



Dear Shareholders,

We began the year 2023 by announcing an updated, ambitious development strategy for PCF Group S.A. It primarily aimed to strengthen our publishing activities (i.e. the production and sale of our own games), adopt a game-as-a-service model with diverse game monetization models, and drive significant studio growth from 2023 to 2027. This growth includes increasing the size and quality of our teams, investing in new areas of the entertainment industry, and significantly scaling up our business operations. The announcement of the new strategy also served as a summary of People Can Fly's 20-year history and a good opportunity to organize and codify our work methods and values. Thus, we entered 2023 well-prepared with a concrete plan that encapsulated our past and future intentions.

Our proposal was positively received by investors. In 2023, through two financing rounds, we successfully closed the public offering process, raising over 230 million Polish złoty to implement PCF Group S.A.'s strategy. We strengthened relationships with some partners and welcomed new investors on board, including the South Korean giant Krafton Ltd., which acquired a 10% stake in the Company in June of the previous year.

While focusing on the priorities of the new strategy, we also maintained our work-for-hire model, which has always been crucial to our financial health. In June 2023, we finalized a new production agreement for the "Maverick" project, which our teams in Europe and North America are executing for Microsoft. This further demonstrates the recognition of PCF Group's capabilities by major international partners, boding well for the future.

We also took care of structural improvements within the Group, increasing employment by nearly 24% to 756 Aviators, establishing a subsidiary for publishing services (PCF Ireland), opening a new office in Montreal,



increasing our stake in Incuvo S.A. to 62.25% and launching a new VR project called Bison, as well as securing two debt financing agreements for the Group with Bank of Montreal (9.2 million CAD) and Bank Pekao S.A. (totaling 50 million Polish złoty).

We achieved a lot, however 2023 also marked the commencement of an industry crisis, as the market entered the correction phase following its abnormal, post-pandemic growth. Consequently, last year did not only bring successes and good news. The complicated situation in the market hindered the implementation of many of our intentions and also put significant pressure on our financial results. Primarily, it forced us to abandon some initiatives (unsuccessful negotiations regarding project Dolphin) or significantly reduce their scope (the Dagger project, the scope of which we limited in November 2023, was ultimately discontinued this year). During the same period, our long-time partner Square Enix Limited decided to revise the terms of our cooperation regarding the Gemini project – based on ongoing discussions for several months, we already know that we will not be able to retain the same profitability on this project as in previous years. We have also observed a slowdown in the VR gaming segment, to which the unsuccessful release of Bulletstorm VR unfortunately contributed; announced for December 2023, it took place in January 2024. Negative market trends also affected the financial condition of our other (alongside Incuvo) subsidiary, Game On, which provides production services to entities in the gaming industry.

Given these challenges, it's difficult to assess the past year and the current situation of PCF Group unequivocally. While we have a clearly defined strategy, an excellent international team, solid partners in the work-for-hire segment, and advanced self-publishing games like Bifrost and Victoria, we also face a demanding and complicated gaming market landscape. Not all our setbacks can be attributed to market conditions; some, like the



Bulletstorm VR game launch, are our responsibility, and we must learn from them to avoid repeating such mistakes in the future. Luckily, our biggest releases, are still ahead of us.

Nevertheless, the market situation significantly influences the implementation of our plans and the current situation of the Company. Therefore, as we enter 2024, we are fully determined to execute our strategy which will include securing funds for its implementation by, among other things, entering into new work-for-hire game projects. Naturally, those processes will also require additional expenditures. In 2024, we are taking a more prudent approach by presenting new projects as costs rather than balance sheet assets (except for project Red which remains on the balance sheet) until agreements with publishers are finalized (with respect to projects developed for third parties). As part of the budgeting process initiated last year for 2024, we have also significantly changed our approach to expenses, reducing them to what we deem necessary and generating savings of over 20 million Polish złoty.

To all those who doubt PCF Group and are concerned about the current share price, I want to assure you that we remain highly active in the market and internally motivated to achieve the goals we set at the beginning of 2023. Let's hope that the coming months will bring more good news not only for PCF Group S.A. but also for the entire gaming market. We aim to create and maintain job opportunities.

I thank all our shareholders for their patience, faith in what we do, and always appreciated constructive criticism. Thank you for being with us - we will do everything in our power not to disappoint your expectations.

Best regards,

Sebastian Wojciechowski, CEO of PCF Group S.A.