	**40,238**
Total revenue	30,095	247	9,896	-	**40,238**
Segment's operating profit (loss)	3,837	232	4,153	(95)	**8,127**
Other information:					
Amortisation and depreciation expense	3,707	16	513	95	**4,331**
Segment's assets as at Dec 31 2022	230,577	-	102,658	17,569	**350,804**
Expenditure on segment's intangible assets and property, plant and equipment	1,275	-	31,730	4,006	**37,011**

Reconciliation of total revenue, profit or loss and assets of the operating segments to the corresponding items of the Group's consolidated financial statements is presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Apr 1–Jun 30 2023**	Apr 1–Jun 30 2022
Segments' revenue				
Total revenue of operating segments	68,666	90,592	33,749	40,238
Revenue	**68,666**	**90,592**	**33,749**	**40,238**
Segments' profit or loss				
Segments' operating profit (loss)	(8,887)	21,371	(7,386)	8,127
Operating profit (loss)	**(8,887)**	**21,371**	**(7,386)**	**8,127**
Finance income	-	7,417	-	4,715
Finance costs	(2,474)	(1,013)	(744)	(433)
Profit (loss) before tax	**(11,361)**	**27,775**	**(8,130)**	**12,409**

	Jun 30 2023	Dec 31 2022
Segments' assets		
Total assets of operating segments	481,857	350,804
Total assets	**481,857**	**350,804**

4. Intangible assets

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

	Patents, licenses and software	Development work	Development work in progress	**Total**
Jan 1–Jun 30 2023				
Net carrying amount as at Jan 1 2023	**4,786**	**12,527**	**112,710**	**130,023**
Increase (purchase, development)	2,535	-	64,207	**66,742**
Other changes (reclassification, transfers, etc.)	-	-	(6,900)	**(6,900)**
Amortisation	(2,684)	(2,597)	-	**(5,281)**
Impairment losses	-	-	(587)	**(587)**
Net exchange differences on translation	192	-	(238)	**(46)**
Net carrying amount as at Jun 30 2023	**4,829**	**9,930**	**169,192**	**183,951**
Jan 1–Dec 31 2022				
Net carrying amount as at Jan 1 2022	**4,298**	**501**	**25,939**	**30,738**
Increase (purchase, development)	5,204	1,629	98,939	**105,772**
Other changes (reclassification, transfers, etc.)	-	13,866	(13,866)	**-**
Amortisation	(4,706)	(3,469)	-	**(8,175)**
Net exchange differences on translation	(10)	-	1,698	**1,688**
Net carrying amount as at Dec 31 2022	**4,786**	**12,527**	**112,710**	**130,023**

In terms of the carrying amount, the most material items of patents, licences and software are two licences for Unreal Engine (game engine), whose total carrying amount was PLN 994 thousand as at June 30th 2023 and PLN 1,253 thousand as at December 31st 2022. The amortisation period from initial recognition was estimated at 10 years. The useful life of graphics engines is estimated based on the knowledge of the Parent's Management Board and the planned use of the engines in the current game development projects. As at June 30th 2023, the engines were used to develop games.

The line item 'Development work in progress' includes expenditure on development work which, as at the reporting date, has not been completed and accepted for use.

As at June 30th 2023, the most material components of development work in progress were:

- development of new games to be self-published (see Note 21 for details);
- further development of PCF Framework (see Note 21 for details).

The Group confirmed as at the end of each reporting period that capitalised expenditure constituting an intangible asset in the form of game components met the criteria set out in IAS 38.57.

The Group does not hold any assets with indefinite useful lives.

Amortisation of intangible assets is disclosed in the consolidated statement of profit or loss in the following line items:

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Cost of sales	3,811	2,581
General and administrative expenses	808	520
Amortisation capitalised under development work	662	-

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

Total amortisation of intangible assets	**5,281**	**3,101**

As at each reporting date, the Group analyses indications of impairment of intangible assets. As at June 30th 2023, it identified no indication of a need to test the assets for impairment.

As at Jun 30 2023, the Group analysed indications of impairment and identified an intangible asset requiring an impairment test. As a result, in the first six months of 2023 an impairment loss of PLN 587 thousand was recognised on concept work related to one of potential future projects, which the Group conducts on an ongoing basis in addition to the projects it has selected for further development.

As at June 30th 2023 and as at December 31st 2022, there were no contracts or agreements which would result in commitments or obligations due to acquisition of intangible assets.

5. Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment under construction	**Total**
Jan 1–Jun 30 2023					
Net carrying amount as at Jan 1 2023	**3,452**	**7,386**	**805**	**137**	**11,780**
Increase (purchase, construction)	564	2,802	303	-	**3,669**
Decrease (disposal, retirement)	-	(47)	-	-	**(47)**
Other changes (reclassification, transfers, etc.)	(15)	(15)	160	(137)	**(7)**
Depreciation	(240)	(2,042)	(186)	-	**(2,468)**
Net exchange differences on translation	(95)	(231)	(27)	-	**(353)**
Net carrying amount as at Jun 30 2023	**3,666**	**7,853**	**1,055**	**-**	**12,574**
Jan 1–Dec 31 2022					
Net carrying amount as at Jan 1 2022	**2,895**	**7,269**	**548**	**134**	**10,846**
Increase (purchase, construction)	990	4,403	56	62	**5,511**
Decrease (disposal, retirement)	-	(11)	-	-	**(11)**
Other changes (reclassification, transfers, etc.)	-	-	483	(62)	**421**
Depreciation	(466)	(4,365)	(287)	-	**(5,118)**
Net exchange differences on translation	33	90	5	3	**131**
Net carrying amount as at Dec 31 2022	**3,452**	**7,386**	**805**	**137**	**11,780**

Depreciation of property, plant and equipment is included as expense in the following items of the consolidated statement of profit or loss:

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Cost of sales	1,450	1,764
General and administrative expenses	413	576
Depreciation capitalised under development work	605	-
Total depreciation of property, plant and equipment	**2,468**	**2,340**

As at each reporting date, the Group analyses indications of impairment of property, plant and equipment. No indication of a need to test the assets for impairment was identified as at June 30th 2023 and December 31st 2022.

As at June 30th 2023 and December 31st 2022, there were no contracts or agreements which would result in commitments or obligations due to acquisition of property, plant or equipment.

6. Right-of-use assets

	Buildings and structures	Machinery and equipment	Other property, plant and equipment	**Total**
Jan 1–Jun 30 2023				
Net carrying amount as at Jan 1 2023	**28,516**	**952**	**627**	**30,095**
Increase (leases)	4,898	-	-	**4,898**
Depreciation	(2,216)	(159)	(71)	**(2,446)**
Net exchange differences on translation	(1,037)	-	-	**(1,037)**
Net carrying amount as at Jun 30 2023	**30,161**	**793**	**556**	**31,510**
Jan 1–Dec 31 2022				
Net carrying amount as at Jan 1 2022	**27,401**	**167**	**637**	**28,205**
Increase (leases)	4,932	1,008	617	**6,557**
Other changes (reclassification, transfers, etc.)	-	-	(483)	**(483)**
Depreciation	(4,250)	(223)	(144)	**(4,617)**
Net exchange differences on translation	433	-	-	**433**
Net carrying amount as at Dec 31 2022	**28,516**	**952**	**627**	**30,095**

The line item 'Buildings and structures' includes a right-of-use asset recognised on account of the following office space lease contracts:

- lease contract for office space in Warsaw,
- lease contract for office space in Rzeszów,
- lease contract for office space in Kraków,
- lease contract for office space in Montreal,
- lease contract for office space in Newcastle (Gateshead).

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

Under 'Machinery and equipment' the Group presents operating leases of hardware, and under 'Other property, plant and equipment' – leases of office equipment.

7. Goodwill

The following changes in consolidation goodwill occurred during the six months to June 30th 2023.

	Jun 30 2023	Dec 31 2022
As at beginning of period	**55,503**	**54,604**
Increase		
Acquisition/loss of control of companies	-	141
Failure to achieve planned earn-out	-	(317)
Exchange differences	**(1,893)**	**1,075**
As at end of period	**53,610**	**55,503**

	Jun 30 2023	Dec 31 2022
Goodwill at cost	52,803	52,803
Loss of control of companies	141	141
Failure to achieve planned earn-out	(317)	(317)
Exchange differences	983	2,876
Goodwill, net of impairment losses	**53,610**	**55,503**

8. Contract assets and liabilities

Contract assets

Where a game is developed by the producer (developer) in cooperation with the publisher, the rules of cooperation between the parties are laid down in a development and publishing agreement. Under such agreements the Group commits to developing a game and delivering it to the publisher in accordance with the agreed milestone schedule. The scope of a game development project carried out by the Group comprises all work necessary to create a finished product which is ready for sale by the publisher. The Group's development and publishing agreements are framework agreements, which:

- are supplemented, in keeping with the progress of game development work, with specific contracts between the parties in the form of content riders. Each content rider defines the parties' rights and obligations with respect to a specific contracted game development milestone or group of such milestones; or
- define the milestone schedule for the game production in a separate Product Appendix.

The parties' rights and obligations concern, without limitation, deliverables and their completion dates and the amount and form of the consideration payable to the developer by the publisher. As a rule, consideration is not paid until a particular milestone is achieved and accepted by the publisher. Upon receipt of a milestone acceptance notice from the publisher, the Group may invoice the publisher for the milestone.

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In its financial statements, the Group recognises contract assets that represent the Group's right to consideration for goods or services transferred by the Group to a customer (publisher) if that right is subject to a condition other than the passage of time. Contract assets include in particular assets related to work that has been performed and delivered under development and publishing agreements but has not yet been invoiced as well as to revenue arising upon transfer of deliverables yet to be invoiced.

Conditions for (moment of) recognising contract assets and their reclassification to receivables

Contract assets

Recognition by the Group of contract assets arising under development and publishing agreements depends on the agreement's conformity with the five-step model under IFRS 15. Contract assets presented in the consolidated statement of financial position relate to development work performed by the Group by the reporting date and are estimated at the end of each reporting period (on the basis of the stage of contract completion). They are recognised upon completion of a relevant contracted video game development milestone.

Short-term receivables

The Group recognises a receivable if its right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Contract assets are reclassified to receivables when the Group becomes eligible to invoice the publisher, i.e. upon receipt of a milestone acceptance notice from the publisher.

Contract liabilities

Apart from working under development and publishing agreements, the Group also performs work as a subcontractor. Under subcontracts, the Group is obliged to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group recognises a contract liability if the Group has invoiced the customer for more work than has actually been performed as at the reporting date.

The contract assets and liabilities as at the end of the reporting periods are presented in the table below.

	Jun 30 2023	Dec 31 2022
Gross contract assets	9,200	30,451
Impairment of contract assets	-	-
Contract assets	**9,200**	**30,451**
Contract liabilities	**1,707**	**2,792**

With respect to estimation of credit losses due to impairment, contract assets are governed by International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). The Group applies a practical expedient and measures allowances for expected credit losses at an amount equal to the expected credit losses over the life of the instrument. Impairment losses are estimated based mainly on historical data on days past due and a relationship between days past due and actual payments over the last four years, taking into account available information relating to the future.

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The estimated amount of expected credit loss allowance for contract assets as at June 30th 2023 and as at June 30th 2022 was immaterial.

Key reasons for changes in contract assets and liabilities in the reporting period are presented in the tables below.

	Jan 1–Jun 30 2023	Jan 1–Dec 31 2022
Contract assets:		
Contract assets at beginning of period	30,451	35,293
Revenue taken to contract assets in period	74,920	117,127
Reclassification to trade receivables	(96,168)	(121,969)
Net exchange differences on translation	(3)	-
Contract assets at end of period	**9,200**	**30,451**
Contract liabilities:		
Contract liabilities at beginning of period	2,792	2,030
Performance obligations recognised in reporting period as contract liabilities	761	762
Recognition of revenue included in contract liabilities at beginning of period	(1,785)	-
Net exchange differences on translation	(61)	-
Contract liabilities at end of period	**1,707**	**2,792**

The Group did not incur capitalised costs of obtaining and performing contracts.

As the contract budget increases to include further milestones, the planned contract revenue and the corresponding costs are updated and increased. The Group updates the contract budget gradually, based on the knowledge gained. The Management Board of the Parent updates the projected results of a contract gradually, based on the best knowledge of costs necessary to be incurred, to reflect the milestones added to the contract.

9. Equity

Share capital

The following changes in the number of shares occurred during the period covered by these consolidated financial statements:

	Jan 1–Jun 30 2023	Jan 1–Dec 31 2022
Shares issued and paid up:		
Number of shares at beginning of period	29,950,226	29,950,226
Issue of Series E shares	136,104	-
Issue of Series F shares	3,343,037	-
Number of shares at end of period	**33,429,367**	**29,950,226**

As at the reporting date, neither the Parent nor its subsidiaries held any shares of the Parent.

Shareholding structure

The following tables present the shareholding structure as of the respective reporting dates covered by these consolidated financial statements.

	Number of shares	Number of voting rights	Total par value (PLN '000)	Ownership interest
As at Jun 30 2023				
Sebastian Wojciechowski	14,969,480	14,969,480	299	44.78%
Other shareholders	18,459,887	18,459,887	370	55.22%
Total	**33,429,367**	**33,429,367**	**669**	**100.00%**

	Number of shares	Number of voting rights	Total par value (PLN '000)	Ownership interest
As at Dec 31 2022				
Sebastian Wojciechowski	14,969,480	14,969,480	299	49.98%
Other shareholders	14,980,746	14,980,746	300	50.02%
Total	**29,950,226**	**29,950,226**	**599**	**100.00%**

The shareholding structure as at June 30th 2023 does not reflect the issue of Series G shares, which took place after the reporting date.

Share premium

	Jun 30 2023	Dec 31 2022
Share premium on Series B shares	100,246	100,246
Costs of issue of Series B shares	(3,119)	(3,119)
Costs of issue of Series C shares/ warrants	(8)	-
Share premium on Series D shares	25,135	25,135
Costs of issue of Series D shares	(393)	(393)
Share premium on Series E shares	5,663	-
Costs of issue of Series E shares recognised as reduction of statutory reserve funds	(18)	-
Statutory reserve funds created from share premium – Series F shares	134,323	-
Costs of issue of Series F shares recognised as reduction of statutory reserve funds	(2,275)	-

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Total	**259,554**	**121,869**

Other components of equity

	Jun 30 2023	Dec 31 2022
Other components of equity created prior to transition to IAS	37,246	37,246
Other components of equity – incentive scheme	10,207	10,207
Measurement of subscription warrants due to publisher Square Enix Limited	2,694	2,694
Changes in Group structure (transactions with non-controlling shareholders)	(4,297)	-
Exchange differences on translation of foreign operations	2,357	4,841
Total	**48,207**	**54,988**

Non-controlling interests

	Jun 30 2023	Dec 31 2022
Incuvo S.A.	4,347	5,323
Total	**4,347**	**5,323**

	Jun 30 2023	Dec 31 2022
As at beginning of period:	5,323	2,081
Acquisition of shares in subsidiaries – Incuvo S.A.	(1,341)	-
Share in net profit/(loss) – Incuvo S.A.	365	3,458
Deconsolidation – Spectral Applications Sp. z o.o. w likwidacji (in liquidation)	-	(216)
As at end of period	**4,347**	**5,323**

10.Borrowings

The Group's debt instruments as at June 30th 2023 are described below.

- On April 30th 2020, the Parent entered into a subsidy agreement with Polski Fundusz Rozwoju S.A. ("PFR") under the government-run Polish Development Fund's Financial Shield for Micro, Small and Medium-Sized Enterprises programme (the "Programme") providing financial support to businesses as relief against the consequences of COVID-19. The subsidy of PLN 3,500 thousand was applied by the Parent for purposes specified in the terms of the Programme.
  Based on the statement submitted by the Parent, accounting for how the subsidy was spent, PFR decided that half of the subsidy, i.e. PLN 1,750 thousand, had to be repaid.
  The repayment began in the 13th month from the first full calendar month after the disbursement, and is to be completed in 24 equal monthly instalments.
  The subsidy agreement, being a part of the government-run programme to support businesses as a relief against the consequences of the COVID-19. pandemic, was

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concluded on preferential, non-market terms. The effect on the fair value of the subsidy is not material.
As at June 30th 2023, the amount remaining to be repaid was PLN 73 thousand.

- Credit facility agreement between Game On and Royal Bank of Canada
  The purpose of the credit facility was to finance the management buyout in connection with the acquisition of Game On by the Parent.
  Game On has been repaying the facility in equal monthly instalments of approximately CAD 41 thousand each. As at June 30th 2023, the balance outstanding under the facility was CAD 1,264 thousand.
- Credit facility agreement between PCF Canada and Bank of Montreal
  The credit facility agreement provides for two demand revolving facilities:
  (1) credit facility of up to CAD 1,200 thousand, intended to finance working capital and general corporate needs of PCF Canada; and
  (2) credit facility of up to CAD 8,000 thousand, intended to prefinance future tax credits in Canada.
  The grant of the facilities was subject to standard conditions precedent in this type of transactions, including delivery to the bank of certain documents and certificates, copies of entries in relevant registers and legal opinions, and provision of security for the bank's claims under the agreement.
  The security package, governed by Canadian law, includes:
  (1) the Parent's guarantee;
  (2) First Ranking General Security Agreement over all movable assets of PCF Canada (i.e. a variable pool of movables and property rights);
  (3) First Ranking Hypothec of CAD 11,040 thousand over all movable assets of PCF Canada;
  (4) subordination of corporate loans advanced by the Parent;
  (5) identification of the bank as an additional insured in PCF Canada's insurance policies.
  On May 24th 2023, the Parent issued an unsecured guarantee to the bank for up to CAD 9,200 thousand to secure the bank's claims against PCF Canada under the agreement and the security provided. Both credit facilities are repayable on demand and can be renewed annually on terms agreed by the parties.
  The interest rate on the credit facilities for each interest period is an annual interest rate being the sum of an agreed margin and the base rate (based on the Canadian Prime Rate).
  The fee for granting the credit facilities was determined on standard arm's length terms applied for financial instruments of this kind.
  PCF Canada has disclosure obligations towards Bank of Montreal, including the obligation to provide information on financial statements and other significant events.
  The agreement also provides for standard covenants, such as restrictions on change of business or the terms of new debt financing.
  In the event of breach of the agreement, the bank has standard rights, including but not limited to the right to terminate the agreement or suspend the funding.
  As at June 30th 2023, the balance outstanding under the facility was CAD 1,750 thousand.

	Current liabilities		Non-current liabilities	
	Jun 30 2023	Dec 31 2022	**Jun 30 2023**	Dec 31 2022
Financial liabilities measured at amortised cost				

Borrowings and subsidies	7,040	2,089	2,509	3,490
Financial liabilities measured at amortised cost	**7,040**	**2,089**	**2,509**	**3,490**
Total borrowings, other debt instruments	**7,040**	**2,089**	**2,509**	**3,490**

11. Operating income and expenses

Costs by nature of expense

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Apr 1–Jun 30 2023**	Apr 1–Jun 30 2022
Amortisation and depreciation expense	10,195	7,604	5,346	4,331
Employee benefits	77,745	54,340	43,884	30,116
Raw materials and consumables used	984	1,751	435	1,481
Services	46,598	50,384	22,987	28,150
Taxes and charges	131	81	50	76
Other	1,261	814	705	355
Total costs by nature of expense	**136,914**	**114,974**	**73,407**	**64,509**
Capitalised development expenditure	(62,079)	(45,570)	(35,090)	(32,256)
Costs by nature of expense recognised in profit or loss	**74,835**	**69,404**	**38,317**	**32,253**
Cost of services sold	43,695	44,295	21,502	20,022
General and administrative expenses	31,140	25,109	16,815	12,231
Total	**74,835**	**69,404**	**38,317**	**32,253**

Costs by nature of expense include mainly salaries and wages of the Group's employees and independent contractors involved in game development and back office functions, lease of office space and services not related to game development. The year-on-year increase in costs in the six months ended June 30th 2023 was mainly attributable to:

- overall increase in costs related to increased scale of operations, which translated into the need to expand the Group's development and back office resources;
- development of publishing structures in connection with the Group's plans to publish games on its own in the self-publishing segment.

Other income

Other income includes income from medical services and other services for entities cooperating with the Group.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Apr 1–Jun 30 2023**	Apr 1–Jun 30 2022
Other income	381	949	178	827
Total other income	**381**	**949**	**178**	**827**

Other expenses

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Other expenses include costs of medical services and other services purchased for entities cooperating with the Group.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Impairment losses on property, plant and equipment and intangible assets	587	-	587	-
Other	2,512	766	2,409	685
Total other expenses	**3,099**	**766**	**2,996**	**685**

In the six months ended June 30th 2023, other expenses also included:

- cost of an additional payment (PLN 2,050 thousand) which the Parent agreed to make to OÜ Blite Fund in connection with the acquisition of 7,143,900 shares in Incuvo S.A. For more details, see Note 23.

12. Finance income and expenses, losses on expected credit losses

Losses on expected credit losses

In the period covered by these consolidated financial statements the Group applied IFRS 9, but no losses on account of expected credit losses were identified as a separate item of the consolidated statement of profit or loss and other comprehensive income, as the amount of those losses was immaterial.

Finance income

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Interest income calculated using the effective interest rate:				
Cash and cash equivalents (deposits)	-	813	-	337
Interest income calculated using the effective interest rate	**-**	**813**	**-**	**337**
Gains on measurement and settlement of financial instruments other than at fair value through profit or loss:				
Shares in non-listed companies	-	558	-	558
Gains on measurement and settlement of financial instruments at fair value through profit or loss	**-**	**558**	**-**	**558**
Foreign exchange gains (losses):				
Cash and cash equivalents	-	5,362	-	4,181
Loans and receivables	-	1,115	-	(206)
Financial liabilities at amortised cost	-	(431)	-	(155)
Foreign exchange gains (losses)	**-**	**6,046**	**-**	**3,820**
Total finance income	**-**	**7,417**	**-**	**4,715**

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Finance costs

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Interest expense on financial liabilities other than at fair value through profit or loss:				
Lease liabilities	796	642	366	319
Credit facilities	454	108	314	19
Trade and other payables	2	-	2	-
Interest expense on financial liabilities other than at fair value through profit or loss	**1,252**	**750**	**682**	**338**
Foreign exchange gains (losses) (+/-):				
Cash and cash equivalents	1,012	-	593	(27)
Loans and receivables	210	263	(531)	122
Foreign exchange gains (losses) (+/-)	**1,222**	**263**	**62**	**95**
Total finance costs	**2,474**	**1,013**	**744**	**433**

13. Income tax

The table below presents reconciliation of income tax on profit or loss before tax with the income tax disclosed in the consolidated statement of profit or loss:

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Profit or loss before tax	**(11,361)**	**27,775**
Income tax at 5%	1,742	1,335
Income tax at 19%	(4,459)	(1,518)
Reconciliation of income tax due to:		
Application of different tax rates to profit or loss of Group companies	170	137
Non-taxable income	(329)	-
Expenses which are permanently non-deductible	180	251
Unrecognised deferred tax asset on tax losses	4,322	1,062
Taxable income not qualifying as accounting income	135	-
Technical settlement between 5% and 19% tax rates	(52)	1,028
Income tax	**1,709**	**2,295**
Average tax rate applied	**-15.0%**	**8.3%**

14. Earnings per share and dividends paid

Earnings per share

To calculate basic earnings (loss) per share, the Group uses the amount of net profit (loss) attributable to owners of the Parent in the numerator, which means there is no dilutive effect on the amount of profit (loss).

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The calculation of basic earnings (loss) per share together with reconciliation of the diluted weighted average number of shares is presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Number of shares used as denominator in the formula				
Weighted average number of ordinary shares	30,187,467	29,950,226	30,383,489	29,950,226
Dilutive effect of options convertible into shares	540,000	360,000	540,000	360,000
Diluted weighted average number of ordinary shares	30,727,467	30,310,226	30,923,489	30,310,226
Continuing operations				
Net profit (loss) from continuing operations	(13,070)	25,480	(8,776)	11,549
Basic earnings (loss) per share (PLN)	(0.43)	0.85	(0.29)	0.39
Diluted earnings (loss) per share (PLN)	(0.43)	0.84	(0.28)	0.38
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Basic earnings (loss) per share (PLN)	-	-	-	-
Diluted earnings (loss) per share (PLN)	-	-	-	-
Continuing and discontinued operations				
Net profit (loss)	(13,070)	25,480	(8,776)	11,549
Basic earnings (loss) per share (PLN)	(0.43)	0.85	(0.29)	0.39
Diluted earnings (loss) per share (PLN)	(0.43)	0.84	(0.28)	0.38

Dividends

On June 27th 2023, the Annual General Meeting of the Parent passed Resolution No. 7/06/2023 on the allocation of the Parent's profit for the financial year 2022, in which it resolved not to pay dividends for the financial year 2022.

In accordance with the Group's growth strategy update adopted by the Parent's Management Board on January 31st 2023, the Management Board plans not to recommend that the Parent's General Meeting approves payment of dividend until the Parent generates revenue, profits and positive cash flows from its planned self-publishing activities, i.e., no earlier than from profits earned for the financial year 2025. However, any decisions regarding payment and amount of dividends are always subject to the discretion of the shareholders at the Annual General Meeting, who are not bound in any way by recommendations of the Parent's Management Board.

15. Related-party transactions

Ultimate parent

The ultimate parent is Mr Sebastian Wojciechowski, By virtue of his being a major shareholder of the Parent, holding, as at the date of issue of these consolidated financial statements, 41.65%

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of the Parent shares, which confer 41.65% of total voting rights at the General Meeting of the Parent, as well as a special personal right to appoint and remove President of the Management Board. In addition, together with three other shareholders of the Parent, Sebastian Wojciechowski forms the Group of Qualifying Shareholders, vested with a special personal right to appoint a majority of the Supervisory Board members. Mr Wojciechowski is a natural person and does not prepare financial statements for public disclosure (International Accounting Standard 24 *Related Party Disclosures* ("IAS 24"), section 24.13).

Mr Wojciechowski also serves as President of the Management Board of the Parent.

Transactions with shareholders

The following tables present transactions with shareholders of the Parent which took place in the period covered by these consolidated financial statements.

6 months ended Jun 30 2023	Sale	Purchase	Dividends
Shareholders of the Parent	2	2,220	-

6 months ended Jun 30 2022	Sale	Purchase	Dividends
Shareholders of the Parent	3	1,615	-

As at Jun 30 2023	Receivables	Liabilities	Borrowings
Shareholders of the Parent	-	460	-

As at Dec 31 2022	Receivables	Liabilities	Borrowings
Shareholders of the Parent	-	-	-

As regards disclosure of transactions with shareholders, the Group applies a practical expedient and presents transactions with shareholders whose share in total voting rights in the Parent is no less than 5%. The Group also discloses transactions executed by persons discharging managerial responsibilities and their close persons who have been notified to the Parent pursuant to Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16th 2014 on market abuse (Market Abuse Regulation).

16. Change in impairment losses and estimated credit losses

In the six months ended June 30th 2023, the amounts of impairment losses and estimated credit losses did not differ materially relative to the amounts disclosed in the consolidated financial statements for 2022, except for an impairment loss of PLN 587 thousand on concept work related to one of potential future projects, which the Group conducts on an ongoing basis in addition to the projects it has selected for further development.

17. Financial guarantees, contingent assets and liabilities

On May 24th 2023, the Parent issued an unsecured guarantee to Bank of Montreal for up to CAD 9,200 thousand to secure the bank's claims against PCF Canada under a credit facility agreement and security provided under that agreement; for more details, see Note 10.

Apart from the instrument described above, as at June 30th 2023 the Group did not have any other financial guarantees or contingent assets or liabilities.

18. Seasonality and cyclicality of business in the interim period

There was no seasonality or cyclicality in the Group's business in the interim period.

19. Amounts that have a significant effect on assets, liabilities, equity, net profit/(loss) or cash flows and that are non-typical due to their nature, value, effect or frequency

In the opinion of the Parent's Management Board, there were no material events in the six months ended June 30th 2023, other than those described elsewhere in these financial statements, which could affect the assessment of the Group's financial position.

As at June 30th 2023 and December 31st 2022, the carrying amount of the Group's financial instruments was equal to their fair value due to the short maturities of those instruments, their cash nature, variable interest rate or immaterial difference between the original effective interest rates and the actual market rates.

20. Position of the Management Board on published forecasts

The Management Board of the Parent did not publish any financial forecasts for 2023.

21. The Group's achievements and factors with a material effect on these consolidated financial statements

In the first six months of 2023, the Group pursued the strategic objectives defined by the Parent's Management Board, including those set out in the updated growth strategy described in detail in Note 23 below. The objectives include:

- Continued development work, in collaboration with Square Enix Limited, on Project Gemini (a game in the production phase as at the reporting date).
- Continued development work on Project Dagger (a game in the pre-production phase as at the reporting date). As announced in its updated Strategy in January 2023, the Group plans to publish the game on its own, in the self-publishing segment. However, the Group does not rule out cooperation with a reputable partner under the work-for-hire model should the opportunity arise.
- Continued development work on Project Bifrost (a game in the pre-production phase as at the reporting date), to be ultimately self-published by the Group using its own funds (or funds sourced from third parties under debt instrument agreements) and based on new intellectual property rights that would remain owned by the Group. As the same time, in accordance with the investment agreement of March 28th 2023 signed by the Parent and Sebastian Wojciechowski as the Parent's key shareholder and President of the Management Board with Krafton, Inc., if the Parent contemplates publishing Project Bifrost in a model other than self-publishing, Krafton Inc. will have the right of first negotiation and the right of first refusal with respect to entering into any such agreements. For more details on the investment agreement, see Section 23 "Significant events and transactions" of these consolidated financial statements.
- Continued development work on Project Victoria (a game in the pre-production phase as at the reporting date), to be ultimately self-published by the Group using its own funds

and based on new intellectual property rights that would remain owned by the Group. As in the case of Project Bifrost, if the Parent contemplates publishing Project Victoria in a model other than self-publishing, Krafton Inc. will have the right of first negotiation and the right of first refusal with respect to any such agreements.

- Continued development work on Project Red (a game in the concept phase as at the reporting date), which may be carried out by the Group in cooperation with a publisher on the work-for-hire basis or in the self-publishing model.
- Start of development work, in collaboration with Microsoft Corporation, on Project Maverick.
- Further strengthening of the international character of People Can Fly's studio and development team, and further expansion of the Group's development teams across all locations by hiring developers with experience in creating AAA video games and compact AAA video games (i.e. games with a shorter development timeframe, lower budget and narrower scope than triple-A titles but with a comparable quality to the latter).
- Further development of PCF Framework (i.e. proprietary, unique game development software and tools based on Unreal Engine technology) both through development of existing modules and new modules, particularly online services (an online service package comprising, among other things, servers acting as a central database access intermediary for video games, a set of libraries for server communication, tools enabling database access for customer service purposes, and tools enabling players to interact with each other in real time in the game world), as a platform enabling the Parent to expand its multiplayer capabilities.

In order to cover expenditures related to the updated strategy of the Parent and its Group, as described in detail in Note 23 below, and to ensure that the strategic objectives set out in the strategy continue to be pursued, the Parent carried out public offerings of new Series F and Series G shares, raising approximately PLN 235m in proceeds. For detailed information on the public offering of Series F and Series G shares of the Parent, see Note 23 below.

22. Acquisition and sale of property, plant and equipment and other intangible assets

In the period covered by these consolidated financial statements, there were no non-standard transactions involving acquisition or sale of property, plant and equipment and intangible assets.

23.Significant events and transactions

The following events occurred during the period covered by these consolidated financial statements:

- **Registration of subscription warrants with CSDP**

  On January 24th 2023, in response to the Parent's application of January 12th 2023, the Central Securities Depository of Poland issued a statement to the effect that on January 25th 2023 it would enter into an agreement with the Parent to register 90,000 Series A registered subscription warrants of tranche A4 and 90,000 Series A registered subscription warrants of tranche A5, issued for no consideration and with no par value, under ISIN PLPCFGR00051 and PLPCFGR00069, respectively.

- **Strategy update**

  On January 31st 2023, the Parent's Management Board passed a resolution to adopt an update of the Parent's and its Group's strategy (the "**Strategy**").

The Strategy is focused on the following areas:

- bolstering of the publishing activities (the self-publishing segment);
- adoption of the Game-as-a-Service (GaaS) or GaaS-ready model in developing proprietary portfolio games;
- adoption of various game monetisation models;
- further expansion of development teams and talent development;
- investment in new segments of the entertainment industry.

The Parent set a strategic goal of earning at least PLN 3.0bn in total revenue in 2023–2027.

In order to cover expenditures related to the Strategy, the Management Board raised some PLN 235m by issuing new shares of the Parent, with the financing level having been assumed at PLN 205m to 295m (see below for a description of the share capital increase through the issue of Series F and Series G ordinary bearer shares carried out to secure financing for the Strategy). All proceeds from the new issues will be used to expand the development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria. The proceeds from the new issues of Parent shares, together with (i) the Parent's own cash, (ii) the Parent's operating cash flows and (iii) other available sources of financing which do not result in dilution of shareholders' equity interests, will facilitate full implementation of the Strategy.

For details of the Strategy, see Current Report No. 3/2023 of January 31st 2023.

- **Share capital increase through the issue of Series E ordinary bearer shares following an increase in the equity interest in Incuvo S.A.**

On February 10th 2023, the Parent's Management Board passed a resolution to, among others, increase the Parent's share capital within the limits of the authorised capital through the issue of 136,104 Series E ordinary bearer shares ("**Series E Shares**"), representing jointly approximately 0.45% of the Parent's share capital as at the date of the resolution and the same proportion of total voting rights at the Parent's General Meeting (the "**Series E Shares Issue Resolution**").

Adoption of the Series E Shares Issue Resolution was related to the Parent's decision to increase the Parent's equity interest in its subsidiary Incuvo S.A. through an exchange of Incuvo S.A. shares for the Parent shares with selected shareholders of Incuvo S.A., namely Andrzej Wychowaniec, President of Incuvo S.A. Management Board, and Radomir Kucharski, Vice President of the Management Board, Chief Product Officer.

87,820 Series E Shares were offered to Andrzej Wychowaniec and 48,284 to Radomir Kucharski, with the Parent's existing shareholders' pre-emption rights waived, in exchange for an in-kind contribution to the Parent's increased share capital of Andrzej Wychowaniec's and Radomir Kucharski's shares in Incuvo S.A.: (a) from Andrzej Wychowaniec – 1,128,450 ordinary bearer shares in Incuvo S.A., representing jointly approximately 7.90% of Incuvo S.A.'s share capital and the same proportion of total voting rights at Incuvo S.A.'s General Meeting, and (b) from Radomir Kucharski – 620,428 ordinary bearer shares in Incuvo S.A., representing jointly approximately 4.34% of Incuvo S.A.'s share capital and the same proportion of total voting rights at Incuvo S.A.'s General Meeting.

On February 17th 2023, following the settlement of transactions executed in the performance of the agreements on transfer of Incuvo S.A. shares as a non-cash (in-kind) contribution, signed on February 15th 2023 between the Parent and Andrzej Wychowaniec, and between the Parent and Radomir Kucharski, the Parent acquired approximately 12.25% of shares and voting rights in Incuvo S.A. As a result of the transaction, the Parent holds approximately 62.25% of shares in Incuvo S.A.'s share capital and the same proportion of voting rights.

The increase in the Parent's share capital, carried out pursuant to the Series E Shares Issue Resolution, was registered by the competent registry court on March 3rd 2023. As a result, the Parent's share capital was PLN 601,726.60 and comprised 30,086,330 shares with a par value of PLN 0.02 per share.

- **Share capital increase through the issue of Series F ordinary bearer shares to secure financing for the implementation of the Strategy**

On February 28th 2023, the Parent's Extraordinary General Meeting passed a resolution to, among others, increase the Parent's share capital through the issue of up to 5,853,941 Series F ordinary bearer shares ("**Series F Shares**"), representing jointly approximately 19.55% of the Parent's share capital as at the date of the resolution and the same proportion of total voting rights at the Parent's General Meeting (the "**Series F Shares Issue Resolution**").

Adoption of the Series F Shares Issue Resolution was related to the Parent's intention to raise funds on the capital market through a public offering of Series F Shares to finance the implementation of objectives set out in the Strategy.

- **Waiver of provisions concerning authorised capital of the Parent**

On February 28th 2023, the Parent's Extraordinary General Meeting passed a resolution to amend the Parent's Articles of Association by waiving the provisions concerning authorised capital. The Parent's intention was to ensure that the shareholders' equity interests are not diluted any further (after the increase in the Parent's share capital through the issue of Series F ordinary bearer shares, with the pre-emptive rights waived) in the future under the Management Board's authorisation to increase the Parent's share capital within the limits of the authorised capital, subject to the transaction to increase the Parent's equity interest in Incuvo S.A. as referred to above.

- **Execution of an investment agreement concerning acquisition by Krafton, Inc. of shares in the increased share capital of the Parent as part of the issue of Series F shares**

As part of the process (described above) to increase the Parent's share capital, on March 28th 2023 an investment agreement was signed between the Parent, Sebastian Wojciechowski as the Parent's key shareholder and President of the Management Board (the "**Key Shareholder**") and Krafton, Inc. as the anchor investor (the "**Investor**") defining the terms of subscription for Series F Shares by the Investor and other contractual rights and obligations of each party in connection with the investment, including the Parent's disclosure obligations towards the Investor (the "**Investment Agreement**").

Pursuant to the Investment Agreement, on the date specified therein the Investor agreed to subscribe for such number of Series F Shares (rounded to the nearest integer) which upon completion of the public offering of Series F Shares will represent 10.00% of the Parent's share capital and voting rights at the Parent's General Meeting (the "**Offer Shares**") for the issue price of PLN 40.20 per Offer Share, irrespective of the number of Series F Shares subscribed for by investors participating in the offering and the issue price of Series F Shares for other investors participating in the offering. The Parent guaranteed the allotment of Offer Shares to the Investor subject to the Investor's performance of the obligation to place a subscription order. The Offer Shares were to be subscribed for by the Investor for cash.

Pursuant to the Investment Agreement, if the Parent contemplates publishing Project Victoria or Project Bifrost in a model other than self-publishing, the Investor will have the right of first negotiation and the right of first refusal with respect to any such agreements.

In addition, the Key Shareholder granted the Investor the right to prevent dilution, the right of first refusal to acquire shares and the tag-along right (corresponding to the Key Shareholder's drag-along right). Both the Investor and the Key Shareholder submitted standard lock-up declarations regarding their shares in the Parent, effective until March 28th 2024. The Parties also made customary representations and warranties and agreed on the contractual terms of each Party's liability for a breach, if any, of the Investment Agreement.

Further information on the Investment Agreement was published in Current Report No. 12/2023 of March 28th 2023.

As a result of the public offering of Series F Shares, described in detail below, the Investor subscribed for 3,342,937 Series F Shares in the performance of the Investment Agreement. The shares represented 10.00% of all shares in the Parent after registration by the competent registry court of the increase in the Parent's share capital by way of issue of Series F Shares.

- **Submission of an offer to Square Enix Limited to subscribe for subscription warrants**

  On March 28th 2023, the Parent's Management Board made an offer to the publisher (which was accepted by the publisher on April 18th 2023), to subscribe, for no consideration, for 90,000 Series A registered subscription warrants of tranche A6, representing the last of the tranches of Series A subscription warrants offered to Square Enix Limited under the investment agreement, the terms of which are described in detail in Current Report No. 40/2021 of August 29th 2021.The offer to subscribe for the sixth tranche of the subscription warrants was made by the Parent as the Parent's revenue from agreements with Square Enix Limited exceeded PLN 270m.

  For detailed information on the terms and conditions of the warrants granted to Square Enix Limited by the Parent, including of their exercise by Square Enix Limited to subscribe for shares in the Parent, see the Parent's Current Report No. 40/2021 of August 29th 2021.

- **Execution by the subsidiary People Can Fly Canada Inc. of a credit facility agreement and related security documents**

On May 24th 2023, the Parent’s subsidiary People Can Fly Canada Inc. of Montreal, Canada, as the borrower, and Bank of Montreal, as the lender, signed a credit facility agreement (Offer of Financing), the terms of which are described in detail in Note 10.

- **Start of negotiations on a credit facility agreement with Bank Polska Kasa Opieki S.A.**

  On May 30th 2023, the Parent received a term sheet prepared for the Parent by Bank Polska Kasa Opieki S.A. (“**Bank Pekao**”) and confirmed by the Bank Pekao Credit Committee (the “**Term Sheet**”).

  The Term Sheet concerns a revolving credit facility of up to PLN 50,000 thousand which Bank Pekao is ready to provide to the Parent to finance costs related to the development of video games on a work-for-hire basis. The proposed term of the revolving credit facility and the final repayment date of the facility is up to three years from the date of execution of the credit facility agreement.

  Performance of the Parent's obligations is to be secured with security instruments typically used in this type of transactions.

  Having considered the Term Sheet, the Parent decided to enter into negotiations on the execution of credit documents on the terms specified in the Term Sheet.

  As at the date of authorisation of the interim condensed consolidated financial statements for issue, the negotiations were continuing and the documents had not been executed.

- **Execution of a development and publishing agreement with Microsoft Corporation**

  On June 13th 2023, the Parent and Microsoft Corporation of Redmond, Washington, USA, as the publisher (the “**Publisher**”), entered into a development and publishing agreement (the “**Agreement**") for the development and delivery by the Parent to the Publisher of an AAA game under code name Project Maverick (the “**Game**”), in accordance with a content rider concluded by the parties for the Agreement (the “**Product Appendix**”), setting out the milestone schedule for the Game development.

  The Game will be developed by the Parent in the work-for-hire model, based on the intellectual property rights of the Publisher. Its production will be fully financed by the Publisher as the Parent completes successive Game development milestones.

  The total budget allocated by the Publisher for the development of the Game by the Parent is USD 30–50 million.

  The Agreement does not contain any specific conditions that would differ from those commonly used in this type of agreements.

  The execution of the Agreement fits in with the revised Strategy for the Parent and the Group announced on January 31st 2023, whereby the Parent intends to capture attractive opportunities for cooperation with reputable partners in the work-for-hire model if such opportunities arise.

- **Public offering of Series F Shares**

  From May 29th 2023 to June 1st 2023, the Parent carried out a bookbuilding process for an offering of Series F ordinary bearer shares with a par value of PLN 0.02 per share (“**Series F Shares**”), as a result of which it decided to offer a total of 3,343,037 Series F Shares, of which 3,342,937 Series F Shares were offered to Krafton Inc. in accordance with the investment agreement described in detail above, and 100 Series F Shares were offered to another investor. The Series F shares were offered by way of a private placement, within the meaning of the Commercial Companies Code, as part of a public offering. The issue price for one Series F Share was PLN 40.20, and the total value of the public offering was PLN 134,390,087.40. The process of executing subscription agreements for the Series F Shares was completed on June 6th 2023.

The full amount of proceeds from the public offering of Series F Shares will be used to expand the Group's development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria.

- **Execution of a side letter for the investment agreement on acquisition by Krafton, Inc. of shares in the increased share capital of the Parent**

  On June 14th 2023, the Parent and Sebastian Wojciechowski as the Parent's key shareholder and President of the Management Board executed a side letter (the "**Side Letter**") for the investment agreement of March 28th 2023 (the "**Investment Agreement**") with Krafton, Inc. (the "**Investor**"). In the Side Letter, the parties agreed, inter alia, that if:

  (i) the Parent's General Meeting passes a resolution(s) to increase the Parent's share capital by issuing up to 2,510,904 new shares (the "**New Issue Shares**"), and the share capital increase is carried out (i.e. the New Issue Shares are subscribed and paid for) no later than on December 31st 2023 (the "**Issue Resolution**"); and

  (ii) the Issue Resolution gives priority to subscribe for New Issue Shares to shareholders of the Parent that hold shares conferring the right to 0,25% or more of total voting rights in the Parent as at the end of the Issue Resolution date; and

  (iii) the Investor submits a declaration of subscription for a number of New Issue Shares which, when aggregated with Series F shares held by the Investor, will represent 10.00% of the Parent's share capital and total voting rights in the Parent on the date of registration of the New Issue Shares in the Business Register of the National Court Register by the registry court, then the Parent:

  a) irrespective of the number of New Issue Shares to be allotted to other investors participating in the offering and regardless of the issue price of the New Issue Shares that will be set for other investors participating in the offering – will allot such number of New Issue Shares to the Investor, with priority before other investors participating in the offering, which, when aggregated with Series F shares held by the Investor, will represent 10.00% of the Parent's share capital and total voting rights in the Parent on the date of registration of the New Issue Shares in the Business Register of the National Court Register by the registry court; and

  b) will enter into an agreement with the Investor, whereby the Investor will subscribe for New Issue Shares at the issue price of PLN 40.20 per New Issue Share.

  As a result of the public offering of Series G shares, described in detail below, the Investor subscribed for 251,091 Series G shares in the performance of the Side Letter. The shares, when aggregated with the 3,342,937 Series F shares subscribed for by the Investor, represent 10.00% of all shares in the Parent after registration by the competent registry court of the increase in the Parent's share capital by way of issue of Series G shares.

- **Registration of a share capital increase and amendments to the Articles of Association of PCF Group S.A.**

  On June 22nd 2023, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered amendments to the Parent's Articles of Association adopted by way of Resolution No. 4/02/2023 of the Extraordinary General Meeting held on February 28th 2023 to increase the Parent's share capital through the issue of Series F ordinary shares, to waive the existing shareholders' pre-emptive rights with respect to all Series F shares, to seek admission and introduction of Series F shares and allotment certificates for Series F shares to trading on the regulated market operated by the Warsaw Stock Exchange, to convert Series F shares and allotment certificates for Series F shares into book-entry form, to authorise the execution of an agreement to register Series F shares and allotment certificates for Series F shares in the depository for securities, and to amend the Parent's Articles of Association.

The amendments concerned an increase in the Parent's share capital from PLN 601,726.60 to PLN 668,587.34, through the issue of 3,343,037 Series F ordinary bearer shares with a par value of PLN 0.02 per share.

- **Settlement with OÜ Blite Fund**

On August 21st 2023, the Parent entered into a settlement with OÜ Blite Fund, an Estonian limited liability company of Tallinn, Estonia (the "**Settlement**", the "**Blite Fund**"), whereby the Parent agreed to pay PLN 2,050 thousand to Blite Fund on account of an increase in the purchase price for 7,143,900 shares in Incuvo S.A. (the "**Additional Payment**") acquired by the Parent under a share purchase agreement concluded between the Parent and Blite Fund on December 13th 2021 (the "**Share Purchase Agreement**"). The Additional Payment made by the Parent fully settles the parties' mutual claims under or in connection with the execution and performance of the Share Purchase Agreement. The Additional Payment was made on August 31st 2023. In accordance with IAS 10, the Additional Payment has been recognised in the Group's financial results for first six months of 2023.

24. Events after the reporting date

The following events, whose disclosure in these consolidated financial statements was not required, occurred after June 30th 2023.

- **Registration of Series E and Series F shares with CSDP and their admission and introduction to trading on the WSE**

Following registration of Series E and Series F shares in the Central Securities Depository of Poland on July 19th 2023, the shares were introduced to trading on the main market of the Warsaw Stock Exchange as of that date.

Series E and Series F shares of the Parent were assigned code ISIN PLPCFGR00010.

- **Share capital increase through the issue of Series G ordinary bearer shares to secure financing for the implementation of the Strategy**

On August 7th 2023, the Parent's Extraordinary General Meeting passed a resolution to, among others, increase the Parent's share capital through the issue of up to 2,510,904 Series G ordinary bearer shares ("**Series G Shares**"), representing jointly approximately 7.51% of the Parent's share capital as at the date of the resolution and the same proportion of total voting rights at the Parent's General Meeting (the "**Series G Shares Issue Resolution**").

The Series G Shares Issue Resolution was adopted in connection with the intention to conduct a public offering of Series G Shares in addition to the public offering of Series F shares carried out at the end of May and at the beginning June 2023, as described above.

- **Public offering of Series G shares**

  From August 9th 2023 to August 10th 2023, the Parent carried out a bookbuilding process for an offering of Series G ordinary bearer shares with a par value of PLN 0.02 per share ("**Series G Shares**"), as a result of which it decided to offer a total of 2,510,904 Series G Shares to forty investors, of which 251,091 Series G Shares were offered to Krafton Inc. in accordance with the side letter to the investment agreement, described in detail above. The Series G shares were offered by way of a private placement, within the meaning of the Commercial Companies Code, as part of a public offering. The issue price for one Series G Share was PLN 40.20, and the total value of the public offering was PLN 100,938,340.80. The process of executing subscription agreements for the Series G Shares was completed on August 18th 2023.

  The proceeds from the public offering of Series G Shares, together with the proceeds from the public offering of Series F shares, described above, will be used to expand the Group's development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria.

- **Registration of a share capital increase and amendments to the Articles of Association**

  On August 28th 2023, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered amendments to the Parent's Articles of Association adopted by way of Resolution No. 4/08/2023 of the Extraordinary General Meeting held on August 7th 2023 to increase the Parent's share capital through the issue of Series G ordinary shares, to waive the existing shareholders' pre-emptive rights with respect to all Series G shares, to seek admission and introduction of Series G shares and allotment certificates for Series G shares to trading on the regulated market operated by the Warsaw Stock Exchange, to convert Series G shares and allotment certificates for Series G shares into book-entry form, to authorise the execution of an agreement to register Series G shares and allotment certificates for Series F shares in the depository for securities, and to amend the Parent's Articles of Association.

  The amendments concerned an increase in the Parent's share capital from PLN 668,587.34 to PLN 718,805.42, through the issue of 2,510,904 Series G ordinary bearer shares with a par value of PLN 0.02 per share.

- **Receipt of a notification under Art. 69 of the Public Offering Act**

  On August 30th 2023, the Parent received a notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny to the effect that the notifying party had exceeded 5% of total voting rights in the Parent, submitted pursuant to Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005.

  According to the notification, Nationale-Nederlanden Otwarty Fundusz Emerytalny holds 2,368,599 shares in the Parent, representing 6.59% of the Parent's share capital and conferring the right to 2,368,599 votes at the Parent's General Meeting, or 6.59% of total voting rights in the Parent.

- **Registration of subscription warrants with CSDP**

  On September 4th 2023, in response to the Parent's application of August 9th 2023, the Central Securities Depository of Poland issued a statement to the effect that on September 5th 2023 it would enter into an agreement with the Parent to register 90,000 Series A registered subscription warrants (tranche A6), issued for no consideration and with no par value, under ISIN PLPCFGR00077.

Half-year report for the six months ended June 30th 2023 (all figures in PLN ‘000, unless stated otherwise)

Tranche A6 is the last tranche of Series A subscription warrants offered by the Parent to Square Enix Limited under an investment agreement, the terms of which are described in detail in the Parent's Current Report No. 40/2021 of August 29th 2021.

25. Notes to the consolidated statement of cash flows

The following table presents the differences between changes in items of the statement of financial position and the amounts disclosed in the consolidated statement of cash flows.

Item in statement of cash flows	Change in statement of financial position/statement of profit or loss	Change disclosed	**Difference**	Reason
Change in receivables	(557)	4,612	(5,169)	elimination of a change in receivables from multimedia tax credit at PCF Canada Inc.
Change in liabilities	9,667	7,268	1,751	elimination of change in liabilities relating to unpaid services representing issue costs accounted for against equity
			648	elimination of change in liabilities on purchase of property, plant and equipment and intangible assets

26. Court proceedings

As at the issue date of these consolidated financial statements, neither the Parent nor any of the other Group companies are the subject of or a party to any material proceedings before a court, a competent arbitration body or a public administration authority.

PCF GROUP SPÓŁKA AKCYJNA GROUP

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

FOR THE PERIOD OF JANUARY 1 - JUNE 30, 2023

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

II. CONDENSED SEPARATE FINANCIAL STATEMENTS AND NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	Jun 30 2023	Dec 31 2022
Non-current assets			
Intangible assets	4	227,926	156,283
Property, plant and equipment	5	4,408	4,345
Right-of-use assets	6	13,915	14,794
Investments in subsidiaries	7	61,118	55,404
Receivables and loans advanced		-	2,905
Long-term prepayments and accrued income		294	58
Deferred tax assets		44	-
Non-current assets		**307,705**	**233,789**
Current assets			
Contract assets		9,200	30,355
Trade and other receivables		10,134	10,424
Short-term prepayments and accrued income		736	571
Cash and cash equivalents		150,255	49,391
Current assets		**170,325**	**90,741**
Total assets		**478,030**	**324,530**

EQUITY AND LIABILITIES	Note	Jun 30 2023	Dec 31 2022
Equity			
Share capital	9	669	599
Share premium	9	259,554	121,869
Other components of equity	9	49,898	49,898
Retained earnings		96,546	99,131
Equity		**406,667**	**271,497**
Liabilities			
Non-current liabilities			
Leases		10,896	12,850
Deferred tax liability		-	157
Long-term accruals and deferred income		-	7,477
Non-current liabilities		**10,896**	**20,484**
Current liabilities			
Trade and other payables		42,347	26,213
Current tax liabilities		762	2,329
Borrowings, other debt instruments	10	73	510
Leases		3,593	3,163
Employee benefit obligations and provisions		849	334
Short-term accruals and deferred income		12,843	-
Current liabilities		**60,467**	**32,549**
Total liabilities		**71,363**	**53,033**
Total equity and liabilities		**478,030**	**324,530**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

STATEMENT OF PROFIT OR LOSS

	Note	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Continuing operations					
Revenue	3	54,339	58,182	26,622	30,306
Cost of sales	11	35,981	22,218	20,021	11,809
Gross profit (loss)		**18,358**	**35,964**	**6,601**	**18,497**
General and administrative expenses		16,557	13,624	8,265	6,537
Other income	11	886	1,319	490	1,240
Other expenses	11	3,039	605	2,953	527
Operating profit (loss)		**(352)**	**23,054**	**(4,127)**	**12,673**
Finance income	12	37	7,397	-	4,703
Finance costs	12	789	275	(395)	134
Profit (loss) before tax		**(1,104)**	**30,176**	**(3,732)**	**17,242**
Income tax	13	1,481	2,613	28	1,319
Net profit (loss) from continuing operations		**(2,585)**	**27,563**	**(3,760)**	**15,923**
Discontinued operations					
Net profit (loss) from discontinued operations		-	-	-	-
Net profit (loss)		**(2,585)**	**27,563**	**(3,760)**	**15,923**

EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

	Notes	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
from continuing operations					
- basic	14	(0.09)	0.92	(0.12)	0.53
- diluted	14	(0.08)	0.91	(0.12)	0.53
from continuing and discontinued operations					
- basic	14	(0.09)	0.92	(0.12)	0.53
- diluted	14	(0.08)	0.91	(0.12)	0.53

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Net profit (loss)		**(2,585)**	**27,563**	**(3,760)**	**15,923**
Comprehensive income		**(2,585)**	**27,563**	**(3,760)**	**15,923**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other components of equity	Retained earnings	**Total equity**
As at Jan 1 2023	**599**	**121,869**	**49,898**	**99,131**	**271,497**
Changes in equity in Jan 1–Jun 30 2023					
Issue of Series E and Series F shares	70	139,987	-	-	**140,057**
Issue costs of Series C, Series E and Series F shares	-	(2,302)	-	-	**(2,302)**
Net profit (loss) for Jan 1–Jun 30 2023	-	-	-	(2,585)	**(2,585)**
As at Jun 30 2023	**669**	**259,554**	**49,898**	**96,546**	**406,667**

	Share capital	Share premium	Other components of equity	Retained earnings	**Total equity**
As at Jan 1 2022	**599**	**121,869**	**48,355**	**64,882**	**235,705**
Changes in equity in Jan 1–Jun 30 2022					
Measurement of warrants due to the publisher Square Enix	-	-	694	-	**694**
Dividends for 2021 (resolution of June 28th 2022)	-	-	-	(8,087)	**(8,087)**
Net profit (loss) for Jan 1–Jun 30 2022	-	-	-	27,563	**27,563**
As at Jun 30 2022	**599**	**121,869**	**49,049**	**84,358**	**255,875**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

	Share capital	Share premium	Other components of equity	Retained earnings	**Total equity**
As at Jan 1 2022	**599**	**121,869**	**48,355**	**64,882**	**235,705**
Changes in equity in Jan 1–Dec 31 2022					
Measurement of warrants due to publisher Square Enix Limited	-	-	1,543	-	**1,543**
Dividends for 2021 (resolution of June 28th 2022)	-	-	-	(8,087)	**(8,087)**
Net profit (loss) for Jan 1–Dec 31 2022	-	-	-	42,336	**42,336**
As at Dec 31 2022	**599**	**121,869**	**49,898**	**99,131**	**271,497**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

STATEMENT OF CASH FLOWS

	Note	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Cash flows from operating activities					
Profit (loss) before tax		**(1,104)**	**30,176**	**(3,732)**	**17,242**
Adjustments:					
Depreciation of property, plant and equipment		742	874	383	430
Amortisation of intangible assets		2,820	2,162	1,408	1,189
Depreciation of right-of-use asset		1,814	1,376	907	658
Impairment losses on intangible assets		743	-	743	-
Gain (loss) on disposal of non-financial non-current assets		-	(12)	-	(12)
Foreign exchange gains (losses)		1,259	(2,886)	263	(1,411)
Interest expense		515	275	515	134
Interest and dividend income		(37)	(1,177)	(37)	(552)
Other adjustments		1,237	538	1,402	190
Change in receivables		290	(7,443)	(2,415)	7,005
Change in liabilities	25	16,842	7,005	4,362	(56)
Change in provisions, accruals and deferrals		5,480	1,618	3,479	879
Change in contract assets and liabilities		21,155	(4,198)	8,185	(9,389)
Income tax paid		(3,254)	(1,686)	(2,838)	(1,510)
Net cash from operating activities		**48,502**	**26,622**	**12,625**	**14,797**
Cash flows from investing activities					
Payments for intangible assets		(76,103)	(11,869)	(42,153)	(7,875)
Payments for property, plant and equipment		(1,022)	(1,126)	(955)	(777)
Proceeds from disposal of property, plant and equipment		-	12	-	12
Net expenditure on acquisition of subsidiaries		(47)	-	(47)	-
Loans advanced		-	(10,176)	-	(10,176)
Interest received		-	833	-	358
Net cash from investing activities		**(77,172)**	**(22,326)**	**(43,155)**	**(18,458)**
Cash flows from financing activities					
Net proceeds from issue of shares		134,390	-	134,390	-
Share issue costs		(524)	-	(524)	-
Repayment of borrowings		(438)	(438)	(219)	(219)
Payment of lease liabilities		(2,115)	(2,119)	(891)	(1,412)
Interest paid		(515)	(8)	(249)	(2)
Net cash from financing activities		**130,798**	**(2,565)**	**132,507**	**(1,633)**
Total net cash flows		**102,128**	**1,731**	**101,977**	**(5,294)**
Foreign exchange gains (losses)		(1,264)	250	(713)	(270)
Net change in cash		**100,864**	**1,981**	**101,264**	**(5,564)**
Cash and cash equivalents at beginning of period		49,391	90,735	48,991	98,280
Cash and cash equivalents at end of period		**150,255**	**92,716**	**150,255**	**92,716**

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company

PCF Group Spółka Akcyjna (the "**Company**") is entered in the Business Register of the National Court Register maintained by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under No. KRS 0000812668. The Company's Industry Identification Number (REGON) is 141081673.

The Company's registered office is located at Al. Solidarności 171, 00-877 Warsaw, Poland.

It is also the principal place of business of the Company.

The Company has a branch in Rzeszów operating under the name of: PCF Group Spółka Akcyjna Oddział w Rzeszowie "Oddział Badawczo-Rozwojowy" (Research and Development Branch), located at ul. Wrzesława Romańczuka 6, 35-302 Rzeszów.

Composition of the Management Board and the Supervisory Board

As at the date of authorisation of these condensed separate financial statements for issue, the Management Board of the Company consisted of:

- **Sebastian Kamil Wojciechowski** – President of the Management Board.

In the period from January 1st 2023 to the date of authorisation of these interim condensed separate financial statements for issue, the composition of the Management Board did not change.

As at the date of authorisation of these interim condensed separate financial statements for issue, the Supervisory Board consisted of:

- **Mikołaj Wojciechowski** – Chair of the Supervisory Board,
- **Jacek Pogonowski** – Member of the Supervisory Board,
- **Barbara Sobowska** – Member of the Supervisory Board,
- **Kuba Dudek** – Member of the Supervisory Board,
- **Dagmara Zawadzka** – Member of the Supervisory Board.

In the period from January 1st 2023 to the date of authorisation of these interim condensed separate financial statements for issue, the composition of the Supervisory Board did not change.

Business of the Company

The principal business activity of the Company is development of video games. For a more detailed description of the business of the Company, see Note 3 on revenue and operating segments.

2. Basis of accounting and accounting policies

Basis of accounting used in preparing the separate financial statements

These interim condensed separate financial statements of the Company (the "**interim separate financial statements**", "**interim financial statements**", "**separate financial statements**", "**financial statements**") have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting as endorsed by the European Union.

These interim condensed separate financial statements present the financial position of the Company as at June 30th 2023 and December 31st 2022, results of the Company's operations for the six months ended June 30th 2023 and June 30th 2022, and cash flows for the six months ended June 30th 2023 and June 30th 2022.

These interim separate financial statements should be read in conjunction with the audited separate financial statements of the Company for 2022, issued on April 28th 2023 (the "**separate financial statements for 2022**").

Going concern assumption

These separate financial statements have been prepared on the assumption that the Company will continue as a going concern for the foreseeable future, i.e. for a period of at least 12 months from the reporting date. As at the date of approval of these financial statements for issue, no circumstances were identified which would indicate any threat to the Company continuing as a going concern.

Compliance with International Financial Reporting Standards

These separate financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the relevant International Financial Reporting Standards (the "**IFRSs**") applicable to interim financial reporting, accepted by the International Accounting Standards Board (the "**IASB**") and the International Financial Reporting Interpretations Committee ("**IFRIC**"), as well as interpretations issued by the IASB, as endorsed by the European Union under the IFRS Regulation (Regulation (EC) No. 1606/2002), hereinafter referred to as the "**EU IFRSs**", as effective on June 30th 2023.

The EU IFRSs include the standards and interpretations accepted by IASB and IFRIC and endorsed for use in the EU.

To the extent not governed by the above standards, these financial statements have been prepared in accordance with the requirements of the Accounting Act of September 29th 1994 (consolidated text: Dz. U. of 2023, item 120, as amended) and the secondary legislation issued on its basis, as well as the requirements set out in the Minister of Finance's Regulation of March 29th 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Dz. U. of 2018, item 757, as amended).

The Company intends to apply amendments to IFRSs that had been issued but were not yet effective as at the date of issue of these separate financial statements as of the respective effective dates of the amendments.

Functional currency and presentation currency

The functional currency of the Company and the presentation currency of these separate financial statements is the Polish zloty (PLN), and all amounts are expressed in thousands of Polish zloty, unless stated otherwise.

Accounting policies

The accounting policies and calculation methods applied in the preparation of these separate financial statements are the same as those applied in the preparation of the separate financial statements for 2022 (see Note 2 to the separate financial statements for 2022), without any restatements of comparative data or corrections of errors.

New standards and interpretations that have been issued but are not yet effective

The Company has not elected to early adopt any of the standards, interpretations or amendments which have not taken effect. The Company's Management Board is analysing the effect of the new standards, interpretations and amendments on the accounting policies applied by the Company and on the Company's future financial statements.

Standards and amendments to standards applied for the first time in 2023

The Company applied the following standards and amendments to standards for the first time:

- Amendments to IAS 1 *Presentation of Financial Statements* and Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- Amendments to IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- IFRS 17 *Insurance Contracts* amendments to IFRS 17;
- Amendments to IFRS 17 *Insurance Contracts*; Initial Application of IFRS 17 and IFRS 9 – Comparative Information.

The above standards and amendments to the standards had no material effect on the accounting policies applied by the Company.

Standards and amendments to standards adopted by the IASB but not yet endorsed by the EU

The IFRSs as endorsed by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards and amendments to standards which were not yet adopted as at the date of these financial statements:

- IFRS 14 *Regulatory Deferral Accounts* – pursuant to the European Commission's decision, the process of endorsement of the interim standard will not be initiated until the release of the final version of IFRS 14 (effective for annual periods beginning on or after January 1st 2016);
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – work on endorsing the amendments has been deferred indefinitely by the EU; effective date has been deferred indefinitely by the IASB;
- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current – deferral of the effective date, and Non-Current Liabilities with Covenants (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IFRS 16 *Leases* – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IAS 12 *Income Taxes* – International Tax Reform Pillar Two Model Rules (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* – Supplier Finance Arrangements (effective for annual periods beginning on or after January 1st 2024);
- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* – Lack of Exchangeability (effective for annual periods beginning on or after January 1st 2025).

The above standards and amendments to standards would have had no material effect on these financial statements had they been applied by the Company as at the reporting date. The Company has not elected to early adopt any of the standards, interpretations or amendments which have not taken effect.

Significant judgements and assumptions

The accounting policies relating to professional estimates and judgments applied in the preparation of these separate financial statements are the same as those applied in the preparation of the separate financial statements for 2022 (see Note 2 to the separate financial statements for 2022).

Audit and review by statutory auditor

The data presented in these interim separate financial statements as at June 30th 2023 and for the six months ended on that date, and the comparative financial data for the six months ended June 30th 2022, has been reviewed by an auditor. Data as at December 31st 2022 has been audited. The auditor’s report on the separate financial statements for 2022 was issued on April 28th 2023.

The financial data for the three months ended June 30th 2023 and the comparative financial data for the three months ended June 30th 2022 included in these interim condensed separate financial statements has not been reviewed by an auditor.

3. Revenue and operating segments

The Company divides its operations into four operating segments:

- contract development of video games (“development segment”);
- copyrights to developed games (royalties) (“copyrights segment”);
- self-publishing;
- other activities.

In the six months ended June 30th 2023, the **development segment** included primarily revenue from game development projects carried out by the Company with Square Enix Limited. Positive cash flows from this segment enable the Company to partially cover expenditure on games that the Company intends to publish on its own (the self-publishing model). In the six months ended June 30th 2023, the consideration received from the material trading partner in that segment accounted for over 90% of total revenue.

In addition, in connection with the development and publishing agreement signed with Microsoft Corporation on June 13th 2023 (for more details, see Note 23), the Group started to recognise revenue from the game development project Project Maverick.

Project Gemini

In the six months ended June 30th 2023, the Company carried out work contracted by the publisher Square Enix Limited under content riders for the development and publishing agreement.

Project Maverick

The Company is performing a contract to produce an AAA game based on Microsoft Corporation's intellectual property rights.

The **copyrights segment** included revenue from royalties for previously developed games.

The main source of the Company’s revenue classified as revenue from the copyrights segment, i.e., the segment of royalties for previously developed games, is the development and publishing agreement for the game Bulletstorm: Full Clip Edition (remaster) of October 24th 2016, entered into between the Company and Gearbox Publishing, LLC. The Company has retained copyrights in Bulletstorm: Full Clip Edition by granting the publisher an exclusive licence for an indefinite term.

In addition, in accordance with the development and publishing agreement for the game Outriders, executed on February 16th 2016 between the Company and Square Enix Limited, the Company is entitled to royalties starting from the date of the game's release (April 1st 2021). The amount of royalties depends directly on the profit earned from the game's sale and represents its agreed percentage. As at June 30th 2023, the Company received no royalties from the publisher, which means that as at the reporting date net receipts from the sale of Outriders were insufficient to recover the costs and expenses incurred by the publisher to develop, distribute and promote the title. Information on the receipt by the Company of the consideration referred to above, or the receipt from the publisher of information on the recovery of the costs it has incurred in connection with the development, distribution and promotion of Outriders will be published by the Company in a current report in accordance with applicable laws.

Self-publishing segment

In this segment, the Company classifies outlays as well as future income and expenses related to the development of video games that it plans to self-publish in the future.

Unlike in the development segment, in the self-publishing segment the Company carries out projects as a publisher, financing them with its own funds (or funds sourced from third parties under distribution, licence and similar contracts, or debt instruments) based on intellectual property rights that will remain owned by the Company.

The **other activities** segment included income earned by the Company from related parties. The income comprises:

- fees for the use of the People Can Fly trademark to which the Company holds rights by People Can Fly UK Ltd. of the United Kingdom, People Can Fly U.S. LLC of the United States of America, People Can Fly Canada Inc. of Canada, and People Can Fly Chicago LLC of the United States of America;
- consideration for the performance bond provided to People Can Fly U.S. LLC;
- fees for the use by People Can Fly U.S. LLC of PCF Framework, a software system developed by the Company, which is an overlay for the Unreal Engine graphics engine used to facilitate and optimise work on development of video games.

This segment includes in particular expenditure on the software system which the Company developed and named "PCF Framework", which is an overlay for the Unreal Engine graphics engine used to facilitate and optimise work on development of video games.

Financial results of the operating segments are based on internal data periodically reviewed by the Management Board. The Management Board analyses results of the operating segments at the level of operating profit (loss). The Company analyses revenue for the above four segments, and no other analyses are performed.

In the six months ended June 30th 2023, there were no changes to the Company's accounting policies with respect to the identification of operating segments and the policies for measuring revenue, profit or loss and assets of the segments presented in the Company's most recent full-year separate financial statements.

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Jan 1–Jun 30 2023					
Region					
Europe	53,008	16	-	-	**53,024**

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Other countries	745	570	-	-	**1,315**
Total revenue	**53,753**	**586**	**-**	**-**	**54,339**
Product line					
Games	53,753	586	-	-	**54,339**
Total revenue	**53,753**	**586**	**-**	**-**	**54,339**
Timing of transfer of goods/services					
At a point in time	-	586	-	-	**586**
Over time	53,753	-	-	-	**53,753**
Total revenue	**53,753**	**586**	**-**	**-**	**54,339**
Jan 1–Jun 30 2022					
Region					
Europe	50,356	10	-	-	**50,366**
Other countries	2,278	762	-	4,776	**7,816**
Total revenue	**52,634**	**772**	**-**	**4,776**	**58,182**
Product line					
Games	52,634	772	-	-	**53,406**
Trademark, performance bond and PCF Framework	-	-	-	4,776	**4,776**
Total revenue	**52,634**	**772**	**-**	**4,776**	**58,182**
Timing of transfer of goods/services					
At a point in time	-	772	-	4,776	**5,548**
Over time	52,634	-	-	-	**52,634**
Total revenue	**52,634**	**772**	**-**	**4,776**	**58,182**

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Apr 1– Jun 30 2023					
Region					
Europe	25,503	7	-	-	**25,510**
Other countries	745	367	-	-	**1,112**
Total revenue	**26,248**	**374**	**-**	**-**	**26,622**
Product line					
Games	26,248	374	-	-	**26,622**
Total revenue	**26,248**	**374**	**-**	**-**	**26,622**
Timing of transfer of goods/services					
At a point in time	-	374	-	-	**374**
Over time	26,248	-	-	-	**26,248**
Total revenue	**26,248**	**374**	**-**	**-**	**26,622**
Apr 1–Jun 30 2022					
Region					
Europe	26,664	5	-	-	**26,669**
Other countries	1,013	236	-	2,388	**3,637**
Total revenue	**27,677**	**241**	**-**	**2,388**	**30,306**
Product line					
Games	27,677	241	-	-	**27,918**
Trademark, performance bond and PCF Framework	-	-	-	2,388	**2,388**
Total revenue	**27,677**	**241**	**-**	**2,388**	**30,306**
Timing of transfer of goods/services					

At a point in time	-	241	-	2,388	**2,629**
Over time	27,677	-	-	-	**27,677**
Total revenue	**27,677**	**241**	**-**	**2,388**	**30,306**

Revenue, profit or loss, material non-monetary items and assets of the operating segments are presented below.

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Jan 1–Jun 30 2023					
Revenue from external customers	53,753	586	-	-	**54,339**
Total revenue	53,753	586	-	-	**54,339**
Segment's operating profit (loss)	74	586	-	(1,012)	**(352)**
Other information:					
Amortisation and depreciation expense	4,364	-	-	1,012	**5,376**
Segment's assets	253,425	-	198,448	26,157	**478,030**
Expenditure on segment's property, plant and equipment and intangible assets	3,206	-	66,428	8,708	**78,342**
Jan 1–Jun 30 2022					
Revenue from external customers	52,634	772	-	4,776	**58,182**
Total revenue	52,634	772	-	4,776	**58,182**
Segment's operating profit (loss)	17,793	740	-	4,521	**23,054**
Other information:					
Amortisation and depreciation expense	4,126	32	-	255	**4,413**
Segment's assets	171,575	-	134,494	18,461	**324,530**
Expenditure on segment's property, plant and equipment and intangible assets	4,531	-	2,309	6,221	**13,061**

	Development segment	Copyrights segment	Self-publishing	Other activities	**Total**
Apr 1– Jun 30 2023					
Revenue from external customers	26,248	374	-	-	**26,622**
Total revenue	26,248	374	-	-	**26,622**
Segment's operating profit (loss)	(3,995)	374	-	(506)	**(4,127)**
Other information:					
Amortisation and depreciation expense	2,191	-	-	506	**2,697**
Segment's assets	253,425	-	198,448	26,157	**478,030**
Expenditure on segment's property, plant and equipment and intangible assets	1,801	-	38,222	3,881	**43,904**
Apr 1–Jun 30 2022					
Revenue from external customers	27,677	241	-	2,388	**30,306**
Total revenue	27,677	241	-	2,388	**30,306**
Segment's operating profit (loss)	10,155	225	-	2,293	**12,673**
Other information:					

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Amortisation and depreciation expense	2,167	16	-	96	**2,279**
Segment's assets	171,575	-	134,494	18,461	**324,530**
Expenditure on segment's property, plant and equipment and intangible assets	2,800	-	1,332	4,117	**8,249**

Reconciliation of total revenue, profit or loss and assets of the operating segments to the corresponding items of the Company's financial statements:

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Apr 1–Jun 30 2023**	Apr 1–Jun 30 2022
Segments' revenue				
Total revenue of operating segments	54,339	58,182	26,622	30,306
Revenue	**54,339**	**58,182**	**26,622**	**30,306**
Segments' profit or loss				
Segments' operating profit (loss)	(352)	23,054	(4,127)	12,672
Operating profit (loss)	**(352)**	**23,054**	**(4,127)**	**12,672**
Finance income	37	7,397	-	4,703
Finance costs	(789)	(275)	395	(134)
Profit (loss) before tax	**(1,104)**	**30,176**	**(3,732)**	**17,241**

	Jun 30 2023	Dec 31 2022
Segments' assets		
Total assets of operating segments	478,030	324,530
Total assets	**478,030**	**324,530**

4. Intangible assets

	Patents, licenses and software	Development work	Development work in progress	**Total**
Jan 1–Jun 30 2023				
Net carrying amount as at Jan 1 2023	**3,328**	**9,051**	**143,904**	**156,283**
Increase (purchase, development, lease)	2,184	-	75,136	**77,320**
Acceptance of completed development work	-	-	(1,731)	**(1,731)**
Amortisation	(2,191)	(1,012)	-	**(3,203)**
Impairment losses	-	-	(743)	**(743)**
Net carrying amount as at Jun 30 2023	**3,321**	**8,039**	**216,566**	**227,926**
Jan 1–Dec 31 2022				
Net carrying amount as at Jan 1 2022	**2,227**	**42**	**4,890**	**7,159**
Increase (purchase, development, lease)	4,568	-	149,139	**153,707**
Acceptance of completed development work	-	10,125	(10,125)	**-**

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Amortisation	(3,467)	(1,116)	-	**(4,583)**
Net carrying amount as at Dec 31 2022	**3,328**	**9,051**	**143,904**	**156,283**

In terms of the carrying amount, the most significant item of patents, licences and software is a licence for Unreal Engine (game engine), whose total carrying amount was PLN 639 thousand as at June 30th 2023 and PLN 806 thousand as at December 31st 2022. The amortisation period from initial recognition was estimated at 10 years. The useful life of the graphics engine is estimated based on the Management Board's knowledge and the planned use of the engine in the current game development projects. As at June 30th 2023, the engine was used to develop games.

The line item 'Development work in progress' includes expenditure on development work which, as at the reporting date, has not been completed and accepted for use.

As at June 30th 2023, the most material components of development work in progress were:

- development of new games to be self-published (see Note 21 for details);
- further development of PCF Framework (see Note 21 for details).

The Company confirmed as at the end of each reporting period that capitalised expenditure constituting an intangible asset in the form of game components met the criteria set out in IAS 38.57.

The Company does not hold any assets with indefinite useful lives.

Amortisation of intangible assets is disclosed in the separate statement of profit or loss in the following line items:

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Cost of sales	2,018	1,610
General and administrative expenses	802	552
Amortisation capitalised under development work	384	-
Total amortisation of intangible assets	**3,204**	**2,162**

As at each reporting date, the Company analyses indications of impairment of intangible assets. As at June 30th 2023, it identified no indication of a need to test the assets for impairment.

As at Jun 30 2023 The Company analysed indications of impairment and identified an intangible asset requiring an impairment test. As a result, in the first six months of 2023 an impairment loss of PLN 743 thousand was recognised on concept work related to one of potential future projects, which the Company conducts on an ongoing basis in addition to the projects it has selected for further development.

As at June 30th 2023 and as at December 31st 2022, there were no contracts or agreements which would result in commitments or obligations due to acquisition of intangible assets.

5. Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment under construction	**Total**

Jan 1–Jun 30 2023					
Net carrying amount as at Jan 1 2023	**1,477**	**2,311**	**557**	**-**	**4,345**
Increase (purchase, construction)	-	1,022	-	-	1,022
Decrease (disposal, retirement)	-	(47)	-	-	(47)
Other changes (reclassification, transfers, etc.)	(15)	(15)	24	-	(6)
Depreciation	(162)	(624)	(120)	-	(906)
Net carrying amount as at Jun 30 2023	**1,300**	**2,647**	**461**	**-**	**4,408**
Jan 1–Dec 31 2022					
Net carrying amount as at Jan 1 2022	**1,569**	**2,279**	**216**	**-**	**4,064**
Increase (purchase, construction)	224	1,381	27	62	1,694
Decrease (disposal, retirement)	-	(11)	-	-	(11)
Other changes (reclassification, transfers, etc.)	-	-	483	(62)	421
Depreciation	(316)	(1,338)	(169)	-	(1,823)
Net carrying amount as at Dec 31 2022	**1,477**	**2,311**	**557**	**-**	**4,345**

Depreciation of property, plant and equipment is included as expense in the following items of the separate statement of profit or loss:

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Cost of sales	335	592
General and administrative expenses	407	282
Depreciation capitalised under development work	164	-
Total depreciation of property, plant and equipment	**906**	**874**

As at each reporting date, the Company analyses indications of impairment of property, plant and equipment. No indication of a need to test the assets for impairment was identified as at June 30th 2023 and December 31st 2022.

As at June 30th 2023 and December 31st 2022, there were no contracts or agreements which would result in commitments or obligations due to acquisition of property, plant or equipment.

6. Right-of-use assets

	Buildings and structures	Machinery and equipment	Other property, plant and equipment	**Total**
Jan 1–Jun 30 2023				
Net carrying amount as at Jan 1 2023	**13,214**	**952**	**628**	**14,794**
Increase (leases)	1,074	-	1	**1,075**
Decrease (disposal, retirement)	(96)	-	-	**(96)**
Depreciation	(1,628)	(159)	(71)	**(1,858)**

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Net carrying amount as at Jun 30 2023	**12,564**	**793**	**558**	**13,915**
Jan 1–Dec 31 2022				
Net carrying amount as at Jan 1 2022	**11,000**	**167**	**637**	**11,804**
Increase (leases)	4,932	1,008	618	**6,558**
Decrease (disposal, retirement)	(15)	-	-	**(15)**
Other changes (reclassification, transfers, etc.)	-	-	(483)	**(483)**
Depreciation	(2,703)	(223)	(144)	**(3,070)**
Net carrying amount as at Dec 31 2022	**13,214**	**952**	**628**	**14,794**

The line item 'Buildings and structures' includes a right-of-use asset recognised on account of the following office space lease contracts:

- lease contract for office space in Warsaw,
- lease contract for office space in Rzeszów,
- lease contract for office space in Kraków.

Under 'Machinery and equipment' the Company presents operating leases of hardware, and under 'Other property, plant and equipment' – leases of office equipment.

7. Investments in subsidiaries

The Company holds shares in subsidiaries. The table below presents the holdings of the shares.

Subsidiary	Place of business and country of registration	Principal business	Ownership interest		Carrying amount of shares held	
			Jun 30 2023	Dec 31 2022	**Jun 30 2023**	Dec 31 2022
People Can Fly UK Ltd	Gateshead, United Kingdom	development of video games	100.00%	100.00%	51	51
People Can Fly Canada Inc.	Montreal, Canada	development of video games	100.00%	100.00%	30	30
People Can Fly U.S., LLC	New York, USA	development of video games	100.00%	100.00%	9,630	9,630
Game On Creative Inc.	Montreal, Canada	development of video games	100.00%	100.00%	25,369	25,368
Incuvo S.A.	Katowice, Poland	development of video games	62.25%	50.01%	25,991	20,325
People Can Fly Ireland Ltd	Dublin, Ireland	publishing	100.00%	-	47	-

	Jun 30 2023	Dec 31 2022
Change in investments in subsidiaries		
As at beginning of period:	55,404	55,721
Increase:	**5,714**	**-**
Acquisition of approx. 12.25% of Incuvo S.A. shares	5,667	-
Acquisition of 100% of People Can Fly Ireland Limited shares	47	-
Decrease:	**-**	**317**
Game On Creative Inc.'s unachieved earn-out	-	317
As at end of period:	**61,118**	**55,404**

8. Contract assets and liabilities

Contract assets

Where a game is developed by the producer (developer) in cooperation with the publisher, the rules of cooperation between the parties are laid down in a development and publishing agreement. Under such agreements the Company commits to developing a game and delivering it to the publisher in accordance with the agreed milestone schedule. The scope of a game development project carried out by the Company comprises all work necessary to create a finished product which is ready for sale by the publisher. The Group's development and publishing agreements are framework agreements, which:

- are supplemented, in keeping with the progress of game development work, with specific contracts between the parties in the form of content riders. Each content rider defines the parties' rights and obligations with respect to a specific contracted game development milestone or group of such milestones; or
- define the milestone schedule for the game production.

The parties' rights and obligations concern, without limitation, deliverables and their completion dates and the amount and form of the consideration payable to the developer by the publisher. As a rule, consideration is not paid until a particular milestone is achieved and accepted by the publisher. Upon receipt of a milestone acceptance notice from the publisher, the Company may invoice the publisher for the milestone.

In the financial statements, the Company recognises contract assets that represent the Company's right to consideration for goods or services transferred by the Company to a customer (publisher) if that right is subject to a condition other than the passage of time. Contract assets include in particular assets related to work that has been performed and delivered under development and publishing agreements but has not yet been invoiced as well as to revenue arising upon transfer of deliverables yet to be invoiced.

Conditions for (moment of) recognising contract assets and their reclassification to receivables

Contract assets

Recognition by the Company of contract assets arising under development and publishing agreements depends on the agreement's conformity with the five-step model under IFRS 15. Contract assets presented in the statement of financial position relate to development work performed by the Company by the reporting date and are estimated at the end of each reporting period (on the basis of the stage of contract completion). They are recognised upon completion of a relevant contracted video game development milestone.

Short-term receivables

The Company recognises a receivable if its right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Contract assets are reclassified to receivables when the Company becomes eligible to invoice the publisher, i.e. upon receipt of a milestone acceptance notice from the publisher.

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Contract liabilities

Apart from working under development and publishing agreements, the Company also performs work as a subcontractor. Under subcontracts, the Company is obliged to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. The Company recognises a contract liability if the Company has invoiced the customer for more work than has actually been performed as at the reporting date.

The contract assets and liabilities as at the end of the reporting periods are presented in the table below.

	Jun 30 2023	Dec 31 2022
Gross contract assets	9,200	30,355
Impairment of contract assets	-	-
Contract assets	**9,200**	**30,355**

With respect to estimation of credit losses due to impairment, contract assets are governed by International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). The Company applies a practical expedient and measures allowances for expected credit losses at an amount equal to the expected credit losses over the life of the instrument. Impairment losses are estimated based mainly on historical data on days past due and a relationship between days past due and actual payments over the last four years, taking into account available information relating to the future.

The estimated amount of expected credit loss allowance for contract assets as at June 30th 2023 and as at June 30th 2022 was immaterial.

Key reasons for changes in contract assets and liabilities in the reporting period are presented in the tables below.

	Jan 1–Jun 30 2023	Jan 1–Dec 31 2022
Contract assets:		
Contract assets at beginning of period	30,355	22,385
Revenue recognised as contract assets in reporting period	74,920	101,923
Reclassification to trade receivables	(96,075)	(93,953)
Contract assets at end of period	**9,200**	**30,355**

The Company did not incur capitalised costs of acquiring and performing contracts.

As the contract budget increases to include further milestones, the planned contract revenue and the corresponding costs are updated and increased. The Company updates the contract budget gradually, based on the knowledge gained. The Management Board updates the projected results of a contract gradually, based on the best knowledge of costs necessary to be incurred, to reflect milestones added to the contract.

9. Equity

Share capital

The following changes in holdings of Company shares occurred during the period covered by these interim separate financial statements:

	Jan 1–Jun 30 2023	Jan 1–Dec 31 2022
Shares issued and paid up:		
Number of shares at beginning of period	29,950,226	29,950,226
Issue of Series E and Series F shares	3,479,141	-
Number of shares at end of period	**33,429,367**	**29,950,226**

As at the reporting date, the Company did not hold any of its own shares, nor were any Company shares held by its subsidiaries.

Shareholding structure

The following tables present the shareholding structure as of the respective reporting dates covered by these financial statements.

	Number of shares	Number of voting rights	Total par value (PLN '000)	Ownership interest
As at Jun 30 2023				
Sebastian Wojciechowski	14,969,480	14,969,480	299	44.78%
Other shareholders	18,459,887	18,459,887	370	55.22%
Total	**33,429,367**	**33,429,367**	**669**	**100.00%**

	Number of shares	Number of voting rights	Total par value (PLN '000)	Ownership interest
As at Dec 31 2022				
Sebastian Wojciechowski	14,969,480	14,969,480	299	49.98%
Other shareholders	14,980,746	14,980,746	300	50.02%
Total	**29,950,226**	**29,950,226**	**599**	**100.00%**

The shareholding structure as at June 30th 2023 does not reflect the issue of Series G shares, which took place after the reporting date.

Share premium

	Jun 30 2023	Dec 31 2022
Share premium on Series B shares	100,246	100,246
Costs of issue of Series B shares	(3,119)	(3,119)
Costs of issue of Series C shares/ warrants	(8)	-
Share premium on Series D shares	25,135	25,135
Costs of issue of Series D shares	(393)	(393)

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Share premium on Series E shares	5,664	-
Costs of issue of Series E shares	(19)	-
Share premium on Series F shares	134,323	-
Costs of issue of Series F shares	(2,275)	-
Total	**259,554**	**121,869**

Other components of equity

	Jun 30 2023	Dec 31 2022
Other components of equity created prior to transition to IAS	36,997	36,997
Other components of equity – incentive scheme	10,207	10,207
Other components of equity – measurement of warrants due to Square Enix Limited (publisher)	2,694	2,694
Total	**49,898**	**49,898**

10.Borrowings

The Company's debt instruments as at June 30th 2023 are described below.

- On April 30th 2020, the Company entered into a subsidy agreement with Polski Fundusz Rozwoju S.A. ("PFR") under the government-run 'Polish Development Fund's Financial Shield for Micro, Small and Medium-Sized Enterprises' programme (the "Programme") providing financial support to businesses as relief against the consequences of COVID-19. The subsidy of PLN 3,500 thousand was applied by the Company for the purposes detailed in the Programme rules.
  Based on the statement submitted by the Company accounting for how the subsidy was spent, PFR decided that half of the subsidy, i.e. PLN 1,750 thousand, had to be repaid.
  The repayment began in the 13th month from the first full calendar month after the disbursement, and is to be completed in 24 equal monthly instalments.
  The subsidy agreement, being a part of the government-run programme to support businesses as a relief against the consequences of the COVID-19. pandemic, was concluded on preferential, non-market terms. The effect on the fair value of the subsidy is not material.
  As at June 30th 2023, the balance outstanding under the loan was PLN 73 thousand.

	Current liabilities		Non-current liabilities	
	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022
Financial liabilities measured at amortised cost				
Non-bank borrowings	73	510	-	-
Financial liabilities measured at amortised cost	**73**	**510**	**-**	**-**
Total borrowings, other debt instruments	**73**	**510**	**-**	**-**

11. Operating income and expenses

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Amortisation and depreciation expense	5,949	4,413	2,929	2,279
Employee benefits	5,240	4,551	2,664	2,380
Raw materials and consumables used	864	553	366	312
Services	112,641	33,989	61,961	18,422
Taxes and charges	88	72	41	66
Other	1,161	794	698	336
Total costs by nature of expense	**125,943**	**44,372**	**68,659**	**23,795**
Capitalised development expenditure	(73,405)	(8,530)	(40,372)	(5,449)
Costs by nature of expense recognised in profit or loss	**52,538**	**35,842**	**28,287**	**18,346**
Cost of services sold	35,981	22,218	20,021	11,809
General and administrative expenses	16,557	13,624	8,265	6,537
Total	**52,538**	**35,842**	**28,286**	**18,346**

Costs by nature of expense include mainly salaries and wages of the Company's employees and independent contractors involved in games development and back office functions, lease of office space and services not related to games development. The year-on-year increase in costs in the six months ended June 30th 2023 was mainly attributable to:

- overall increase in costs related to a greater scale of operations, which translated into the need to expand the Company's development and back office resources;
- development of the self-publishing segment in connection with the Company's plans to publish games on its own.

Other income

Other income includes income from:

- provision of back office services to Incuvo S.A., a subsidiary;
- reinvoicing of medical services and other services for entities cooperating with the Company.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Gain on disposal of non-financial non-current assets	-	12	-	12
Back office services provided to group entities	616	-	301	-
Other costs re-charged to the Company's contractors	164	-	84	-
Other income	106	1,307	105	1,228
Total other income	**886**	**1,319**	**490**	**1,240**

Other expenses

Other expenses include costs of medical services and other benefits for entities cooperating with the Company.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	Apr 1–Jun 30 2023	Apr 1–Jun 30 2022
Impairment losses on property, plant and equipment and intangible assets	743	-	743	-
Costs re-charged to the Company's contractors	169	-	85	-
Other	2,127	605	2,125	527

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Total other expenses	**3,039**	**605**	**2,953**	**527**

In the six months ended June 30th 2023, other expenses also included:

- cost of an additional payment (PLN 2,050 thousand) which the Company agreed to make to OÜ Blite Fund in connection with the acquisition of 7,143,900 shares in Incuvo S.A.; for more details, see Note 23.

12. Finance income and expenses, losses on expected credit losses

Losses on expected credit losses

In the period covered by these separate financial statements the Company applied IFRS 9, but no losses on account of expected credit losses were identified as a separate item of the consolidated statement of profit or loss and other comprehensive income, as the amount of those losses was immaterial.

Finance income

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Apr 1–Jun 30 2023**	Apr 1–Jun 30 2022
Interest income calculated using the effective interest rate:				
Cash and cash equivalents (deposits)	-	781	-	305
Loans and receivables	37	396	-	247
Interest income calculated using the effective interest rate	**37**	**1,177**	**-**	**552**
Foreign exchange gains (losses):				
Cash and cash equivalents	-	5,362	-	4,180
Loans and receivables	-	1,288	-	125
Financial liabilities at amortised cost	-	(430)	-	(154)
Foreign exchange gains (losses)	**-**	**6,220**	**-**	**4,151**
Total finance income	**37**	**7,397**	**-**	**4,703**

Finance costs

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Apr 1–Jun 30 2023**	Apr 1–Jun 30 2022
Interest expense on financial liabilities other than at fair value through profit or loss:				
Lease liabilities	514	275	249	134
Trade and other payables	-	-	(1)	-
Interest expense on financial liabilities other than at fair value through profit or loss	**514**	**275**	**248**	**134**
Foreign exchange gains (losses) (+/-):				
Cash and cash equivalents	522	-	371	-
Loans and receivables	516	-	(140)	-
Financial liabilities at amortised cost	(763)	-	(874)	-
Foreign exchange gains (losses) (+/-)	**275**	**-**	**(643)**	**-**
Total finance costs	**789**	**275**	**(395)**	**134**

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

13. Income tax

The table below presents reconciliation of income tax on profit or loss before tax with income tax disclosed in the statement of profit or loss.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Profit or loss before tax	**(1,104)**	**30,176**
Income tax at 5%	1,682	1,335
Income tax at 19%	(5,076)	(1,062)
Reconciliation of income tax due to:		
Non-taxable income	(329)	-
Expenses which are permanently non-deductible	180	251
Unrecognised deferred tax asset on tax losses	5,076	1,062
Technical settlement between 5% and 19% tax rates	(52)	1,027
Income tax	**1,481**	**2,613**
Average tax rate applied	**-134.1%**	**8.7%**

14. Earnings per share and dividends paid

To calculate basic earnings (loss) per share, the Company uses the amount of net profit (loss) attributable to owners of the Company in the numerator, which means there is no dilutive effect on the amount of profit (loss).

The calculation of basic earnings (loss) per share together with reconciliation of the diluted weighted average number of shares is presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022	**Apr 1–Jun 30 2023**	Apr 1–Jun 30 2022
Number of shares used as denominator in the formula				
Weighted average number of ordinary shares	30,187,467	29,950,226	30,383,489	29,950,226
Dilutive effect of options convertible into shares	540,000	360,000	540,000	360,000
Diluted weighted average number of ordinary shares	30,727,467	30,310,226	30,923,489	30,310,226
Continuing operations				
Net profit (loss) from continuing operations	(2,585)	27,563	(3,760)	15,923
Basic earnings (loss) per share (PLN)	(0.09)	0.92	(0.12)	0.53
Diluted earnings (loss) per share (PLN)	(0.08)	0.91	(0.12)	0.53
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Basic earnings (loss) per share (PLN)	-	-	-	-
Diluted earnings (loss) per share (PLN)	-	-	-	-
Continuing and discontinued operations				
Net profit (loss)	(2,585)	27,563	(3,760)	15,923
Basic earnings (loss) per share (PLN)	(0.09)	0.92	(0.12)	0.53
Diluted earnings (loss) per share (PLN)	(0.08)	0.91	(0.12)	0.53

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

Dividends

On June 27th 2023, the Annual General Meeting of the Company passed Resolution No. 7/06/2023 on the allocation of the Company's profit for the financial year 2022, in which it resolved not to pay dividends for the financial year 2022.

In accordance with the update of the Company's growth strategy adopted by the Management Board on January 31st 2023, the Management Board plans not to recommend that the General Meeting approves payment of dividend until the Company generates revenue, profits and positive cash flows from its planned self-publishing activities, i.e., no earlier than from profits earned for the financial year 2025. However, any decisions regarding payment and amount of dividends are always subject to the discretion of the shareholders at the Annual General Meeting, who are not bound in any way by recommendations of the Management Board.

15. Related-party transactions

Transactions with shareholders

The following tables present transactions with shareholders of the Company which took place in the periods covered by these financial statements.

6 months ended Jun 30 2023	Sale	Purchase	Dividends paid
Company shareholders	2	1,865	-

6 months ended Jun 30 2022	Sale	Purchase	Dividends paid
Company shareholders	3	1,615	-

As at Jun 30 2023	Receivables	Liabilities	Borrowings
Company shareholders	-	460	-

As at Dec 31 2022	Receivables	Liabilities	Borrowings
Company shareholders	-	-	-

As regards disclosure of transactions with shareholders, the Company applies a practical expedient and presents transactions with shareholders whose share in total voting rights in the Company is no less than 5%. The Company also discloses transactions executed by persons discharging managerial responsibilities and their close persons who have been notified to the Company pursuant to Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation).

Related-party transactions

As at and for the period ended Jun 30 2023	Sale	Purchase	Receivables	Liabilities	Loans advanced in the period	Dividends	Capital increase

Incuvo S.A.	648	2,231	843	-	-	-	-
People Can Fly UK Limited	21	10,892	26	2,087	-	-	-
People Can Fly U.S., LLC	-	18,285	-	14,893	-	-	-
People Can Fly Chicago, LLC	-	17,596	-	508	-	-	-
People Can Fly Canada Inc.	-	29,005	-	12,161	-	-	-
Total	**669**	**78,009**	**869**	**29,649**	**-**	**-**	**-**

As at Dec 31 2022 and for the period ended Jun 30 2022	Sale	Purchase	Receivables	Liabilities	Loans advanced in the period	Dividends	Capital increase
Incuvo S.A.	451	600	420	1,346	-	-	-
People Can Fly UK Limited	-	4,206	-	1,612	-	-	-
People Can Fly U.S., LLC	7,054	-	-	18,225	10,177	-	-
People Can Fly Chicago, LLC	-	-	9	206	-	-	-
People Can Fly Canada Inc.	-	1,123	176	-	-	-	-
Game On Creative Inc.	-	-	-	65	-	-	-
Total	**7,505**	**5,929**	**605**	**21,454**	**10,177**	**-**	**-**

16. Change in impairment losses and estimated credit losses

In the six months ended June 30th 2023, the amounts of impairment losses and estimated credit losses did not differ materially relative to the amounts disclosed in the separate financial statements for 2022, except for an impairment loss of PLN 743 thousand on concept work related to one of potential future projects, which the Company conducts on an ongoing basis in addition to the projects it has selected for further development.

17. Financial guarantees, contingent assets and liabilities

On May 24th 2023, the Company issued an unsecured guarantee to Bank of Montreal for up to CAD 9,200 thousand to secure the bank's claims against PCF Canada under a credit facility agreement and security provided under that agreement; for more details, see Note 10 to the consolidated financial statements.

Apart from the instrument described above, as at June 30th 2023 the Company did not have any other financial guarantees or contingent assets or liabilities.

18. Seasonality and cyclicality of business in the interim period

There was no seasonality or cyclicality in the Company's business in the interim period.

19. Amounts that have a significant effect on assets, liabilities, equity, net profit/(loss) or cash flows and that are non-typical due to their nature, value, effect or frequency

In the opinion of the Company's Management Board, there were no material events in the six months ended June 30th 2023, other than those described elsewhere in these financial statements, which could affect the assessment of the Company's financial position.

As at June 30th 2023 and December 31st 2022, the carrying amount of the Parent's financial instruments was equal to their fair value due to the short maturities of those instruments, their cash nature, variable interest rate or immaterial difference between the original effective interest rates and the actual market rates.

20. Position of the Management Board on published forecasts

The Company's Management Board did not publish any financial forecasts for 2023.

21. The Company's achievements and factors with a material effect on these separate financial statements

In the six months ended June 30th 2023, the Company pursued the strategic objectives defined by the Management Board, including:

- Continued development work, in collaboration with Square Enix Limited, on Project Gemini (a game in the production phase as at the reporting date).
- Continued development work on Project Dagger (a game in the pre-production phase as at the reporting date). As announced in the Company's updated Strategy in January 2023, the Company plans to publish the game on its own, in the self-publishing segment. However, the Group does not rule out cooperation with a reputable partner under the work-for-hire model should the opportunity arise.
- Continued development work on Project Bifrost (a game in the pre-production phase as at the reporting date), to be ultimately self-published by the Company using its own funds and based on new intellectual property rights that would remain owned by the Company. As the same time, in accordance with the investment agreement of March 28th 2023 signed by the Company and Sebastian Wojciechowski as the Company's key shareholder and President of the Management Board with Krafton, Inc., if the Company contemplates publishing Project Bifrost in a model other than self-publishing, Krafton Inc. will have the right of first negotiation and the right of first refusal with respect to entering into any such agreements. For more details on the investment agreement, see Section "Significant events and transactions" of these separate financial statements.
- Continued development work on Project Victoria (a game in the pre-production phase as at the reporting date), to be ultimately self-published by the Company using its own funds and based on new intellectual property rights that would remain owned by the Company. As in the case of Project Bifrost, if the Parent contemplates publishing Project Victoria in a model other than self-publishing, Krafton Inc. will have the right of first negotiation and the right of first refusal with respect to any such agreements.
- Continued development work on Project Red (a game in the concept phase as at the reporting date), which may be carried out by the Company in cooperation with a publisher on the work-for-hire basis or in the self-publishing model.
- Start of development work, in collaboration with Microsoft Corporation, on Project Maverick.

- Further expansion of the Group's development teams across all locations by hiring developers with experience in creating AAA video games and compact AAA video games (i.e. games with a shorter development timeframe, lower budget and narrower scope than triple-A titles but with a comparable quality to the latter).
- Further development of PCF Framework (i.e. proprietary, unique game development software and tools based on Unreal Engine technology) both through development of existing modules and new modules, particularly online services (an online service package comprising, among other things, servers acting as a central database access intermediary for video games, a set of libraries for server communication, tools enabling database access for customer service purposes, and tools enabling players to interact with each other in real time in the game world), as a platform enabling the Parent to expand its multiplayer capabilities.

22. Acquisition and sale of property, plant and equipment and other intangible assets

In the period covered by these separate financial statements, there were no non-standard transactions involving acquisition or sale of property, plant and equipment and intangible assets.

23.Significant events and transactions

The following events occurred during the period covered by these financial statements:

- **Registration of subscription warrants with CSDP**

  On January 24th 2023, in response to the Company's application of January 12th 2023, the Central Securities Depository of Poland issued a statement to the effect that on January 25th 2023 it would enter into an agreement with the Company to register 90,000 Series A registered subscription warrants of tranche A4 and 90,000 Series A registered subscription warrants of tranche A5, issued for no consideration and with no par value, under ISIN PLPCFGR00051 and PLPCFGR00069, respectively.

- **Strategy update**

  On January 31st 2023, the Company's Management Board passed a resolution to adopt an update of the Company's and its Group's strategy (the "**Strategy**").

  The Strategy is focused on the following areas:

  - bolstering of the publishing activities (the self-publishing segment);
  - adoption of the Game-as-a-Service (GaaS) or GaaS-ready model in developing proprietary portfolio games;
  - adoption of various game monetisation models;
  - further expansion of development teams and talent development;
  - investment in new segments of the entertainment industry.

  The Company set a strategic goal of earning at least PLN 3.0bn in total revenue in 2023–2027.

  In order to cover expenditures related to the Strategy, the Management Board raised some PLN 235m by issuing new shares of the Parent, with the financing level having been assumed at PLN 205m to 295m (see below for a description of the share capital increase through the issue of Series F and Series G ordinary bearer shares carried out to secure financing for the Strategy). All proceeds from the new issues will be used to expand the development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria. The proceeds from the new issues of Company shares, together with (i) the Company's own cash, (ii) the Company's operating cash flows and (iii) other available sources of financing which do not result in dilution of shareholders' equity interests, will allow the Company to fully implement its strategy.

For details of the Strategy, see Current Report No. 3/2023 of January 31st 2023.

- **Share capital increase through the issue of Series E ordinary bearer shares following an increase in the equity interest in Incuvo S.A.**

  On February 10th 2023, the Company's Management Board passed a resolution to, among others, increase the Company's share capital within the limits of the authorised capital through the issue of 136,104 Series E ordinary bearer shares ("**Series E Shares**"), representing jointly approximately 0.45% of the Company's share capital as at the resolution date and the same proportion of total voting rights at the Company's General Meeting (the "**Series E Shares Issue Resolution**").

  Adoption of the Series E Shares Issue Resolution was related to the Company's decision to increase the Company's equity interest in its subsidiary Incuvo S.A. through an exchange of Incuvo S.A. shares for the Parent shares with selected shareholders of Incuvo S.A., namely Andrzej Wychowaniec, President of Incuvo S.A. Management Board, and Radomir Kucharski, Vice President of the Management Board, Chief Product Officer.

  87,820 Series E Shares were offered to Andrzej Wychowaniec and 48,284 to Radomir Kucharski, with the Company's existing shareholders' pre-emption rights waived, in exchange for an in-kind contribution to the Company's increased share capital of Andrzej Wychowaniec's and Radomir Kucharski's shares in Incuvo S.A.: (a) from Andrzej Wychowaniec – 1,128,450 ordinary bearer shares in Incuvo S.A., representing jointly approximately 7.90% of Incuvo S.A.'s share capital and the same proportion of total voting rights at Incuvo S.A.'s General Meeting, and (b) from Radomir Kucharski – 620,428 ordinary bearer shares in Incuvo S.A., representing jointly approximately 4.34% of Incuvo S.A.'s share capital and the same proportion of total voting rights at Incuvo S.A.'s General Meeting.

  On February 17th 2023, following the settlement of transactions executed in the performance of the agreements on transfer of Incuvo S.A. shares as a non-cash (in-kind) contribution, signed on February 15th 2023 between the Parent and Andrzej Wychowaniec, and between the Parent and Radomir Kucharski, the Company acquired approximately 12.25% of shares and voting rights in Incuvo S.A. As a result of the transaction, the Company holds approximately 62.25% of shares in Incuvo S.A.'s share capital and the same proportion of voting rights.

  The increase of the Company's share capital, carried out pursuant to the Series E Shares Issue Resolution, was registered by the competent registry court on March 3rd 2023. As a result, the Company's share capital amounted to PLN 601,726.60 and comprised 30,086,330 shares with a par value of PLN 0.02 per share.

- **Share capital increase through the issue of Series F ordinary bearer shares to secure financing for the implementation of the Strategy**

  On February 28th 2023, the Company's Extraordinary General Meeting passed a resolution to, among others, increase the Company's share capital through the issue of up to 5,853,941 Series F ordinary bearer shares ("**Series F Shares**"), representing jointly approximately 19.55% of the Company's share capital as at the resolution date and the same proportion of total voting rights at the Company's General Meeting (the "**Series F Shares Issue Resolution**").

  Adoption of the Series F Shares Issue Resolution was related to the Parent's intention to raise funds on the capital market through a public offering of Series F Shares to finance the implementation of objectives set out in the Strategy.

- **Waiver of provisions concerning authorised capital**

  On February 28th 2023, the Company's Extraordinary General Meeting passed a resolution to amend the Company's Articles of Association by waiving the provisions concerning authorised capital. The Company's intention was to ensure that the shareholders' equity interests are not diluted any further (after the increase of the Company's share capital through the issue of Series F ordinary bearer shares, with the pre-emptive rights waived) in the future under the Management Board's authorisation to increase the Company's share capital within the limits of the authorised capital, subject to the transaction to increase the Company's equity interest in Incuvo S.A. as referred to above.

- **Execution of an investment agreement concerning acquisition by Krafton, Inc. of shares in the increased share capital of the Company as part of the issue of Series F shares**

  As part of the process (described above) to increase the Company's share capital, on March 28th 2023 an investment agreement was signed between the Company, Sebastian Wojciechowski as the Company's key shareholders and President of the Management Board (the "**Key Shareholder**") and Krafton, Inc. as the anchor investor (the "**Investor**") defining the terms of subscription for Series F Shares by the Investor and other contractual rights and obligations of each party in connection with the investment, including the Company's disclosure obligations towards the Investor (the "**Investment Agreement**").

  Pursuant to the Investment Agreement, on the date specified therein the Investor agreed to subscribe for such number of Series F Shares (rounded to the nearest integer) which upon completion of the public offering of Series F Shares will represent 10.00% of the Company's share capital and voting rights at the Company's General Meeting (the "**Offer Shares**") for the issue price of PLN 40.20 per Offer Share, irrespective of the number of Series F Shares subscribed for by investors participating in the offering and the issue price of Series F Shares for other investors participating in the offering. The Company guaranteed the allotment of Offer Shares to the Investor subject to the Investor's performance of the obligation to place a subscription order. The Offer Shares will be subscribed for by the Investor for a cash contribution.

  Pursuant to the Investment Agreement, if the Company contemplates publishing Project Victoria or Project Bifrost in a model other than self-publishing, the Investor will have the right of first negotiation and the right of first refusal with respect to any such agreements.

In addition, the Key Shareholder granted the Investor the right to prevent dilution, the right of first refusal to acquire shares and the tag-along right (corresponding to the Key Shareholder's drag-along right). Both the Investor and the Key Shareholder submitted standard lock-up declarations regarding their shares in the Parent, effective until March 28th 2024. The Parties also made customary representations and warranties and agreed on the contractual terms of each Party's liability for a breach, if any, of the Investment Agreement.

Further information on the Investment Agreement was published in Current Report No. 12/2023 of March 28th 2023.

- **Submission of an offer to Square Enix Limited to subscribe for subscription warrants**

  On March 28th 2023, the Company's Management Board made an offer to the publisher (which was accepted by the publisher on April 18th 2023) to subscribe, for no consideration, for 90,000 Series A registered subscription warrants of tranche A6, representing the last of the tranches. The offer to subscribe for the sixth tranche of the subscription warrants was made by the Company as the Company's revenue under agreements with Square Enix Limited exceeded PLN 270m.

  For detailed information on the terms and conditions of the warrants granted to Square Enix Limited by the Company, including of their exercise by Square Enix Limited to subscribe for Company shares, see the Company's Current Report No. 40/2021 of August 29th 2021.

- **Start of negotiations on a credit facility agreement with Bank Polska Kasa Opieki S.A.**

  On May 30th 2023, the Company received a term sheet prepared for the Company by Bank Polska Kasa Opieki S.A. ("**Bank Pekao**") and confirmed by the Bank Pekao Credit Committee (the „**Term Sheet**").

  The Term Sheet concerns a revolving credit facility of up to PLN 50,000 thousand to be provided by Bank Pekao to the Parent to finance costs related to the development of video games on a work-for-hire basis The proposed term of the revolving credit facility and the final repayment date of the facility is up to three years from the date of execution of the credit facility agreement.

  Performance of the Company's obligations is to be secured with security instruments typically used in this type of transactions.

  Having considered the Term Sheet, the Company decided to enter into negotiations on the execution of credit documents on the terms specified in the Term Sheet.

  As at the date of authorisation of these separate financial statements for issue, the negotiations were continuing and the documents had not been executed.

- **Execution of a development and publishing agreement with Microsoft Corporation**

  On June 13th 2023, the Company and Microsoft Corporation of Redmond, Washington, USA, as the publisher (the "**Publisher**"), entered into a development and publishing agreement (the „**Agreement**") for the development and delivery by the Company to the Publisher of an AAA game under code name Project Maverick (the "**Game**"), in accordance with a content rider concluded by the parties for the Agreement (the „**Product Appendix**"), setting out the milestone schedule for the Game development.

  The Game will be developed by the Company in the work-for-hire model, based on the intellectual property rights of the Publisher. Its production will be fully financed by the Publisher as the Parent completes successive Game development milestones.

The total budget allocated by the Publisher for the development of the Game by the Company is USD 30–50 million.

The Agreement does not contain any specific conditions that would differ from those commonly used in this type of agreements.

The execution of the Agreement fits in with the revised Strategy for the Company and the Group announced on January 31st 2023, whereby the Company intends to capture attractive opportunities for cooperation with reputable partners in the work-for-hire model if such opportunities arise.

- **Public offering of Series F Shares**

From May 29th 2023 to June 1st 2023, the Company carried out a bookbuilding process for an offering of Series F ordinary bearer shares with a par value of PLN 0.02 per share ("**Series F Shares**"), as a result of which it decided to offer a total of 3,343,037 Series F Shares, of which 3,342,937 Series F Shares were offered to Krafton Inc. in accordance with the investment agreement described in detail above, and 100 Series F Shares were offered to another investor. The Series F shares were offered by way of a private placement, within the meaning of the Commercial Companies Code, as part of a public offering. The issue price for one Series F Share was PLN 40.20, and the total value of the public offering was PLN 134,390,087.40. The process of executing subscription agreements for the Series F Shares was completed on June 6th 2023.

The full amount of proceeds from the public offering of Series F Shares will be used to expand the Group's development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria.

- **Execution of a side letter for the investment agreement on acquisition by Krafton, Inc. of shares in the increased share capital of the Company**

On June 14th 2023, the Company and Sebastian Wojciechowski as the Company's key shareholder and President of the Management Board executed a side letter (the **"Side Letter**") for the investment agreement of March 28th 2023 (the "**Investment Agreement**") with Krafton, Inc. (the "**Investor**"). In the Side Letter, the parties agreed, inter alia, that if:

(i) the Company's General Meeting passes a resolution(s) to increase the Company's share capital by issuing up to 2,510,904 new shares (the "**New Issue Shares**"), and the share capital increase is carried out (i.e. the New Issue Shares are subscribed and paid for) no later than December 31st 2023 (the **"Issue Resolution**"); and

(ii) the Issue Resolution gives priority to subscribe for New Issue Shares to shareholders of the Company that hold shares conferring the right to 0.25% or more of total voting rights in the Company as at the end of the Issue Resolution date; and

(iii) the Investor submits a declaration of subscription for a number of New Issue Shares which, when aggregated with Series F shares held by the Investor, will represent 10.00% of the Company's share capital and total voting rights in the Company on the date of registration of the New Issue Shares in the Business Register of the National Court Register by the registry court, then the Company:

a) irrespective of the number of New Issue Shares to be allotted to other investors participating in the offering and regardless of the issue price of the New Issue Shares that will be set for other investors participating in the offering – will allot such number of New Issue Shares to the Investor, with priority before other investors participating in the offering, which, when aggregated with Series F shares held by the Investor, will represent 10.00% of the Company's share capital and total voting rights in the Company on the date of registration of the New Issue Shares in the Business Register of the National Court Register by the registry court; and

b) will enter into an agreement with the Investor, whereby the Investor will subscribe for New Issue Shares at the issue price of PLN 40.20 per New Issue Share.

- **Registration of a share capital increase and amendments to the Articles of Association of PCF Group S.A.**

  On June 22nd 2023, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered amendments to the Parent's Articles of Association adopted by way of Resolution No. 4/02/2023 of the Extraordinary General Meeting held on February 28th 2023 to increase the Company's share capital through the issue of Series F ordinary shares, to waive the existing shareholders' pre-emptive rights with respect to all Series F shares, to seek admission and introduction of Series F shares and allotment certificates for Series F shares to trading on the regulated market operated by the Warsaw Stock Exchange, to convert Series F shares and allotment certificates for Series F shares into book-entry form, to authorise the execution of an agreement to register Series F shares and allotment certificates for Series F shares in the depository for securities, and to amend the Company's Articles of Association.

  The amendments concerned an increase in the Company's share capital from PLN 601,726.60 to PLN 668,587.34, through the issue of 3,343,037 Series F ordinary bearer shares with a par value of PLN 0.02 per share.

- **Settlement with OÜ Blite Fund**

  On August 21st 2023, the Company entered into a settlement with OÜ Blite Fund, an Estonian limited liability company of Tallinn, Estonia (the "**Settlement**", the "**Blite Fund**"), whereby the Company agreed to pay PLN 2,050 thousand to Blite Fund on account of an increase in the purchase price for 7,143,900 shares in Incuvo S.A. (the "**Additional Payment**") acquired by the Company under a share purchase agreement concluded between the Company and Blite Fund on December 13th 2021 (the "**Share Purchase Agreement**"). The Additional Payment made by the Company fully settles the parties' mutual claims under or in connection with the execution and performance of the Share Purchase Agreement. The Additional Payment was made on August 31st 2023. In accordance with IAS 10, the Additional Payment has been recognised in the Company's financial results for first six months of 2023.

24. Events after the reporting date

The following events, whose disclosure in these financial statements was not required, occurred after June 30th 2023.

- **Registration of Series E and Series F shares with CSDP and their admission and introduction to trading on the WSE**

  Following registration of Series E and Series F shares in the Central Securities Depository of Poland on July 19th 2023, the shares were introduced to trading on the main market of the Warsaw Stock Exchange as of that date.

  Series E and Series F shares of the Company were assigned code ISIN PLPCFGR00010.

- **Share capital increase through the issue of Series G ordinary bearer shares to secure financing for the implementation of the Strategy**

On August 7th 2023, the Company's Extraordinary General Meeting passed a resolution to, among others, increase the Company's share capital through the issue of up to 2,510,904 Series G ordinary bearer shares ("**Series G Shares**"), representing jointly approximately 7.51% of the Company's share capital as at the date of the resolution and the same proportion of total voting rights at the Company's General Meeting (the "**Series G Shares Issue Resolution**").

The Series G Shares Issue Resolution was adopted in connection with the intention to conduct a public offering of Series G Shares in addition to the public offering of Series F shares carried out at the end of May and at the beginning June 2023, as described above.

- **Public offering of Series G shares**

From August 9th 2023 to August 10th 2023, the Company carried out a bookbuilding process for an offering of Series G ordinary bearer shares with a par value of PLN 0.02 per share ("**Series G Shares**"), as a result of which it decided to offer a total of 2,510,904 Series G Shares to forty investors, of which 251,091 Series G Shares were offered to Krafton Inc. in accordance with the side letter to the investment agreement described in detail above. The Series G shares were offered by way of a private placement, within the meaning of the Commercial Companies Code, as part of a public offering. The issue price for one Series G Share was PLN 40.20, and the total value of the public offering was PLN 100,938,340.80. The process of executing subscription agreements for the Series G Shares was completed on August 18th 2023.

The proceeds from the public offering of Series G Shares, together with the proceeds from the public offering of Series F shares, described above, will be used to expand the Group's development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria.

- **Registration of a share capital increase and amendments to the Articles of Association**

On August 28th 2023, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered amendments to the Company's Articles of Association adopted by way of Resolution No. 4/08/2023 of the Extraordinary General Meeting held on August 7th 2023 to increase the Company's share capital through the issue of Series G ordinary shares, to waive the existing shareholders' pre-emptive rights with respect to all Series G shares, to seek admission and introduction of Series G shares and allotment certificates for Series G shares to trading on the regulated market operated by the Warsaw Stock Exchange, to convert Series G shares and allotment certificates for Series G shares into book-entry form, to authorise the execution of an agreement to register Series G shares and allotment certificates for Series F shares in the depository for securities, and to amend the Company's Articles of Association.

The amendments concerned an increase in the Company's share capital from PLN 668,587.34 to PLN 718,805.42, through the issue of 2,510,904 Series G ordinary bearer shares with a par value of PLN 0.02 per share.

- **Receipt of a notification under Art. 69 of the Public Offering Act**

On August 30th 2023, the Company received a notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny to the effect that the notifying party had exceeded 5% of total voting rights in the Company, submitted pursuant to Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005.

Half-year report for the six months ended June 30th 2023 (all figures in PLN '000, unless stated otherwise)

According to the notification, Nationale-Nederlanden Otwarty Fundusz Emerytalny holds 2,368,599 shares in the Company, representing 6.59% of the Company's share capital and conferring the right to 2,368,599 votes at the Company's General Meeting, or 6.59% of total voting rights in the Company.

- **Registration of subscription warrants with CSDP**

  On September 4th 2023, in response to the Parent's application of August 9th 2023, the Central Securities Depository of Poland issued a statement to the effect that on September 5th 2023 it would enter into an agreement with the Company to register 90,000 Series A registered subscription warrants (tranche A6), issued for no consideration and with no par value, under ISIN PLPCFGR00077.

  Tranche A6 is the last tranche of Series A subscription warrants offered by the Company to Square Enix Limited under an investment agreement, the terms of which are described in detail in the Parent's Current Report No. 40/2021 of August 29th 2021.

25. Notes to the statement of cash flows

Item in statement of cash flows	Change in statement of financial position or statement of profit or loss	Change disclosed	**Difference**	**Reason**
Change in liabilities	16,134	16,842	(3,107)	elimination of change in liabilities resulting from a deduction made as at June 30th 2023
			1,751	elimination of change in liabilities relating to unpaid services representing issue costs accounted for against equity
			648	elimination of change in liabilities on purchase of property, plant and equipment and intangible assets

26. Court proceedings

As at the issue date of these separate financial statements, the Company is not the subject of or a party to any material proceedings before a court, a competent arbitration body or a public administration authority.

Authorisation for issue

These consolidated financial statements were authorised for issue by the Parent's Management Board on September 21st 2023.

Signatures of all Management Board members

Date	Full name	Position held	Signature
digitally signed on the digital signature date	Sebastian Kamil Wojciechowski	President of the Management Board	

Signature of the preparer of these consolidated financial statements

Date	Full name	Position held	Signature
digitally signed on the digital signature date	Marcin Żydziak	Head of Reporting and Accounting	

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CONSOLIDATED HALF-YEAR FINANCIAL REPORT
FOR THE PERIOD OF JANUARY 1 - JUNE 30, 2023