

WARSAW, August 27th 2019

HALF-YEAR REPORT
OF **11 BIT STUDIOS S.A.**
FOR H1 2019

LETTER FROM THE MANAGEMENT BOARD

Warsaw, August 27th 2019

Dear Shareholders and Investors

Please be invited to read the Half-Year Report of 11 bit studios S.A. for the first half of 2019. During the period, we recorded over PLN 30.7m in revenue. Operating profit came in close to PLN 8.7m, with net profit above PLN 6.4m. We would have cleared an even higher net profit but for the non-cash provisions recognised in connection with the Company's 2017-2019 Incentive Scheme. In the first half of 2019, these provisions totalled PLN 4.1m. 11 bit studios S.A.'s solid financial condition was also confirmed by net cash flows from operating activities, of nearly PLN 20m. Consequently, at the end of June 2019, the Company's financial assets (comprising cash, bank deposits, financial instruments and trade receivables) amounted to just under PLN 84m, having increased by another PLN 13m on the end of 2018.

The financial performance we delivered in H1 2019 (more than satisfactory in our opinion) was driven by effective monetisation of our entire portfolio of games, primarily *Frostpunk* and *Moonlighter*, which are still selling strongly despite being on the market for more than a year now. Also *This War of Mine* remained a positive contributor to our results in the period, generating sustained revenue with the fifth anniversary of its launch just round the corner.

The second half of 2019 will be a busy period for 11 bit studios S.A. given the upcoming schedule of events and releases. Some of them are already behind us. On July 23rd 2019, a paid add-on to *Moonlighter*, entitled *Moonlighter - Between Dimensions*, was released. August 6th 2019 saw the launch of *TWOM: Stories - Fading Embers*, a third add-on to the *TWOM: Stories* series, crowning the entire saga, which has gone down very well with fans. Today, on August 27th 2019, we have started selling *Season Passes for Frostpunk*, a package of three add-ons to the game. The first one, *Frostpunk - The Rifts*, has already been made available to the gaming community. Two more DLCs will be released by the end of this year and next year, respectively. We believe the DLCs for *Frostpunk* will provide us with solid cash flows, supporting sales of the game's basic version, especially as the Steam wishlist for *Frostpunk* is still seven digits long. Another important driver of this year's performance of 11 bit studios S.A. will be the release of *Children of Morta* for PCs, scheduled for September 3rd 2019. In mid-October 2019, the game developed by the Dead Mage studio will also come to Xbox One, PS4 and Nintendo consoles. The high level of interest in *Children of Morta* both from gamers and trade media suggests the game's sales potential should be at least on a par with that of *Moonlighter*, which has been a huge market success. We have equally high hopes for the release of the Xbox One and PS4 version of *Frostpunk*, due on October 11th 2019. We have put in a lot of effort to make *Frostpunk* not only a straight port of the PC version, but also an excellent console game in its own right thanks to innovative interface changes. Given the long list of titles that have already been released or are due for release over the coming weeks, coupled with the strong ongoing sales of *Frostpunk* and *Moonlighter*, we believe that 11 bit studios S.A.'s financial performance for the second half of 2019 will be far more robust compared with year to date.

The latter part of this year will also bring new challenges for the Company as it will start producing two new games, to be released after *Projekt 8*. This will take us further along the path to achieving our medium-term goal of releasing one proprietary game a year. The Company is already recruiting staff to strengthen its development teams so they can work simultaneously on three different titles. The target for this year is to raise headcount to 140-150. More people will join us next year in our new office at Brzeska 2 in Warsaw, where intensive refitting work is currently under way.

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

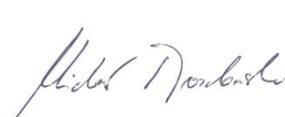
Yours faithfully



Grzegorz Miechowski
President of the Management Board



Przemysław Marszał
Member of the Management Board



Michał Drozdowski
Member of the Management Board

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FINANCIAL HIGHLIGHTS

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 for the last day of the reporting period:

- Exchange rate as at June 30th 2019 - PLN 4.2520
- Exchange rate as at December 31st 2018 - PLN 4.3000

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

- Exchange rate for the first half of 2019 - PLN 4.2880
- Exchange rate for the first half of 2018 - PLN 4.2395

STATEMENT OF FINANCIAL POSITION

	Jun 30 2019 (PLN) <i>(unaudited)</i>	Dec 31 2018 (PLN) <i>(audited)</i>	Jun 30 2019 (EUR) <i>(unaudited)</i>	Dec 31 2018 (EUR) <i>(audited)</i>
Total assets	126,622,025	109,262,821	29,779,404	25,409,959
Non-current assets	39,155,609	41,316,893	9,208,751	9,608,580
Intangible assets	19,274,607	17,138,011	4,533,068	3,985,584
Current assets	87,466,416	67,945,928	20,570,653	15,801,379
Non-current financial assets	0	5,094,282	0	1,184,717
Current financial assets	48,246,518	27,000,000	11,346,782	6,279,070
Cash	22,172,264	24,250,681	5,214,549	5,639,693
Total equity and liabilities	126,622,025	109,262,821	29,779,404	25,409,959
Equity	100,417,417	89,911,573	23,616,514	20,909,668
Liabilities and provisions	26,204,608	19,351,249	6,162,890	4,500,290

STATEMENT OF PROFIT OR LOSS

	Period ended Jun 30 2019 (PLN) <i>(unaudited)</i>	Period ended Jun 30 2018 (PLN) <i>(unaudited)</i>	Period ended Jun 30 2019 (EUR) <i>(unaudited)</i>	Period ended Jun 30 2018 (EUR) <i>(unaudited)</i>
Revenue	30,738,966	45,725,373	7,168,602	10,785,558
Depreciation and amortisation	3,038,143	1,388,989	708,522	327,630
Operating profit	8,679,891	30,182,797	2,024,228	7,119,424
EBITDA	11,718,034	31,571,786	2,732,751	7,447,054
Profit (loss) before tax	8,971,255	31,476,698	2,092,177	7,424,625
Net profit (loss)	6,413,255	24,916,340	1,495,628	5,877,188

STATEMENT OF CASH FLOWS

	Period ended Jun 30 2019 (PLN) <i>(unaudited)</i>	Period ended Jun 30 2018 (PLN) <i>(unaudited)</i>	Period ended Jun 30 2019 (EUR) <i>(unaudited)</i>	Period ended Jun 30 2018 (EUR) <i>(unaudited)</i>
Net cash from operating activities	19,928,733	24,174,544	4,647,559	5,702,216
Net cash from investing activities	(21,308,089)	(20,103,263)	(4,969,237)	(4,741,895)
Net cash from financing activities	(699,061)	0	(163,027)	0
Total net cash flows	(2,078,417)	4,071,281	(484,705)	960,321

FINANCIAL STATEMENTS OF 11 BIT STUDIOS S.A.
FOR THE FIRST HALF OF 2019

1. 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.

1.1. COMPANY OVERVIEW

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 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.

1.2. COVERED PERIODS

These interim condensed financial statements of 11 bit studios S.A. present data for the reporting period from January 1st to June 30th 2019 and contain the following comparative data:

- Statement of financial position - as at December 31st 2018,
- Statement of profit or loss and other comprehensive income - 6 months ended June 30th 2018,
- Statement of changes in equity - 6 months ended June 30th 2018,
- Statement of cash flows - 6 months ended June 30th 2018.

1.3. COMPOSITION OF THE COMPANY’S GOVERNING BODIES AS AT JUNE 30TH 2019

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

- Wojciech Ozimek - Chairman of the Supervisory Board
- Jacek Czykiel - Deputy Chairman of the Supervisory Board
- Radosław Marter - Member of the Supervisory Board
- Marcin Kuciapski - Member of the Supervisory Board
- Piotr Wierzbicki - Member of the Supervisory Board

In the reporting period, the Company’s Supervisory Board did not change the composition of the Management Board of 11 bit studios S.A., reappointing its members for another three-year term of office at the Supervisory Board’s meeting held on May 23rd 2019. The term of office of the Management Board members expires on the date when the General Meeting approves the Company’s financial statements for the financial year ending December 31st 2021.

The composition of the Supervisory Board of 11 bit studios S.A. changed in the reporting period. The Annual General Meeting held on May 23rd 2019 appointed the following persons to the Company’s Supervisory Board for a new three-year term of office: Wojciech Ozimek, Jacek Czykiel and Radosław Marter (members of the Company’s Supervisory Board of the previous term of office), as well as Marcin Kuciapski and Piotr Wierzbicki. At its meeting held on June 18th 2019, the Company’s Supervisory Board passed a resolution to appoint Wojciech Ozimek as Chairman of the Supervisory Board, and Jacek Czykiel as Deputy Chairman of the Supervisory Board. The term of office of the Supervisory Board members expires on the date when the General Meeting approves the Company’s financial statements for the financial year ending December 31st 2021.

1.4. AUDITORS

Deloitte Audyt Sp. z o.o. Sp.k.
ul. Jana Pawła II 22
00-133 Warsaw

In Current Report No. 29/2017 of July 27th 2017, the Company announced that, in accordance with the applicable laws and professional standards, on July 26th 2017 the competent body, i.e. the Company's Supervisory Board, appointed Deloitte Polska Sp. z o.o. Sp.k. (currently Deloitte Audyt Sp. z o.o. Sp.k.), a qualified auditor of financial statements, to audit the full-year financial statements and review the half-year financial statements of 11 bit studios S.A. for the financial years ending on December 31st 2017, 2018 and 2019.

1.5. SHAREHOLDING STRUCTURE AS AT THE DATE OF ISSUE OF THE HALF-YEAR REPORT

Name	Number of shares (shares)	% of share capital held	Number of votes (shares)	% of total voting rights at GM
Grzegorz Miechowski	162,000	7.08	162,000	7.08
Przemysław Marszał	118,000	5.16	118,000	5.16
Michał Drozdowski	89,630	3.92	89,630	3.92
NN TFI*	137,771	6.02	137,771	6.02
Aviva Investors Polska TFI*	204,225	8.93	204,225	8.93
Other shareholders	1,575,573	68.89	1,575,573	68.89
Total	2,287,199	100.00	2,287,199	100.00

* Number of shares registered at the Annual General Meeting held on May 23rd 2019.

In the reporting period, there were changes in the shareholding structure of 11 bit studios S.A.

In Current Report No. 1/2019, 11 bit studios S.A. reported that on January 2nd 2019 the Company received a notification under Art. 69.1.1 in conjunction 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 from Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S.A. ("Aviva TFI"), acting on behalf of Aviva Investors Fundusz Inwestycyjny Otwarty (the "Fund"), of exceeding the threshold of 5% of total voting rights in 11 bit studios S.A., after the Fund had purchased Company shares on December 20th 2018. Prior to the change, the Fund held 113,709 shares in 11 bit studios S.A., representing 4.97% of the Company's share capital. Upon the transaction, the Fund held 115,839 shares in 11 bit studios S.A., representing 5.06% of the Company's share capital.

1.6. COMPANY SHARES HELD BY MEMBERS OF ITS MANAGEMENT AND SUPERVISORY STAFF

	Position	Number of shares as at Dec 31 2018 (shares)	Number of shares as at Jun 30 2019 (shares)	Number of shares as at this report date
Grzegorz Miechowski	President of the Management Board	162,000	162,000	162,000
Przemysław Marszał	Member of the Management Board	118,000	118,000	118,000
Michał Drozdowski	Member of the Management Board	89,630	89,630	89,630

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

1.7. COMMENTARY ON ESTIMATES OF FINANCIAL RESULTS

The Company did not release any estimates of financial results for the reporting period.

1.8. HEADCOUNT

As at the date of issue of these financial statements, 121 persons were employed at the Company under employment contracts or provided services to the Company on the basis of contracts under civil law.

1.9. FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements are presented in the Polish zloty (PLN). The Management Board decided that the Polish zloty would be the Company's functional and presentation currency. 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.

1.10. 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 June 30th 2019 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 June 30th 2019 and contain the following comparative data:

- Statement of financial position - as at December 31st 2018,
- Statement of profit or loss and other comprehensive income - 3 and 6 months ended June 30th 2018,
- Statement of changes in equity - 6 months ended June 30th 2018,
- Statement of cash flows - 6 months ended June 30th 2018.

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 2018, including notes, for the period of 12 months ended December 31st 2018, 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.

1.11. STATEMENT OF THE MANAGEMENT BOARD CONCERNING THE ENTITY AUTHORISED TO REVIEW THE RELIABILITY OF PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Management Board of 11 bit studios S.A. represents that Deloitte Audyt sp. z o.o. Sp.k., an entity authorised to audit financial statements, which reviewed the interim condensed financial statements, had been selected in accordance with the provisions of law and that the entity and the certified auditors who reviewed the statements met the conditions to issue a report on the review of the financial statements, in accordance with the applicable provisions of Polish law and professional standards.

1.12. 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 August 27th 2019.

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

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

	Note	3 months ended Jun 30 2019 (unaudited)	3 months ended Jun 30 2018 (unaudited)	6 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2018 (unaudited)
Continuing operations					
Revenue	3.3	16,555,170	43,480,787	30,738,966	45,725,373
Other income	3.4	67,389	318,736	153,941	463,392
Total operating income		16,622,558	43,799,523	30,892,907	46,188,765
Depreciation and amortisation	3.5	(1,473,328)	(987,058)	(3,038,143)	(1,388,989)
Raw materials and consumables used		(132,957)	(75,271)	(218,950)	(112,711)
Services	3.6	(8,580,765)	(5,661,021)	(11,948,337)	(6,930,814)
Salaries, wages and employee benefits	3.7	(2,878,281)	(5,741,408)	(6,185,241)	(6,430,684)
Taxes and charges		(61,383)	(128,587)	(114,105)	(134,315)
Other expenses	3.4	(559,745)	(171,885)	(701,883)	(954,272)
(Impairment)/reversal of impairment of financial instruments		(1,632)	(54,183)	(6,357)	(54,183)
Total operating expenses		(13,688,092)	(12,819,413)	(22,213,016)	(16,005,968)
Operating profit		2,934,467	30,980,110	8,679,891	30,182,797
Interest income	3.8	282,955	95,026	495,721	163,595
Finance income		(134,508)	1,112,599	0	1,130,883
Finance costs	3.9	(79,135)	(204,580)	(204,357)	(578)
Profit before tax		3,003,779	32,392,315	8,971,255	31,476,698
Income tax expense	3.10	(1,028,808)	(6,497,268)	(2,558,000)	(6,560,358)
Net profit from continuing operations		1,974,971	25,895,047	6,413,255	24,916,340
Discontinued operations		0	0	0	0
Net profit from discontinued operations		0	0	0	0
NET PROFIT		1,974,971	25,895,047	6,413,255	24,916,340
Earnings per share (PLN per share) from continuing operations:					
Basic	3.11	0.86	11.68	2.80	11.24
Diluted	3.11	0.82	11.03	2.65	10.61

	Note	3 months ended Jun 30 2019 (unaudited)	3 months ended Jun 30 2018 (unaudited)	6 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2018 (unaudited)
NET PROFIT		1,974,971	25,895,047	6,413,255	24,916,340
Other comprehensive income		0	0	0	0
Total other comprehensive income, net		0	0	0	0
TOTAL COMPREHENSIVE INCOME		1,974,971	25,895,047	6,413,255	24,916,340

2.2. INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (PLN)

ASSETS

	Note	As at Jun 30 2019 (unaudited)	As at Dec 31 2018 (audited)
Non-current assets			
Property, plant and equipment	3.12	18,749,507	18,734,064
Intangible assets	3.13	19,274,607	17,138,011
Right-of-use assets		346,216	0
Deferred tax asset		578,484	158,033
Other assets	3.18	206,795	192,503
Non-current financial assets	3.15	0	5,094,282
Total non-current assets		39,155,609	41,316,893
Current assets			
Trade and other receivables	3.14	13,559,556	14,552,625
Income tax receivable		3,055,106	1,845,130
Other current assets	3.17	432,972	297,492
Cash and cash equivalents	3.19	22,172,264	24,250,681
Current financial assets	3.16	48,246,518	27,000,000
Total current assets		87,466,416	67,945,928
TOTAL ASSETS		126,622,025	109,262,821

EQUITY AND LIABILITIES

	Note	As at Jun 30 2019 (unaudited)	As at Dec 31 2018 (audited)
Equity			
Share capital	3.20	228,720	228,720
Share premium		4,870,274	4,870,274
Statutory reserve funds		78,881,784	41,331,887
Share-based payment reserve		10,231,468	6,138,880
Retained earnings		6,205,171	37,341,812
Total equity		100,417,417	89,911,573
Non-current liabilities			
Long-term borrowings and other debt instruments	3.22	11,128,088	11,340,000
Deferred income	3.26	587,559	677,555
Lease liabilities		335,305	0
Total non-current liabilities		12,050,952	12,017,555
Current liabilities			
Trade and other payables	3.23	6,942,476	5,122,519
Liabilities under contracts with customers	3.21	5,689,787	557,145
Short-term borrowings and other debt instruments	3.22	1,296,476	1,452,203
Lease liabilities		12,653	0
Deferred income	3.26	212,264	201,826
Total current liabilities		14,153,656	7,333,693
Total liabilities		26,204,608	19,351,248
TOTAL EQUITY AND LIABILITIES		126,622,025	109,262,821

2.3. STATEMENT OF CHANGES IN EQUITY (PLN)

	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 2019 (audited)	228,720	4,870,274	41,331,887	6,138,880	0	37,341,812	0	0	89,911,573
Net profit	0	0	0	0	0	6,413,256	0	0	6,413,256
Other comprehensive income, net	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	6,413,256	0	0	6,413,256
Profit allocated to statutory reserve funds	0	0	37,549,897	0	0	(37,549,897)	0	0	0
Share-based payments	0	0	0	4,092,588	0	0	0	0	4,092,588
As at Jun 30 2019 (unaudited)	228,720	4,870,274	78,881,784	10,231,468	0	6,205,171	0	0	100,417,417

	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 2018 (audited)	228,720	4,870,274	37,914,547	0	0	3,209,255	0	0	46,222,796
Net profit	0	0	0	0	0	24,916,340	0	0	24,916,340
Other comprehensive income, net	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	24,916,340	0	0	24,916,340
Profit allocated to statutory reserve funds	0	0	3,417,340	0	0	(3,417,340)	0	0	0
Share-based payments	0	0	0	2,202,128	0	0	0	0	2,202,128
As at Jun 30 2018 (unaudited)	228,720	4,870,274	41,331,887	2,202,128	0	24,708,255	0	0	73,341,264

	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	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	37,549,897	0	0	37,549,897
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	37,549,897	0	0	37,549,897
Profit allocated to statutory reserve funds	0	0	3,417,340	0	0	(3,417,340)	0	0	0
Share-based payments	0	0	0	6,138,880	0	0	0	0	6,138,880
As at Dec 31 2018	228,720	4,870,274	41,331,887	6,138,880	0	37,341,812	0	0	89,911,573

2.4. INTERIM CONDENSED STATEMENT OF CASH FLOWS (PLN)

	Note	Period ended Jun 30 2019 (unaudited)	Period ended Jun 30 2018 (unaudited)
Cash flows from operating activities			
Net profit	3.11	6,413,255	24,916,340
Adjustments:			
Depreciation and amortisation	3.5	3,038,143	1,388,989
Income tax expense recognised in profit or loss	3.10	2,558,000	6,560,358
Revaluation of intangible assets		33,959	0
Other adjustments	3.32	4,357,463	2,299,946
Changes in working capital:			
Increase/decrease in trade and other receivables		993,069	(9,983,915)
Increase/decrease in other assets		(149,771)	(13,596)
Increase/decrease in trade and other payables		1,819,958	6,111,312
Increase/decrease in balance under contracts with customers		5,132,642	0
Increase/decrease in deferred income		(79,558)	(230,157)
Interest received - discount on settlement of bonds		0	(27,074)
Cash provided by operating activities		24,117,160	31,022,203
Income tax paid		(4,188,427)	(6,847,659)
Net cash from operating activities		19,928,733	24,174,544
Cash flows from investing activities			
Proceeds from bank deposits upon maturity - over 3 months		43,000,000	0
New bank deposits placed - over 3 months		(59,000,000)	(16,000,000)
Proceeds from bonds upon maturity		0	6,000,000
Purchase of bonds		0	(5,972,926)
Payments for property, plant and equipment and intangible assets		(5,308,089)	(4,130,336)
Net cash from investing activities		(21,308,089)	(20,103,262)
Cash flows from financing activities			
Increase and decrease in borrowings (including realised exchange differences)		(525,000)	0
Payment of interest		(174,061)	0
Net cash from financing activities		(699,061)	0
Net increase in cash and cash equivalents		(2,078,417)	4,071,281
Cash and cash equivalents at beginning of reporting period		24,250,681	28,176,332
Cash and cash equivalents at end of reporting period	3.19	22,172,264	32,247,613

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

3.1. STATEMENT OF ACCOUNTING POLICIES

These interim condensed financial statements of 11 bit studios S.A. have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss, on a going concern assumption. As at the date of these interim condensed financial statements of 11 bit studios S.A. there were no circumstances which would indicate any threat to the Company continuing as a going concern.

These interim condensed financial statements do not contain any information or disclosures required for full-year financial statements and should be read in conjunction with the Full-Year Financial Statements for the financial year ended December 31st 2018.

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued in the form of the European Commission's regulations 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).

The accounting policies applied to prepare these financial statements of the Company for the first half of 2019 are consistent with the policies applied to prepare the Company's full-year financial statements for 2018, except for the changes described below. The same policies have been applied for the current and comparative periods.

3.1.1. Amendments to existing standards applied for the first time in the Company's financial statements for 2019

The following new standards, amendments to 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 2019:

- **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).
- **Amendments to IAS 19 Employee Benefits: plan amendment, curtailment or settlement**, endorsed by the EU on March 13th 2019 (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**, endorsed by the EU on February 8th 2019 (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, endorsed by the EU on March 14th 2019 (effective for annual periods beginning on or after January 1st 2019).
- **IFRIC 23 Uncertainty over Income Tax Treatments** endorsed by the EU on October 23rd 2018 (effective for annual periods beginning on or after January 1st 2019).

IFRS 16 replaces IAS 17 *Leases* ("IAS 17") and the related interpretations. The standard sets out guidance for recognising, measuring, presenting and disclosing leases and requires lessees to account for most of their of lease contracts under a single accounting model. The Company applied IFRS 16 *Leases* for the first time on January 1st 2019, using the modified retrospective approach.

As at the date of issue of these financial statements, the Company had one effective agreement for land perpetual usufruct, pertaining to the developed property located at ul. Brzeska 2 in Warsaw, as announced by the Company in Current Report No. 30/2018 of December 19th 2018.

Pursuant to the transitional provisions of IFRS 16, the new policies were adopted retrospectively with cumulative effect of initially applying the standard recognised at the date of initial application. As of January 1st 2019, the right of perpetual usufruct to the property located at ul. Brzeska 2 in Warsaw is disclosed in the Company's statement of financial position (under right-of-use assets and lease liabilities). The Company carried the perpetual usufruct right at PLN 347,349.08. It will be amortised over the term of the perpetual usufruct agreement, i.e. until October 27th 2099.

The new standards, amendments to existing standards and interpretation did not have a material impact on the Company's financial statements for 2019.

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

On the date of approving these financial statements, there were no new standards, amendments to existing standards or interpretations issued by the IASB and endorsed by the EU that would become effective at a later date.

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

There are no major differences between the IFRSs as endorsed by the EU and the regulations issued by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not yet endorsed by the EU as at August 27th 2019 (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 3 *Business Combinations*** - definition of a business (applying to business combinations with the acquisition date falling on the start of the first annual period beginning on or after January 1st 2020 and in respect of the acquisition of assets which took place on or after the start of that annual period).
- **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 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** - definition of materiality (effective for annual periods beginning on or after January 1st 2020).
- **Amendments to references to the conceptual framework in IFRS Standards** (effective for annual periods beginning on or after January 1st 2020).

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.

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.

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

The Company's activities in the first half of 2019 focused on selling *Frostpunk*, a PC game launched April 24th 2018. The Company is keeps developing the game to maintain gamers' interest and sales. In the first half of 2019, the Company also actively engaged in promotional and marketing activities to reach new customers and improve visibility of the *Frostpunk* brand. One example of such activities were the strong *Frostpunk* sale campaigns on the world's leading digital game selling platforms, chiefly Steam. The biggest such event was Publisher Week Sale held on Steam in early February 2019, which covered the entire game portfolio of 11 bit studios S.A. In another very successful (in terms of the generated sales volume) promotional campaign run in the first quarter of 2019, owners of other 11 bit studios games, including *This War of Mine* and *Moonlighter*, could buy *Frostpunk* at a discount. The interest in *Frostpunk* was also sustained by a string awards and distinctions awarded to the title by the world's largest trade media. From its release to the end of June 2019, the game won almost 100 awards and distinctions, but that number keeps growing. As a result, sales of *Frostpunk* topped 1.4m copies, which the Company announced at the annual Investors Conference.

In the first half of 2019, 11 bit studios S.A. was also engaged in further development and monetisation of its older titles, led by *This War of Mine*. Work was continued to produce a third paid add-on to *TWoM: Stories* called *TWoM: Stories - Fading Embers*, which debuted on August 6th 2019. The high quality of the game and success of the *TWoM* promotional and sale campaigns resulted in similar year-on-year revenue derived from *TwoM* sales (including DLCs) in the first six months of 2019, despite the fact that almost five years have already passed since the game's release for PCs (November 14th 2014).

In the publishing segment (11 bit publishing division), in the first half of 2019 the Company worked on the launch of *Children of Morta*, a game developed by Dead Mage. It will be released for PCs on September 3rd 2019 and will come to Xbox One, PS4 and Nintendo Switch consoles on October 15th 2019. The game will be delivered digitally for PCs, Xbox Ones, PS4s and Nintendo Switches. Boxed versions will be available for PCs (in Europe and Australia), and for PS4 and Nintendo Switch consoles.

During the first half of 2019, the publishing division was also engaged in preparations for the release of the first paid add-on to *Moonlighter* (the add-on called *Moonlighter - Between Dimensions* was released on July 23rd 2019) and for the launch of the iOS and Android versions of the game for handhelds. The decision to further develop *Moonlighter* was based on the very good sales of the game. At the beginning of the third quarter of 2019, the Company announced via social media that *Moonlighter*, released for PCs, PS4s and Xbox Ones on May 29th 2019, already had over one million players. *Moonlighter* sales were significantly boosted by its release on Nintendo Switch in the fourth quarter of 2018. Since the first quarter of 2019, Nintendo Switch has been *Moonlighter's* leading selling platform, following commercially very successful launch of the title on the Japanese market in late March 2019.

Revenue of the publishing division in the first half of 2019 included revenue from sale of *Beat Cop*, which debuted in the first quarter of 2017 (PC version). In the first quarter of 2019, *Beat Cop* was launched for PS4, Xbox One and Nintendo Switch consoles and for handheld devices with iOS and Android operating systems, making a strong contribution to the Company's sales in the reporting period.

Very good sales of *Frostpunk* and *This War of Mine* in the first half of 2019, supplemented by sales of other games in the portfolio, produced total revenue of PLN 30,738,966 for 11 bit studios S.A. Operating expenses in the reporting period were PLN 22,213,016, up 38.8% year on year. Their largest item in H1 2019 were services, at PLN 11,948,337, up 72.39% year on year. Accounting for the overwhelming part of service costs were royalties owed to the maker of *Moonlighter*, due to very strong sales of the game recorded during the period. Another significant item of operating expenses were salaries and wages (PLN 6,185,241), which included non-cash provisions (PLN 4.1m) for the costs of the 2017-2019 Incentive Scheme. The provisions were first recognised in the second quarter of 2018. Also noticeable was depreciation and amortisation, far above the previous year's level. In the first half of 2019, it reached PLN 3,038,143, against PLN 1,388,989 the year before. The change was caused by amortisation (as of the second quarter of 2018) of costs incurred to produce *Frostpunk* and *Moonlighter*.

The higher operating expenses coupled with a slight year-on-year decrease in revenue were reflected in lower operating profit, down from PLN 30,182,797 in the first half of 2018 to PLN 8,679,891 in the first half of 2019. Net profit reported by 11 bit studios S.A. for the first half of 2019 was PLN 6,413,255 (H1 2018: PLN 24,916,340).

The Company's sound financial standing was also confirmed by its financial assets. In the first half of 2019, 11 bit studios S.A.'s cash flows from operating activities were as much as PLN 19,928,733. As a result, at the end of June 2019 the Company's total financial assets came to PLN 83,978,337, up 18.45% on the beginning of the year (PLN 70,897,588). The amount included cash (PLN 22,172,264), investment fund units (PLN 5,098,592), bank deposits with maturities over three months (PLN 43,147,926) and trade receivables (PLN 13,559,556).

3.3. REVENUE (PLN)

	Period ended Jun 30 2019	Period ended Jun 30 2018
Revenue	30,738,966	45,725,373

In the reporting period, almost all of the Company's revenue was derived from the sale of its own games as well as third-party games released by the Company as part of the 11 bit publishing service. The Company's other income (including mainly grants received) accounted for just 0.4% of total revenue. Revenue generated by 11 bit studios S.A. in the first half of 2019 was PLN 30,738,966, compared with PLN 45,725,373 in the previous year, with the drop attributable to a strong base effect of last year's figures - as *Frostpunk* and *Moonlighter* were successfully launched in the first half of 2018 (on April 24th and May 29th, respectively). In the first half of 2019, the Company focused its efforts on further monetising these titles. Sales of the PC version of *This War of Mine*, released in autumn 2014, were also a strong contributor to the Company's revenue. Revenue was complemented by sales of *Beat Cop* (a title published as a PC version in spring 2017), which was released on PS4, Xbox One and Nintendo Switch consoles and handhelds with iOS and Android operating systems in the reporting period.

3.3.1. Revenue by geographical regions (PLN)

The Company operates in six main geographical areas: Poland, its home market, the European Union, the US, Japan, China and other countries (including Canada, 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 Jun 30 2019	Period ended Jun 30 2018	As at Jun 30 2019	As at Dec 31 2018
Poland	548,216	1,808,344	38,575,252	40,668,310
European Union	2,252,687	4,574,835	569,677	648,585
US	21,479,731	39,040,672	0	0
Japan	5,725,818	0	0	0
China	150,354	173,939	0	0
Other	582,160	127,583	10,680	0
Total	30,738,966	45,725,373	39,155,609	41,316,895

3.3.2. Revenue by distribution channels

Revenue from the sale of video games of PLN 30,738,966 (H1 2018: PLN 47,725,373) included PLN 29,846,319 (H1 2017: 43,220,149) in revenue from global sales of the Company's products via Steam (Valve Corporation), Microsoft Corporation,

Nintendo Co., Electronic Arts, Google, Apple, GOG.com and Humble Bundle, the world's leading electronic distribution platforms, as well as revenue generated via Green Man, Merge Games, Teyon and Koch Media, which also distribute the Company's products.

3.4. OTHER INCOME AND EXPENSES (PLN)

3.4.1. Other income

	Period ended Jun 30 2019	Period ended Jun 30 2018
Grants received	96,748	442,608
Gain on disposal of non-financial non-current assets	20,627	0
Other income	36,566	20,784
Total	153,941	463,392

The 66.8% decrease in other income, to PLN 153,941 for the first six months of 2019 (compared with PLN 463,392 in the previous year) was due to a strong base effect. In the first half of 2018, the Company received grants for its development projects, including new game development, totalling PLN 442,608. In the first half of 2019, the Company received PLN 96,748 of grants.

3.4.2. Other expenses

	Period ended Jun 30 2019	Period ended Jun 30 2018
Other expenses (cost of written-off items brought forward)	33,959	0
Donations given	230,316	648,755
Other expenses by nature	437,608	305,517
Total	701,883	954,272

In the first half of 2019, the main item of other expenses was represented by other expenses by nature (travel-for-work, business travel, advertising and insurance). They amounted to PLN 437,607 compared with PLN 305,517 in the same period of 2018. Their growth was mainly driven by increased activity of the Company, particularly its publishing division, in terms of participation in trade fairs and other industry events. Other major items of other expenses in the first half of 2019 included a donation of PLN 230,316 (2018: PLN 648,755) made by the Company to the War Child foundation, which helps child victims of wars. Impairment losses on closed projects represented a small proportion of other expenses, of PLN 33,959.

3.5. DEPRECIATION AND AMORTISATION (PLN)

	Period ended Jun 30 2019	Period ended Jun 30 2018
Depreciation	277,024	1,250,001
Amortisation	2,951,041	153,780
Total	3,228,065	1,403,781
Allocation to project costs	(192,072)	(14,792)
Other depreciation and amortisation expenses	2,150	0
Total	3,038,143	1,388,989

The year-on-year increase in depreciation and amortisation in the first half of 2019 was attributable to the commencement of amortisation (as of the second quarter of 2018) of capital expenditure incurred to develop *Frostpunk* and *Moonlighter*.

3.6. SERVICES (PLN)

	Period ended Jun 30 2019	Period ended Jun 30 2018
Services	11,948,337	6,930,814

The year-on-year increase in services in the first half of 2019 was attributable to strong sales of *Moonlighter* (published by 11 bit publishing and sold since May 29th 2018), and related royalties paid by the Company to the Spanish Digital Sun studio, the developer of the game. In the first half of 2019, total royalties paid to Digital Sun and in a small part to Pixel Crow, which developed *Beat Cop* (published by 11 bit studios S.A. and released in spring 2017), were PLN 9,107,411. In the first six months of 2018, the Company paid PLN 3,320,788 in royalties.

3.7. SALARIES, WAGES AND EMPLOYEE BENEFITS (PLN)

	Period ended Jun 30 2019	Period ended Jun 30 2018
Salaries, wages and employee benefits	6,185,241	6,430,684

The slight year-on-year decrease in salaries, wages and employee benefits in the first half of 2019 despite a steady increase in headcount was attributable to lower provisions recognised by the Company on a quarterly basis for annual employee bonuses paid in the fourth quarter of each year (the profit-linked annual bonus scheme has been in place at the Company for several years now). These provisions are recognised proportionally to profit earned by the Company in a given period. Salaries, wages and employee benefits also included non-cash provisions recognised in connection with the Company's 2017-2019 Incentive Scheme. In the first half of 2019, the provisions were close to PLN 4.1m, compared with PLN 2.05m the year before.

3.8. FINANCE INCOME (PLN)

	Period ended Jun 30 2019	Period ended Jun 30 2018
Interest income:		
Bank deposits	329,793	163,595
Finance income:		
Gains on remeasurement of financial assets	165,927	20,896
Net foreign exchange gains (losses), including:		
a) Cash	0	94,631
b) Loans and receivables	0	1,015,896
c) Liabilities measured at amortised cost	0	(539)
Total	495,721	1,294,479

The steadily growing cash levels (on the strong sales of *Frostpunk*, *Moonlighter* and *This War of Mine*), largely invested as bank deposits, produced an over twofold rise in interest income in the first half of 2019, from PLN 163,595 in the first half of 2018 to PLN 329,793. The Company also acquired low-risk financial instruments, namely PKO BP Bank Hipoteczny bonds. Following their remeasurement at the end of June 2019, the Company recorded PLN 165,927 in finance income, compared with PLN 20,896 a year earlier.

A 61.7.1% drop in finance income, to PLN 495,721, in the first half of 2019 was due to the fact that a gain on remeasurement of monetary assets denominated in foreign currencies reported by the Company in the first half of 2018 was a major item of finance income. This income was attributable to favourable currency movements, as the Polish zloty depreciated against both the US dollar and the euro in the first half of 2018. The first six months of 2019 saw a reverse trend, with the Polish currency slightly gaining in value; consequently, the Company recognised no income on remeasurement of foreign currency cash and equivalents. Instead, it recognised finance costs, as described in **Note 3.9** below.

3.9. FINANCE COSTS (PLN)

	Period ended Jun 30 2019	Period ended Jun 30 2018
Other interest expense:		
Interest on public charges	6,002	578
Net foreign exchange gains (losses), including:		
a) Cash	(35,488)	0
b) Loans and receivables	(38,778)	0
c) Liabilities measured at amortised cost	119,570	0
Losses on remeasurement of financial assets	153,051	0
Total	204,357	578

Owing to the slight appreciation of the zloty against the US dollar and the euro, in the first half of 2019 (unlike in 2018) 11 bit studios S.A. disclosed a small amount of finance costs from the remeasurement of its monetary assets denominated in currencies other than the Polish zloty.

In the reporting period, a new item of the Company's finance costs was remeasurement of the IRS (Interest Rate Swap) instrument; no such cost was recorded in the previous year. The instrument is used to hedge the Company's position

against interest rate risk related to its investment loan contracted with PKO BP S.A. for the purchase of new office space. For detailed information on the loan agreement, see the Current Report of December 19th 2018.

3.10. INCOME TAX ON CONTINUING OPERATIONS (PLN)

3.10.1. Income tax recognised in profit or loss

	Period ended Jun 30 2019	Period ended Jun 30 2018
Current income tax:		
Attributable to current period	2,978,451	7,719,562
Deferred income tax:		
Attributable to current period	(420,451)	(1,159,204)
Tax expense recognised in current year on continuing operations	2,558,000	6,560,358

The Company is subject to general income tax regulations. It does not constitute a tax group, and its fiscal and accounting year is the same as the calendar year.

Reconciliation of the Company's tax and accounting profit

	Period ended Jun 30 2019	Period ended Jun 30 2018
Profit (loss) before tax from continuing operations	8,971,255	31,476,698
Income tax expense at 19% (2018: 19%)	1,704,538	5,980,573
Tax effect of income which is not classified as income for tax purposes	0	(17,098)
Tax effect of income which is classified as income for tax purposes	(44,249)	(4,381)
Tax effect of costs which are not deductible for tax purposes	1,585,552	1,857,311
Tax effect of costs which are deductible for tax purposes	(267,391)	(96,843)
Other changes	1	(6,174)
Total	2,978,451	7,719,562

The tax rate applied in the above reconciliation in 2019 and 2018 is 19%, and it is the statutory corporate income tax rate applicable in Poland.

3.10.2. Current tax receivable and payable

	As at Jun 30 2019	As at Dec 31 2018
Tax refund receivable	(769,474)	(2,014,760)
Income tax payable	(2,285,632)	169,630
Total	(3,055,106)	(1,845,130)

3.11. EARNINGS PER SHARE (PLN)

3.11.1. Basic earnings per share:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Basic earnings per share:		
From continuing operations	2.80	11.24
Total basic earnings per share	2.80	11.24
Diluted earnings per share:		
From continuing operations	2.65	11.61
Total diluted earnings per share:	2.65	11.61

Profit and weighted average number of ordinary shares used to calculate basic earnings per share:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Profit for the financial year attributable to shareholders	6,413,255	24,916,340
Total profit used to calculate basic earnings per share	6,413,255	24,916,340
Profit used to calculate basic earnings per share from continuing operations	6,413,255	24,916,340

	Period ended Jun 30 2019	Period ended Jun 30 2018
Weighted average number of ordinary shares used to calculate earnings per share	2,287,199	2,287,199

3.11.2. Diluted earnings per share

	Period ended Jun 30 2019	Period ended Jun 30 2018
Profit for the financial year attributable to shareholders	6,413,255	24,916,340
Total profit used to calculate diluted earnings per share	6,413,255	24,916,340
Profit used to calculate diluted earnings per share from continuing operations	6,413,255	24,916,340

Below, the weighted average number of shares used to calculate diluted earnings per share is reconciled with the average used to calculate the basic earnings per share in the following manner:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Weighted average number of ordinary shares used to calculate basic earnings per share	2,287,199	2,287,199
Shares assumed to be issued:		
Employee stock options	130,000	130,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	2,417,199	2,417,199

3.12. PROPERTY, PLANT AND EQUIPMENT (PLN)
Carrying amount:

	As at Jun 30 2019	As at Dec 31 2018
Property, plant and equipment under construction	260,385	316,654
Buildings and structures	18,290,589	18,102,269
Plant and equipment	69,851	71,336
Vehicles	115,174	226,800
Other property, plant and equipment	13,508	17,005
Total	18,749,507	18,734,064

Gross carrying amount

	Buildings and structures	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2019	18,102,269	383,283	718,580	558,705	262,161	20,024,998
Increase	14,259	0	155,747	0	16,501	186,507
Payment of bank loan interest	174,061	0	0	0	0	174,061
Reclassification	0	(39,406)	39,406	0	0	0
Decrease	0	0	0	185,851	0	185,851
As at Jun 30 2019	18,290,589	343,877	913,733	372,854	278,662	20,199,715

Accumulated depreciation and impairment:

	Buildings and structures	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2019	0	66,629	647,245	331,905	245,156	1,290,935
Depreciation expense	0	16,863	199,780	40,383	19,998	277,024
Decrease	0	0	3,143	114,608	0	117,751
As at Jun 30 2019	0	83,492	843,882	257,680	265,154	1,450,208

Comparative data for the period from January 1st to December 31st 2018
Gross carrying amount

	Buildings and structures	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2018	0	326,849	576,200	558,705	262,161	1,723,915
Increase	18,102,269	56,434	145,387	0	0	18,304,091
Decrease	0	0	(3,007)	0	0	(3,007)
As at Dec 31 2018	18,102,269	383,283	718,580	558,705	262,161	20,024,999

Accumulated depreciation and impairment:

	Buildings and structures	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2018	0	26,585	426,229	220,164	236,605	909,583
Depreciation expense	0	40,044	224,023	111,741	8,551	384,359
Decrease	0	0	(3,007)	0	0	(3,007)
As at Dec 31 2018	0	66,629	647,245	331,905	245,156	1,290,935

In the first half of 2019, the Company spent PLN 155,747 to purchase plant and equipment, and PLN 188,320 on fees and charges related to purchase of the property at ul. Brzeska 2 in Warsaw, partly to service the loan contracted for that purpose. In 2018, the Company spent PLN 18,102,269 to purchase of the property at ul. Brzeska 2, PLN 145,387 to purchase plant and equipment, and PLN 56,434 to refit and adapt the office space at ul. Brechta 7, which is the Company's head office.

The amount of depreciation of property, plant and equipment in the first half of 2019 was PLN 277,024. In 2018, the amount was PLN 384,359.

No impairment of property, plant and equipment was identified either in the first half of 2019 or in the entire financial year 2018.

The Company did not recognise any impairment losses on property, plant and equipment either in the first half of 2019 or in 2018.

3.13. 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 June 30th 2019 included the capitalised cost of the fourth work phase with the remaining weighted average amortisation period of 22 months.

As at June 30th 2019, the completed video games development work comprised games with the remaining weighted average amortisation period of 14 months.

Ongoing development work

As at June 30th 2019, expenditures on ongoing development work related mainly to development of video games (including Projekt 8) 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 a result of a test performed in the period ended June 30th 2019, expenditures on discontinued development work of PLN 33,959 were written off under other expenses. The Company did not recognise any such write-offs in the same period of the previous year.

Carrying amount:

	As at Jun 30 2019	As at Dec 31 2018
Completed development work (game engine)	1,099,679	1,399,543
Completed development work (games)	8,184,517	10,624,149
Ongoing development work	9,990,411	5,112,644
Licences	0	1,675
Total	19,274,607	17,138,011

Gross carrying amount

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2019	2,717,702	24,453,528	505,551	5,112,644	32,789,425
Increase due to separate acquisitions	0	0	13,141	5,108,444	5,121,585
Reclassification of completed development work	0	196,717	0	(196,717)	0
Discontinued work written off	0	0	0	(33,959)	(33,959)
As at Jun 30 2019	2,717,702	24,650,245	518,692	9,990,412	37,877,051

Accumulated amortisation and impairment:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2019	1,318,159	13,829,380	503,875	0	15,651,414
Amortisation expense	299,864	2,636,361	14,817	0	2,951,042
Other decrease	0	(12)	0	0	(12)
As at Jun 30 2019	1,618,023	16,465,729	518,692	0	18,602,444

Comparative data for the period from January 1st to December 31st 2018

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	0	0	19,920	8,247,868	8,267,788
Reclassification of completed development work	1,799,360	12,776,403	0	(14,575,763)	0
Discontinued work written off	0	0	0	(17,121)	(17,121)
As at Dec 31 2018	2,717,702	24,453,528	505,551	5,112,644	32,789,425

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 expense	399,818	3,623,306	157,030	0	4,180,154
As at Dec 31 2018	1,318,159	13,829,380	503,875	0	15,651,414

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

3.14. TRADE AND OTHER RECEIVABLES (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Trade and other receivables, including:	13,616,363	14,609,432
Taxes, grants, customs duties and social security	425,422	4,705,311
Other	56,342	59,882
Expected credit loss allowance	(56,807)	(56,807)
Total	13,559,556	14,552,625

3.14.1. Trade receivables

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

As at June 30th 2019, the balances of receivables were PLN 13,559,556 (December 31st 2018: PLN 14,552,625). Key customers whose balances as at June 30th 2019 exceeded 5% of total trade receivables are listed in the table below.

Receivables by customer:

	As at Jun 30 2019	As at Dec 31 2018
Humble Bundle Inc.	1,106,376	49,897
Valve Corporation	3,208,593	4,302,492
Microsoft Corporation	5,410,972	0
Nintendo Co. Ltd	1,000,962	2,655,414
GOG Sp. z o.o.	260,944	573,641

These balances are shown exclusive of receivables that were past due but unimpaired as at the end of the reporting period (see the ageing analysis below).

Ageing analysis of past due receivables

	As at Jun 30 2019	As at Dec 31 2018
60-90 days	34,130	3,435
91-120 days	28,125	35,416
121-360 days	54,444	32,327
over 360 days	30,188	9,200
Total	146,887	80,378

Ageing analysis of impaired trade receivables

	As at Jun 30 2019	As at Dec 31 2018
60-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	56,807	56,807
Total	56,807	56,807

3.15. NON-CURRENT FINANCIAL ASSETS (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Investment fund units (PKO BP Płynnościowy SFIO)	0	5,094,282
Total	0	5,094,282

3.16. CURRENT FINANCIAL ASSETS (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Investment fund units (PKO BP Płynnościowy SFIO)	5,098,592	0
Bank deposits with maturity over 3 months	43,147,926	27,000,000
Total	48,246,518	27,000,000

3.17. OTHER CURRENT ASSETS (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Insurance	19,360	25,692
Domain names, licences, subscriptions	55,757	122,727
Prepaid expenses	292,169	146,213
Guarantees	2,002	2,860
Property tax	46,286	0
Other	17,398	0
Total	432,972	297,492

Prepayments and accrued income comprised prepaid expenses related to industry events (trade fairs) in which the Company will take part in subsequent periods, as well as fees for Internet domains, property insurance, subscriptions, exchange fees and charges related to the property located at ul. Brzeska 2 in Warsaw, including real property tax.

3.18. OTHER ASSETS (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Long-term security deposits	189,060	171,729
Long-term prepayments and accrued income	17,735	20,774
Total	206,795	192,503

The largest item of other assets was a security deposit in favour of Mazovia Capital Sp. z o.o. under a lease of the property housing the Company's registered office, located at ul. Brechta 7 in Warsaw.

3.19. CASH AND CASH EQUIVALENTS (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Cash in hand and at banks	14,172,264	16,250,681
PKO BP Bank Hipoteczny bonds	8,000,000	8,000,000
Total	22,172,264	24,250,681

Cash at banks, cash in hand and bank deposits as at June 30th 2019, by currency:

- 19,266,054,
- USD 281,207 (PLN 1,049,916),
- EUR 432,596 (PLN 1,839,399),
- CNY 31,073 (PLN 16,895).

Cash at banks and bank deposits as at December 31st 2018, by currency:

- PLN 15,741,025,
- USD 1,210,231 (PLN 4,550,443),
- EUR 916,822 (PLN 3,942,335),
- CNY 30,793 (PLN 16,878).

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

3.20. SHARE CAPITAL (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Share capital	228,720	228,720
Total	228,720	228,720

As at June 30th 2019, the Company's share capital consisted of 2,287,199 fully paid-up ordinary shares totalling PLN 228,719.90.

3.21. LIABILITIES UNDER CONTRACTS WITH CUSTOMERS

As at June 30th 2019, liabilities under contracts with customers comprised an advance payment of PLN 5,689,787 received by the Company from one of its business partners towards future sales of the Company's products (games).

3.22. BORROWINGS

On December 19th 2018, the Company announced that it had entered into a PLN 12,600,000.00 investment loan agreement with Powszechna Kasa Oszczędności Bank Polski S.A. to partly finance the purchase of a developed property located at ul. Brzeska 2 in Warsaw. The loan repayment date is December 11th 2028. It bears interest at 1M WIBOR plus a fixed bank margin of 0.9pp. Interest rate risk related to the loan is hedged by the Company using an Interest Rate Swap. The loan bears interest at 3.4%. Repayment of the loan is secured by a blank promissory note issued by the Company, together with a promissory note declaration, a contractual mortgage of up to PLN 20,223,000.00 established over the perpetual usufruct of the property and the ownership title to the building erected on the property, and an assignment of cash receivables under an insurance contract for the property in favour of PKO BP. As at June 30th 2019, the non-current portion of the loan was PLN 11,128,088, while its current portion was PLN 1,296,476 (including measurement of the Interest Rate Swap).

3.23. TRADE AND OTHER PAYABLES (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Trade payables	3,413,410	187,089
Guarantee deposits - Brzeska	93,610	0
Taxes, customs duties, insurance and other dues	294,755	776,173
Accruals and deferred income	3,135,659	4,154,023
Amounts payable to employees	5,042	5,236
Total	6,942,476	5,122,519

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.

3.24. 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 2019	241,513	165,841	3,746,669	4,154,023
Increase:				
Recognition	226,685	184,785	8,233,176	8,644,646
Decrease:				
Use		22,511	10,920,190	10,942,701
Reversal			(1,279,691)	(1,279,691)
As at Jun 30 2019	468,198	328,115	2,339,346	3,135,659

Comparative data for the period from January 1st to December 31st 2018

	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:	2,037,071	1,114,765	11,218,319	14,370,155
Recognition	2,037,071	1,114,765	11,218,319	14,370,155
Decrease:	1,895,558	1,108,030	7,758,828	10,762,416
Use	1,895,558	1,108,030	7,758,828	10762416
Reversal	0	0	0	0
As at Dec 31 2018	241,513	165,841	3,746,669	4,154,023

The line item "Other" mainly comprises royalties from the sale of games payable to game developers to whom 11 bit studios S.A. provides publishing services.

3.25. FINANCIAL INSTRUMENTS (PLN)

The Company reviewed classes of its financial instruments and concluded that the carrying amount of the instruments did not differ from their fair value both as at June 30th 2019 and December 31st 2018.

3.25.1. Financial assets and liabilities

Financial assets:

	As at Jun 30 2019	As at Dec 31 2018
Financial assets measured at amortised cost - cash	22,172,264	24,250,681
Financial assets at fair value through profit or loss - investment fund units	5,098,592	5,094,282
Financial assets measured at amortised cost - bank deposits over 3 months	43,147,926	27,000,000
Financial assets measured at amortised cost - trade and other receivables	13,559,556	14,552,625
Total	83,978,338	70,897,588

Financial liabilities:

	As at Jun 30 2019	As at Dec 31 2018
Liabilities measured at amortised cost - trade and other payables	6,942,476	5,122,519
Total	6,942,476	5,122,519

Ageing analysis of trade and other payables

	As at Jun 30 2019	As at Dec 31 2018
Current	6,942,476	5,116,894
0-60 days	0	5,625
60-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	0	0
Total	6,942,476	5,122,519

3.25.2. Credit risk

The investment loan with PKO BP, trade receivables and cash are the key categories of assets exposed to credit risk. The amounts disclosed in the statement of financial position are presented net of impairment losses, which are estimated by the Company's management on the basis of past experience and the assessment of current economic conditions.

The repayment date of the investment loan with PKO BP, on which 11 bit studios S.A. reported in Current Report No. 29/2018 of December 19th 2018 (taken out to purchase the property located at ul. Brzeska 2 in Warsaw), is December 11th 2028. The loan bears interest at 1M WIBOR plus a fixed bank margin of 0.9pp. Interest rate risk related to the loan is hedged by the Company using an Interest Rate Swap. The loan bears interest at a fixed rate of 3.4%.

At present, the Company does not insure its trade receivables. The Company's trading partners are leading global corporations, including Valve Corporation, Apple and Google, which have a robust financial standing. Amounts due from platforms in respect of games sold are collected in 30 days or less.

For information on the concentration of credit risk related to trade receivables, see **Note 3.14.1.**

The Company has business relationships with financial institutions that enjoy a strong financial standing. As at June 30th 2019, the Company held cash with two institutions: PayPal (PLN 223,274) and the PKO BP Group (the balance).

3.25.3. 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 investment fund units is measured at cost equal to their purchase price on an active market.

Financial assets:

	As at Jun 30 2019	As at Dec 31 2018	Fair value hierarchy
Investment fund units	5,098,592	5,094,282	Level 1

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

3.26. DEFERRED INCOME (PLN)

	As at Jun 30 2019	As at Dec 31 2018
Government grants (a)	767,550	864,298
Other (b)	32,273	15,083
Total	799,823	879,381
Short-term	212,264	201,827
Long-term	587,559	677,554
Total	799,823	879,381

(a) The amount represent the total of:

- Government grant (EU funding) received in 2014 under the MEDIA programme for the development of proprietary technology. The income began to be recognised in 2018. As at June 30th 2019, the outstanding (not accounted for) balance of the grant was PLN 329,984 (December 31st 2018: PLN 419,979).
- Government grant (EU funding) received in 2017 under the Creative Media programme for the development of *Projekt 8*. Income from the grant has not been accounted for yet. It will be recognised against amortisation charges in the coming years - PLN 437,566 (December 31st 2018: PLN 437,566).

(b) The amount disclosed as at June 30th 2019 resulted from the purchase (as part of investing its cash surpluses) of non-Treasury securities (bonds of PKO BP Bank Hipoteczny) at a discount to their nominal value.

3.27. SHARE-BASED PAYMENTS

3.27.1. Employee stock option plan for 2017-2019

Pursuant to Resolution No. 18/05/2017 of the Company's General Meeting of May 10th 2017, the Company operates an Incentive Scheme for Members of the Management Board, employees and associates. Persons who signed Incentive Scheme participation agreements with the Company are entitled to acquire Series B subscription warrants convertible into Series G shares, subject to delivery by the Company of the objectives set out in the Incentive Scheme Rules.

The Incentive Scheme covers the years 2017-2019. Persons who have the right to acquire the warrants will be entitled to exercise them by subscribing for Series G shares by June 30th 2023.

Pursuant to Resolution No. 05/06/2017 of the Extraordinary General Meeting of June 7th 2017, for the purposes of the Incentive Scheme the Company may issue up to 130,000 Series G shares with a par value of PLN 0.10 per share and a total par value of PLN 13,000. By June 30th 2020, the General Meeting, at a motion of the Supervisory Board, will adopt a resolution to grant Series B subscription warrants to the participants of the Incentive Scheme; the number of the warrants will be specified in the motion of the Supervisory Board.

The grant of the warrants is subject to the achievement of the following financial targets (in PLN):

Total revenue of 11 bit studios S.A., 2017-2019	126,414,447
Total pre-tax profit of 11 bit studios S.A., 2017-2019	71,188,803

If the financial targets are not fully met, the pool of shares offered under the Incentive Scheme will be reduced by 10% for each 5% of the underperformance.

According to the parameters of the Scheme, as at December 31st 2018 the number of warrants available under the Scheme and the estimated number of warrants that may be subscribed for were as follows:

	Available number of warrants (maximum)	Estimated number of warrants that may be subscribed for
Total revenue of 11 bit studios S.A., 2017-2019, weight 1/3	43,333	43,333
Total pre-tax profit of 11 bit studios S.A., 2017-2019, weight 2/3	86,667	86,667
Total	130,000	130,000

The issue price of Series G shares in the Incentive Scheme was set at PLN 103.38.

3.27.2. Recognition of the Incentive Scheme as at the reporting date

The fair value of warrants granted under the Incentive Scheme has been estimated using the Damodaran Warrant pricing model, which takes into account, among other things, the Company's share price as at the date of signing the Incentive Scheme participation agreement (the grant date) and the annual volatility of the price of Company shares. This value is charged to profit or loss proportionately throughout the entire period of settlement of the three-year Incentive Scheme, and is recognised as reserve capital. The key parameters of the model used to calculate the fair value of the potential Incentive Scheme premium and the costs to be charged to profit or loss in a given period are presented below:

Grant date (date of signing the participation agreements)	Mar 30 2018
Vesting date	until Jun 30 2020
Price 11 bit studios S.A. shares on the grant date (PLN)	209.00
Volatility of 11 bit studios S.A. share price per annum (%)	57.93%
Risk-free rate (%)	2.354%
Number of warrants in the Incentive Scheme	130,000
Valuation of warrants (PLN)	140.81
Cost of the Scheme as at June 30th 2019	10,231,467
Cost of the Scheme as at June 30th 2018	2,202,128
Statement of profit or loss - employee benefits expense (PLN) in 2019	10,231,467
Statement of profit or loss - employee benefits expense (PLN) in 2018	2,202,128

3.28. RELATED-PARTY TRANSACTIONS (PLN)

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

- Piotr Sulima - Chairman of the Supervisory Board (until May 23rd 2019)
- Wojciech Ozimek - Chairman of the Supervisory Board (since May 23rd 2019), Member of the Supervisory Board (until May 23rd 2019)
- Jacek Czykiel - Deputy Chairman of the Supervisory Board
- Radosław Marter - Member of the Supervisory Board
- Agnieszka Maria Kruz - Member of the Supervisory Board (until May 23rd 2019)
- Marcin Kuciapski - Member of the Supervisory Board (since May 23rd 2019)
- Piotr Wierzbiński - Member of the Supervisory Board (since May 23rd 2019).

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

- Paweł Miechowski, Partnership Manager - 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, Chairman of the Supervisory Board.
-

3.28.1. Commercial transactions (PLN)

Apart from the services provided by members of the Company's Management Board as described in **Note 3.28.4.**, the Company entered into the following related-party transactions in the first half of 2019 and the first half of 2018:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Arkona - Paweł Miechowski	82,650	74,096
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek	23,008	55,118
Total	105,658	129,214

3.28.2. Loans advanced to related parties

The Company did not advance any loans to related parties in the first half of 2019 or the first half of 2018.

3.28.3. Borrowings from related parties

The Company did not receive any loans from related parties in the first half of 2019 or the first half of 2018.

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

The Company's key management personnel are its Management Board and Supervisory Board. In the first half of 2019 and in the comparative period, the members of the Company's Management Board and Supervisory Board were remunerated as follows for discharging managerial and supervisory responsibilities:

Short-term benefits - Management Board:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Grzegorz Miechowski	404,158	753,591
Bartosz Brzostek (Member of the Management Board until May 9th 2018)	0	178,653
Michał Drozdowski	403,714	753,066
Przemysław Marszał	399,653	749,161
Total	1,207,525	2,434,471

Short-term benefits - Supervisory Board:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Piotr Sulima (Chairman of the Supervisory Board until May 23rd 2019)	21,450	8,903
Wojciech Ozimek (Chairman of the Supervisory Board since May 23rd 2019, Member of the Supervisory Board until May 23rd 2019)	16,875	2,968
Jacek Czykiel	9,900	5,935
Radosław Marter	7,865	2,968
Agnieszka Maria Kruz (Member of the Supervisory Board until May 23rd 2019)	13,510	2,968
Marcin Kuciapski (Member of the Supervisory Board since May 23rd)	2,145	0
Piotr Wierzbicki (Member of the Supervisory Board since May 23rd)	2,145	0
Total	73,890	23,742

Remuneration of the Members of the Company's Management Board is determined by the Supervisory Board and depends on the individuals' performance and on market trends. The remuneration of the Management Board members for the first half of 2019 and the first half of 2018 includes provisions for annual bonuses.

Members of the Management Board did not receive any other remuneration based on profit distribution for the first half of 2019 or the first half of 2018. However, they participate in the Incentive Scheme, as detailed in **Note 3.27.**

In addition, Members of the Management Board received the following consideration for services under civil-law contracts:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Grzegorz Miechowski	30,000	5,000
Michał Drozdowski	30,000	5,000
Przemysław Marszał	30,000	5,000
Total	90,000	15,000

3.28.5. Other transactions with related parties

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

3.29. INFORMATION ON DIVIDEND PAID OR DECLARED

The Company did not pay any dividend in the first half of 2019 or the first half of 2018.

3.30. OFF-BALANCE-SHEET COMMITMENTS

As at the date of issue of this report, the Company had off-balance-sheet commitments of EUR 715,000 and PLN 74,950. The commitments are related to publishing agreements executed by the Company with third-party development studios.

3.31. CONTINGENT ASSETS AND LIABILITIES

3.31.1. Contingent liabilities

Promissory note declaration (blank promissory note) in favour of the Polish Agency for Enterprise Development (PARP) as security for the proper performance of obligations under co-funding agreement No. POIR.03.03.03-14-0104/16-00.

Promissory note declaration (blank promissory note) in favour of the Small and Medium-Sized Enterprises Foundation/Polish Agency for Enterprise Development as security for the proper performance of obligations under co-funding agreement No. UDA-POIG.08.02.00-14-153/13-00/.

Promissory note declaration (blank promissory note) in favour of Powszechna Kasa Oszczędności Bank Polski S.A. as security for repayment of all of the Company's liabilities under the investment loan agreement for the purchase of the developed property located at ul. Brzeska 2 in Warsaw.

3.32. NOTES TO THE STATEMENT OF CASH FLOWS (PLN)

The line item "Other adjustments" in the statement of cash flows comprises the following:

	Period ended Jun 30 2019	Period ended Jun 30 2018
Amortisation/depreciation charges allocated to project costs	192,073	14,793
Settlement of withholding tax for 2017 and previous years	0	103,921
Measurement of long-term investments	(4,310)	(20,896)
Measurement of share-based payments - Incentive Scheme	4,092,588	2,202,128
Measurement of derivative transactions	157,361	0
Measurement of deposits maturing in over 3 months	(147,926)	0
Other adjustments	67,677	0
Total	4,357,463	2,299,946

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

In the first half of 2019, the Company did not record any unusual seasonal or cyclical fluctuations.

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

In the first half of 2019, there were no unusual factors or events affecting the Company's financial results.

3.35. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events occurred which would have an impact on these interim financial statements for the first half of 2019 by the date of their authorisation for issue by the Parent's Management Board on August 27th 2019.

3.36. FACTORS WITH BEARING ON THE COMPANY'S FUTURE RESULTS

The Company's performance in the second half of 2019 will largely be driven by the release of *Frostpunk* for Xbox One and PS4 consoles. *Frostpunk*, distributed digitally for these two consoles, will be available on the market from October 11th 2019. The retail price of the game will be USD/EUR 29.99. *Frostpunk* for Xbox Ones and PS4s will also be offered via physical distribution channels (boxed version). The boxed version will be prepared by Merge Games. *Frostpunk* will be sold physically in Europe and in the US from October 18th 2019 and October 22nd 2019, respectively, for USD/EUR 34.99 or GBP 29.99. The title has already been submitted to Sony and Microsoft for certification, which is required for the

product to go on sale. The Company is also preparing to release paid add-ons (DLCs) to *Frostpunk*. *Frostpunk* will also be developed by adding further language versions. Currently, the title is available in twelve languages.

Another important event in the second half of 2019 will be the launch of *Children of Morta*, a game developed by Dead Mage and published by 11 bit studios S.A. *Children of Morta* for PCs will be launched on the market on September 3rd, while its release for Xbox One, PS4 and Nintendo Switch consoles is scheduled for October 15th. The price of *Children of Morta* distributed digitally for PCs, Xbox Ones, PS4s and Nintendo Switches will be USD/EUR 21.99. Its boxed versions (prepared by Merge Games) will be available for PCs (in Europe and Australia), and for PS4 and Nintendo Switch consoles.

Further monetisation of *Frostpunk* for PCs will also have a noticeable impact on 11 bit studios S.A.'s results in the next quarters of the year. The activities planned for the coming months, including the DLC releases as well as the promotional and sale campaigns, are expected to boost the demand for and sales of the product. Similar steps will be taken by the Company with respect to *Moonlighter* (published by 11 bit publishing), developed by Digital Sun. After the reporting period (on July 23rd 2019), a paid add-on to *Moonlighter*, called *Between Dimensions*, was marketed, having been very well received by the gaming community. The game developer is also working to make *Moonlighter* available for handheld devices running on iOS or Android. Further monetisation of *This War of Mine* will continue to be a significant, albeit increasingly less so, contributor to 11 bit studios S.A.'s performance in the coming periods. After the reporting period (on August 6th 2019), a third paid add-on to the *TWOM: Stories* series, called *TWOM: Stories - Fading Embers*, went on sale. The two earlier add-ons were very well received by players, helping sustain their interest in the title.

Alongside the monetisation of *Frostpunk*, *TWOM* and the titles of 11 bit publishing (*Moonlighter* and *Children of Morta*), the results of 11 bit studios S.A. in the long run will mainly be driven by sales of the game currently being developed under the working title of *Projekt 8*. The team responsible for developing *Projekt 8* is now more than 25 strong, but is being gradually expanded. According to current plans, the team should ultimately be comparable in size to the team which produced *Frostpunk* (50-60 people), and the game's budget should be about PLN 20m. The Company expects to release *Projekt 8* simultaneously for PCs and for PS4 and Xbox One consoles, which should enhance the game's commercial potential. Also new games published by 11 bit publishing will be a major source of revenue for 11 bit studios S.A. in the coming periods.

Within the medium-term perspective of several years, 11 bit studios S.A. wants to have at least three comparable development teams (of 55-60 people), each working on a proprietary game title (IP), so that it could increase the number of parallel projects and thus the frequency of new releases. This should help stabilise the financial results, which tend to be highly volatile in the video games industry.

Following the success of *Moonlighter*, the Company also intends to further develop its publishing division. The medium-term strategy of 11 bit studios S.A. in the publishing area assumes that third-party games would be launched every quarter. In line with the updated strategy, the Company is prepared to spend up to PLN 5m on a single production (before the launch of *Moonlighter*, the amount was PLN 2m), which significantly expands its ability to obtain commercially attractive projects for its publishing portfolio. 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.

3.37. 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 or its subsidiary'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.

3.38. AUTHORISATION OF FINANCIAL STATEMENTS

The Company's financial statements were authorised for issue by the Management Board on August 27th 2019.

Signed by:



Grzegorz Miechowski
President of the Management Board



Przemysław Marszał
Member of the Management Board



Michał Drozdowski
Member of the Management Board

Warsaw, August 27th 2019

**DIRECTORS' REPORT ON THE OPERATIONS OF 11 BIT STUDIOS
FOR THE FIRST HALF OF 2019**

4. 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.

4.1. COMPANY OVERVIEW

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 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.

4.2. COMPANY’S GOVERNING BODIES AS AT JUNE 30TH 2019

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

- Wojciech Ozimek - Chairman of the Supervisory Board
- Jacek Czykiel - Deputy Chairman of the Supervisory Board
- Radosław Marter - Member of the Supervisory Board
- Marcin Kuciapski - Member of the Supervisory Board
- Piotr Wierzbicki - Member of the Supervisory Board

In the reporting period, the Company’s Supervisory Board did not change the composition of the Management Board of 11 bit studios S.A., reappointing its members for another three-year term of office at the Supervisory Board’s meeting held on May 23rd 2019. The term of office of the Management Board members expires on the date when the General Meeting approves the Company’s financial statements for the financial year ending December 31st 2021.

The composition of the Supervisory Board of 11 bit studios S.A. changed in the reporting period. The Annual General Meeting held on May 23rd 2019 appointed the following persons to the Company’s Supervisory Board for a new three-year term of office: Wojciech Ozimek, Jacek Czykiel and Radosław Marter (members of the Company’s Supervisory Board of the previous term of office), as well as Marcin Kuciapski and Piotr Wierzbicki. At its meeting held on June 18th 2019, the Company’s Supervisory Board passed a resolution to appoint Wojciech Ozimek as Chairman of the Supervisory Board, and Jacek Czykiel as Deputy Chairman of the Supervisory Board. The term of office of the Supervisory Board members expires on the date when the General Meeting approves the Company’s financial statements for the financial year ending December 31st 2021.

4.3. SHARE CAPITAL

As at the date of issue of this report, the Company’s share capital amounted to PLN 228,719,90 and was divided into 2,287,199 shares with a par value of PLN 0.10 per share, including:

- 1,000,000 Series A bearer shares,
- 494,200 Series B bearer shares,
- 376,561 Series C bearer shares,
- 40,938 Series D bearer shares,

- 305,500 Series E bearer shares,
- 70,000 Series F bearer shares.

4.4. SHAREHOLDING STRUCTURE AS AT THE DATE OF ISSUE OF THE HALF-YEAR REPORT

Name	Number of shares (shares)	% of share capital held	Number of votes (shares)	% of total voting rights at GM
Grzegorz Miechowski	162,000	7.08	162,000	7.08
Przemysław Marszał	118,000	5.16	118,000	5.16
Michał Drozdowski	89,630	3.92	89,630	3.92
NN TFI*	137,771	6.02	137,771	6.02
Aviva Investors Poland TFI*	204,225	8.93	204,225	8.93
Other shareholders	1,575,573	68.89	1,575,573	68.89
Total	2,287,199	100.00	2,287,199	100.00

* Number of shares registered at the Annual General Meeting held on May 23rd 2019.

In the reporting period, there were changes in the shareholding structure of 11 bit studios S.A.

In Current Report No. 1/2019, 11 bit studios S.A. reported that on January 2nd 2019 the Company received a notification under Art. 69.1.1 in conjunction 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 from Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S.A. ("Aviva TFI"), acting on behalf of Aviva Investors Fundusz Inwestycyjny Otwarty (the "Fund"), of exceeding the threshold of 5% of total voting rights in 11 bit studios S.A., after the Fund had purchased Company shares on December 20th 2018. Prior to the change, the Fund held 113,709 shares in 11 bit studios S.A., representing 4.97% of the Company's share capital. Upon the transaction, the Fund held 115,839 shares in 11 bit studios S.A., representing 5.06% of the Company's share capital.

4.5. COMPANY SHARES HELD BY MEMBERS OF ITS MANAGEMENT AND SUPERVISORY STAFF

	Position	Number of shares as at Dec 31 2018 (shares)	Number of shares as at Jun 30 2019 (shares)	Number of shares as at this report date
Grzegorz Miechowski	President of the Management Board	162,000	162,000	162,000
Przemysław Marszał	Member of the Management Board	118,000	118,000	118,000
Michał Drozdowski	Member of the Management Board	89,630	89,630	89,630

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

4.6. AUDITORS

Deloitte Audyt Sp. z o.o. Sp.k.
ul. Jana Pawła II 22
00-133 Warsaw

In Current Report No. 29/2017 of July 27th 2017, the Company announced that in accordance with the applicable laws and professional standards, on July 26th 2017 the competent body, i.e. the Company's Supervisory Board, appointed Deloitte Polska Sp. z o.o. Sp.k. (currently Deloitte Audyt Sp. z o.o. Sp.k.), a qualified auditor of financial statements, to audit the full-year financial statements and review the half-year financial statements of 11 bit studios S.A. for the financial years ending on December 31st 2017, 2018 and 2019.

4.7. RELATED-PARTY TRANSACTIONS

Related parties include members of the Management Board and Supervisory Board and key personnel of the Company (key management). For a detailed description of the related-party transactions, see **Note 3.28**.

4.8. MANAGEMENT OF THE COMPANY'S RISKS

The Company's business, financial position and results of operations have been and may in the future be adversely affected by a number of risks, both specific to the video games industry and typical for entities conducting business in Poland and worldwide. For a detailed description of the risks, see Note 5.16 to the Directors' Report on the operations of 11 bit studios S.A. in 2018, which is a part of 11 bit studios S.A. report for 2018.

4.9. MAJOR ACHIEVEMENTS IN THE FIRST HALF OF 2019 AND UNTIL THE DATE OF RELEASE OF THIS REPORT

The main factors that drove revenue of 11 bit studios S.A. in the first half of 2019 were strong sales of *Frostpunk* and *Moonlighter* (the latter a published third-party title), first launched in the second quarter of 2018, and continued solid sales of *This War of Mine*, almost five years after the game was released on PCs.

The PC version of *Frostpunk* was released on April 24th 2018. The game, which tells the story of a struggle for survival of a community stranded in a freezing world, proved very popular with fans, which resulted in very good sales in the period around the release and in the following quarters. At the annual Investor Conference held on March 30th 2019, the Company announced that *Frostpunk* had already sold over 1.4m copies, but the sales volume continued to grow in the following months.

Moonlighter, developed by the Spanish Digital Sun 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*, the title was very well received by the market. At the beginning of the third quarter of 2019, the Company announced via social media that over one million gamers had already played *Moonlighter*.

This War of Mine continued to contribute positively to the Company's results in the first half of 2019 (the PC version of the game was released on November 14th 2014). In the reporting period, 11 bit studios S.A. was actively involved in marketing activities and effectively reached new audiences with the product.

4.9.1. Game development

In the first months of 2019, 11 bit studios S.A.'s development division focused on the Xbox One and PS4 version of *Frostpunk* and the game's additional content. Involved in the project was a team of over 40 employees and associates. It took longer than originally planned, mainly because 11 bit studios S.A. decided that the console version of *Frostpunk* would not be a straight port of the PC version. Accordingly, every element of the game was designed from scratch to work intuitively with controllers. In addition to changes in the user interface, the game offers an express menu for quick access to most common building actions, easy to use choice-wheels, top-down view for precise building placement, upscaled icons, and a host of other elements intended to make the console version of *Frostpunk* extremely user-friendly.



The digital release of the console version of *Frostpunk* is slated for October 11th 2019. The game will also be available as a boxed edition (for physical distribution), prepared by Merge Games. *Frostpunk* will be sold via physical distribution channels in Europe and in the US from October 18th 2019 and October 22nd 2019, respectively. After the end of the reporting period, the title was submitted to Sony and Microsoft for certification, which is required for the game to go on sale.

A first paid add-on to *Frostpunk* - *The Rifts* was released on August 27th 2019, its price set at USD/EUR 4.99. At the same time, the Company started selling *Season Passes* for *Frostpunk*, containing *The Rifts* and two other DLCs due to be released by the end of 2019 (*The Last Autumn*) and in 2020 (the title of that third add-on will be disclosed at a later date). The price

of a *Season Pass* is USD/EUR 25.

In the first half of 2019, the Company took a number of steps to maintain the interest in, and the monetisation of, *Frostpunk*. New language versions of the game were marketed, including Japanese, Korean and Italian, with more language versions soon to follow. The Company's flagship product was also offered through a number of promotion and sale campaigns on major global platforms, including Steam, which had a positive impact on sales volumes.

In the first half of 2019, the Company also continued its work (started several quarters before) on the production of a game under the working title of *Project 8*. The title is being developed by another team, which at the date of this report consisted of 25 members, but is due to be strongly expanded through ongoing recruitment. According to current plans, the *Project 8* team should ultimately be comparable in size to the team which produced *Frostpunk* (60 people), and the game's budget should be about PLN 20m. The game will be released simultaneously in versions for PCs, PS4s and Xbox Ones.

In parallel with the production of *Frostpunk* and *Project 8*, in the first six months of 2019 the Company was also engaged in work to further develop *This War of Mine*. As a result, a third *TWoM: Stories* paid add-on was released (the first supplement of the series was released on November 14th 2017, on the third anniversary of the *TWoM* debut). The add-on entitled *TWoM: Stories - Fading Embers* debuted on August 6th 2019 and was well received by the gaming community. The Company expects the *TWoM: Stories - Fading Embers* to be the last add-on to *TWoM*, and the team responsible for its development will proceed to prototype a new title (IP) before the end of this year.

4.9.2. Publishing division

In the first half of 2019, the Company's publishing division focused on preparations for the release of *Children of Morta*, a game developed by the US Iranian studio Dead Mage based in Austin, Texas. *Children of Morta* represents the Action-RPG genre. It has a rich, hand-drawn world (in the pixel art style) and a number of playable characters. The game tells the story of the Bergson family, guardians of the mystical Mount Morta, who are facing a threat that will put the strength of their arms and family ties to the test.



Children of Morta for PCs will be launched on September 3rd 2019, and will come to Xbox One, PS4 and Nintendo Switch consoles on October 15th 2019. The price of *Children of Morta* distributed digitally for PCs, Xbox Ones, PS4s and Nintendo Switches will be USD/EUR 21.99. Its boxed versions (prepared by Merge Games) will be available for PCs (in Europe and Australia), and for PS4 and Nintendo Switch consoles.

Children of Morta has attracted strong interest from the industry media and players, as demonstrated by the wishlist on Steam, where it garnered much better results than *Moonlighter* did at the same time before release. Hence, we believe the new title in the 11 bit publishing portfolio has great commercial potential and its sales will significantly contribute to 11 bit studios S.A.'s performance in the second half of 2019

and beyond.

In the first half of 2019, the publishing management team continued to monetise *Moonlighter* developed by the Spain-based Digital Sun studio. *Moonlighter* is a roguelike game, in which the player becomes Will - a shop owner during the day and a brave adventurer at night. The title refers to classic 2D games such as the Legend of Zelda and Harvest Moon. The game stands out for its pixel art textures. It debuted simultaneously for PCs, Xbox Ones and PS4s and is available in the world's leading digital gaming platforms, including Steam. Since the fourth quarter of 2018, *Moonlighter* can also be played on Nintendo Switch, including by players in Japan, where the game was released on Nintendo Switch in March 2019.



In addition to its continued development (expanded content and new language versions) and participation in promotional and sale campaigns, the game's monetisation efforts in 2019 included sales of a large paid add-on called *Moonlighter - Between Dimensions*, which came to stores on July 23rd 2019. *Moonlighter* will also be available for mobile devices running on iOS or Android. The date of release of the game on these platforms will be announced at a later date.

In addition to the monetisation of *Moonlighter* and preparations for the release of *Children of Morta*, in the first half of 2019 the 11 bit publishing team actively supported sales of its older games, mainly *Beat Cop* (released on PCs in March 2017). For instance, the Company decided to release *Beat Cop* in versions for handheld devices, and for Nintendo Switch, PS4 and Xbox One consoles. The game's version for these platforms was released on March 5th 2019.

In 2018, the 11 bit publishing management team also took active steps to expand the publishing portfolio. The Company participated in all major industry events around the world in search for interesting projects and to establish contacts with independent development studios. These efforts have already translated into publishing contracts, which the Company will announce to the market in due course.

4.9.3. Other developments

The first half of 2019 witnessed many important developments that built and solidified the image of 11 bit studios S.A. as a developer and publisher of world-class video games, but also as a reliable and fast-growing listed company.

On March 13th 2019, the Company won two accolades in the 20th edition of the Listed Company of the Year contest organised by the *Puls Biznesu* daily. 11 bit studios S.A. was ranked second in the 'Success in 2018' category and was named among the top ten listed companies in the overall 2018 ranking.

On January 3rd 2019, 11 bit studios S.A. was notified by Aviva Investors Poland TFI S.A. that one of the funds under its management, i.e. Aviva Investors FIO, had purchased additional shares in 11 bit studios S.A. at the end of 2018, exceeding the threshold of 5% of its share capital. Following the transactions, Aviva Investors FIO held 115,839 shares in 11 bit studios S.A., representing 5.06% of the Company's share capital and conferring the same percentage of total voting rights at its General Meeting.

On May 22nd 2018, the Annual General Meeting of 11 bit studios S.A. decided to allocate the entire net profit earned by the Company in 2018, of PLN 37,549,897 to statutory reserve funds. The shareholders of 11 bit studios S.A. also appointed the following persons to the Company's Supervisory Board for a new three-year term of office: Wojciech Ozimek, Jacek Czykiel, Radosław Marter (reappointed members), Marcin Kuciapski and Piotr Wierzbicki.

The new Supervisory Board appointed Wojciech Ozimek as Chairman of the Supervisory Board and Jacek Czykiel as its Deputy Chairman. The Supervisory Board reappointed all members of the Company's Management Board, i.e. Grzegorz Miechowski (President of the Management Board) as well as Przemysław Marszał and Michał Drozdowski (Members of the Management Board) for a new three-year term of office.

In H1 2019, the price of 11 bit studios shares on the WSE ranged from PLN 244.0 (at the opening of the first trading day in 2019) to PLN 421.0 (the closing price on April 4th 2019). On the last trading day in H1 2019, i.e. June 28th 2019, the Company shares traded at PLN 397 (closing price), which means that over the first six months of this year the price of 11 bit studios shares rose 62.7% and the Company's market capitalisation increased to PLN 908.1m (at the end of June 2019) from PLN 558.07m (at the year's beginning). Over that period, the WSE's main index (WIG) gained 4.3%, and the mWIG40 index of mid-cap companies (including 11 bit studios S.A.) - only 4.4%.

Chart: Performance of 11 bit studios S.A. shares on the Warsaw Stock Exchange in H1 2019 (PLN)



Source: Parkiet.com

The rise in the 11 bit studios S.A. share price, combined with satisfactory (against the weak market environment) liquidity of its shares, enhanced the Company's equity research coverage. In the first half of 2019, the number of brokers' research reports on the Company was 11, compared with 16 produced throughout 2018 (and seven in 2017). Of the reports published in the first six months of 2019, eight included a 'buy' recommendation, two advised investors to 'accumulate' and one to 'hold' 11 bit studios shares. The target price range of 11 bit studios shares in the equity research reports issued in the first six months of 2019 was PLN 288-524.

In the reporting period the Company expressed a wish to join, and was admitted to, the WSE Equity Research Coverage Support Programme, set up to increase the research coverage of companies included in the mWIG40 and sWIG80 indices. The broker responsible for producing reports on 11 bit studios S.A. under the programme is Erste Research Group. In the first such report, issued after the end of the reporting period in early July, Erste Research Group valued 11 bit studios shares at PLN 493.4, with a 'buy' recommendation.

4.10. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events occurred which would have an impact on this Half-Year for H1 2019 by the date of its authorisation for issue by the Parent's Management Board on August 27th 2019.

4.11. DESCRIPTION OF MATERIAL PROCEEDINGS PENDING BEFORE A COURT, ARBITRATION BODY OR STATE ADMINISTRATION AUTHORITY

The Company is neither the subject of nor a party to any material proceedings pending before a court, a competent arbitration body or a state administration authority.

5. FINANCIAL CONDITION OF 11 BIT STUDIOS S.A.

5.1. STATEMENT OF PROFIT OR LOSS (PLN)

	6 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2018 (unaudited)	Change y/y (%)
Continuing operations			
Revenue	30,738,966	45,725,373	-32.77
Other income	153,941	463,392	-66.78
Total operating income	30,892,907	46,188,765	-33.12
Depreciation and amortisation	(3,038,143)	(1,388,989)	118.73
Raw materials and consumables used	(218,950)	(112,711)	94.26
Services	(11,948,337)	(6,930,814)	72.39
Salaries, wages and employee benefits	(6,185,241)	(6,430,684)	-3.82
Taxes and charges	(114,105)	(134,315)	-15.05
Other expenses	(701,883)	(954,272)	-26.45
(Impairment)/reversal of impairment of financial instruments	(6,357)	(54,183)	-88.27
Total operating expenses	(22,213,016)	(16,005,968)	38.78
Operating profit	8,679,891	30,182,797	-71.24
Interest income	495,721	163,595	203.02
Finance income	0	1,130,883	
Finance costs	(204,357)	(578)	35255.88
Profit before tax	8,971,255	31,476,698	-71.50
Income tax expense	(2,558,000)	(6,560,358)	-61.01
Net profit from continuing operations	6,413,255	24,916,340	-74.26
Discontinued operations	0	0	
Net profit from discontinued operations	0	0	
NET PROFIT	6,413,255	24,916,340	-74.26
Earnings per share (PLN per share) from continuing operations:			
Basic	2.80	11.24	-75.09
Diluted	2.65	10.61	-75.02

In the first half of 2019, 11 bit studios S.A. recorded revenue of PLN 30,738,966, 32.77% less than the year before, when revenue had come to PLN 45,725,373. The year-on-year decline in top-line performance was attributable to a high base effect, as the first half of 2018 saw the release of *Frostpunk* (April 24th, PC version), followed by *Moonlighter* (May 29th, for PCs and for PS4 and Xbox One consoles), the latter produced by Spain's Digital Sun studio. No comparable events took place in the first six months of 2019, the sales of these two games as well as some older titles, such as *This War of Mine* (which generated revenue at a sustained rate year on year) and *Beat Cop* (published by 11 bit publishing), remaining the key sources of revenue for 11 bit studios S.A.



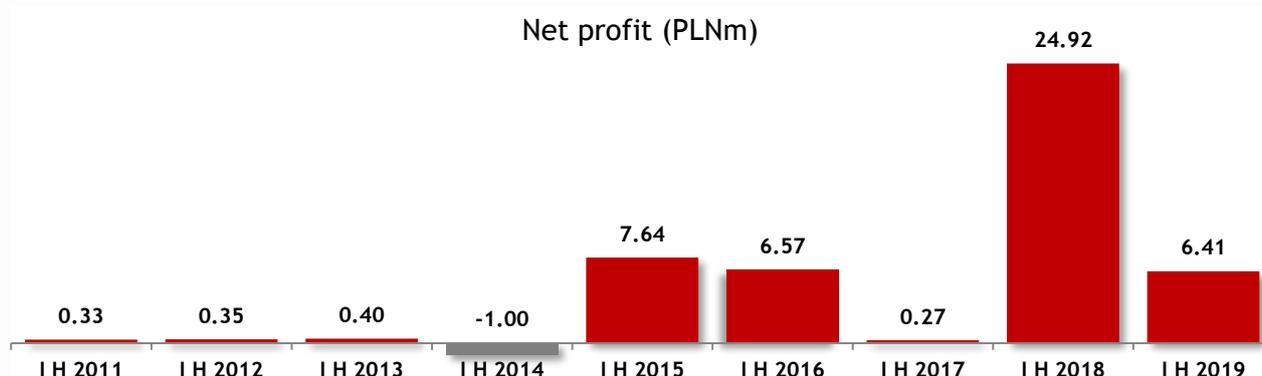
In the first half of 2019, the Company also recognised PLN 153,941 in other income (mainly grants), compared with PLN 463,392 a year earlier. As a result, the Company's total operating income in the first half of 2019 was PLN 30,892,907, a decrease of 33.12% from PLN 46,188,765 posted in the corresponding period of 2018.

Services were the largest item of operating expenses in the first six months of 2019. They amounted to PLN 11,948,337, an increase of 72.39% on the first half of 2018, due mainly to higher royalties payable and paid to the producer of *Moonlighter* on account of the game's sales in the first half of 2019. In that period, revenue from *Moonlighter* was over three times the figure booked for the first half of 2018 as the game had not been released until May 29th 2018. The year-on-year increase in the cost of services in the first six months of 2019 was also driven by a consistent rise in the Company's staffing levels, also by employing professionals and managers under a B2B model. Included in services were also non-cash provisions relating to the Company's 2017-2019 Incentive Scheme. In the first half of 2019, these provisions were PLN 4.1m, compared with PLN 2.05m the year before (they began to be recognised as of Q2 2018). Another important item affecting the Company's statement of profit or loss in the first half of 2019 were salaries and wages, although they fell 3.82% year on year, to PLN 6,185,241, despite an increase in the Company's headcount. The decline was partly attributable to the fact that salaries, wages and employee benefits include non-cash provisions recognised for the Company's scheme of annual bonuses for employees and Management Board members, which has been operated for several years now. As bonus amounts are linked to the Company's pre-tax profit, the year-on-year decrease in profit earned by 11 bit studios S.A. in the first half of 2019 resulted in a proportional reduction of the provisions. Provisions for annual bonuses are also partly charged to services (to the extent they relate to employees working for the Company under B2B contracts). Their amounts in the first six months of 2019 were also much lower than in the corresponding period of the previous year. Depreciation and amortisation represented a material item of operating expenses in H1 2019, having more than doubled, to PLN 3,038,143, as *Frostpunk* and *Moonlighter* were amortised over the full six-month period and not, as was the case last year, only after the release of the two games (from April and May 2018, respectively). Other expenses fell year on year in H1 2019, by 26.45%, to PLN 701,883, compared with PLN 954,272 the year before. The main item of other expenses was a donation for the War Child Foundation, which supports child victims of wars. The Company has supported the foundation for several years now by donating a portion of its revenue from sale of *This War of Mine*. In the reporting period, the Company transferred to the foundation's accounts an amount of PLN 230,316 (H1 2018: PLN 648,755). Total operating expenses incurred by 11 bit studios S.A. in the first six months of 2019 were PLN 22,213,016, i.e. 38.78% more than in the corresponding period of the previous year (PLN 16,005,968).

In the first half of 2019, with the higher operating expenses and slightly lower revenue, 11 bit studios S.A. posted operating profit of PLN 8,679,891, i.e. 71.24% less than the year before, when it came in at PLN 30,182,797.

Another positive contributor to the Company's results in H1 2019 was net finance income (of PLN 291,364) supported by growing cash resources, which were invested in interest-bearing bank deposits or low-risk financial instruments. In H1 2019, interest income amounted to as much as PLN 495,721, an increase of 203.1% year on year. In the first half of 2018, net finance income was markedly higher than in the current year (PLN 1,293,900), a consequence of favourable changes in the international currency markets (weakening of the zloty against the US dollar and the euro). The Company derives almost all of its revenue from foreign sales. In addition, a small part of cash resources are denominated in foreign currencies, which, due to the need to remeasure them at the end of each accounting period, resulted in additional (non-cash) finance income in H1 2018. In H1 2019, 11 bit studios S.A. incurred finance costs on remeasurement of financial assets (as the zloty appreciated against the US dollar and the euro) of PLN 204,357.

In the first half of 2019, 11 bit studios S.A. earned pre-tax profit of PLN 8,971,255, down by 71.5% year on year. On that amount, the Company paid PLN 2,558,000 in income tax (H1 2018: PLN 6,560,358). As a result, net profit was PLN 6,413,255 vs PLN 24,916,340 in the first six months of 2018.



5.2. STATEMENT OF FINANCIAL POSITION (PLN)

As at June 30th 2019, 11 bit studios S.A.'s total assets were PLN 126,622,025, up by 15.88% on the year beginning (when they stood at PLN 109,262,821) and by 53.86% year on year (June 30th 2018: PLN 82,298,141).

As in the previous periods, the key item of the Company's assets were current assets. At the end of the first half of 2019, they stood at PLN 87,466,416, which represented a 28.73% increase on December 31st 2018, from PLN 67,945,928. As at

June 30th 2019, current assets accounted for 69.08% of the Company's total assets. On December 31st 2018, the ratio was lower, at 62.19%. As in the previous periods, the largest item of current assets were current financial assets (bank deposits and PKO BP Bank Hipoteczny bonds), totalling PLN 48,246,518 (including interest) as at June 30th 2019, compared with PLN 27,000,000 as at the end of 2018. This means that current financial assets accounted for 38.11% of the Company's total assets. Six months earlier, the ratio was 24.71%. Current financial assets also included investment fund units (of PKO BP Płynnościowy SFIO), with a value of PLN 5,098,592, which at the end of 2018 were disclosed in an amount of PLN 5,094,282 as non-current financial assets under non-current assets. The change in the accounting treatment followed a decision to present the units for redemption, which took place after the reporting period had been closed. Cash and cash equivalents remained another important item of current assets (and total assets) of 11 bit studios S.A. At the end of H1 2019, they amounted to PLN 22,172,264, or 17.51% of the Company's total assets. As at the end of 2018, 11 bit studios S.A. held PLN 24,250,681 of cash at banks (accounting for 22.19% of its assets). Trade receivables of PLN 13,559,556 as at June 30th 2019 were another material item under current assets. They went down by 6.82% from PLN 14,552,625 as at December 31st 2018, and their share in total assets declined from 13.31% at the end of 2018 to 10.71%. The continuing high level of receivables is attributable to strong sales of *Frostpunk* and *Moonlighter*. Both titles are very popular among customers, which has had a positive impact on revenue earned by 11 bit studios S.A. and, due to the adopted model of settlements with distributors, also on trade receivables. Receivables are systematically converted into cash in successive periods.

As at June 30th 2019, the Company's non-current assets were PLN 39,155,609, accounting for 30.92% of total assets. At the end of 2018, this ratio stood at 37.18% (with non-current assets of PLN 41,316,893). This decrease was mainly due to the change in the accounting treatment of PKO BP Płynnościowy SFIO investment fund units, which were transferred from non-current assets to current assets, as described above. Intangible assets were the main item of non-current assets as at the end of June 2019, when they amounted to PLN 19,274,607 (December 31st 2018: PLN 17,138,011). Intangible assets included expenditure on completed and ongoing development work, i.e. video games produced and published by the Company, as well as on the development of the game engine. Another significant item of non-current assets was property, plant and equipment (PLN 18,749,507), i.e. real property at ul. Brzeska 2, purchased by 11 bit studios S.A. at the end of 2018.

ASSETS

	As at Jun 30 2019 (unaudited)	Share (%)	As at Dec 31 2018 (audited)	Share (%)
Non-current assets				
Property, plant and equipment	18,749,507	14.81	18,734,064	17.15
Intangible assets	19,274,607	15.22	17,138,011	15.69
Right-of-use assets	346,216	0.27	0	0.00
Deferred tax asset	578,484	0.46	158,033	0.14
Other assets	206,795	0.16	192,503	0.18
Non-current financial assets	0	0.00	5,094,282	4.66
Total non-current assets	39,155,609	30.92	41,316,893	37.81
		0.00		0.00
Current assets		0.00		0.00
Trade and other receivables	13,559,556	10.71	14,552,625	13.32
Income tax receivable	3,055,106	2.41	1,845,130	1.69
Other current assets	432,972	0.34	297,492	0.27
Cash and cash equivalents	22,172,264	17.51	24,250,681	22.19
Current financial assets	48,246,518	38.11	27,000,000	24.71
Total current assets	87,466,416	69.08	67,945,928	62.19
TOTAL ASSETS	126,622,025	100.00	109,262,821	100.00

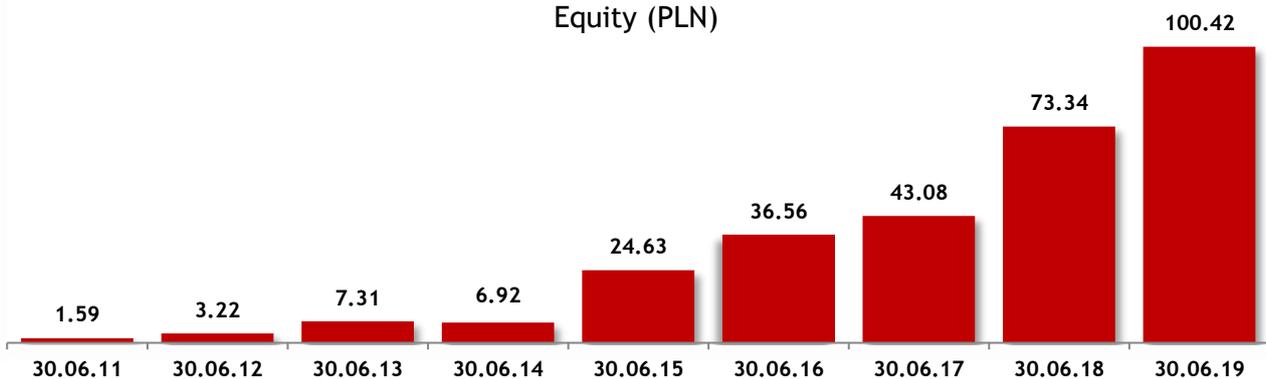
EQUITY AND LIABILITIES

	As at Jun 30 2019 (unaudited)	Share (%)	As at Dec 31 2018 (audited)	Share (%)
Equity				
Share capital	228,720	0.18	228,720	0.21
Share premium	4,870,274	3.85	4,870,274	4.46
Statutory reserve funds	78,881,784	62.30	41,331,887	37.83
Share-based payment reserve	10,231,468	8.08	6,138,880	5.62
Retained earnings	6,205,171	4.90	37,341,812	34.18
Total equity	100,417,417	79.30	89,911,573	82.29
				0.00
Non-current liabilities				0.00
Long-term borrowings and other debt instruments	11,128,088	8.79	11,340,000	10.38
Deferred income	587,559	0.46	677,555	0.62
Lease liabilities	335,305	0.26	0	0.00
Total non-current liabilities	12,050,952	9.52	12,017,555	11.00
Current liabilities				0.00
Trade and other payables	6,942,476	5.48	5,122,519	4.69
Liabilities under contracts with customers	5,689,787	4.49	557,145	0.51
Short-term borrowings and other debt instruments	1,296,476	1.02	1,452,203	1.33
Lease liabilities	12,653	0.01	0	0.00
Deferred income	212,264	0.17	201,826	0.18
Total current liabilities	14,153,656	11.18	7,333,693	6.71
Total liabilities	26,204,608	20.70	19,351,248	17.71
TOTAL EQUITY AND LIABILITIES	126,622,025	100.00	109,262,821	100.00

Equity was the most important item of equity and liabilities, and as at June 30th 2019 amounted to PLN 100,417,417, i.e. 79.30% of total equity and liabilities. This represented an 11.68% increase on December 31st 2018, when equity was PLN 89,911,573.

Statutory reserve funds were the most important item of equity. As at the end of June 2019, they amounted to PLN 78,881,784 (December 31st 2018: PLN 41,331,887), with the increase driven by the allocation to reserve fund of the Company's net profit earned in 2018 pursuant to a resolution of the General Meeting held on May 23rd 2019.

Equity (PLN)



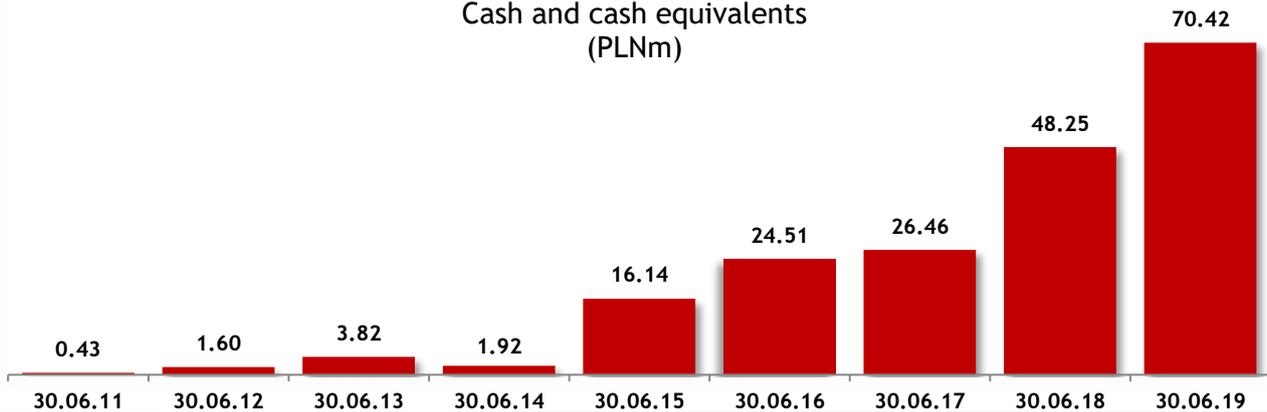
As at June 30th 2019, the amount of the Company's liabilities was PLN 26,204,608 or 20.7% of total equity and liabilities. Of that amount, PLN 12,050,952 was represented by non-current liabilities (the loan to purchase the property at ul. Brzeska 2 in Warsaw). As at June 30th 2019, current liabilities amounted to PLN 14,153,656 (December 31st 2018: PLN 7,333,693). A material portion (PLN 5,689,787) of current liabilities were liabilities under contracts with customers, including trade contracts for the supply of the Company's games (both proprietary and published third-party titles) not yet released on the market at the end of H1 2019.

5.3. STATEMENT OF CASH FLOWS (PLN)

	Period ended Jun 30 2019 (unaudited)	Period ended Jun 30 2018 (unaudited)
Cash flows from operating activities		
Net profit	6,413,255	24,916,340
Adjustments:		
Depreciation and amortisation	3,038,143	1,388,989
Income tax expense recognised in profit or loss	2,558,000	6,560,358
Revaluation of intangible assets	33,959	0
Other adjustments	4,357,463	2,299,946
Changes in working capital:		
Increase/decrease in trade and other receivables	993,069	(9,983,915)
Increase/decrease in other assets	(149,771)	(13,596)
Increase/decrease in trade and other payables	1,819,958	6,111,312
Increase/decrease in balance under contracts with customers	5,132,642	0
Increase/decrease in deferred income	(79,558)	(230,157)
Interest received - discount on settlement of bonds	0	(27,074)
Cash provided by operating activities	24,117,160	31,022,203
Income tax paid	(4,188,427)	(6,847,659)
Net cash from operating activities	19,928,733	24,174,544
Cash flows from investing activities		
Proceeds from bank deposits upon maturity - over 3 months	43,000,000	0
New bank deposits placed - over 3 months	(59,000,000)	(16,000,000)
Proceeds from bonds upon maturity	0	6,000,000
Purchase of bonds	0	(5,972,926)
Payments for property, plant and equipment and intangible assets	(5,308,089)	(4,130,336)
Net cash from investing activities	(21,308,089)	(20,103,262)
Cash flows from financing activities		
Increase and decrease in borrowings (including realised exchange differences)	(525,000)	0
Payment of interest	(174,061)	0
Net cash from financing activities	(699,061)	0
Net increase in cash and cash equivalents	(2,078,417)	4,071,281
Cash and cash equivalents at beginning of reporting period	24,250,681	28,176,332
Cash and cash equivalents at end of reporting period	22,172,264	32,247,613

In H1 2019, the Company generated cash from operating activities of PLN 24,117,160, which was attributable to the continuing strong sales of *Frostpunk* and *Moonlighter*, both released in Q2 2018. In the first half of 2019, the Company paid PLN 4,188,427 in income tax. A year earlier, the income tax expense was PLN 6,847,659. As a result, in the first six months of 2019, net operating cash flows were PLN 19,928,733 (vs PLN 24,174,544 in the first half of 2018). Cash flows from investing activities in the first six months of 2019 were negative at PLN -21,308,089 (vs PLN -20,103,262 in the first half of 2018). The negative value was attributable to the Company's investing surplus cash in bank deposits. As at June 30th 2019, the Company held PLN 43,147,926 as such assets (with maturities exceeding three months). In the first half of 2019, 11 bit studios S.A. also invested in property, plant and equipment and intangible assets (production of video games). The amount of such investments was PLN 5,308,089 (PLN 4,130,336 in the first half of 2018). In the first six months of 2019, 11 bit studios S.A.'s cash flows from financing activities were negative at PLN -699,061, which was attributable to the cost of servicing the mortgage loan contracted by 11 bit studios S.A. at the end of 2018 to purchase the property at ul. Brzeska 2 in Warsaw.

Cash and cash equivalents (PLNm)



In total, in the first half of 2019, the Company's cash and cash equivalents decreased from PLN 24,250,681 at the end of 2018 to PLN 22,172,264. As at the end of June 2019, 11 bit studios S.A. held PLN 70,418,782 in cash and cash equivalents, which apart from the cash referred to above included bank deposits with maturities exceeding three months (including PKO BP Bank Hipoteczny bonds), of PLN 43,147,926, and PKO BP Płynnościowy SFIO investment fund units, valued at PLN 5,098,592 as at June 30th 2019.

5.4. OTHER INFORMATION

5.4.1. Bank and non-bank borrowings in the first half of 2019

On December 19th 2018, the Company announced that it had entered into a PLN 12,600,000.00 investment loan agreement with Powszechna Kasa Oszczędności Bank Polski S.A. to partly finance the purchase of a developed property located at ul. Brzeska 2 in Warsaw. The loan repayment date is December 11th 2028. It bears interest at 1M WIBOR plus a fixed bank margin of 0.9pp. Interest rate risk related to the loan is hedged by the Company using an Interest Rate Swap. The loan bears interest at 3.4%. Repayment of the loan is secured by a blank promissory note issued by the Company, together with a promissory note declaration, a contractual mortgage of up to PLN 20,223,000.00 established over the perpetual usufruct of the property and the ownership title to the building erected on the property, and an assignment of cash receivables under an insurance contract for the property in favour of PKO BP. As at June 30th 2019, the non-current portion of the loan was PLN 11,128,088, while its current portion was PLN 1,296,476 (including measurement of the Interest Rate Swap).

5.4.2. Loan advanced in the first half of 2019

The Company did not grant any loans in the first half of 2019.

5.4.3. Sureties and guarantees provided in the first half of 2019 and other material off-balance-sheet items

The Group did not provide any sureties or guarantees in the first half of 2019, neither did it have any material off-balance-sheet items other than those listed in Note 3.30.

5.4.4. Current economic and financial standing of the Group and assessment of financial resources management

The current economic and financial condition of 11 bit studios S.A. is stable. The Management Board has not identified any threats to the Company's liquidity position or solvency.

5.4.5. Description and assessment of factors and non-recurring events with bearing on the results of the Group's operations in the first half of 2019

In the first half of 2019, there were no events of a non-recurring nature which would affect results of the Company's operations.

5.4.6. Explanation of differences between financial results disclosed in the full-year report and previously published financial forecasts for the first half of 2019

The Company did not publish any financial forecasts for the first half of 2019.

6. DEVELOPMENT AND PROSPECTS OF 11 BIT STUDIOS S.A.

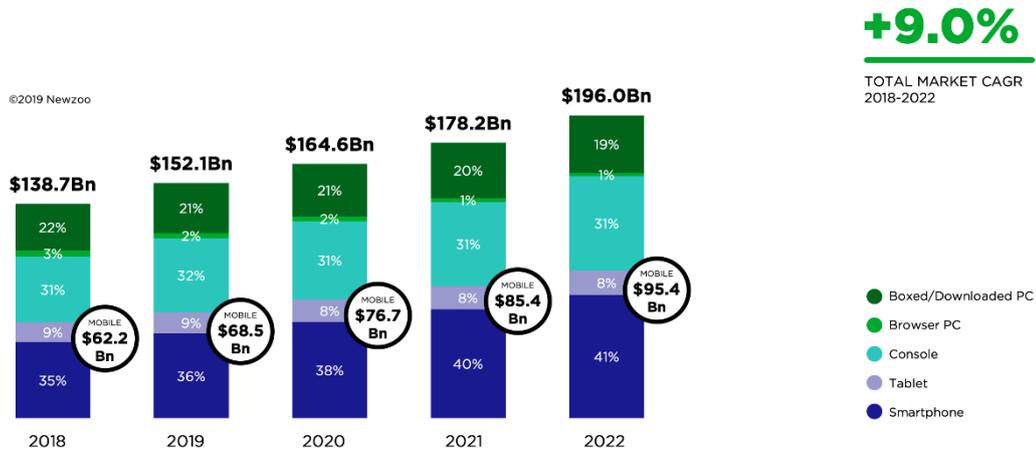
6.1. COMPANY'S GROWTH PROSPECTS

11 bit studios S.A. is a developer and publisher of cross-platform video games sold all over the world, mainly through specialised Internet platforms, especially Steam - the world's largest digital game distribution service. In the first half of 2019, export sales accounted for 98.21% of the Company's total revenue. A year earlier, that percentage was lower, at 96.04%, due to the fact that *Frostpunk* and *Moonlighter* sold very well in the Polish market in the period around the games' release dates. The former title debuted on April 24th 2018, and the latter (published by 11 bit publishing) - on May 29th 2018.



2018-2022 GLOBAL GAMES MARKET

FORECAST PER SEGMENT TOWARD 2022



Source: ©Newzoo | 2019 Global Games Market Report
newzoo.com/globalgamesreport

The video gaming market, in which 11 bit studios S.A. operates, has been the fastest growing sector of the global entertainment market for a number of years, its growth outpacing both that of the cinema and music industries. According to Newzoo, a provider of market research and analytics, in 2018-2022 the games industry will grow with a CAGR of 9%, its value over the period expanding from USD 138.7bn in 2018 to USD 196bn in 2022. Based on Newzoo projections, in 2019 the games market will be worth USD 152.1bn (up 9.6% year on year), and its largest segment will be that of mobile games (games for handheld devices, i.e. smartphones and tablets). According to Newzoo analysts, the segment's value will reach USD 68.5bn in 2019, compared with USD 62.2bn in 2018, up 10.2% year on year. The mobile games market is predominated by games designed to be played on handhelds running on Android. According to estimates provided by Statscounter GlobalStats, in 2019 Android handheld devices will account for as much as 76% of the mobile games market, with the share of games for devices running on iOS at 22%. According to Newzoo, in 2019 mobile games will account for 45% of the gaming market, compared with 44% a year earlier. In the following years, mobile games are set to further gain in prominence. In 2020, players will spend as much as USD 76.7bn on such products, 46% of total spending on games. In the following year, the amount spent on mobile games is projected to reach USD 85.4bn (representing 48% of the total) and in 2022 - USD 95.4bn (49%). Games for smartphones will predominate in the mobile games segment. In 2019, their share in the entire gaming market will reach 36%, translating into approximately USD 54.9bn (up 11.6% on 2018). Games for tablets will have a 9% share in the entire gaming market in 2019, the same as in 2018, which means that players will spend USD 13.6bn to buy such products. Other segments of the gaming market include PC games, whose market share according to Newzoo will reach 21% in 2019 (down from 22% a year earlier) and console games - 32% in 2019 (down from 31% the year before). These percentage shares translate, respectively, into the following values: USD 32.2bn (up 4% on 2018) and USD 47.9bn (up 13.4%). In the following years, the share of console games in the gaming market is expected to remain stable. PC games, on the other hand, will be getting less and less popular (which does not mean the segment's value will shrink). According to Newzoo, in 2022 fans will spend 19% of their budgets on PC games.

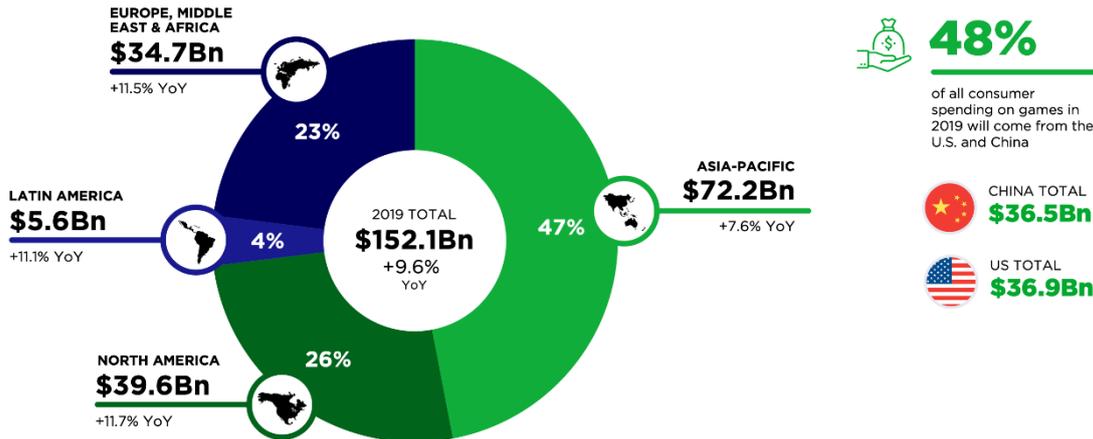
Newzoo analysts also predict that, in geographical terms, North America will be the fastest growing games market in 2019, expected to expand at a rate of 11.7% on 2018, to USD 39.6bn. Among all games fans on the American continent, those from the United States will spend most on video games. According to Newzoo, in 2019 they will spend USD 36.9bn on their gaming hobby, more than the Chinese (USD 36.5bn). While the North American market is predominated by US players, the Asian market is much more geographically diverse, which is partly related to the prevalence of mobile games among Asian players. According to Newzoo, in 2019 there will be as many as 803m Android devices operating in China

alone, and another 430m in India. In 2019, customers in Asia are expected to spend on games USD 72.2bn, a year-on-year increase of 7.6%, bringing Asia's share in the entire gaming market to 47%. Of that amount, USD 36.5bn will be spent on games by Chinese players. According to Newzoo, in 2019 Europe, Africa and the Middle East should be the third largest gaming market, after Asia and North America (accounting for 23% of its global value). In 2019, the value of the gaming market in Europe, Africa and the Middle East is estimated to reach USD 34.7bn, having expanded 11.5% on 2018. A far more modest share of the gaming market (only 4%) will belong to Latin America, translating into a value of USD 5.6bn, an increase of 11.1% on 2018.



2019 GLOBAL GAMES MARKET

PER REGION WITH YEAR-ON-YEAR GROWTH RATES



Source: ©Newzoo | 2019 Global Games Market Report
newzoo.com/globalgamesreport

The objective of 11 bit studios S.A. is to develop much faster than the entire video games market and to steadily increase its market share. The success of *This War of Mine*, which debuted in autumn 2014, has consolidated the Company's position as one of the leading developers in the indie (independent) segment of the gaming industry. From the game's release to the end of June 2019, revenue from the sale of TWoM topped PLN 95m. The success of *Frostpunk*, which was released only a little more than a year ago, has confirmed the Company's position as a significant player in the global video games industry. This corresponds well with the Company's strategy for the coming years, which assumes production of ever larger games (with greater commercial potential), i.e. gradual exit from the indie segment.

11 bit studios' strategy assumes that the Company's new games will be developed based on a proprietary engine which has been in development for some time. The production, promotion and sales of games are the responsibility of an experienced, stable management team with many years of know-how acquired in major gaming companies in Poland. On the basis of its gradually expanded human resources, for several quarters the Company has been building a development team responsible for the production of a new game to be released by the Company after *Frostpunk*, with a working title *Project 8*. In 2019, 11 bit studios S.A. plans to launch a third development team, based on employees who until recently worked on further development of *This War of Mine*, including the *TWoM: Stories* DLCs. The last add-on of the series, called *TWoM: Stories - Fading Embers*, was launched on August 6th 2019. The Company's medium-term strategy covering the next several years is to have three in-house development teams, comparable in size (each 55 to 60 people strong). Thanks to such work organisation, assuming a production cycle of about three years for each game, 11 bit studios S.A. would be able to release one proprietary title per year.

The Company expects that its publishing division will become an increasingly important contributor to 11 bit studios' financial results in the coming years. So far, 11 bit studios S.A. has released four titles created by third-party studios: *Spacecom* (2014), *Beat Cop* (March 30th 2017), *Tower* (November 16th 2017) and *Moonlighter* (May 29th 2018). As soon as September 3rd 2019, 11 bit studios S.A. will start selling another title of which it is only the publisher, namely *Children of Morta*. The team of 11 bit publishing is actively working on acquiring further projects for the publishing portfolio, to increase the frequency of new releases to several titles per year. In the medium-term perspective of the next several years, the Company's objective is to publish one third-party title per quarter.

6.2. FACTORS WITH BEARING ON THE COMPANY'S FUTURE RESULTS

The Company's performance in the coming quarters of 2019 and in 2020 will be determined by: the release of *Frostpunk* for Xbox Ones and PS4s and paid add-ons to the game; the release of *Children of Morta* (by 11 bit publishing); and further

monetisation of *This War of Mine* (including the third add-on in the *TWoM: Stories* series), *Moonlighter* and other titles from the Company's portfolio, including *Beat Cop*.

The release of the console version of *Frostpunk* in digital distribution (the PC version of the title was brought to the market on April 24th 2018) is slated for October 11th 2019. The game will also be available as a boxed edition (for physical distribution), prepared by Merge Games. *Frostpunk* will be sold via physical distribution channels in Europe and in the US from October 18th 2019 and October 22nd 2019, respectively. In the third quarter of 2019, the title was submitted to Sony and Microsoft for certification, which is required for the game to go on sale. As of the date of issue of this report, testing of the product is under way to improve its quality and eliminate any remaining errors. Work on paid add-ons to *Frostpunk* is also advanced. Sales of the first DLC, *The Rifts*, were launched on August 27th 2019. Two further add-ons will be on the market by the end of 2019 and in 2020. The title will be further developed through the launch of new language versions. Currently, the title is available in twelve languages.

Going forward, another material driver of the Company's financial performance will be sales of *Children of Morta*, a title developed by Dead Mage and published by 11 bit studios S.A. The date of the global release of *Children of Morta* for PCs has been set for September 3rd 2019. The console version of the game (for Xbox Ones, PS4s and Nintendo Switches) will be released on October 15th 2019. The title's PC, Xbox One, PS4 and Nintendo Switch versions will be distributed digitally. On selected markets and platforms, the game will also be available as boxed items.

Seeking to further monetise *This War of Mine*, the Company released (on August 6th 2019) a third add-on of the *TWoM: Stories* series (first available in the PC version). The two previous add-ons were very well received by the players and helped sustain the interest in the title, which was first released in November 2014.

In addition to its continued development (content expansion) by the developer (Spain's Digital Sun studio), the monetisation of *Moonlighter* in 2019 is based on the release of an extensive paid add-on *Moonlighter - Between Dimensions*, which came to stores on July 23rd 2019. *Moonlighter* will also be available for mobile devices running on iOS or Android. The date of release of the game on these platforms will be announced at a later date.

Alongside the monetisation of *Frostpunk*, *TWoM* and the titles of 11 bit publishing (*Moonlighter* and *Children of Morta*), the results of 11 bit studios S.A. in the long run will mainly be driven by sales of the game currently being developed under the working title of *Projekt 8*. The team responsible for developing *Projekt 8* is now more than 25 strong, but is being gradually expanded. According to current plans, it should ultimately be comparable in size to the team which produced *Frostpunk* (50-60 people), and the game's budget should be about PLN 20m. The Company expects to release *Projekt 8* simultaneously for PCs and for PS4 and Xbox One consoles, which should enhance the game's commercial potential. Based on the medium-term strategy of 11 bit studios S.A. for the game production area, the Company will have ultimately built three development teams working independently of one another, each developing its own game. As a result, within the next several years, the Company will be able to release one in-house developed game per year. A larger portfolio of proprietary games should help stabilise the Company's financial results, which in the video games industry are typically highly volatile.

Also new games published by 11 bit publishing will be a major source of revenue for 11 bit studios S.A. in the coming periods. The 11 bit publishing management team is actively engaged in acquisition efforts 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 constraints. 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 2m. After the amendment, this cap was increased to PLN 5m, which has considerably expanded the Company's ability to obtain valuable (from the commercial perspective) projects for its publishing portfolio. The medium-term strategy of 11 bit studios S.A. for the publishing area assumes that third-party games would be launched 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.

6.3. FEASIBILITY OF INVESTMENT PLANS

As at June 30th 2019, the total amount of cash and cash equivalents (including PKO BP Bank Hipoteczny bonds) held by the Company was PLN 22,172,264. In addition, the Company held fund units worth PLN 5,098,592 in PKO BP Płynnościowy SFIO and bank deposits with a total value of PLN 43,147,926. Trade receivables were PLN 12,819,885. At the same time, the Company's total liabilities (both current and non-current) at the end of June 2019 were PLN 21,509,995, most of that amount attributable to the ten-year mortgage loan contracted at the end of 2018 to finance the purchase of the office building at ul. Brzeska, to be used as the Company's new headquarters.

The cash held allows 11 bit studios S.A. to finance current operations and investments (i.e. production of own games and further development of the 11 bit publishing division), without recourse to external funding. Based on its investment plans for the foreseeable future, the Company will not require any external financing (whether raised through the capital market or from business partners, such as game publishers and distributors), although such a scenario is not ruled out. The Company does not plan to use external financing in 2019 or in the following years.

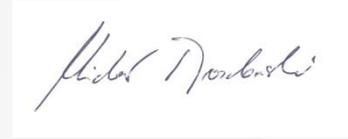
Signed by:



Grzegorz Miechowski
President of the Management Board



Przemysław Marszał
Member of the Management Board



Michał Drozdowski
Member of the Management Board

Warsaw, August 27th 2019