

WARSAW, MAY 16th 2019

QUARTERLY REPORT OF
11 BIT STUDIOS S.A.
FOR Q1 2019.



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LETTER FROM THE MANAGEMENT BOARD

Warsaw, May 16th 2019

Dear Shareholders and Investors!

Below you will find the report of 11 bit studios S.A. for the first quarter of 2019. During the period, we recorded nearly PLN 14.2m in revenue, i.e. over six times more than a year ago. Operating profit was almost PLN 5.8m, with net profit above PLN 4.4m. In other words, it has been the Company's best start into the year in its nine-year history. The excellent financial condition was confirmed by the amount of financial assets held (cash, bank deposits, financial instruments and trade receivables), which as at the end of March 2019 was nearly PLN 75m, i.e. more than twice as much as a year ago.

The strong financial performance of 11 bit studios S.A. in the first quarter of 2019 was an effect of successful monetisation of the entire portfolio of our titles, including in particular *Frostpunk* and *Moonlighter*, despite the relatively long time since their release. We are firmly believe that both productions will continue to be a source of solid cash flows for a long time to come and that they will repeat the success of *This War of Mine*, which, more than four years after its release, enjoys strong sales and has a significant contribution to our financial results. The gaming market is far from being saturated with *Frostpunk*, which is confirmed by the current wishlist on Steam. In the case of *Frostpunk*, the wishlist includes almost 1.2m items, which demonstrates the immense sales potential of the game.

To encourage potential buyers, the Company has planned a number of activities related to the development of *Frostpunk*, *Moonlighter* and *This War of Mine*, including release of add-ons (also paid ones), launch of further language versions and, above all, porting the titles to other hardware platforms, all to take place later in 2019. We expect that the most anticipated debut, i.e. *Frostpunk* for Xbox One and PS4, will take place in the third quarter of this year.

The second half of 2019 will see a number of important developments at 11 bit studios S.A. In addition to the release of the console version of *Frostpunk*, the Company is preparing to port *Children of Morta* to four hardware platforms at a time and to launch *Moonlighter* for mobile devices. There will also be paid additions to *Frostpunk*, *Moonlighter* and *This War of Mine* (the third episode in the *TWoM: Stories* series). This make us believe that the second half of the year should be far better in terms of financial results than the first six months of 2019.

In the second half of 2019, the first decisions on two further titles that the Company intends to produce can also be expected. They will be brought to the market after the launch of *Projekt 8*. By producing several games at a time 11 bit studios S.A. will get much closer to achieving its medium-term goal of releasing one proprietary game a year. To increase its production capacity, the Company is actively recruiting, also for managerial positions. The target for this year is to increase employment to 140-150 staff. The first months of this year have shown that we are able to achieve this target.

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

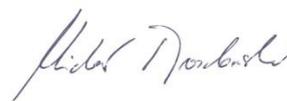
On behalf of the Management Board,



Grzegorz Miechowski
President of the
Management Board



Przemysław Marszał
Member of the Management Board



Michał Drozdowski
Member of the Management Board

1. 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 on the last day of the reporting period:

- Exchange rate as at March 31st 2019 - **PLN 4.3013**
- 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 mid exchange rate calculated as the arithmetic mean of the exchange rates quoted by the National Bank of Poland on the last day of the month in a given period.

- Exchange rate in Q1 2019 - **PLN 4.2978**
- Exchange rate in Q1 2018 - **PLN 4.1784**

1.1. STATEMENT OF FINANCIAL POSITION

	Mar 31 2019 (PLN) <i>(unaudited)</i>	Dec 31 2018 (PLN) <i>(audited)</i>	Mar 31 2019 (EUR) <i>(unaudited)</i>	Dec 31 2018 (EUR) <i>(audited)</i>
Total assets	115,468,456	109,262,821	26,845,013	25,409,959
Non-current assets	43,118,034	41,316,893	10,024,419	9,608,580
Intangible assets	18,122,320	17,138,011	4,213,219	3,985,584
Current assets	72,350,422	67,945,928	16,820,594	15,801,379
Non-current financial assets	5,085,663	5,094,282	1,182,355	1,184,717
Current financial assets	22,961,403	27,000,000	5,338,247	6,279,070
Cash	41,000,000	24,250,681	9,532,002	5,639,693
Total equity and liabilities	115,468,456	109,262,821	26,845,013	25,409,959
Equity	96,396,151	89,911,573	22,410,934	20,909,668
Liabilities and provisions	19,072,305	19,351,249	4,434,079	4,500,290

1.2. STATEMENT OF PROFIT OR LOSS

	Period ended Mar 31 2019 (PLN) <i>(unaudited)</i>	Period ended Mar 31 2018 (PLN) <i>(unaudited)</i>	Period ended Mar 31 2019 (EUR) <i>(unaudited)</i>	Period ended Mar 31 2018 (EUR) <i>(unaudited)</i>
Revenue	14,183,796	2,244,586	3,300,246	533,346
Depreciation and amortisation	1,564,815	401,931	364,097	95,505
Operating profit	5,745,425	(797,313)	1,336,829	(189,453)
EBITDA	7,310,240	(395,382)	1,700,926	(93,948)
Profit (loss) before tax	5,967,476	(915,617)	1,388,495	(217,564)
Net profit (loss)	4,438,284	(978,706)	1,032,687	(232,555)

1.3. STATEMENT OF CASH FLOWS

	Period ended Mar 31 2019 (PLN) <i>(unaudited)</i>	Period ended Mar 31 2018 (PLN) <i>(unaudited)</i>	Period ended Mar 31 2019 (EUR) <i>(unaudited)</i>	Period ended Mar 31 2018 (EUR) <i>(unaudited)</i>
Net cash from operating activities	15,611,502	(412,061)	3,632,441	(97,912)
Net cash from investing activities	(16,690,781)	(1,606,751)	(3,883,564)	(381,787)
Net cash from financing activities	(210,000)	0	(48,862)	0
Total net cash flows	(1,289,278)	(2,018,812)	(299,986)	(479,699)

2. OVERVIEW

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

2.1. COMPANY OVERVIEW

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 No. KRS:	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. Therefore, it does not publish consolidated accounts.

2.2. COVERED PERIODS

These interim condensed financial statements of 11 bit studios S.A. present data for the reporting period from January 1st to March 31st 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 - for the period of three months ended March 31st 2018,
- Statement of changes in equity - for the period of three months ended March 31st 2018,
- Statement of cash flows - for the period of three months ended March 31st 2018.

2.3. GOVERNING BODIES AS AT MARCH 31ST 2018

Management Board

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

Supervisory Board

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

In the reporting period, there were no changes in the composition of the Company’s Management or Supervisory Boards. The term of office of the Management Board members ends on the date of approval by the General Meeting of the Company’s financial statements for the financial year ending December 31st 2018. The term of office of the Supervisory Board ends on June 9th 2019.

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

Name	Number of shares	% of share capital held	Number of votes	% 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	119,229	5.21	119,229	5.21
Aviva Investors Polska TFI	116,038	5.07	116,038	5.07
Other shareholders	1,683,606	73.61	1,683,606	73.61
Total	2,287,199	100.00	2,287,199	100.00

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

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. The percentage of total voting rights in the Company changed following the purchase of Company shares by the Fund 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.

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

	Position	Number of shares	% of share capital held	Number of votes	% of total voting rights at GM
Grzegorz Miechowski	President of the Management Board	162,000	7.08	162,000	7.08
Przemysław Marszał	Member of the Management Board	118,000	5.16	118,000	5.16
Michał Drozdowski	Member of the Management Board	89,630	3.92	89,630	3.92

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

2.6. HEADCOUNT

As at the date of issue of these financial statements, 112 persons are employed at or provide services to 11 bit studios S.A. under employment contracts or other civil-law agreements.

2.7. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

	Note	Period ended Mar 31 2019 (unaudited)	Period ended Mar 31 2018 (unaudited)
Continuing operations			
Revenue	4.3	14,183,796	2,244,586
Other income	4.4.1	86,553	144,657
Total operating income		14,270,349	2,389,242
Depreciation and amortisation	4.5	(1,564,815)	(401,931)
Raw materials and consumables used		(85,993)	(37,440)
Services	4.6	(3,367,572)	(1,269,792)
Salaries, wages and employee benefits	4.7	(3,306,961)	(689,276)
Taxes and charges		(52,721)	(5,728)
Other expenses	4.4.2	(142,137)	(782,387)
(Impairment)/reversal of impairment of financial instruments		(4,725)	0
Total operating expenses		(8,524,924)	(3,186,555)
Operating profit		5,745,425	(797,313)
Interest income	4.8	212,766	68,569
Other finance income	4.8	134,508	18,284
Finance costs	4.9	(125,223)	(205,157)
Profit before tax		5,967,476	(915,617)
Income tax expense	4.10	1,529,192	63,089
Net profit from continuing operations		4,438,284	(978,706)
Discontinued operations		0	0
Net profit from discontinued operations		0	0
NET PROFIT		4,438,284	(978,706)
Earnings per share from continuing operations (PLN per share):			
Basic	4.11	1.94	(0.44)
Diluted	4.11	1.84	(0.42)

	Note	Period ended Mar 31 2019	Period ended Mar 31 2018
NET PROFIT		4,438,284	(978,706)
Other comprehensive income		0	0
Total other comprehensive income, net		0	0
TOTAL COMPREHENSIVE INCOME		4,438,284	(978,706)

3.2. INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (PLN)

ASSETS

	Note	As at Mar 31 2018 (unaudited)	As at Dec 31 2018 (audited)
Non-current assets			
Property, plant and equipment	4.12	18,706,112	18,734,064
Intangible assets	4.13	18,122,320	17,138,011
Perpetual usufruct of land		347,291	0
Deferred tax asset		658,822	158,033
Other assets	4.18	197,826	192,503
Non-current financial assets	4.15	5,085,663	5,094,282
Total non-current assets		43,118,034	41,316,893
Current assets			
Trade and other receivables	4.14	5,550,055	14,552,625
Income tax receivable		2,357,137	1,845,130
Other current assets	4.17	481,827	297,492
Current financial assets	4.16	41,000,000	27,000,000
Cash and cash equivalents	4.19	22,961,403	24,250,681
Total current assets		72,350,422	67,945,928
TOTAL ASSETS		115,468,456	109,262,821

EQUITY AND LIABILITIES

	Note	As at Mar 31 2018 (unaudited)	As at Dec 31 2018 (audited)
Equity			
Share capital	4.20	228,720	228,720
Share premium		4,870,274	4,870,274
Statutory reserve funds		41,331,887	41,331,887
Share-based payment reserve		8,185,174	6,138,880
Retained earnings		41,780,096	37,341,812
Total equity		96,396,151	89,911,573
Non-current liabilities			
Long-term borrowings and other debt instruments	4.22	11,130,000	11,340,000
Deferred income	4.26	632,557	677,555
Lease liabilities - perpetual usufruct of land		335,510	0
Total non-current liabilities		12,098,067	12,017,555
Current liabilities			
Trade and other payables	4.23	4,253,822	5,122,519
Liabilities under contracts with customers	4.21	950,818	557,145
Short-term borrowings and other debt instruments	4.22	1,561,458	1,452,203
Lease liabilities - perpetual usufruct of land		12,653	0
Deferred income	4.26	195,487	201,826
Total current liabilities		6,974,238	7,333,693
Total liabilities		19,072,305	19,351,248
TOTAL EQUITY AND LIABILITIES		115,468,456	109,262,821

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

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Translation reserve	Retained earnings	Attributable to owners of the parent	Attributable to non-controlling interests	Total
As at Jan 1 2019 (audited)	228,720	4,870,274	41,331,887	6,138,880	0	37,341,812	0	0	89,911,573
Net profit for the financial year	0	0	0	0	0	4,438,284	0	0	4,438,284
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	4,438,284	0	0	4,438,284
Profit allocated to statutory reserve funds	0	0	0	0	0	0	0	0	0
Share-based payments	0	0	0	2,046,294	0	0	0	0	2,046,294
As at Mar 31 2019	228,720	4,870,274	41,331,887	8,185,174	0	41,780,096	0	0	96,396,151

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

3.4. INTERIM CONDENSED STATEMENT OF CASH FLOWS (PLN)

	Period ended Mar 31 2019	Period ended Mar 31 2018
Cash flows from operating activities		
Profit for the financial year	4,438,284	(978,706)
Adjustments:		
Depreciation and amortisation	1,564,815	401,931
Income tax expense recognised in profit or loss	1,529,192	0
Other adjustments	2,334,650	(8,886)
Changes in working capital:		
Increase/decrease in trade and other receivables	9,002,570	1,226,547
Increase/decrease in other assets	(189,657)	56,070
Decrease in trade and other payables	(868,698)	(805,741)
Increase/decrease in balance under contracts with customers	393,673	0
Increase/decrease in deferred income	(51,339)	(17,590)
Cash provided by operating activities	18,153,490	(126,375)
Income tax paid	(2,541,988)	(285,686)
Net cash from operating activities	15,611,502	(412,061)
Cash flows from investing activities		
Proceeds from bank deposits upon maturity - over 3 months	27,000,000	0
New bank deposits placed - over 3 months	(41,000,000)	0
Payments for property, plant and equipment and intangible assets	(2,690,781)	(1,606,751)
Net cash from investing activities	(16,690,781)	(1,606,751)
Cash flows from financing activities		
Proceeds from loan received/repayment of principal	(210,000)	0
Net cash from financing activities	(210,000)	0
Net increase in cash and cash equivalents	(1,289,278)	(2,018,812)
Cash and cash equivalents at beginning of reporting period	24,250,681	28,176,333
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	22,961,403	26,157,521

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

4.1. INTERNATIONAL FINANCIAL REPORTING STANDARDS APPLIED BY THE COMPANY

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

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

4.1.1. Statement of compliance

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

The Company has applied the IFRSs as effective on March 31st 2019. The accounting policies applied to prepare these financial statements of the Company for in the first quarter 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.

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

The following new standards, amendments to the existing standards and an interpretation issued by the International Accounting Standards Board (IASB) and endorsed by the EU were applied for the first time in the Company’s financial statements for 2018:

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

The new standards, amendments to existing standards and interpretation did not have a material impact on the Company’s financial statements for 2018.

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

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

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

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

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

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

- **IFRS 14 *Regulatory Deferral Accounts*** (effective for annual periods beginning on or after January 1st 2016) - the European Commission has decided not to launch the endorsement process of this interim standard until the final IFRS 14 is issued.
- **IFRS 17 *Insurance Contracts*** (effective for annual periods beginning on or after January 1st 2021).
- **Amendments to IFRS 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.

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

There were no changes in the information presented in previous reporting periods, changes in accounting policies (except as described below) or corrections of errors.

- **Change in accounting policy concerning IFRS 16 *Leases***

As of January 1st 2019, the accounting policies resulting from the new IFRS 16 standard were applied for the first time. In accordance with the standard's requirements, the statement of financial position includes new items: perpetual usufruct of land in assets and lease liabilities in liabilities. Amortisation of the newly recognised assets directly affects profit or loss for the period or cost of sales.

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

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

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

The Company's game development activities in the first quarter of 2019 focused on selling *Frostpunk*, a PC game launched April 24th 2018. The Company is constantly working on developing the game to maintain gamers' interest and sales. In the first quarter of 2019, the Company also actively engaged in promotional and marketing activities to reach new customers and improve the visibility of the *Frostpunk* brand. One example of such activities is the strong *Frostpunk* sale campaigns on the world's leading digital game selling platforms, headed by Steam. The most important initiative of this type was the Publisher Week Sale on Steam (in the beginning of February 2019), which covered the entire portfolio of games offered by the Company. In another very successful (in terms of sales volume) promotional campaign carried out in the first quarter 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 subsequent awards and distinctions awarded to the title by the world's largest trade media. In January alone the title received awards from Game Informer in the „Best Simulation Game” category, the „Best PC Exclusive” award from NewGameNetwork, and the „Best Strategy Game” award from One Single Player. *Frostpunk* was also included in the list of the best games of 2018 by the readers of *The Guardian*. By the end of March 2019, the game won over 80 awards and distinctions since its release. The number is growing. As a result, sales of *Frostpunk* topped 1.4m copies, which the Company announced at the annual Investors Conference.

In the first quarter 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 also continued on production of the third paid add-on to the *TWOM: Stories*, which will be released in the near future. The high quality of the game and the effectiveness of the *TWOM* promotional and sale campaigns resulted in a year-on-year increase in revenue derived from *TwoM* sales in the first three months of 2019, despite the fact that over four years have already passed since release of the game for PC computers (November 14th 2014).

In the publishing segment (11 bit publishing division), in the first quarter of 2019 the Company worked on the launch of *Children of Morta*, a production of the American and Iranian studio Dead Mage. On the day of its release the title, which already attracts strong interest from players and the industry media, will be available for PC computers, PS4 and Xbox One consoles and Nintendo Switch on the day of the release (the premiere date has not been disclosed yet).

The publishing division was also engaged in the preparations for the release of the first paid add-on to *Moonlighter* and for the launch of the iOS and Android versions of the game. The decision to further develop *Moonlighter* was based on the very good sales of the game. By the end of March 2019, over 500 thousand copies were sold, including over 140 thousand copies of the Nintendo Switch version which debuted in the fourth quarter of 2018. The game was released for PCs, PS4 and Xbox One on May 29th 2019. In the first quarter of 2019, Nintendo Switch became *Moonlighter's* leading selling platform, following commercially very successful launch of the title on the Japanese market.

Revenue of the publishing division in the first quarter of 2019 included revenue from sale of *Beat Cop*, which premiered in the first quarter of 2017 (PC version). At the end of 2018, the Company decided to port *Beat Cop* to PS4, Xbox One and Nintendo Switch consoles, as well as iOS- and Android-powered mobile devices. The ported versions of the game were released in the first quarter of 2019. The porting project soon proved to be profitable and further supported the Company's financial performance in the reporting period.

Very good sales of *Frostpunk* and *This War of Mine* in the first quarter of 2019, supplemented by sales of other games in the portfolio, produced total revenue of 11 bit studios S.A. at PLN 14,183,796, i.e. nearly 632% more than in the corresponding period of 2018. In the first quarter of 2019, operating expenses increased to PLN 8,524,924, from PLN 3,186,555 in the previous year, a rise of 267.5%. The main items of operating expenses in the first quarter of 2019 were salaries and wages (PLN 3,306,961) and services (PLN 3,367,572); the latter also included royalties payable to the producer of *Moonlighter*. Operating expenses also included a non-cash provision (over PLN 2.05m) recognised to cover costs of the Incentive Scheme in 2017-2019. The provision was first recognised in the second quarter of 2018. Another significant item of the operating expenses was depreciation and amortisation. In the first quarter of 2019, it was PLN 1,564,815, having increased from PLN 401,931 in the previous year. The change was caused by amortisation (as of the second quarter of 2018) of costs incurred to produce *Frostpunk* and *Moonlighter*.

With strong revenue growth and slower increase in operating expenses, in the first quarter of 2019 11 bit studios S.A. reported operating profit of PLN 5,745,425, vs a PLN 797,313 a year earlier. This, combined with a positive (unlike in the previous year) balance of finance income and costs, generated a pre-tax profit for the quarter of PLN 5,967,476, vs a PLN loss 915,618 a year earlier. For the first quarter of 2019, 11 bit studios S.A. reported a net profit of PLN 4,438,284 (Q1 2018: net loss of PLN -978,707).

The Company's sound financial standing was also confirmed by its financial assets. In the first quarter of 2019, 11 bit studios S.A.'s cash flows from operating activities were PLN 15,611,103. As a result, as at the end of March 2019 the Company's total financial assets were PLN 74,597,121, i.e. more than twice as much as in the previous year. The amount included cash (PLN 22,961,403), investment fund units (PLN 5,085,663), bank deposits with maturities over three months (PLN 41,000,000) and trade receivables (PLN 5,550,055).

4.3. REVENUE (PLN)

Revenue generated in the reporting period:

	Period ended Mar 31 2019	Period ended Mar 31 2018
Revenue	14,183,796	2,244,586

The strong year-on-year increase in the Company's revenue in the first quarter of 2019 (by 631.9%) was attributable to the very good sales of *Frostpunk* and *Moonlighter*, both released in the second quarter of 2018. By the end of March 2019 the Company sold 1.4m copies of *Frostpunk* (released April 24th 2018). The sales of *Moonlighter* from the launch date (May 29th 2018) to the end of the reporting period were over 500 thousand copies. Sales of the PC-version of *This War of Mine*, released in autumn 2014, were also a strong contributor to the Company's revenue. In fact, in the first quarter of 2019 revenue derived from the sales of *TWoM* was higher than in the first quarter of 2018 when the game as the main source of the Company's revenue. This was possible thanks to a range of measures taken by 11 bit studios S.A. to support the demand for *TWoM* (release of add-ons, including paid ones, promotional and sales campaigns, expansion of the distribution network, etc.).

4.3.1. Revenue from main products and services

In the reporting period, almost all of the Company's revenue was derived from the sale of its own games as well as third-party games released by the Company as part of the 11 bit publishing service. Other income (mainly grants) represented 0.61% of the Company's total revenue in Q1 2019.

4.3.2. Revenue by geographical regions (PLN)

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

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

	Revenue from third parties		Non-current assets	
	Period ended Mar 31 2019	Period ended Mar 31 2018	As at Mar 31 2018	As at Dec 31 2018
Poland	383,080	142,151	42,604,885	40,668,310
European Union	1,300,874	269,995	513,149	648,585
US	9,556,288	1,718,237	0	0
Japan	2,403,856	0	0	0
China	122,978	82,395	0	0
Other	416,720	31,808	0	0
Total	14,183,796	2,244,586	43,118,034	41,316,895

4.3.3. Revenue by distribution channels

The Company's revenue from sales of computer games, of PLN 14,183,796 (Q1 2018: PLN 2,244,586) includes PLN 11,946,256 (Q1 2018: PLN 1,893,593) in revenue from sales of the Company's products through Steam (Valve Corporation), Nintendo Co. Ltd, Microsoft Corporation, Google, Apple and Humble Bundle, the world's leading electronic distribution platforms, and revenue from Green Man and GOG Ltd., which also sell the Company's products.

4.4. OTHER INCOME AND EXPENSES (PLN)

4.4.1. Other income

	Period ended Mar 31 2019	Period ended Mar 31 2018
Grants received	51,750	141,172
Gain on disposal of non-financial non-current assets	20,627	0
Other income	14,176	3,485
Total	86,553	144,657

4.4.2. Other expenses

	Period ended Mar 31 2019	Period ended Mar 31 2018
Donations given	0	648,755
Other expenses by nature	142,137	133,632
Total	142,137	782,387

The main items of other expenses in the first quarter of 2019 were costs of business travel, advertising and insurance. Year on year, other expenses decreased by 81.8%. (from PLN 782,387). The main item of other expenses in the first quarter of 2018 was a donation to the War Child Foundation, which helps child victims of war. In the reporting period, the Company donated PLN 648,755 to the foundation.

4.5. DEPRECIATION AND AMORTISATION (PLN)

	Period ended Mar 31 2019	Period ended Mar 31 2018
Depreciation	132,098	95,007
Amortisation	1,531,082	316,323
Total	1,663,180	411,330
Allocation to project costs	(99,440)	(9,399)
Allocation - perpetual usufruct of land	1,075	0
Total	1,564,815	401,931

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

4.6. SERVICES (PLN)

	Period ended Mar 31 2019	Period ended Mar 31 2018
Services	(3,367,572)	(1,269,792)

The year-on-year increase in services in the first quarter of 2019 was attributable to strong sales of *Moonlighter* (published by 11 bit publishing and marketed since May 29th 2018), and the related royalties paid to the Spanish Digital Sun studio, the developer of the game.

4.7. SALARIES, WAGES AND EMPLOYEE BENEFITS (PLN)

	Period ended Mar 31 2019	Period ended Mar 31 2018
Salaries, wages and employee benefits	(3,306,961)	(689,276)

The rise in salaries and wages was driven by an increase in the number of employees at 11 bit studios S.A. and change (in the first half of 2018) of the form of employment for most full-time employees, which translated into higher social security contributions. Other items disclosed under salaries, wages and employee benefits are profit-linked annual bonuses for employees as well as non-cash provisions recognised for the 2017-2019 incentive scheme operated by the Company.

4.8. FINANCE INCOME (PLN)

	Period ended Mar 31 2019	Period ended Mar 31 2018
Interest income		
Bank deposits	212,766	68,569
Finance income		
Gains on remeasurement of financial assets	4,310	18,285
Net foreign exchange gains (losses), including:		
a) Cash	(28,389)	0
b) Loans and receivables	116,924	0
c) Liabilities measured at amortised cost	41,663	0
Total	347,274	86,853

The almost four-fold year-on-year increase in revenue in the first quarter of 2019 (to PLN 347,274) was attributable to the increase in the Company's cash position (driven by the very strong sales of *Frostpunk*, *Moonlighter* and *This War of Mine*). Free cash is placed in bank deposits as well as safe financial instruments, i.e. bonds of PKO BP Bank Hipoteczny. In the first quarter of 2019, a material item of 11 bit studios S.A.'s finance income was remeasurement of monetary assets denominated in currencies other than the Polish zloty. This income was attributable to favourable currency movements. In the first quarter of 2019, the Polish zloty depreciated slightly against the US dollar and the euro, which produced additional finance income for the Company.

4.9. FINANCE COSTS (PLN)

	Period ended Mar 31 2019	Period ended Mar 31 2018
Other interest expense		
Interest on public charges	3,038	565
Net foreign exchange gains (losses), including:		
a) Cash	0	158,897
b) Loans and receivables	0	46,165
c) Liabilities measured at amortised cost	0	(469)
Losses on remeasurement of financial assets	122,185	0
Total	125,223	205,157

The decrease in finance costs in the first quarter of 2019, compared with the same period in 2018, was attributable to the favourable changes in global currency markets, including the weakening of the zloty against the US dollar and the euro, which resulted in additional finance income from remeasurement of assets denominated in foreign currencies. In the previous year, the currencies moved in the opposite direction. In the reporting period, the main 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 facility contracted with PKO BP S.A. for the purchase of new office space. For detailed information on the facility agreement, see Current Report No. 29/2018 of December 19th 2018. The finance costs also included the cost of revaluation of the Company's participation units in the PKO BP Płynnościowy SFIO investment fund. At the end of March 2019, the Company held fund units for a total amount of PLN 5,085,663 as compared with PLN 5,094,282 at the end of December 2018.

4.10. INCOME TAX ON CONTINUING OPERATIONS (PLN)

4.10.1. Income tax recognised in profit or loss

	Period ended Mar 31 2019	Period ended Mar 31 2018
Current income tax:		
Attributable to current year	2,029,981	0
Deferred income tax:		
Attributable to current year	(500,789)	63,089
Tax expense recognised in current year on continuing operations	1,529,192	63,089

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 Mar 31 2019	Period ended Mar 31 2018
Profit (loss) before tax from continuing operations	5,967,476	(915,617)
Income tax expense at 19% (2018: 19%)	1,133,820	(173,967)
Tax effect of income which is classified as income for tax purposes	(1,295)	(4,569)
Tax effect of costs which are not deductible for tax purposes	1,096,998	127,848
Tax effect of costs which are deductible for tax purposes	(199,538)	(84,746)
Other changes - reconciliation of income tax in connection with the reported loss	(4)	135,435
Total	2,029,981	0

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.

4.10.2. Current tax receivable and payable

	As at Mar 31 2019	As at Dec 31 2018
Tax refund receivable	(510,963)	(2,014,760)
Income tax payable	(1,846,174)	169,630
Total	(2,357,137)	(1,845,130)

4.11. EARNINGS PER SHARE (PLN)

4.11.1. Basic earnings per share:

	Period ended Mar 31 2019	Period ended Mar 31 2018
Basic earnings per share:		
From continuing operations	1.94	(0.44)
Total basic earnings per share	1.94	(0.44)
Diluted earnings per share:		
From continuing operations	1.84	(0.42)
Total diluted earnings per share:	1.84	(0.42)

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

	Period ended Mar 31 2019	Period ended Mar 31 2018
Profit for the financial year attributable to shareholders	4,438,284	(978,707)
Total profit used to calculate basic earnings per share	4,438,284	(978,707)
Profit used to calculate basic earnings per share from continuing operations	4,438,284	(978,707)

	Period ended Mar 31 2019	Period ended Mar 31 2018
Weighted average number of ordinary shares used to calculate earnings per share	2,287,199	2,217,199

4.11.2. Diluted earnings per share

	Period ended Mar 31 2019	Period ended Mar 31 2018
Profit for the financial year attributable to shareholders	4,438,284	(978,707)
Total profit used to calculate diluted earnings per share	4,438,284	(978,707)
Profit used to calculate diluted earnings per share from continuing operations	4,438,284	(978,707)

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 Mar 31 2019	Period ended Mar 31 2018
Weighted average number of ordinary shares used to calculate basic earnings per share	2,287,199	2,217,199
The number of shares assumed to be issued (incentive scheme):	130,000	130,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	2,417,199	2,347,199

4.12. PROPERTY, PLANT AND EQUIPMENT (PLN)

Carrying amount:

	As at Mar 31 2019	As at Dec 31 2018
Property, plant and equipment under construction	280,638	316,654
Buildings and structures	18,185,009	18,102,269
Plant and equipment	91,781	71,336
Vehicles	133,817	226,800
Other property, plant and equipment	14,867	17,005
Total	18,706,112	18,734,064

Gross carrying amount

	Property, plant and equipment under construction	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2019	383,283	18,102,269	718,580	558,705	262,161	20,024,998
Increase	0	82,740	88,274	0	4,376	175,390
Reclassification	(27,585)	0	27,585	0	0	0
Decrease	0	0	0	(185,851)	0	(185,851)
As at Mar 31 2019	355,698	18,185,009	834,439	372,854	266,537	20,014,537

Accumulated depreciation and impairment:

	Property, plant and equipment under construction	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2019	66,629	0	647,245	331,905	245,156	1,290,935
Amortisation expense	8,431	0	95,413	21,740	6,514	132,098
Decrease	0	0	0	(114,608)	0	(114,608)
As at Mar 31 2019	75,060	0	742,658	239,037	251,670	1,308,425

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

Gross carrying amount

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

Accumulated depreciation and impairment:

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

In the first quarter of 2019, the Company spent PLN 88,274 on plant and equipment, and PLN 82,740 on fees and charges related to the purchase of a property at ul. Brzeska 2 in Warsaw, including service of a credit facility 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 retrofit and adapt the office space at ul. Brechta 7, which is the Company's head office.

In the first quarter of 2019, depreciation of property, plant and equipment was PLN 132,098. In 2018, the amount was PLN 384,359.

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

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

4.13. 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 March 31st 2019 included capitalised cost of two work phases with the remaining weighted average amortisation period of 25 months.

As at March 31st 2019, the completed video games development work comprised games with the remaining weighted average amortisation period of 17 months.

Ongoing development work

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

Testing ongoing development work for impairment:

As at each reporting date, the Company tests ongoing development work for impairment. As at March 31st 2019, the Company did not identify any impairment of development work. No such risk was identified with respect to any development work a year before, either.

Carrying amount:

	As at Mar 31 2019	As at Dec 31 2018
Completed development work (game engine)	1,249,611	1,399,543
Completed development work (games)	9,426,353	10,624,149
Ongoing development work	7,444,680	5,112,644
Licences	1,676	1,675
Total	18,122,320	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	6,900	2,508,491	2,515,391
Reclassification of completed development work	0	176,455	0	(176,455)	0
As at Mar 31 2019	2,717,702	24,629,983	512,451	7,444,680	35,304,816

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	149,932	1,374,250	6,900	0	1,531,082
As at Mar 31 2019	1,468,091	15,203,630	510,775	0	17,182,496

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

4.14. TRADE AND OTHER RECEIVABLES (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Trade and other receivables, including:	5,260,030	14,609,432
Taxes, grants, customs duties and social security	283,413	4,705,311
Other	63,420	59,882
Expected credit loss allowance	(56,807)	(56,807)
Total	5,550,055	14,552,625

For information on key customers whose balances as at March 31st 2019 represented a material share of total trade receivables, see **Note 4.14.1**.

4.14.1. Trade receivables (PLN)

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

As at March 31st 2019, the recognised balances of receivables were PLN 5,550,055 (PLN 14,552,625 as at December 31st 2018). The main customers whose balances as at March 31st 2019 exceeded 5% of total trade receivables are listed in the table below.

Receivables by customer:

	As at Mar 31 2019	As at Dec 31 2018
Koch Media GmbH	430,130	0
Valve Corporation	1,893,731	4,302,492
Apple Inc	343,094	94,586
Nintendo Co. Ltd	1,266,716	2,655,414
GOG Sp. z o.o.	402,709	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 Mar 31 2019	As at Dec 31 2018
60-90 days	12,848	3,435
91-120 days	176	35,416
121-360 days	116,120	32,327
over 360 days	246	9,200
Total	129,390	80,378

Ageing analysis of impaired trade receivables

	As at Mar 31 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

4.15. NON-CURRENT FINANCIAL ASSETS (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Investment fund units (PKO BP Płynnościowy SFIO)	5,085,663	5,094,282
Total	5,085,663	5,094,282

4.16. CURRENT FINANCIAL ASSETS (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Bank deposits with maturity over 3 months	41,000,000	27,000,000
Total	41,000,000	27,000,000

4.17. OTHER CURRENT ASSETS (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Insurance	21,065	25,692
Domain names, licences, subscriptions	93,308	122,727
Prepaid expenses	269,497	146,213
Guarantees	2,431	2,860
Property tax	69,428	0
Perpetual usufruct of land	9,490	0
Other	16,608	0
Total	481,827	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 and charges for perpetual usufruct of land.

4.18. OTHER ASSETS (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Long-term security deposits	178,571	171,729
Long-term prepayments and accrued income	19,255	20,774
Total	197,826	192,503

4.19. CASH AND CASH EQUIVALENTS (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Cash in hand and at banks	14,961,403	16,250,681
PKO BP Bank Hipoteczny bonds	8,000,000	8,000,000
Total	22,961,403	24,250,681

Cash at banks, cash in hand and bank deposits as at March 31st 2019, by currency:

- 17,923,664 PLN,
- USD 986,067 (PLN 3,783,045),
- EUR 287,612 (PLN 1,237,105),
- CNY 30,793 (PLN 17,589).

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.

4.20. SHARE CAPITAL (PLN)

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

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

4.21. LIABILITIES UNDER CONTRACTS WITH CUSTOMERS

As at December 31st 2019, liabilities under contracts with customers comprised an advance payment of PLN 950,818 received by the Company from one of its partners towards future sales of one of the Company's products (games).

4.22. BORROWINGS

On December 19th 2018, the Company announced that it had entered into a PLN 12,600,000.00 investment facility 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 facility repayment date is December 11th 2028. It bears interest at 1M WIBOR plus a fixed bank margin of 0.9pp. The Company hedged the facility's interest rate risk with an interest rate swap. The facility bears interest at 3.4%. Repayment of the facility 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 March 31st 2019, the long-term portion of the facility was PLN 11,130,000, while its current portion was PLN 1,561,458 (including measurement of the interest rate swap).

4.23. TRADE AND OTHER PAYABLES (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Trade payables	359,440	187,089
Guarantee deposits - Brzeska	147,373	0
Taxes, customs duties, insurance and other dues	298,875	776,173
Accruals and deferred income	3,446,402	4,154,023
Amounts payable to employees	1,732	5,236
Total	4,253,822	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.

4.24. 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:	253,871	94,720	2,326,275	2,674,866
Recognition	253,871	94,720	2,326,275	2,674,866
Decrease:	0	6,011	3,376,476	3,382,487
Use	0	6,011	3,248,089	3,254,100
Reversal	0	0	128,387	128,387
As at Mar 31 2019	495,384	254,550	2,696,468	3,446,402

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.

4.25. 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 March 31st 2019 and December 31st 2018.

4.25.1. Financial assets and liabilities

Financial assets:

	As at Mar 31 2019	As at Dec 31 2018
Financial assets measured at amortised cost - cash	22,961,403	24,250,681
Financial assets at fair value through profit or loss - investment fund units	5,085,663	5,094,282
Financial assets measured at amortised cost - bank deposits over 3 months	41,000,000	27,000,000
Financial assets measured at amortised cost - trade and other receivables	5,550,055	14,552,625
Total	74,597,121	70,897,588

Financial liabilities:

	As at Mar 31 2019	As at Dec 31 2018
Liabilities measured at amortised cost - trade and other payables	4,253,822	5,122,519
Total	4,253,822	5,122,519

Ageing analysis of trade and other payables

	As at Mar 31 2019	As at Dec 31 2018
Current	4,160,146	5,116,894
0-60 days	93,676	5,625
60-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	0	0
Total	4,253,822	5,122,519

4.25.2. Credit risk

The investment facility 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 facility 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 facility bears interest at 1M WIBOR plus a fixed bank margin of 0.9pp. The Company hedged the facility's interest rate risk with an interest rate swap. The facility 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 4.14.1.**

The Company has business relationships with financial institutions that enjoy a strong financial standing. As at December 31st 2018, the Company held cash with two institutions: PayPal (PLN 218,828) and the PKO BP Group (the balance).

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

Financial assets:

	As at Mar 31 2019	As at Dec 31 2018	Fair value hierarchy
Bonds	8,000,000	8,000,000	Level 2
Investment fund units	5,085,663	5,094,282	Level 1

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

4.26. DEFERRED INCOME (PLN)

	As at Mar 31 2019	As at Dec 31 2018
Government grants (a)	812,548	864,298
Other (b)	15,496	15,083
Total	828,044	879,381
Short-term	195,487	201,827
Long-term	632,557	677,554
Total	828,044	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 March 31st 2019, the outstanding (not accounted for) balance of the grant was PLN 374,982. (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 March 31st 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.

4.27. RELATED-PARTY TRANSACTIONS

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

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

In addition, the 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, Member of the Supervisory Board.

4.27.1. Commercial transactions (PLN)

Apart from the services provided by the members of the Management Board and Supervisory Board as described in Note 4.27.4., the Company entered into the following related-party transactions in the first quarter of 2019 and the first quarter of 2018:

	Period ended Mar 31 2019	Period ended Mar 31 2018
Arkona - Paweł Miechowski	41,325	35,897
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek	11,696	24,836
Total	53,021	60,733

4.27.2. Loans to related parties

In the first quarter of 2019 and in the first quarter of 2018, 11 bit studios S.A. did not grant any loans to related parties.

4.27.3. Borrowings from related parties

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

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

The Management Board of the Company is its key management personnel. The remuneration received by the members of the Company's Management Board in the first quarter of 2019 and in the comparative period for the performance of their functions was as follows:

	Period ended Mar 31 2019	Period ended Mar 31 2018
Short-term benefits - Management Board:	319,083	253,545
Short-term benefits - Supervisory Board:	37,350	11,871
Total	356,433	265,416

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 Members of the Company's Management Board did not receive any other remuneration based on profit distribution for the first quarter of 2019 or the first quarter of 2018. However, the individuals participate in the Incentive Scheme, as detailed in Note 3.31 to the full-year financial statements of 11 bit studios S.A. for 2018.

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

	Period ended Mar 31 2019	Period ended Mar 31 2018
Short-term benefits - Management Board (short-term contracts):	45,000	0
Total	45,000	0

4.27.5. Other related-party transactions

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

4.28. INFORMATION ON DIVIDEND PAID OR DECLARED

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

4.29. OFF-BALANCE-SHEET COMMITMENTS

As at the date of issue of this report, the Company had off-balance-sheet commitments of EUR 780,000 and PLN 74,950. The commitments are related to publishing agreements executed by the Company with third-party development studios.

4.30. CONTINGENT ASSETS AND LIABILITIES

4.30.1. Contingent liabilities

During the reporting period, 11 bit studios S.A. occupied office space for business purposes at ul. Bertolta Brechta 7, Warsaw, under a lease contract of May 25th 2016. The lease costs recognised in profit or loss for the first quarter of 2019 were PLN 66,882 (2017: PLN 82,406).

Irrevocable future payments (due within one year) for the lease of the office space at ul. Bertolta Brechta 7, Warsaw, are PLN 33,441, compared with PLN 123,608 the year before.

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 facility agreement for the purchase of the developed property located at ul. Brzeska 2 in Warsaw.

4.30.2. Contingent assets

As at March 31st 2019 and in the comparative period, the Company did not recognise any contingent assets.

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

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

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

In the first quarter of 2019, there were no events of a non-recurring nature that affected the Company's financial performance in that period.

4.33. EVENTS SUBSEQUENT TO THE REPORTING DATE

As at May 16th 2019, i.e. the date of authorisation of these financial statements by the Management Board of 11 bit studios S.A., no events occurred that would affect the Company's interim financial statements for the first quarter of 2019.

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

The Company's performance in the coming quarters will be determined by: release of *Frostpunk* for Xbox One and PS4 and paid add-ons for the game; release of *Children of Morta* (by 11 bit publishing); and by 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* (the PC title was launched on April 24th 2018) is planned for summer 2019. The Company has not yet disclosed the exact date when the console version of *Frostpunk* will be available. The title will soon be submitted to Sony and Microsoft for certification, which is necessary if the game is 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. The date of their release will be announced by the Company at a later date. *Frostpunk* will also be developed by adding further language versions. Currently, the title is available in twelve languages,

The work on *Children of Morta* is also nearing completion. The game is being developed by the Dead Mage studio, which is the producer of the title (11 bit studios S.A. is the publisher). *Children of Morta* will be available for PC, Xbox One, PS4 and Nintendo Switch on the day of its release. The game is undergoing final iterations and trials, following which it will be submitted for certification. The Company will disclose the date of its release upon completion of all stages of the development process.

As part of the continued efforts to monetise *This War of Mine*, the third add-on to the *TWoM: Stories* is planned (first for 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 2019, in addition to the add-on, 11 bit studios S.A. intends to port its previous *TWoM* DLCs to other hardware platforms.

In 2019, in addition to the continued development of *Moonlighter* (content expansion) by the developer (Spanish Digital Sun studio), monetisation of the game will be based on release of an extensive paid add-on, to be marketed in the coming months. *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*), in the long run the results of 11 bit studios S.A. will also be impacted by sales of the game which is currently being developed under the working title of *Projekt 8*. The Company has completed the prototyping phase and moved on to the production phase. At present, the team responsible for developing the game consists of about 25 people, but an intensive recruitment process to expand it has been under way since early 2019. The Company plans 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 game production strategy of 11 bit studios S.A., the Company will have ultimately built three development teams working independently of one another, each developing its own game. This will enable the Company, within the next several years, to release one proprietary game per year. Diversification of revenue sources (a larger

portfolio of proprietary games) is expected to help stabilise the Company's financial results, which in the video games industry are typically highly volatile.

The Company's revenue sources should also be considerably impacted by further development of its publishing division (11 bit publishing), which in 2018, driven primarily by the very successful release of *Moonlighter*, contributed 18% of the Company's revenue stream. The 11 bit publishing management team is actively engaged in acquisition efforts to build a publishing pipeline for the coming years. 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. The medium-term strategy of 11 bit studios S.A. for the publishing area assumes that third-party games would be launched every quarter.

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

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

4.36. MANAGEMENT BOARD'S STATEMENT

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

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

These interim condensed financial statements of 11 bit studios S.A. present data for the reporting period from January 1st to March 31st 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 - for the period of three months ended March 31st 2018,
- Statement of changes in equity - for the period of three months ended March 31st 2018,
- Statement of cash flows - for the period of three months ended March 31st 2018.

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

4.37. AUTHORISATION OF FINANCIAL STATEMENTS

These interim condensed financial statements of 11 bit studios S.A. were authorised for issue by the Company's Management Board on May 16th 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, May 16th 2019