

Current Report No. 14/2021

Date: 27 April 2021

Subject: Disclosure of delayed inside information regarding the signing by PCF Group S.A. of a transaction terms worksheet concerning an acquisition of 100% of shares in Game On Creative, Inc., an offer of new shares of PCF Group S.A., commencement of negotiations towards the execution of an investment agreement on the terms set out in the transaction terms worksheet, as well as further agreements implementing the investment agreement

Legal basis: Article 17 paragraph 1 and 4 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

Content of the report:

Pursuant to Article 17 paragraph 1 and 4 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the “**MAR**”), the Management Board of PCF Group S.A. (the “**Company**”) discloses to the public the following inside information concerning the execution by the Company of a transaction terms worksheet regarding an acquisition by the Company of 100% of shares in Game On Creative, Inc. with its registered office in Montreal, Canada and an offer of the Company’s new shares as well as the commencement of negotiations towards the execution of an investment agreement on the terms and conditions set out in the term sheet and other agreements to be executed pursuant to the investment agreement (the “**Inside Information**”).

Due to signing on 27 April 2021 of the investment agreement and other agreements executed pursuant to the investment agreement aimed at implementing the acquisition of shares in Game On Creative, Inc. and placing the offer of the Company’s Series D shares, the Company has decided to disclose this Inside Information to the public.

The disclosure of the Inside Information to the public was delayed on 11 March 2021 on the basis of Article 17 paragraph 4 of the MAR.

Updated contents of the delayed Inside Information:

The Management Board of PCF Group S.A. with registered office in Warsaw (the “**Company**”) announces that on 11 March 2021 the Company and Samuel Girardin, the shareholder of Game On Creative, Inc. with its registered office in Montreal, Canada (“**Game On**”), executed a Transaction Terms Worksheet, (the “**Term Sheet**”) setting out initial terms for an acquisition by the Company, directly or indirectly, of 100% of shares in Game On and an issue of new Series D shares by the Company to be placed with the Game On shareholder Fiducie Familiale Samuel Girardin 2020, a trust, whose beneficial owner is Samuel Girardin (the “**SG Trust**”). The Company has also decided to commence negotiations towards the execution of an investment agreement (the “**Investment Agreement**”) on the terms set out in the Terms Sheet and other agreements to be executed pursuant to the Investment Agreement in order to implement the acquisition of shares in Game On and the offer of the Company’s Series D shares. The Management Board also announces that the execution of the Term Sheet marks the commencement of a period of exclusive negotiations with Samuel Girardin regarding the acquisition of shares in Game On that will end on 15 April 2021.

According to the key terms of the Term Sheet:

- 6) the purchase price for 100% of shares in GameOn will amount to eight times the Game On 2020 EBIDTA (for the period 1 December 2019 – 30 November 2020), provided that the price may be

- decreased if (i) any indebtedness of Game On is identified; (ii) the net working capital of Game On on the date of the Investment Agreement is below a level specified in the Term Sheet; or (iii) any unreasonable leakage of funds from Game On is identified in the period from the date of the Game On 2020 financial statements to the date of the share purchase agreement;
- 7) after the acquisition of shares in Game On the Company will convene its General Meeting of Shareholders to adopt a resolution on a share capital increase and will place the new Series D shares in the Company's increased share capital with SG Trust for an issue price corresponding to the purchase price of the Game On shares. The reference price for calculating the number of the Series D shares to be issued will be the volume-weighted average of the Company stock daily prices quoted on the Warsaw Stock Exchange over the period of 30 days preceding the date of acquisition of shares in Game On;
 - 8) excluding 15% of the Series D shares acquired by SG Trust, the remaining Series D acquired by SG Trust will be subject to a lock-up agreement within the periods indicated in the Term Sheet;
 - 9) unless Game On EBIDTA as at the end of financial year 2021, 2022, 2023, 2024 or 2025, respectively, falls below an EBITDA threshold agreed by the parties, SG Trust will be entitled to an additional earn-out in the form of an upward adjustment of the purchase price for the GameOn shares equal to 5% of the EBIDTA for the given year;
 - 10) Samuel Girardin will be employed by the PCF Group S.A. as *Studio Head* in People Can Fly Canada, Inc. and the President of People Can Fly Canada, Inc., while still remaining the President of Game On.

According to the Term Sheet, the Company will conduct a legal and financial due diligence review of Game On, and a satisfactory outcome of the due diligence review for the Company is a condition to executing the transaction contemplated in the Term Sheet.

According to the Term Sheet, if the share capital increase of the Company is not registered by the competent registry court on or before 31 December 2021, SG Trust will have the right to exercise a call option by requesting any of the Company's shareholders who on the date of execution of a preliminary or conditional call option agreement held Company shares in a number at least equal to the number of the Series D shares that should be acquired by SG Trust. The call option will be exercisable by way of sale of the existing Company shares to SG Trust after the lapse of the contractual lock-up period referred to above, with the selling price for the Company shares would being equal to the volume-weighted average of the Company stock daily prices on the Warsaw Stock Exchange over the period of 30 days preceding the date of acquisition of shares in GameOn. When exercising the call option SG Trust will be entitled to demand a payment – before the lapse of the lock-up period– of an amount corresponding to the price of no more than 30% of the Company shares subject to the call option, and should SG Trust exercise this right, the number of shares subject to the call option after the lapse of the lock-up period will be reduced by that number of shares.

The execution of the Investment Agreement and other agreements executed to implement the Investment Agreement will be announced by the Company in a separate current report, if it is required by law.

The Management Board of the Company also announces that the execution of the Term Sheet and commencement of negotiations to execute the Investment Agreement and other agreements implementing the Investment Agreement does not mean that the acquisition of 100% of shares in GameOn will actually be finalized.”

Substantiation of the delay in disclosure of the Inside Information to the public:

The Management Board believes that at the time the decision was made to delay the disclosure of the above Inside Information, it met the conditions set out in the MAR and the guidelines of the European Securities and Markets Authority for delaying disclosure of inside information of 20 October 2016.

The Management Board believes that in the situation existing at that time a prompt disclosure of information regarding the Term Sheet and the commencement of negotiations of the Investment Agreement on the terms set out in the Term Sheet would have created a risk of infringing the legitimate

interests of the Company and its group by it possibly having an adverse effect on the progress and outcome of the negotiations.

In particular, the Management Board is of the opinion that the disclosure of the Inside Information to the public might have triggered interactions of third parties, which in turn could have resulted in worsening the conditions on which the contemplated transaction could be concluded.

As the same time, on the date of the decision to delay the publication of the Inside Information it was hard to predict the outcome of the negotiations, and the likelihood that the transaction would be consummated was undeterminable. In this situation the Management Board has decided that if disclosed to the public, the Inside Information might be misinterpreted and potentially affect the Company's goodwill.

In the opinion of the Management Board, there were no reasons to believe that a delay in the disclosure of the Inside Information could be misleading to the public, in particular due to the absence of any earlier public announcements from the Company concerning the matter to which the Inside Information pertained.

The Management Board believes that maintaining confidentiality of the Inside Information at the time of making the decision to delay its disclosure was assured, in particular by making a list of the individuals authorized to access to the Inside Information, as required under Article 18 of the MAR. This list of individuals was systematically monitored and updated on an as-needed basis.

In addition, taking into consideration that certain details of the transaction covered by the Term Sheet have changed or became outdated in the course of negotiations, losing their price sensitiveness within the meaning of Article 7 Section 1 in conjunction with Article 7 Section 4 of the MAR Regulation, the Management Board of the Company has decided to release the Inside Information dated 11 March 2021 to the public in its amended wording.

Pursuant to Article 17 paragraph 4 of the MAR, the Company will notify the Polish Financial Supervision Authority of the delay in disclosure of the Inside Information, stating the reasons for the delay, immediately upon the publication of this Report.