



Dear Shareholders,

We expected that 2021 would be an exceptional and very intensive year for PCF Group S.A., and we were correct. This year was the culmination of a particular period in People Can Fly's history which started in 2015 with our return to the game development scene as an independent studio. The main event of 2021 was, naturally, the release of our game *Outriders* published by Square Enix Limited. It was also a year of dynamic implementation of our strategy announced at the initial public offering of our shares in 2020.

Leveraging the potential of our proprietary IPs (currently existing or a newly-created), continuing the development of the in-house software PCF Framework, acquiring new development teams and expanding the existing developer teams – those were our goals when we were entering the first year of being listed on the Warsaw Stock Exchange main market as a public company.

Looking back at the past twelve months, we have achieved a significant progress in all those areas, thus keeping our promise to the investors.

Three completed acquisitions and the global organic growth increased the People Can Fly team from 281 to 495 professionals – by 76%. We strengthened both our development structure and the back office area, which is essential for proper functioning of the organization.

We are consistently supporting the growth of our Group in North America – today, a third of our Aviators works in the USA and Canada. This is possible, in part, because of the fully remote work system, which has become a natural element of the labor market in response to the changes caused by the Covid-19 pandemic.

The transformation of PCF Group S.A. is supporting the strategy we have presented. We have decided to use proved, effective and modern management practices. Our projects are driven based on agile principles, which we adapted to our industry and business context. Thanks to this, we manage the projects risk better and create games that keep the highest quality possible.

Apart from that we are creating for our developers proper work environment, tools and a place which they will come back to eagerly on a daily basis. Those and other elements are the responsibilities of back office, which with geographical spread in mind, proceeds with its activities using the Objectives & Key Results (OKR) method. This approach allows us to prioritize our internal development and focus on results achieved in short time intervals.

Creating video games is not possible nowadays without an extensive IT support. The Covid-19 pandemic has speeded up our plans of building an efficient and safe IT infrastructure, which increases the productiveness of our teams. Recently, we have increased the size of our IT teams, including DevOps competences, which are building a bridge between the server infrastructures and Unreal Engine environment. We have other development projects of this area in the pipeline.

Adding Game On and Incuvo studios to our Group significantly expanded our competencies into new areas, showing how we can diversify our offer.

From 2019, we consequently follow our strategy of increasing the scale of our business by producing several games simultaneously. Our IPO was a key milestone, because it allowed us to gather the capital necessary to produce and publish the games created by the Group. The update of our strategy from September 2021 adds the possibility of expanding our portfolio to games referred to as “compact AAAs” – games with shorter development time, smaller scope and budget, but with quality comparable to regular triple-A games. We also assume the possibility of creating games in genres that we have not yet explored and acquiring teams capable of supporting implementation of these plans. The strategy update also sets a goal of releasing each year, starting from 2024, one game developed by the Group, either in cooperation with a publisher or in the self-publishing model.



In consequence, People Can Fly works on a number of projects in parallel, including those based on our proprietary IPs – one that we intend to launch in self-publishing model (Project Bifrost); a VR project with Incuvo, and two more original projects currently in concept phase (Project Victoria and Project Red). In addition, we work on projects in cooperation with publishers: Gemini with Square Enix and Dagger with Take-Two Interactive. We also continue to support the Outriders IP.

In order to manage the development of several games simultaneously, we continue to develop the PCF Framework, our own expansion of the Unreal Engine – an engine, which we have used for more than 15 years already. This structural and technological development is aimed to increase the effectiveness and stimulate creativity in work on our projects.

In summary, the implementation of our strategy can also be seen more broadly as a transformation of the Group – from a private company into a public one; from a single-project studio into one handling a rich portfolio of products; from a local to global company; from a development studio into a creative organization with diverse competencies, reaching into different areas of the broadly defined games and entertainment market.

We believe that our 2021 financial performance is also a fruit of the determined and successful implementation of the PCF Group S.A. strategy. Our revenue has grown by 73,7% compared to 2020 – to 180,3 million PLN versus 103,8 million PLN last year. The corrected EBITDA increased by 116,4% compared to last year – from 32,6 million PLN to 70,5 million PLN. In effect our net profit has grown by 149,7% compared to 2020 – from 24,6 million PLN to 61,4 million PLN.

We are satisfied with how fast we managed to reach our strategic objectives last year, however we understand that the market is evaluating us through our products. The efforts leading to the *Outriders* release commenced on 25 February 2021 with releasing a game demo for all platforms except Google Stadia. It was downloaded more than two million times in the first week from release. The full game was released on 1 April 2021 and the number of its unique users exceeded 3.5 million in the first month. The initial enthusiasm of both players and reviewers was soon toned down by occurring technical problems. We immediately initiated the process of fixing and balancing the game together with our publisher. These efforts culminated in the release of a major free update *New Horizon* on 16 November 2021. In addition to fixing the technical issues, the update made extensive changes to the endgame, added an enthusiastically received transmog system and four new Expeditions. *Outriders: New Horizon* was positively received by the players community and media, and became a sound foundation for our efforts to further improve the flagship title in 2022. With the release of the update, we announced an official expansion *Outriders Worldslayer* which will be released this year. We expect a lot from this expansion – we believe that it will take the game towards the break-even point and the Group towards receiving royalties. In the context of our business cooperation with the *Outriders* Japanese publisher, it should be mentioned that on 29 August 2021 we entered into an investment agreement setting out the rights and obligations related to the issuance of PCF Group S.A. subscription warrants.

What's ahead of us? As we work towards the *Outriders Worldslayer* release and on other projects, we are planning to continue hiring new staff, which involves recruitment efforts and development in new locations both in Poland and abroad. Our ambition for 2022 is moving the key project from pre-production to production phase. We are also not ruling out further acquisitions in the nearest future. We are also establishing the publishing structures in our Group. We have already assembled a team of acclaimed experts who are setting the foundations for our self-publishing efforts. We are planning a further reconfiguration of our structures to manage the growth of the company better and ensure the satisfaction of our Aviators in a more effective way. This year, we intend to continue our Group's business and cultural transformation, with emphasis on the further establishment and strengthening of the People Can Fly studio's and brand's global character.



We know already that this will be a challenging year and we will have to reach our ambitious goals in a complex social and political reality, in the shadow of the war in Ukraine, economic turmoil and perhaps new waves of the Covid-19 pandemic.

We will remain flexible, adjust to the new developments and we will, among other things, continue to help our associates and friends in Ukraine. Our long-term goal is to build a firm which truly allows people to fly – the name People Can Fly reflects our ambitions in so many ways. I can say this with unwavering conviction as this year we are celebrating the studio's twentieth birthday. It is a remarkable feat on this mercurial and competitive market. We are happy that our activities are translating recently to an upward trend in the price of our Company's shares.

We want to create a space for our Aviators to flourish as creators and as individuals. We want to be a creative hub for developers worldwide – give them an opportunity to bring to life their innovative and original ideas. Be a counterweight for the large studios which slowly petrify into corporate structures. On the other hand, we are going to keep our head cool, plan our expansion with surgical precision and make a safe, healthy and inspiring business environment for our associates, partners and investors.

I bid this to us all on this twentieth anniversary of People Can Fly. Let us also stay strong and calm through these difficult times. I thank all our Shareholders for their support, but also for their constructive criticism. We are fortunate to have you onboard.

Sincerely yours,

Sebastian Wojciechowski

PRESIDENT OF THE MANAGEMENT BOARD