

WARSAW, MAY 10TH 2018



**QUARTERLY REPORT OF
11 BIT STUDIOS S.A.
FOR Q1 2018.**

LETTER FROM THE MANAGEMENT BOARD	3
1. SELECTED FINANCIAL DATA	4
1.1. Statement of financial position	4
1.2. Statement of profit or loss	4
1.3. Statement of cash flows	4
2. OVERVIEW	5
2.1. Company overview	5
2.2. Covered periods.....	5
2.3. Composition of the Company’s governing bodies as at March 31st 2018.....	5
2.4. Shareholding structure as at the issue date of the quarterly report	6
2.5. Company shares held by members of its management and supervisory staff as at March 31st 2018	6
2.6. Headcount	6
2.7. Functional and presentation currency	6
3. INTERIM CONDENSED FINANCIAL STATEMENTS OF 11 BIT STUDIOS S.A.	7
3.1. Interim condensed statement of profit or loss and other comprehensive income (PLN)	7
3.2. Interim condensed statement of financial position (PLN).....	8
3.3. Interim condensed statement of changes in equity (PLN)	9
3.4. Interim condensed statement of cash flows (PLN).....	11
4. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF 11 BIT STUDIOS S.A.	12
4.1. International Financial Reporting Standards applied by the Company	12
4.2. Material achievements or failures of the Company in the reporting period	13
4.3. Revenue (PLN).....	14
4.4. Finance income (PLN)	15
4.5. Finance costs (PLN).....	15
4.6. Other income and expenses (PLN).....	15
4.7. Income tax relating to continuing operations (PLN)	16
4.8. Property, plant and equipment (PLN)	16
4.9. Intangible assets	17
4.10. Trade and other receivables (PLN)	19
4.11. Non-current financial assets (PLN)	20
4.12. Other current assets (PLN)	20
4.13. Other assets (PLN)	21
4.14. Cash and cash equivalents (PLN)	21
4.15. Share capital (PLN)	21
4.16. Trade and other payables (PLN)	21
4.17. Accrued employee bonuses and other accruals and deferred income (PLN)	22
4.18. Financial instruments (PLN)	22
4.19. Deferred income (PLN).....	23
4.20. Related-party transactions	23
4.21. Information on dividend paid or declared.....	24
4.22. Capital commitments	24
4.23. Contingent assets and liabilities.....	24
4.24. Seasonal and cyclical changes in the Company’s interim business	25
4.25. Factors and events, especially of a non-recurring nature, with a bearing on the financial performance.....	25
4.26. Events subsequent to the reporting date.....	25
4.27. Factors with a bearing on the Company’s future results.....	25
4.28. Proceedings pending before a court, arbitration body or public administration authority.....	26
4.29. Management Board’s statement	26
4.30. Authorisation of financial statements	26

LETTER FROM THE MANAGEMENT BOARD

Warsaw, May 10th 2018

Dear Shareholders and Investors!

You are invited to read the quarterly report of 11 bit studios S.A. for Q1 2018. In that period, the Company's focus was entirely on the preparations for the launch of *Frostpunk* on April 24th 2018. Within hours after its release, *Frostpunk* - expected to be the next milestone in the history of our development - proved to deliver on the promises it held. Our production has been receiving very good reviews from the industry media and from users alike. The average Metascore at Metacritic is now 85. Gamers, on the other hand, rate the game 8.6/10. It means that *Frostpunk* is one of the best games to hit the market this year. Great reviews have boosted sales. Only 15 minutes after distribution started, our production became the number one global bestseller on Steam, the world's largest digital game distribution platform. Within 66 hours of its launch, fans purchased over 250,000 copies of *Frostpunk*, meaning that 11 bit studios S.A. surpassed the break-even point for the project. This success would not have been possible without the huge commitment of the entire team of 11 bit studios S.A., and we would like to thank them very much here.

Furthermore, we had a lot of interesting developments in the publishing department, which intends to release two games this year. *Moonlighter* will be the first to make its debut on May 29th 2018. The launch of *Children of Morta* is scheduled for the second half of the year. The productions, both of which have aroused a lot of interest in the media and among gamers, will be released for PCs, PS4 and Xbox One. *Moonlighter* will also be released in a version for Nintendo Switch consoles.

In Q1 2018, the Company also continued the development of a game known under the working title *Project 8*, being now in the phase of an advanced prototype. Furthermore, 11 bit studios S.A. tested ideas for new productions, which is the responsibility of the in-house R&D department, established a few months ago.

In the first three months of 2018, the Company reported PLN 2.24m in sales and PLN 0.98m in net loss. Both statement of profit or loss items were weaker than in the same period of 2017, which was mainly due to lower activity in maintaining the monetisation of *This War of Mine* and, as mentioned in the introduction, the focus of the entire 11 bit studios S.A. team on the preparations for launch of *Frostpunk*. To note, the upcoming launch of *Frostpunk* and the resulting expenditure did not lead to any increase in the Company's operating expenses. In Q1 2018, operating expenses stood below PLN 3.19m vs. PLN 2.56m the year before. Rather than resulting from the ongoing activities, the difference was due to a donation (of PLN 0.65m) to the War Child Foundation, which helps child victims of war. 11 bit studios S.A. has supported the War Child Foundation for several years by transferring part of its revenue from the sale of *This War of Mine* to its accounts. The net loss incurred in Q1 2018 was of no significance to the Company's financial condition. As at the end of March, total cash exceeded PLN 29.2m.

The success of the launch of *Frostpunk* and the announced further business activities relating to the game, the upcoming launches of *Moonlighter* and *Children of Morta*, along with the expected continued solid sales of *This War of Mine* make us believe that the next quarters will be much more successful in money terms than the first three months of the year, and as a result, the entire 2018 will be a record-breaking year in the history of 11 bit studios S.A.

Thank you once again for the trust you have placed in us. We kindly invite you to read our report.

On behalf of the Management Board,



Grzegorz Miechowski

President of the
Management Board



Przemysław Marszał

Member of the
Management Board



Michał Drozdowski

Member of the
Management Board

1. SELECTED FINANCIAL DATA

The selected financial data included in the tables below was converted into the euro at the following rates:

Assets, equity and liabilities in the statement of financial position - at the mid exchange rate quoted by the National Bank of Poland on the last day of the reporting period:

- Exchange rate as at March 31st 2018 - PLN 4.2085
- Exchange rate as at December 31st 2017 - PLN 4.1709

Items of the statement of profit or loss and statement of cash flows - at the mid exchange rate calculated as the arithmetic mean of the exchange rates quoted by the National Bank of Poland on the last day of the month in a given period.

- Exchange rate for Q1 2018 - PLN 4.1784
- Exchange rate for Q1 2017 - PLN 4.2891

1.1. STATEMENT OF FINANCIAL POSITION

	Mar 31 2018 (PLN) (<i>unaudited</i>)	Dec 31 2017 (PLN) (<i>audited</i>)	Mar 31 2018 (EUR) (<i>unaudited</i>)	Dec 31 2017 (EUR) (<i>audited</i>)
Total assets	46,847,780	48,649,817	11,131,705	11,664,105
Non-current assets	18,326,786	17,173,693	4,354,707	4,117,503
Intangible assets	14,310,805	13,067,498	3,400,453	3,133,016
Current assets	28,520,994	31,476,124	6,776,997	7,546,602
Other financial assets	3,071,819	3,053,534	729,908	732,104
Cash	26,157,521	28,176,332	6,215,402	6,755,456
Total equity and liabilities	46,847,780	48,649,817	11,131,705	11,664,105
Equity	45,244,089	46,222,796	10,750,645	11,082,211
Liabilities and provisions	1,603,690	2,427,021	381,060	581,894

1.2. STATEMENT OF PROFIT OR LOSS

	Period ended Mar 31 2018 (PLN) (<i>unaudited</i>)	Period ended Mar 31 2017 (PLN) (<i>unaudited</i>)	Period ended Mar 31 2018 (EUR) (<i>unaudited</i>)	Period ended Mar 31 2017 (EUR) (<i>unaudited</i>)
Revenue	2,244,586	2,871,844	533,346	669,568
Depreciation and amortisation	401,931	485,584	95,505	113,213
Operating profit	(797,313)	465,100	(189,453)	108,438
EBITDA	(395,382)	950,684	(93,948)	221,651
Profit (loss) before tax	(915,617)	(760,378)	(217,564)	(177,282)
Net profit (loss)	(978,706)	(955,455)	(232,555)	(222,764)

1.3. STATEMENT OF CASH FLOWS

	Period ended Mar 31 2018 (PLN) (<i>unaudited</i>)	Period ended Mar 31 2017 (PLN) (<i>unaudited</i>)	Period ended Mar 31 2018 (EUR) (<i>unaudited</i>)	Period ended Mar 31 2017 (EUR) (<i>unaudited</i>)
Net cash from operating activities	(412,061)	1,280,459	(97,912)	298,538
Net cash from investing activities	(1,606,751)	(1,807,128)	(381,787)	(421,330)
Net cash from financing activities	0	606,268	0	141,351
Total net cash flows	(2,018,812)	79,599	(479,699)	18,558

2. OVERVIEW

11 bit studios S.A. (the “Company”) was incorporated by a notarial deed of December 7th 2009 before notary public Paweł Andrzej Kania at his Notary Office in Warsaw (number in the register of notarial deeds: Rep. 16069/2009). The Company shares are traded in a public market.

2.1. COMPANY OVERVIEW

11 bit studios S.A. (the “Company”) was incorporated by a notarial deed of December 7th 2009 before notary public Paweł Andrzej Kania at his Notary Office in Warsaw (number in the register of notarial deeds: Rep. 16069/2009). The Company shares are traded in a public market.

Business name:	11 bit studios Spółka Akcyjna
Abbreviated name:	11 bit studios S.A.
Registered office:	Warsaw, Poland
Registered address:	03-472 Warsaw, ul. Bertolta Brechta 7
Principal business activity:	in accordance with the Polish Classification of Business Activities - computer programming activities (62.01.Z)
Registry court:	District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division
National Court Register (KRS) No.:	0000350888
Tax Identification Number (NIP):	1182017282
Industry Identification Number (REGON):	142118036

The duration of the Company is perpetual.

The financial year of the Company coincides with the calendar year.

The principal business activities of the Company are:

- Production of cross-platform video games,
- Sale of cross-platform video games.

The Company does not have any subsidiaries, associates or interests in joint ventures. Until April 11th 2017, 11 bit studios S.A. was the parent of the 11 bit studios S.A. Group consisting of 11 bit studios S.A. and a subsidiary, Games Republic Limited of Malta. On April 11th 2017, the Company announced that it had signed an agreement to sell 100% of shares in Games Republic Limited to Lousva Trading Limited. As of that date, the 11 bit studios Group ceased to exist. Consequently, 11 bit studios S.A. has not published any further consolidated financial statements since 2018.

2.2. COVERED PERIODS

These interim condensed financial statements of 11 bit studios S.A. present data for the reporting period from January 1st to March 31st 2018 and contain the following comparative data:

- Statement of financial position - as at December 31st 2017,
- Statement of profit or loss and other comprehensive income - for the period of three months ended March 31st 2017,
- Statement of changes in equity - for the period of three months ended March 31st 2017,
- Statement of cash flows - for the period of three months ended March 31st 2017.

2.3. COMPOSITION OF THE COMPANY'S GOVERNING BODIES AS AT MARCH 31ST 2018

Management Board

- Grzegorz Miechowski - President of the Management Board
- Bartosz Brzostek - Member of the Management Board
- Przemysław Marszał - Member of the Management Board
- Michał Drozdowski - Member of the Management Board

Supervisory Board

- Piotr Sulima - Chairman of the Supervisory Board
- Jacek Czykiel - Deputy Chairman of the Supervisory Board
- Agnieszka Maria Kruz - Member of the Supervisory Board
- Radosław Marter - Member of the Supervisory Board
- Wojciech Ozimek - Member of the Supervisory Board

In the reporting period, there were no changes in the composition of the Company's Management or Supervisory Boards. The term of office of the Management Board members ends on the date of approval by the General Meeting of the

Company's financial statements for the financial year ending December 31st 2018. The term of office of the Supervisory Board members ends on June 9th 2019.

After the end of the reporting period, on May 9th 2018, Bartosz Brzostek, a Member of the Management Board, resigned from office for personal reasons.

2.4. SHAREHOLDING STRUCTURE AS AT THE ISSUE DATE OF THE QUARTERLY REPORT

	Number of shares	% of share capital held	Number of votes	% of total voting rights at GM
Bartosz Brzostek	183,696	8.03	183,696	8.03
Grzegorz Miechowski	162,696	7.11	162,696	7.11
NN PTE	135,500	5.92	135,500	5.92
Przemysław Marszał	122,000	5.33	122,000	5.33
Michał Drozdowski	93,630	4.09	93,630	4.09
Other shareholders	1,589,677	69.50	1,589,677	69.50
Total	2,287,199	100.00	2,287,199	100.00

In the reporting period, there were no changes in the shareholding structure of 11 bit studios S.A., including changes in the size of the management and supervisory staff's holdings.

2.5. COMPANY SHARES HELD BY MEMBERS OF ITS MANAGEMENT AND SUPERVISORY STAFF AS AT MARCH 31ST 2018

	Position	Number of shares	% of share capital held	Number of votes	% of total voting rights at GM
Grzegorz Miechowski	President of the Management Board	162,696	7.11	162,696	7.11
Bartosz Brzostek	Member of the Management Board	183,696	8.03	183,696	8.03
Przemysław Marszał	Member of the Management Board	122,000	5.33	122,000	5.33
Michał Drozdowski	Member of the Management Board	93,630	4.09	93,630	4.09

In the reporting period, the size of the management and supervisory staff's holdings did not change.

After the end of the reporting period, on May 9th 2018, Bartosz Brzostek, a Member of the Management Board, resigned from office for personal reasons.

2.6. HEADCOUNT

As at the issue date of these financial statements, 103 persons are employed at or provide services to 11 bit studios S.A. under employment contracts or other civil-law agreements.

2.7. FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements are presented in the Polish zloty (PLN). The Management Board of 11 bit studios S.A. has resolved that the Polish zloty is the functional and presentation currency of the Company. In the case of an entity operating on international markets, the choice of the functional currency and the identification of the currency which should be recognised as the currency used in the principal economic environment in which the entity operates, is a subjective decision. The Company monitors its economic environment for any material changes that could affect its choice of functional currency.

3. INTERIM CONDENSED FINANCIAL STATEMENTS OF 11 BIT STUDIOS S.A.

3.1. INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (PLN)

	Note	Period ended Mar 31 2018	Period ended Mar 31 2017
Continuing operations			
Revenue	4.3.	2,244,586	2,871,844
Other income	4.6.	144,657	153,486
Total operating income		2,389,242	3,025,330
Depreciation and amortisation		(401,931)	(485,584)
Raw materials and consumables used		(37,440)	(93,401)
Services		(1,269,792)	(1,272,078)
Salaries, wages and employee benefits		(689,276)	(531,257)
Taxes and charges		(5,728)	(16,034)
Other expenses	4.6.	(782,387)	(161,877)
Total operating expenses		(3,186,555)	(2,560,230)
Operating profit		(797,313)	465,100
Finance income	4.4.	86,853	25,554
Finance costs	4.5.	(205,157)	(1,251,032)
Profit before tax		(915,617)	(760,378)
Income tax expense	4.7.	63,089	195,077
Net profit from continuing operations		(978,706)	(955,455)
Discontinued operations		0	0
Net profit from discontinued operations		0	0
NET PROFIT		(978,706)	(955,455)
Earnings per share (PLN per share) from continuing operations:			
Basic		(0.44)	(0.43)
Diluted		(0.42)	(0.42)

	Note	Period ended Mar 31 2018	Period ended Mar 31 2017
NET PROFIT		(978,706)	(955,455)
Other comprehensive income		0	0
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations which arose in the reported year		0	0
Total other comprehensive income, net		0	0
TOTAL COMPREHENSIVE INCOME		(978,706)	(955,455)

3.2. INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (PLN)

ASSETS

	Note	As at Mar 31 2018 (unaudited)	As at Dec 31 2017 (audited)
Non-current assets			
Property, plant and equipment	4.8.	766,446	814,332
Intangible assets	4.9.	14,310,805	13,067,498
Deferred tax asset		26,904	89,993
Other assets	4.13.	150,813	148,336
Non-current financial assets	4.11.	3,071,819	3,053,534
Total non-current assets		18,326,786	17,173,693
Current assets			
Trade and other receivables	4.10.	1,452,522	2,679,069
Income tax receivable	4.7.2.	612,810	327,123
Other current assets	4.12.	298,141	293,599
Cash and cash equivalents	4.14.	26,157,521	28,176,332
Total current assets		28,520,994	31,476,124
TOTAL ASSETS		46,847,780	48,649,817

EQUITY AND LIABILITIES

	Note	As at Mar 31 2018	As at Dec 31 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	4.15.	228,720	228,720
Share premium		4,870,274	4,870,274
Statutory reserve funds		37,914,547	37,914,547
Share-based payment reserve		0	0
Retained earnings		2,230,548	3,209,255
Total equity		45,244,089	46,222,796
Non-current liabilities			
Deferred income	4.19.	762,772	762,772
Deferred tax liability		0	0
Total non-current liabilities		762,772	762,772
Current liabilities			
Trade and other payables	4.16.	392,112	1,197,853
Income tax liabilities		0	0
Deferred income	4.19.	448,807	466,396
Total current liabilities		840,919	1,664,249
Total liabilities		1,603,690	2,427,021
TOTAL EQUITY AND LIABILITIES		46,847,780	48,649,817

3.3. INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (PLN)

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Translation reserve	Retained earnings	Attributable to owners of the parent	Attributable to non-controlling interests	Total
As at Jan 1 2018 (audited)	228,720	4,870,274	37,914,547	0	0	3,209,255	0	0	46,222,796
Net profit for the financial year	0	0	0	0	0	(978,706)	0	0	(978,706)
Other comprehensive income for the financial year (net)	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	(978,706)	0	0	(978,706)
Profit allocated to statutory reserve funds	0	0	0	0	0	0	0	0	0
Share-based payments	0	0	0	0	0	0	0	0	0
As at Mar 31 2018	228,720	4,870,274	37,914,547	0	0	2,230,549	0	0	45,244,090

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Translation reserve	Retained earnings	Attributable to owners of the parent	Attributable to non-controlling interests	Total
As at Jan 1 2017 (audited)	221,720	4,285,934	25,405,679	627,624	0	11,673,160	0	0	42,214,117
Net profit for the financial year	0	0	0	0	0	(955,454)	0	0	(955,454)
Other comprehensive income for the financial year (net)	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	(955,454)	0	0	(955,454)
Profit allocated to statutory reserve funds	0	0	0	0	0	0	0	0	0
Share-based payments	0	0	0	0	0	0	0	0	0
As at Mar 31 2017	221,720	4,285,934	25,405,679	627,624	0	10,717,704	0	0	41,258,660

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Translation reserve	Retained earnings	Attributable to owners of the parent	Attributable to non-controlling interests	Total
As at Jan 1 2017	221,720	4,285,934	25,405,679	627,623	0	11,673,160	0	0	42,214,116
Net profit for the financial year	0	0	0	0	0	3,417,340	0	0	3,417,340
Other comprehensive income for the financial year (net)	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	3,417,340	0	0	3,417,340
Profit allocated to statutory reserve funds	0	0	11,881,245	0	0	(11,881,245)	0	0	0
Share-based payments	7,000	584,340	627,623	(627,623)		0	0	0	591,340
As at Dec 31 2017	228,720	4,870,274	37,914,547	0	0	3,209,255	0	0	46,222,796

3.4. INTERIM CONDENSED STATEMENT OF CASH FLOWS (PLN)

	Period ended Mar 31 2018	Period ended Mar 31 2017
Cash flows from operating activities		
Profit for the financial year	(978,706)	(955,455)
Adjustments:		
Depreciation and amortisation	401,931	485,584
Other adjustments	(8,886)	8,658
Changes in working capital:		
Increase/decrease in trade and other receivables	1,226,547	3,415,250
Increase/decrease in assets held for sale	0	231,759
Increase/decrease in other assets	56,070	248,299
Decrease in trade and other payables	(805,741)	(1,321,869)
Increase/decrease in deferred income	(17,590)	(102,188)
Cash provided by operating activities	(126,375)	2,010,038
Income tax paid	(285,686)	(729,579)
Net cash from operating activities	(412,061)	1,280,459
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(1,606,751)	(1,807,127)
Net cash from investing activities	(1,606,751)	(1,807,127)
Cash flows from financing activities		
Other cash provided by financing activities	0	606,268
Net cash from financing activities	0	606,268
Net increase in cash and cash equivalents	(2,018,812)	79,599
Cash and cash equivalents at beginning of reporting period	28,176,333	29,113,971
Cash and cash equivalents at end of reporting period	26,157,521	29,193,570

4. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF 11 BIT STUDIOS S.A.

4.1. INTERNATIONAL FINANCIAL REPORTING STANDARDS APPLIED BY THE COMPANY

These financial statements have been prepared on a historical cost basis.

The Company maintains accounting records and prepares financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS").

4.1.1. Statement of compliance

These financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRSs") as endorsed by the European Union and related interpretations issued in the form of the European Commission's regulations.

The Company has applied the IFRSs as effective on March 31st 2018. The accounting policies applied to prepare these financial statements of the Company for Q1 2018 are consistent with the policies applied to prepare the Company's full-year financial statements for 2017, except for the changes described below. The same policies have been applied for the current and comparative periods.

4.1.2. Amendments to existing standards adopted for the first time in the Company's financial statements for 2018

The following amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU were adopted for the first time in the Company's financial statements for 2018:

- **IFRS 9 *Financial Instruments*** - endorsed by the EU on November 22nd 2016 (effective for annual periods beginning on or after January 1st 2018);
- **IFRS 15 *Revenue from Contracts with Customers*** and amendments to IFRS 15: effective date of IFRS 15 - endorsed by the EU on September 22nd 2016 (effective for annual periods beginning on or after January 1st 2018);
- **Amendments to IFRS 2 *Share-Based Payments: classification and measurements of share-based payment transactions*** - endorsed by the EU on February 27th 2018 (effective for annual periods beginning on or after January 1st 2018);
- **Amendments to IFRS 4 *Insurance Contracts: applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*** - endorsed by the EU on November 3rd 2017 (effective for annual periods beginning on or after January 1st 2018 or as of the date of first-time adoption of IFRS 9 *Financial Instruments*);
- **Amendments to IFRS 15 *Revenue from Contracts with Customers: clarifications to IFRS 15 Revenue from Contracts with Customers*** - endorsed by the EU on October 31st 2017 (effective for annual periods beginning on or after January 1st 2018);
- **Amendments to IAS 40 *Investment Property: transfers of investment property*** - endorsed by the EU on March 14th 2018 (effective for annual periods beginning on or after January 1st 2018);
- **Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements to IFRS Standards 2014-2016 Cycle** - amendments made as part of the annual IFRS improvements project (IFRS 1, IFRS 12 and IAS 28) primarily to correct conflicts and clarify wording - endorsed by the EU on February 7th 2018 (amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1st 2018);
- **IFRIC 22 *Foreign Currency Transactions and Advance Consideration Transactions*** - endorsed by the EU on March 28th 2018 (effective for annual periods beginning on or after January 1st 2018).

The amendments listed above did not have a material impact on the Company's financial statements for 2018.

4.1.3. New standards and amendments to existing standards already issued by the IASB and endorsed by the EU, but not yet effective

As at the date of authorisation of these financial statements, the following new standards were issued by the IASB and endorsed by the EU, but were not yet effective:

- **IFRS 16 *Leases*** - endorsed by the EU on October 31st 2017 (effective for annual periods beginning on or after January 1st 2019);
- **Amendments to IFRS 9 *Financial Instruments: prepayment features with negative compensation*** - endorsed by the EU on March 22nd 2018 (effective for annual periods beginning on or after January 1st 2019).

The Company did not opt for early adoption of those new standards or amendments to existing standards. The Company estimates that none of those new standards or amendments to existing standards would have had a material impact on its financial statements had they been applied by the Company as at the reporting date.

4.1.2. New standards, interpretations and amendments to existing standards issued by the IASB, but not yet endorsed by the EU

There are no major differences between the IFRS as endorsed by the EU and the regulations issued by the International Accounting Standards Board (IASB), with the exception of the following new standards, amendments to standards, and new interpretations, which were not yet endorsed by the EU as at the issue date of these financial statements (the following effective dates refer to the full versions of respective standards):

- **IFRS 14 *Regulatory Deferral Accounts*** (effective for annual periods beginning on or after January 1st 2016) - the European Commission has decided not to launch the endorsement process of this interim standard until the final IFRS 14 is issued;
- **IFRS 17 *Insurance Contracts*** (effective for annual periods beginning on or after January 1st 2021);
- **Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: sale or contribution of assets between an investor and its associate or joint venture***, and further amendments (the effective date of the amendments has been postponed until research into the equity method is completed);
- **Amendments to IAS 19 *Employee Benefits: plan amendment, curtailment or settlement*** (effective for annual periods beginning on or after January 1st 2019);
- **Amendments to IAS 28 *Investments in Associates and Joint Ventures: long-term interests in associates and joint ventures*** (effective for annual periods beginning on or after January 1st 2019);
- **Amendments to various standards resulting from Annual Improvements to IFRS Standards 2015-2017 Cycle** - amendments made as part of the annual IFRS improvements project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily to correct conflicts and clarify wording (effective for annual periods beginning on or after January 1st 2019);
- **IFRIC 23 *Uncertainty over Income Tax Treatments*** (effective for annual periods beginning on or after January 1st 2019).

The Company estimates that none of those new standards, amendments to existing standards and interpretation would have had a material impact on its financial statements had they been applied by the Company as at the reporting date.

The scope of regulations endorsed by the EU still does not include hedge accounting for portfolios of financial assets and liabilities with respect to which relevant rules have not been endorsed for use in the EU.

The Company estimates that the application of hedge accounting for portfolios of financial assets and liabilities according to **IAS 39 *Financial Instruments: recognition and measurement*** would not have had any material impact on its financial statements had the standard been endorsed for use as at the reporting date.

4.1.3. Changes to information presented in previous reporting periods, changes in accounting policies and error corrections

There were no changes to information presented in previous reporting periods, changes in accounting policies or error corrections.

4.1.4. Changes to estimates presented in previous reporting periods, where they have a material effect on the reported interim period

There were no material changes to the estimates presented by the company in previous reporting periods that would have a material impact on the reported interim period.

4.2. MATERIAL ACHIEVEMENTS OR FAILURES OF THE COMPANY IN THE REPORTING PERIOD

The Company's game development activities in Q1 2018 focused on *Frostpunk*, a game launched in a PC version on April 24th 2018. The game was released in seven language versions, including Chinese, and is available both in a digital version and as an expanded physical pack (the 'Victorian Edition'). The Company intensified its marketing activities in early 2018 in order to build gamers' and industry media's interest in the new game. For instance, *Frostpunk* was shown at Pax South in San Antonio (USA) in January. Successive *Frostpunk* videos (trailers) were made available online, attracting a large audience. On February 28th, in its *Irreversible* video, the Company announced that the retail price of the game would be USD 29.99 (or its equivalent in other currencies) and revealed that *Frostpunk* would be a game showing how to rule the society using totalitarian methods. In a video entitled *Serenity*, released on March 9th, the Company announced that *Frostpunk* would be available starting from April 24th. A campaign that took place in early April was an important part of generating interest in the productions of 11 bit studios S.A. Fans were allowed to play *This War of Mine* on Steam for a few days free of charge and subsequently they could buy the game at a 70% discount. In line with the Company's key intention, the *TWoM* campaign resulted in a surge on the Steam wish list for *Frostpunk*. On April 9th, two weeks before *Frostpunk*'s launch, the game was on 300,000 wish lists, several times more than *This War of Mine* on its kick-off date. *Frostpunk*'s outstanding wish list performance combined with very good reviews published by industry media just before the launch drove excellent sales results. Within 66 hours of its launch, the Company sold more than 250,000 copies of *Frostpunk*, surpassing the game's break-even point.

Another project in the game development area, initiated by the Company at the end of 2016, is the establishment of a second development team, which already had about 20 members at the issue date of these financial statements. It has

been tasked with creating a game under a working title *Project 8*, to be released after *Frostpunk*. The production of *Project 8* is progressing on schedule. Further information on this product will be presented in subsequent quarters.

Being focused on the launch of *Frostpunk*, the Company limited its activities designed to maintain monetisation of *This War of Mine*, as demonstrated by relatively low sales in Q1 2018 compared to previous quarters. In the discussed period, the Company reported PLN 2,244,586 in revenue vs. PLN 2,871,844 the year before (11 bit studios S.A. has not published consolidated financial statements since 2018 because following the disposal of its subsidiary Games Republic Limited in April 2017, the 11 bit studios S.A. Group ceased to exist). In Q1 2018, operating expenses went up to PLN 3,186,555 from PLN 2,560,230 in the previous year. This increase was not related to the ongoing activities of the Company but resulted from a significantly higher amount of other expenses. In Q1 2018, the latter went up to PLN 782,387 from PLN 161,877 in the previous year. In the reporting period, the Company donated PLN 648,755 to the War Child Foundation, which helps child victims of war. In 2017, a similar donation of PLN 485,823 was made in Q2 (the Company has supported the War Child Foundation for several years by transferring part of its revenue from the sale of *This War of Mine* to its accounts). This increase in operating expenses combined with lower revenues resulted in reporting PLN 797,313 in operating loss in Q1 2018. In the previous year, the Company generated an operating profit of PLN 465,100. The net result for the first three months of the current year was also brought down by finance costs of PLN 205,157, driven by unfavourable developments (from the Company's perspective) on currency markets (appreciation of the Polish zloty) and the need to remeasure the Company's financial assets (cash denominated in foreign currencies). In the previous year, finance costs amounted to PLN 1,251,032. At the net profit (loss) level, 11 bit studios S.A. reported a net loss of PLN 978,706 in Q1 2018 vs. a net loss of PLN 955,455 the year before.

The relatively low net loss in Q1 2018 did not affect the financial condition of the Company. As at the end of March 2018, 11 bit studios S.A. had PLN 26,157,521 in cash in its bank accounts. The balance at the end of 2017 was PLN 28,176,332. The Company also had PLN 3,071,819 invested in units of the PKO BP Płynnościowy SFIO investment fund (PLN 3,053,534 as at December 31st 2017).

With respect to publishing (the 11 bit publishing division), in Q1 2018 the Company was preparing for the launches of *Moonlighter*, a game produced by the Spain-based Digital Sun studio, and *Children of Morta* from the American and Iranian studio Dead Mage, both scheduled for this year. The former will be available for sale on May 29th 2018. *Moonlighter*, which attracts a lot of attention from gamers and industry media, will be available for PCs, PS4 and Xbox One on the release day. A version for Nintendo Switch is planned a few months later. The release date of *Children of Morta* will be announced later. On its launch date, the game will be available in versions for PCs, PS4 and Xbox One.

4.3. REVENUE (PLN)

Analysis of the Company's revenue generated in the reporting period:

	Period ended Mar 31 2018	Period ended Mar 31 2017
Revenue	2,244,586	2,871,844

The decline in the Company's revenue in Q1 2018 in relation to the same period in 2017 was due to the revenue being still driven mainly by the sales of *This War of Mine*, launched in a PC version in autumn 2014. Owing to a range of measures taken by 11 bit studios S.A. to support the demand for *TWoM* (releases of add-ons, including paid ones, preparation of new language versions, expansion of the distribution network etc.), the life and monetisation cycle of this game is being successfully extended, but a gradual decline in sales should be expected. Also, the year-on-year drop in revenue reported by the Company in Q1 2018 resulted partly from the decision to suspend promotional and sales campaigns in that period. Promotional and sales activities have a significant impact on the sales volumes of games, especially those already present on the market for a long time. The decision was dictated by the focus on the launch of *Frostpunk* on April 24th 2018, which turned out to be a huge commercial success. In the following quarters, 11 bit studios S.A. intends to resume its activity to support the continued monetisation of *TWoM*.

4.3.1. Revenue from main products and services

In the reporting period, almost all of the Company's revenue was generated by the sale of in-house developed games and third-party games released by the Company as part of the 11 bit publishing service. Other income (mainly grants) represented 6.05% of the Company's total revenue in Q1 2018.

4.3.2. Geographical information (PLN)

The Company operates in five main geographical areas: Poland, its home market, the European Union, the US, China and other countries (including Canada, Japan, Korea, Brazil, and Australia).

The Company's revenue from sales to third parties broken down by geographical area and information on non-current assets broken down by asset location are presented below:

	Revenue from third parties		Non-current assets	
	Period ended Mar 31 2018	Period ended Mar 31 2017	As at Mar 31 2018	As at Dec 31 2017
Poland	142,151	39,679	18,326,786	17,173,693
European Union	269,995	165,295	0	0
US	1,718,237	2,133,898	0	0
China	82,395	375,959	0	0
Other	31,808	157,013	0	0
Total	2,244,586	2,871,844	18,326,786	17,173,693

4.3.3. Major clients

Revenue from the sale of computer games of PLN 2,244,586 includes PLN 1,839,593 in revenue from the sale of the Company's products via Steam (Valve Corporation), Google, Apple and Humble Bundle, the world's leading electronic distribution platforms.

4.3.4. Operating segments

The Company's business is homogenous and focused on the production of computer games. Therefore, the Company does not identify any operating segments.

4.4. FINANCE INCOME (PLN)

	Period ended Mar 31 2018	Period ended Mar 31 2017
Interest income:		
Bank deposits	68,569	22,993
Gains on remeasurement of financial assets	18,285	0
Net foreign exchange gains (losses), including:		
a) Cash	0	0
b) Loans and receivables	0	2,561
c) Liabilities	0	0
Total	86,853	25,554

4.5. FINANCE COSTS (PLN)

	Period ended Mar 31 2018	Period ended Mar 31 2017
Other interest expense		
a) Interest on public charges	565	168
Net foreign exchange gains (losses), including:		
a) Cash	158,897	1,170,785
b) Loans and receivables	46,165	86,828
c) Liabilities measured at amortised cost	(469)	(6,749)
Total	205,157	1,251,032

4.6. OTHER INCOME AND EXPENSES (PLN)

4.6.1. Other income

	Period ended Mar 31 2018	Period ended Mar 31 2017
Grants received	141,172	102,188
Awards received	0	48,457
Other income - rechargeable to the subsidiary Games Republic	0	1,344
Other	3,485	1,497
Total	144,657	153,486

4.6.2. Other expenses

	Period ended Mar 31 2018	Period ended Mar 31 2017
Impairment losses recognised on:		
Trade receivables	0	0
Other expenses:		
Donations given	648,755	0
Other expenses by nature	133,631	161,877
Total	782,387	161,877

The main item of other expenses in Q1 2018 was a donation to the War Child Foundation, which helps child victims of war. In the reporting period, the Company donated PLN 648,755 for this purpose. In 2017, a similar donation of PLN 485,823 was made in Q2 (the Company has supported the War Child Foundation for several years by transferring part of its revenue from the sale of *This War of Mine* to its accounts). Other expenses by nature include business travel expenses, cost of advertising and insurance. They amounted to PLN 133,631 in the reporting period vs. PLN 161,877 in the same period of 2017.

4.7. INCOME TAX RELATING TO CONTINUING OPERATIONS (PLN)

4.7.1. Income tax recognised in profit or loss

	Period ended Mar 31 2018	Period ended Mar 31 2017
Current income tax:		
Attributable to current year	0	117,035
Deferred income tax:		
Attributable to current year	63,089	78,042
Tax expense recognised in current year on continuing operations	63,089	195,077

With respect to income tax, the Company is bound by laws and regulations of general application. The Company is not a tax group, neither does it conduct any operations in Special Economic Zones, which would entail the applicability of different rules for calculating taxes payable by the Company. The Company's fiscal and accounting year coincide with the calendar year.

Reconciliation of the Company's tax and accounting profit

	Period ended Mar 31 2018	Period ended Mar 31 2017
Profit (loss) before tax from continuing operations	(915,617)	(760,378)
Income tax expense at the 19% rate (2014: 19%)	(173,967)	(144,472)
Tax effect of income which is not classified as income for tax purposes	0	(194)
Tax effect of income which is classified as income for tax purposes	(4,569)	487
Tax effect of costs which are not deductible for tax purposes	127,848	28,298
Tax effect of costs which are deductible for tax purposes	(84,746)	(597,172)
Other changes - reconciliation of income tax in connection with the reported loss	135,435	830,088
Total	0	(117,035)

The tax rate applied in the above reconciliation in 2018 and 2017 is 19%, and it is the corporate income tax rate applicable in Poland in accordance with the tax laws.

4.7.2. Current tax asset and liability

	As at Mar 31 2018	As at Mar 31 2017
Current tax asset:		
Tax refund receivable	(612,810)	(330,798)
Current tax liability	0	0
Income tax to be paid/refunded	(612,810)	(330,798)

4.8. PROPERTY, PLANT AND EQUIPMENT (PLN)

Carrying amount:

	As at Mar 31 2018	As at Dec 31 2017
Buildings and structures	297,797	300,264
Plant and equipment	134,625	149,971
Vehicles	310,606	338,541
Other property, plant and equipment	23,418	25,556
Total	766,446	814,332

Gross carrying amount

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2018	326,849	576,200	558,705	262,161	1,723,915
Increase	5,820	41,300	0	0	47,120
Decrease	0	0	0	0	0
As at Mar 31 2018	332,669	617,501	558,705	262,161	1,771,035

Accumulated depreciation and impairment

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2018	26,585	426,229	220,164	236,605	909,583
Depreciation charges	8,287	56,647	27,935	2,138	95,007
As at Mar 31 2018	34,872	482,876	248,099	238,743	1,004,590

Comparative data for the period from January 1st to December 31st 2017

Gross carrying amount

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2017	224,647	346,103	558,705	202,552	1,332,007
Increase	102,202	230,097	0	59,609	391,908
Decrease	0	0	0	0	0
As at Dec 31 2017	326,849	576,200	558,705	262,161	1,723,915

Accumulated depreciation and impairment

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2017	0	252,448	108,423	191,597	552,467
Depreciation charges	26,585	173,781	111,741	45,009	357,115
As at Dec 31 2017	26,585	426,229	220,164	236,605	909,583

In Q1 2018, the Company purchased plant and equipment for PLN 41,300. Further, the Company spent PLN 5,820 to retrofit and convert the Company's head office at ul. Brechta 7 in Warsaw. In 2017, the Company spent PLN 230,097 to purchase plant and equipment, PLN 102,202 to retrofit and convert its office at ul. Brechta 7, and PLN 59,609 on other items of property, plant and equipment.

The depreciation of property, plant and equipment in Q1 2018 added up to PLN 95,007. In 2017, the amount was PLN 357,117.

No impairment of property, plant and equipment was identified either in Q1 2018 or in 2017.

The Company did not recognise any impairment losses on property, plant and equipment either in Q1 2018 or in 2017.

4.9. INTANGIBLE ASSETS

There were no research and development costs that did not meet the criteria to be capitalised on initial recognition in the reporting period or in the comparative period.

Useful lives of intangible assets used to calculate amortisation:

Completed development work

Completed game engine development work as at March 31st 2018 included the capitalised cost of two work phases with a remaining weighted average amortisation period of 18 months.

As at March 31st 2018, the completed video games development work comprised games with a remaining weighted average amortisation period of 6 months.

Ongoing development work

As at March 31st 2018, expenditures on ongoing development work mainly included development of video games and the game engine (phase three).

Testing ongoing development work for impairment:

As at each reporting date, the Company tests ongoing development work for impairment. As a result of this analysis, as at March 31st 2018, the Company did not recognise any development work for which an impairment risk would be identified. In the same period last year, the Company did not recognise any development work for which an impairment risk would be identified, either.

Carrying amount

	As at Mar 31 2018	As at Dec 31 2017
Completed development work (game engine)	0	0
Completed development work (games)	1,213,376	1,471,052
Ongoing development work	13,011,906	11,457,660
Licences	85,523	138,786
Total	14,310,805	13,067,498

Gross carrying amount

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2018	918,342	11,677,125	485,631	11,457,660	24,538,758
Increase due to separate acquisitions	0	0	5,385	1,554,246	1,559,631
Reclassification of completed development work	0	0	0	0	0
Other decrease	0	0	0	0	0
Remeasurement	0	0	0	0	0
Reclassification	0	0	0	0	0
Discontinued work written off	0	0	0	0	0
As at Mar 31 2017	918,342	11,677,125	491,016	13,011,906	26,098,389

Accumulated amortisation and impairment

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2018	918,342	10,206,073	346,846	0	11,471,260
Amortisation charges	0	257,676	58,648	0	316,323
Decrease	0	0	0	0	0
Reclassification	0	0	0	0	0
As at Mar 31 2018	918,342	10,463,749	405,493	0	11,787,584

Comparative data for the period from January 1st to December 31st 2017

Gross carrying amount

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2017	918,342	10,233,021	274,522	6,577,350	18,003,234
Increase	0	0	75,271	6,905,684	6,980,955
Reclassification of completed development work	0	1,444,104	135,838	(1,579,943)	0
Decrease	0	0	0	0	0
Remeasurement	0	0	0	0	0
Reclassification as assets held for sale	0	0	0	0	0
Discontinued work written off	0	0	0	(445,431)	(445,431)
As at Dec 31 2017	918,342	11,677,125	485,631	11,457,660	24,538,758

Accumulated amortisation and impairment

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2017	823,351	9,062,160	196,513	0	10,082,024
Amortisation charges	94,991	1,143,913	150,333	0	1,389,236
Decrease	0	0	0	0	0
Reclassification as assets held for sale	0	0	0	0	0
As at Dec 31 2017	918,342	10,206,073	346,846	0	11,471,260

4.10. TRADE AND OTHER RECEIVABLES (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Trade and other receivables, including:	1,184,351	2,620,649
taxes, grants, customs duties and social security	307,102	110,800
other	119,707	106,257
Impairment losses on trade receivables	(158,638)	(158,638)
Total	1,452,522	2,679,069

For information on key customers whose balances as at March 31st 2018 represented a material share of total trade receivables, see Note 4.10.1. to the interim condensed financial statements.

4.10.1. Trade receivables (PLN)

The average collection period for trade receivables is 14 days. The Company created provisions for the full amount of receivables that are more than 360 days past due as past experience shows that such receivables are virtually unrecoverable.

As at March 31st 2018, the recognised balances of receivables added up to PLN 1,452,522,901 (PLN 2,679,069 as at December 31st 2017). Key customers whose balances as at March 31st 2018 exceeded 5% of total trade receivables are listed in the table below.

Trading partner:

	As at Mar 31 2018	As at Dec 31 2017
Koch Media GmbH	0	79,576
Valve Corporation	224,470	920,645
Apple Inc	298,232	378,803
Google Commerce Ltd	45,486	162,917
Yiwan (Shanghai) Network Technology Co., Ltd	164,967	133,913
WILDFRAME MEDIA S.L.	0	229,400

Shanghai Kena Information Technology Co., Ltd.	0	121,846
GOG Sp. z o.o.	200,783	108,786

The balances below are shown inclusive of receivables that were past due as at the end of the period but no provisions were made for them as their quality had not materially changed and they were still considered recoverable (see the ageing analysis below).

Ageing analysis of past due receivables

	As at Mar 31 2018	As at Dec 31 2017
60-90 days	0	24,716
91-120 days	1,649	0
121-360 days	0	0
over 360 days	6,317	6,317
Total	7,967	31,033

Changes in impairment losses on doubtful receivables

	As at Mar 31 2018	As at Dec 31 2017
As at beginning of reporting period	158,638	220,673
Recognition	0	0
Reversal	0	(62,034)
Use	0	0
As at end of reporting period	158,638	158,638

Impairment losses on doubtful debts included impaired trade receivables totalling PLN 158,638 as at March 31st 2018 (December 31st 2017: PLN 158,638). The impairment losses recognised represent the difference between the carrying amount of such trade receivables and the present value of the expected liquidation proceeds. The debt is not secured.

Ageing analysis of impaired trade receivables

	As at Mar 31 2018	As at Dec 31 2017
60-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	158,638	158,638
Total	158,638	158,638

4.11. NON-CURRENT FINANCIAL ASSETS (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Investment fund units (PKO BP Płynnościowy SFIO)	3,071,819	3,053,534
Total	3,071,819	3,053,534

4.12. OTHER CURRENT ASSETS (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Insurance	21,186	25,368
Domain names, licences, subscriptions	32,005	14,412
Prepaid expenses	241,951	250,819
Other	3,000	3,000
Total	298,141	293,599

Prepayments and accrued income comprised prepaid domain fees, property insurance, subscriptions, stock exchange fees and trade conference accreditation fees.

4.13. OTHER ASSETS (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Long-term security deposits	148,398	145,116
Long-term prepayments and accrued income	2,415	3,220
Total	150,813	148,336

4.14. CASH AND CASH EQUIVALENTS (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Cash in hand and at banks	11,157,521	13,076,622
Bank deposits	12,000,000	12,099,710
PKO BP Bank Hipoteczny bonds	3,000,000	3,000,000
Total	26,157,521	28,176,332

Cash at banks, cash in hand and bank deposits as at March 31st 2018, by currency:

- PLN 22,108,334,
- USD 930,620 (PLN 3,177,044)
- EUR 188,555 (PLN 793,536),
- CNY 144,472 (PLN 78,607).

Cash at banks, cash in hand and bank deposits as at December 31st 2017, by currency:

- PLN 17,861,588,
- USD 2,638,428 (PLN 9,185,158),
- EUR 252,297 (PLN 1,052,307),
- CNY 144,472 (PLN 77,278).

The bonds of PKO Bank Hipoteczny are treated as the Company's current liquidity management instruments rather than an investment.

4.15. SHARE CAPITAL (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Share capital	228,720	228,720
Total	228,720	228,720

As at March 31st 2018, the Company's share capital consisted of 2,287,199 fully paid-up ordinary shares totalling PLN 228,719.90.

4.16. TRADE AND OTHER PAYABLES (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Trade payables	153,625	551,919
Taxes, customs duties, insurance and other dues	138,238	98,851
Accruals and deferred income	100,250	546,284
Amounts payable to employees	0	799
Total	392,112	1,197,853

The average period of payment to suppliers of goods and services in Poland was 14 days. The Company has financial risk management policies in place to ensure the timely payment of liabilities.

4.17. ACCRUED EMPLOYEE BONUSES AND OTHER ACCRUALS AND DEFERRED INCOME (PLN)

	Accrued bonuses for management and employees	Accrued salaries and wages	Other	Total
As at Jan 1 2018	100,000	159,106	287,178	546,284
Increase:	11,871	16,504	42,411	70,786
Recognition	11,871	16,504	42,411	70,786
Decrease:	100,000	159,106	257,715	516,821
Use	100,000	159,106	257,715	516,821
Reversal	0	0	0	0
As at Mar 31 2018	11,871	16,504	71,875	100,250

Comparative data for the period from January 1st to December 31st 2017

	Accrued bonuses for management and employees	Accrued salaries and wages	Other	Total
As at Jan 1 2017	762,703	51,270	68,753	882,726
Increase:	655,853	212,179	674,289	1,542,321
Recognition	655,853	212,179	674,289	1,542,321
Decrease:	1,318,556	104,344	455,863	1,878,763
Use	824,504	104,344	417,771	1,346,619
Reversal	509,958	0	22,187	532,145
Reclassification	(15,906)	0	15,906	0
As at Dec 31 2017	100,000	159,106	287,178	546,284

4.18. FINANCIAL INSTRUMENTS (PLN)

4.18.1. Financial instruments by category

Financial assets

	As at Mar 31 2018	As at Dec 31 2017
Cash	26,157,521	28,176,332
Investment fund units	3,071,819	3,053,534
Loans and receivables	1,452,522	2,679,070
Total	30,681,861	33,908,936

Financial liabilities

	As at Mar 31 2018	As at Dec 31 2017
Trade and other payables	392,112	1,197,853
Total	392,112	1,197,853

Ageing analysis of trade and other payables

	As at Mar 31 2018	As at Dec 31 2017
Current	384,146	1,181,574
60-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	7,966	16,279
Total	392,112	1,197,853

4.18.2. Changes in methods of measurement and classification of financial instruments

Relative to the prior reporting period, the Company did not change the methods used to measure and classify its financial instruments. The Company does not have any financial instruments measured at fair value. Due to their short-term nature, the book value of trade receivables and payables is substantially close to their fair value.

4.19. DEFERRED INCOME (PLN)

	As at Mar 31 2018	As at Dec 31 2017
Government grants (a)	1,047,807	1,068,979
Other (b)	163,771	160,189
Total	1,211,578	1,229,168
Short-term	448,807	466,396
Long-term	762,772	762,772
Total	1,211,578	1,229,168

(a) The amount represents the total of:

- Government grant (EU funding) received in 2014 under the INNOTECH programme. Income from the grant was partly accounted for against property, plant and equipment depreciation recognised in 2014-2015 and continues to be accounted for against depreciation recognised in 2016, 2017 and in later years - PLN 70,268 (December 31st 2017: PLN 91,439);
- Government grant (EU funding) received in 2014 under the MEDIA programme for the development of proprietary technology. Income from the grant has not been accounted for yet. It will be recognised against depreciation in the coming years - PLN 539,973 (December 31st 2016: PLN 539,973);
- Government grant (EU funding) received in 2017 under the Creative Media programme for the development of *Project 8*, our new innovative video game. Income from the grant has not been accounted for yet. It will be recognised against depreciation in the coming years - PLN 437,566 (December 31st 2016: PLN 437,566).

(b) The amount represents settlement of contracts entered into by the Company with two trading partners. The partners, which resell goods made by the Company (games) to end customers, purchased the Company's proprietary games as well as games published by the Company in volumes specified in the respective agreements. The purchased games have been fully paid for. However, software keys to some of the games have not been delivered to the partners yet.

4.20. RELATED-PARTY TRANSACTIONS

Related parties of the Company include members of the Management Board and Supervisory Board, and the key personnel of the Company (key management):

- Grzegorz Miechowski - President of the Management Board
- Bartosz Brzostek - Member of the Management Board
- Przemysław Marszał - Member of the Management Board
- Michał Drozdowski - Member of the Management Board
- Piotr Sulima - Chairman of the Supervisory Board
- Jacek Czykiel - Deputy Chairman of the Supervisory Board
- Radosław Marter - Member of the Supervisory Board
- Agnieszka Maria Kruz - Member of the Supervisory Board
- Wojciech Ozimek - Member of the Supervisory Board

After the end of the reporting period, on May 9th 2018, Bartosz Brzostek, a Member of the Management Board, resigned from office for personal reasons.

In addition, the Company's related parties include also the following persons related to members of the key management:

- Paweł Miechowski, a senior writer - brother of Grzegorz Miechowski, President of the Management Board,
- Kancelaria Radcy Prawnego Agnieszki Rabenda-Ozimek (law office); Agnieszka Rabenda-Ozimek is married to Wojciech Ozimek, Member of the Supervisory Board.

4.20.1. Commercial transactions (PLN)

Apart from the services provided by the members of the Management Board and Supervisory Board as described in Note 4.20.4., the Company entered into the following related-party transactions in Q1 2018 and Q1 2017:

	Period ended Mar 31 2018	Period ended Mar 31 2017
Arkona - Paweł Miechowski	35,897	28,624
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek	24,836	17,374
Total	60,733	45,998

4.20.2. Loans advanced to related parties

In Q1 2018 and in Q1 2017, 11 bit studios S.A. did not grant any loans to related parties.

4.20.3. Loans received from related parties

The Company did not receive any loans from related parties in Q1 2018 or Q1 2017.

4.20.4. Remuneration of members of the Management Board, key personnel and members of the Supervisory Board (PLN)

The Management Board of the Company is its key management personnel. The remuneration received by the members of the Company's Management Board in Q1 2018 and in the comparative period for the performance of their functions was as follows:

	Period ended Mar 31 2018	Period ended Mar 31 2017
Short-term benefits - Management Board:	253,545	206,860
Short-term benefits - Supervisory Board:	11,871	11,871
Total	265,416	218,731

Remuneration of the members of the Company's Management Board is fixed by the Supervisory Board, depending on the performance of individual persons and on market trends.

The members of the Company's Management Board did not receive any other remuneration based on profit distribution for Q1 2018 or Q1 2017. They are, however, covered by the Incentive Scheme as detailed in Note 3.25.1. to the full-year financial statements of 11 bit studios S.A. for 2017.

In addition, members of the Management Board received the following consideration for services under contracts for specific work (*umowa o dzieło*):

	Period ended Mar 31 2018	Period ended Mar 31 2017
Short-term benefits - Management Board (under contracts for specific work):	0	90,000
Total	0	90,000

4.20.5. Other related-party transactions

Apart from the transactions described above, the Company did not enter into any other related-party transactions.

4.21. INFORMATION ON DIVIDEND PAID OR DECLARED

The Company did not pay any dividend in Q1 2018 or Q1 2017.

4.22. CAPITAL COMMITMENTS

Neither as at March 31st 2018 nor in the prior comparative period did the Company take on any contractual commitments to purchase any property, plant or equipment.

Neither as at March 31st 2018 nor in the prior comparative period was the Company party to any joint ventures.

4.23. CONTINGENT ASSETS AND LIABILITIES

4.23.1. The Company as a lessee

During the financial year, 11 bit studios S.A. occupied office space for business purposes at ul. Bertolta Brechta 7, Warsaw, under a lease contract of May 25th 2016. Lease costs recognised in profit or loss for Q1 2018 totalled PLN 82,406.

Irrevocable lease payments (within up to 1 year) for the office space at ul. Bertolta Brechta 7, Warsaw, amounted to PLN 123,608.

In the same period of the preceding financial year, the costs of office space lease at ul. Bertolta Brechta 7 in Warsaw recognised in profit or loss totalled PLN 113,537.

4.23.2. Contingent liabilities

Neither as at March 31st 2018 nor in the prior comparative period did the Company recognise any contingent liabilities.

4.23.3. Contingent assets

Neither as at March 31st 2018 nor in the prior comparative period did the Company recognise any contingent assets.

4.24. SEASONAL AND CYCLICAL CHANGES IN THE COMPANY'S INTERIM BUSINESS

In Q1 2018, the Company did not record any unusual seasonal or cyclical fluctuations.

4.25. FACTORS AND EVENTS, ESPECIALLY OF A NON-RECURRING NATURE, WITH A BEARING ON THE FINANCIAL PERFORMANCE

In Q1 2018, there were no events of a non-recurring nature that affected the Company's financial performance in that period.

4.26. EVENTS SUBSEQUENT TO THE REPORTING DATE

As at May 10th 2018, i.e. the date of authorisation of these financial statements by the Management Board of 11 bit studios S.A., no events occurred that would affect the Company's interim financial statements for Q1 2018.

After the end of the reporting period, on May 9th 2018, Bartosz Brzostek, a Member of the Management Board, resigned from office for personal reasons.

4.27. FACTORS WITH A BEARING ON THE COMPANY'S FUTURE RESULTS

The Company's performance in future periods will be determined mostly by the sales of *Frostpunk*, a game launched in a PC version on April 24th 2018. The game, which has cost approximately PLN 10m to develop (plus around PLN 2m in marketing expenses) and has absorbed most of the Company's human resources in the recent years, has been a great market success. Between its launch and the issue of these financial statements for Q1 2018, *Frostpunk* was continuously ranked among bestsellers on Steam, the world's largest digital game distribution platform. Owing to the strong demand for the game, within 66 hours of its launch, the Company sold more than 250,000 copies, surpassing the game's break-even point. The Management Board believes that, just like the Company's previous hit *This War of Mine*, *Frostpunk* has the potential to attract gamers for a long time, especially that 11 bit studios S.A. intends to develop it further by releasing additional free and paid expansion packs (DLCs).

Continued sale of *This War of Mine* should also have a noticeable impact on the Company's performance in 2018. As already announced, 11 bit studios S.A. intends to release two more DLCs in the *TWoM: Stories* series this year. The first DLC in this series, launched on November 14th 2017 (on the third anniversary of the original version of *TWoM*), received very good ratings from the gaming community, which had a positive effect on its sales. Apart from the production of further *TWoM* expansion packs, including the *TWoM: Stories* series, 11 bit studios S.A. has more ideas to drive the development of the brand. The Company will communicate the details of its activities in future periods.

In the long run, in addition to the continued monetisation of *Frostpunk* and *TWoM*, the Company expects to earn revenue from the sale of a game known under the working title *Project 8*. Its production started in late 2016 / early 2017. The team responsible for the project includes almost 20 people today and is still growing.

The mid-term (multi-year) strategy of 11 bit studios S.A. in the game production area envisages that the Company will be able to release one in-house developed game per year, supporting the stability of its financial performance, which tends to be highly volatile in the video games industry.

Revenue from the publishing business (the 11 bit publishing division) should account for a noticeable part of the Company's financial performance in 2018. In 2017, the Company released two games created by third-party developers, *Beat Cop* and *Tower 57*. 11 bit publishing is planning on two far larger premieres in 2018. May 29th will see the launch of *Moonlighter*, created by the Spanish studio Digital Sun. The game, to be released for PCs, PS4 and Xbox One on its launch day (and for Nintendo Switch a few months later) has been shown at a number of industry events in the recent months, attracting a lot of interest from gamers. It has also received very positive opinions from industry media, allowing us to expect that its selling potential might be high. *Children of Morta*, the second game in the portfolio of 11 bit publishing, scheduled for release in 2018 and created by the American and Iranian studio Dead Mage, enjoys a similar popularity. It will be released for PCs, PS4 and Xbox One. The release date will be announced in the coming months. The 11 bit publishing management team is actively engaged in acquisition efforts in order to build a publishing pipeline for the coming years.

The mid-term (multi-year) strategy of 11 bit studios S.A. in the publishing area envisages a launch of a third-party game every quarter. If the number of new releases in the 11 bit publishing division increases to a few per year, this should have a positive effect on the Company's performance in terms of both volume and stability.

4.28. PROCEEDINGS PENDING BEFORE A COURT, ARBITRATION BODY OR PUBLIC ADMINISTRATION AUTHORITY

There are no proceedings pending before courts or public administration bodies against 11 bit studios S.A. concerning the Company's liabilities or receivables whose total value would represent 10% of the Company's equity, or which could have a material and foreseeable impact on the Company's future financial performance.

4.29. MANAGEMENT BOARD'S STATEMENT

Pursuant to the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009, the Company's Management Board hereby represents that, to the best of its knowledge, these interim condensed financial statements and comparative data have been prepared in accordance with the accounting policies applicable to 11 bit studios S.A. and that they give a true, fair and clear view of the Company's assets, financial standing and profit (loss).

These interim condensed financial statements have been prepared based on accounting policies, in accordance with the International Financial Reporting Standards as endorsed by the European Union, and where no specific provisions are provided in the above standards - in accordance with the requirements of the Polish Accounting Act of September 29th 1994 (Dz.U. of 2013, item 330, as amended) and secondary legislation issued on its basis, and insofar as required by the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009 (Dz.U.2014.133, consolidated text).

These interim condensed financial statements of 11 bit studios S.A. present data for the reporting period from January 1st to March 31st 2018 and contain the following comparative data:

- Statement of financial position - as at December 31st 2017,
- Statement of profit or loss and other comprehensive income - for the period of three months ended March 31st 2017,
- Statement of changes in equity - for the period of three months ended March 31st 2017,
- Statement of cash flows - for the period of three months ended March 31st 2017.

These interim condensed financial statements have been prepared on a historical cost basis. These interim condensed financial statements do not include all information and disclosures required in full-year financial statements and should be read in conjunction with the full-year financial statements for 2017, including notes, for the period of 12 months ended December 31st 2017, prepared in accordance with the IFRS as endorsed by the EU.

These interim condensed separate financial statements are not subject to auditing by an independent auditor.

4.30. AUTHORISATION OF FINANCIAL STATEMENTS

These interim condensed financial statements of 11 bit studios S.A. were authorised for issue by the Company's Management Board on May 10th 2018.

Signed by:



Grzegorz Miechowski

President of the
Management Board



Przemysław Marszał

Member of the
Management Board



Michał Drozdowski

Member of the
Management Board

Warsaw, May 10th 2018