

Warsaw, May 14th 2020

**QUARTERLY REPORT OF
11 BIT STUDIOS S.A.
FOR THE FIRST QUARTER
OF 2020**

LETTER FROM THE MANAGEMENT BOARD

Warsaw, May 14th 2020

Dear Shareholders and Investors,

It is our pleasure to present to you the report of 11 bit studios S.A. for the first quarter of 2020. To our satisfaction, this was the second best quarter in our history, in terms of both revenue and profit.

During the first three months, 11 bit studios S.A. generated more than PLN 30.52m in revenue, which represented a year-on-year increase of 114.3%. EBITDA came in at PLN 19.59m (up 168.3%), the operating profit was PLN 17.24m (up 200.1%), and net profit reached almost PLN 14.51m (up 226.9%). The net profit would have been even higher but for non-cash provisions created every quarter (until Q2 2020 inclusive) in connection with our 2017–2019 Incentive Scheme. They pressed the net profit for Q1 2020 down by more than PLN 2.05m. Additionally, the Company decided that it would not account for the IP Box tax relief in its quarterly results and it would not use it until the 2020 tax return. The Company's excellent financial condition was confirmed by strong net cash flows from operating activities, exceeding PLN 24.3m in Q1 2020. As a result, at the end of March 2020 11 bit studios S.A. reported total financial assets (cash and cash equivalents, bank deposits and trade receivables) in excess of PLN 100m, for the first time in the Company's history.

In Q1 2020, 11 bit studios S.A. crossed one more nine-digit threshold. The cumulative revenue from the sales of *Frostpunk* and its paid DLCs in the period from the release of the game (in April 2018) to the end of March 2020 added up to more than PLN 100m, surpassing the cumulative revenue from *This War of Mine*, which had its debut in November 2014.

The robust financial performance of 11 bit studios S.A. in Q1 2020 is attributable to the very successful release (on January 21st 2020) of a paid DLC for *Frostpunk* (*Frostpunk: The Last Autumn*). It had an additional effect of boosting sales of the basic version of *Frostpunk* and older games in the Company's portfolio, especially *This War of Mine*. The games marketed by the publishing division, *Moonlighter* and *Children of Morta*, were important contributors to the Q1 performance. The revenue from the two games in the first three months of 2020 accounted for 24% of the Company's total revenue.

One more important event took place in Q1 2020. Ten years after its establishment, 11 bit studios S.A. moved to its first own office, which fully satisfies the needs of a gaming company, located at ul. Brzeska 2 in Warsaw. The new office can accommodate more than 300 employees. There are approximately 140 employees now, but the headcount should increase to 190–200 by the end of the year. 11 bit studios S.A. is actively hiring for three teams engaged in the production or prototyping of games under the working titles *Project 8*, *Project 9* and *Project 10*. The publishing business of 11 bit publishing is also developing rapidly, working to expand its portfolio for the coming years despite the travel restrictions and cancellation of all industry events. To date, the

portfolio comprises three projects that are very promising and far larger than the previous ones, including a project from Poland. Their number is expected to go up by the end of the year.

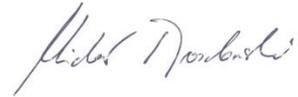
Thank you once again for the trust you have placed in us. We invite you to read our report.

A handwritten signature in black ink, appearing to read 'Grzegorz Miechowski'.

Grzegorz Miechowski
President of the
Management Board

A handwritten signature in black ink, appearing to read 'Przemysław Marszał'.

Przemysław Marszał
Member of the
Management Board

A handwritten signature in black ink, appearing to read 'Michał Drozdowski'.

Michał Drozdowski
Member of the
Management Board

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FINANCIAL HIGHLIGHTS

The selected financial data presented in the tables below was translated 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 March 31st 2020 - PLN 4.5523,
- Exchange rate as at December 31st 2019 - PLN 4.2585.

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 in Q1 2020 - PLN 4.3963,
- Exchange rate in Q1 2019 - PLN 4.2978.

Statement of financial position

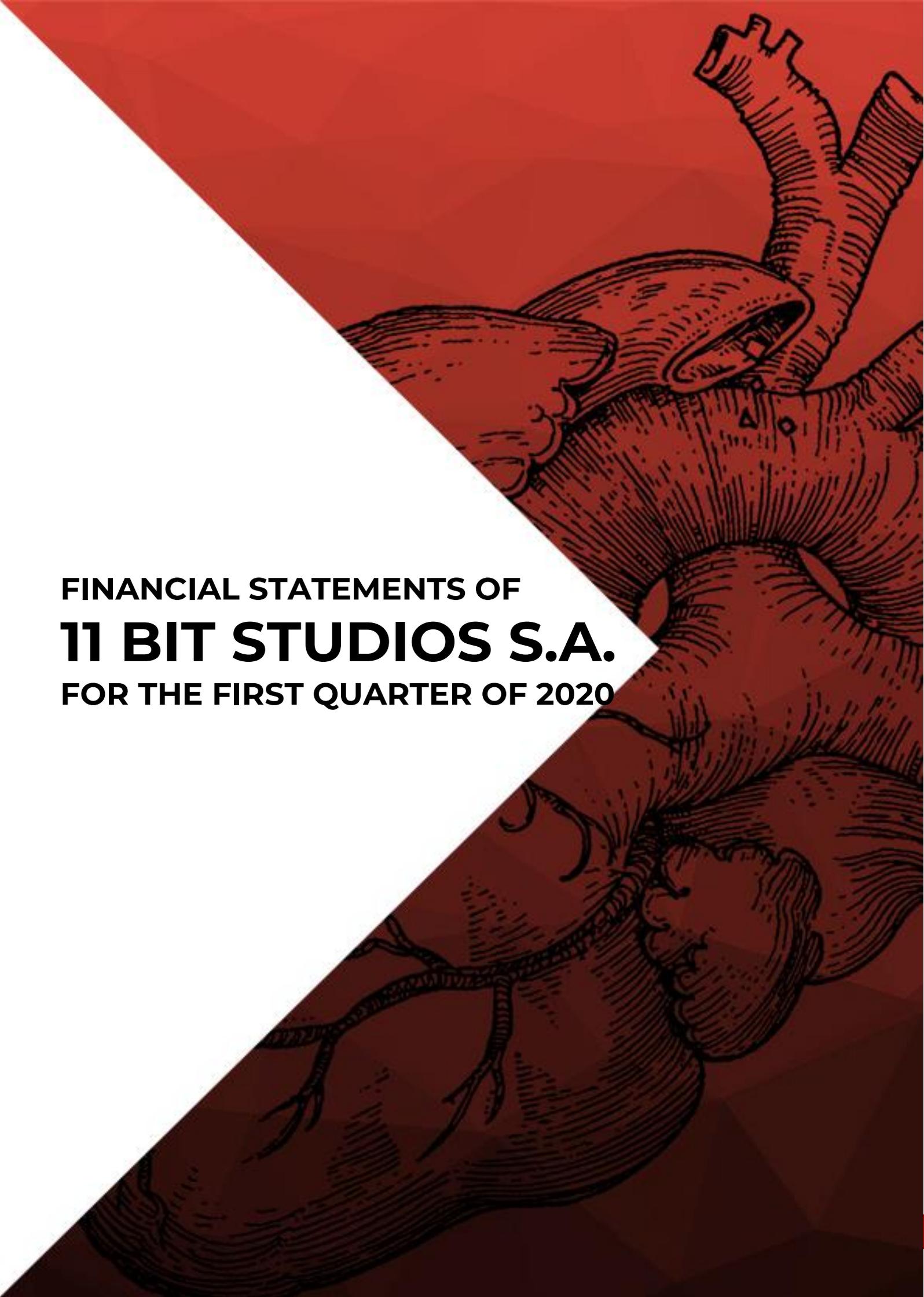
	Feb 31 2020 (PLN)	Mar 31 2020 (EUR)	Dec 31 2019 (PLN)	Dec 31 2019 (EUR)
Total assets	171,247,137	37,617,718	155,668,388	36,554,747
Non-current assets	59,472,584	13,064,294	49,815,126	11,697,810
Intangible assets	27,497,375	6,040,326	24,870,505	5,840,203
Current assets	111,774,553	24,553,424	105,853,262	24,856,936
Cash	37,643,422	8,269,100	14,882,519	3,494,780
Bank deposits with maturities of more than 3 months	57,189,032	12,562,668	67,328,563	15,810,394
Total equity and liabilities	171,247,137	37,617,718	155,668,388	36,554,747
Equity	136,272,395	29,934,845	119,740,299	28,117,952
Liabilities and provisions	34,974,742	7,682,873	35,928,089	8,436,794

Statement of profit or loss

	Period ended Mar 31 2020 (PLN)	Period ended Mar 31 2020 (EUR)	Period ended Mar 31 2019 (PLN)	Period ended Mar 31 2019 (EUR)
Revenue	30,523,609	6,943,022	14,183,796	3,300,246
Depreciation and amortisation	2,371,763	539,491	1,564,815	364,097
Operating profit	17,241,578	3,921,838	5,745,425	1,336,829
EBITDA	19,613,341	4,461,329	7,310,240	1,700,926
Profit (loss) before tax	17,852,419	4,060,783	5,967,476	1,388,495
Net profit (loss)	14,508,045	3,300,058	4,438,284	1,032,687

Statement of cash flows

	Period ended Mar 31 2020 (PLN)	Period ended Mar 31 2020 (EUR)	Period ended Mar 31 2019 (PLN)	Period ended Mar 31 2019 (EUR)
Net cash from operating activities	24,321,286	5,532,217	15,611,502	3,632,441
Net cash from investing activities	(1,711,514)	(389,308)	(16,690,781)	(3,883,564)
Net cash from financing activities	151,132	34,377	(210,000)	(48,862)
Total net cash flows	22,760,904	5,177,286	(1,289,278)	(299,986)



FINANCIAL STATEMENTS OF
11 BIT STUDIOS S.A.
FOR THE FIRST QUARTER OF 2020

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: 16069/2009). 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:	ul. Brzeska 2, 03-737 Warsaw, Poland
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 March 31st 2020 and contain the following comparative data:

- Statement of financial position – as at December 31st 2019,
- Statement of profit or loss and other comprehensive income – for the three months ended March 31st 2019,
- Statement of changes in equity – for the three months ended March 31st 2019,
- Statement of cash flows – for the three months ended March 31st 2019.

1.3. Composition of the Company's governing bodies as at March 31st 2020

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, there were no changes in the composition of the Company's Management or Supervisory Boards. 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 term of office of the current Supervisory Board expires on May 23rd 2022.

1.4. Shareholding structure 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	159,000	6.95	159,000	6.95
Przemysław Marszał	110,300	4.82	118,000	4.82
Michał Drozdowski	84,630	3.70	84,630	3.70
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. 4/2020 of February 21st 2020, 11 bit studios S.A. announced that on February 20th the Company received a notification under Article 19(1) of the Market Abuse Regulation from Grzegorz Miechowski, President of the Company's Management Board, concerning his disposal of 11 bit studios S.A. shares. On February 20th 2020, Grzegorz Miechowski sold 3,000 shares in a block transaction on the WSE at an average price of PLN 460 per share.

In Current Report No. 5/2020 of February 21st 2020, 11 bit studios S.A. announced that on February 20th the Company received a notification under Article 19(1) of the Market Abuse

Regulation from Przemysław Marszał, member of the Company's Management Board, concerning his sale of 11 bit studios S.A. shares. On February 20th 2020, Przemysław Marszał sold 7,700 shares in 11 bit studios S.A. in a block transaction on the WSE at an average price of PLN 460 per share.

In Current Report No. 6/2020 of February 21st 2020, 11 bit studios S.A. announced that on February 20th the Company received a notification under Article 19(1) of the Market Abuse Regulation from Michał Drozdowski, member of the Company's Management Board, concerning his sale of 11 bit studios S.A. shares. On February 20th 2020, Michał Drozdowski sold 5,000 shares in 11 bit studios S.A. in a block transaction on the WSE at an average price of PLN 460 per share.

Furthermore, in Current Report No. 7/2020 of February 21st 2020, 11 bit studios S.A. announced that on February 21st 2020 the Company received a notification under Art. 69.1.2 in conjunction with Art. 87.1.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz. U. of 2009, item 623; the "Act") from Przemysław Marszał, member of the Company's Management Board, to the effect that his interest in total voting rights at the Company's General Meeting fell below 5% as a result of disposal of 11 bit studios S.A. shares in a block transaction executed on the Warsaw Stock Exchange on February 20th 2020. Prior to the disposal, Przemysław Marszał held 118,000 shares, representing 5.16% of the Company's share capital and conferring the right to 118,000 votes, or 5.16% of total voting rights, at the Company's General Meeting. Following the sale transaction of February 20th 2020, he holds 110,300 shares, representing 4.82% of the Company's share capital and conferring the right to 110,300 votes, or 4.82% of total voting rights, at the Company's General Meeting.

1.5. Company shares held by members of its management and supervisory staff

	Position	Shareholding as at the reporting date (no. of shares)	Shareholding as at Mar 31 2020 (no. of shares)	Shareholding as at Dec 31 2019 (no. of shares)
Grzegorz Miechowski	President of the Management Board	159,000	162,000	162,000
Przemysław Marszał	Member of the Management Board	110,300	118,000	118,000
Michał Drozdowski	Member of the Management Board	84,630	89,630	89,630
Marcin Kuciapski	Member of the Supervisory Board	400	400	0

According to the submitted declarations, no members of the Company's Supervisory Board other than Marcin Kuciapski hold shares in 11 bit studios S.A.

In the reporting period, there were changes in holdings of Company shares by the supervisory staff. For details, see **Note 1.4**.

1.6. Headcount

As at the date of issue of these financial statements, 137 persons were employed at the Company under employment contracts or provided services to the Company on the basis of contracts under civil law.

1.7. Functional and presentation currency

These interim condensed financial statements are presented in the Polish złoty (PLN). The Management Board decided that the Polish złoty 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.

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

2.1. Statement of profit or loss and other comprehensive income (PLN)

	Note	Period ended Mar 31 2020	Period ended Mar 31 2019
Continuing operations			
Revenue	3.3	30,523,609	14,183,796
Other income	3.4.1	65,459	86,553
Total operating income		30,589,068	14,270,349
Depreciation and amortisation	3.5	(2,371,763)	(1,564,815)
Raw materials and consumables used		(96,765)	(85,993)
Services	3.6	(6,990,292)	(3,367,572)
Salaries, wages and employee benefits	3.7	(3,466,059)	(3,306,961)
Taxes and charges		(69,478)	(52,721)
Other expenses	3.4.2	(353,132)	(142,137)
(Impairment)/reversal of impairment of financial instruments		0	(4,725)
Total operating expenses		(13,347,489)	(8,524,924)
Operating profit		17,241,578	5,745,425
Interest income	3.8	262,741	212,766
Other finance income	3.8	1,139,526	134,508
Finance costs	3.9	(790,868)	(125,223)
Profit before tax		17,852,977	5,967,476
Income tax expense	3.10	3,344,932	1,529,192
Net profit from continuing operations		14,508,045	4,438,284
Discontinued operations		0	0
Net profit from discontinued operations		0	0
NET PROFIT		14,508,045	4,438,284
Earnings per share (PLN):			
Basic	3.11	6.34	1.94
Diluted	3.11	6.00	1.84
NET PROFIT		14,508,045	4,438,284
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME		14,508,045	4,438,284

2.2. Statement of financial position (PLN)

ASSETS

	Note	As at Mar 31 2020	As at Dec 31 2019
Non-current assets			
Property, plant and equipment	3.12	30,208,873	24,043,839
Intangible assets	3.13	27,497,375	24,870,505
Perpetual usufruct of land		0	344,065
Deferred tax asset		1,753,161	542,022
Other assets		13,174	14,695
Total non-current assets		59,472,584	49,815,126
Current assets			
Trade and other receivables	3.14	7,280,224	17,750,932
Inventories - prepaid deliveries of goods and services		11,829	11,829
Income tax and VAT receivables	3.15	9,233,285	5,441,189
Other current assets	3.17	416,761	438,230
Cash and cash equivalents	3.19	37,643,422	14,882,519
Current financial assets	3.16	57,189,032	67,328,563
Total current assets		111,774,553	105,853,262
TOTAL ASSETS		171,247,137	155,668,388

EQUITY AND LIABILITIES

	Note	As at Mar 31 2020	As at Dec 31 2019
Equity			
Share capital	3.20	228,720	228,720
Share premium		4,870,274	4,870,274
Statutory reserve funds		78,881,784	78,881,784
Share-based payment reserve		16,281,377	14,257,326
Retained earnings		36,010,240	21,502,195
Total equity		136,272,395	119,740,299
Liabilities			
Non-current liabilities			
Long-term borrowings and other debt instruments	3.23	10,483,241	10,429,732
Deferred income	3.27	452,566	497,564
Lease liabilities – perpetual usufruct of land		334,681	334,891
Total non-current liabilities		11,270,489	11,262,187
Current liabilities			
Trade and other payables	3.24	18,001,603	11,429,892
Liabilities under contracts with customers	3.22	4,157,300	11,730,526
Short-term borrowings and other debt instruments	3.23	1,352,676	1,303,717
Lease liabilities – perpetual usufruct of land		12,653	12,653
Deferred income	3.27	179,991	189,114
Total current liabilities		23,704,254	24,665,902
Total liabilities		34,974,742	35,928,089
TOTAL EQUITY AND LIABILITIES		171,247,137	155,668,388

2.3. 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 2020	228,720	4,870,274	78,881,784	14,257,326	0	21,502,195	0	0	119,740,299
Net profit for the financial year	0	0	0	0	0	14,508,045	0	0	14,508,045
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	14,508,045	0	0	14,508,045
Profit allocated to statutory reserve funds	0	0	0	0	0	0	0	0	0
Share-based payments	0	0	0	2,024,051	0	0	0	0	2,024,051
As at Mar 31 2020	228,720	4,870,274	78,881,784	16,281,377	0	36,010,240	0	0	136,272,395

	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	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

2.4. Statement of cash flows (PLN)

	Note	Period ended Mar 31 2020	Period ended Mar 31 2019
Cash flows from operating activities			
Profit for the financial year		14,508,045	4,438,284
Adjustments:			
Depreciation and amortisation	3.5	2,371,763	1,564,815
Income tax expense recognised in profit or loss	3.10	3,344,932	1,529,192
Revaluation of intangible assets		21,469	0
Other adjustments		2,665,742	2,334,650
Changes in working capital:			
Increase/(decrease) in trade and other receivables		6,678,612	9,002,570
Increase/(decrease) in inventories		0	0
Increase/(decrease) in other assets		22,990	(189,657)
Decrease in trade and other payables		6,571,710	(868,698)
Increase/(decrease) in net balance under contracts with customers		(7,573,196)	393,673
Increase/(decrease) in deferred income		(9,123)	(51,339)
Cash provided by operating activities		28,602,944	18,153,490
Income tax paid		(4,281,658)	(2,541,988)
Net cash from operating activities		24,321,286	15,611,502
Cash flows from investing activities			
Proceeds from bank deposits upon maturity – over 3 months		67,000,000	27,000,000
New bank deposits placed – over 3 months		(57,000,000)	(41,000,000)
Payments for property, plant and equipment and intangible assets		(11,711,514)	(2,690,781)
Net cash from investing activities		(1,711,514)	(16,690,781)
Cash flows from financing activities			
Interest on bank deposits		466,132	0
Proceeds/(payments) under credit facility		(315,000)	(210,000)
Net cash from financing activities		151,132	(210,000)
Net increase /(decrease) in cash and cash equivalents		22,760,903	(1,289,278)
Cash and cash equivalents at beginning of reporting period		14,882,519	24,250,681
CASH AT END OF REPORTING PERIOD		37,643,422	22,961,403

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. Reporting in accordance with IFRSs

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss.

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

3.1.1. 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 2020. The accounting policies applied to prepare these financial statements of the Company for in the first quarter of 2020 are consistent with the policies applied to prepare the Company’s full-year financial statements for 2019, except for the changes described below. The same policies have been applied for the current and comparative periods.

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

The following new standards and amendments to existing standards effective from January 1st 2019 were applied for the first time in these financial statements:

- **IFRS 16 Leases**

The new IFRS 16 specifies how to recognise, measure, present and disclose leases. All lease transactions result in the lessee acquiring a right-of-use asset and incurring a lease liability. Thus, IFRS 16 abolishes the classification into operating and finance leases under IAS 17 and provides a single lessee accounting model. A lessee is required to recognise: (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value, and (b) amortisation of the leased asset separately from interest on lease liability in the statement of profit or loss.

IFRS 16’s approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance leases, subjecting each of them to a different accounting treatment.

As at the date of issue of these financial statements, the Company had one effective agreement on land perpetual usufruct for a developed property at ul. Brzeska 2 in Warsaw, purchased by the Company at the end of 2018 to house its new headquarters.

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. Since January 1st 2019, the right of perpetual usufruct to the property located at ul. Brzeska 2 in Warsaw has been 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 344,065. It will be amortised over the term of the perpetual usufruct agreement, i.e. until October 27th 2099.

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**
Amendments to IFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income instead of measuring them at fair value through profit or loss, if specific requirements are met.
- **Amendments to IAS 19 Employee Benefits**
The amendments to this standard set out the requirements for accounting treatment of an amendment, curtailment or settlement of a defined benefit plan.
- **Amendments to IAS 28 Investments in Associates and Joint Ventures**
The amendments to IAS 28 *Investments in Associates and Joint Ventures* clarify that an entity applies IFRS 9 impairment rules to long-term interests in an associate or joint venture to which the equity method is not applied, but which form part of the net investment in the associate or joint venture (such as long-term loans). The Board has also published an example that illustrates how companies apply the requirements in IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.
- **Annual Improvements to IFRSs 2015–2017 Cycle**
Annual Improvements to IFRSs 2015–2017 Cycle amend four standards: IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*. The amendments explain and clarify the guidance on recognition and measurement provided in the standards.
- **Interpretation of IFRIC 23 Uncertainty over Income Tax Treatments**
IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

3.1.3. Issued standards and interpretations which are not yet effective and have not been adopted early by the Company

In these financial statements, the Company resolved not to early adopt the following issued standards, interpretations or amendments to existing standards prior to their effective date:

- **IFRS 17 Insurance Contracts**
IFRS 17 *Insurance Contracts* was issued by the International Accounting Standards Board on May 18th 2017 and is effective for annual periods beginning on or after January 1st 2021. New IFRS 17 *Insurance Contracts* will replace existing IFRS 4, which provides for a variety of practices in accounting for insurance contracts. IFRS 17 will substantially change the accounting of all entities that deal with insurance contracts and investment agreements. The Company will apply IFRS 17 following its endorsement by the European Union.

As at the date of these financial statements, the new standard has not yet been endorsed by the European Union.

- **Amendments to the IFRS Conceptual Framework**

Amendments to the IFRS Conceptual Framework were released in 2019, scheduled to apply as of January 1st 2020. The revised Conceptual Framework will be used by the Board and the Interpretations Committee in their future work on new standards. However, entities preparing financial statements may use the Conceptual Framework to develop their accounting policies for transactions which have not been covered by the IFRSs currently in effect.

- **IFRS 3 Business Combinations**

The amendments to IFRS 3 include a change in the definition of 'business'. Under the amended standard, the scope of the definition is narrower and will probably increase the proportion of acquisitions classified as asset acquisition. Amendments to IFRS 3 are effective for annual periods beginning on or after January 1st 2020. The application of the amendments has no effect on these financial statements.

As at the date of these financial statements, the amendment has not yet been endorsed by the European Union.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

The IASB published a new definition of 'materiality'. Amendments to IAS 1 and IAS 8 clarify the definition of materiality and improve the standards' consistency, but are not expected to have a material effect on the preparation of financial statements. The amendments are effective for annual periods beginning on or after January 1st 2020.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 related to IBOR reform**

Amendments to IFRS 9, IAS 39 and IFRS 7, issued in 2019, revise certain specific hedge accounting requirements, primarily to have the effect that the interest rate benchmark reform (IBOR reform) should not generally cause hedge accounting to terminate.

The amendments are effective for annual periods beginning on or after January 1st 2020. They have no effect on the Company's financial statements.

- **Amendments to IAS 1 Presentation of Financial Statements**

The IASB has published amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. The amendments are effective for financial statements for periods beginning on or after January 1st 2020.

As at the date of these financial statements, the amendments have not yet been endorsed by the European Union.

- **IFRS 14 Regulatory Deferral Accounts**

The standard permits an entity which is a first-time adopter of IFRS (on or after January 1st 2016) to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRSs and do not account for such activities, in accordance with the issued IFRS 14 amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of comprehensive income.

The European Union has decided not to endorse IFRS 14.

- **Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between an investor and its associate or joint venture**

The amendments address the current inconsistency between IFRS 10 and IAS 28. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business.

Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests.

The amendments were issued on September 11th 2014. As at the date of these financial statements, endorsement of the amendments has been postponed by the European Union.

3.2. Material achievements or failures of the Company in the reporting period

The highlight of Q1 2020, which determined the excellent financial performance of 11 bit studios S.A. in that period, was the release of a paid add-on to *Frostpunk* – *Frostpunk: The Last Autumn*. It was the second of the three DLCs announced by the Company several quarters ago as part of the Season Pass. The first add-on in the series, *Frostpunk: The Rifts*, had its debut in late August 2019. The third DLC under the working title *Projekt TVADGYCGJR* will be released for sale by the end of this year.

The launch of *Frostpunk: The Last Autumn* on January 21st 2020 was a huge success. The add-on was high on the Steam top sellers list for a long time and received great reviews and ratings from industry media and players. Moreover, its strong sales drove sales of the game's basic version as well. Many buyers decided to purchase the edition *Frostpunk: Game of The Year (GOTY)*, including the main version and the Season Pass, which effectively increased the Company's revenue in the reporting period.

Revenue from sale of *This War of Mine* was an important addition to the Company's revenue from its proprietary game portfolio, despite that fact that 54 months had passed since the release of the game on November 14th 2014. The refreshed interest in *Frostpunk* and its add-ons encouraged some fans buy this previous title from 11 bit studios S.A., and as a result its sales were clearly higher than in the previous quarter.

As usual, the sales of games created by third party developers for which the Company provided publishing services were an important source of revenue for 11 bit studios S.A. The revenue of the publishing division, with its key portfolio products being *Moonlighter* and *Children of Morta*, accounted for 24% of the total in Q1 2020. This proportion was lower than in the whole of 2019, when it reached 40% after a significant spike in sales of own games, in particular *Frostpunk*.

In the proprietary game development segment, aside from working to develop *Frostpunk* (preparation of further DLCs), in Q1 2020 11 bit studios S.A. focused on the production of a game with the working title *Project 8* and prototyping of *Project 9* and *Project 10*. In the first three months of the year, the Company carried out intensive recruitment for the teams in charge of each of the productions, which are going to drive its financial performance in the coming years.

Despite the movement restrictions due to the COVID-19 pandemic and the cancellation of all industry events, the management team of the 11 bit publishing business carried out intensive recruitment activities in Q1 2020 with a view to expanding its publishing portfolio for the next years. There are currently three titles in the portfolio: a game under the working (code) title *Vitriol* produced by Fool's Theory studio based in Bielsko-Biała, a game under the working (code) title *Foxhole* (produced by Digital Sun Games studio from Spain, which was responsible for the production of *Moonlighter*) and a game produced by a foreign development studio. The Company expects to sign more publishing contracts by the end of 2020.

The very good sales of *Frostpunk* and its paid add-ons, *Moonlighter*, *Children of Morta* and *This War of Mine* in Q1 2020, coupled with the sales of other games in the portfolio, resulted in 11 bit studios S.A. recording a total revenue of PLN 30,523,609, which means an increase of 115.2% year on year. This makes the first quarter of 2020 the second best quarter in terms of revenue in more than ten years of 11 bit studios S.A.'s history, following the record-breaking second quarter of 2018, which saw the releases of *Frostpunk* and *Moonlighter*.

In Q1 2020, the Company's operating expenses increased to PLN 13,347,489, from PLN 8,524,924 in the previous year, a rise of 56.6%. The largest item of operating expenses in the first quarter of 2020 was services (PLN 6,990,292), mostly comprising royalties payable to the producers of *Moonlighter* and *Children of Morta*. In Q1 2020, the Company spent PLN 3,466,059 on salaries, wages and employee benefits, up 4.8% year on year. It should be noted that this item includes a non-cash provision (over PLN 2.05m) created every quarter (until Q2 2020 inclusive) to cover costs of the Incentive Scheme for 2017–2019. At PLN 2,371,763, depreciation and amortisation were a considerable item of operating expenses in Q1 2020, having increased by 51.6% year on year. The increase was driven by the commencement of amortisation of the expenditure incurred to create the *Frostpunk: The Last Autumn* DLC (starting from February 2020) and *Children of Morta* (starting from December 2019).

With strong revenue growth and slower increase in operating expenses, the operating profit of 11 bit studios S.A. for Q1 2020 more than tripled, to PLN 17,241,578 from PLN 5,745,425 a year earlier. Accordingly, the Company's operating profit margin improved from 40.5% in Q1 2019 to 56.5%. The positive balance of finance income and finance costs, resulting from favourable changes in international currency markets (depreciation of the złoty against foreign currencies) and recognition of a considerable amount of interest on bank deposits, boosted profit before tax to PLN 17,852,419 in Q1, which meant an increase by 199.2% year on year. The Company posted a net profit of PLN 14,508,045, 226.8% more than in the reference period. As a result, net profit margin stood at 47.5% vs 31.3% the year before. The net profit earned by 11 bit studios S.A. in the first quarter was the second highest figure in its history, just like its revenue in this period.

The Company's sound financial standing was also confirmed by its cash flows from operating activities at PLN 28,602,944. After the payment of PLN 4,281,658 in income tax, net operating cash flows stood at PLN 24,321,286, up 55.8% year on year. As at the end of March 2020, the Company's total financial assets (cash and cash equivalents, bank deposits and trade receivables) exceeded PLN 100m for the first time in its history, reaching PLN 102,112,678, up 2.1% on the previous quarter.

3.3. Revenue (PLN)

	Period ended Mar 31 2020	Period ended Mar 31 2019
Revenue	30,523,609	14,183,796

As in the previous year, in Q1 2020 the main source of the Company's revenue was sales of its own games as well as third-party games marketed as part of the 11 bit publishing services. Other income (including mainly grants received) accounted for just 0.21% of total revenue in the reporting period (0.61% in Q1 2019). The Company's revenue in the reporting period reached PLN 30,523,609, up 115.2% year on year.

The sharp increase in revenue was largely attributable to the very successful release (on January 21st 2020) of *Frostpunk: The Last Autumn*, the second paid add-on to *Frostpunk*. It became very popular with game fans and its high quality earned it rave reviews from industry media and players. The release of *Frostpunk: The Last Autumn* (the second of the three paid DLCs in the Season Pass) boosted sales of the game's basic version, as well as of *Frostpunk: Game of The Year (GOTY)*, which includes the main version and the Season Pass.

The games released by the publishing division, *Moonlighter* and *Children of Morta*, also contributed positively to the revenues of 11 bit studios S.A. in Q1 2020. The sales of third-party developers' games accounted for 24% of the total in the reporting period. *This War of Mine* continued to deliver a sizeable revenue stream, despite the fact that 54 months had already passed since its launch on November 14th 2014.

An important part of the Company's revenue in Q1 2020 was revenue from a contract with Microsoft for the release of *Frostpunk* (January 9th 2020) and *Children of Morta* (January 16th 2020) in the Xbox Pass subscription service.

3.3.1. Revenue by geographical region (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).

Below is presented information on revenue from sales to third parties by geographical area and on non-current assets by asset location.

	Revenue from third parties		Non-current assets	
	Period ended Mar 31 2020	Period ended Mar 31 2019	As at Mar 31 2020	As at Dec 31 2019
Poland	498,484	383,080	59,472,584	49,815,126
European Union	1,379,047	1,300,874	0	0
US	24,426,812	9,556,288	0	0
Japan	3,967,514	2,403,856	0	0
China	85,626	122,978	0	0
Other	166,126	416,720	0	0
Total	30,523,609	14,183,796	59,472,584	49,815,126

3.3.2. Revenue by distribution channel

The Company's revenue from sales of computer games in Q1 2020, amounting to PLN 30,523,609 (vs PLN 14,183,796 the year before), included PLN 29,983,850 (PLN 13,616,444) in revenue from the Company's products sold via selling platforms of its 10 key business partners, including Steam (Valve Corporation), Nintendo Co Ltd., Microsoft Corporation, Google, Apple and Humble Bundle.

3.4. Other income and expenses (PLN)

3.4.1. Other income

	Period ended Mar 31 2020	Period ended Mar 31 2019
Grants received	44,998	51,750
Gain on disposal of non-current non-financial assets	2,418	20,627
Other income – subject to recharge	14,186	0
Other income	3,794	14,176
Total	65,459	86,553

3.4.2. Other expenses

	Period ended Mar 31 2020	Period ended Mar 31 2019
Impairment losses recognised on:		
Trade receivables	0	0
Other expenses:		
Liquidation of non-financial non-current assets	244,745	0
Other expenses by nature	108,387	142,137
Total	353,132	142,137

In Q1 2020, the main item of other expenses (PLN 244,745) was a cost item that did not occur in the previous periods: liquidation of non-financial non-current assets, i.e. write-off of equipment from the office at ul. Brechta 7, Warsaw, Poland (the Company's headquarters until the end of February 2020). The decrease in other expenses by nature from PLN 142,137 in Q1 2019 to PLN 108,387 was attributable to a reduction in business travel, advertising and insurance expenses in consequence of the COVID-19 pandemic.

3.5. Depreciation and amortisation (PLN)

	Period ended Mar 31 2020	Period ended Mar 31 2019
Depreciation/ amortisation charges made during the year:		
Depreciation	308,090	132,098
Amortisation	2,230,900	1,531,082
Total	2,538,990	1,663,180
Allocation to project costs	(168,508)	(99,440)
Land (including perpetual usufruct of land)	1,075	1,075
Total	2,371,557	1,564,815

The year-on-year increase in depreciation and amortisation expense in Q1 2020 was driven by the commencement of amortisation of the expenditure incurred to create *Frostpunk: The Last Autumn*, *Frostpunk's* second paid DLC, released in January 2020, and on *Children of Morta*, which had its debut in autumn 2019. Depreciation of property, plant and equipment also increased (to PLN 308,090 in Q1 2020 from PLN 132,098 in the previous year), due to the Company's investments in new IT equipment.

3.6. Services (PLN)

	Period ended Mar 31 2020	Period ended Mar 31 2019
Services	(6,990,292)	(3,367,572)

The year-on-year rise in cost of services in Q1 2020 was mainly driven by the sharp growth in revenue from sale of third-party games. The Company's publishing portfolio in Q1 2019 comprised *Moonlighter*, a game released in May 2018. In the reporting period, apart from *Moonlighter*, 11 bit studios S.A. generated revenues from sales of *Children of Morta*, which was released in H2 2019. The Company made appropriate royalty payments on those revenues to the respective game developers: Digital Sun studio based in Spain and Dead Mage in the US. The amount of royalties in Q1 2020 increased to PLN 5,213,801 from PLN 2,087,941 in the previous year.

3.7. Salaries, wages and employee benefits (PLN)

	Period ended Mar 31 2020	Period ended Mar 31 2019
Salaries, wages and employee benefits	(3,466,059)	(3,306,961)

The slight growth in the salary spend in the first three months of 2020, to PLN 3,466,059, or by 4.8% compared with the previous year (PLN 3,306,961), was driven by a steady increase in employment and rising salaries. Salaries, wages and employee benefits included non-cash provisions recognised in connection with the Company's 2017-2019 Incentive Scheme. The provision charged against the results for Q1 2020 was approximately PLN 2.05m, like in the

previous year. This item additionally includes provisions for annual bonuses paid to employees at the end of each year.

3.8. Finance income (PLN)

	Period ended Mar 31 2020	Period ended Mar 31 2019
Interest income:		
Bank deposits	262,741	212,766
Finance income:		
Gains on remeasurement of financial assets	0	4,310
Net foreign exchange gains (losses), including:		
a) Cash	384,600	(28,389)
b) Loans and receivables	707,204	116,924
c) Liabilities	47,722	41,663
Total	1,402,267	347,274

As a result of favourable changes in international currency markets in Q1 2020, i.e. depreciation of the zloty against the US dollar and the euro, in which a vast majority of the Company's revenue is earned, the Company disclosed much higher finance income year on year. Finance income from foreign currency gains (remeasurement of monetary assets denominated in currencies other than the Polish zloty) alone amounted to PLN 1,139,526, compared with PLN 130,198 in the previous year. The Company also disclosed PLN 262,741 in interest income from bank deposits in Q1 2020 (Q1 2019: PLN 212,766). The increase was driven by the growing amounts of cash in bank deposits, which more than offset the lower interest rates on deposits.

3.9. Finance costs (PLN)

	Period ended Mar 31 2020	Period ended Mar 31 2019
Other interest expense:		
Interest on public charges	0	(3,038)
Net foreign exchange gains (losses), including:		
a) Cash	0	0
b) Loans and receivables	0	0
c) Other	(370,446)	0
d) Liabilities measured at amortised cost	(2,954)	0
Losses on remeasurement of financial assets	(417,469)	(122,185)
Total	(790,868)	(125,223)

In the reporting period, the largest item of the Company's finance costs was the non-cash costs resulting from remeasurement of financial assets, including mainly remeasurement of an Interest Rate Swap hedging the Company's position against interest rate risk connected with its investment

credit facility of PLN 12,600,000 contracted with PKO BP S.A. at the end of 2018 to finance the purchase of new offices. A significant portion of the finance costs in Q1 2020 was non-cash costs resulting from remeasurement (due to exchange differences) of the Company's liabilities towards one of its trading partners (sales platforms), which totalled PLN 370,446.

3.10. Income tax on continuing operations (PLN)

3.10.1. Income tax recognised in profit or loss

	Period ended Mar 31 2020	Period ended Mar 31 2019
Current income tax:		
Attributable to current year	4,556,071	2,029,981
Deferred income tax:		
Attributable to current year	(1,211,139)	(500,789)
Tax expense recognised in current year on continuing operations	3,344,932	1,529,192

With respect to income tax, the Company is bound by laws and regulations of general application. The Company does not conduct operations in any Special Economic Zone, which would entail the applicability of other rules for calculating taxes payable by the Company. The Company's fiscal and accounting year is the same as the calendar year.

Reconciliation of the Company's tax and accounting profit:

	Period ended Mar 31 2020	Period ended Mar 31 2019
Profit before tax from continuing operations	17,852,977	5,967,476
Income tax expense at 19% (2019: 19%)	3,392,066	1,133,820
Tax effect of income which is not classified as income for tax purposes	(49,164)	0
Tax effect of income which is classified as income for tax purposes	86,162	(1,295)
Tax effect of costs which are not deductible for tax purposes	637,696	1,096,998
Tax effect of costs which are deductible for tax purposes	489,311	(199,538)
Other changes – reconciliation of income tax from previous years	0	(4)
Total	4,556,071	2,029,981

The tax rate applied in the above reconciliation in 2020 and 2019 is 19%, i.e. the corporate income tax rate applicable in Poland in accordance with the tax laws.

The Company decided that in the reporting period it would not use the IP Box relief which was introduced on October 23rd 2018 pursuant to the Act Amending the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Legislation and certain other acts, and has been in effect since

January 1st 2019. Under the Act, the Company's revenue from sale of qualifying intellectual property rights (games) multiplied by the nexus index is taxed at a preferential CIT rate (5%). The Company intends to use the IP Box relief in its annual tax return.

3.10.2. Current tax receivable and payable

	As at Mar 31 2020	As at Dec 31 2019
CIT refund receivable	6,065,192	5,441,189
VAT refund receivable	3,168,093	0
Income tax payable	0	0
Total	9,233,285	5,441,189

Tax receivables included the IP Box relief for 2019, the tax remaining to be deducted upon receipt of returns from trading partners and non-recovered withholding tax.

3.11. Earnings per share (PLN)

3.11.1. Basic earnings per share

	Period ended Mar 31 2020	Period ended Mar 31 2019
Basic earnings per share:		
From continuing operations	6.34	1.94
Total basic earnings per share	6.34	1.94
Diluted earnings per share:		
From continuing operations	6.00	1.84
Total diluted earnings per share	6.00	1.84

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

	Period ended Mar 31 2020	Period ended Mar 31 2019
Profit for the financial year attributable to shareholders	14,508,045	4,438,284
Total profit used to calculate basic earnings per share	14,508,045	4,438,284
Profit used to calculate basic earnings per share from continuing operations	14,508,045	4,438,284

	Period ended Mar 31 2020	Period ended Mar 31 2019
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 Mar 31 2020	Period ended Mar 31 2019
Profit for the financial year attributable to shareholders	14,508,045	4,438,284
Total profit used to calculate diluted earnings per share	14,508,045	4,438,284
Profit used to calculate diluted earnings per share from continuing operations	14,508,045	4,438,284

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 2020	Period ended Mar 31 2019
Weighted average number of ordinary shares used to calculate basic earnings per share	2,287,199	2,287,199
Shares expected 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 Mar 31 2020	As at Dec 31 2019
Buildings and premises	22,677,591	243,521
Land	4,427,694	0
Property, plant and equipment under construction	0	23,637,763
Plant and equipment	176,581	73,876
Vehicles	59,246	77,889
Other property, plant and equipment	2,867,762	10,790
Total	30,208,873	24,043,839

Gross carrying amount:

	Buildings and structures	Property, plant and equipment under construction	Land	Buildings and premises	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2020	23,637,763	343,877	0	0	1,043,464	372,854	281,408	25,679,366
Increase	5,994,781	0	4,433,070	22,674,822	324,177	0	2,874,834	36,301,684
Decrease		0	0	(333,169)	0	0	(22,710)	(355,879)
Reclassification	(11,515)	(343,877)	0	343,877	11,515	0	0	0
Settlement of the Brzeska 2 investment project	(29,621,029)	0	0	0	0	0	0	(29,621,029)
As at Mar 31 2020	0	0	4,433,070	22,685,530	1,379,156	372,854	3,133,532	32,004,141

Accumulated depreciation and impairment:

	Buildings and structures	Property, plant and equipment under construction	Land	Buildings and premises	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2020	0	100,356	0	0	969,588	294,965	270,618	1,635,526
Depreciation expense	0	0	5,376	105,509	232,988	18,643	8,716	371,231
Decrease	0	(100,356)	0	(97,571)	0	0	(13,563)	(211,490)
As at Mar 31 2020	0	0	5,376	7,939	1,202,576	313,608	265,770	1,795,268

Comparative data for the period from January 1st to December 31st 2019

Gross carrying amount:

	Buildings	Land	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
Acquisition	5,535,494	0	290,273	0	19,247	5,845,014
Reclassification	0	(39,406)	39,406	0	0	0
Decrease	0	0	4,795	185,851	0	190,646
As at Dec 31 2019	23,637,763	343,877	1,043,464	372,854	281,408	25,679,366

Accumulated depreciation and impairment:

	Buildings	Land	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	33,727	325,486	77,668	25,461	462,343
Decrease	0	0	3,143	114,608	0	117,751
As at Dec 31 2019	0	100,356	969,588	294,965	270,618	1,635,527

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 March 31st 2020 included the capitalised cost of Phase 4 work with a remaining weighted average amortisation period of 16 months.

As at March 31st 2020, the completed video games development work comprised games with the remaining weighted average amortisation period of 17.6 months.

Ongoing development work:

As at March 31st 2020, expenditures on ongoing development work included mainly development of games (including *Frostpunk* DLC and *Project 8*) and the game engine (Phase 5).

Testing ongoing development work for impairment:

Key assumptions used to calculate the value in use of material ongoing development work based on the discounted cash flow model:

The Company makes projections of revenue and expenses over a time horizon of up to three years from the forecast release date, and then discounts them with the weighted average cost of capital (WACC). The discount rate applied is 10%. For prudential reasons, the residual value is not taken into account.

Revenue was estimated based on: (1) the projected number of games sold, based on the Company's many years' experience and sales results for the 11 bit studios current portfolio, and (2) the average assumed unit selling price of a new game.

Expenses were estimated on the basis of costs already incurred and a projection of costs to be incurred until the forecast release date.

A sensitivity analysis performed as at the reporting date showed that there was no risk of impairment of intangible assets comprising ongoing development work.

As a result of the analysis, no expenditures on discontinued work were written off in the reporting period. In 2019, the Company wrote off expenditure on discontinued work of PLN 33,959.

Carrying amount:

	As at Mar 31 2020	As at Dec 31 2019
Completed development work (game engine)	649,884	799,816
Completed development work (games)	12,498,879	11,402,028
Ongoing development work	14,348,407	12,668,661
Total	27,497,170	24,870,505

Gross carrying amount:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2020	2,717,702	30,872,101	518,692	12,668,661	46,777,156
Increase	0	0	42,796	4,857,566	4,900,361
Reclassification of completed development work	0	3,177,819	0	(3,177,819)	0
Decrease	0	0	0	0	0
Discontinued work written off	0	0	0	0	0
As at Mar 31 2020	2,717,702	34,049,920	561,488	14,348,407	51,677,517

Accumulated amortisation and impairment:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2020	1,917,886	19,470,073	518,692	0	21,906,651
Amortisation expense	149,932	2,080,968	42,796	0	2,273,696
Decrease	0	0	0	0	0
As at Mar 31 2020	2,067,818	21,551,041	561,488	0	24,180,347

Comparative data for the period from January 1st to December 31st 2019
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	0	0	13,141	14,008,549	14,021,690
Reclassification of completed development work	0	6,418,573	0	(6,418,573)	0
Decrease	0	0	0	0	0
Discontinued work written off	0	0	0	(33,959)	(33,959)
As at Dec 31 2019	2,717,702	30,872,101	518,692	12,668,661	46,777,156

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	599,727	5,640,705	14,745	0	6,255,177
Decrease	0	(12)	71	0	59
As at Dec 31 2019	1,917,886	19,470,073	518,692	0	21,906,651

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

3.14. Trade and other receivables (PLN)

	As at Mar 31 2020	As at Dec 31 2019
Trade receivables and other receivables, including:	10,453,510	17,902,912
Taxes, grants, customs duties and social security	0	1,796,511
Other	263,351	250,862
Impairment losses on trade receivables	(151,980)	(151,980)
Total	7,280,224	17,750,932

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 that are over 90 days past due as past experience shows that such receivables are virtually unrecoverable.

The balances disclosed as at March 31st 2020 included receivables from the Company's largest customers, accounting for over 5% of total trade receivables.

Receivables by customer:

	As at Mar 31 2020	As at Dec 31 2019
Valve Corporation	2,728,617	6,319,615
Nintendo Co. Ltd	1,080,507	1,012,032
Sony Interactive Entertainment America LLC	732,418	1,105,220

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 2020	As at Dec 31 2019
60-90 days	81,061	78,368
91-120 days	366	140,539
121-360 days	256,586	76,784
over 360 days	55,357	0
Total	393,370	295,691

Changes in impairment losses on doubtful receivables:

	As at Mar 31 2020	As at Dec 31 2019
As at beginning of reporting period	151,980	56,807
Recognition	0	95,173
Reversal	0	0
As at end of reporting period	151,980	151,980

Ageing analysis of impaired trade receivables:

	As at Dec 31 2020	As at Dec 31 2019
60-90 days	79,227	0
91-120 days	0	0
121-360 days	15,946	95,173
over 360 days	56,807	56,807
Total	151,980	151,980

3.15. Income tax and VAT receivables (PLN)

	As at Dec 31 2020	As at Dec 31 2019
CIT receivable	6,065,192	5,441,189
VAT receivable	3,168,093	0
Total	9,223,285	5,441,189

The increase in the Company's VAT receivable as at March 31st 2020 resulted from accounting for the Company's expenses incurred in Q1 2020 for the renovation and upgrade of the property at ul. Brzeska 2 in Warsaw (the Company's new headquarters since March 2020). As at the end of March 2020, the VAT receivable included the IP Box tax relief for 2019 (2,713,965) and withholding tax.

3.16. Current financial assets (PLN)

	As at Dec 31 2020	As at Dec 31 2019
Bank deposits with maturities of more than 3 months	57,000,000	67,000,000
Valuation – bank deposits with maturities of more than 3 months	189,032	328,563
Total	57,189,032	67,328,563

3.17. Other current assets (PLN)

	As at Dec 31 2020	As at Dec 31 2019
Insurance	34,045	45,642
Domain names, licences, subscriptions	171,518	187,929
Prepaid expenses	107,186	73,596
Guarantees	715	1,144
Property tax	76,234	0
Perpetual usufruct of land	9,490	0
Royalties to be accounted for in the next period	0	129,919
Other	17,575	0
Total	416,761	438,230

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, stock exchange fees and charges related to the property located at ul. Brzeska 2 in Warsaw.

3.18. Other assets (PLN)

	As at Dec 31 2020	As at Dec 31 2019
Long-term security deposits	0	0
Long-term prepayments and accrued income	13,174	14,695
Total	13,174	14,695

The main item of other assets as at the end of Q1 2020 was long-term prepayments (IT service licence), the same as at the end of 2019.

3.19. Cash and cash equivalents (PLN)

	As at Dec 31 2020	As at Dec 31 2019
Cash in hand and at banks	37,368,080	7,882,519
PKO BP Bank Hipoteczny bonds	0	7,000,000
Total	37,368,080	14,882,519

Cash in hand and at banks and term deposits as at March 31st 2020, by currency:

- PLN 29,665,361,
- USD 1,289,786 (PLN 5,348,227),
- EUR 573,705 (PLN 2,611,675),
- CNY 31,073 (PLN 16,159).

Cash in hand and at banks and term deposits as at December 31st 2019, by currency:

- PLN 8,696,229,
- USD 1,124,158 (PLN 4,269,215),
- EUR 446,196 (PLN 1,900,124),
- CNY 31,073 (PLN 16,951).

The PKO Bank Hipoteczny bonds were treated as current liquidity management instruments rather than an investment. On January 23rd 2020, the issuer (PKO Bank Hipoteczny) repurchased all the securities held by 11 bit studios S.A.

3.20. Share capital (PLN)

	As at Dec 31 2020	As at Dec 31 2019
Share capital	228,720	228,720
Total	228,720	228,720

As at March 31st 2020, the Company's share capital consisted of 2,287,199 fully paid-up ordinary shares totalling PLN 228,719.90.

3.21. Information on dividend paid or declared

The Company did not pay any dividend in the first quarter of 2020 or the first quarter of 2019.

3.22. Liabilities under contracts with customers

As at March 31st 2020, liabilities under contracts with customers comprised advance payments received by the Company from its trading partners towards future sales of the Company's products (games).

3.23. Borrowings

On December 19th 2018, the Company announced that it had entered into a PLN 12,600,000.00 investment credit 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. The facility bears interest at 1M WIBOR plus a fixed bank margin of 0.9pp. Interest rate risk related to the facility is hedged with an Interest Rate Swap. The interest rate is 3.4%. Repayment of the facility is secured with 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 over perpetual usufruct of the land 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 2020, the long-term portion of the facility was PLN 10,483,241 (including the measurement of the IRS), while its current portion was PLN 1,352,676 (also including the measurement of the IRS).

3.24. Trade and other payables

	As at Mar 31 2020	As at Dec 31 2019
Trade payables	8,956,083	5,402,392
Guarantee deposits – Brzeska 2	76,784	76,784
Taxes, customs duties, insurance and other dues	406,423	556,548
Accruals and deferred income	8,510,231	5,337,339
Amounts payable to employees	7,586	15,034
Other	41,796	41,796
Total	18,001,603	11,429,893

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.

The increase in trade payables to PLN 8,956,083 as at the end of March 2020 from PLN 5,402,392 as at the end of 2019 was attributable to payment schedules for conversion and upgrade work carried out in Q1 2019 on the property at ul. Brzeska 2 in Warsaw (the Company's headquarters since March 2020). The related liabilities were paid in the first weeks of Q2 2020. The increase in accruals and deferred income, on the other hand, resulted from the schedule of royalty payments for a third-party developer for whom the Company provides publishing services.

Ageing analysis of past due trade payables:

	As at Mar 31 2020	As at Dec 31 2019
60-90 days	984,596	0
91-120 days	0	0
121-360 days	0	0
over 360 days	0	0
Total	984,596	0

3.25. 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 2020	270,000	207,181	4,860,159	5,337,340
Increase:				
Recognition	285,000	91,286	6,125,736	6,502,022
Decrease:				
Use	0	13,855	2,738,467	2,752,322
Reversal	0	0	(576,809)	(576,809)
As at Mar 31 2020	555,000	284,612	7,670,619	8,510,231

The line item 'Other' mainly includes royalties relating to game sales and payable to game developers using 11 bit studios S.A.'s publishing services.

Comparative data for the period from January 1st to December 31st 2019

	Accrued bonuses for management and employees	Accrued salaries and wages	Other	Total
As at Jan 1 2019	241,513	165,840	3,746,668	4,154,022
Increase:	600,078	487,763	22,033,272	23,121,113
Recognition	600,078	487,763	22,033,272	23,121,113
Decrease:	571,591	446,422	20,919,782	21,937,795
Use	571,591	436,630	21,987,568	22,995,789
Reversal	0	9,792	(1,067,786)	(1,057,994)
As at Dec 31 2019	270,000	207,181	4,860,159	5,337,340

3.26. 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 2020 and December 31st 2019.

3.26.1. Financial assets and liabilities

Financial assets:

	As at Mar 31 2020	As at Dec 31 2019
Financial assets measured at amortised cost - cash	37,643,422	14,882,519
Financial assets measured at amortised cost - bank deposits with maturities of more than 3 months from acquisition date	57,189,032	67,328,563
Financial assets measured at amortised cost - trade and other receivables	7,280,224	17,750,932
Total	102,112,678	99,962,014

Financial liabilities:

	As at Mar 31 2020	As at Dec 31 2019
Liabilities measured at amortised cost - trade and other payables	18,001,603	11,429,893
Total	18,001,603	11,429,893

Ageing analysis of trade and other payables:

	As at Mar 31 2020	As at Dec 31 2019
Short-term	18,001,603	11,429,893
0-60 days	0	0
61-90 days	0	0
91-120 days	0	0
121-360 days	0	0
over 360 days	0	0
Total	18,001,603	11,429,893

3.26.2. Credit risk

The investment credit 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 for the investment credit facility of PLN 12,600,000 contracted from PKO BP at the end of 2018 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. Interest rate risk related to the facility is hedged with an Interest Rate Swap. The fixed interest rate is 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 are in a robust financial condition. Amounts due from electronic distribution 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**.

The Company has business relationships with financial institutions that enjoy a strong financial standing. As at March 31st 2020, the Company held cash with two institutions: PayPal (PLN 272,331) and the PKO BP Group (the balance).

3.26.3. 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 2020	As at Dec 31 2019	Fair value hierarchy
Bonds	0	7,000,000	Level 2
Investment fund units	0	0	Level 1

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

3.27. Deferred income

	As at Mar 31 2020	As at Dec 31 2019
Government grants (a)	632,557	677,555
Other (b)	0	9,123
Total	632,557	686,677
Short-term	179,991	189,114
Long-term	452,566	497,564
Total	632,557	686,677

(a) The amount represents 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 2020, the outstanding (not accounted for) balance of the grant was PLN 194,990 (December 31st 2019: PLN 239,988).
- Government grant (EU funding) received in 2017 under the Creative Media programme for the development of *Project 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 2019: PLN 437,566).

(b) The amount disclosed as at December 31st 2019 resulted from the purchase (as part of investments of free cash) of non-Treasury securities (PKO BP Bank Hipoteczny bonds) at a discount to their nominal value.

3.28.Related-party transactions (PLN)

Related parties include members of the Management Board and the Supervisory Board and 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
- 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 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.Sale transactions

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 Q1 2020 and Q1 2019:

	Period ended Mar 31 2020	Period ended Mar 31 2019
Arkona - Paweł Miechowski	45,182	41,325
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek	13,263	11,696
Total	58,445	53,021

3.28.2.Loans advanced to related parties

The Company did not advance any loans to related parties in Q1 2020 or Q1 2019.

3.28.3.Borrowings from related parties

The Company did not receive any loans from related parties in Q1 2020 or Q1 2019.

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

The Company's key management personnel are its Management Board. In Q1 2020 and in the reference period, the members of the Company's Management Board and Supervisory Board were remunerated as follows for discharging managerial and supervisory responsibilities:

	Period ended Mar 31 2020	Period ended Mar 31 2019
Short-term benefits – Management Board:	414,192	319,083
Short-term benefits – Supervisory Board:	32,400	37,350
Total	446,592	356,433

Remuneration of the members of the Company's Management Board is determined by the Supervisory Board and depends on the individual members' performance and on market trends.

The members of the Company's Management Board did not receive any other remuneration in the form of profit distributions or stock options for the first quarter of 2020 or the first quarter of 2019. However, they participate in the Incentive Scheme, as described in detail (together with its valuation) in **Note 3.32** to the full-year financial statements of 11 bit studios S.A. for 2019.

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

Short-term benefits – Management Board:

	Period ended Mar 31 2020	Period ended Mar 31 2019
Short-term benefits – Management Board (civil-law contracts):	45,000	45,000
Total	45,000	45,000

3.28.5. Other related-party transactions

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

3.29. Off-balance-sheet commitments

As at the date of issue of this report, the Company had off-balance-sheet commitments of EUR 3,680,000 and PLN 6,777,090. The commitments are related to publishing agreements executed by the Company with third-party development studios.

3.30. Contingent assets and liabilities

3.30.1. Contingent liabilities

During the reporting period (until the end of February 2020), 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 2020 were PLN 60,355 (Q1 2019: PLN 66,882).

Security for an investment credit facility contracted with PKO BP S.A. in December 2018 to finance a part of the purchase price for the property at ul. Brzeska 2 in Warsaw, comprising a blank promissory note issued by the Company, together with a promissory note declaration, contractual mortgage of up to PLN 20,223,000.00 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.

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.

3.30.2. Contingent assets

As at March 31st 2020 and in the comparative period, the Company did not recognise any contingent assets.

3.31. Seasonal and cyclical changes in the Company's business during the reporting period

In the first quarter of 2020, the Company did not record any unusual seasonal or cyclical fluctuations.

3.32. Factors and events, especially of a non-recurring nature, with a bearing on the financial results

In the first quarter of 2020, there were no factors or events of a non-recurring nature that had an impact on the Company's financial results for that period.

3.33. Events subsequent to the reporting date

The COVID-19 pandemic which hit Poland in the first decade of March 2020, and whose consequences were still experienced on the date of authorisation of this report, have not had any adverse effect on the operations and financial performance of 11 bit studios S.A. after the reporting period.

Upon the first reports of the COVID-19 threats, the Company took steps to mitigate the risk of infection among its employees and associates. Once the required changes were made to the network infrastructure and software, since Monday, March 16th 2020, all employees of 11 bit studios S.A. have been working from home on a remote basis. To this end, the Company has implemented appropriate tools for the oversight, control and enforcement of the staff's job responsibilities. Looking back at the past weeks, we can conclude that in all key areas, including game production, 11 bit studios S.A. operated without any disruptions. Similarly, based on information received from the management boards of third party companies with whom 11 bit studios S.A. has signed publishing agreements, the COVID-19 pandemic has a negligible or very limited impact on their operations, and thus on the timely execution of the projects carried out in cooperation with 11 bit studios S.A.

After the reporting date, on April 29th 2020, the Company presented the concept of its Incentive Scheme 2020–2023/4, aimed at providing conditions conducive to delivering strong financial performance and long-term company value growth by establishing a permanent connection between the Incentive Scheme participants and the Company and its objectives. The Scheme is addressed to the Company's Management Board members, key personnel and associates. It will be operative in 2020–2023, with an option to extend it until 2024. The participants will have the opportunity to acquire up to 150,000 shares at a price equal to the weighted average price of Company shares at the close of trading in the last trading session on the Warsaw Stock Exchange in Q1 2020. The shares offered under the Scheme will include 100,000 Series H shares (from a conditional share capital increase) and 50,000 shares to be bought back from the market. The Company will earmark PLN 20,000,000 for this purpose. The implementation of the 2020–2023 Scheme will be contingent on the achievement of the following financial targets:

- Total (aggregate) revenue of 11 bit studios S.A. for 2020–2023 of PLN 357,000,000;
- Total (aggregate) profit before tax of 11 bit studios S.A. for 2020–2023 of PLN 156,000,000 (adjusted for the cost of the Incentive Scheme that has been or will be recognised in the Company's operating expenses in line with the accounting standards applicable to the Company);

If the Scheme is extended by one year, that is until 2024, the targets will be as follows:

- Total (aggregate) revenue of 11 bit studios S.A. for 2020–2024 of PLN 534,000,000;
- Total (aggregate) profit before tax of 11 bit studios S.A. for 2020–2024 of PLN 249,000,000 (adjusted for the cost of the Incentive Scheme that has been or will be recognised in the Company's operating expenses in line with the accounting standards applicable to the Company).

The pool of shares offered under the Incentive Scheme will be reduced by 10% for each 5% of the underperformance.

The launch of the 2020–2023/4 Incentive Scheme still needs to be approved by the shareholders at the General Meeting.

3.34. Factors with bearing on the Company's future results

Over the next few quarters, including 2020, 11 bit studios S.A.'s performance will chiefly be determined by future sales of *Frostpunk* and paid DLCs released for this title as part of the Season Pass. Before the end of 2020, the third DLC for *Frostpunk* will be made available (in the Season Pass) under the working title *TVADGYCGJR Project*. The Company's strong financial performance in Q1 2020, fuelled by the sale of *Frostpunk*, shows that the game still has a very strong monetisation potential, which supports the expectation that its life cycle will be as long as that of *This War of Mine*. The Company intends to maintain gamers' interest in *Frostpunk* through promotional and marketing activities. New language and platform versions of the game will also be developed (it is currently available in 12 languages). On February 14th 2020, the Company announced that it signed an agreement with a leading global player on the mobile games market to develop a version of

Frostpunk for mobile devices. The Company will communicate the details of the agreement in future periods.

This War of Mine, which has been on the market since November 2014, will also be a significant revenue driver for 11 bit studios S.A. over the next quarters, although its contribution will gradually decrease due to the natural obsolescence of the game. Since Q4 2019, the Company has no longer carried out any development work on *TWoM*. The team responsible for this project is now working on a prototype of a new game under the working title *Project 9*.

Sales of games created by third party developers for which the Company provides publishing services will be an important source of revenue for 11 bit studios S.A. in 2020 and beyond. In Q1 2020, revenue from this source accounted for 24% of the Company's total revenue. Throughout 2019, the proportion was as high as 40%, the highest in the history of 11 bit studios S.A. To date, the Company has released five games created by third party developers through its 11 bit publishing division, of which the last two, *Moonlighter* (released in May 2018) and *Children of Morta* (autumn 2019) have been a remarkable market success. Over the next few quarters, both games should continue to contribute significantly to the Company's performance owing to the development of add-ons and new platform versions. In the long term, the performance of the publishing division should be driven by new releases. The publishing portfolio of 11 bit studios S.A. currently consists of three new items. The first of the agreements is for the publishing of a game with a working (code) name of *Vitriol*, produced by the Fool's Theory studio of Bielsko-Biała. The second concerns a game with a working (code) name of *Foxhole*. It has been produced by Spain's Digital Sun Games, the studio behind the development of *Moonlighter*. The third title to be published by the Company has been produced by a foreign game development studio. 11 bit studios S.A. is advanced in negotiations to acquire several more publishing projects. In line with the concept which was modified a few quarters ago, spending on a single project is capped at PLN 5m (deviations from this rule are permitted), which considerably improves the capability of acquiring commercially valuable projects for the Company's 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.

Likewise, 11 bit studios S.A. intends to scale up its own games production and publishing activities over a few years. At present, the Company is focused on the production of a game under the working title *Project 8*, which presents a huge challenge due to its size and the resulting budget, far higher than that of *Frostpunk*, as well as the plan to release PC and console versions at the same time. In parallel, 11 bit studios S.A. is prototyping two further in-house productions, known as *Project 9* and *Project 10*. The work is well-paced, which brings the Company much closer to the achievement of its medium-term objective, which is to release one in-house developed game every 12-18 months.

As regards external drivers, the condition of the global gaming industry, whose excellent prospects could be compromised by the COVID-19 pandemic, is likely to have a strong bearing on the development of 11 bit studios S.A. Although initially the outbreak of the pandemic had a positive impact on global game sales, which was reflected in the Company's performance in Q1 2020, negative impacts are likely to emerge in the long term, which are difficult to estimate today.

The expected economic slowdown and resulting increase in unemployment and falling incomes and thus entertainment spending could result in a decline in demand for games, also those from the premium segment in which 11 bit studios S.A. operates.

3.35. 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.

3.36. Management Board's representation

We represent that, to the best of our knowledge, these interim condensed financial statements and the comparative financial data have been prepared in accordance with the applicable International Financial Reporting Standards (IFRSs) as endorsed by the European Union, and that they give a clear, true and fair view of the Company's assets, financial position and financial performance.

These interim condensed financial statements of 11 bit studios S.A. present data for the reporting period from January 1st to March 31st 2020 and contain the following comparative data:

- Statement of financial position – as at December 31st 2019,
- Statement of profit or loss and other comprehensive income – for the months ended March 31st 2019,
- Statement of changes in equity – for the three months ended March 31st 2019,
- Statement of cash flows – for the three months ended March 31st 2019.

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 has not been and will not be audited by an independent auditor.

3.37. Authorisation of financial statements

These interim condensed financial statements were authorised for issue by the Management Board on May 14th 2020.

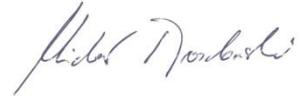
Signed by:

A handwritten signature in black ink, appearing to read 'G Miechowski'.

Grzegorz Miechowski
President of the
Management Board

A handwritten signature in black ink, appearing to read 'P Marszał'.

Przemysław Marszał
Member of the
Management Board

A handwritten signature in black ink, appearing to read 'M Drozdowski'.

Michał Drozdowski
Member of the
Management Board

Warsaw, May 14th 2020