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PCF GROUP

SPÓŁKA AKCYJNA

GROUP

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THIRD QUARTER OF 2023

ENDED SEPTEMBER 30, 2023

**PCF Group Spółka Akcyjna Group –
FINANCIAL HIGHLIGHTS (TRANSLATED INTO EUR)**

	PLN		EUR	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
Statement of financial position				
Assets	579,927	350,804	125,102	74,800
Non-current liabilities	34,203	43,418	7,378	9,258
Current liabilities	49,625	29,757	10,705	6,345
Equity	496,099	277,629	107,019	59,197
Equity attributable to owners of the parent	490,213	272,306	105,750	58,062
PLN/EUR exchange rate at end of period	-	-	4.6356	4.6899

	PLN		EUR	
	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022
Statement of profit or loss				
Revenue	111,249	130,921	24,305	27,927
Operating profit (loss)	(10,123)	27,872	(2,212)	5,945
Profit (loss) before tax	(10,558)	44,716	(2,307)	9,538
Net profit (loss)	(13,448)	42,133	(2,938)	8,987
Net profit (loss) attributable to owners of the parent	(15,352)	38,680	(3,354)	8,251
Earnings per share (PLN)	(0.43)	1.41	(0.09)	0.30
Diluted earnings per share (PLN)	(0.42)	1.39	(0.09)	0.30
Average PLN/EUR exchange rate in period	-	-	4.5773	4.6880

	PLN		EUR	
	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022
Statement of cash flows				
Net cash from operating activities	24,948	74,728	5,450	15,940
Net cash from investing activities	(148,124)	(83,783)	(32,361)	(17,872)
Net cash from financing activities	225,735	(15,589)	49,316	(3,325)
Total net cash flows (net of the effect of foreign currency translation on cash)	102,559	(24,644)	22,405	(5,257)
Average PLN/EUR exchange rate in period	-	-	4.5773	4.6880

**PCF Group Spółka Akcyjna –
FINANCIAL HIGHLIGHTS (TRANSLATED INTO EUR)**

	PLN		EUR	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
Statement of financial position				
Assets	573,398	324,530	123,694	69,198
Non-current liabilities	10,990	20,484	2,371	4,368
Current liabilities	54,646	32,549	11,788	6,940
Equity	507,762	271,497	109,535	57,890
PLN/EUR exchange rate at end of period	-	-	4.6356	4.6899

	PLN		EUR	
	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022
Statement of profit or loss				
Revenue	84,865	89,795	18,540	19,154
Operating profit (loss)	1,495	36,439	327	7,773
Profit (loss) before tax	2,438	54,301	533	11,583
Net profit (loss)	360	49,312	79	10,519
Earnings per share (PLN)	0.01	1.65	0.00	0.35
Diluted earnings per share (PLN)	0.01	1.62	0.00	0.35
Average PLN/EUR exchange rate in period	-	-	4.5773	4.6880

	PLN		EUR	
	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022
Statement of cash flows				
Net cash from operating activities	32,331	52,923	7,063	11,289
Net cash from investing activities	(167,037)	(36,329)	(36,492)	(7,749)
Net cash from financing activities	228,366	(11,898)	49,891	(2,538)
Total net cash flows (net of the effect of foreign currency translation on cash)	93,660	4,696	20,462	1,002
Average PLN/EUR exchange rate in period	-	-	4.5773	4.6880

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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PCF, GROUP SPOŁKA AKCYJNA GROUP

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THIRD QUARTER OF 2023**

ENDED SEPTEMBER 30TH 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	Sep 30 2023	Dec 31 2022
Non-current assets			
Goodwill		55,453	55,503
Intangible assets		210,284	130,023
Property, plant and equipment		11,405	11,780
Right-of-use assets		31,661	30,095
Long-term prepayments and accrued income		289	277
Deferred tax assets		10	222
Non-current assets		309,102	227,900
Current assets			
Contract assets		19,720	30,451
Trade and other receivables		29,699	23,448
Other current financial assets		45,392	-
Short-term prepayments and accrued income		2,210	1,022
Cash and cash equivalents		173,804	67,983
Current assets		270,825	122,904
Total assets		579,927	350,804

EQUITY AND LIABILITIES	Note	Sep 30 2023	Dec 31 2022
Equity			
Equity attributable to owners of the parent:			
Share capital	4	719	599
Share premium	4	357,654	121,869
Other components of equity	4	52,342	54,988
Retained earnings		79,498	94,850
Equity attributable to owners of the parent		490,213	272,306
Non-controlling interests		5,886	5,323
Equity		496,099	277,629
Liabilities			
Non-current liabilities			
Borrowings, other debt instruments		2,181	3,490
Leases		26,858	27,822
Deferred tax liability		1,333	2,289
Long-term accruals and deferred income		3,831	9,817
Non-current liabilities		34,203	43,418
Current liabilities			
Trade and other payables		19,407	11,167
Contract liabilities		1,000	2,792
Current tax liabilities		4,684	7,591
Borrowings, other debt instruments		1,659	2,089
Leases		6,242	4,198
Employee benefit obligations and provisions		2,487	1,717
Short-term accruals and deferred income		14,146	203
Current liabilities		49,625	29,757
Total liabilities		83,828	73,175
Total equity and liabilities		579,927	350,804

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Continuing operations					
Revenue	3	111,249	130,921	42,583	40,329
Cost of sales	5	70,527	64,012	26,832	19,717
Gross profit (loss)		40,722	66,909	15,751	20,612
General and administrative expenses	5	48,471	39,211	17,331	14,102
Other income	5	838	1,107	457	158
Other expenses	5	3,212	933	113	167
Operating profit (loss)		(10,123)	27,872	(1,236)	6,501
Finance income	6	2,132	18,034	2,132	10,617
Finance costs	6	2,567	1,190	93	177
Profit (loss) before tax		(10,558)	44,716	803	16,941
Income tax		2,890	2,583	1,181	288
Net profit (loss) from continuing operations		(13,448)	42,133	(378)	16,653
Discontinued operations					
Net profit (loss) from discontinued operations		-	-	-	-
Net profit (loss)		(13,448)	42,133	(378)	16,653
Net profit (loss) attributable to:					
- owners of the parent		(15,352)	38,680	(1,917)	15,528
- non-controlling interests		1,904	3,453	1,539	1,125

EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

	Note	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
from continuing operations					
- basic	7	(0.43)	1.41	(0.01)	0.56
- diluted	7	(0.42)	1.39	(0.01)	0.55
from continuing and discontinued operations					
- basic	7	(0.43)	1.41	(0.01)	0.56
- diluted	7	(0.42)	1.39	(0.01)	0.55

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Note	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Net profit (loss)	(13,448)	42,133	(378)	16,653
Other comprehensive income				
Items reclassified to profit or loss				
Exchange differences on translation of foreign operations	1,651	9,179	4,135	3,663
Other comprehensive income, net of tax	1,651	9,179	4,135	3,663
Comprehensive income	(11,797)	51,312	3,757	20,316
Comprehensive income attributable to:				
- owners of the parent	(13,701)	47,859	2,218	19,191
- non-controlling interests	1,904	3,453	1,539	1,125



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other components of equity	Retained earnings			
As at Jan 1 2023	599	121,869	54,988	94,850	272,306	5,323	277,629
Changes in equity in Jan 1–Sep 30 2023							
Cost of issue of Series E, Series F and Series G shares	-	(5,090)	-	-	(5,090)	-	(5,090)
Issue of Series E, Series F and Series G shares	120	240,875	-	-	240,995	-	240,995
Changes in Group structure (transactions with non-controlling shareholders)	-	-	(4,297)	-	(4,297)	(1,341)	(5,638)
Net profit (loss) for Jan 1–Sep 30 2023	-	-	-	(15,352)	(15,352)	1,904	(13,448)
Other comprehensive income net of tax for Jan 1–Sep 30 2023	-	-	1,651	-	1,651	-	1,651
As at Sep 30 2023	719	357,654	52,342	79,498	490,213	5,886	496,099



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



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–Sep 30 2022							
Measurement of warrants due to publisher Square Enix Limited	-	-	983	-	983	-	983
Dividends	-	-	-	(8,087)	(8,087)	(45)	(8,132)
Changes in the Group's structure: liquidation of subsidiaries	-	-	-	-	-	(24)	(24)
Net profit (loss) for Jan 1–Sep 30 2022	-	-	-	38,680	38,680	3,453	42,133
Other comprehensive income net of tax for Jan 1–Sep 30 2022	-	-	9,179	-	9,179	-	9,179
As at Sep 30 2022	599	121,869	60,889	114,859	298,216	5,465	303,681

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Cash flows from operating activities					
Profit (loss) before tax		(10,558)	44,716	803	16,941
Adjustments:					
Depreciation of property, plant and equipment		2,880	3,532	1,017	1,192
Amortisation of intangible assets		8,038	5,450	3,419	2,349
Depreciation of right-of-use asset		3,674	3,457	1,273	1,294
Impairment losses on intangible assets		587	-	-	-
Gain/(loss) on sale of non-derivative financial assets		-	(531)	-	27
Foreign exchange gains (losses)		(3,490)	(2,998)	(4,094)	(4,121)
Interest expense		1,771	1,149	533	515
Interest and dividend income		(668)	(1,358)	(522)	(600)
Measurement of warrants due to publisher Square Enix Limited		-	983	-	983
Other adjustments		2,177	(967)	849	(842)
Change in receivables	18	5,416	(6,365)	804	(841)
Change in financial assets		-	294	-	2
Change in liabilities	18	5,641	9,783	(1,627)	(3,288)
Change in provisions, accruals and deferrals		6,757	4,728	1,200	3,291
Change in contract assets and liabilities		8,939	15,949	(11,227)	5,579
Income tax paid		(6,216)	(3,094)	(40)	(1,292)
Net cash from operating activities		24,948	74,728	(7,612)	21,189
Cash flows from investing activities					
Payments for intangible assets		(99,356)	(80,219)	(34,552)	(30,771)
Payments for property, plant and equipment		(3,867)	(4,862)	(198)	(1,046)
Net expenditure on acquisition of subsidiaries		-	(1,077)	-	(1,077)
Payments for other financial assets		(45,178)	-	(45,178)	-
Proceeds from sale of other financial assets		-	851	-	-
Interest received		277	1,524	277	691
Net cash from investing activities		(148,124)	(83,783)	(79,651)	(32,203)
Cash flows from financing activities					
Net proceeds from issue of shares		235,328	-	100,938	-
Share issue costs		(2,541)	-	(2,017)	-
Proceeds from borrowings and subsidies		5,493	631	(33)	16
Repayment of borrowings		(7,046)	(1,918)	(5,910)	(714)
Payment of lease liabilities		(4,257)	(4,539)	(1,466)	(1,522)
Interest paid		(1,242)	(126)	(322)	(12)
Dividends paid		-	(9,637)	-	(8,629)
Net cash from financing activities		225,735	(15,589)	91,190	(10,861)
Total net cash flows		102,559	(24,644)	3,927	(21,875)
Effect of foreign currency translation on cash		3,262	2,104	4,526	1,855
Net change in cash		105,821	(22,540)	8,453	(20,020)
Cash and cash equivalents at beginning of period		67,983	137,102	165,351	134,582
Cash and cash equivalents at end of period		173,804	114,562	173,804	114,562



PCF, GROUP SPÓŁKA AKCYJNA GROUP

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THIRD QUARTER OF 2023**

ENDED SEPTEMBER 30TH 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 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.

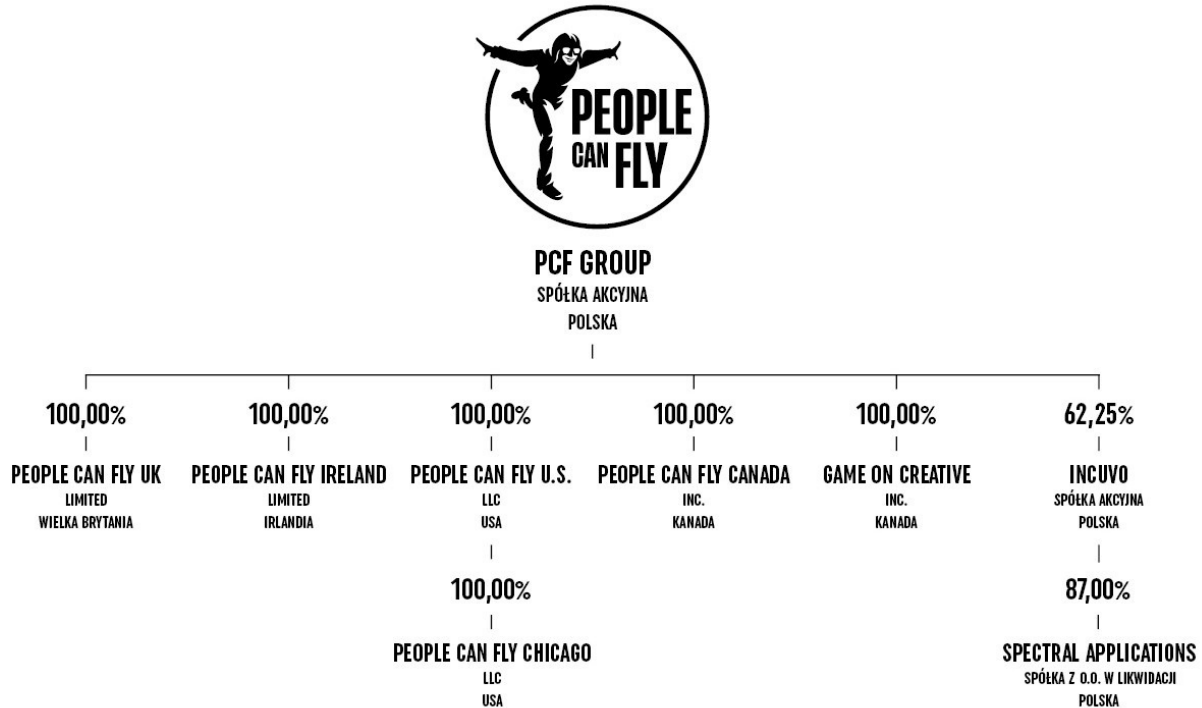
In the period from January 1st 2023 to the date of authorisation of these consolidated financial statements for issue, the composition of the Supervisory Board did not change.

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 September 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 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 nine months ended September 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, on October 4th 2023, the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register, issued a decision to delete Spectral Applications spółka z ograniczoną odpowiedzialnością w likwidacji (in liquidation) from the Business Register of the National Court Register. The chart below shows the composition and structure of the Group after that change, as at the date of authorisation of these consolidated financial statements for issue.

PCF GROUP SPÓŁKA AKCYJNA GROUP

Interim consolidated financial statements for the 9 months ended September 30th 2023 (all figures in PLN '000, unless stated otherwise)



PCF GROUP
SPÓŁKA AKCYJNA
POLSKA





PCF, GROUP SPOŁKA AKCYJNA GROUP

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THIRD QUARTER OF 2023**

ENDED SEPTEMBER 30TH 2023

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2. Basis of accounting and accounting policies

Basis of accounting used in preparing the consolidated financial statements

These 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 September 30th 2023 and December 31st 2022, results of the Group’s operations for the nine months ended September 30th 2023 and September 30th 2022, and cash flows for the nine months ended September 30th 2023 and September 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 September 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 not implemented by the Group

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 of the financial statements

These consolidated financial statements have not been audited or reviewed by an independent auditor.



PCF, GROUP SPÓŁKA AKCYJNA GROUP

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THIRD QUARTER OF 2023**

ENDED SEPTEMBER 30TH 2023

3. Revenue and operating segments

The Group divides its operations into four operating segments:

- work-for-hire development of video games (“development segment”);
- copyrights to developed games (royalties) (“copyrights segment”);
- development and publication of games without the involvement of an external publisher (“self-publishing”);
- other activities.

In the nine months ended September 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 nine months ended September 30th 2023, the consideration received from the material trading partner in that 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 16), 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 nine months ended September 30th 2023, the Group was engaged in work commissioned by the publisher Square Enix Limited under content riders to a development and publishing agreement, although after the reporting date it entered into strategic discussions with Square Enix Limited over the shape of Project Gemini and the terms of further collaboration on the game, as described in detail in Note 17 below.

Project Maverick

The Group is performing a contract to develop an AAA game based on intellectual property rights of Microsoft Corporation.

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.

Self-publishing segment

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 nine months ended September 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 9 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 nine months ended September 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 segment	Other activities	Total
Jan 1–Sep 30 2023					
Region					
Europe	81,240	61	3,945	-	85,246
Other countries	18,937	755	6,311	-	26,003
Total revenue	100,177	816	10,256	-	111,249
Product line					
Games	100,177	816	10,256	-	111,249
Total revenue	100,177	816	10,256	-	111,249
Timing of transfer of goods/services					
At a point in time	-	816	-	-	816
Over time	100,177	-	10,256	-	110,433
Total revenue	100,177	816	10,256	-	111,249
Jan 1–Sep 30 2022					
Region					
Europe	90,353	10	-	-	90,363
Other countries	25,232	956	14,370	-	40,558
Total revenue	115,585	966	14,370	-	130,921
Product line					
Games	115,585	966	14,370	-	130,921
Total revenue	115,585	966	14,370	-	130,921

Timing of transfer of goods/services					
At a point in time	-	966	-	-	966
Over time	115,585	-	14,370	-	129,955
Total revenue	115,585	966	14,370	-	130,921

	Development segment	Copyrights segment	Self-publishing segment	Other activities	Total
Jul 1–Sep 30 2023					
Region					
Europe	26,216	33	859	-	27,108
Other countries	10,371	166	4,938	-	15,475
Total revenue	36,587	199	5,797	-	42,583
Product line					
Games	36,587	199	5,797	-	42,583
Total revenue	36,587	199	5,797	-	42,583
Timing of transfer of goods/services					
At a point in time	-	199	-	-	199
Over time	36,587	-	5,797	-	42,384
Total revenue	36,587	199	5,797	-	42,583
Jul 1–Sep 30 2022					
Region					
Europe	34,107	-	-	-	34,107
Other countries	1,574	174	4,474	-	6,222
Total revenue	35,681	174	4,474	-	40,329
Product line					
Games	35,681	174	4,474	-	40,329
Total revenue	35,681	174	4,474	-	40,329
Timing of transfer of goods/services					
At a point in time	-	174	-	-	174
Over time	35,681	-	4,474	-	40,155
Total revenue	35,681	174	4,474	-	40,329

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

	Development segment	Copyrights segment	Self-publishing segment	Other activities	Total
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Jan 1–Sep 30 2023

Revenue from external customers	100,177	816	10,256	-	111,249
Total revenue	100,177	816	10,256	-	111,249
Segment's operating profit (loss)	12,558	816	(20,802)	(2,695)	(10,123)

Other information:

Amortisation and depreciation expense	9,731	-	2,166	2,695	14,592
Impairment of non-current non-financial assets	-	-	587	-	587
Segment's assets as at Sep 30 2023	375,649	-	177,821	26,457	579,927
Expenditure on segment's intangible assets and property, plant and equipment	10,591	-	83,727	11,583	105,901

Jan 1–Sep 30 2022

Revenue from external customers	115,585	966	14,370	-	130,921
Total revenue	115,585	966	14,370	-	130,921
Segment's operating profit (loss)	21,879	924	5,673	(604)	27,872

Other information:

Amortisation and depreciation expense	8,807	42	2,986	604	12,439
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	7,029	-	67,532	10,520	85,081

	Development segment	Copyrights segment	Self-publishing segment	Other activities	Total
Jul 1–Sep 30 2023					
Revenue from external customers	36,587	199	5,797	-	42,583
Total revenue	36,587	199	5,797	-	42,583
Segment's operating profit (loss)	20,455	199	(20,207)	(1,683)	(1,236)
<i>including reclassification of operating profit (loss) between segments</i>	14,783	-	(14,783)	-	-
Other information:					
Amortisation and depreciation expense	3,444	-	582	1,683	5,709
Segment's assets as at Sep 30 2023	375,649	-	177,821	26,457	579,927
Expenditure on segment's intangible assets and property, plant and equipment	2,259	-	29,559	3,672	35,490
Jul 1–Sep 30 2022					
Revenue from external customers	35,681	174	4,474	-	40,329
Total revenue	35,681	174	4,474	-	40,329
Segment's operating profit (loss)	5,167	163	1,520	(349)	6,501

Other information:

Amortisation and depreciation expense	2,003	10	2,473	349	4,835
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	2,815	-	24,448	4,554	31,817

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–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Segments' revenue				
Total revenue of operating segments	111,249	130,921	42,583	40,329
Revenue	111,249	130,921	42,583	40,329
Segments' profit or loss				
Segments' operating profit (loss)	(10,123)	27,872	(1,236)	6,501
Operating profit (loss)	(10,123)	27,872	(1,236)	6,501
Finance income	2,132	18,034	2,132	10,617
Finance costs	(2,567)	(1,190)	(93)	(177)
Profit (loss) before tax	(10,558)	44,716	803	16,941

	Sep 30 2023	Dec 31 2022
Segments' assets		
Total assets of operating segments	579,927	350,804
Total assets	579,927	350,804

4. Equity**Share capital**

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

	Jan 1–Sep 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	-
Issue of Series G shares	2,510,904	-
Number of shares at end of period	35,940,271	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 Sep 30 2023				
Sebastian Wojciechowski	14,969,480	14,969,480	299	41.65%
Other shareholders	20,970,791	20,970,791	420	58.35%
Total	35,940,271	35,940,271	719	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%

Share premium

	Sep 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	(14)	-
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	(19)	-
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	(2,324)	-
Statutory reserve funds created from share premium – Series G shares	100,888	-
Costs of issue of Series G shares recognised as reduction of statutory reserve funds	(2,732)	-
Total	357,654	121,869

Other components of equity

	Sep 30 2023	Dec 31 2022
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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	6,492	4,841
Total	52,342	54,988

5. Operating income and expenses

Costs by nature of expense

	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Amortisation and depreciation expense	16,449	13,165	6,254	5,561
Employee benefits	119,367	88,690	41,622	34,350
Raw materials and consumables used	1,442	2,656	458	905
Services	75,039	72,790	28,441	22,406
Taxes and charges	165	94	34	13
Other	1,846	1,258	585	444
Total costs by nature of expense	214,308	178,653	77,394	63,679
Capitalised development expenditure	(95,310)	(75,430)	(33,231)	(29,860)
Costs by nature of expense recognised in profit or loss	118,998	103,223	44,163	33,819
Cost of services sold	70,527	64,012	26,832	19,717
General and administrative expenses	48,471	39,211	17,331	14,102
Total	118,998	103,223	44,163	33,819

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 nine months ended September 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–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Other income	838	1,107	457	158
Total other income	838	1,107	457	158

Other expenses

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

	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Impairment losses on property, plant and equipment and intangible assets	587	-	-	-
Other	2,625	933	113	167
Total other expenses	3,212	933	113	167

In the nine months ended September 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 16.

6. 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–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Interest income calculated using the effective interest rate:				
Cash and cash equivalents (deposits)	277	1,361	277	548
Loans and receivables	76	-	76	-
Debt securities at amortised cost	213	-	213	-
Interest income calculated using the effective interest rate	566	1,361	566	548
Gains on measurement and settlement of financial instruments other than at fair value through profit or loss:				
Shares in non-listed companies	-	558	-	-
Gains on measurement and settlement of financial instruments at fair value through profit or loss	-	558	-	-
Foreign exchange gains (losses):				
Cash and cash equivalents	631	5,678	631	316
Loans and receivables	734	11,576	734	10,461
Financial liabilities at amortised cost	154	(1,302)	154	(871)
Foreign exchange gains (losses)	1,519	15,952	1,519	9,906
Other finance income	47	163	47	163
Total finance income	2,132	18,034	2,132	10,617

Finance costs

	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Interest expense on financial liabilities other than at fair value through profit or loss:				
Lease liabilities	1,218	749	422	107
Credit facilities	616	161	162	53
Trade and other payables	2	-	-	-
Interest expense on financial liabilities other than at fair value through profit or loss	1,836	910	584	160
Foreign exchange gains (losses) (+/-):				
Cash and cash equivalents	699	-	(313)	-
Loans and receivables	32	280	(178)	17
Foreign exchange gains (losses) (+/-)	731	280	(491)	17
Total finance costs	2,567	1,190	93	177

7. 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).

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

	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Number of shares used as denominator in the formula				
Weighted average number of ordinary shares	31,583,491	29,950,226	34,339,915	29,950,226
Dilutive effect of options convertible into shares	540,000	450,000	540,000	450,000
Diluted weighted average number of ordinary shares	32,123,491	30,400,226	34,879,915	30,400,226
Continuing operations				
Net profit (loss) from continuing operations	(13,448)	42,133	(378)	16,653
Basic earnings (loss) per share (PLN)	(0.43)	1.41	(0.01)	0.56
Diluted earnings (loss) per share (PLN)	(0.42)	1.39	(0.01)	0.55
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)	(13,448)	42,133	(378)	16,653
Basic earnings (loss) per share (PLN)	(0.43)	1.41	(0.01)	0.56
Diluted earnings (loss) per share (PLN)	(0.42)	1.39	(0.01)	0.55

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.

8. 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, 41.71% of the Parent shares, which confer 41.71% 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.

9 months ended Sep 30 2023	Sale	Purchase	Dividends
Shareholders of the Parent	2	3,366	-
9 months ended Sep 30 2022	Sale	Purchase	Dividends
Shareholders of the Parent	3	2,805	5,717

As at Sep 30 2023	Receivables	Liabilities	Borrowings
Shareholders of the Parent	-	386	-

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).

9. Change in impairment losses and estimated credit losses

In the nine months ended September 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.

10. 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 16.

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

11. Seasonality and cyclicity of business in the interim period

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

12. 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 nine months ended September 30th 2023, other than those described elsewhere in these financial statements, which could affect the assessment of the Group's financial position.

As at September 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.

13. Position of the Management Board on published forecasts

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

14. The Group's achievements and factors with a material effect on the interim condensed consolidated financial statements

In the first nine 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 16 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), although strategic discussions were commenced with Square Enix Limited over the shape of Project Gemini and the terms of further collaboration on the game, as described in detail in Note 17 below.
- Continued development work on Project Dagger (a game in the pre-production phase as at the reporting date), although after the reporting date the Group decided to temporarily curtail the game, as described in detail in Note 17 below.
- 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 16 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 16 below.

15. 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.

16. 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 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 ("PCF Canada") as the borrower, and Bank of Montreal, as the lender, signed a credit facility agreement (Offer of Financing) to grant PCF Canada two demand revolving facilities comprising: (1) a credit facility of up to CAD 1,200 thousand, intended to finance working capital and general corporate needs of PCF Canada, and (2) a credit facility of up to CAD 8,000 thousand, intended to prefinance future tax credits in Canada. Both credit facilities are repayable on demand and can be renewed annually on terms agreed by the parties.

Disbursement 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 of up to CAD 9,200 thousand, (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, and (5) identification of the bank as an additional insured in PCF Canada's insurance policies.

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 a change of the principal business and terms on which new debt financing may be incurred. In the event of any breach of the agreement, the bank has standard rights, including but not limited to the right to terminate the agreement or suspend the funding.

- **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 concerned a revolving credit facility of up to PLN 50,000 thousand which Bank Pekao was 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 was to be secured with security instruments typically used in such transactions.

Having considered the Term Sheet, the Parent decided to enter into negotiations, which led to the execution of credit documents on the terms specified in the Term Sheet, as described in Note 17 below.

- **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.

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

On June 28th 2023, the Parent received a notification from Krafton Inc. to the effect that the notifying party had exceeded 10% 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, Krafton Inc. held 3,342,937 shares in the Parent, which represented after rounding 10% of the Parent's share capital and conferred 3,342,937 voting rights at the Parent's General Meeting, equal after rounding to 10% of total voting rights in the Parent.

- **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.

- **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 2,368,599 voting rights 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.

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.

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

Following registration of Series G shares of the Parent in the Central Securities Depository of Poland on September 11th 2023, the shares were introduced to trading on the main market of the Warsaw Stock Exchange as of that date.

Series G shares of the Parent were assigned code ISIN PLPCFGR00010.

- **Suspended negotiations of a development agreement**

On September 22nd 2023, the Parent announced that its negotiations of a development and publishing agreement conducted with a reputable US-based entertainment company based on a non-binding letter of intent between the parties of June 17th 2023 had been suspended.

The negotiations concerned the terms on which the Parent would develop for publishing a virtual reality (VR) video game of the VR Action/Combat genre codenamed Dolphin.

The reason for suspending the negotiations was a notice received from the publisher to the effect that it had decided to suspend work on the project indefinitely. The Parent found out through informal talks that the publisher's decision had been prompted by the strike of the US entertainment industry and the resulting uncertainty as to the industry's future situation.

17.Events after the reporting date

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

- **Execution of credit documents with Bank Polska Kasa Opieki S.A.**

On October 12th 2023, the Parent, as the borrower, and Bank Polska Kasa Opieki S.A. ("**Bank Pekao**"), as the lender, executed: (1) a revolving credit facility agreement of up to PLN 30m, and (2) a revolving credit facility agreement of up to EUR 4,426,444

(collectively the “**Credit Facility Agreements**”), intended to finance costs related to work-for-hire development of video games (collectively the “**Credit Facilities**”).

The term of the revolving lines of credit and the final repayment date of both Credit Facilities is three years from the date of execution of the Credit Facility Agreements.

The interest rate on the Credit Facilities for each interest period is an annual rate being the sum of an agreed fixed margin and the variable benchmark rate (WIBOR). The fee for the provision of the Credit Facilities, as well as the fee for the provision of guarantees by Bank Gospodarstwa Krajowego, were determined on standard market terms applied for financial instruments of this kind.

The security package with respect to the Credit Facilities includes: (1) financial pledges and registered pledges over the Parent’s entire shareholding in Incuvo S.A. of Katowice, (2) financial pledges and registered pledges over bank accounts maintained for the Parent by Bank Pekao, (3) a statement made pursuant to Art. 777 of the Code of Civil Procedure whereby the Parent will submit to enforcement with respect to the obligation to pay any amounts due under the Credit Facility Agreements to Bank Pekao up to 150% of the amount of the Credit Facilities, (4) guarantees provided by Bank Gospodarstwa Krajowego up to 80% of the amount of the Credit Facilities, which will be secured with blank promissory notes together with promissory note declarations issued by the Company to Bank Gospodarstwa Krajowego.

The Credit Facilities will be disbursed subject to the fulfilment of typical conditions precedent to the disbursement of funds in such transactions. Furthermore, the Credit Facility Agreements contain a number of disclosure obligations applicable upon the disbursement of funds, which are also typical of such transactions.

The Credit Facility Agreements also provide for standard covenants to be complied with by the Parent, such as restrictions on a change of its principal business and terms on which it may incur new debt financing. In the event of any breach of the Credit Facility Agreements, Bank Pekao has standard rights, including but not limited to the right to terminate the agreement or suspend the funding.

- **Execution of an agreement for the new project codenamed Bison**

On November 12th 2023, the Parent concluded an agreement with Incuvo S.A., its subsidiary, whereby Incuvo S.A. would provide game development services for the Parent to produce a new video game under the code name Bison, planned for release in 2024–2025.

Project Bison involves the development of a survival adventure game based on intellectual property rights of People Can Fly, designed for the most popular VR hardware platforms of the present and future generations.

The VR game development will be financed entirely by the Parent. As part of the development process, the Parent, as an entity possessing the relevant experience, capabilities and infrastructure, will be responsible for bringing the final product (VR game) to a stage where it is fit for use by players and for its commercialisation, including market launch.

The VR game will be developed using the Unity graphics engine.

- **Entry into strategic discussions on Project Gemini and review of development plans for the Group’s projects**

On November 24th 2023, the Parent's Management Board announced that it had entered into strategic discussions with Square Enix Limited, its long-term publishing partner, over the shape of Project Gemini and the terms of further collaboration on the game, developed by the Group in Europe under the work-for-hire model for Square Enix Limited.

As at the date of issue of this interim report, the Group was engaged in continued development work on Project Gemini for Square Enix Limited, on terms set out in the existing agreement between the parties. However, based on its discussions with the publisher, the Parent's Management Board believes it is highly probable that in the future Project Gemini will not be continued by the Group on the existing commercial terms. It is too early in the discussions with Square Enix Limited to conclusively determine the direction and extent of potential changes to the terms of business between the parties.

As at the date of issue of this interim report, the Group was analysing the potential impact of the discussed scenarios on development plans for the Group's projects under its updated strategy, announced in Current Report No. 3/2023 of January 31st 2023.

- **Decision to curtail Project Dagger**

On November 28th 2023, the Parent's Management Board announced that – following delivery of a key milestone of Project Dagger and review of the creative game concept – and in the light of analyses of the impact of potential strategic scenarios discussed with the publisher of Project Gemini, i.e. Square Enix Limited, on the development plans for projects carried out by the Group under its updated strategy, it had decided to temporarily curtail Project Dagger carried out by the Parent under the self-publishing model using its own funds by:

- entrusting an experienced team of about 10 with the task of redefining the development direction for the game and developing it to a pre-production version that would address the feedback and suggestions obtained through external evaluation of Project Dagger, which means that plans to release the title as an AAA game in 2025-2026 would be suspended, and

- extending offers to the majority of the development team members to work on Projects Maverick, Bifrost and Victoria.

18. 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	(6,251)	5,416	(11,667)	elimination of change in receivables related to prefinancing of future tax credits in Canada
Change in liabilities	9,010	5,641	2,549	elimination of change in liabilities related to unpaid services representing issue costs accounted for against equity

820	elimination of change in liabilities on purchase of property, plant and equipment and intangible assets
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19. 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.

20. Shareholders holding, directly or indirectly, 5% or more of total voting rights at the General Meeting of the Company as at the date of issue of this quarterly report, and changes in major holdings of Company shares since the issue of the previous interim report

The table below presents shareholders holding directly 5% or more of total voting rights at the General Meeting of PCF Group S.A. as at the date of authorisation of these consolidated financial statements for issue. None of the shareholders specified below held any shares in the Parent indirectly.

Shareholder	Number of shares held	(%)	Number of voting rights	(%)
Sebastian Wojciechowski	14,989,480	41.71	14,989,480	41.71
Krafton Inc.	3,594,028	10.00	3,594,028	10.00
Bartosz Kmita	2,579,910	7.18	2,579,910	7.18
Nationale-Nederlanden Otwarty Fundusz Emerytalny	2,368,599	6.59	2,368,599	6.59
Krzysztof Dolaś	1,815,862	5.05	1,815,862	5.05
Bartosz Biełuszko	1,805,936	5.02	1,805,936	5.02
<i>jointly parties to the Qualifying Shareholders' Agreement**</i>	<i>21,191,188</i>	<i>58.96</i>	<i>21,191,188</i>	<i>58.96</i>
Other shareholders	8,786,456	24.45	8,786,456	24.45
Total	35,940,271	100	35,940,271	100

* The shareholding structure was established based on notifications submitted by shareholders and persons discharging managerial responsibilities at the Parent in the performance of their respective legal obligations. It also reflects the registration on August 28th 2023 of the share capital increase through the issue of Series G ordinary bearer shares.

** The shareholders Sebastian Wojciechowski, Bartosz Kmita, Bartosz Biełuszko and Krzysztof Dolaś are parties to an agreement of June 26th 2020, which, from the date of admission of at least one share in PCF Group S.A. to trading on a regulated market, constitutes an agreement referred to in Art. 87.1.5 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005.

21. Parent shares or rights to parent shares held by management and supervisory personnel as at the date of issue of this quarterly report, including changes in the holdings occurring after the date of issue of the previous interim report

As at the date of issue of the quarterly report, Parent shares were held by Sebastian Wojciechowski, President of the Parent's Management Board.

Shareholder	Number of shares held	(%)	Number of voting rights	(%)
Sebastian Wojciechowski – President of the Management Board	14,989,480	41.71	14,989,480	41.71
Other shareholders	20,950,791	58.29	20,950,791	58.29
Total	35,940,271	100	35,940,271	100

To the best of the Parent's knowledge, as at the date of issue of these consolidated financial statements, the Parent's supervisory personnel did not hold any shares in the Parent, and members of its management and supervisory personnel did not hold any shares in the Parent's related entities.

From January 1st 2023 to the date of issue of this report, there were changes in holdings of Company shares by the Parent's management personnel.

On October 18th 2023, Sebastian Wojciechowski, President of the Parent's Management Board, acquired 20,000 shares in the Parent, representing 0.06% of the Parent's share capital and conferring 20,000 voting rights at the Parent's General Meeting, representing 0.06% of total voting rights in the Parent.

22. Factors which the Company believes will have a bearing on its performance in the following quarter or in a longer term

In the following quarter of 2023, the Group will continue to expand its existing business lines.

The Group's performance in the following quarters will be driven chiefly by:

- continued development work on the Group's key games;
- continued efforts to strengthen 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 world-class video games;
- continued wage pressures directly affecting the Group's industry and experienced across all markets in which the Group operates (Poland, U.S., Canada, UK and Ireland);
- currency risk (as an external factor) considering its revenue denominated in foreign currencies (USD and EUR) and costs incurred in PLN and foreign currencies (USD, CAD, GBP and EUR);
- overall increase in costs resulting from the increased scale of operations, which translates into the need to expand the Group's back office function.
- release of Bulletstorm VR game (earlier referred to by code name Thunder), scheduled for December 14th 2023.

II. QUARTERLY FINANCIAL INFORMATION OF PCF GROUP S.A.

STATEMENT OF FINANCIAL POSITION

ASSETS	Sep 30 2023	Dec 31 2022
Non-current assets		
Intangible assets	268,005	156,283
Property, plant and equipment	4,097	4,345
Right-of-use assets	12,990	14,794
Investments in subsidiaries	61,118	55,404
Receivables and loans advanced	2,350	2,905
Long-term prepayments and accrued income	289	58
Non-current assets	348,849	233,789
Current assets		
Contract assets	19,720	30,355
Trade and other receivables	11,960	10,424
Other current financial assets	45,390	-
Short-term prepayments and accrued income	1,166	571
Cash and cash equivalents	146,313	49,391
Current assets	224,549	90,741
Total assets	573,398	324,530
EQUITY AND LIABILITIES	Sep 30 2023	Dec 31 2022
Equity		
Share capital	719	599
Share premium	357,654	121,869
Other components of equity	49,898	49,898
Retained earnings	99,491	99,131
Equity	507,762	271,497
Liabilities		
Non-current liabilities		
Leases	10,300	12,850
Deferred tax liability	258	157
Long-term accruals and deferred income	432	7,477
Non-current liabilities	10,990	20,484
Current liabilities		
Trade and other payables	35,278	26,213
Current tax liabilities	517	2,329
Borrowings, other debt instruments	-	510
Leases	3,860	3,163
Employee benefit obligations and provisions	844	334
Short-term accruals and deferred income	14,147	-
Current liabilities	54,646	32,549
Total liabilities	65,636	53,033
Total equity and liabilities	573,398	324,530

STATEMENT OF PROFIT OR LOSS

	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Continuing operations				
Revenue	84,865	89,795	30,526	31,613
Cost of sales	58,594	34,676	22,613	12,458
Gross profit (loss)	26,271	55,119	7,913	19,155
General and administrative expenses	24,358	19,623	7,801	5,999
Other income	2,841	1,643	1,955	324
Other expenses	3,259	700	220	95
Operating profit (loss)	1,495	36,439	1,847	13,385
Finance income	1,698	18,324	1,661	10,927
Finance costs	755	462	(34)	187
Profit (loss) before tax	2,438	54,301	3,542	24,125
Income tax	2,078	4,989	597	2,376
Net profit (loss) from continuing operations	360	49,312	2,945	21,749
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Net profit (loss)	360	49,312	2,945	21,749

EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
from continuing operations				
- basic	0.01	1.65	0.10	0.73
- diluted	0.01	1.62	0.10	0.72
from continuing and discontinued operations				
- basic	0.01	1.65	0.10	0.73
- diluted	0.01	1.62	0.10	0.72

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Jan 1–Sep 30 2023	Jan 1–Sep 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Net profit (loss)	360	49,312	2,945	21,749
Comprehensive income	360	49,312	2,945	21,749

**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–Sep 30 2023					
Issue of Series E, Series F and Series G shares	120	240,875	-	-	240,995
Cost of issue of Series E, Series F and Series G shares	-	(5,090)	-	-	(5,090)
Net profit (loss) for Jan 1–Sep 30 2023	-	-	-	360	360
As at Sep 30 2023	719	357,654	49,898	99,491	507,762

	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



	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–Sep 30 2022					
Costs of issue of Series B shares					
Measurement of warrants due to the publisher Square Enix	-	-	983	-	983
Dividends for 2021 (resolution of June 28th 2022)	-	-	-	(8,086)	(8,086)
Net profit (loss) for Jan 1–Sep 30 2022	-	-	-	49,312	49,312
As at Sep 30 2022	599	121,869	49,338	106,108	277,914

STATEMENT OF CASH FLOWS

	Jan 1–Sep 30 2023	Jan 1–Jun 30 2022	Jul 1–Sep 30 2023	Jul 1–Sep 30 2022
Cash flows from operating activities				
Profit (loss) before tax	2,438	54,301	3,542	24,125
Adjustments:				
Depreciation of property, plant and equipment	1,164	1,099	422	225
Amortisation of intangible assets	5,562	3,227	2,742	1,065
Depreciation of right-of-use asset	2,722	2,263	908	887
Impairment losses on intangible assets	743	-	-	-
Gain (loss) on disposal of non-financial non-current assets	-	(12)	-	-
Foreign exchange gains (losses)	(2,885)	(7,510)	(4,144)	(4,624)
Interest expense	755	462	240	187
Interest and dividend income	(558)	(2,333)	(521)	(1,156)
Measurement of warrants due to publisher Square Enix Limited	-	983	-	983
Other adjustments	1,494	224	257	(314)
Change in receivables	(1,536)	(15,700)	(1,826)	(8,257)
Change in liabilities	8,802	9,402	(8,040)	2,397
Change in provisions, accruals and deferrals	6,785	5,437	1,305	3,819
Change in contract assets and liabilities	10,635	2,943	(10,520)	7,141
Income tax paid	(3,790)	(1,863)	(536)	(177)
Net cash from operating activities	32,331	52,923	(16,171)	26,301
Cash flows from investing activities				
Payments for intangible assets	(118,676)	(19,030)	(42,573)	(7,161)
Payments for property, plant and equipment	(1,188)	(1,592)	(166)	(466)
Proceeds from disposal of property, plant and equipment	-	12	-	-
Net expenditure on acquisition of subsidiaries	(47)	-	-	-
Loans advanced	(2,225)	(17,243)	(2,225)	(7,067)
Payments for other financial assets	(45,178)	-	(45,178)	-
Interest received	277	1,524	277	691
Net cash from investing activities	(167,037)	(36,329)	(89,865)	(14,003)
Cash flows from financing activities				
Net proceeds from issue of shares	235,328	-	100,938	-
Share issue costs	(2,541)	-	(2,017)	-
Repayment of borrowings	(510)	(656)	(72)	(218)
Payment of lease liabilities	(3,156)	(3,175)	(1,041)	(1,056)
Interest paid	(755)	20	(240)	28
Dividends paid	-	(8,087)	-	(8,087)
Net cash from financing activities	228,366	(11,898)	97,568	(9,333)
Total net cash flows	93,660	4,696	(8,468)	2,965
Foreign exchange gains (losses)	3,262	2,104	4,526	1,854
Net change in cash	96,922	6,800	(3,942)	4,819
Cash and cash equivalents at beginning of period	49,391	90,735	150,255	92,716
Cash and cash equivalents at end of period	146,313	97,535	146,313	97,535

Authorisation for issue

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on November 29th 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 Żydział	Head of Reporting and Accounting	



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**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THIRD QUARTER OF 2023**

ENDED SEPTEMBER 30TH 2023

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