

WARSZAWA, 14.11.2018

**11 BIT STUDIOS S.A.
INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS
ENDED SEPTEMBER 30th 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. Governing bodies as at September 30th 2018	5
2.4. Large holdings of Company shares as at the issue date of the report	6
2.5. Holdings of Company shares by members of the management and supervisory staff as at September 30th 2018	7
2.6. Headcount	7
2.7. Functional and presentation currency	7
3. INTERIM CONDENSED FINANCIAL STATEMENTS OF 11 BIT STUDIOS S.A.	8
3.1. Interim condensed statement of profit or loss and other comprehensive income (PLN)	8
3.2. Interim condensed statement of financial position (PLN)	9
3.3. Interim condensed statement of changes in equity (PLN)	10
3.4. Interim condensed statement of cash flows (PLN)	12
4. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF 11 BIT STUDIOS S.A. ...	13
4.1. International Financial Reporting Standards applied by the Company	13
4.2. Material achievements or failures of the Company in the reporting period	14
4.3. Revenue (PLN).....	16
4.4. Finance income (PLN)	17
4.5. Finance costs (PLN).....	17
4.6. Other income and expenses (PLN).....	18
4.7. Income tax on continuing operations (PLN)	18
4.8. Property, plant and equipment (PLN)	19
4.9. Intangible assets (PLN).....	19
4.10. Trade and other receivables (PLN)	20
4.11. Non-current financial assets (PLN)	21
4.12. Short-term financial assets (PLN)	21
4.13. Other current assets (PLN)	22
4.14. Other assets (PLN).....	22
4.15. Cash and cash equivalents (PLN)	22
4.16. Share capital (PLN)	22
4.17. Trade and other payables (PLN)	23
4.18. Accrued employee bonuses and other accruals and deferred income (PLN)	23
4.19. Financial instruments (PLN)	23
4.20. Deferred income (PLN).....	24
4.21. Related-party transactions	25
4.22. Information on dividend paid or declared.....	26
4.23. Capital commitments	26
4.24. Contingent assets and liabilities	26
4.25. Seasonal and cyclical changes in the Company's business during the reporting period	26
4.26. Factors and events, especially of a non-recurring nature, with a bearing on the financial results	26
4.27. Events subsequent to the reporting date.....	26
4.28. Factors with a bearing on the Company's future results.....	26
4.29. Proceedings pending before a court, arbitration body or public administration authority.....	27
4.30. Management Board's statement	27
4.31. Authorisation of financial statements	28

LETTER FROM THE MANAGEMENT BOARD

Warsaw, November 14th 2018

Dear Shareholders and Investors!

It is our pleasure to present to you the financial report of 11 bit studios S.A. for the quarter of 2018. We are satisfied with the Company's business achievements during this period and the financial results achieved. The spring premiere of "Frostpunk", our largest and most expensive production to date, confirmed that we have the highest competence in creating computer games. The excellent sales of "Frostpunk" in the months after the release confirmed our high skills in long-term monetisation of games. We are convinced that with further initiatives - including the released extensions or porting to other hardware platforms - "Frostpunk" will maintain its status of a product strategic for the Company's financial results for a number of quarters to come.

Similarly, we are very satisfied with the development of our publishing division, which has successfully released of "Moonlighter". The commercial success of this title, developed by the Spanish Digital Sun studio, in addition to its measurable contribution to the results of 11 bit studios S.A. for the nine months ended September 30th 2018, has considerably strengthened our position as a competent publisher in the gaming industry. This gives our publishing division space for much more dynamic growth, and allows us to seek projects with even higher commercial potential. We are already holding a number of promising discussions.

With excellent sales of "Frostpunk", "Moonlighter" and "This War of Mine" (despite the fact that four years have passed since the TWoM release), our Company's revenue in the nine months to September 30th 2018 was PLN 59.62m, i.e. over five times more than a year before. EBITDA came in at almost PLN 38.13m (compared with PLN 3.69m in the corresponding period of 2017). Operating profit was PLN 35.22m (PLN 2.35m), and net profit came in at PLN 28.52m, compared with a PLN -0.56m loss a year ago. Needless to say, the results generated in the nine months to the end of September 2018 were record-high in the history of 11 bit studios S.A. Our cash reserves were also record high. At the end of September 2018, 11 bit studios S.A. held over PLN 61.67m in bank accounts, bank deposits, bonds and units of a conservative investment fund. This amount did not include trade receivables of PLN 4.54m, which are converted into cash on an ongoing basis. In other words, our cash resources doubled compared with the beginning of 2018.

It is worth noting that this year's results take into account, among other things, high royalties paid to the producer of "Moonlighter" following the game's strong sales performance. The royalties, which so far have reached almost PLN 7m, were behind the large year-on-year increase in cost of services. The reported increase in salaries and wages was attributable to non-cash provisions recognised in connection with the Company's 2017-2019 Incentive Scheme. In the nine months to September 30th 2018, the provisions totalled nearly PLN 4.1m.

Our strong financial standing does not mean, however, we will now rest on our laurels. On the contrary, it drives us to work even harder. Currently, our most important task is production of a game with a working title "Projekt 8" and an estimated budget of approximately PLN 20m. We believe that "Projekt 8" will be the next milestone in our development. We also strongly believe in a successful release of "Children of Morta" by our publishing division, which is scheduled to take place early in 2019. We also intend to further develop "Frostpunk" and monetise "This War of Mine" and other titles, including "Moonlighter" and "Beat Cop". As our financial results this year demonstrate, diversification of revenue sources has a stabilising effect on the Company's standing and is a key element of our strategy.

Thank you once again for the trust you have placed in us. We invite you to read out 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 presented 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 September 30th 2018 - PLN 4.2714
- 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-Q3 2018 - PLN 4.2535
- Exchange rate for Q1-Q3 2017 - PLN 4.2566

1.1. STATEMENT OF FINANCIAL POSITION

	Sep 30 2018 (PLN) (unaudited)	Dec 31 2017 (PLN) (audited)	Sep 30 2018 (EUR) (unaudited)	Dec 31 2017 (EUR) (audited)
Total assets	86,679,676	48,649,817	20,293,037	11,664,105
Non-current assets	23,793,944	17,173,693	5,570,526	4,117,503
Intangible assets	16,633,967	13,067,498	3,894,266	3,133,016
Current assets	62,885,732	31,476,124	14,722,511	7,546,602
Non-current financial assets	5,089,972	3,053,534	1,191,640	732,104
Cash	29,582,193	28,176,332	6,925,643	6,755,456
Short-term financial assets	27,000,000	0	6,321,113	0
Total equity and liabilities	86,679,676	48,649,817	20,293,037	11,664,105
Equity	78,833,467	46,222,796	18,456,119	11,082,211
Liabilities and provisions	7,846,209	2,427,021	1,836,917	581,894

1.2. STATEMENT OF PROFIT OR LOSS

	Period ended Sep 30 2018 (PLN) (unaudited)	Period ended Sep 30 2017 (PLN) (unaudited)	Period ended Sep 30 2018 (EUR) (unaudited)	Period ended Sep 30 2017 (EUR) (unaudited)
Revenue	59,620,481	11,401,961	14,016,805	2,678,655
Depreciation and amortisation	2,902,252	1,346,251	682,321	316,274
Operating profit	35,224,310	2,348,022	8,281,253	551,619
EBITDA	38,126,562	3,694,272	8,963,574	867,893
Profit (loss) before tax	36,376,318	(523,043)	8,552,091	(122,878)
Net profit (loss)	28,518,085	(559,317)	6,704,616	(131,400)

1.3. STATEMENT OF CASH FLOWS

	Period ended Sep 30 2018 (PLN) (unaudited)	Period ended Sep 30 2017 (PLN) (unaudited)	Period ended Sep 30 2018 (EUR) (unaudited)	Period ended Sep 30 2017 (EUR) (unaudited)
Net cash from operating activities	34,726,289	3,660,587	8,174,135	859,979
Net cash from investing activities	(33,320,428)	(6,391,985)	(7,833,649)	(1,501,664)
Net cash from financing activities	0	1,028,907	0	241,720
Total net cash flows	1,405,861	(1,702,491)	330,519	(399,965)

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: 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: 16069/2009). The Company shares are traded in a public market.

Company name:	11 bit studios Spółka akcyjna
Abbreviated name:	11 bit studios S.A.
Registered office:	Warsaw, Poland 03-472 Warsaw, ul. Bertolta Brechta 7
Principal business activity:	- computer programming activities (62.01.Z code in Polish Classification of Activities)
Business	
Competent 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 Company was established for indefinite time.

The financial year of the Company is the same as the calendar year.

The Company’s principal business activity includes:

- 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 its subsidiary Games Republic Limited of Malta. On April 11th 2017, the Company announced sale of 100% of shares in Games Republic Limited to Lousva Trading Limited. As of that date, the 11 bit studios Group ceased to exist, and 11 bit studios S.A. stopped publishing consolidated financial statements since.

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 September 30th 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 - nine months ended September 30th 2017,
- Statement of changes in equity - nine months ended September 30th 2017,
- Statement of cash flows - nine months ended September 30th 2017.

2.3. GOVERNING BODIES AS AT SEPTEMBER 30TH 2018

Management Board

- Grzegorz Miechowski - President 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
- Radosław Marter - Member of the Supervisory Board
- Agnieszka Maria Kruz - Member of the Supervisory Board
- Wojciech Ozimek - Member of the Supervisory Board

The composition of the Company’s Management Board changed in the reporting period. On May 9th 2018, Bartosz Brzostek, Member of the Management Board, resigned from office for personal reasons. The term of office of the other Management Board members expires on the date when the General Meeting approves the Company’s financial statements for the financial year ending December 31st 2018. 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 Supervisory Board ends on June 9th 2019.

2.4. LARGE HOLDINGS OF COMPANY SHARES AS AT THE ISSUE DATE OF THE REPORT

	Number of shares	% of share capital held	Number of voting rights	% of total voting rights at GM
Grzegorz Miechowski	160,696	7.03	160,696	7.03
Przemysław Marszał	118,000	5.16	118,000	5.16
Michał Drozdowski	89,630	3.92	89,630	3.92
NN TFI	119,229	5.21	119,229	5.21
Aviva Investors Polska TFI	116,038	5.07	116,038	5.07
Other shareholders	1,683,606	73.61	1,683,606	73.61
Total	2,287,199	100.00	2,287,199	100.00

In the reporting period, there were changes in the shareholding structure of 11 bit studios S.A., including changes in holdings of Company shares by management staff and persons related to the Company's supervisory staff.

In Current Report No. 9/2018 of May 16th 2018, 11 bit studios S.A. announced that on that date the Company received notifications under Art. 19.1 of the Market Abuse Regulation from Ms Agnieszka Rabenda-Ozimek, a person closely related to Mr Wojciech Ozimek, Member of the Company's Supervisory Board, concerning sale of 11 bit studios S.A. shares. On May 14th and 15th 2018, Agnieszka Rabenda-Ozimek sold 94 shares of 11 bit studios S.A. (60 shares at PLN 500 per share and 34 shares at PLN 545 per share).

In Current Report No. 13/2018 of June 16th 2018, 11 bit studios S.A. announced that on June 15th the Company received a notification under Art. 19.1 of the Market Abuse Regulation from Ms Agnieszka Rabenda-Ozimek, a person closely related to Mr Wojciech Ozimek, Member of the Company's Supervisory Board, concerning sale of 11 bit studios S.A. shares. On June 5th 2018, Ms Agnieszka Rabenda-Ozimek sold 20 shares of 11 bit studios S.A., at PLN 490 per share.

In Current report No. 14/2018 of June 19th 2018, 11 bit studios S.A. announced that on that date the Company received a notification under Art. 69.1.1 in connection with Art. 87.1.2.a) of the Act on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies submitted by NN Investment Partners TFI S.A. ("NN TFI") on exceeding the threshold of 5% of total voting rights in 11 bit studios S.A. The percentage of total voting rights in the Company changed following purchase of Company shares on June 15th 2018 by NN Fundusz Inwestycyjny Otwarty, NN Specjalistyczny Fundusz Inwestycyjny Otwarty 2, NN (L) Total return Fundusz Inwestycyjny Zamknięty and Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty. Prior to the change, the investment funds managed by NN TFI held 112,476 shares in 11 bit studios S.A., representing 4.93% of total voting rights in the Company and 4.93% of the share capital. As at the date of exceeding the threshold, the investment funds managed by NN TFI held 119,229 shares in 11 bit studios S.A., representing 4.93% of total voting rights in the Company and 5.21% of the share capital.

In Current Report No. 15/2018 of June 22nd 2018, 11 bit studios S.A. announced that on that date the Company received a notification under Art. 19.1 of the Market Abuse Regulation from Mr Grzegorz Miechowski, President of the Company's Management Board, concerning sale of 11 bit studios S.A. shares. On June 22nd 2018, Mr Grzegorz Miechowski sold 2,000 shares of 11 bit studios S.A., at PLN 445 per share. Following the transaction, Mr Miechowski holds 160,696 Company shares, conferring 7.03% of total voting rights in the Company and representing 7.03% of its share capital.

In Current Report No. 16/2018 of June 22nd 2018, 11 bit studios S.A. announced that on that date the Company received a notification under Art. 19.1 of the Market Abuse Regulation from Mr Przemysław Marszał, Member of the Company's Management Board, concerning sale of 11 bit studios S.A. shares. On June 22nd 2018, Przemysław Marszał sold 4,000 shares of 11 bit studios S.A., at PLN 445 per share. Following the transaction, Mr Marszał holds 118,000 Company shares, conferring 7.03% of total voting rights in the Company and representing 5.16% of its share capital.

In Current Report No. 17/2018 of June 22nd 2018, 11 bit studios S.A. announced that on that date the Company received a notification under Art. 19.1 of the Market Abuse Regulation from Mr Michał Drozdowski, Member of the Company's Management Board, concerning sale of 11 bit studios S.A. shares. On June 22nd 2018, Michał Drozdowski sold 4,000 shares of 11 bit studios S.A., at PLN 445 per share. Following the transaction, Mr Drozdowski holds 89,630 Company shares, conferring 7.03% of total voting rights in the Company and representing 3.92% of its share capital.

In Current Report No. 19/2018 of July 26th 2018, 11 bit studios S.A. announced that on that date the Company received a notification from Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. of Warsaw, concerning reduction of its holding of Company shares to below 5% of total voting rights in the Company. The share in the total voting rights decreased as a result of disposal of the Company shares. The transaction was settled on July 20th 2018. Prior to the transaction, the funds managed by N-N PTE S.A. held 114,922 Company shares, conferring 5.02% of total voting rights in the Company and representing 5.02% of the share capital. Following the transaction, the Funds hold 111,832 Company shares, conferring 4.89% of total voting rights in the Company and representing 4.89% of the share capital.

After the reporting period, in Current Report No. 22/2018 of October 5th 2018, 11 bit studios S.A. announced that on October 5th 2018 the Company was notified by Mr Bartosz Brzostek of reduction of his holding of Company shares to below 5% of total voting rights in the Company. The share in the total voting rights decreased as a result of disposal of the Company shares.

Prior to the transaction, Mr Bartosz Brzostek held 114,721 Company shares, conferring 5.02% of total voting rights in the Company and representing 5.02% of its share capital. After the transaction, Mr Bartosz Brzostek holds 113,539 Company shares, conferring 4.96% of total voting rights in the Company and representing 4.96% of its share capital.

In Current Report No. 23/2018 of October 8th 2018, 11 bit studios S.A. announced that on that date the Company received a notification under Art. 19.1 of the Market Abuse Regulation from Ms Agnieszka Rabenda-Ozimek, a person closely related to Mr Wojciech Ozimek, Member of the Company's Supervisory Board, concerning sale of 11 bit studios S.A. shares. On June 15th 2018, Agnieszka Rabenda-Ozimek sold 20 shares of 11 bit studios S.A., at PLN 500 per share.

In Current Report No. 25/2018 of October 15th 2018, 11 bit studios S.A. announced that on that date the Company received a notification under Art. 69.1.1 in connection with Art. 87.1.2.a) of the Act on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies submitted by Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S.A. ("TFI") on exceeding the threshold of 5% of total voting rights in 11 bit studios S.A. The percentage of total voting rights in the Company changed following the purchase of Company shares on October 11th 2018 by Aviva Investors Fundusz Inwestycyjny Otwarty and Aviva Investors Specjalistyczny Fundusz Inwestycyjny managed by the TFI. Prior to the change, the investment funds managed by the TFI held 113,451 shares in 11 bit studios S.A., representing 4.96% of the Company's share capital. On the day when the threshold was exceeded, the investment funds managed by the TFI held 116,038 shares in 11 bit studios S.A., representing 5.07% of the Company's share capital.

2.5. HOLDINGS OF COMPANY SHARES BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY STAFF AS AT SEPTEMBER 30TH 2018

	Position	Number of shares	% of share capital held	Number of voting rights	% of total voting rights
Grzegorz Miechowski	President of the Management Board	160,696	7.03	160,696	7.03
Przemysław Marszał	Member of the Management Board	118,000	5.16	118,000	5.16
Michał Drozdowski	Member of the Management Board	89,630	3.92	89,630	3.92

In the reporting period, holdings of Company shares by the management and supervisory staff changed. For details, see Note 2.4.

2.6. HEADCOUNT

As at the date of issue of these financial statements, 92 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 złoty (PLN). The Management Board of 11 bit studios S.A. has resolved that the Polish złoty 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	3 months ended Sep 30 2018 (unaudited)	3 months ended Sep 30 2017 (unaudited)	9 months ended Sep 30 2018 (unaudited)	9 months ended Sep 30 2017 (unaudited)
Continuing operations					
Revenue	4.3	13,895,109	2,732,757	59,620,481	11,401,961
Other income	4.6.1	133,263	101,373	596,656	286,732
Total operating income		14,028,372	2,834,130	60,217,137	11,688,693
Depreciation and amortisation		(1,513,263)	(407,756)	(2,902,252)	(1,346,251)
Raw materials and consumables used		(48,558)	(105,709)	(161,269)	(240,370)
Services		(4,752,405)	(1,625,248)	(11,683,219)	(4,302,345)
Salaries, wages and employee benefits		(2,510,363)	(669,532)	(8,941,048)	(1,941,888)
Taxes and charges		(24,745)	(12,790)	(159,060)	(44,626)
Other expenses	4.6.2	(138,024)	(685,326)	(1,092,296)	(1,465,191)
(Impairment)/reversal of impairment of financial instruments		500	0	(53,683)	0
Total operating expenses		(8,986,859)	(3,506,361)	(24,992,828)	(9,340,671)
Operating profit		5,041,513	(672,231)	35,224,310	2,348,022
Finance income	4.4	(141,522)	67,619	1,152,956	110,754
Finance costs	4.5	(370)	(396,450)	(948)	(2,981,820)
Profit before tax		4,899,621	(1,001,061)	36,376,318	(523,043)
Income tax expense	4.7	1,297,876	(170,887)	7,858,233	36,274
Net profit from continuing operations		3,601,745	(830,174)	28,518,085	(559,317)
Discontinued operations		0	0	0	0
Net profit from discontinued operations		0	0	0	0
NET PROFIT		3,601,745	(830,174)	28,518,085	(559,317)
Earnings per share (PLN per share) from continuing operations:					
Basic		1.57	(0.37)	12.47	(0.25)
Diluted		1.49	(0.35)	11.80	(0.24)

	Note	3 months ended Sep 30 2018 (unaudited)	3 months ended Sep 30 2017 (unaudited)	9 months ended Sep 30 2018 (unaudited)	9 months ended Sep 30 2017 (unaudited)
NET PROFIT		3,601,745	(830,174)	28,518,085	(559,317)
Other comprehensive income		0	0	0	0
Total other comprehensive income, net		0	0	0	0
TOTAL COMPREHENSIVE INCOME		3,601,745	(830,174)	28,518,085	(559,317)

3.2. INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (PLN)

ASSETS

	Note	As at Sep 30 2018 (unaudited)	As at Dec 31 2017 (audited)
Non-current assets			
Property, plant and equipment	4.8	688,249	814,332
Intangible assets	4.9	16,633,967	13,067,498
Deferred tax asset		1,185,685	89,993
Other assets	4.14	196,071	148,336
Non-current financial assets	4.11	5,089,972	3,053,534
Total non-current assets		23,793,944	17,173,693
Current assets			
Trade and other receivables	4.10	4,538,607	2,679,070
Income tax receivable	4.7.2	1,479,230	327,123
Other current assets	4.13	285,702	293,599
Cash and cash equivalents	4.15	29,582,193	28,176,332
Short-term financial assets	4.12	27,000,000	0
Total current assets		62,885,732	31,476,124
TOTAL ASSETS		86,679,676	48,649,817

EQUITY AND LIABILITIES

	Note	As at Sep 30 2018 (unaudited)	As at Dec 31 2017 (audited)
Equity			
Share capital	4.16	228,720	228,720
Share premium		4,870,274	4,870,274
Statutory reserve funds		41,331,887	37,914,547
Share-based payment reserve		4,092,586	0
Retained earnings		28,310,000	3,209,255
Total equity		78,833,467	46,222,796
Non-current liabilities			
Deferred income	4.20	762,773	762,772
Deferred tax liability		0	0
Total non-current liabilities		762,773	762,772
Current liabilities			
Trade and other payables	4.17	6,902,408	1,197,853
Income tax liabilities		0	0
Deferred income	4.20	181,030	466,396
Total current liabilities		7,083,438	1,664,249
Total liabilities		7,846,209	2,427,021
TOTAL EQUITY AND LIABILITIES		86,679,676	48,649,817

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

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Foreign exchange differences on translating foreign operations	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	28,518,085	0	0	28,518,085
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	28,518,085	0	0	28,518,085
Profit allocated to statutory reserve funds	0	0	0	0	0	0	0	0	0
Share-based payments	0	0	3,417,340	4,092,586		(3,417,340)	0	0	4,092,586
As at Sep 30 2018	228,720	4,870,274	41,331,887	4,092,586	0	28,310,000	0	0	78,833,467

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Foreign exchange differences on translating foreign operations	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	627,623	0	11,673,160	0	0	42,214,116
Net profit for the financial year	0	0	0	0	0	(559,317)	0	0	(559,317)
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	(559,317)	0	0	(559,317)
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
Balance as at Sep 30 2017 (unaudited)	228,720	4,870,274	37,914,547	0	0	(767,402)	0	0	42,246,139

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Exchange differences on translation of foreign operations and other adjustments	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 Sep 30 2018 (unaudited)	Period ended Sep 30 2017 (unaudited)
Cash flows from operating activities		
Profit for the financial year	28,518,085	(559,317)
Adjustments:		
Depreciation and amortisation	2,902,252	1,346,251
Income tax expense recognised in profit or loss	7,858,233	445,431
Other adjustments	2,180,257	(12,860)
Changes in working capital:		
Increase/decrease in trade and other receivables	(1,859,538)	4,207,466
Increase/decrease in other assets	(39,839)	117,151
Increase/decrease in trade and other payables	5,704,555	(1,065,917)
Increase/decrease in deferred income	(285,367)	125,791
Interest received - discount on settlement of bonds	(42,397)	0
Cash provided by operating activities	44,936,241	4,603,996
Income tax paid	(10,209,952)	(943,409)
Net cash from operating activities	34,726,289	3,660,587
Cash flows from investing activities		
Proceeds from bank deposits upon maturity - over 3 months	6,000,000	0
Proceeds from bonds upon maturity	11,000,000	0
Payments for financial assets	0	(2,000,000)
Proceeds from sale of financial assets	0	681,759
New bank deposits placed - over 3 months	(33,000,000)	0
Outflows on recognition/purchase of bonds	(10,957,605)	0
Payments for property, plant and equipment and intangible assets	(6,362,823)	(5,073,744)
Net cash from investing activities	(33,320,428)	(6,391,985)
Cash flows from financing activities		
Proceeds from issue of shares	0	591,340
Other cash provided by financing activities	0	437,567
Net cash from financing activities	0	1,028,907
Net increase in cash and cash equivalents	1,405,860	(1,702,492)
Cash and cash equivalents at beginning of reporting period	28,176,333	29,113,971
Cash and cash equivalents at end of reporting period	29,582,193	27,411,479

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 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 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 September 30th 2018. The accounting policies applied to prepare these financial statements for the nine months ended September 30th 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 applied for the first time in the Company's financial statements for 2018

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU were applied 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 have not had a material effect 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 the existing standards. The Company estimates that none of those new standards or amendments to the 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 the 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 the existing standards and interpretations 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 the information presented in previous reporting periods, changes in accounting policies or corrections of errors.

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

Initial months of 2018 saw preparations for this year's two most important game releases by 11 bit studios S.A. "Frostpunk", whose production took over three years to complete at the cost of over PLN 12m (including ca. PLN 10m in development costs, with the balance comprising marketing expenses) was the first of the two and premiered on April 24th 2018. On the day of release, "Frostpunk" was available for PCs version and was distributed via retail (boxed versions) and electronic (digital versions) channels in seven languages. As at the end of the reporting period, nine language versions of the game were available. Thanks to a very effective marketing campaign (on the eve of the game premiere, "Frostpunk" featured on wishlists of 377 thousand users of the Steam platform), the game was very well received by the players which translated into high sales during the release period. Within 66 hours of the premiere, more than 250 thousand copies of "Frostpunk" were sold (see Current Report No. 6/2018 of April 27th 2018), which more than covered all the production costs. "Frostpunk" came to the very top of bestseller lists compiled by the world's leading digital gaming platforms, including Steam, Humble Bundle and GOG.com. The game also enjoyed very high marks for its quality and playability awarded by the industry's media (initially 85/100 points by Metacritic; currently 84/100) and the users (initially 8.7/10 points, currently 8.5/10).

In the following months of 2018, including in the entire third quarter, sales of "Frostpunk" continued strong. At the time, the Company took a number of steps to maintain the fans' interest in the game and its monetisation momentum. As mentioned above, two other language versions were added: Portuguese (Brazilian) and Turkish. By the end of 2018, the number of language versions of "Frostpunk" is expected to be further extended. The Company also continued to work on

the development and expansion of the game, thus responding to comments and suggestions from the community. The first large, free mode (extension), “Survivor Mode”, was released on June 19th 2018. The launch of “Survivor Mode” was combined with a promotional and sales campaign on Steam, which resulted in a clear increase in sales of “Frostpunk” in this period. “The Fall of Winterhome”, a much larger extension (scenario) premiered on September 19th 2018. It was very well received by the market. As a result, “Frostpunk” was again among the best sellers on Steam, which, combined with less extensive promotional and sales campaigns on Steam and other platforms in the third quarter of 2018 translated into very good results of 11 bit studios S.A. for that period and for the whole first nine months of 2018.

After the reporting date, the Company continued work on the development of the game, with plans to release “Endless Mode”, another free major add-on which will significantly extend the Frostpunk world. The release is scheduled some time before the end of 2018. In the initial weeks of Q4 2018, 11 bit studios S.A. considerably intensified its promotional and sales activities related to “Frostpunk”. The most important campaign was the “Publisher Sale” on Steam. During the sale, all games marketed by 11 bit studios S.A., including third-party titles with respect to which the Company acts as the publisher, were offered at discounted prices for a period of several days (with marketing support from Steam). The Company also participated in the “Halloween Sale” and “Independence Sale” on Steam and as well as in similar initiatives on other platforms.

The other release with a significant impact on the results of 11 bit studios S.A. for the nine months ended September 30th 2018 was the premiere of “Moonlighter”. The game, developed by Digital Sun, a Spanish studio, was released on May 29th 2018 (for PCs, Xbox One and PS4). 11 bit studios S.A. was the publisher of the game. Like “Frostpunk”, “Moonlighter” was very well received by the market. Feedback from the industry media and users was positive, and with strong sales the game ranked first on the Steam bestseller list. In the following months, the game developer, supported by 11 bit studios S.A., worked intensively on further development of “Moonlighter” (free add-ons and extensions, new language versions), which had a positive impact on the interest in the game and its further sale. These efforts culminated in the launch, after the reporting date (on November 5th 2018) of the “Moonlighter” version for Nintendo Switch. Throughout the reporting period, sales of the game remained strong, thanks to which the publishing division’s contribution to the Company’s total revenue was high at that time.

Sales of “This War of Mine” also provided an important revenue stream for 11 bit studios S.A. in nine months ended September 30th 2018, despite the fact that four years have passed since the game’s release (the PC version of the game was launched on November 14th 2014). The unique theme of the game (war seen through the eyes of civilians), supported by effective promotional and marketing campaigns and continued development efforts (new add-ons), allows the Company to reach new users and continue to earn solid revenue from sales of the title. In the initial months of 2018, 11 bit studios S.A. worked on the second episode of the “TWoM: Stories”, a series launched in 2017. “TWoM: Stories - The Last Broadcast”, a paid add-on, premiered on November 14th 2018. 11 bit studios S.A. plans to launch another, third “TWoM: Stories” add-on in the next several months. However, much sooner - as early as on November 27th 2018 - the Company will release “TWoM” for Nintendo Switch.

In the three quarters of 2018, 11 bit publishing was preparing release of “Children of Morta” (the developer of the game is Dead Mage, an American-Iranian studio), which is expected to be launched in the next several months. The title will be released for PCs, Xbox One, PS4 and Nintendo Switch. Another release planned for Nintendo Switch is “Beat Cop” (by the end of 2018). The game, produced by Pixel Crow, a Warsaw-based developer, was launched for PCs on March 30th 2017. 11 bit studios S.A., which was the publisher of “Beat Cop”, intends to port the game to PS4, Xbox One and mobile devices in the near future.

In the three quarters to the end of September 2018, 11 bit studios S.A. continued to work on development of “Projekt 8” (working title). The game is now at the stage of advanced prototype. The project team consists of nearly 20 developers and the Company is recruiting for further positions. The expansion of the team will accelerate at the beginning of 2019, when “Projekt 8” is expected to move from the prototype phase to production.

The strong sales of “Frostpunk”, “Moonlighter” and “This War of Mine” translated into very good results of 11 bit studios S.A. in the first nine months of 2018 as well as in the third quarter. The revenue to September 30th 2018 was PLN 59,620,480, compared with PLN 11,401,961 in the nine months ended September 30th 2017, which represented a year-on-year increase of 422.9%. In the third quarter 2018 alone, revenue amounted to PLN 13,895,109, an increase of 408.4% from PLN 2,732,757 in the same period of 2017. The Company’s strong growth was accompanied by an unavoidable increase in operating expenses. However, costs grew at the rate far below the rate of revenue expansion. In the third quarter of 2018, 11 bit studios incurred operating expenses of PLN 8,986,859, compared with PLN 3,506,361 a year earlier - an increase of only 156.3%. In the three quarters to September 30th 2018, the Company’s operating expenses were PLN 24,992,828, an increase of 167.6% on the previous year (PLN 9,340,671). The main cost items were services, including royalties for the producer of “Moonlighter”; a significant part of marketing expenses incurred in connection with the release of “Frostpunk” and “Moonlighter”; salaries of the Company’s employees and associates; a significant part of provisions for annual bonuses (their amount depends on the Company’s profit); and non-cash provisions for the 2017-2019 Incentive Scheme. The cost of services incurred in the nine months ended September 30th 2018 was PLN 11,683,219 (including nearly PLN 7m in royalties for Digital Sun), i.e. 171.5 per cent more than a year before (PLN 4,302,345). In the third quarter, the amounts were PLN 4,752,405 and PLN 1,625,248, respectively, which represents a 192.4% increase year on year. Another significant item of expenses were salaries and wages, which included the balance of provisions for annual bonuses and the 2017-2019 Incentive Scheme (the total amount of provisions created towards the incentive scheme was nearly PLN 4.1m). In the first nine months of 2018, the amount of salaries and wages paid by the Company was PLN 8,941,048, or 360.4% more than a year earlier (Q1-Q3 2017: PLN 1,941,888). In the third quarter 2018, salaries and wages

were PLN 2,510,363, having increase by 274.9% from PLN 669,532 in the previous year. Another important item affecting the Company's results performance in 2018 was depreciation and amortisation expense, which increased on previous periods, as in the second quarter 2018 the Company began to amortise expenses incurred to develop "Frostpunk" (as of May 2018) and to publish "Moonlighter" (as of June 2018). In the first three quarters of 2018, the depreciation and amortisation expense was PLN 2,902,252, compared with PLN 1,346,251 a year earlier (an increase of 115.6%). In the third quarter 2018 alone, the amount of depreciation and amortisation was PLN 1,513,263, an increase of 271.1% on the year before (from PLN 407,756). Other cost items were insignificant to the Company's results in 2018 and did not significantly differ from the corresponding amounts for 2017, except for the balance of financing transactions. The results of 11 bit studios S.A. for the nine months ended September 30th 2017 were significantly affected by unfavourable changes in currency markets, as the Company has major exposure to foreign exchange risk. Until the third quarter of 2017, the Company held most of its cash in foreign currencies, which - if the zloty strengthened (and that was the case in early 2017) - resulted in high finance costs due to the need to remeasure the amount of cash assets. Currently, the exposure of 11 bit studios S.A. to currency fluctuations is insignificant, therefore the impact of this factor on the results is very limited.

The slower rate of increase in expenses compared with the high rate of revenue growth had a positive year-on-year on the Company's profits in the nine months to September 30th 2018 and in the third quarter of 2018. After the nine months, 11 bit studios S.A. 's operating profit was PLN 35,224,310, compared with PLN 2,348,022 a year earlier, which represented an increase of 1400.2%. In the third quarter 2018 alone, operating profit was PLN 5,041,513. A year earlier, the Company reported an operating loss of PLN 672,231. Therefore, the operating margin in the third quarter of 2018 was nearly 36.3%, and in the nine months ended September 30th 2018 - almost 59.1%. Net profit for the first three quarters of 2018 was PLN 28,518,085, compared with a loss of PLN 559,317 thousand a year earlier. In the third quarter alone, net profit amounted to PLN 3,601,745, compared with a PLN 830,174 loss in Q3 2017. Net margin for the nine months ended September 30th 2018 came in at 47.8%, while the margin for the third quarter was 25.9%. Significant cash resources reflect the Company's strong financial position. As at the end of September 2018, 11 bit studios S.A. held a total of PLN 61,672,165 in bank accounts, bank deposits, bonds, and fund units. The amount is exclusive of trade receivables which on September 30th 2018 stood at PLN 4,538,607 and were converted into cash on an ongoing basis. As at the end of 2017, 11 bit studios S.A. had PLN 31,229,866 in cash, while trade receivables were PLN 2,679,070.

4.3. REVENUE (PLN)

Revenue generated in the reporting period:

	Period ended Sep 30 2018	Period ended Sep 30 2017
Revenue	59,620,481	11,401,961

The strong year-on-year increase in revenue in the nine months ended September 30th 2018 was attributable to very good sales of "Frostpunk" and "Moonlighter", both released in the second quarter of the year (April 24th and May 29th, respectively). Sales of "This War of Mine" for PCs, released on November 14th 2014, also had a strong effect on the Company's revenue. Both "Frostpunk" and "Moonlighter" (the latter game is a production of the Spanish Digital Sun studio; 11 bit studios S.A. is the publisher) were well received by the market, delivered strong sales in the period around the premiere, and ranked at the top of the bestsellers list on Steam. 11 bit studios S.A. and Digital Sun plan to further develop their top productions by publishing add-ons, including paid ones, releasing new language versions, and porting the titles to other new hardware platforms, which is expected to drive long-term interest in the games. The first large and free add-ons to "Frostpunk" were released in June and September. Another, also free, extension ("Endless Mode") is to be released before the end of 2018. Further Frostpunk add-ons and extensions, including paid ones, will be brought to the market next year. Such initiatives are well received by the players, and contribute to a positive image of the Company as a developer and publisher. Releases of add-ons and extensions are typically accompanied by promotional and sales campaigns organised jointly with the largest digital gaming platforms, which has a direct effect on sales volumes and thus on the results of 11 bit studios S.A. In the case of "This War of Mine", the Company has been successfully implementing a similar monetisation model (continuous game development and expansion) for years. Although four years have passed since its premiere, the title continues to have a significant share in revenue and profits of 11 bit studios S.A. The second of the paid episodes in the "TWoM: Stories - The Last Broadcast" series will be released on November 14th 2018. Then, on November 27th 2018, the game will premiere on the Nintendo Switch platform.

4.3.1. Revenue from main products and services

In the reporting period, almost all of the Company's revenue was derived from the sale of own games as well as third-party games released by the Company as part of the 11 bit publishing service. In the nine months to September 30th 2018, the share of other income (mainly grants) in the Company's total revenue was less than 1%.

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).

Revenue from sales to third parties by geographical area and information on non-current assets by asset location are presented below:

	Revenue from third parties		Non-current assets	
	Period ended Sep 30 2018	Period ended Sep 30 2017	As at Sep 30 2018	As at Dec 31 2017
Poland	2,211,598	131,139	23,422,821	16,150,099
European Union	6,373,251	1,833,705	371,123	1,023,594
US	50,092,952	8,737,191	0	0
China	759,185	657,016	0	0
Other	183,495	42,909	0	0
Total	59,620,481	11,401,961	23,793,944	17,173,693

4.3.3. Major clients

Revenue from the sale of computer games of PLN 59,620,481 (nine months ended September 30th 2017: PLN 11,401,961) included PLN 54,085,737 (nine months ended September 30th 2017: PLN 9,850,899) in revenue from the sale of the Company's products worldwide through Steam (Valve Corporation), GOG.com, Green Man Gaming, Humble Bundle, Apple and Google - the world's leading electronic distribution platforms, as well as revenue from Koch Media.

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 Sep 30 2018	Period ended Sep 30 2017
Interest income:		
Bank deposits	276,172	72,124
Finance income:		
Gains on remeasurement of financial assets	36,438	38,630
Net foreign exchange gains (losses), including:		
a) Cash	25,405	0
b) Loans and receivables	798,836	0
c) Liabilities measured at amortised cost	16,105	0
Total	1,152,956	110,754

4.5. FINANCE COSTS (PLN)

	Period ended Sep 30 2018	Period ended Sep 30 2017
Other interest expense:		
a) Interest on public charges	948	598
b) Other	0	9
Net foreign exchange gains (losses), including:		
a) Cash	0	2,787,323
b) Loans and receivables	0	202,346
c) Liabilities measured at amortised cost	0	(8,455)
Total	948	2,981,820

4.6. OTHER INCOME AND EXPENSES (PLN)

4.6.1. Other income

	Period ended Sep 30 2018	Period ended Sep 30 2017
Grants received	573,777	151,935
Awards received	0	58,482
Impairment losses - reversed	0	62,035
Other income - rechargeable to the subsidiary Games Republic	0	1,344
Other income	22,879	12,936
Total	596,656	286,732

4.6.2. Other expenses

	Period ended Sep 30 2018	Period ended Sep 30 2017
Donations given	648,755	485,823
Liquidation of non-financial non-current assets	0	445,431
Other expenses by nature	443,541	533,936
Total	1,092,296	1,465,190

The main item of other expenses in the nine months ended September 30th 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 to the foundation. In 2017, a similar donation of PLN 485,823 was made in the second quarter of the year (the Company has supported the War Child Foundation for several years now by donating part of its revenue from the sale of "This War of Mine"). Other expenses by nature include business travel expenses, cost of advertising and insurance. They amounted to PLN 443,541 in the reporting period vs. PLN 533,936 in the same period of 2017.

4.7. INCOME TAX ON CONTINUING OPERATIONS (PLN)

4.7.1. Income tax recognised in profit or loss

	Period ended Sep 30 2018	Period ended Sep 30 2017
Current income tax:		
Attributable to current year	8,953,925	0
Deferred income tax:		
Attributable to current year	(1,095,692)	36,274
Tax expense recognised in current year on continuing operations	7,858,233	36,274

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 Sep 30 2018	Period ended Sep 30 2017
Profit (loss) before tax from continuing operations	36,376,319	(523,043)
Income tax expense at 19% (2017: 19%)	6,911,501	(99,378)
Tax effect of income which is not classified as income for tax purposes	(19,348)	(11,787)
Tax effect of income which is classified as income for tax purposes	(6,988)	180,812
Tax effect of costs which are not deductible for tax purposes	2,165,603	320,358
Tax effect of costs which are deductible for tax purposes	(96,843)	(855,338)
Total	8,953,925	(465,333)

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 receivable and payable

	As at Sep 30 2018	As at Dec 31 2017
Current tax receivable / payable:		
Tax refund receivable	(1,527,913)	550,974
Income tax payable	48,683	(223,851)
Current tax receivable / payable:	(1,479,230)	327,123

4.8. PROPERTY, PLANT AND EQUIPMENT (PLN)

Carrying amount:

	As at Sep 30 2018	As at Dec 31 2017
Buildings and structures	322,965	300,264
Plant and equipment	91,407	149,971
Vehicles	254,735	338,541
Other property, plant and equipment	19,143	25,556
Total	688,251	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	54,331	69,771	0	0	124,102
Decrease	0	3,007	0	0	3,007
As at Sep 30 2018	381,180	642,964	558,705	262,161	1,845,009

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 expense	31,631	128,335	83,806	6,413	250,184
Decrease	0	3,007	0	0	3,007
As at Sep 30 2018	58,214	551,557	303,970	243,019	1,156,760

In the nine months ended September 30th 2018, the Company purchased plant and equipment for PLN 69,771 and spent PLN 54,331 on upgrades to the Company's head office. In 2017, the Company spent PLN 230,097 to purchase plant and equipment, PLN 102,202 to upgrade and convert its office space, and PLN 59,609 on other items of property, plant and equipment.

In the nine months ended September 30th, the amount of depreciation of property, plant and equipment was PLN 150,184. In the whole of 2017, the amount was PLN 357,117.

In the nine months ended September 30th 2018, impairment of property, plant and equipment was PLN 3,007 (plant and equipment only). The Company recognised an appropriate impairment loss for the amount.

No impairment of property, plant and equipment was identified in 2017, and the Company did not recognise any impairment loss on property, plant and equipment.

4.9. INTANGIBLE ASSETS (PLN)

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 September 30th 2018 included the capitalised cost of two work phases with a remaining weighted average amortisation period of 31 months.

As at September 30th 2018, the completed video games development work comprised games with a remaining weighted average amortisation period of 19 months.

Ongoing development work

As at September 30th 2018, expenditures on ongoing development work mainly included development of video games and the game engine (phase five).

Testing ongoing development work for impairment:

As at each reporting date, the Company tests ongoing development work for impairment. As at September 30th 2018, the Company did not identify impairment risk for any development work under way. No such risk was identified with respect to any development work a year before, either.

Carrying amount:

	As at Sep 30 2018	As at Dec 31 2017
Completed development work (game engine)	1,549,474	0
Completed development work (games)	11,006,645	1,471,052
Ongoing development work	4,057,097	11,457,660
Licences	20,750	138,786
Total	16,633,967	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	21,476	6,217,246	6,238,722
Reclassification of completed development work	1,799,360	11,818,449	0	(13,617,809)	0
As at Sep 30 2018	2,717,702	23,495,574	507,107	4,057,097	30,777,480

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
Depreciation expense	249,886	2,282,855	139,511	0	2,672,253
As at Sep 30 2018	1,168,228	12,488,928	486,357	0	14,143,513

4.10. TRADE AND OTHER RECEIVABLES (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Trade and other receivables	4,133,412	2,620,649
Taxes, grants, customs duties and social security	392,889	110,800
Other	69,114	106,257
Impairment losses on trade receivables	(56,808)	(158,638)
Total	4,538,607	2,679,069

For information on key customers whose balances as at September 30th 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 recognised 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 September 30th 2018, the recognised balances of receivables were PLN 4,538,607 (PLN 2,679,069 as at December 31st 2017). Key customers whose balances as at September 30th 2018 exceeded 5% of total trade receivables are listed in the table below.

Trading partner:

	As at Sep 30 2018	As at Dec 31 2017
Valve Corporation	1,519,179	920,645
Guangzhou NetEase Computer System Co., Ltd.	551,310	0
Green Man Gaming Ltd	419,431	25,054

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 not covered by loss allowances:

	As at Sep 30 2018	As at Dec 31 2017
60-90 days	45,766	24,716
91-120 days	91,010	0
121-360 days	64,554	0
over 360 days	11,961	6,317
Total	213,291	31,033

Changes in impairment losses on doubtful receivables:

	Period ended Sep 30 2018	Period ended Dec 31 2017
As at beginning of reporting period	158,638	220,673
Recognition	0	0
Reversal	(101,831)	(62,034)
Use	0	0
As at end of reporting period	56,807	158,638

Impairment losses on doubtful debts included impaired trade receivables of PLN 56,807 as at September 30th 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 Sep 30 2018	As at Dec 31 2017
60-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	56,807	158,638
Total	56,807	158,638

4.11. NON-CURRENT FINANCIAL ASSETS (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Investment fund units (PKO BP Płynnościowy SFIO)	5,089,972	3,053,534
Total	5,089,972	3,053,534

4.12. SHORT-TERM FINANCIAL ASSETS (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Bank deposits with maturity over 3 months	27,000,000	0
Total	27,000,000	0

4.13. OTHER CURRENT ASSETS (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Insurance	7,623	25,368
Domain names, licences, subscriptions	134,758	14,412
Prepaid expenses	140,032	250,819
Guarantees	3,289	0
Other	0	3,000
Total	285,702	293,599

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

4.14. OTHER ASSETS (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Long-term security deposits	170,944	145,116
Long-term prepayments and accrued income	25,127	3,220
Total	196,071	148,336

4.15. CASH AND CASH EQUIVALENTS (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Cash in hand and at banks	13,582,193	13,076,622
Bank deposits	5,000,000	12,099,710
PKO BP Bank Hipoteczny bonds	11,000,000	3,000,000
Total	29,582,193	28,176,332

Cash at banks, cash in hand and bank deposits as at September 30th 2018, by currency:

- PLN 26,757,484,
- USD 286,834 (equivalent to PLN 1,054,228),
- EUR 410,646 (equivalent to PLN 1,754,032),
- CNY 30,793 (equivalent to PLN 16,449).

Cash at banks 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.

4.16. SHARE CAPITAL (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Share capital	228,720	228,720
Total	228,720	228,720

As at September 30th 2018, the Company's share capital consisted of 2,287,199 fully paid-up ordinary shares totalling PLN 228,719.90.

4.17. TRADE AND OTHER PAYABLES (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Trade payables	343,083	551,919
Taxes, customs duties, insurance and other dues	224,831	98,851
Accruals and deferred income	6,330,759	546,284
Amounts payable to employees	3,735	799
Total	6,902,408	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.

4.18. 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:				
Recognition	1,795,558	945,627	7,711,897	10,453,082
Decrease:				
Use	100,000	800,550	3,768,057	4,668,608
Reversal				
As at Sep 30 2018	1,795,558	304,183	4,231,018	6,330,759

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

4.19. FINANCIAL INSTRUMENTS (PLN)

4.19.1. Financial assets and liabilities

Financial assets:

	As at Sep 30 2018	As at Dec 31 2017
Financial assets measured at amortised cost - cash	29,582,193	28,176,332
Financial assets measured at fair value - fund participation units	5,089,972	3,053,534
Financial assets measured at amortised cost - bank deposits over 3 months	27,000,000	0
Financial assets measured at amortised cost - trade and other receivables	4,538,607	2,679,070
Total	66,210,772	33,908,936

Financial liabilities:

	As at Sep 30 2018	As at Dec 31 2017
Liabilities measured at amortised cost - trade and other payables	6,902,408	1,197,853
Total	6,902,408	1,197,853

Ageing analysis of trade and other payables

	As at Sep 30 2018	As at Dec 31 2017
Current	6,902,408	1,181,574
60-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	0	16,279
Total	6,902,408	1,197,853

4.19.2. Fair value measurement methods

Relative to the prior reporting period, the Company has not changed the methods used to measure financial instruments. The fair value of financial assets and liabilities listed on active markets is determined based on their quoted prices (Level 1 inputs). The fair value of other items is determined based on either directly or indirectly observable inputs (Level 2 inputs) or unobservable inputs (Level 3 inputs).

The fair value of bonds is measured at cost, plus any outstanding interest and discount determined using the effective interest rate. The fair value of investment fund units is measured at cost equal to their purchase price on an active market.

Financial assets:

	As at Sep 30 2018	As at Dec 31 2017	Fair value hierarchy
Investment fund units	5,089,972	3,053,534	Level 1

No assets were transferred between Level 1 and Level 2 in the reporting period.

4.20. DEFERRED INCOME (PLN)

	As at Sep 30 2018	As at Dec 31 2017
Government grants (a)	930,468	1,068,979
Other (b)	13,335	160,189
Total	943,803	1,229,168
Short-term	181,030	466,396
Long-term	762,773	762,772
Total	943,803	1,229,168

(a) The amount represent 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 charges which have been recognised in 2018 and will continue to be recognised in the future - PLN 27,924 (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 was partly accounted for against costs of remuneration of the Frostpunk development team recognised in 2014-2015 and continues to be accounted for against amortisation expense which has been recognised in 2018 and will continue to be recognised in the future - PLN 464,977 (December 31st 2017: PLN 539,973).
- Government grant (EU funding) received in 2017 under the Creative Media programme for the development of "Projekt 8", our new innovative video game. Income from the grant has not been accounted for yet. It will be accounted for against amortisation expense in the coming years - PLN 437,566 (December 31st 2016: PLN 437,566).

(b) The amount is related to the settlement of transactions involving purchase of financial instruments by the Company - PKO BP Bank Hipoteczny bonds. Securities with short maturities are treated as liquidity management instruments. The Company purchases PKO BP Bank Hipoteczny bonds at a discount to the nominal price. The instruments are redeemed at par.

4.21. 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
- Przemysław Marszał - Member of the Management Board
- Michał Drozdowski - Member of the Management Board

Bartosz Brzostek was a Member of the Management Board until May 9th 2018, when he resigned from office for personal reasons.

- 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

In addition, the Group'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.

4.21.1. Commercial transactions (PLN)

Apart from the services provided by the Members of the Company's Management Board and Supervisory Board, the Company entered into the following related-party transactions in the nine months ended September 30th 2018 and September 30th 2017:

	Period ended Sep 30 2018	Period ended Sep 30 2017
Arkona - Paweł Miechowski	113,369	85,873
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek	71,582	35,090
Total	184,951	120,963

4.21.2. Loans to related parties

In the nine months ended September 30th 2018 and September 30th 2017, 11 bit studios S.A. did not grant any loans to related parties.

4.21.3. Borrowings from related parties

The Company did not receive any borrowings from related parties in the nine months ended September 30th 2018 and September 30th 2017.

4.21.4. 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 Sep 30 2018	Period ended Sep 30 2017
Current benefits - Management Board (including provisions for annual bonuses)	2,879,268	621,698
Short-term benefits - Supervisory Board:	133,015	35,613
Total	3,012,283	656,311

Remuneration of the members of the Company's Management Board is determined by the Supervisory Board and depends 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 the nine months ended September 30th 2018 and September 30th 2017. However, they participate in the Incentive Scheme, as detailed in Note 3.25.1. of 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 Sep 30 2018	Period ended Sep 30 2017
Short-term benefits - Management Board (under contracts for specific work (<i>umowa o dzieło</i>) and short-term employment contracts (<i>umowa zlecenie</i>)):	60,000	264,500
Total	60,000	264,500

4.21.5. Other related-party transactions

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

4.22. INFORMATION ON DIVIDEND PAID OR DECLARED

The Company did not pay any dividend in the nine months ended September 30th 2018 and September 30th 2017.

4.23. CAPITAL COMMITMENTS

As at the issue date of the Company's interim financial statements for the nine months ended September 30th 2018, the Company had off-balance-sheet commitments to incur expenditure of PLN 25,000 and EUR 686,750. The commitments are related to publishing agreements executed by the Company with third-party development studio.

4.24. CONTINGENT ASSETS AND LIABILITIES

4.24.1. Contingent liabilities

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 the nine months ended September 30th 2018 were PLN 226,188.

Irrevocable future payments (due within one year) for lease of the office space at ul. Bertolta Brechta 7, Warsaw, were PLN 339,282.

In the corresponding period of the previous financial year, 11 bit studios S.A. also used the office space at Bertolta Brechta 7 in Warsaw. Lease costs recognised in profit or loss for the nine months ended September 30th 2017 were PLN 447,560.

4.24.2. Contingent assets

As at September 30th 2018 and in the comparative period, the Company did not recognise any contingent assets.

4.25. SEASONAL AND CYCLICAL CHANGES IN THE COMPANY'S BUSINESS DURING THE REPORTING PERIOD

In the nine months ended September 30th 2018, there were no unusual seasonal or cyclical changes in the Company's business.

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

In the nine months ended September 30th 2018, there were no events of non-recurring nature that affected the Company's financial performance and results in that period.

4.27. EVENTS SUBSEQUENT TO THE REPORTING DATE

Until November 14th 2018, i.e. until the date of approval by the Management Board of these financial statements for issue, there were no events which would affect the Company's interim financial statements for the nine months ended September 30th 2018.

4.28. 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", whose version for PCs was released on April 24th 2018. The Company's strategy is to maximise the title's life cycle, which should stimulate its monetisation and thus positively contribute to the Company's profits. "Frostpunk", whose production and marketing costs were approximately PLN 12m, generated well over PLN 40m in revenue by the end of the reporting period. The long-term goal of 11 bit studios S.A. is to multiply this amount. The Company has taken a number of initiatives to maintain the players' interest in "Frostpunk" and to gain new customers for this title, including development of add-ons and extensions. Since the premiere, the Company has already launched several free extensions which significantly expand and enlarge the game and introduce new elements to it. Another large, free add-on, the so-called "Endless Mode", much expected by the players' community, will be released by the end of 2018. 11 bit studios S.A. also intends to develop "Frostpunk" by launching further language versions of the game. Currently the title is available in nine languages, and the number is expected to increase by the end of the year. Work is also well under way on development of "Frostpunk" versions for Xbox One and PS4 which are to be released early in 2019. Next year, the Company also plans to release at least two large, paid add-ons to "Frostpunk"; work on these extensions commenced several months ago. Less extensive, free add-ons are also in the planned.

Continued sale of “This War of Mine” should also have a noticeable impact on the Company’s results for 2018 and in 2019. On November 14th 2018, 11 bit studios S.A. released the second (paid) extension to the “TWoM: Stories” series launched a year ago. The first extension in this series was very positively received by the market and the players’ community, and enjoyed great interest among buyers. The Company is already working on another “TWoM: Stories” add-on, whose release is expected in a few months’ time. An important development supporting monetisation of the title will be the release of “TWoM” in Nintendo Switch, scheduled for November 27th 2018. The game (“TWoM: Complete Edition”) containing, among other things, all add-ons (including the paid ones), will be offered at a price of USD/EUR 39.99 both in the retail channel (boxed version) and in the electronic channel (digital version).

In the long run, the results of 11 bit studios S.A. will also be impacted by sales of the game which is currently being developed under the working title “Projekt 8”. The prototype phase started several quarters ago. The project team is almost 20 strong and the number is growing. The recruitment process will accelerate in 2019, when “Projekt 8” is scheduled to move to the production phase.

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 own (in-house developed) game per year. A larger portfolio of own games should help stabilise the Company’s financial results, which in the computer games industry are typically highly volatile.

The publishing division, developed since 2014, should also have an increasingly larger contribution to the results of 11 bit studios S.A. On May 29th 2018, 11 bit publishing released its largest title to date. “Moonlighter”, developed by the Spanish Digital Sun studio, proved to be a great commercial and financial success, and had a measurable impact on the results of 11 bit studios S.A. for the reporting period. The Company, together with the developer, wants to work its expansion and further monetisation. After the reporting period, on November 5th 2018, a Moonlighter’s edition for Nintendo Switch was released (on its initial release, the game came for PC and Xbox One and PS4 consoles). It was very well received by the industry media, reviewers and customers.

Also the second game in the portfolio of 11 bit publishing, scheduled for release in early 2019 enjoys a similar popularity. “Children of Morta” developed the American and Iranian studio Dead Mage will come to PC, PS4, Xbox One and Nintendo Switch. 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. Strong results, including the financial success of “Moonlighter”, have impelled the Company to seek new projects more aggressively and to reach for topics that so far have been beyond its capability due to budgetary reasons. The previous conservative strategy of 11 bit studios S.A. for the publishing area assumed that a single project could not consume more than PLN 2 million. After the amendment, this cap was increased to PLN 5 million, which has considerably expanded the Company’s ability to obtain valuable (from the commercial perspective) projects for its publishing portfolio.

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.

4.29. 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.

4.30. 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 March 29th 2018, 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 financial result.

These interim condensed financial statements as at September 30th 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting and the Regulation of the Minister of Finance of March 29th 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Dz.U. of 2018, item 757).

These interim condensed financial statements of 11 bit studios S.A. present data for the reporting period from January 1st to September 30th 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 - 9 months ended September 30th 2017,
- Statement of changes in equity - 9 months ended September 30th 2017,
- Statement of cash flows - 9 months ended September 30th 2017.

These interim condensed financial statements have been prepared on a historical cost basis. They do not include all information and disclosures required in full-year financial statements and should be read in conjunction with the Company's 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 financial statements are not subject to auditing by an independent auditor.

4.31. 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 November 14th 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, November 14th 2018