WARSAW | MAY 29, 2023

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PCF GROUP SPÓŁKA AKCYJNA

GROUP

CONSOLIDATED QUARTERLY REPORT FOR THE FIRST QUARTER OF 2023

PCF GROUP SPÓŁKA AKCYJNA GROUPInterim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

PCF Group Spółka Akcyjna Group

FINANCIAL HIGHLIGHTS TRANSLATED INTO THE EURO

	PLN		EUR	
	Mar 31 2023	Dec 31 2022	**Mar 31 2023**	Dec 31 2022
Statement of financial position				
Assets	351,949	350,804	75,276	74,800
Non-current liabilities	45,163	43,418	9,660	9,258
Current liabilities	35,235	29,757	7,536	6,345
Equity	271,551	277,629	58,080	59,197
Equity attributable to owners of the parent	267,305	272,306	57,171	58,062
PLN/EUR exchange rate at end of period	-	-	4.6755	4.6899

	PLN		EUR	
	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022	**Jan 1–Mar 31 2023**	Jan 1–Mar 31 2022
Statement of profit or loss				
Revenue	34,917	50,354	7,428	10,835
Operating profit (loss)	(1,501)	13,244	(319)	2,850
Profit (loss) before tax	(3,231)	15,366	(687)	3,307
Net profit (loss)	(4,294)	13,931	(914)	2,998
Net profit (loss) attributable to owners of the parent	(4,558)	13,721	(970)	2,953
Earnings per share (PLN)	(0.14)	0.47	(0.03)	0.10
Diluted earnings per share (PLN)	(0.14)	0.47	(0.03)	0.10
Average PLN/EUR exchange rate in period	-	-	4.7005	4.6472

	PLN		EUR	
	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022	**Jan 1–Mar 31 2023**	Jan 1–Mar 31 2022
Statement of cash flows				
Net cash from operating activities	25,707	16,662	5,469	3,585
Net cash from investing activities	(29,792)	(16,253)	(6,338)	(3,497)
Net cash from financing activities	(2,481)	(2,114)	(528)	(455)
Total net cash flows (net of the effect of foreign currency translation on cash)	(6,566)	(1,705)	(1,397)	(367)
Average PLN/EUR exchange rate in period	-	-	4.7005	4.6472

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 SPÓŁKA AKCYJNA

GROUP

CONSOLIDATED QUARTERLY REPORT FOR THE FIRST QUARTER OF 2023

PCF GROUP SPÓŁKA AKCYJNA GROUPInterim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	Mar 31 2023	Dec 31 2022
Non-current assets			
Goodwill		54,572	55,503
Intangible assets	15	156,888	130,023
Property, plant and equipment	15	11,216	11,780
Right-of-use assets		32,147	30,095
Long-term prepayments and accrued income		337	277
Deferred tax assets		29	222
Non-current assets		**255,189**	**227,900**
Current assets			
Contract assets		17,385	30,451
Trade and other receivables		17,615	23,448
Short-term prepayments and accrued income		894	1,022
Cash and cash equivalents		60,866	67,983
Current assets		**96,760**	**122,904**
Total assets		**351,949**	**350,804**

Notes are an integral part of these interim consolidated financial statements.

PCF GROUP SPÓŁKA AKCYJNA GROUPInterim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

EQUITY AND LIABILITIES	Note	Mar 31 2023	Dec 31 2022
Equity			
Equity attributable to owners of the parent:			
Share capital		602	599
Share premium		128,144	121,869
Other components of equity		48,267	54,988
Retained earnings		90,292	94,850
Equity attributable to owners of the parent		**267,305**	**272,306**
Non-controlling interests		**4,246**	**5,323**
Equity		**271,551**	**277,629**
Liabilities			
Non-current liabilities			
Borrowings, other debt instruments		2,972	3,490
Leases		28,914	27,822
Deferred tax liability		2,376	2,289
Long-term prepayments and accrued income		10,901	9,817
Non-current liabilities		**45,163**	**43,418**
Current liabilities			
Trade and other payables		15,769	11,167
Contract liabilities		2,000	2,792
Current tax liabilities		7,638	7,591
Borrowings, other debt instruments		1,868	2,089
Leases		5,166	4,198
Employee benefit obligations and provisions		2,558	1,717
Short-term prepayments and accrued income		236	203
Current liabilities		**35,235**	**29,757**
Total liabilities		**80,398**	**73,175**
Total equity and liabilities		**351,949**	**350,804**

Notes are an integral part of these
interim consolidated financial statements.

PCF GROUP SPÓŁKA AKCYJNA GROUPInterim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Continuing operations			
Revenue	3	34,917	50,354
Cost of sales	5	22,193	24,273
Gross profit (loss)		**12,724**	**26,081**
General and administrative expenses	5	14,325	12,878
Other income	5	203	122
Other expenses	5	103	81
Operating profit (loss)		**(1,501)**	**13,244**
Finance income	6	-	2,702
Finance costs	6	1,730	580
Profit (loss) before tax		**(3,231)**	**15,366**
Income tax		1,063	1,435
Net profit (loss) from continuing operations		**(4,294)**	**13,931**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit (loss)		**(4,294)**	**13,931**
Net profit (loss) attributable to:			
- owners of the parent		(4,558)	13,721
- non-controlling interests		264	210

EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

	Note	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
from continuing operations			
- basic		(0.14)	0.47
- diluted		(0.14)	0.47
from continuing and discontinued operations			
- basic		(0.14)	0.47
- diluted		(0.14)	0.47

PCF GROUP SPÓŁKA AKCYJNA GROUPInterim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Net profit (loss)		**(4,294)**	**13,931**
Other comprehensive income			
Items reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,812)	2,175
Other comprehensive income, net of tax		**(1,812)**	**2,175**
Comprehensive income		**(6,106)**	**16,106**
Comprehensive income attributable to:			
- owners of the parent		(6,370)	15,896
- non-controlling interests		264	210

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent						
	Share capital	Share premium	Other components of equity	Retained earnings	**Total**	Non-controlling interests	**Total equity**
As at Jan 1 2023	**599**	**121,869**	**54,988**	**94,850**	**272,306**	**5,323**	**277,629**
Changes in equity in Jan 1–Mar 31 2023							
Issue of Series E shares	3	6,275	-	-	**6,278**	-	**6,278**
Changes in Group structure (transactions with non-controlling shareholders)	-	-	(4,909)	-	**(4,909)**	(1,341)	**(6,250)**
Net profit (loss) for Jan 1–Mar 31 2023	-	-	-	(4,558)	**(4,558)**	264	**(4,294)**
Other comprehensive income net of tax for Jan 1–Mar 31 2023	-	-	(1,812)	-	**(1,812)**	-	**(1,812)**
As at Mar 31 2023	**602**	**128,144**	**48,267**	**90,292**	**267,305**	**4,246**	**271,551**

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

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

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

	Equity attributable to owners of the parent						
	Share capital	Share premium	Other components of equity	Retained earnings	**Total**	Non-controlling interests	**Total equity**
As at Jan 1 2022	**599**	**121,869**	**50,727**	**84,266**	**257,461**	**2,081**	**259,542**
Changes in equity in Jan 1–Mar 31 2022							
Measurement of warrants due to publisher Square Enix Limited	-	-	347	-	**347**	-	**347**
Net profit (loss) for Jan 1–Mar 31 2022	-	-	-	13,721	**13,721**	210	**13,931**
Other comprehensive income net of tax for Jan 1–Mar 31 2022	-	-	2,175	-	**2,175**	-	**2,175**
As at Mar 31 2022	**599**	**121,869**	**53,249**	**97,987**	**273,704**	**2,291**	**275,995**

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Cash flows from operating activities			
Profit (loss) before tax		**(3,231)**	**15,366**
Adjustments:			
Depreciation and impairment of property, plant and equipment	18	916	979
Amortisation and impairment of intangible assets	18	2,427	1,176
Depreciation of right-of-use asset	18	1,164	1,118
Foreign exchange gains (losses)		907	(1,475)
Interest expense		579	325
Interest and dividend income		-	(452)
Other adjustments		(844)	1,070
Change in receivables		5,833	(13,199)
Change in liabilities		5,443	9,364
Change in provisions, accruals and deferrals		1,185	339
Change in contract assets and liabilities		12,274	2,227
Income tax paid		(946)	(176)
Net cash from operating activities		**25,707**	**16,662**
Cash flows from investing activities			
Payments for intangible assets		(28,930)	(14,714)
Payments for property, plant and equipment		(862)	(1,539)
Net cash from investing activities		**(29,792)**	**(16,253)**
Cash flows from financing activities			
Proceeds from borrowings and subsidies		-	602
Repayment of borrowings		(578)	(712)
Payment of lease liabilities		(1,522)	(1,163)
Interest paid		(381)	(53)
Dividends paid		-	(788)
Net cash from financing activities		**(2,481)**	**(2,114)**
Total net cash flows		**(6,566)**	**(1,705)**
Effect of foreign currency translation on cash		(551)	520
Net change in cash		**(7,117)**	**(1,185)**
Cash and cash equivalents at beginning of period		67,983	136,962
Cash and cash equivalents at end of period		**60,866**	**135,777**

PCF GROUP SPÓŁKA AKCYJNA

GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 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 Management Board and the Supervisory Board of the parent

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

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

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

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

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

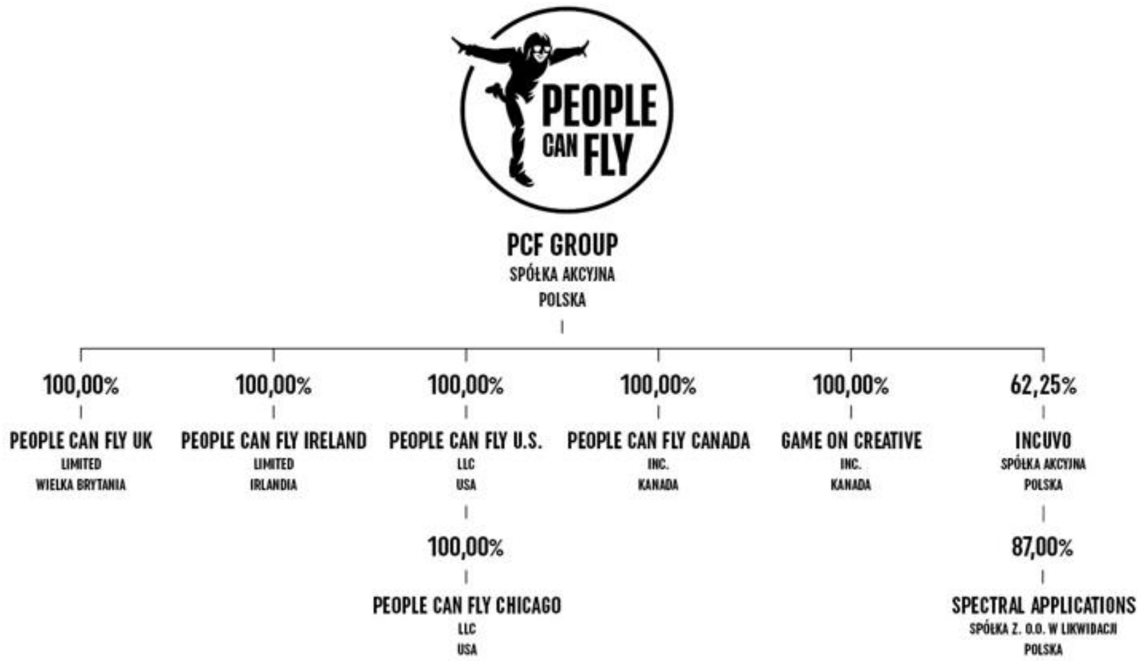
In the period from January 1st 2023 to the date of authorisation of these interim condensed consolidated financial statements for issue, the composition of the Supervisory Board did not change.

Business of the Group

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

Composition of the Group

PCF Group S.A. is the parent of the PCF Group S.A. Group. The chart below presents the composition and structure of the Group as at March 31st 2023.



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

The subsidiaries do not have any branches.

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

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

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

The following change occurred in the Group’s structure in the three months ended March 31st 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.

After the reporting date, no changes occurred in the Group’s structure.

PCF GROUP SPÓŁKA AKCYJNA

GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 2023

2. Basis of accounting and accounting policies

Basis of accounting used in preparing the consolidated financial statements

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

These interim condensed consolidated financial statements present the financial position of the Group as at March 31st 2023 and December 31st 2022, results of the Group's operations for the three months ended March 31st 2023 and March 31st 2022, and cash flows for the three months ended March 31st 2023 and March 31st 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 interim condensed 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 authorisation of these interim condensed consolidated financial statements for issue, no circumstances were identified which would indicate any threat to the Group continuing as a going concern.

Compliance with International Financial Reporting Standards

These interim condensed 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 March 31st 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 interim condensed consolidated financial statements as of their respective effective dates.

Functional currency and presentation currency

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

The functional currencies of the subsidiaries covered by these interim condensed 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 interim condensed 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.

Audit of the financial statements

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

PCF GROUP SPÓŁKA AKCYJNA

GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 2023

3. Revenue and operating segments

The Group divides its operations into four operating segments:

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

In the three months ended March 31st 2023, the **development segment** included primarily revenue from game development projects 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 (the self-publishing model). In the three months ended March 31st 2023, the consideration received from the material trading partner in that segment accounted for over 75% of total revenue.

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

Project Gemini
In the three months ended December 31st 2023, the Group carried out work contracted by the publisher Square Enix Limited under content riders for the development and publishing agreement.

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. In respect of Bulletstorm, the parent has retained copyrights by granting the publisher an exclusive licence for an indefinite term.

Furthermore, in accordance with the development and publishing agreement signed on February 16th 2016 between the parent and Square Enix Limited to develop Outriders, since the game was completed and released on April 1st 2021 the Group is entitled to receive consideration in the form of royalties. Their amount is directly linked to and represents a percentage of the profit earned on the sale of the game.

The Group received no royalties from the publisher for the period to March 31st 2023, which means that as at the reporting date net proceeds from the sale of Outriders were insufficient to recover the costs and expenses incurred by the publisher to develop, distribute and promote the title.

Self-publishing segment

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

Unlike in the development segment, in the self-publishing segment the Group carries out projects as a publisher, financing them with its own funds (or funds from third parties under distribution, licence and similar contracts) 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 three months ended March 31st 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 3 and Pico 4 all-in-one standalone headsets.

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

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 three segments, and no other analyses are performed.

In the three months ended March 31st 2023, there were no changes to the Group's accounting policies with respect to the identification of operating segments and the principles 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–Mar 31 2023					
Region					
Europe	28,894	24	1,777	-	**30,695**
Other countries	3,681	194	347	-	**4,222**
Total revenue	**32,575**	**218**	**2,124**	**-**	**34,917**
Product line					
Games	32,575	218	2,124	-	**34,917**
Total revenue	**32,575**	**218**	**2,124**	**-**	**34,917**
Timing of transfer of goods/services					
At a point in time	-	218	-	-	**218**
Over time	32,575	-	2,124	-	**34,699**
Total revenue	**32,575**	**218**	**2,124**	**-**	**34,917**
Jan 1–Mar 31 2022					
Region					
Europe	28,603	5	-	-	**28,608**
Other countries	21,206	540	-	-	**21,746**
Total revenue	**49,809**	**545**	**-**	**-**	**50,354**
Product line					
Games	49,809	545	-	-	**50,354**
Total revenue	**49,809**	**545**	**-**	**-**	**50,354**
Timing of transfer of goods/services					
At a point in time	-	545	-	-	**545**
Over time	49,809	-	-	-	**49,809**
Total revenue	**49,809**	**545**	**-**	**-**	**50,354**

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

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	Development segment	Copyrights segment	Self-publishing segment	Other activities	**Total**
Jan 1–Mar 31 2023					
Revenue from external customers	32,575	218	2,124	-	**34,917**
Total revenue	32,575	218	2,124	-	**34,917**
Segment's operating profit (loss)	(1,700)	218	656	(675)	**(1,501)**
Other information					
Amortisation and depreciation expense	2,909	-	923	675	**4,507**
Segment's assets as at Mar 31 2023	201,318	-	129,261	21,370	**351,949**
Expenditure on segment's intangible assets and property, plant and equipment	2,803	-	22,513	4,476	**29,792**
Jan 1–Mar 31 2022					
Revenue from external customers	49,809	545	-	-	**50,354**
Total revenue	49,809	545	-	-	**50,354**
Segment's operating profit (loss)	12,875	529	-	(160)	**13,244**
Other information					
Amortisation and depreciation expense	3,097	16	-	160	**3,273**
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	2,939	-	11,354	1,960	**16,253**

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

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Segments' revenue		
Total revenue of operating segments	34,917	50,354
Revenue	**34,917**	**50,354**
Segments' profit or loss		
Segments' operating profit (loss)	(1,501)	13,244
Operating profit (loss)	**(1,501)**	**13,244**
Finance income	-	2,702
Finance costs	(1,730)	(580)
Profit (loss) before tax	**(3,231)**	**15,366**

	Mar 31 2023	Dec 31 2022
Segments' assets		
Total assets of operating segments	351,949	350,804
Total assets	**351,949**	**350,804**

Business risk

The Group uses its own funds (or funds from third parties under distribution, licence and similar contracts) to finance the development of new video games to be produced by the Group as the publisher under the self-publishing model. This entails a liquidity risk, as self-published games do not generate much revenue prior to their commercialisation, and the amount of such revenue depends directly on sales volumes. This means that the Group bears the risk of such games' commercial failure.

The Group mitigates this risk through business diversification consisting in contract development of video games for third-party publishers. Contract development projects provide the Group with cash inflows from publishers and allow it to earn a margin already at the game development stage irrespective of a game's future sales.

4. Equity

Share capital

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

	Jan 1–Mar 31 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	-
Number of shares at end of period	**30,086,330**	**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 at the respective reporting dates covered by these interim condensed consolidated financial statements.

	Number of shares	Number of voting rights	Total par value (PLN '000)	Ownership interest
As at Mar 31 2023				
Sebastian Wojciechowski	14,969,480	14,969,480	299	49.76%
Other shareholders	15,116,850	15,116,850	303	50.24%
Total	**30,086,330**	**30,086,330**	**602**	**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%**

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Share premium

	Mar 31 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)
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	6,275	-
Total	**128,144**	**121,869**

Other components of equity

	Mar 31 2023	Dec 31 2022
Other components of equity created prior to transition to IAS	37,246	37,246
Other components of equity – incentive scheme	10,207	10,207
Measurement of subscription warrants due to the Publisher Square Enix Limited	2,694	2,694
Changes in Group structure (transactions with non-controlling shareholders)	(4,909)	-
Exchange differences on translation of foreign operations	3,029	4,841
Total	**48,267**	**54,988**

5. Operating income and expenses

Costs by nature of expense

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Amortisation and depreciation expense	4,849	3,273
Employee benefits	33,861	24,224
Raw materials and consumables used	549	270
Services	23,611	22,234
Taxes and charges	81	5
Other expenses	556	459
Total costs by nature of expense	**63,507**	**50,465**
Capitalised development expenditure	(26,989)	(13,314)
Costs by nature of expense recognised in profit or loss	**36,518**	**37,151**
Cost of services sold	22,193	24,273
General and administrative expenses	14,325	12,878
Total	**36,518**	**37,151**

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Costs by nature of expense include mainly salaries and wages of the Group's employees and independent contractors involved in games development and back office functions, lease of office space and services not related to games development. The year-on-year increase in general and administrative expenses in the three months ended March 31st 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;
- establishment and growth of the self-publishing segment in connection with the Group's plans to publish games on its own.

Other income

Other income includes income from sublease of office space, technical infrastructure, medical services and other services for entities cooperating with the Group.

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Grants	-	24
Other income	203	98
Total other income	**203**	**122**

Other expenses

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

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Other expenses	103	81
Total other expenses	**103**	**81**

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

Losses on expected credit losses

In the period covered by these interim condensed 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–Mar 31 2023	Jan 1–Mar 31 2022
Interest income calculated using the effective interest rate:		
Cash and cash equivalents (deposits)	-	476
Interest income calculated using the effective interest rate	**-**	**476**
Foreign exchange gains (losses):		

Cash and cash equivalents	-	1,181
Loans and receivables	-	1,321
Financial liabilities at amortised cost	-	(276)
Foreign exchange gains (losses)	**-**	**2,226**
Total finance income	**-**	**2,702**

Finance costs

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Interest expense on financial liabilities other than at fair value through profit or loss:		
Lease liabilities	430	323
Credit facilities	140	89
Interest expense on financial liabilities other than at fair value through profit or loss	**570**	**412**
Foreign exchange gains (losses) (+/-):		
Cash and cash equivalents	419	27
Loans and receivables	646	141
Financial liabilities at amortised cost	95	-
Foreign exchange gains (losses) (+/-)	**1,160**	**168**
Total finance costs	**1,730**	**580**

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–Mar 31 2023	Jan 1–Mar 31 2022
Number of shares used as denominator in the formula		
Weighted average number of ordinary shares	30,039,450	29,950,226
Dilutive effect of options convertible into shares	540,000	-
Diluted weighted average number of ordinary shares	30,579,450	29,950,226
Continuing operations		
Net profit (loss) from continuing operations	(4,294)	13,931
Basic earnings (loss) per share (PLN)	(0.14)	0.47
Diluted earnings (loss) per share (PLN)	(0.14)	0.47

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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)	(4,294)	13,931
Basic earnings (loss) per share (PLN)	(0.14)	0.47
Diluted earnings (loss) per share (PLN)	(0.14)	0.47

Dividends

In the period from January 1st to March 31st 2023, the Group companies did not pay or receive any dividend.

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 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 49.76% of the parent shares, which confer 49.76% 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 interim condensed consolidated financial statements.

3 months ended Mar 31 2023	Sale	Purchase	Dividends
Shareholders in the parent	1	1,329	-

3 months ended Mar 31 2022	Sale	Purchase	Dividends
Shareholders in the parent	1	665	-

As at Mar 31 2023	Receivables	Liabilities	Borrowings
Shareholders in the parent	-	527	-

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As at Dec 31 2022	Receivables	Liabilities	Borrowings
Shareholders in 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 three months ended March 31st 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.

10. Financial guarantees, contingent assets and liabilities

As at March 31st 2023, the Group did not have any other financial guarantees or contingent assets or liabilities.

11. Seasonality and cyclicality of business in the interim period

There was no seasonality or cyclicality 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 three months ended March 31st 2023, other than those described in other parts of these interim condensed consolidated financial statements, which could affect the assessment of the Group's financial position.

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 these interim condensed consolidated financial statements

In the three months ended March 31st 2023, the Group pursued the strategic objectives defined by the Management Board of the parent, including:

- Continued development work, in collaboration with Square Enix Limited, on Project Gemini (a game in the production phase as at the reporting date).
- Continued development work on Project Dagger (a game in the pre-production phase as at the reporting date). As announced in its updated Strategy in January 2023, the Group plans to publish the game on its own, in the self-publishing segment. However, the Group does not rule out cooperation with a reputable partner under the work-for-hire model should the opportunity arise.
- Continued development work on Project Bifrost (a game in the pre-production phase as at the reporting date), to be ultimately self-published by the Group using its own funds and based on new intellectual property rights that would remain the Group's property. As the same time, in accordance with the investment agreement of March 28th 2023 signed by the parent, key shareholder of the parent and the President of the parent's Management Board Sebastian Wojciechowski, and 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 16 "Significant events and transactions" of these interim 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 the Group's property. 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.
- 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.
- Launch of new video game development studios. The Group monitors opportunities to open new development studios for the purposes of creating new IP on an ongoing basis.

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

In the period covered by these interim condensed 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 interim condensed consolidated financial statements:

- **Registration of subscription warrants with CSDP**

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

- **Strategy update**

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

  The Strategy is focused on the following areas:

  – bolstering of the publishing activities (the self-publishing segment);

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

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

In order to cover the expenditure related to the Strategy, the Management Board intends to raise funds of approximately PLN 205m–PLN 295m from a new issue of parent shares (see below for a description of a share capital increase through the issue of Series F ordinary bearer shares to secure financing for the implementation of the Strategy). The proceeds from the new issue of parent shares will be entirely used to expand the development teams to the level appropriate for the individual development stages of games Project Dagger, Bifrost and Victoria. The proceeds from the new issue of parent shares, together with (i) the parent's own cash, (ii) funds generated by the parent from operations 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 of 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 amounts to PLN 601,726.60 and is divided into 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 no more than 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**").

  The adoption of the Series F Shares Issue Resolution was related to the parent's intention to raise on the capital market funds to finance the implementation of objectives set out in the Strategy through a public offering of Series F Shares. Funds obtained for Series F Shares will be entirely used to expand the Group's development teams to the level appropriate for the individual development stages of games Project Dagger, Project Bifrost and Project Victoria.

  As at the date of authorisation of these interim condensed consolidated financial statements for issue, the public offering of Series F Shares was not carried out and no application was filed with the relevant registry court for entry in the Business Register of the National Court Register of an increase in the parent's share capital.

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

- **Execution of an investment agreement concerning acquisition by Krafton, Inc. of shares in the increased share capital of the 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 shareholders and President of the Management Board (the "**Key Shareholder**") and Krafton, Inc. as the anchor investor (the "**Investor**") defining the terms of subscription for Series F Shares by the Investor and other contractual rights and obligations of each party in connection with the investment, including the parent's disclosure obligations towards the Investor (the "**Investment Agreement**").

  Pursuant to the Investment Agreement, on the date specified therein the Investor is 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 will be subscribed for by the Investor for a cash contribution.

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.

The investor may terminate the Investment Agreement under certain circumstances, in particular if the parent cancels or fails to carry out the offering, within 10 business days from the date of issue of the parent's interim consolidated financial statements for the first quarter of 2023.

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

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

  On March 28th 2023, the parent's Management Board made an offer to the publisher, accepted by the publisher on April 18th 2023, to subscribe, for no consideration, for 90,000 series A registered subscription warrants of tranche A6, representing the last of the tranches. The offer to subscribe for the sixth tranche of the subscription warrants was made by the parent, because 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.

17. Events after the reporting date

The following events, whose disclosure in these interim condensed consolidated financial statements was not required, occurred after March 31st 2023:

- **Commencement by the parent of negotiations on the conclusion of a development and publishing agreement**

  On May 19th 2023, the parent received from a reputable publisher a proposal to enter into a development and publishing agreement, together with a draft content rider, providing for collaboration on the development and publishing of a video game (jointly the "**Publishing Agreement**"). Following a detailed analysis of the proposal to enter into the Publishing Agreement, on May 20th 2023 the parent decided to commence negotiations on the execution of the Publishing Agreement.

  The parent's decision is consistent with the update of the Strategy of the parent and the People Can Fly Group, announced by the parent on January 31st 2023, according to which the parent will take advantage of attractive opportunities to cooperate with reputable partners in the work-for-hire model if any such opportunities present themselves.

  The Publishing Agreement being negotiated provides that the work on a video game (the Product) is to be carried out in a work-for-hire model, i.e., work performed by the parent as a developer for and on behalf of the publisher, in exchange for an agreed fee payable by the publisher. The development and publishing agreement being negotiated is a framework agreement, and the detailed terms of cooperation between the parties are laid down in the content rider. The draft content rider contains, *inter alia*, a detailed description of the Product, a development work schedule, as well as the amount and terms of payment of the developer's fee.

The scope and provisions of the Publishing Agreement being negotiated do not differ substantially from the provisions of development and publishing agreements typically executed for such projects.

Negotiation of the execution of the Publishing Agreement by the Parent does not mean that the Publishing Agreement will be effectively signed.

- **Registration of amendments to the parent's Articles of Association**

On May 19th 2023, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered the amendments to the Articles of Association adopted by Resolution No. 5/02/2023 and Resolution No. 6/02/2023 of the parent's Extraordinary General Meeting held on February 28th 2023.

The amendments to the parent's Articles of Association registered by the Court consisted in removing from the parent's Articles of Association of the provisions which were effective until the date of admission of the parent shares to trading on a regulated market or for a limited period thereafter and are no longer in force, and in repealing the Articles of Association provisions relating to authorised capital.

- **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., with its registered office in Montreal, Canada ("**PCF Canada**") as borrower and Bank of Montreal (the "**Bank**"), as lender, signed a credit facility agreement (Offer of Financing, the "**Agreement**") to grant PCF Canada two demand revolving facilities comprising:

(1) a credit facility of up to CAD 1,200,000 to finance working capital and general corporate needs of PCF Canada, and

(2) a credit facility of up to CAD 8,000,000 to finance tax reliefs in Canada (jointly: the "**Credit Facilities**").

The Credit Facilities will be disbursed subject to fulfilment of standard conditions precedent to disbursement in such 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. Security will be created under Canadian law and will include, inter alia:

(1) a guarantee from the parent,

(2) a First Ranking General Security Agreement concerning all movable property of PCF Canada (i.e., a set of movables and property rights with variable composition),

(3) a First Ranking Hypothec of CAD 11,040,000 on all movable property of PCF Canada,

(4) subordination of corporate loans advanced by the parent,

(5) designation of the Bank as additional insured under PCF Canada's insurance policies.

On May 24th 2023, the parent provided the Bank with an unsecured guarantee of up to CAD 9,200,000 as security for the Bank's claims against PCF Canada under the Agreement and the security created.

Both Credit Facilities are repayable on demand and are to be renewed annually on terms agreed by the parties.

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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 arm's length terms normally applied for financial instruments of this kind.

PCF Canada has disclosure obligations towards the Bank, including the obligation to provide information on financial statements and other significant events. The agreement also provides for standard obligations, such as restrictions on change of the principal business activity or the terms of new debt financing. In the event of breach of the Agreement, the Bank has standard rights, including but not limited to, termination of the Agreement or suspension of funding.

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
Depreciation and impairment of property, plant and equipment	1,006	916	90	Depreciation capitalised under development work in progress
Amortisation and impairment of intangible assets	2,653	2,427	226	Depreciation capitalised under development work in progress
Depreciation of right-of-use asset	1,190	1,164	26	Depreciation capitalised under development work in progress

19. Court proceedings

As at the issue date of these interim condensed 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 at least 5% of total voting rights in PCF Group S.A. as at the date of issue of this quarterly report. None of the shareholders specified below held any shares in the parent indirectly.

	As at the date of authorisation of this Report for issue*			
Shareholder	**Number of shares held**	**(%)*** **	**Number of voting rights**	**(%)*** **
Sebastian Wojciechowski	14,969,480	49.76	14,969,480	49.76
Bartosz Kmita	2,579,910	8.58	2,579,910	8.58
Krzysztof Dolaś	1,815,862	6.04	1,815,862	6.04
Bartosz Biełuszko	1,808,137	6.01	1,808,137	6.01
*jointly parties to the Qualifying Shareholders' Agreement***	*21,173,389*	*70.38*	*21,173,389*	*70.38*
Other shareholders	8,912,941	29.62	8,912,941	29.62

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

Total	**30,086,330**	**100**	**30,086,330**	**100**

* The shareholding structure is based the list of shareholders holding 5% or more of total voting rights at the Extraordinary General Meeting of February 28th 2023, taking into account the registration on March 3rd 2023 of the share capital increase related to the issue of Series E 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.

*** Some percentages have been rounded off. For this reason, the percentage given in "*jointly parties to the Qualifying Shareholders' Agreement"* differs slightly from the total percentages for the individual shareholders who are parties to the Qualifying Shareholders' Agreement.

In the period from January 1st to March 31st 2023, to the parent's knowledge, there were no changes in major holdings of shares in the parent.

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 this 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	14,969,480	49.76	14,969,480	49.76
Other shareholders	15,116,850	50.24	15,116,850	50.24
Total	**30,086,330**	**100.00**	**30,086,330**	**100.00**

To the best of the parent's knowledge, as at the date of issue of this report, 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 no changes in holdings of parent shares by the parent's management personnel.

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;
- further strengthening of the international character of People Can Fly's studio and its development and publishing teams, 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).

- continued wage pressures directly affecting the Group's industry and experienced across all markets in which the Group operates (Poland, U.S., Canada, UK, Ireland);
- currency risk (as an external factor) considering its revenue denominated in foreign currencies (USD, EUR and CAD) and costs incurred in PLN and foreign currencies (USD, CAD, 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.

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

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

STATEMENT OF FINANCIAL POSITION

ASSETS	Mar 31 2023	Dec 31 2022
Non-current assets		
Intangible assets	189,014	156,283
Property, plant and equipment	3,928	4,345
Right-of-use assets	14,935	14,794
Investments in subsidiaries	61,730	55,404
Receivables and loans advanced	-	2,905
Long-term prepayments and accrued income	52	58
Non-current assets	**269,659**	**233,789**
Current assets		
Contract assets	17,385	30,355
Trade and other receivables	7,719	10,424
Short-term prepayments and accrued income	312	571
Cash and cash equivalents	48,991	49,391
Current assets	**74,407**	**90,741**
Total assets	**344,066**	**324,530**

EQUITY AND LIABILITIES	Mar 31 2023	Dec 31 2022
Equity		
Share capital	602	599
Share premium	128,144	121,869
Other components of equity	49,898	49,898
Retained earnings	100,307	99,131
Equity	**278,951**	**271,497**
Liabilities		
Non-current liabilities		
Leases	12,556	12,850
Deferred tax liability	532	157
Long-term prepayments and accrued income	8,626	7,477
Non-current liabilities	**21,714**	**20,484**
Current liabilities		
Trade and other payables	35,664	26,213
Current tax liabilities	2,992	2,329
Borrowings, other debt instruments	292	510
Leases	3,532	3,163
Employee benefit obligations and provisions	921	334
Current liabilities	**43,401**	**32,549**
Total liabilities	**65,115**	**53,033**
Total equity and liabilities	**344,066**	**324,530**

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

STATEMENT OF PROFIT OR LOSS

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Continuing operations		
Revenue	27,717	27,876
Cost of sales	15,960	10,409
Gross profit (loss)	**11,757**	**17,467**
General and administrative expenses	8,292	7,087
Other income	396	79
Other expenses	86	78
Operating profit (loss)	**3,775**	**10,381**
Finance income	37	2,694
Finance costs	1,184	141
Profit (loss) before tax	**2,628**	**12,934**
Income tax	1,453	1,294
Net profit (loss) from continuing operations	**1,175**	**11,640**
Discontinued operations		
Net profit (loss) from discontinued operations	-	-
Net profit (loss)	**1,175**	**11,640**

EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
from continuing operations		
- basic	0.04	0.39
- diluted	0.04	0.39
from continuing and discontinued operations		
- basic	0.04	0.39
- diluted	0.04	0.39

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Net profit (loss)	**1,175**	**11,640**
Comprehensive income	**1,175**	**11,640**

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other components of equity	Retained earnings	**Total equity**
As at Jan 1 2023	**599**	**121,869**	**49,898**	**99,131**	**271,497**
Changes in equity in Jan 1–Mar 31 2023					
Issue of Series E shares	3	6,275	-	-	**6,278**
Net profit (loss) for Jan 1–Mar 31 2023	-	-	-	1,176	**1,176**
As at Mar 31 2023	**602**	**128,144**	**49,898**	**100,307**	**278,951**

	Share capital	Share premium	Other components of equity	Retained earnings	**Total equity**
As at Jan 1 2022	**591**	**97,127**	**47,204**	**28,747**	**173,669**
Changes in equity in Jan 1–Mar 31 2022					
Measurement of warrants due to the Publisher Square Enix	-	-	347	-	**347**
Net profit (loss) for Jan 1–Mar 31 2022	-	-	-	11,640	**11,640**
As at Mar 31 2022	**591**	**97,127**	**47,551**	**40,387**	**185,656**

	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**

PCF GROUP SPÓŁKA AKCYJNA GROUP Interim consolidated financial statements for the 3 months ended March 31st 2023 (all figures in PLN '000, unless stated otherwise)

STATEMENT OF CASH FLOWS

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Cash flows from operating activities		
Profit (loss) before tax	**2,628**	**12,934**
Adjustments:		
Depreciation and impairment of property, plant and equipment	359	444
Amortisation and impairment of intangible assets	1,412	973
Depreciation of right-of-use asset	907	717
Foreign exchange gains (losses)	996	(1,476)
Interest expense	266	141
Interest and dividend income	(37)	(625)
Other adjustments	(394)	(3)
Change in receivables	2,705	(14,448)
Change in liabilities	12,480	7,061
Change in provisions, accruals and deferrals	2,001	739
Change in contract assets and liabilities	12,970	5,191
Income tax paid	(416)	176
Net cash from operating activities	**35,877**	**11,824**
Cash flows from investing activities		
Payments for intangible assets	(33,950)	(3,994)
Payments for property, plant and equipment	(67)	(349)
Interest received	-	475
Net cash from investing activities	**(34,017)**	**(3,868)**
Cash flows from financing activities		
Repayment of borrowings	(219)	(219)
Payment of lease liabilities	(1,224)	(707)
Interest paid	(266)	(6)
Net cash from financing activities	**(1,709)**	**(932)**
Total net cash flows	**151**	**7,024**
Foreign exchange gains (losses)	(551)	521
Net change in cash	**(400)**	**7,545**
Cash and cash equivalents at beginning of period	49,391	90,735
Cash and cash equivalents at end of period	**48,991**	**98,280**

Notes are an integral part of these interim consolidated financial statements.

Authorisation for issue

These interim condensed consolidated financial statements were authorised for issue by the parent's Management Board on May 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	

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CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 2023