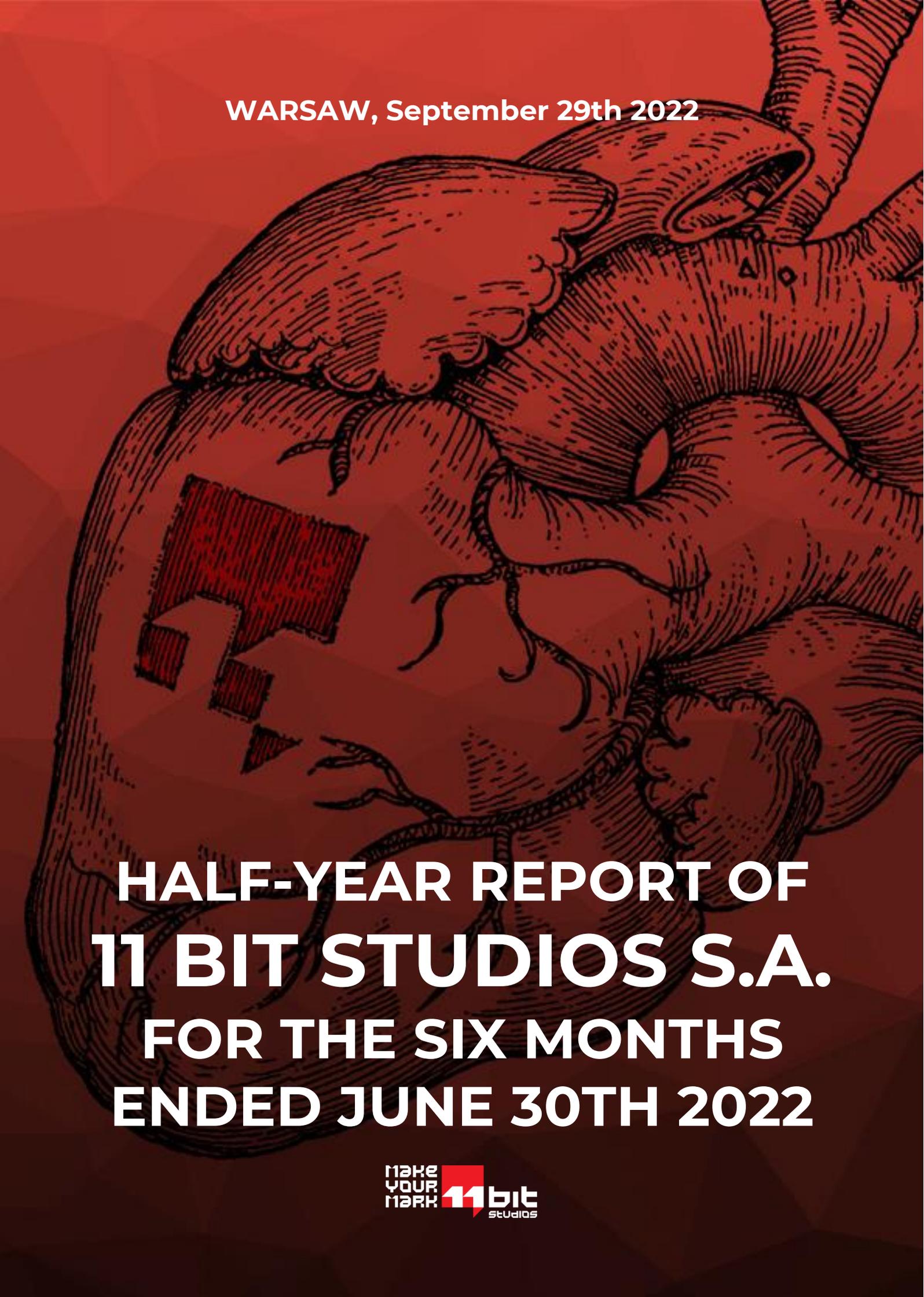


WARSAW, September 29th 2022



**HALF-YEAR REPORT OF
11 BIT STUDIOS S.A.
FOR THE SIX MONTHS
ENDED JUNE 30TH 2022**

LETTER FROM THE MANAGEMENT BOARD

Warsaw, September 29th 2022

Dear Shareholders and Investors,

Please be invited to read 11 bit studios' report for the six months ended June 30th 2022. It was a time of hard work for us. Despite the unfavourable macroeconomic headwinds, the Company's financial performance in that period was much stronger than in the previous year and far better than we assumed in our budget. This was made possible thanks to the unsparing effort of every member of our team, for which we are profoundly grateful.

What did it look like in numbers? Revenue for the first six months of 2022 reached almost PLN 45.77m, an increase of almost 28% year on year. EBITDA came in at PLN 16.49m, operating profit was PLN 13.42m, and net profit rose 13.3% year on year, to PLN 15.08m, partly driven by high finance income. To sum up on the performance figures, we wish to draw your attention to the balance sheet item we are particularly proud of, that is our cash resources, comprising cash and cash equivalents and low-risk financial instruments. Despite growing capital expenditure, as at the end of June 2022 these cash resources reached PLN 109.5m, having grown by another 2% on the end of 2021. This is vitally important in the context of the growth and investment plans we presented at the Investor Conference held in June.

The first half of 2022 was also a period of major organisational challenges involving a come-back to the office after COVID-19 and the outbreak of war across our eastern border. Since April, our entire team have been working on a hybrid basis. We, as well as the employees, are satisfied with the results of this work model. And we have more and more to do. Despite some turbulence, work on all our games is moving forward at a satisfactory pace. *Frostpunk 2*, *The Alters* and *Project 8* as well as our publishing portfolio projects are going through successive production phases. We are stepping up efforts to prepare further marketing materials and trailers for yet-to-be-announced titles. The impressive progress in building a wishlist for *Frostpunk 2* and a very warm welcome for the first trailer of *The Alters*, presented in August, confirm that fans are waiting impatiently for our new games. We believe that *Project 8*, which has recently successfully reached another development milestone, will also be very well received by players when announced.

We are also preparing operationally for the upcoming game launches. We are expanding, in addition to the production teams, the marketing, business development and publishing divisions. Our goal to have about 250 staff by the end of this year is absolutely achievable.

In view of the growing number of duties and responsibilities, we proposed that the Company's Management Board be expanded to include Paweł Feldman and Marek Ziemak, top class professionals who have worked for our Company for years and are among those who played an

important part in its success as heads of the business development and publishing divisions, respectively. Paweł and Marek joined the Management Board on August 11th.

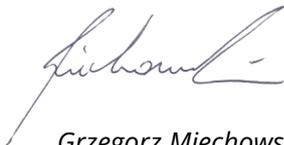
The first half of 2022 was also a period in which, as planned, we made two equity investments in the gaming industry. 11 bit studios became a shareholder in Fool's Theory, the producer of *Vitriol*, one of the games from our publishing portfolio. We also decided to acquire shares in NewConnect-listed Starward Industries – the producer of *The Invincible*, a game based on Stanisław Lem's popular book of the same name. This is another item in our publishing portfolio. As announced by the producer, the release of *The Invincible* is planned for next year.

The publishing team is working intensively to further expand its portfolio with new projects, whose scale may markedly exceed the scale of the projects we have published to date. Encouraged by the promising results of operational partnerships with Fool's Theory and Starward Industries, 11 bit studios has entered into talks on other equity investments. We believe that in future periods we will be able to announce our achievements in both of these fields.

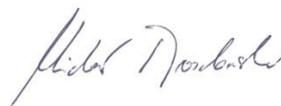
Thank you once again for the trust you place in us. We invite you to read our Report.



Przemysław Marszał
President of the
Management Board



Grzegorz Miechowski
Member of the
Management Board



Michał Drozdowski
Member of the
Management Board



Paweł Feldman Member
of the Management
Board



Marek Ziemak 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 rates specified below.

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

- Exchange rate as at June 30th 2022: **PLN 4.6806**
- Exchange rate as at December 31st 2021: **PLN 4.5994**

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

- Exchange rate for the six months ended June 30th 2022: **PLN 4.6427**
- Exchange rate for the six months ended June 30th 2021: **PLN 4.5472**

Statement of financial position

	Jun 30 2022 (PLN)	Jun 30 2022 (EUR)	Dec 31 2021 (PLN)	Dec 31 2021 (EUR)
Total assets	242,514,237	51,812,639	219,512,964	47,726,435
Non-current assets	113,919,621	24,338,679	90,679,674	19,715,544
Current assets	128,594,616	27,473,960	128,833,290	28,010,891
Total equity and liabilities	242,514,237	51,812,639	219,512,964	47,726,435
Equity	215,260,798	45,990,001	197,337,291	42,905,007
Non-current liabilities	9,636,095	2,058,730	8,961,346	1,948,373
Current liabilities	17,617,344	3,763,907	13,214,327	2,873,055

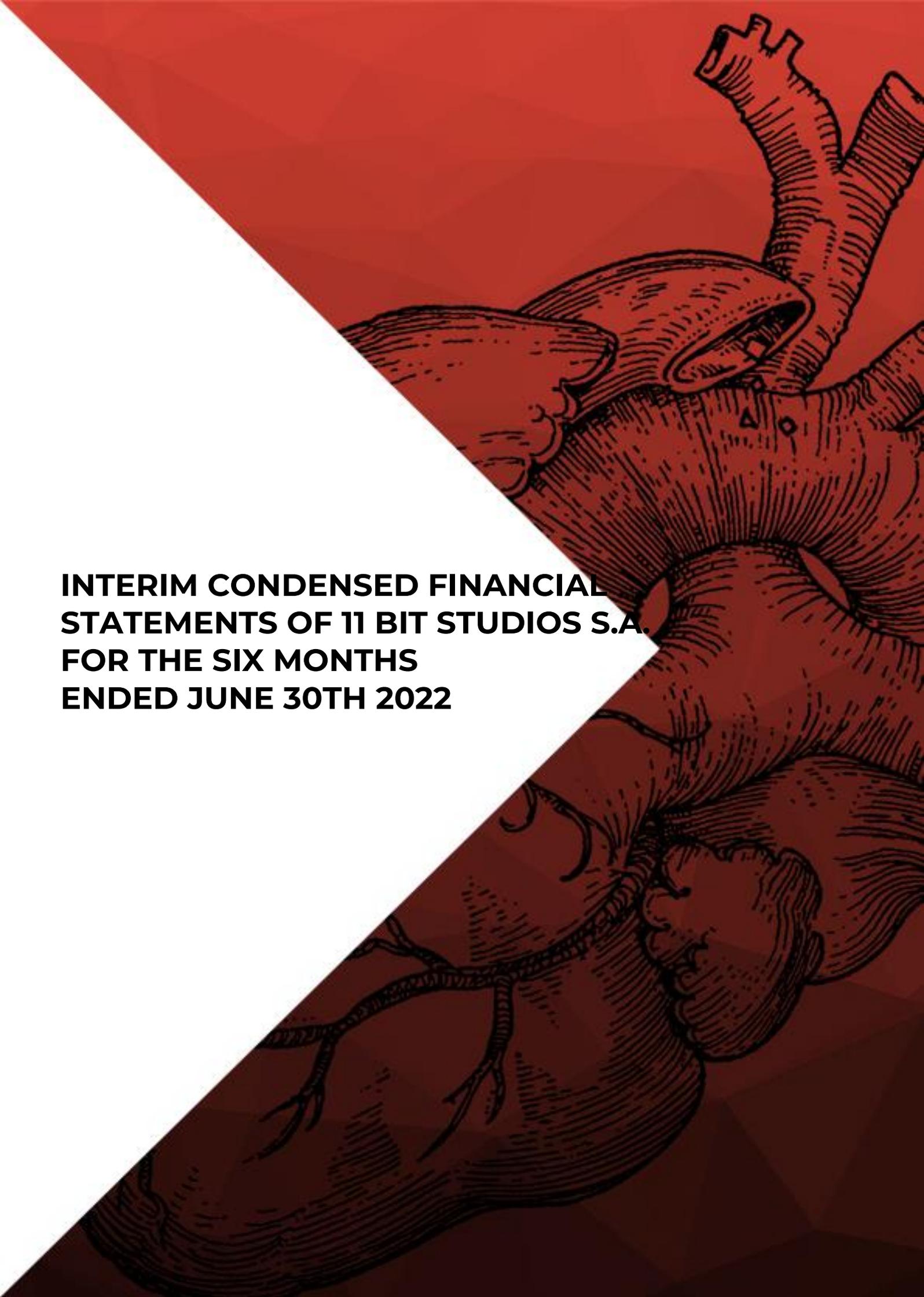
Statement of profit or loss

	Period ended Jun 30 2022 (PLN)	Period ended Jun 30 2022 (EUR)	Period ended Jun 30 2021 (PLN)	Period ended Jun 30 2021 (EUR)
Revenue	45,769,806	9,858,446	35,778,291	7,868,203
Depreciation and amortisation	3,072,760	661,847	5,264,855	1,157,824
Operating profit	13,417,147	2,889,945	14,495,759	3,187,843
EBITDA*	16,489,907	3,551,793	19,760,614	4,345,665
Profit (loss) before tax	17,805,918	3,835,251	14,996,332	3,297,927
Net profit (loss)	15,083,775	3,248,924	13,308,096	2,926,657

* - Operating profit before depreciation and amortisation.

Statement of cash flows

	Period ended Jun 30 2022 (PLN)	Period ended Jun 30 2022 (EUR)	Period ended Jun 30 2021 (PLN)	Period ended Jun 30 2021 (EUR)
Net cash from operating activities	24,080,772	5,186,804	20,523,583	4,513,455
Net cash from investing activities	(12,782,837)	(2,753,320)	(15,987,105)	(3,515,813)
Net cash from financing activities	533,872	114,992	(470,271)	(103,420)
Total net cash flows	11,831,807	2,548,476	4,066,207	894,222



**INTERIM CONDENSED FINANCIAL
STATEMENTS OF 11 BIT STUDIOS S.A.
FOR THE SIX MONTHS
ENDED JUNE 30TH 2022**

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

1.1. Interim statement of comprehensive income (PLN)

	Note	6 months ended Jun 30 2022 (unaudited)	6 months ended Jun 30 2021 (unaudited)	3 months ended Jun 30 2022 (unaudited)	3 months ended Jun 30 2021 (unaudited)
Continuing operations					
Revenue	2.10	45,769,806	35,778,291	28,024,253	20,941,311
Other income	2.11.1	52,952	63,804	(681)	15,912
Total operating income		45,822,758	35,842,095	28,023,572	20,957,223
Depreciation and amortisation	2.12	(3,072,760)	(5,264,855)	(1,503,814)	(2,323,310)
Raw materials and consumables used		(321,314)	(245,451)	(129,937)	(111,438)
Services	2.13	(18,060,902)	(8,965,013)	(12,522,770)	(3,514,667)
Salaries, wages and employee benefits	2.14	(6,763,391)	(5,826,415)	(3,871,055)	(3,336,107)
Taxes and charges		(169,186)	(138,075)	(86,769)	(68,169)
Other expenses	2.11.2	(4,018,058)	(906,527)	(240,960)	(549,345)
Total operating expenses		(32,405,611)	(21,346,336)	(18,355,305)	(9,903,036)
Operating profit		13,417,147	14,495,759	9,668,267	11,054,187
Interest income	2.15	67,742	4,232	55,724	2,290
Other finance income	2.15	4,612,752	678,125	2,934,267	(259,408)
Finance costs	2.16	(215,164)	(181,784)	(131,035)	(89,097)
Share of profit/(loss) of associate	2.23	(76,559)	0	(73,263)	0
Profit before tax		17,805,918	14,996,332	12,453,960	10,707,972
Income tax expense	2.17.1	(2,722,143)	(1,688,236)	(1,143,916)	(958,809)
NET PROFIT		15,083,775	13,308,096	11,310,044	9,749,163
Earnings per share (PLN):					
Basic	2.18.1	6.36	5.63	4.74	4.09
Diluted	2.18.1	6.26	5.53	4.68	4.06
NET PROFIT		15,083,775	13,308,096	11,310,044	9,749,163
Other comprehensive income		0	0	0	0
TOTAL COMPREHENSIVE INCOME		15,083,775	13,308,096	11,310,044	9,749,163

The attached information on pages 16 to 53 forms an integral part of these condensed financial statements.

1.2. Interim statement of financial position (PLN)

ASSETS

	Note	As at Jun 30 2022 <i>(unaudited)</i>	As at Dec 31 2021 <i>(audited)</i>
Non-current assets			
Property, plant and equipment	2.19	25,195,161	25,946,479
Intangible assets	2.20	77,540,504	59,137,637
Perpetual usufruct of land		4,253,217	4,281,361
Deferred tax assets	2.17.3	2,099,008	957,488
Other non-current assets	2.26	124,680	99,080
Investments in associates	2.23	3,851,599	0
Financial instruments (IRS) – long-term portion	2.35	855,452	257,629
Total non-current assets		113,919,621	90,679,674
Current assets			
Trade and other receivables	2.21	12,775,512	16,485,147
Income tax receivable	2.22	5,425,593	4,138,348
Other current assets	2.25	727,366	752,342
Financial instruments (IRS) – short-term portion	2.35	155,537	42,938
Cash and cash equivalents	2.27	38,580,337	26,748,530
Current financial assets	2.24	70,930,271	80,665,985
Total current assets		128,594,616	128,833,290
TOTAL ASSETS		242,514,237	219,512,964

The attached information on pages 16 to 53 forms an integral part of these condensed financial statements.

EQUITY AND LIABILITIES

	Note	As at Jun 30 2022 <i>(unaudited)</i>	As at Dec 31 2021 <i>(audited)</i>
Equity			
Share capital	2.28	238,014	236,692
Share premium		14,422,772	13,063,204
Statutory reserve funds		149,153,274	120,467,692
Share-based payment reserve		36,571,046	35,092,206
Retained earnings		14,875,692	28,477,497
Total equity		215,260,798	197,337,291
Liabilities			
Non-current liabilities			
Long-term borrowings and other debt instruments	2.30	6,930,000	7,560,000
Deferred income	2.35	635,711	635,711
Long-term provisions	2.33.2	8,637	10,390
Lease liabilities - perpetual usufruct of land		752,805	755,245
Liabilities arising from investments in associates	2.23	1,308,942	0
Total non-current liabilities		9,636,095	8,961,346
Current liabilities			
Trade and other payables	2.31	3,984,810	2,332,995
Short-term provisions	2.33.1	3,265,361	651,032
Royalties payable		7,905,421	5,018,390
Contract liabilities	2.32	1,186,499	3,937,176
Short-term borrowings and other debt instruments	2.30	1,260,000	1,260,000
Lease liabilities - perpetual usufruct of land		15,253	14,734
Total current liabilities		17,617,344	13,214,327
Total liabilities		27,253,439	22,175,673
TOTAL EQUITY AND LIABILITIES		242,514,237	219,512,964

The attached information on pages 16 to 53 forms an integral part of these condensed financial statements.

1.3. Interim statement of changes in equity (PLN)

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Retained earnings	Total
As at Jan 1 2022	236,692	13,063,204	120,467,692	35,092,206	28,477,497	197,337,291
Net profit for the financial year	0	0	0	0	15,083,777	15,083,777
Other comprehensive income for the financial year (net)	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	15,083,777	15,083,777
Allocation of profit to statutory reserve funds	0	0	28,685,582	0	(28,685,582)	0
Recognition of series G share-based payments*	1,322	1,359,568	0	0	0	1,360,890
Recognition of costs of the 2021-2025 Incentive Scheme	0	0	0	1,478,840	0	1,478,840
As at Jun 30 2022(unaudited)	238,014	14,422,772	149,153,274	36,571,046	14,875,692	215,260,798

* Net of the cost of issue of Series G shares of PLN 6,104.

The attached information on pages 16 to 53 forms an integral part of these condensed interim financial statements.

Comparative data for the period Jan 1 2021 – Jun 30 2021

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Retained earnings	Total
As at Jan 1 2021	236,055	12,407,633	87,152,664	31,744,829	33,106,943	164,648,124
Net profit for the financial year	0	0	0	0	13,308,096	13,308,096
Other comprehensive income for the financial year (net)	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	13,308,096	13,308,096
Allocation of profit to statutory reserve funds	0	0	33,315,028	0	(33,315,028)	0
Recognition of series G share-based payments*	316	325,523	0	0	0	325,839
Recognition of costs of the 2021–2025 Incentive Scheme	0	0	0	1,944,476	0	1,944,476
As at Jun 30 2021 (unaudited)	236,371	12,733,156	120,467,692	33,689,305	13,100,011	180,226,535

* Net of the cost of issue of Series G shares of PLN 1,461.

The attached information on pages 16 to 53 forms an integral part of these condensed interim financial statements.

1.4. Interim statement of cash flows (PLN)

	Note	Period ended Jun 30 2022 <i>(unaudited)</i>	Period ended Jun 30 2021 <i>(unaudited)</i>
Cash flows from operating activities			
Profit for reporting period		15,083,775	13,308,096
Adjustments:			
Depreciation and amortisation	2.12	3,072,760	5,264,855
Income tax expense recognised in profit or loss	2.17.1	2,722,143	1,688,236
Remeasurement of intangible assets		25,600	(35,945)
Costs of the 2021–2025 Incentive Scheme	2.36.2	1,478,840	1,944,476
Other adjustments		771,626	(234,951)
Changes in working capital:			
Change in receivables		3,709,635	711,072
Change in other assets		(623)	26,229
Change in trade and other payables		1,651,815	(121,407)
Change in contract liabilities		(2,750,677)	0
Change in provisions		2,612,576	0
Change in deferred income		0	(59,997)
Cash provided by operating activities		28,377,470	22,490,664
Income tax paid		(4,296,698)	(1,967,081)
Net cash from operating activities		24,080,772	20,523,583
Cash flows from investing activities			
Loans to employees		(1,102,220)	1,647,604
Proceeds from redemption of financial assets		82,500,000	40,000,000
Acquisition of financial assets		(68,811,494)	(44,947,998)
New bank deposits placed – over 3 months		(2,000,000)	0
Acquisition of non-current financial assets (shares in associate Fool's Theory Sp. z o.o.)		(2,619,216)	0
Payments for property, plant and equipment and intangible assets		(20,749,907)	(12,686,711)
Net cash from investing activities		(12,782,837)	(15,987,105)
Cash flows from financing activities			
Proceeds from issue of shares		1,366,994	325,840
Proceeds/(repayments) under credit facility		(630,000)	(630,000)
Payment of interest on credit facility		(203,122)	(166,111)
Net cash from financing activities		533,872	(470,271)
Net increase /(decrease) in cash and cash equivalents		11,831,807	4,066,207
Cash at beginning of reporting period		26,748,530	24,134,649
CASH AT END OF REPORTING PERIOD		38,580,337	28,200,855

2. NOTES TO THE FINANCIAL STATEMENTS

2.1. Overview

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

2.2. 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: Business Activities – computer programming activities (62.01.Z)
in accordance with the Polish Classification of

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. It has an associate – Fool's Theory Sp. z o.o.

2.3. Composition of the Company's governing bodies as at June 30th 2022

Management Board

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

The composition of the Management Board changed after the end of the reporting period. At its meeting held on August 11th 2022, the Company's Supervisory Board appointed Paweł Feldman and Marek Ziemak as members of the Management Board for a joint term of office.

Supervisory Board

- Radosław Marter – Chairman of the Supervisory Board
- Jacek Czykiel – Deputy Chairman of the Supervisory Board
- Milena Olszewska-Miszuris – Member of the Supervisory Board
- Piotr Wierzbicki – Member of the Supervisory Board
- Marcin Kuciapski – Member of the Supervisory Board

2.4. Commentary on estimates of financial results

On September 23rd 2022, the Company presented estimates of its financial highlights for the first six months of 2022 (see Current Report No. 29/2022). According to those estimates, the Company's revenue in that period was PLN 45.77m, EBITDA – PLN 16.49m, operating profit – PLN 13.42m, and net profit – PLN 15.08m.

The final financial results of 11 bit studios S.A. for the six months ended June 30th 2022 were in line with the estimates.

2.5. 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.

2.6. Statement of compliance and basis of preparation

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Regulation of the Minister of Finance of March 29th 2018 on current and periodic information to be provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Dz.U. of 2018, item 757), and present the financial position of 11 bit studios S.A. as at June 30th 2022 and December 31st 2021, and results of its operations and cash flows for the six and three months ended June 30th 2022 and June 30th 2021.

These condensed interim financial statements have been prepared based on the assumption that the Company will continue as a going concern for the foreseeable future. As at the date of authorisation of these condensed half-year financial statements, no circumstances were identified which would indicate that the Company may be unable to continue as a going concern.

These condensed interim financial statements, except for the statement of cash flows, have been prepared on an accrual basis.

2.7. Compliance with International Financial Reporting Standards

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

The following new standards and amendments to existing standards effective from January 1st 2022 were applied for the first time in these financial statements:

- **Amendments to IFRS 3 Business Combinations**
The amendments to the standard issued in May 2020 are intended to update the relevant references to the Conceptual Framework in IFRS without introducing any substantive changes to accounting for business combinations.
- **Amendment to IAS 16 Property, Plant and Equipment**
The amendment to IAS 16 prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**
The amendments to IAS 37 clarify what costs an entity considers in assessing whether a contract is onerous.
- **Annual Improvements to IFRSs 2018–2020 Cycle**
Annual Improvements to IFRSs 2018–2020 Cycle amend the following standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and illustrative examples for IFRS 16 *Leases*.
The amendments explain and clarify the guidance on recognition and measurement provided in the standards.

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

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

- **IFRS 17 Insurance Contracts and amendments to IFRS 17**
IFRS 17 *Insurance Contracts* was issued by the International Accounting Standards Board on May 18th 2017 and amendments to IFRS 17 were issued on June 25th 2020. The amended standard is effective for annual periods beginning on or after January 1st 2023.
IFRS 17 *Insurance Contracts* will replace existing IFRS 4, which provides for diverse practices in accounting for insurance contracts. IFRS 17 will substantially change the accounting practices of all entities that deal with insurance contracts and investment agreements.

- **Amendment to IAS 1 *Presentation of Financial Statements and the IASB Practice Statement on Disclosure of Accounting Policies***

The amendment to IAS 1 requires entities to disclose their material accounting policy information, which is defined in the Standard. It clarifies that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, the IASB's guidance was amended with respect to the application of the materiality concept in practice, to provide guidance on the application of the materiality concept to accounting policy disclosures. The amendment applies from January 1st 2023.
- **Amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors***

In February 2021, the IASB issued an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as regards the definition of accounting estimates. The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The amendment applies from January 1st 2023.
- **Amendments to IAS 12 *Income Taxes***

The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning obligations. Prior to the amendments, it was not clear whether the initial recognition exception applied to such transactions, i.e. transactions that lead to the recognition of both deferred tax assets and liabilities. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that at the time of initial recognition give rise to equal taxable and deductible temporary differences.

The amendment is effective for financial statements for periods beginning on or after January 1st 2023. As at the date of these financial statements, the amendment was not yet endorsed by the European Union.
- **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 2023.

As at the date of these financial statements, the amendments were not yet endorsed by the European Union.
- **Amendment to IFRS 17 *Insurance Contracts***

The amendment relates to transition requirements following the initial application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*. The purpose of the amendment is to ensure the usefulness of financial information for investors during the period of initial application of the new standard by introducing certain expedients with respect to the presentation of comparative data.

The amendment relates to the application of the new standard by insurers only – it does not affect any other requirements of IFRS 17.

As at the date of these financial statements, the amendments were not yet 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.

2.8. Accounting policies

In these condensed interim financial statements for the six months ended June 30th 2022, significant accounting policies applied by the Company were the same as those described in the financial statements for 2021, except for the amendments and clarifications listed below.

Investments in associates

Associates are companies over which the Company has significant influence but does not exercise control, and in which it usually holds from 20% to 50% of total voting rights. An investment in an associate is measured using the equity method and is initially recognised at cost. If the cost is divided into tranches, the Company estimates future payments and discounts them to the reporting date, recognising them as a liability arising from acquisition of shares in associates. Any changes in the liability amount related to the measurement of the payments are charged to the investment amount presented in the Company's statement of financial position.

The Company's share of profit or loss of an associate after the acquisition date is recognised in the statement of comprehensive income. Cumulative changes after the acquisition date increase or reduce the carrying amount of the investment. If the Company's share of losses of an associate is equal to or higher than its share in that associate, the Company discontinues recognising its share in further losses. If the associate subsequently begins to report profits, the Company resumes recognising its share of such profits only after its share of those profits becomes equal to the amount of unrecognised losses.

Any distributions of profit generated by an associate reduce the carrying amount of the investment.

Amortisation of completed development work

The useful life of completed development work on video games, including on DLCs, ranges between 6 and 48 months. When determining the straight-line amortisation period, the Company in each case takes into account a number of factors, including production budget, gameplay duration, game type (new game/DLC), hardware platform, historical sales data and sales forecasts. Game size (production budget and gameplay duration) is of key importance to the length of the amortisation period.

The amortisation periods for individual video games, including DLCs, are reviewed on an annual basis at the end of a reporting period, in accordance with IAS 38. The Company then analyses the forecast revenue (based on a projection of the Company's five-year budget prepared each year in November and December) for each game, including DLCs, and compares the forecast revenue period with the expected remaining amortisation period. If the forecast revenue period is shorter than the expected remaining amortisation period, the Company adjusts the amortisation period accordingly.

Short- and long-term provisions

The Company changed the presentation of short- and long-term provisions by transferring amounts previously presented in trade and other payables to separate items in the statement of financial position – short- and long-term provisions. The purpose of the change is to provide a more transparent presentation of financial data.

2.9. Significant judgements and estimates

When applying the accounting policies adopted by the Company, the Company's Management Board is required to make judgements, estimates and assumptions in the process of measuring assets and liabilities. Estimates and their underlying assumptions are based on historical experience and other factors considered material. Actual results may differ from those estimates.

Professional judgement in accounting

The principal judgements which the Management Board made in the process of applying the Company's accounting policies and which have the most significant effect on the amounts recognised in these condensed interim financial statements are the same as those described in the financial statements for 2021.

Uncertainty of estimates

Critical assumptions concerning the future and other key sources of estimation uncertainty at the reporting date which entail a significant risk that material adjustments to the carrying amounts of assets and liabilities may be required in the next financial year are the same as those presented in the financial statements for 2021, except as specified below.

Revenue

For licence agreements, the Company assesses whether revenue can be recognised at a point in time or should be recognised over time. For this purpose, the Company considers (at the level of the entire agreement or individual contractual obligations where these can be singled out): -

whether the customer obtains the right to use the Company's intellectual property as that intellectual property exists at the point in time at which the licence is granted to the customer; - whether, in the event of termination of the agreement, the Company will be required to return the payments received or, in the case of payments spread over time, the customer will be relieved of the obligation to make further payments. For agreements under which the Company may be required to return the payments, in whole or in part, the Company splits the revenue and defers recognition of its portion because of the uncertainty relating to the possible termination of the agreement.

Measurement of investments in associates/liabilities arising from investments in associates

As at reporting date, the investment amount is increased or reduced to account for the Company's share of profit or loss of the investee recorded after the acquisition date. The Company's share of the investee's profit or loss is recognised in the Company's profit or loss under "Share of profit (loss) of associate". Any distributions of the investee's profit reduce the carrying amount of the investment.

The amount of the future liability arising from acquisition of shares in an associate depends on the net revenue earned by the Company during the six months after the release of the game and the percentage of positive reviews in the period concerned. The estimate is based on the planned release date of the game, the forecast revenue from its sales, and the expected Steam Reviews ratings, and the amount so obtained is then discounted to the reporting date using the Company's cost of capital.

2.10. Revenue (PLN)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Revenue	45,769,806	35,778,291

As in the previous year, in the six months ended June 30th 2022 the main source of the Company's revenue was sales of its own games as well as third-party games marketed as part of publishing services.

2.10.1. 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 revenue from third-party customers by geographical area. The classification is based on the place of registration of the third-party customers (mainly online platforms).

	Period ended Jun 30 2022	Period ended Jun 30 2021
Poland	906,259	836,616
European Union	1,148,560	835,318
US	35,936,180	27,564,041
Japan	5,419,478	4,542,717
China	113,296	74,703
Other	2,246,033	1,924,896
Total	45,769,806	35,778,291

2.10.2. Revenue by distribution channel

The Company's revenue from sales of video games in the six months ended June 30th 2022, amounting to PLN 45,769,806 (vs PLN 35,778,291 the year before), included PLN 43,751,407 (vs PLN 34,110,334 the year before) in revenue from sale of the Company's products via the distribution platforms of its 10 largest trading partners, including Steam (Valve Corporation), Netflix, Nintendo Co Ltd., Sony, Microsoft Corporation, GOG.com, Google, Apple and Epic Games.

2.11. Other income and expenses (PLN)

2.11.1. Other income

	Period ended Jun 30 2022	Period ended Jun 30 2021
Grants received	0	59,997
Other income	641	2,890
Impairment losses - reversal of ECL provision	43,813	0
Other income - received damages/compensations	8,498	917
Total	52,952	63,804

2.11.2. Other expenses

	Period ended Jun 30 2022	Period ended Jun 30 2021
Impairment losses recognised on:		
Trade receivables	0	34,295
Other expenses:		
Costs of discontinued projects	0	344,756
Non-recoverable withholding tax	62,896	177,395
Donations	3,679,405	226,966
Other expenses	275,757	123,115
Total	4,018,058	906,527

In the six months ended June 30th 2022, the largest item of other expenses was donations, including a PLN 3,664,435 donation to the Ukrainian Red Cross. The funds for this purpose were

raised from the sale of *This War of Mine* in the period from February 24th to March 2nd 2022. Other expenses (PLN 275,757) comprised advertising and business travel costs. In the comparative period, the largest item of other expenses was the cost of discontinued projects of PLN 344,756, comprising a write-off of expenditure related to the development of the game engine (phase 6) incurred in that period.

2.12. Depreciation and amortisation (PLN)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Depreciation and amortisation charges in the period:		
Depreciation of property, plant and equipment	1,375,195	1,128,560
Amortisation of intangible assets	2,664,589	4,750,965
Total	4,039,784	5,879,525
Allocation to project costs	(995,169)	(733,475)
Land (depreciation of the right-of-use asset)	28,145	118,805
Total	3,072,760	5,264,855

The 41.63% year-on-year decrease in the depreciation and amortisation expense in the six months ended June 30th 2022, to PLN 3,072,760, was mainly attributable to lower amortisation (down by 43.9%) of intangible assets, i.e., expenditure on proprietary games and games in the publishing portfolio, which was due to the completion of amortisation of certain products. On the other hand, depreciation of property, plant and equipment rose by 21.8% year on year to PLN 1,375,194, as a result of growing expenditure on IT equipment for newly hired employees. Some of the depreciation and amortisation expense incurred in the six months ended June 30th 2022, in the amount of PLN 995,169, was allocated to project costs (PLN 733,475 the year before).

2.13. Services (PLN)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Services	18,060,902	8,965,013

The year-on-year increase in the cost of services in the six months ended June 30th 2022 was driven by considerably higher revenue from sale of third-party games, mainly *Moonlighter* (based on an agreement with Netflix). The Company pays royalties on revenue from the sale of those products to their developers. In the six months ended June 30th 2022, the amount of royalties recognised in profit or loss was PLN 11,382,691 vs PLN 3,561,036 the year before.

Another substantial item of costs of services in the first six months of 2022 were marketing expenses, mainly expenses incurred to produce promotion materials for proprietary games and games in the publishing portfolio (trailers).

The Company's total expenditure on intangible assets (games production) which was not recognised under services but capitalised in the value of assets in the six months ended June 30th

2022 amounted to PLN 6,125,808, compared with PLN 4,372,577 in the corresponding period of 2021.

2.14. Salaries, wages and employee benefits (PLN)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Salaries, wages and employee benefits	6,763,391	5,826,415

The 16.1% increase in salaries and wages (to PLN 6,763,391 in the six months ended June 30th 2022, from PLN 5,826,415 in the same period of the previous year) was driven by a steady workforce expansion and rising pay levels. This item also included the non-cash costs of the 2021–2025 Incentive Scheme. In the six months ended June 30th 2022, salaries, wages and employee benefits amounted to PLN 1,478,840 vs PLN 1,944,476 in the first six months of 2021.

The Company's total expenditure on intangible assets (games production) which was not recognised under salaries and wages but capitalised in the value of assets in the six months ended June 30th 2022 amounted to PLN 5,376,715, compared with PLN 3,707,973 in the corresponding period of 2021.

2.15. Finance income (PLN)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Interest income:		
Bank deposits	67,742	4,232
Finance income:		
Remeasurement of financial assets (interest on discount notes issued by PKO Leasing and PKO Bank Hipoteczny and increase in the value of investment fund units)	585,707	173,162
Disposal of financial assets (discount notes issued by PKO Leasing and PKO Bank Hipoteczny)	263,474	0
Remeasurement of IRS	710,421	345,892
Net foreign exchange gains (losses), including:		
a) Cash	2,549,390	40,277
b) Loans and receivables	211,424	(37,170)
c) Liabilities measured at amortised cost	292,336	155,964
Total	4,680,494	682,357

As a result of favourable changes in global currency markets in the six months ended June 30th 2022, i.e. depreciation of the zloty against the US dollar and the euro, in which a majority of the Company's revenue is earned, in the reporting period, as in the previous year, the Company generated a significant amount of finance income from currency exchange gains: PLN 3,053,150, compared with PLN 159,071 the year before. On the back of rising interest rates, 11 bit studios S.A.

earned PLN 67,742 in interest income on its bank deposits in the six months ended June 30th 2022 (vs PLN 4,232 the six months ended June 30th 2021). Other material items included remeasurement of financial assets (PLN 585,707 vs PLN 173,162) and disposal of financial assets (PLN 263,474). Non-cash revenue from the remeasurement of IRS (Interest Rate Swap) hedging the Company against interest rate risk in connection with an investment facility granted by PKO BP S.A. was also an important item of finance income (see **Note 2.30** for more details).

2.16. Finance costs (PLN)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Interest on public charges	267	3,670
Interest on credit facilities	201,100	53,506
Settlement of IRS	2,023	112,605
Other	11,774	12,003
Total	215,164	181,784

In the six months ended June 30th 2022, the largest item of the Company's finance costs was interest expense on the investment facility described in **Note 2.30**. It increased to PLN 201,100 from PLN 53,506 in the six months ended June 30th 2021.

2.17. Income tax on continuing operations (PLN)

2.17.1. Income tax recognised in profit or loss

	Period ended Jun 30 2022	Period ended Jun 30 2021
Current income tax:		
Attributable to current year	3,863,663	1,467,708
Deferred income tax:		
Attributable to current year	(1,141,520)	220,528
Tax expense recognised in current year on continuing operations	2,722,143	1,688,236

With respect to income tax, 11 bit studios S.A. 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, The Company's fiscal and accounting year is the same as the calendar year.

Effective tax rate:

	Period ended Jun 30 2022	Period ended Jun 30 2021
Profit before tax from continuing operations	17,805,918	14,996,332
Income tax expense at 19% (2021: 19%)	3,383,125	2,849,303
Tax effect of income which is not classified as income for tax purposes	0	(66,132)
Tax effect of costs which are not deductible for tax purposes	319,736	(378,786)
Tax effect of costs which are deductible for tax purposes	0	191,856
Effect of IP Box tax relief settlement at 5% tax rate	(1,374,634)	(1,433,399)
Other changes – adjustments to taxes for previous years	0	(232,178)
Other changes – IP Box to deferred tax	393,915	0
Total	2,722,143	1,688,236

The tax rate applied in the above reconciliation in 2022 and 2021 is 19%. It is the corporate income tax rate applicable in Poland in accordance with the tax laws. The effective tax rate was 15.29% in the six months ended June 30th 2022 and 11.26% in the six months ended June 30th 2021.

With respect to sales of proprietary games the Company uses 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 the sale of qualifying intellectual property rights (games) multiplied by the nexus index was taxed at a preferential CIT rate (5%). The IP Box relief amounted to PLN 1,374,634 in the six months ended June 30th 2022 (PLN 1,433,399 in the comparative period).

2.17.2. Current tax receivable and payable

	As at Jun 30 2022	As at Dec 31 2021
VAT refund receivable	1,192,636	1,888,534
CIT refund receivable	5,658,243	4,138,348
Total	6,850,878	6,026,882

Tax receivables included the IP Box tax relief described in Note **2.17.1** (PLN 1,374,634) and non-recovered withholding tax (PLN 1,824,156).

2.17.3.Deferred tax (net)

Analysis of the deferred tax assets / (liabilities) in the financial statements

	As at Jun 30 2022	As at Dec 31 2021
Deferred tax assets	2,431,060	980,082
Deferred tax liabilities	(332,052)	(22,594)
Total	2,099,008	957,488

All deferred tax assets are classified as current assets, because the items on which the asset is calculated are provisions for current expenses, including royalties and provisions for bonuses. The Company expects the assets to be reversed in full within 12 months from the reporting date.

Income tax assets/liabilities in the reporting period

	As at Dec 31 2021	Recognised in profit or loss	As at Jun 30 2022
Assets			
Provisions	59,849	360,387	420,236
Royalties payable	953,494	548,536	1,502,030
Liabilities	10,581	22,002	32,583
Remeasurement of financial assets	0	26,218	26,218
Donations	0	449,993	449,993
Provisions			
Remeasurement of financial assets	(43,842)	(284,596)	(328,438)
Measurement of financial investments	(22,594)	18,980	(3,614)
Total	957,488	1,141,520	2,099,008

Income tax assets/liabilities in the comparative period

	As at Dec 31 2020	Recognised in profit or loss	As at Jun 30 2021
Assets			
Provisions	80,232	188,789	269,021
Royalties payable	1,339,512	(398,653)	940,859
Liabilities	7,878	1,399	9,277
Remeasurement of financial assets	164,528	(59,203)	105,325
Provisions			
Measurement of financial investments	(74,561)	47,140	(27,421)
Total	1,517,589	(220,528)	1,297,061

2.18. Earnings per share (PLN)

2.18.1. Basic earnings per share

	Period ended Jun 30 2022	Period ended Jun 30 2021
Basic earnings per share:		
From continuing operations	6.36	5.63
Total basic earnings per share	6.36	5.63
Diluted earnings per share:		
From continuing operations	6.26	5.53
Total diluted earnings per share	6.26	5.53

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

	Period ended Jun 30 2022	Period ended Jun 30 2021
Profit for the financial year attributable to shareholders	15,083,775	13,308,096
Total profit used to calculate basic earnings per share	15,083,775	13,308,096
Profit used to calculate basic earnings per share from continuing operations	15,083,775	13,308,096

	Period ended Jun 30 2022	Period ended Jun 30 2021
Weighted average number of ordinary shares used to calculate earnings per share	2,373,108	2,361,927

2.18.2. Diluted earnings per share

	Period ended Jun 30 2022	Period ended Jun 30 2021
Profit for the financial year attributable to shareholders	15,083,775	13,308,096
Total profit used to calculate diluted earnings per share	15,083,775	13,308,096
Profit used to calculate diluted earnings per share from continuing operations	15,083,775	13,308,096

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

	Period ended Jun 30 2022	Period ended Jun 30 2021
Weighted average number of ordinary shares used to calculate basic earnings per share	2,373,108	2,361,927
Shares expected to be issued:		
Employee stock options	37,055	53,488
Weighted average number of ordinary shares used to calculate diluted earnings per share	2,410,163	2,406,149

The calculation of diluted earnings per share does not include Series H shares which may be issued for the purposes of the 2021–2025 Incentive Scheme as the financial targets of that Scheme were not achieved as at the reporting date.

2.19. Property, plant and equipment (PLN)

Carrying amount:

	As at Jun 30 2022	As at Dec 31 2021
Buildings and premises	22,640,395	22,991,270
Property, plant and equipment under construction	181,687	374,315
Plant and equipment	620,882	514,682
Other property, plant and equipment	1,752,197	2,066,212
Total	25,195,161	25,946,479

Gross carrying amount:

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2022	24,305,970	374,314	2,894,560	372,854	3,459,479	31,407,177
Increase	29,732	229,172	356,746	0	8,229	623,879
Decrease	0	0	0	0	0	0
Reclassification	0	(421,799)	413,997	0	7,802	0
As at Jun 30 2022	24,335,702	181,687	3,665,303	372,854	3,475,510	32,031,056

Accumulated depreciation and impairment:

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2022	1,314,700	0	2,379,878	372,854	1,393,268	5,460,700
Depreciation	380,607	0	664,543	0	330,045	1,375,195
Decrease	0	0	0	0	0	0
As at Jun 30 2022	1,695,307	0	3,044,421	372,854	1,723,313	6,835,895

Comparative data for the period from January 1st to June 30th 2021

Gross carrying amount:

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2021	24,200,705	102,241	1,953,626	372,854	3,492,462	30,121,888
Increase	46,935	168,325	198,907	0	0	414,167
Decrease	(1,340)	0	0	0	(15,027)	(16,367)
Reclassification	33,360	(252,640)	219,280	0	0	0
As at Jun 30 2021	24,279,660	17,926	2,371,813	372,854	3,477,435	30,519,688

Accumulated depreciation and impairment:

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
As at Jan 1 2021	555,273	0	1,515,859	363,406	797,848	3,232,386
Depreciation	379,169	0	421,038	9,448	315,890	1,125,545
Decrease	0	0	(1,700)	0	(15,027)	(16,727)
As at Jun 30 2021	934,442	0	1,935,197	372,854	1,098,711	4,341,204

2.20. Intangible assets (PLN)

Amortisation is calculated based on useful lives of the following intangible assets:

Completed development work:

Completed game engine development work as at June 30th 2022 included the capitalised cost of the fourth and fifth work phases.

As at June 30th 2022, completed video games development work comprised games released in earlier periods.

Ongoing development work:

As at June 30th 2022, expenditure on ongoing development work included mainly expenditure on the development of games, in particular *Frostpunk 2*, *The Alters*, *Project 8*, and third-party games released by the publishing division.

Testing ongoing development work for impairment:

The key assumptions used to calculate the value in use of material ongoing development work based on the discounted cash flow model did not change relative to the assumptions as at December 31st 2021, except for a revision of the discount rate (WACC – weighted average cost of capital) from 5.9 percent to 12.9 percent. The increase in the discount rate was caused by an increase in the risk-free rate and in the equity market risk premium.

Carrying amount:

	As at Jun 30 2022	As at Dec 31 2021
Completed development work (game engine)	1,706,875	2,389,463
Completed development work (games)	3,162,067	3,500,237
Ongoing development work	72,449,563	52,926,024
Licences	221,999	321,913
Total	77,540,504	59,137,637

Gross carrying amount:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2022	6,813,631	38,056,770	934,772	52,926,024	98,731,197
Increase	0	0	31,799	21,035,658	21,067,457
Reclassification of completed development work	0	1,512,119	0	(1,512,119)	0
Discontinued work written off	0	0	0	0	0
As at Jun 30 2022	6,813,631	39,568,889	966,571	72,449,563	119,798,654

Accumulated amortisation and impairment:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2022	4,424,169	34,556,533	612,859	0	39,593,561
Amortisation	682,587	1,850,289	131,713	0	2,664,589
Decrease	0	0	0	0	0
As at Jun 30 2022	5,106,756	36,406,822	744,572	0	42,258,150

Comparative data for the period from January 1st to June 30th 2021
Gross carrying amount:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2021	6,813,631	36,216,197	932,759	25,545,704	69,508,291
Increase	0	0	37,915	13,856,512	13,894,427
Reclassification of completed development work	0	874,177	0	(874,177)	0
Decrease	0	0	0	(3,298)	(3,298)
Discontinued work written off	0	0	0	(968,330)	(968,330)
As at Jun 30 2021	6,813,631	37,090,374	970,674	37,556,411	82,431,090

Accumulated amortisation and impairment:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
As at Jan 1 2021	2,858,907	28,212,014	577,853	0	31,648,774
Amortisation	882,675	3,778,210	93,095	0	4,753,980
Decrease	0	0	0	0	0
As at Jun 30 2021	3,741,582	31,990,224	670,948	0	36,402,754

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.

2.21. Trade and other receivables (PLN)

	As at Jun 30 2022	As at Dec 31 2021
Trade and other receivables, including:	12,801,523	16,554,971
Trade receivables	10,816,892	14,727,417
Taxes, grants, customs duties and social security	1,904,475	1,683,182
Other	80,156	144,372
Impairment losses on trade receivables	(26,011)	(69,824)
Total	12,775,512	16,485,147

2.21.1. Trade receivables

The Company recognised impairment losses based on historical credit loss rates determined through an analysis of receivables repayment. The Company also recognises impairment losses for receivables that are past due more than 360 days, but there were no such receivables in the reporting period.

Trade receivables are measured in the accounting books at amounts corresponding to transaction prices adjusted for impairment, if any, in accordance with the expected loss model.

Since the Company has cooperated for years with the same trading partners with a very high financial standing and has never experienced any payment problems in those relations, it applies simplified methods to measure receivables at amortised cost, unless this would distort information contained in its statement of financial position, in particular where the period until the due date for payment is not long. Historically, there have been only minor changes to the list of trading partners through which the Company sells games.

The balances disclosed as at June 30th 2022 included receivables from the Company's largest customers, accounting for over 5% of total trade receivables.

Receivables by customer:

	As at Jun 30 2022	As at Dec 31 2021
Company A	4,411,204	2,695,618
Company B	3,143,309	3,897,600
Company C	894,662	842,087
Company D	547,626	738,970

Ageing analysis of trade receivables

	As at Jun 30 2022	As at Dec 31 2021
Short-term	10,680,960	14,465,039
1-30 days	4,034	26,184
31-60 days	4,027	161,488
61-90 days	112,320	1,315
91-120 days	0	2,720
121-360 days	15,551	70,671
Over 360 days	0	0
Total	10,816,892	14,727,417

Changes in impairment losses on impaired trade receivables:

	As at Jun 30 2022	As at Dec 31 2021
As at beginning of reporting period	69,824	89,197
Recognition	46,583	121,561
Reversal	(90,396)	(74,877)
Use	0	(66,057)
As at end of reporting period	26,011	69,824

Ageing structure of allowance for expected credit losses:

	As at Jun 30 2022	As at Dec 31 2021
Short-term	10,009	10,993
1-30 days	1,419	6,706
31-60 days	1,921	8,856
61-90 days	3,618	653
91-120 days	0	1,491
121-360 days	9,044	41,125
over 360 days	0	0
Total	26,011	69,824

As at the end of June 2022, only allowances for expected credit losses were recognised. There were no grounds for recognising individual impairment losses on past due receivables.

2.22. Income tax receivable (PLN)

	As at Jun 30 2022	As at Dec 31 2021
Income tax receivable	5,425,593	4,138,348
Total	5,425,593	4,138,348

2.23. Shares held in an associate

Information on the associate

Name	Fool's Theory Sp. z o.o.
Principal place of business	Bielsko-Biała
Country of incorporation	Poland
Ownership interest held	40%
% of total voting rights	40%
Investment recognition method	equity method

On February 28th 2022, the Company entered into an agreement to purchase 40 shares in Fool's Theory with a par value of PLN 50 per share, representing in total 40% of that company's share capital. This holding gives 11 bit studios S.A. significant influence over Fool's Theory.

11 bit studios S.A.'s payment for the acquired shares was divided into two tranches. The first tranche, of PLN 2,619,215.50, was paid on March 9th 2022. The second instalment will be settled in cash within seven months after the market release of *Vitriol*, a game developed by Fool's Theory and published by 11 bit studios S.A. The second tranche amount will depend on net revenue generated by the Company from the sale of *Vitriol* within six months from the game's market release and the percentage of positive user ratings on Steam Reviews received by the game over that period. According to the agreement, the second tranche amount will be within the range of PLN 1,571,529 – PLN 3,666,901. As at June 30th 2022, the value of the second tranche was estimated at PLN 1,308,942 (discounted to June 30th 2022), i.e. PLN 479,360 lower than the estimate as at March 30th 2022. The estimate was based on the planned release date of *Vitriol*, the forecast revenue from its sale and the expected rating at Steam Reviews, and the value so obtained was then discounted to June 30th 2022 using the Company's cost of capital. The estimate required an adjustment due to, among other things, an increase in the discount rate.

Measurement of investment in Fool's Theory Sp. z o.o. as at June 30th 2022 (PLN)

Cost of shares – first tranche	2,619,216
Cost of shares – second tranche (estimate)	1,308,942
Share of Fool's Theory Sp. z o.o.'s profit (loss)	(76,559)
Dividends received from associate	0
Investment in Fool's Theory Sp. z o.o. – carrying amount	3,851,599

Furthermore, on February 28th 2022, the Company concluded a shareholder agreement with Jakub Rokosz and Krzysztof Mąka, setting out detailed rules for managing Fool's Theory's affairs and the mutual rights and obligations of its shareholders. The shareholders agreed to prepare an incentive scheme for key employees and independent contractors of Fool's Theory. If Fool's Theory achieves the targets set in connection with the incentive scheme for the years 2023–2027, 11 bit studios S.A. will pay Jakub Rokosz and Krzysztof Mąka a bonus in the aggregate amount of PLN 1,000,000. In the Company's opinion, this contingent consideration constitutes a service fee and as such it will be recognised in the Company's under salaries, wages and personnel expenses on a straight-line basis over the period of service in accordance with IAS 19. The cost of this

consideration will be recognised on a straight-line basis until the end of 2027. As at the reporting date, the Company did not recognise any amounts in respect of this cost item.

Selected data from the statement of financial position of Fool's Theory Sp. z o.o. as at June 30th 2022 (PLN)

Non-current assets	11,337,017
Current assets	994,410
Cash	568,668
Current liabilities	816,440
Non-current liabilities	0

2.24. Current financial assets (PLN)

	As at Jun 30 2022	As at Dec 31 2021
Financial instruments	67,636,647	80,475,972
Loans to employees	1,293,624	190,013
Bank deposits with maturities of more than 3 months	2,000,000	0
Total	70,930,271	80,665,985

The financial instruments included:

	Acquisition date	Measurement as at acquisition date	Interest rate (%)	Measurement as at Jun 30 2022	Maturity date
PKO Leasing notes*	February 1st 2022	14,827,112	2.50	14,980,447	July 19th 2022
PKO Leasing notes*	April 1st 2022	14,683,165	4.40	14,842,468	September 27th 2022
PKO Leasing notes*	June 14th 2022	7,840,315	6.30	7,861,967	October 10th 2022
PKO Bank Hipoteczny notes*	April 25th 2022	19,568,422	5.00	19,745,342	October 3rd 2022
PKO Parasolowy FIO – Subfundusz Obligacji Samorządowych	December 23rd 2020	10,000,000		10,206,422	
Total		66,919,015		67,636,647	

* The notes issued by PKO Leasing and PKO Bank Hipoteczny are discount notes. They will be redeemed by the Issuers at the nominal price.

The Company classifies its financial instruments as current financial assets as they are used to manage the Company's day-to-day liquidity.

Loans to employees are measured at amortised cost. Loans are granted for a period of 12 months. Loans to employees are presented as current assets due to the remaining repayment period.

2.25. Other current assets (PLN)

	As at Jun 30 2022	As at Dec 31 2021
Insurance	30,648	65,610
Domain names, licences, subscriptions	275,402	438,265
Prepaid expenses	330,502	234,280
Property tax	53,310	0
Perpetual usufruct of land	13,695	0
Other	23,809	14,187
Total	727,366	752,342

Other current assets comprised short-term prepayments and accrued income, including prepaid expenses related to industry events (trade fairs) in which the Company will take part in subsequent periods, as well as fees for Internet domain names, property insurance, subscriptions, stock exchange fees and charges related to the property located at ul. Brzeska 2 in Warsaw (11 bit studios S.A.'s headquarters).

2.26. Other non-current assets (PLN)

	As at Jun 30 2022	As at Dec 31 2021
Long-term prepayments and accrued income	124,680	99,080
Total	124,680	99,080

Long-term prepayments and accrued income as at the end of the six months ended June 30th 2022 and as at the end of 2021 included fees for Internet domain names and trademarks.

2.27. Cash and cash equivalents (PLN)

	As at Jun 30 2022	As at Dec 31 2021
Cash in current accounts and in hand	31,580,337	26,748,530
Bank deposits (total, for up to three months and above)	7,000,000	0
Total	38,580,337	26,748,530

Cash in hand and at banks as at June 30th 2022, by currency:

- PLN 4,841,420,
- USD 5,366,088 (PLN 24,053,491),
- EUR 573,695 (PLN 2,685,238),
- CNY 280 (PLN 187).

Cash in hand and at banks as at December 31st 2021, by currency:

- PLN 13,266,773,
- USD 2,353,897 (PLN 9,556,820),
- EUR 853,209 (PLN 3,924,250),
- CNY 1,073 (PLN 686).

When measuring its cash, including in foreign currencies, as at June 30th 2022, the Company also measured expected credit losses (ECL), but the effect was not material.

2.28.Share capital (PLN)

As at June 30th 2022, the Company's share capital consisted of 2,380,144 fully paid-up ordinary shares totalling PLN 238,014.

In the reporting period, the Company issued a total of 13,223 Series G shares for the purposes of the 2017–2019 Incentive Scheme.

2.29.Information on dividend paid or declared

The Company did not pay any dividend in the six months ended June 30th 2022 or in 2021.

2.30.Borrowings (PLN)

On December 19th 2018, the Company announced that it had entered into a PLN 12,600,000 investment credit facility agreement with PKO BP 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 is repayable in monthly instalments. As at June 30th 2022, the Company had no delays or arrears in its repayment. 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 over the entire term of the facility, which means that the effective cost of the credit facility 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 over perpetual usufruct of land and 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 S.A. As at June 30th 2022, the long-term portion of the facility was PLN 6,930,000 (end of 2021: PLN 7,560,000), while its short-term portion was PLN 1,260,000 (no change).

In the reporting period, the Company did not apply hedge accounting in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial liabilities of 11 bit studios S.A. (borrowings)

Lender	Borrowed amount	Currency	As at Jun 30 2022	As at Dec 31 2021	Interest Rate	Repayment deadline
PKO BP S.A.	12,600,000	PLN	8,190,000	8,820,000	1M WIBOR +0.9%.	December 11th 2028
Total	12,600,000		8,190,000	8,820,000		

Repayment schedule for the investment credit facility with PKO BP S.A. (principal amount, excluding interest and measurement of IRS) as at June 30th 2022

Lender	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
PKO BP S.A.	105,000	210,000	945,000	5,040,000	1,890,000	8,190,000
Total	105,000	210,000	945,000	5,040,000	1,890,000	8,190,000

2.31. Trade and other payables (PLN)

	As at Jun 30 2022	As at Dec 31 2021
Trade payables	2,919,941	1,302,952
Provisions for product returns	122,106	0
Guarantee deposits – Brzeska 2	7,650	6,150
Taxes, customs duties, insurance and other dues	605,913	744,927
Accruals and deferred income	265,338	231,903
Amounts payable to employees	22,066	5,267
Other	41,796	41,796
Total	3,984,810	2,332,995

As at June 30th 2022, 11 bit studios S.A.'s trade and other payables amounted to PLN 3,984,810, up 70.80% on December 31st 2021. The largest item was trade payables (PLN 2,919,941 vs PLN 1,302,952 as at December 31st 2021).

The Company has financial risk management policies in place to ensure timely payment of liabilities.

Ageing analysis of trade payables:

	As at Jun 30 2022	As at Dec 31 2021
Short-term	399,479	850,795
1-30 days	2,168,327	452,157
31-60 days	145,395	0
61-90 days	0	0
91-120 days	68,036	0
121-360 days	138,704	0
over 360 days	0	0
Total	2,919,941	1,302,952

Maturity periods of trade payables as at Jun 30 2022

Short-term	From 1 to 30 days	31 to 60 days	From 61 to 90 days	From 91 to 120 days	121 to 360 days and others	Total
2,526,335	376,238	17,368	0	0	0	2,919,941

Maturity periods for trade payables as at Dec 31 2021

Short-term	From 1 to 30 days	31 to 60 days	From 61 to 90 days	From 91 to 120 days	121 to 360 days and others	Total
625,829	617,838	59,285	0	0	0	1,302,952

2.32. Contract liabilities

As at June 30th 2022, liabilities under contracts with customers (PLN 1,186,499 vs PLN 3,937,176 as at the end of 2021) comprised advance payments received by the Company from its trading partners towards future sales of the Company's products (games).

2.33. Provisions for employee bonuses and other provisions (PLN)

The Company decided that starting from the financial statements for 2021 it would recognise the provision for retirement and disability benefits as a separate provision and present it under long-term provisions. Historically, the Company did not present any retirement and disability provisions due to their immateriality.

2.33.1. Short-term provisions

	Provision for retirement and disability benefits	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
As at Jan 1 2022	501	398,378	57,524	194,629	651,032
Increase:					
Recognition	112	506,882	1,211,248	1,357,874	3,422,195
Decrease:					
Use	0	(260,923)	0	(200,549)	(807,551)
Reversal	0	0	0	(315)	(315)
As at Jun 30 2022	613	644,337	1,268,772	1,351,639	3,265,361

Comparative data for the period from January 1st to June 30th 2021

	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
As at Jan 1 2021	322,904	390,000	147,368	860,272
Increase:				
Recognition	927,286	320,863	1,350,837	2,598,986
Decrease:				
Use	(238,231)	0	(79,222)	(317,453)
Reversal	0	0	(125,872)	(125,872)
As at Jun 30 2021	1,011,959	710,863	1,293,111	3,015,933

2.33.2. Long-term provisions

	Provision for retirement and disability benefits	Total
As at Jan 1 2022	10,390	10,390
Increase:		
Recognition	0	0
Decrease:		
Use	0	0
Reversal	(1,753)	(1,753)
As at Jun 30 2022	8,637	8,637

2.34. Financial instruments (PLN)

As at the reporting date, the Company analysed its financial assets and concluded that the carrying amounts of the instruments measured at amortised cost did not differ from their fair value both as at June 30th 2022 and December 31st 2021. In the case of instruments measured at fair value, the measurement was based on their market value as at the reporting date.

2.34.1. Financial assets and liabilities

Financial assets:

	As at Jun 30 2022	As at Dec 31 2021
Measured at amortised cost		
Notes issued by PKO Leasing and PKO Bank Hipoteczny	57,430,225	70,404,173
Cash	38,580,337	26,748,530
Bank deposits with maturities of more than 3 months	2,000,000	0
Trade and other receivables	12,775,512	16,079,147
Loans to employees	1,293,624	190,013
Measured at fair value		
Investment fund units	10,206,422	10,071,799
IRS	1,010,988	300,567
Total	123,297,108	123,794,229

Financial liabilities:

	As at Jun 30 2022	As at Dec 31 2021
Trade and other payables	3,984,810	2,332,995
Credit facility	8,190,000	8,820,000
Lease liability – perpetual usufruct rights to land	768,058	769,979
Total	12,942,868	11,922,974

The Company measures trade and other payables and the credit facility and liabilities under perpetual usufruct of land at amortised cost.

2.34.2. Credit risk

Trade receivables, investment fund units, bonds, notes (notes held as at June 30th 2022 had fixed interest rates and short (up to several months) maturity periods – **Note 2.24.**), 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 calculated as expected credit losses, which are estimated by the Company on the basis of past experience and the assessment of current economic conditions.

At present, the Company does not insure its trade receivables. The Company's trading partners include Valve Corporation, Microsoft, Nintendo, Netflix, Apple and Google, leading global corporations with unquestionable financial status. Amounts due from electronic distribution platforms in respect of games sold are collected in 30 days or less. The Company has never experienced any difficulties with collecting receivables from its trading partners.

For information on the concentration of credit risk related to trade receivables, see **Note 3.21.** The Company regularly monitors payments from trading partners and has not identified any problems in this area.

The Company has business relationships with financial institutions that enjoy a strong financial standing. As at June 30th 2022, the Company held cash with two institutions: PayPal (PLN 506,443,065) and the PKO BP Group (the balance).

Measurement of investment fund units may be subject to periodic fluctuations as a result of marking to market. The Company assesses the market risk as low as the funds are held with in safe financial institutions – open-ended investment funds.

2.34.3. Fair value measurement methods

The Company did not change the methods used to measure financial instruments relative to the prior reporting period.

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 and notes is measured at cost, plus any outstanding interest and discount determined using the effective interest rate. The fair value of investment fund units is determined based on market prices (daily valuations). The fair value of loans for employees is determined based on future cash flows, discounted at the current interest rate on loans.

Financial assets measured at fair value:

	As at Jun 30 2022	As at Dec 31 2021	Fair value hierarchy
Investment fund units	10,206,422	10,071,799	Level 2
IRS	1,010,988	300,567	Level 3

In the reporting period, the Company did not change its fair value hierarchy classification policies.

2.35. Deferred income

	As at Jun 30 2022	As at Dec 31 2021
Government grants*	635,711	635,711
Total	635,711	635,711
Short-term	0	0
Long-term	635,711	635,711
Total	635,711	635,711

* The amount represents a 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 635,711 (December 31st 2021: PLN 635,711).

2.36.Share-based payments (PLN)

2.36.1.Employee stock option plan for 2021–2025

Pursuant to Resolution No. 03/01/2021 of the Company's Extraordinary General Meeting of January 21st 2021, the Company operates an Incentive Scheme for members of the Management Board, employees and independent contractors. Persons who signed Incentive Scheme participation agreements with the Company will be entitled to acquire Series C subscription warrants convertible into Series H shares, subject to meeting the targets set for the Company and defined in the Incentive Scheme Rules.

The Incentive Scheme covers the years 2021–2025. Persons who have the right to acquire the warrants will be entitled to exercise them by subscribing for Series H shares by June 30th 2029.

Pursuant to Resolution No. 05/01/2021 of the Extraordinary General Meeting of January 21st 2021, the Company may issue up to 125,000 Series H shares with a par value of PLN 0.10 per share and total par value of PLN 12,500 for the purposes of the Incentive Scheme. Upon proposal from the Company's Management Board, the Supervisory Board will pass a resolution, promptly after the Annual General Meeting approving the Company's financial statements for the financial year 2025, to grant Series C subscription warrants to the Incentive Scheme participants, in such number as specified in the Management Board's proposal.

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

Total revenue of 11 bit studios S.A., 2021–2025	656,000,000
Total profit before tax of 11 bit studios S.A., 2021–2025	328,000,000

If the financial targets are not fully met, the pool of shares offered under the Incentive Scheme will be reduced by 4% for each 1% of the underperformance. If the financial targets are exceeded, the issue price of Series H shares will be reduced by 1% for each incremental 2% of the overperformance, however, the discount amount may not exceed 10% of the issue price. The issue price of Series H shares under the 2021–2025 Incentive Scheme was set at PLN 474.93.

2.36.2.Recognition of the 2021–2025 Incentive Scheme

The fair value of warrants granted under the Incentive Scheme has been estimated using the Damodaran warrant pricing model, which takes into account the Company's share price as at the date of signing the Incentive Scheme participation agreement (the grant date) and its annual volatility. This value is charged to the statement of comprehensive income proportionately over the entire settlement period for the five-year Incentive Scheme, and is recognised as capital reserve. The terms and conditions of the incentive scheme are based on the achievement of the general corporate objectives, and therefore, as the condition of direct allocation to an asset is not satisfied, these costs do not meet the capitalisation requirement and are recognised in the Company's profit or loss. The key parameters of the model used to calculate the fair value of the potential Incentive Scheme premium and the costs to be charged to the statement of comprehensive income in a given period are presented below:

Start date of the Scheme	January 1st 2021
Grant date (date of signing the participation agreements)	March 10th 2021
Vesting date	December 31st 2025
11 bit studios S.A. share price on the grant date (PLN)	517
Six-month volatility of 11 bit studios S.A. share price (%)	34.43%
Risk-free rate (%)	0.86%
Number of Incentive Scheme warrants	125,000
Number of Incentive Scheme warrants granted as at Jun 30 2022	80,500
Measurement of warrants (PLN)	199.84
Scheme valuation as at Jun 30 2022 (PLN)	16,087,392
Statement of profit or loss – employee benefits expense in 2021	3,347,377
Statement of profit or loss – employee benefits expense in 2022	1,478,840
Total Incentive Scheme cost as at Dec 31 2025 remaining to be recognised (PLN)	11,261,174

The costs of the 2021–2025 Incentive Scheme are recognised over its entire term. The financial objectives set out in the Scheme are Group-wide and have not been set for individual persons (participants of the Scheme) or projects. All costs of the Scheme are recognised as they are incurred in the statement of profit or loss and are not partly capitalised in the Company's statement of financial position.

2.37. Related-party transactions (PLN)

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

- Przemysław Marszał – President of the Management Board
- Grzegorz Miechowski – Member of the Management Board
- Michał Drozdowski – Member of the Management Board
- Paweł Feldman – Member of the Management Board (since August 11th 2022)
- Marek Ziemak – Member of the Management Board (since August 11th 2022)
- Wojciech Ozimek – Chairman of the Supervisory Board (resigned from the Supervisory Board on April 15th 2021)
- Jacek Czykiel, Deputy Chairman of the Supervisory Board
- Radosław Marter – Member of the Supervisory Board, Chairman of the Supervisory Board since April 15th 2021
- Marcin Kuciapski, Member of the Supervisory Board
- Piotr Wierzbicki, Member of the Supervisory Board
- Artur Konefał – Member of the Supervisory Board (from April 15th 2021 to May 23rd 2022)
- Milena Olszewska-Miszuris – Member of the Supervisory Board (since June 21st 2022)

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

- Paweł Miechowski – Marketing Manager, brother of Grzegorz Miechowski, Member of the Management Board,
- Kancelaria Radcy Prawnego Agnieszki Rabenda-Ozimek (law firm); Agnieszka Rabenda-Ozimek is married to Wojciech Ozimek, Chairman of the Supervisory Board (until April 15th 2021).

Fool's Theory Sp. z o.o., in which 11 bit studios S.A. has held 40% of shares since February 28th 2022 (see **Note 2.23**), is also classified as a related party.

2.37.1. Sale transactions

Apart from the services provided by members of the Company's Management Board as described in **Note 2.37.4**, the Company entered into the following related-party transactions in the six months ended June 30th 2022 and June 30th 2021:

	Period ended Jun 30 2022	Period ended Jun 30 2021
Arkona – Paweł Miechowski*	120,000	111,000
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek*	not applicable	20,138
Fool's Theory Sp. z o.o.***	3,911,407	0
Total	4,031,407	131,138

* - Arkona – Paweł Miechowski, the entity provides B2B services to the Company and receives consideration from the Company.

** Kancelaria Radcy Prawnego Agnieszki Rabenda-Ozimek (law firm) ceased to be a related party to the Company as of April 15th 2021. The entity provided legal services to the Company and received consideration from the Company.

*** - Fool's Theory Sp. z o.o. has been a related party to 11 bit studios S.A. since February 28th 2022. The Company has paid a total of PLN 3,911,407 to Fool's Theory for achievement of successive milestones related to the production of *Vitriol* (from the publishing portfolio).

2.37.2. Loans advanced to related parties

As in the comparative period, in the reporting period the Company did not advance any loans to related parties.

2.37.3. Borrowings from related parties

The Company did not receive any loans from related parties in the six months ended June 30th 2022 and as at December 31st 2021.

2.37.4. 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 the six months to June 30th 2022 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:

Short-term benefits - Management Board (for the performance of management functions):

	Period ended Jun 30 2022	Period ended Jun 30 2021
Przemysław Marszał	623,189	343,070
Grzegorz Miechowski	623,357	343,548
Michał Drozdowski	618,169	338,439
Total	1,864,715	1,025,057

Short-term benefits - Supervisory Board (for the performance of supervisory functions):

	Period ended Jun 30 2022	Period ended Jun 30 2021
Radosław Marter (Chairman of the Supervisory Board since April 15th 2021)	40,762	17,093
Jacek Czykiel (Deputy Chairman of the Supervisory Board)	35,667	18,000
Marcin Kuciapski (Member of the Supervisory)	26,371	9,900
Piotr Wierzbiński (Member of the Supervisory Board)	26,371	9,900
Artur Konefał (Member of the Supervisory Board until May 23rd 2022)	24,374	4,164
Milena Olszewska- Miszuris (Member of the Supervisory Board since June 21st 2022)	1,943	0
Wojciech Ozimek (Chairman of the Supervisory Board until April 15th 2021)	0	15,643
Total	155,488	74,700

On June 9th 2020, the Company's Annual General Meeting passed a resolution (No. 20/06/2020) to adopt a remuneration policy for members of the Company's Management and Supervisory Boards. The full text of the remuneration policy is available on the Company's website in the Investor Relations tab.

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 six months ended June 30th 2022 or the six months ended June 30th 2021. However, they participate in the 2017-2019 Incentive Scheme (they did not subscribe for any shares under this Scheme in the reporting period) and the 2021-2025 Incentive Scheme, as described in detail (together with valuation) in **Note 2.36**.

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

Short-term benefits - Management Board (civil-law contracts)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Grzegorz Miechowski	30,000	30,000
Michał Drozdowski	30,000	30,000
Przemysław Marszał	30,000	30,000
Total	90,000	90,000

2.37.5. Other related-party transactions

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

2.38. Headcount

As at the date of issue of these financial statements, 237 persons were employed at the Company under employment contracts or provided services to the Company on the basis of contracts under civil law.

2.39. Off-balance-sheet commitments

As at the reporting data, the Company had off-balance-sheet commitments of PLN 8,842,550, EUR 3,121,788 and USD 139,515. The commitments are related to publishing agreements executed by the Company with third-party development studios.

As at December 31st 2021, the Company had off-balance-sheet commitments of PLN 5,977,728, EUR 3,420,185 and USD 199,153.

2.40. Contingent assets and liabilities

2.40.1. Contingent liabilities

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 perpetual usufruct of land and 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 National Centre for Research and Development as security for the proper performance of obligations under co-funding agreement No. POIR.01.01.01-00-0231/20-00.

2.40.2. Contingent assets

As at June 30th 2022 and in the comparative period, the Company did not recognise any contingent assets.

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

In the six months ended June 30th 2022, the Company did not record any unusual seasonal or cyclical fluctuations.

2.42. Auditor

In Current Report No. 16/2022 of May 12th 2022, the Company announced that in accordance with the applicable laws and professional standards the competent body, i.e. the Company's Supervisory Board, acting pursuant to Art. 66.4 of the Accounting Act of September 29th 1994, Art. 8.4 of the Company's Articles of Association, and Section 7.3 of the Rules of Procedure for the Company's Supervisory Board, and having considered the Audit Committee's recommendation, appointed PricewaterhouseCoopers Polska. Sp. z o.o. Audyt Sp.k., with registered office at ul. Polna 11, 00-633 Warsaw, to audit the Company's Financial Statements and review its interim Financial Statements for the financial years ending December 31st 2022 and 2023. PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp.k. is entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors under Reg. No. 144. The Company previously engaged PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp.k. to audit and review the Company's financial statements for the financial years ended December 31st 2020 and December 31st 2021.

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

In the reporting period, on February 24th 2022, Russia invaded Ukraine, starting a military conflict which was ongoing as at the issue date of these financial statements. The Company actively engaged in relief efforts for the Ukrainian victims of the war and already on the first day of Russia's invasion of our eastern neighbour it decided that all revenue generated in the following week from the sale of *This War of Mine*, together with DLCs, would go to the Ukrainian Red Cross. The initiative met with a very good response from fans and media globally (the world's leading media, including The Washington Post, wrote about it). As a result, within seven days the Company raised as much as USD 850,000 (PLN 3,664,435) and donated the funds in April 2022. The entire amount increased the Company's revenue in the six months ended June 30th 2022 and the donation was recognised as other expenses.

2.44. Events subsequent to the reporting date

In Current Report No. 26/2022 of July 29th 2022, 11 bit studios S.A. announced that it had signed an agreement to subscribe for 75,000 Series J shares in Starward Industries S.A. at an issue price of PLN 79 per share for a total of PLN 5,925,000. The shares have been paid for in cash. Furthermore, on July 29th 2022, the Company acquired 25,000 shares in Starward Industries S.A. from Marek Markuszewski, Starward Industries S.A. CEO, at a price of PLN 10 per share, for a total amount of PLN 250,000. The shares have been paid for in cash.

In Current Report No. 27/2022 of August 11th 2022, 11 bit studios S.A. announced that at its meeting held on August 11th 2022, the Company's Supervisory Board had appointed Paweł Feldman and Marek Ziemak as Management Board members with effect from August 11th 2022.

Aside from the events referred to above, no other events occurred which would have an impact on these condensed interim financial statements for the six months ended June 30th 2022 by the date of their authorisation by the Company's Management Board on September 29th 2022.

2.45. 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.

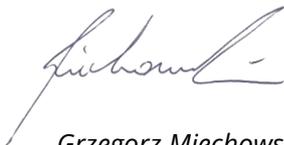
2.46. Authorisation of financial statements

These interim condensed financial statements were authorised for issue by the Management Board on September 29th 2022.

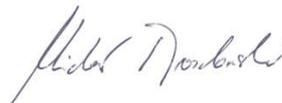
Signed by:



Przemysław Marszał
President of the
Management Board



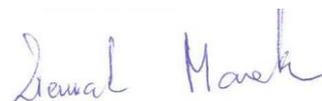
Grzegorz Miechowski
Member of the
Management Board



Michał Drozdowski
Member of the
Management Board



Paweł Feldman
Member of the
Management Board



Marek Ziemak Member
of the Management
Board

Warsaw, September 29th 2022



**DIRECTORS' REPORT ON THE OPERATIONS
OF 11 BIT STUDIOS S.A. FOR
THE SIX MONTHS
ENDED JUNE 30TH 2022**

3. OVERVIEW

3.1. Composition of the Company's governing bodies as at June 30th 2022

Management Board

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

Supervisory Board

- Radosław Marter – Chairman of the Supervisory Board
- Jacek Czykiel – Deputy Chairman of the Supervisory Board
- Marcin Kuciapski – Member of the Supervisory Board
- Piotr Wierzbicki – Member of the Supervisory Board
- Milena Olszewska-Miszuris – Member of the Supervisory Board

The composition of the Management Board did not change in the reporting period. On June 21st 2022, the Supervisory Board appointed the following persons to the Management Board for a further three-year term of office: Przemysław Marszał (President of the Management Board) as well as Grzegorz Miechowski and Michał Drozdowski (Members of the Management Board). The term of office of the appointed members of the Management Board expires on the date the Annual General Meeting receives the Company's full-year financial statements for the financial year ended December 31st 2024.

The composition of the Management Board changed after the end of the reporting period. At its meeting held on August 11th 2022, the Supervisory Board appointed Paweł Feldman and Marek Ziemak as members of the Management Board for a joint term of office.

The composition of the Supervisory Board of 11 bit studios S.A. changed in the reporting period. The term of office of the previous Supervisory Board, consisting of the following members, ended on May 23rd 2022: Radosław Marter (Chairman of the Supervisory Board), Jacek Czykiel (Deputy Chairman of the Supervisory Board) and Marcin Kuciapski, Piotr Wierzbicki, Artur Konefał (Members of the Supervisory Board). On June 21st 2022, the shareholders present at the Annual General Meeting appointed the following Supervisory Board: Radosław Marter, Jacek Czykiel, Marcin Kuciapski, Piotr Wierzbicki and Milena Olszewska-Miszuris. On the same day, the Company's Supervisory Board appointed Radosław Marter Chairman of the Supervisory Board. Jacek Czykiel was appointed Deputy Chairman of the Supervisory Board. The joint term of office of the current Supervisory Board expires on June 21st 2025.

Furthermore, at its meeting held on June 21st 2022, the Supervisory Board appointed the following Audit Committee: Jacek Czykiel (Chairman), Piotr Wierzbicki and Milena Olszewska-Miszuris (Members).

3.2. Shareholding structure as at the date of issue of this half-year report

Name	Number of shares	% of share capital held	Number of votes	% of total voting rights at GM
Przemysław Marszał	103,500	4.35	103,500	4.35
Grzegorz Miechowski	170,413	7.16	170,413	7.16
Michał Drozdowski	84,630	3.56	84,630	3.56
Paweł Feldman	13,936	0.58	13,936	0.58
Marek Ziemak	2,542	0.11	2,542	0.11
Allianz Polska TFI	206,773	8.69	206,773	8.69
N-N PTE	143,055	6.01	143,055	6.01
Esaliens TFI	122,028	5.13	122,028	5.13
Other shareholders	1,533,267	64.41	1,533,267	64.41
Total	2,380,144	100.00	2,380,144	100.00

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

In Current Report No. 1/2022 of January 11th 2022, 11 bit studios S.A. announced that on January 11th 2022 the Company received a notification given under Art. 87.1.2b of the Public Offering Act of July 29th 2005 by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., to the effect that following the acquisition of 11 bit studios S.A. shares on December 30th 2021 the funds managed by N-N PTE S.A. held 118,764 Company shares, representing 5.018% of total voting rights at the Company's General Meeting and 5.018% of the Company's share capital.

In Current Report No. 5/2022 of January 31st 2022, 11 bit studios S.A. announced that on January 31st 2022 the Company received a notification given under Art. 69 of the Public Offering Act of July 29th 2005 by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., to the effect that following the acquisition of 11 bit studios S.A. shares on January 24th 2022 Nationale-Nederlanden Otwarty Fundusz Emerytalny held a total of 125,316 Company shares, representing 5.294% of total voting rights at the Company's General Meeting and 5.294% of the Company's share capital. N-N PTE S.A. also notified the Company that a total of 143,055 shares in 11 bit studios S.A. were recorded in the accounts of the funds managed by N-N PTE S.A.

In Current Report No. 6/2022 of February 11th 2021, 11 bit studios S.A. announced that, based on information received from Dom Maklerski BOŚ S.A., on February 11th 2022 947 Series G shares were duly subscribed and paid for as part of a public offering, for a total amount of PLN 97,900.86. The shares were issued for the purposes of the 2017–2019 Incentive Scheme. At the same time, the Company announced that as of February 11th 2022 the Company's share capital was PLN 236,786.8 and comprised 2,367,868 shares with a par value of PLN 0.1 per share.

In Current Report No. 10/2022 of April 11th 2022, 11 bit studios S.A. announced that, based on information received from Dom Maklerski BOŚ S.A., on April 11th 2022 12,276 Series G shares were duly subscribed and paid for as part of a public offering, for a total amount of PLN 1,269,092.88. At the same time, the Company announced that as of April 11th 2022 the Company's

share capital was PLN 238,014.4 and comprised 2,380,144 shares with a par value of PLN 0.1 per share.

In Current Report No. 12/2022 of April 20th 2022, 11 bit studios S.A. announced that on April 20th 2022 the Company received a notification under Article 19(1) of the Market Abuse Regulation from Marcin Kuciapski, Member of the Supervisory Board, concerning his acquisition of 11 bit studios S.A. shares. On April 19th 2022, Marcin Kuciapski purchased a total of 145 shares in 11 bit studios S.A. in trades executed on the WSE, at an average price of PLN 543.21 per share.

In Current Report No. 15/2022 of May 10th 2022, 11 bit studios S.A. announced that on May 10th 2022 the Company received a notification given under Art. 69.1.2a of the Public Offering Act of July 29th 2005 by Esaliens Towarzystwo Funduszy Inwestycyjnych S.A., to the effect that following the acquisition of 11 bit studios S.A. shares on May 5th 2022 the funds managed by Esaliens TFI held a total of 122,028 shares in 11 bit studios S.A., representing 5.13% of total voting rights at the Company's General Meeting and 5.13% of the Company's share capital.

Subsequent to the reporting period and prior to the issue date of these financial statements, there were further changes in the shareholding structure of 11 bit studios S.A.

In Current Report No. 25/2022 of July 7th 2022, 11 bit studios S.A. announced that on July 6th 2022 the Company received a notification given under Art. 69.1.2a of the Public Offering Act of July 29th 2005 by TFI Allianz Polska S.A., to the effect that as a result of the merger of TFI Allianz Polska S.A. as the acquiring company with Aviva Investors Polska TFI S.A., the funds managed by TFI Allianz Polska S.A. held a total of 206,773 shares in 11 bit studios S.A., representing 8.69% of total voting rights at the Company's General Meeting and 8.69% of the Company's share capital.

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

	Position	Shareholding as at the reporting date (no. of shares)	Shareholding As at Jun 30 2022 (no. of shares)	Shareholding As at Dec 31 2021 (no. of shares)
Przemysław Marszał	President of the Management Board	103,500	103,500	103,500
Grzegorz Miechowski	Member of the Management Board	170,413	170,413	170,413
Michał Drozdowski	Member of the Management Board	84,630	84,630	84,630
Paweł Feldman*	Member of the Management Board	13,936	not applicable	not applicable
Marek Ziemak*	Member of the Management Board	2,542	not applicable	not applicable
Marcin Kuciapski	Member of the Supervisory Board	1,300	1,300	1,155

* - Members of the Company's Management Board since August 11th 2022.

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 the holdings of Company shares by the supervisory staff of 11 bit studios S.A. For details, see **Note 3.2**.

3.4. Management of the Company's risks

The Company's business, financial position and results of operations have been and may in the future be adversely affected by a number of risks, both specific to the video games industry and typical for entities conducting business in Poland and worldwide. For a detailed description of the risks, see **Note 5.16** to the Directors' Report on the operations of 11 bit studios S.A. in 2021, which is a part of 11 bit studios S.A. report for 2021.

3.5. Major achievements in the six months ended June 30th 2022 and until the date of release of this report

The key drivers of 11 bit studios S.A.'s revenue in the six months ended June 30th 2022 were good sales of *Frostpunk*, *Moonlighter* and *Children of Morta* (the latter two are from the publishing division's portfolio), supported by robust revenue from sale of other products (the back catalogue), led by *This War of Mine*. Monetisation was supported by sales and promotional campaigns (Publisher Sale on Steam or in Nintendo store) and flat-fee agreements where the Company's portfolio products are temporarily made available on distribution platforms operated by trading partners. In this context, the agreement with Netflix concerning the mobile version of *Moonlighter* is particularly noteworthy. It was the largest agreement of this type ever signed by 11 bit studios S.A.

Another outstanding event was the initiative undertaken by the Company immediately after Russia's invasion of Ukraine to transfer one week's revenue from the sale of *This War of Mine* to the Ukrainian Red Cross. The amount raised in that period was USD 850,000 (**for more information, see Note 2.42**)

3.5.1. Game development

In the six months ended June 30th 2022, 11 bit studios S.A. continued its development work (started a few quarters before) on the production of three proprietary games: *Frostpunk 2*, *The Alters* and *Project 8* (code name). As at the date of issue of this report, the teams responsible for these games had 70 members, about 45 members, and more than 40 members, respectively, and they are consistently growing. In the reporting period, on June 12th 2022, the Company published the first trailer for *The Alters* (former code name *Dolly*), which was very well received by gamers and generated a lot of publicity in the global gaming media.

In addition to working on *Frostpunk 2*, 11 bit studios S.A. intends to develop the *Frostpunk* universe also in other formats. For more than a year now, Glass Cannon Unplugged has been working on the board version of the game, which should be released over the next few quarters. In addition, China's NetEase, one of the world's major gaming companies with a very strong

position in the mobile games sector, is at an advanced stage of work on developing *Frostpunk* for mobile devices. This version of the game will be offered in the F2P (free-2-play) model, and will include micropayments to unlock additional in-game content. The Company also announced the release of a series of books by third party-authors, which are set in the universe of *Frostpunk*. Jacek Dukaj, a popular science fiction author, will be an artistic supervisor for the project.

3.5.2. Publishing division

In the six months ended June 30th 2022, 11 bit studios S.A.'s publishing division focused on producing new games developed by third-party studios and acquiring new titles for our publishing portfolio as well as monetising the titles released in previous quarters, *Moonlighter* and *Children of Morta*.

As at the date of issue of this report, there were four projects in the publishing portfolio of 11 bit studios S.A. The first of the agreements provides for publishing a game with a working (code) name of *Vitriol*, produced by the Fool's Theory studio of Bielsko-Biała. The title will be classified into the RPG genre. The second of the agreements concerns a game with a working (code) name of *Botin*. It has been produced by Spain's Digital Sun Games, the studio behind the development of *Moonlighter*. The third game, with a working title of *Ava*, is being developed by a Spanish studio Chibig. The fourth and most recent project was added to the publishing portfolio in the second quarter of 2022. It involves the release of *The Invincible*, a game based on a book by Stanisław Lem of the same title. *The Invincible* is being developed by Starward Industries, a studio listed on NewConnect.

11 bit studios S.A. has resolved to step up the expansion of its publishing division and increase related spending. As announced at the Investor Conference in June, the Company is ready to sign two further publishing agreements by the end of 2022, where its total capital exposure may potentially reach up to PLN 50m.

In the reporting period, on April 14th 2022, 11 bit studios S.A. announced that it would publish *South of the Circle*, developed by UK-based State of Play. The game, set in the realities of the Cold War and featuring a unique storyline, a rich narrative layer and minimalist aesthetics, was released on August 3rd 2022 for PCs and Nintendo Switch, Xbox Series S|X, Xbox One, PlayStation 5 and PlayStation 4 consoles.

3.5.3. Other developments

On February 28th 2022, the Company announced in Current Report No. 8/2022 that it had signed an investment agreement for the acquisition of 40 shares in Fool's Theory Sp. z o.o. (the producer of *Vitriol*) from Jakub Rokosz and Krzysztof Mąka, the then shareholders of the company. The holding represents a 40% interest in the capital of Fool's Theory Sp. z o.o., which is based in Biała Podlaska, Poland. The payment for the assets was split into two instalments. The first instalment of PLN 2,619,215.50 was paid on March 9th 2022. The second one, however, will not be paid until seven months after the market release of *Vitriol*, a game developed by Fool's Theory and published by 11 bit studios S.A. The second payment tranche will be in the range of PLN 1,571,529–3,666,901. Its final amount will depend on revenue from the sale of *Vitriol* and user ratings posted on Steam Reviews within six months of its release.

After the end of the reporting period, on July 29th 2022, 11 bit studios S.A. announced that it had signed an agreement to subscribe for 75,000 Series J shares in Starward Industries S.A. at an issue price of PLN 79 per share, for a total of PLN 5,925,000. The shares have been paid for in cash. Furthermore, on July 29th 2022, the Company acquired 25,000 shares in Starward Industries S.A. from Marek Markuszewski, Starward Industries S.A. CEO, at a price of PLN 10 per share, for a total amount of PLN 250,000. The shares have been paid for in cash. Starward Industries is the developer of *The Invincible*, one of the games in the publishing portfolio of 11 bit studios S.A. The acquired holding (following the registration of a share capital increase through the issue of Series J shares) will represent a 5.18% interest in the share capital of the company.

In the first six months of 2022, the Company published two announcements regarding a share capital increase and issue of Series G shares related to the implementation of the 2017–2019 Incentive Scheme. For a detailed description the changes, see **Note 3.2**. **Note 3.2** additionally describes changes in the shareholding structure resulting from transactions entered into by the Company's shareholders (financial institutions as well as the management and supervisory personnel).

On June 21st 2021, the Annual General Meeting decided to allocate the entire net profit earned by the Company in 2020, of PLN 28,685,582, to statutory reserve funds. The General Meeting also appointed the following persons to the Supervisory Board for a new three-year term of office: Radosław Marter, Jacek Czykiel, Marcin Kuciapski, Piotr Wierzbicki and Milena Olszewska-Miszuris.

At its meeting held on June 21st 2022, the Company's Supervisory Board appointed Radosław Marter as Chairman of the Supervisory Board and Jacek Czykiel as Deputy Chairman. On the same date, the Supervisory Board elected the Audit Committee: Jacek Czykiel (Chairman), Piotr Wierzbicki and Milena Olszewska-Miszuris. Furthermore, the Supervisory Board appointed the following persons to the Management Board for a new three-year term of office: Przemysław Marszał (President of the Management Board), Grzegorz Miechowski and Michał Drozdowski (Members of the Management Board).

After the end of the reporting period, on August 11th 2022, the Supervisory Board appointed Paweł Feldman and Marek Ziemak to the Company's Management Board.

3.6. 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.

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

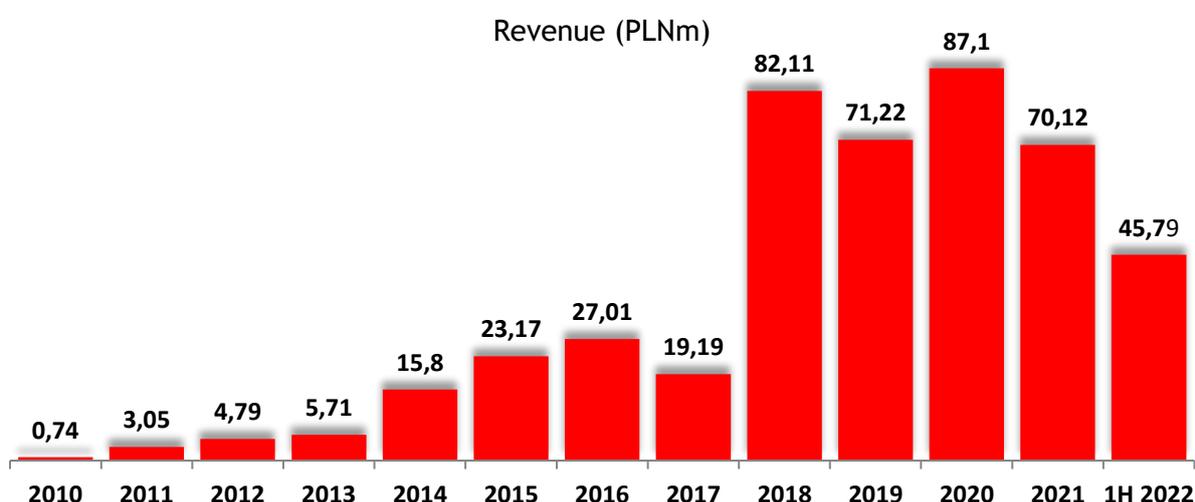
4.1. Statement of comprehensive income (PLN)

	6 months ended Jun 30 2022	6 months ended Jun 30 2021	Change y/y (%)
Continuing operations			
Revenue	45,796,806	35,778,291	27.93
Other income	52,952	63,804	(17.01)
Total operating income	45,822,758	35,842,095	27.85
Depreciation and amortisation	(3,072,760)	(5,264,855)	(41.64)
Raw materials and consumables used	(321,314)	(245,451)	30.91
Services	(18,060,902)	(8,965,013)	101.46
Salaries, wages and employee benefits	(6,763,391)	(5,826,415)	16.08
Taxes and charges	(169,186)	(138,075)	22.53
Other expenses	(4,018,058)	(906,527)	343.24
Total operating expenses	(32,405,611)	(21,346,336)	51.81
Operating profit	13,417,147	14,495,759	(7.44)
Interest income	67,742	4,232	1499.95
Other finance income	4,612,752	678,125	580.22
Finance costs	(215,164)	(181,784)	18.36
Share of profit/(loss) of associate	(76,559)	0	
Profit before tax	17,805,918	14,996,332	18.74
Income tax expense	(2,722,143)	(1,688,236)	61.24
NET PROFIT	15,083,775	13,308,096	13.34
Earnings per share (PLN):			
Basic	6.36	5.63	12.97
Diluted	6.26	5.53	13.20
NET PROFIT	15,083,775	13,308,096	13.34
Other comprehensive income	0	0	
TOTAL COMPREHENSIVE INCOME	15,083,775	13,308,096	13.34

In the six months ended June 30th 2022, 11 bit studios S.A. posted revenue of PLN 45,796,806, up 27.93% year on year, from PLN 35,778,291 earned in the corresponding period of 2021. The increase in revenue was mainly driven by consistent solid sales of all proprietary and third party (publishing division) games. Ongoing game sales were supported by very successful promotion and discount campaigns on major global distribution platforms. Particularly worth mentioning are the Winter Sale on Steam (end of 2021 and beginning of 2022), Midweek Madness on Steam (January 2022), Lunar Sale on Steam (February 2021), and Publisher Sale on Nintendo (February

2022). In the following months, significant sources of revenue included the Publisher Sale on Steam (in June 2022) and the Summer Sale on the same platform (also in June 2022). Furthermore, in the reporting period, the Company signed agreements with Microsoft to offer *This War of Mine: Final Cut* in Xbox Game Pass for Microsoft's new console, and with Sony to add *Frostpunk*, *Children of Morta* and *Moonlighter* to PlayStation Plus.

In the six months ended June 30th 2022, the revenue of 11 bit studios S.A. was also significantly affected by the sales campaign of *This War of Mine* in the period from February 24th to March 2nd 2022 (in response to Russian invasion of Ukraine), where entire revenue (PLN 3,676,405) was donated to the Ukrainian Red Cross. An agreement with Netflix for the placement of a mobile version of *Moonlighter* on this platform contributed even more to the Company's revenue level in the first half the year. It was the largest agreement (with a flat fee) ever signed by 11 bit studios S.A., and it increased the share of games from the publishing division to much as 42% of the Company's total revenue in the period, vs 27% in the comparative period.



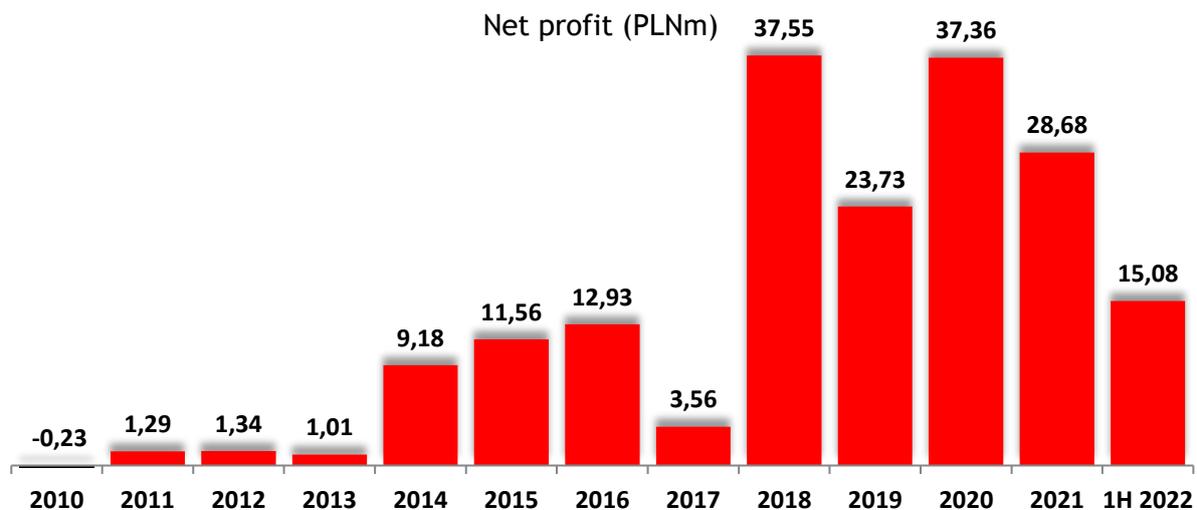
In the six months ended June 30th 2022, the Company made an effort to maintain a firm grip on operating expenses. In the six months, the expenses amounted to PLN 32,405,611, up 51.81% from PLN 21,346,334 the year before. The largest item of operating expenses in the six months ended June 30th 2022 was services. The item included commissions for third-party game developers to whom 11 bit studios S.A. provides publishing services. They totalled PLN 18,060,902, having grown by 101.46% year on year, driven by considerably higher revenue from the sale of third-party games, including specifically *Moonlighter* (as a result of the agreement with Netflix), as well as growing expenditure on preparations for the promotion of proprietary and third-party games which are to be released in subsequent periods. Other expenses were a major item of operating expenses (PLN 4,018,058 vs PLN 906,527 in the six months ended June 30th 2021), and included the PLN 3,664,435 donation to the Ukrainian Red Cross referred to above.

The year-on-year increase in revenue reported by 11 bit studios S.A. in the first six months of 2022, coupled with higher operating expenses, translated into a lower operating profit for the period. Operating profit came in at PLN 13,417,147, down 7.44% on the same period in 2021 (PLN 14,495,760), with operating profit margin at 29.13%, down from 40.51% the year before. In the first

six months of 2022, the Company's EBITDA came in at PLN 16,489,908, compared with PLN 19,760,614 in the reference period. EBITDA margin went down to 36.03%, from 55.23% in 2021.

Due to growing interest rates, solid cash reserves earned 11 bit studios S.A. an interest income of PLN 67,742, vs only PLN 4,232 in the previous year. Other finance income (PLN 4,612,752 vs PLN 678,125 in the previous year) came in even stronger. In the reporting period, this item included mainly income from the remeasurement of the Company's foreign currency surplus following depreciation of PLN against USD and EUR. Income from the remeasurement of financial assets, including notes issued by PKO Leasing and PKO Bank Hipoteczny, was also an important item of finance income in the first half of the year. In the six months ended June 30th 2022, finance costs rose by 18.36%, from PLN 181,784 the year before to PLN 215,164. This item comprised mainly interest expense on an investment credit facility taken out by the Company with PKO BP S.A. in late 2018. Net finance income/costs of 11 bit studios S.A. in the six months ended June 30th 2022 totalled a whopping PLN 4,465,330, a major increase (PLN 500,575) on the same period of 2021.

Thanks to the positive impact of financial transactions, 11 bit studios S.A.'s profit before tax reached PLN 17,805,919 in the first six months of 2022, vs PLN 14,996,332 a year earlier (up 18.74%). Tax on profit before tax for the six months ended June 30th 2022 was PLN 2,722,143, up 61.24% year on year.



As a result, the net profit of 11 bit studios S.A. for the reporting period came in at PLN 15,083,775, up 13.34% compared with PLN 13,308,096 reported for the same period last year. Net margin was 32.95%, having fallen from 37.19% in the comparative period. In the six months ended June 30th 2022, the (ordinary) net profit (EPS) per share of 11 bit studios S.A. increased to PLN 6.36 from PLN 5.63 in the previous year. The diluted net profit per share was PLN 6.26 and PLN 5.53, respectively.

4.2. Statement of financial position (PLN)

As at June 30th 2022, the Company's total assets amounted to PLN 242,514,237, up by 10.48% from PLN 219,512,964 as at December 31st 2021.

ASSETS

	As at Jun 30 2022	Share (%)	As at Dec 31 2021	Share (%)
NON-CURRENT ASSETS				
Property, plant and equipment	25,195,161	10.39	25,946,478	11.82
Intangible assets	77,540,504	31.97	59,137,637	26.94
Perpetual usufruct of land	4,253,217	1.75	4,281,361	1.95
Deferred tax assets	2,099,008	0.87	957,488	0.44
Other assets	124,680	0.05	99,081	0.05
Investment in Fool's Theory Sp. z o.o. (associate)	3,851,599	1.59	0	0
IRS – long-term portion	855,452	0.35	257,629	0.12
TOTAL NON-CURRENT ASSETS	113,919,621	46.79	90,679,674	41.31
CURRENT ASSETS				
Trade and other receivables	12,775,512	5.27	16,485,147	7.51
Income tax receivable	5,425,593	2.24	4,138,348	1.89
Other current assets	727,366	0.30	752,342	0.34
IRS – short-term portion	155,537	0.06	42,938	0.02
Cash and cash equivalents	38,580,337	15.91	26,748,530	12.19
Current financial assets	70,930,271	29.25	80,665,985	36.75
TOTAL CURRENT ASSETS	128,594,616	53.21	128,833,290	58.69
TOTAL ASSETS	242,514,237	100	219,512,964	100

EQUITY AND LIABILITIES

	As at Jun 30 2022	Share (%)	As at Dec 31 2021	Share (%)
EQUITY				
Share capital	238,014	0.10	236,692	0.11
Share premium	14,422,772	5.95	13,063,204	5.95
Statutory reserve funds	149,153,274	61.50	120,467,692	54.88
Share-based payment reserve	36,571,046	15.08	35,092,206	15.99
Retained earnings	14,875,692	6.13	28,477,497	12.97
TOTAL EQUITY	215,260,798	88.76	197,337,291	89.90
NON-CURRENT LIABILITIES				
Long-term borrowings and other debt instruments	6,930,000	2.86	7,560,000	3.44

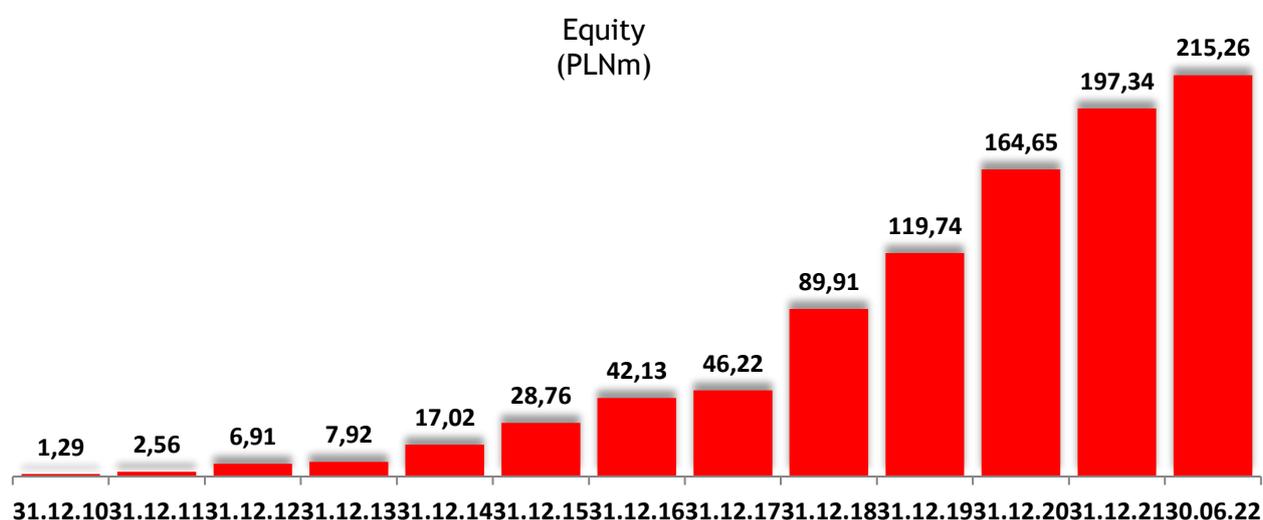
Deferred income	635,711	0.26	635,711	0.29
Long-term provisions	8,637	0.00	10,390	0.00
Lease liabilities - perpetual usufruct of land	752,805	0.31	755,245	0.34
Liability arising from acquisition of shares in associate	1,308,942	0.54	0	0
TOTAL NON-CURRENT LIABILITIES	9,636,095	3.97	8,950,956	4.08
CURRENT LIABILITIES				
Trade and other payables	3,984,810	1.64	2,332,995	1.06
Royalties payable	7,905,421	3.26	5,018,390	2.29
Contract liabilities	1,186,499	0.49	3,937,176	1.79
Short-term provisions	3,265,361	1.35	651,032	0.30
Short-term borrowings and other debt instruments	1,260,000	0.52	1,260,000	0.57
Lease liabilities - perpetual usufruct of land	15,253	0.01	14,734	0.01
TOTAL CURRENT LIABILITIES	17,617,344	7.26	13,214,327	6.02
TOTAL LIABILITIES	27,253,439	11.24	22,175,673	10.10
TOTAL EQUITY AND LIABILITIES	242,514,237	100.00	219,512,964	100

As at the end of June 2022, current assets represented the majority (53.03%) of the Company's total assets. From PLN 128,833,290 at the end of December 2021, current assets rose by 0.19% to PLN 128,594,615. Just like in previous periods, the largest item of the Company's current assets were current financial assets. In the reporting period they comprised conservative investment fund units and notes issued by PKO Leasing and PKO Bank Hipoteczny. Bank deposits with maturities of more than three months were also a minor contributor. As at the end of June 2022, the Company's current financial assets stood at PLN 70,930,271 (relative to PLN 80,665,985 at the end of 2021), that is 29.25% of total assets. Cash and cash equivalents stood at PLN 38,580,337 as at June 30th 2022, representing 15.91% of total assets. As at December 31st 2021, they amounted to PLN 26,748,530 (12.19%). Trade and other receivables of PLN 12,775,512 were also a material component of the Company's current assets. Six months earlier, their balance was 22.5% higher, at PLN 16,485,147.

As at the end of June 2022, the Company's non-current assets stood at PLN 113,919,621, compared with PLN 90,679,674 as at the end of December 2021. They increased 25.63% and accounted for 46.97% of total assets. At the end of 2021, this ratio stood at 41.13%. Intangible assets, the main component of non-current assets, amounted to PLN 77,540,504 (end of 2021: PLN 59,137,637). They increased by 31.12% and their share in the Company's total assets grew to 31.97% from 26.94% at the end of 2021. Intangible assets included mainly expenditure on ongoing development work, i.e. expenditure on *Frostpunk 2*, *The Alters*, *Projekt 8* as well as new games of the publishing division. This item additionally included partly amortised expenditure on products launched in earlier periods, including paid DLCs for *Frostpunk* released as part of the Season Pass,

Frostpunk for Mac, *This War of Mine* for the latest Sony and Microsoft consoles, and *Moonlighter* for mobile devices for Netflix. Another component of non-current assets, definitely smaller than intangible assets, was property, plant and equipment, valued at PLN 25,195,161 at the end of June 2022 (December 31st 2021: PLN 25,946,479). The largest item of the Company's non-current assets was the property located at ul. Brzeska 2 in Warsaw, which the Company purchased in late 2018 for its new office. As at the end of June 2022, the value of the property in the Company's statement of financial position was PLN 22,640,393, compared with PLN 22,991,270 as at the end of December 2021.

The most significant item of the Company's equity and liabilities was statutory reserve funds, which amounted to PLN 149,153,274 as at the end of June 2022, i.e. 61.50% of total equity and liabilities. As at the end of 2021, the respective figures were PLN 120,467,692 and 54.88%. Statutory reserve funds increased following the transfer of the Company's net profit for 2021. The decision to allocate the entire profit for 2021 (PLN 28,685,582) to statutory reserve funds was made by the shareholders at the General Meeting held on June 21st 2022. As at the end of June 2022, retained earnings were a significant component of the Company's equity and liabilities. At PLN 14,875,692, they accounted for 6.13% of total equity and liabilities. As at the end of 2021, retained earnings amounted to PLN 28,477,497 (12.97% of total equity and liabilities). A significant item of equity and liabilities of 11 bit studios S.A. as at June 30th 2022 (just like at the end of 2021) was the share-based payment reserve related to the Company's Incentive Scheme for 2017–2019. It amounted to PLN 36,571,046, representing 15.08% of total equity and liabilities. This compares with PLN 35,092,206 (15.99% of total equity and liabilities) as at the end of 2021.



As at June 30th 2022, the Company's total liabilities amounted to PLN 27,253,439, compared with PLN 22,175,673 as at the end of December 2021. They increased by 22.90% vs the end of 2021 and amounted to 11.24% of total equity and liabilities (June 30th 2021: 11.64%).

As at the end of June 2022, the Company's non-current liabilities stood at PLN 9,636,094, relative to PLN 8,961,346 as at December 31st 2021. The main item of non-current liabilities was a PLN 12,600,000 investment credit facility contracted by the Company with PKO BP at the end of 2018 to finance the purchase of the property at ul. Brzeska 2 in Warsaw (new office), which is being repaid in a timely manner. As at the reporting date, the Company's debt under the facility (long-term portion) was PLN 6,930,000, relative to PLN 7,560,000 as at December 31st 2021.

As at the end of June 2022, the Company's current liabilities stood at PLN 17,617,344, relative to PLN 13,214,327 at the end of 2021. They went up by 33.32% and accounted for 7.26% of total equity and liabilities (end of 2021: 6.02%). The increase in current liabilities was attributable, among other things, to higher trade payables (trade payables, accrued holiday entitlements and annual bonuses). At the end of the reporting period, they amounted to PLN 3,984,810 (1.64% of total assets), compared with PLN 2,332,995 (1.06%) as at the end of December 2021. An important component of the Company's current liabilities were royalties payable to third-party developers for sale of their games as part of publishing services provided by the Company. As at June 30th 2022, 11 bit studios S.A.'s debt under the royalties was PLN 7,905,421, compared with PLN 5,018,390 at the end of 2021. The change was attributable to high revenue earned by the Company from the sale of third-party games in the six months ended June 30th 2022, mainly of *Moonlighter*. Another important item (PLN 3,265,361) as at the end of June 2022 were short-term provisions, including provisions for annual bonuses.

4.3. Statement of cash flows (PLN)

	Period ended Jun 30 2022	Period ended Jun 30 2021
Cash flows from operating activities		
Profit for the financial year	15,083,775	13,308,096
Adjustments:		
Depreciation and amortisation	3,072,760	5,264,855
Income tax expense recognised in profit or loss	2,722,143	1,688,236
Remeasurement of intangible assets	25,600	(35,945)
Costs of the 2021-2025 Incentive Scheme	1,478,840	1,944,476
Other adjustments	771,626	(234,951)
Changes in working capital:		
Change in receivables	3,709,635	711,072
Change in other assets	(623)	26,229
Change in trade and other payables	1,651,815	(121,407)
Change in contract liabilities	(2,750,677)	0
Change in provisions	2,612,576	0
Change in deferred income	0	(59,997)
Cash provided by operating activities	28,377,470	22,490,664
Income tax paid	(4,296,698)	(1,967,081)
Net cash from operating activities	24,080,772	20,523,583

Cash flows from investing activities		
Loans to employees	(1,102,220)	1,647,604
Proceeds from redemption of financial assets	82,500,000	40,000,000
Acquisition of financial assets	(68,811,494)	(44,947,998)
New bank deposits placed – over 3 months	(2,000,000)	0
Acquisition of non-current financial assets (shares in associate Fool's Theory Sp. z o.o.)	(2,619,216)	0
Payments for property, plant and equipment and intangible assets	(20,749,907)	(12,686,711)
Net cash from investing activities	(12,782,837)	(15,987,105)
Cash flows from financing activities		
Proceeds from issue of shares	1,366,994	325,840
Proceeds/(repayments) under credit facility	(630,000)	(630,000)
Payment of interest on credit facility	(203,122)	(166,111)
Net cash from financing activities	533,872	(470,271)
Net increase /(decrease) in cash and cash equivalents	11,831,807	4,066,206
Cash at beginning of reporting period	26,748,530	24,134,649
CASH AT END OF REPORTING PERIOD	38,580,336	28,200,855

In the six months ended June 30th 2022, the Company generated cash flows from operating activities of PLN 28,377,470, i.e., 26.17% more than in the same period of 2021 (PLN 22,490,664). This result deserves appreciation as it was achieved in the absence of new product launches, which are an important contributor to financial performance. The impressive cash flows from operating activities were due to highly effective sales and promotional campaigns, as well as flat-fee agreements for the sale of products from the Company's portfolio executed with trading partners, for instance Microsoft, Sony or Netflix.

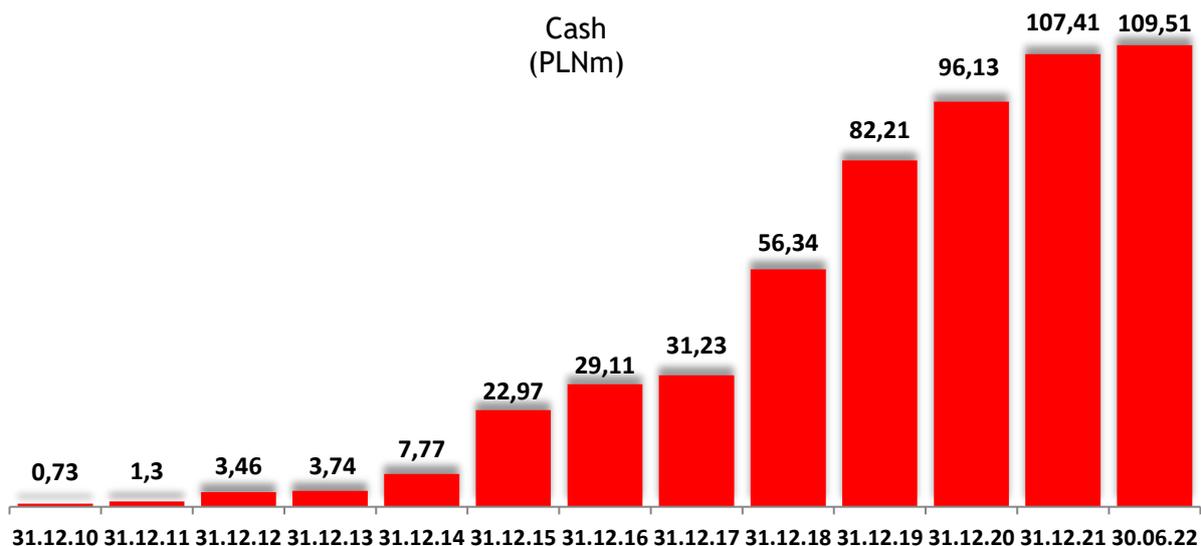
In the six months ended June 30th 2022, 11 bit studios S.A. paid PLN 4,296,698 in income taxes, up 118.43% year on year. Consequently, net cash provided by the Company's operating activities in the six months ended June 30th 2022 amounted to PLN 24,080,772 relative to PLN 20,523,583 generated in the same period last year. This means an increase of 17.33%.

The amount of cash used in investing activities in the six months ended June 30th 2022 was PLN 12,782,837, down from PLN 15,987,105 in the six months ended June 30th 2021. A major part of that amount was represented by financial investments (purchase of PKO Leasing and PKO Bank Hipoteczny notes, and new bank deposits), which were used by 11 bit studios S.A. to manage its cash resources. Payments for property, plant and equipment and intangible assets (mainly game development) were also an important expenditure item (PLN 20,749,907). In the six months ended June 30th 2021, they amounted to PLN 12,686,715, which means a year-on-year increase of 63.55%. In the first six months of 2022, the main source of cash from investing activities (PLN 82,500,000 vs PLN 40,000,000 in the comparative period) was proceeds from redemption of financial assets.

As in the previous year, the largest item of cash flows from financing activities in the six months to June 30th 2022 was payments related to the servicing of the 10-year investment credit facility with PKO BP, taken out by the Company in late 2018 to purchase the property at ul. Brzeska

2 in Warsaw. In the six months ended June 30th 2022, like in the reference period, 11 bit studios S.A. spent PLN 630,000 on principal repayments, and a further PLN 203,122 (six months ended June 30th 2021: PLN 166,111) on interest. Proceeds from issue of shares, i.e. Series G shares issued for the purposes of the 2017–2019 Incentive Scheme, contributed positively (PLN 1,366,994 vs PLN 325,840 the year before) to the balance of cash flows from financing activities. All in all, net cash from financing activities was PLN -533,872 (six months ended June 30th 2021: PLN -470,271).

As at June 30th 2022, the Company held cash and cash equivalents of PLN 40,580,337 in bank accounts (bank deposits with maturities of more than three months) vs PLN 26,748,530 at the end of 2021. This means an increase of 51.71% compared with December 31st 2021. It should also be noted that at the end of the reporting period, the Company held PLN 67,636,647 in investment fund units and commercial notes. As at the end of 2021, the value of such investments was PLN 80,475,972. Total cash resources available to 11 bit studios S.A as at June 30th 2022, including short-term employee loans, amounted to as much as PLN 109,510,608, having increased by 1.95% from PLN 107,414,514 at the beginning of 2022. By adding trade receivables of PLN 12,775,512 (PLN 16,485,147 as at the end of December 2021) to this amount, we obtain total financial assets of PLN 122,286,120 vs PLN 123,899,662 six months before.



4.4. Other information

4.4.1. Bank and non-bank borrowings in the six months ended June 30th 2022

In the six months ended June 30th 2022, the Company did not contract any new bank or non-bank borrowings. The Company's only liability of this kind is an investment credit facility with PKO BP S.A. (the agreement was signed in December 2018), described in detail in **Note 2.30**. As at March 30th 2022, the long-term portion of the facility was PLN 6,930,000 (end of 2021: PLN 7,560,000), while its short-term portion was PLN 1,260,000 (no change).

4.4.2. Loan advanced in the six months ended June 30th 2022

In the six months ended June 30th 2022, in accordance with Art. 245.1, 245.4 and 245.8 of the Commercial Companies Code and pursuant to Resolution No. 22/06/2020 of the Company's Annual General Meeting of June 9th 2020, the Company entered into a loan agreement with an employee to directly finance the acquisition of shares offered under the 2017–2019 Incentive Scheme. The loan amount was PLN 1,269,000. As at the end of the reporting period, the outstanding loan amount (including interest) was PLN 1,293,624.

In the reporting period, the Company also entered into a PLN 10,000 loan agreement with an employee to finance their own needs. As at June 30th 2022, the outstanding loan amount (including a similar loan advanced in 2021), including interest, totalled PLN 23,132.

4.4.3. Sureties and guarantees provided in the six months ended June 30th 2022 and other material off-balance-sheet items

The Group did not provide any sureties or guarantees in the six months ended June 30th 2022, neither did it have any material off-balance-sheet items other than those listed in **Note 2.39**.

4.4.4. Information on branch offices and establishments

As at June 30th 2022, 11 bit studios S.A. held shares representing 40% of the share capital of Fool's Theory Sp. z o.o. (associate). As at June 30th 2022, 11 bit studios S.A. had no subsidiaries, interests in joint ventures, branch offices or establishments.

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

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

4.4.6. Description and assessment of factors and non-recurring events with a bearing on the results of the Group's operations in the six months ended June 30th 2022

In the six months ended June 30th 2022, there were no events of a non-recurring nature (except as described in **Note 2.42**.) which would affect results of the Company's operations.

4.4.7. Explanation of differences between financial results disclosed in the full-year report and previously published financial forecasts for the six months ended June 30th 2022

The Company did not publish any financial forecasts for the six months ended June 30th 2022.

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

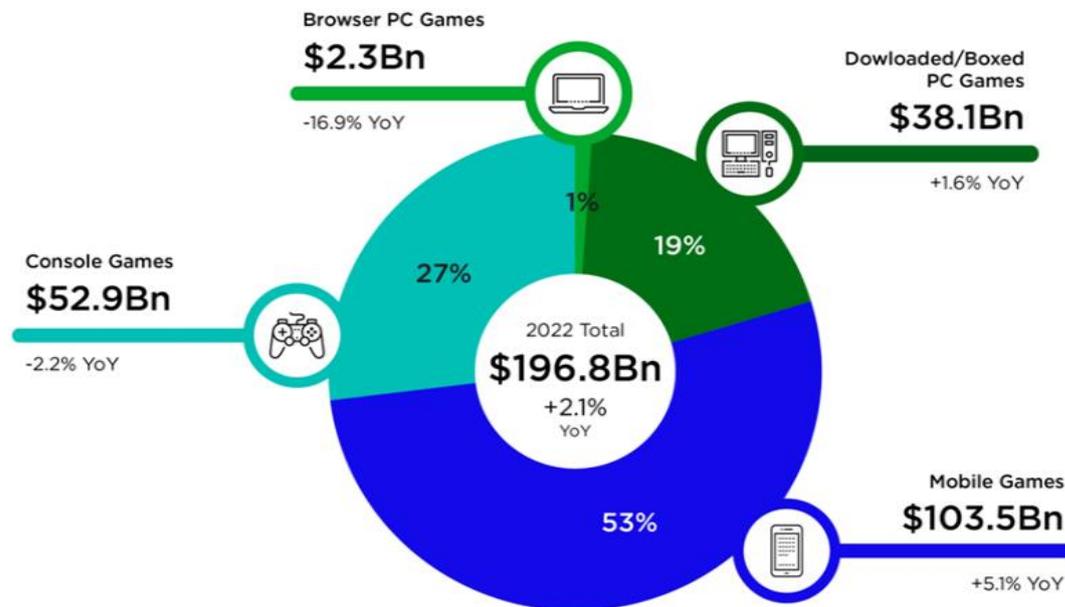
5.1. Description of the market in which the Company operates

11 bit studios S.A. is a part of the global video game market. For many years now, video games have been the fastest growing segment of the entertainment industry, the value of the gaming market being already greater than that of the film and music markets. In 2021, according to the estimates of Newzoo, a Dutch provider of games analytics, the global video games market was valued at USD 180.3bn, an increase of 1.4% compared with the previous year, when it was worth USD 177.8bn. The low growth rate compared with previous years was mainly attributable to the high comparison base of 2020, when – during COVID-19lockdowns – gamers stayed at home and had much more free time to spend on their favourite form of entertainment.



2022 Global Games Market

Per Segment With Year-on-Year Growth Rates



Source: ©Newzoo | Global Games Market Report | July 2022
newzoo.com/globalgamesreport

Newzoo’s growth forecasts for the gaming market for 2022 (chart above) are equally conservative. According to experts, sales of games in 2022 will increase 2.1% year on year, reaching USD 196.8bn, and the number of gamers will exceed 3.2bn globally.

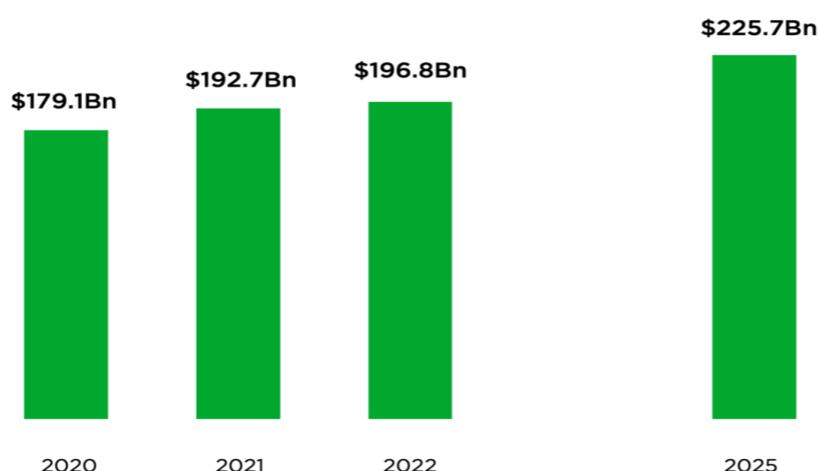
In 2022, the sharpest year-on-year drop in sales will be seen in the console games segment – it is expected to contract by 2.2%, to USD 52.9bn, accounting for 27% of the entire global gaming market. The Newzoo analysts explain this by pointing to factors such as limited availability of new models of Sony and Microsoft consoles in stores, as their manufacturers, due to the shortage of key components, e.g., semiconductors, fail to keep up with demand. The lower-than-assumed number of new consoles will also drag down sales of games for those platforms. The situation is further aggravated by delayed launches of the largest, high budget AAA games that drive the growth of the entire video games industry. According to Newzoo, the delays are partly due to remote work, as the largest game developers switched to this work model during the COVID-19 pandemic. Newzoo predicts that in 2021 the PC games segment will be worth USD 38.1bn, that is 1.6% more year on year, accounting for 19% of the entire video games market. The sharpest decline in 2022 will be seen in web browser games (down 16.9% year on year, to USD 2.3bn) as their fans have for years been switching over to the mobile games segment.

Traditionally, as in previous years, the growth of the global gaming market will be driven by the mobile games segment, i.e. tablet and smartphone games. According to Newzoo, in 2022 this segment will be worth as much as USD 103.5bn, which means that for the first time ever mobile games will account for more than a half of the entire global video games market. The strong growth of the mobile device games segment is driven by a sharp increase in the number smartphones used globally and the fact that games dedicated to such devices are sold at low prices or offered



Global Games Market Forecast

Forecast Toward 2025



Source: ©Newzoo | Global Games Market Report | July 2022
newzoo.com/globalgamesreport

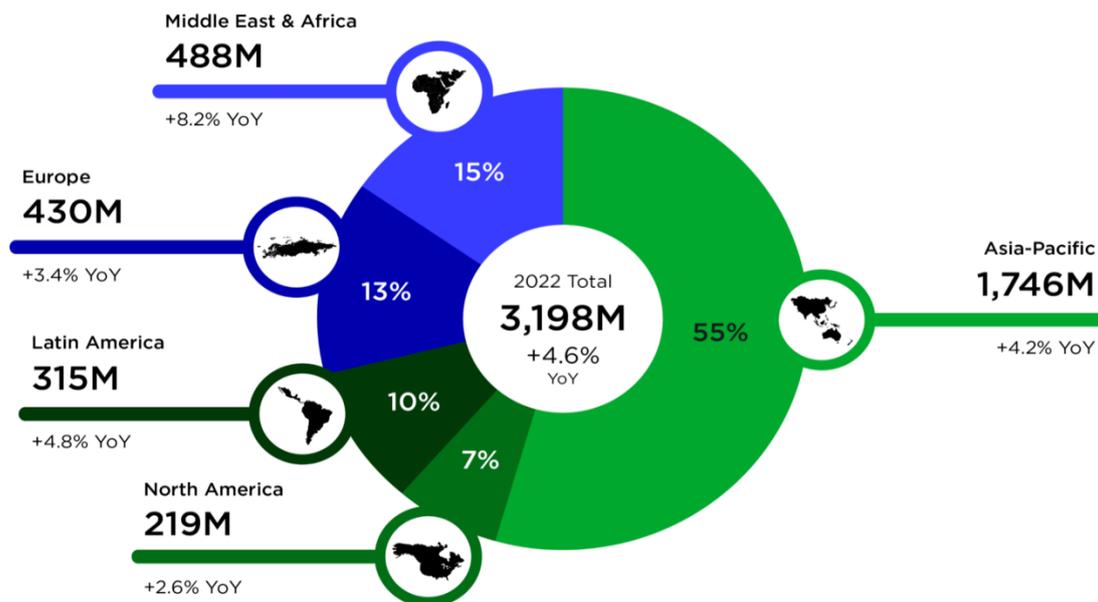
in the F2P (free to play) model. This means a low entry barrier to the world of games for a person who has never been interested in this type of entertainment.

Newzoo forecasts for the coming years are much more optimistic than for 2022. Analysts of the Dutch market intelligence provider expect that the gaming industry will be back on a fast growth track in the years to come. They predict that the average growth rate (CAGR) of the industry in 2020–2025 will reach 4.7%. This means that by 2025 the value of the sector will rise by USD 225.7bn, fuelled, among other things, by a rapidly growing gaming community. As mentioned before, Newzoo projects that in 2022 the number of people who play video games will reach almost 3.2bn. To compare, in 2020 it stood at 2.88bn, and in 2021 – close to 3.06bn. Experts believe that in 2022 mobile games will attract 2.67bn users. 603m players will choose console games and 1.04bn people will opt for PC games.



2022 Global Players

Per Region With Year-on-Year Growth Rates



Source: ©Newzoo | Global Games Market Report | July 2022
newzoo.com/globalgamesreport

Based on Newzoo data, the Asia-Pacific region – including in particular China, which outranked the US a few years ago – will be once again the world’s most important gaming market in 2022. The region will account for more than a half of the global gaming market. According to Newzoo, the robust performance of Asian markets, both in 2022 and in previous years, will stem from the fact that customers in Asia tend to choose games for mobile devices and this sector not only managed to sail through the COVID-19 crisis, but was also given an additional boost. Experts expect that in 2022 gamers from Asia will represent as much as 55% of the entire global gaming community.

Newzoo believes that North America, or more precisely the United States, will continue to be the world's second largest gaming market in 2022. According to experts, in 2021 US fans will spend over USD 51.3bn on video games, that is 0.5% more than the year before. This marginal increase will be caused by poor performance of the console games segment, which accounts for the better part of the US market. In 2022, the number of gamers in North America will reach 219m, up 2.6% year on year. Performance of Europe's gaming market in 2022 will be equally stagnant, slightly shy of the 2021 results. Newzoo expects that it will shrink by 0.03% year on year and will be worth USD 34.1bn. However, Europe's gaming community will grow by 3.4%, to 430m people.

5.2. Growth prospects

11 bit studios S.A. is a producer of cross-platform video games sold all over the world, mainly through specialised online platforms, with Steam in the lead. Export sales accounted for nearly 98.11% of the Company's total revenue in the six months ended June 30th 2022 (H1 2021: 97.66%).

The long-term objective of 11 bit studios S.A. is to grow much faster than the entire video games market (for a description and forecasts for the global video games market, see **Note 5.1.**), which has been the fastest growing segment of the entertainment industry for a number of years. The success of *This War of Mine* and *Frostpunk* consolidated the Company's position as one of the leading developers in the indie (independent) segment of the gaming industry. The Company's strategy assumes production of ever larger, and thus ever more costly, games (but with a greater commercial potential) and thus a gradual exit from the indie segment.

Over the next few quarters, 11 bit studios S.A.'s performance will be determined chiefly by future sales of *Frostpunk* and paid DLCs offered for this title as part of the Season Pass. It will be supported by the sale of other games from our proprietary portfolio, led by *This War of Mine*, and from the publishing portfolio, mainly *Moonlighter* and *Children of Morta*.

In the longer term, 11 bit studios S.A.'s financial results will be driven by the releases of new games in the proprietary (*Frostpunk 2*, *The Alters* and *Project 8*) and publishing portfolios. As at the issue date of this report, the pipeline of games created by third-party development teams consisted of four items. The total production budget of the three proprietary games is approximately PLN 110m. To compare, the production budget of *Frostpunk* (PC version) was below PLN 10m. The teams working on each of the games consist of more than 70, approximately 45 and over 40 people, respectively, and are being steadily expanded. This is in line with the Company's medium-term strategy for the next few years, which is to have three in-house development teams, comparable in size (each approximately 60–80 people strong). Assuming a production cycle of about three to four years for each game, with three teams 11 bit studios S.A. would be able to release one proprietary title a year.

In the coming quarters and years, the Company's performance will also be materially supported by the publishing division. In the last quarters, the Company focused on significant strengthening and expanding of the potential of the publishing team (appointment of Marek Ziemak, Head of the Publishing Division, as Member of the Management Board demonstrates the importance of this line of business) and compounded its efforts to acquire new products for the publishing portfolio. The publishing portfolio of 11 bit studios S.A. currently consists of four

projects. The first of the agreements provides for publishing a game with a working (code) name of *Vitriol*, produced by the Fool's Theory studio of Bielsko-Biała. The producer of the next game, *Botin* (code name) is Digital Sun Games of Spain, the studio behind the development of *Moonlighter*. The third game, with a code name of *Ava*, is being developed by a Spanish studio Chibig. In the second quarter of 2022, 11 bit studios S.A. announced that it had signed an agreement with Kraków-based Starward Industries for the release of *The Invincible*, a game inspired by Stanisław Lem's book of the same name. As at the issue date of this report, the Company's total liabilities under publishing agreements were: PLN 7,045,315, EUR 3,057,264 and USD 85,378.

It is 11 bit studios S.A.'s intention to rapidly expand the publishing portfolio in order to implement its medium-term (a few years') strategy that provides for releasing three to four third-party developed games each year. To achieve this goal, the Company intends to sign at least two new publishing agreements by the end of 2022, where its total capital exposure may potentially reach up to PLN 50m.

An element which also may have a material bearing on the Company's performance in the future is planned acquisitions, designed to expand and strengthen the capabilities and market position of 11 bit studios S.A. On February 28th 2022, the Company announced the acquisition of 40% of shares in Fool's Theory Sp. z o.o. (the producer of *Vitriol*, to be published by 11 bit studios S.A.). After the end of the reporting period, on July 29th 2022, 11 bit studios S.A. announced the acquisition of 75,000 new Series J shares in Starward Industries and the acquisition of further 25,000 new shares in that company from Marek Markuszewski, its CEO.

As at the issue date of the financial statements, the Company was holding talks with several other entities, which were at various stages of advancement. Potential transactions will preferably be financed with internally generated funds. However, the Company does not exclude other acquisition financing models.

5.3. External and internal drivers of the Company's growth

11 bit studios S.A. operates on international markets. Therefore, in addition to local factors, its strategy and financial performance are influenced by global economic and political developments, including macroeconomic ones, as well as tax regulations and the legal environment. For a detailed discussion of major external and internal factors that may adversely affect the Company's operations, see **Note 5.16** to the Directors' Report on the operations of 11 bit studios S.A. in 2021, which is a part of 11 bit studios S.A. annual report for 2021.

The ongoing technological and market changes in the video gaming industry are also of crucial importance to the Company. This applies to the production, distribution and sales of games. The Company believes that the most significant change is the growth in sales of games via electronic channels (replacing sales via traditional channels) and the rapidly developing segment of mobile games. An important trend, closely monitored by the Company, involves initiatives to develop the game streaming market and to offer such games in the subscription model, pursued by major IT equipment manufacturers and technology firms. Another factor with a potentially strong impact on the growth of 11 bit studios S.A. is the increasing competition between electronic platforms that

distribute digital games, one effect of which, positive for 11 bit studios S.A., is lower commission fees charged from game producers and publishers for sales through this channel.

Among the internal factors relevant to the development of 11 bit studios S.A. one should point to the diversification of activities and sources of income. In addition to the production of games, since 2014 the Company has also been engaged in their publishing. Publishing activities are expected to increasingly contribute to the Company's financial performance by the year. In the game development area, in the six months ended June 30th 2022 the Company continued to expand its development assets, which will enable it to ultimately own multiple product lines (brands – IP) and thus increase the frequency of game releases. With three development teams and several product lines, the 11 bit studios S.A. will be able to optimise and better utilise its production resources and stabilise its performance.

5.4. Feasibility of investment plans

As at June 30th 2022, the Company's cash in hand and at banks (cash and cash equivalents) amounted to PLN 38,580,337. As at the end of 2021, it was PLN 26,748,530. As at the end of June 2022, 11 bit studios S.A. also held PLN 67,636,647 (PLN 80,475,972 as at the end of 2021) invested in financial assets, including PLN 10,206,422 in investment fund units (PLN 10,071,799 six months earlier) and, respectively, PLN 57,430,225 and PLN 70,404,173 in PKO Leasing and PKO BP Bank Hipoteczny notes. Bank deposits with maturities of more than three months amounted to PLN 2,000,000. As at December 31st 2022, the Company did not hold any such deposits. This means that the Company's cash resources as at June 30th 2022 (including short-term employee loans) totalled PLN 122,286,120, compared with PLN 123,493,662 at year-end 2021. In addition, the Company had PLN 12,775,512 in trade receivables (end of 2021: PLN 16,079,147). The total value of 11 bit studios S.A.'s financial assets reported as at June 30th 2022 (including an IRS hedging the credit facility contracted with PKO BP S.A.) was PLN 123,297,108 (December 31st 2021: PLN 123,794,229),

The total value of liabilities (current and non-current) was PLN 27,253,439 as at June 30th 2022, compared with PLN 22,175,673 as at the end of 2021. Of that amount, PLN 8,190,000 was attributable to the credit facility contracted with PKO BP at the end of 2018 to purchase the property at ul. Brzeska 2 in Warsaw, which has been home to the Company's headquarters since March 2020. As at the end of 2021, the facility was valued at PLN 8,820,000.

With the large cash resources, far exceeding its liabilities, the Company should be able to finance its day-to-day operations and planned growth investments (development of games and expansion of the publishing division) with its own funds at least in the next few quarters, and does not need to use external funding (including funds raised on the capital market) or funds provided by trading partners (game publishers and distributors). However, the Company does not rule out such an option. The Company does not plan to use external financing in 2022.

5.5. Management Board's representation

We hereby represent that this half-year report of 11 bit studios S.A. for the six months ended June 30th 2022 comprises the letter from the President of the Management Board, financial highlights, financial statements and Directors' Report on the operations of 11 bit studios S.A. in the six months ended June 30th 2021.

We represent that, to the best of our knowledge, the financial statements and the comparative financial data have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and that they give a clear, true and fair view of the Company's assets, financial position and financial performance, and that the Directors' Report on the Company's operations in the six months ended June 30th 2022 gives a fair view of the Company's development, achievements and position and describes the key risks and threats.

Based on a representation of the Supervisory Board, the Management Board of 11 bit studios S.A. hereby states that:

- The audit firm which reviewed the condensed interim financial statements of 11 bit studios S.A. for the six months ended June 30th 2022 was appointed in accordance with applicable laws, including regulations governing the selection of an audit firm and the relevant selection procedure;
- the audit firm and members of the team who reviewed the financial statements met the conditions required to issue a report on the review of the financial statements, in accordance with applicable laws, professional standards and rules of ethics;
- 11 bit studios S.A. complied with applicable laws and regulations concerning the required rotation of audit firms and lead statutory auditors, as well as the mandatory grace periods;
- 11 bit studios S.A. has a policy in place for the selection of an audit firm and for the provision of additional non-audit services to the Company by the audit firm, its associate or member of its network, including services conditionally exempted from the prohibition of providing non-audit services by the audit firm.

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

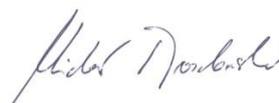
Signed by:



Przemysław Marszał
President of the
Management Board



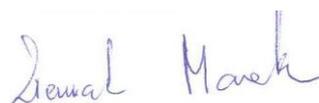
Grzegorz Miechowski
Member of the
Management Board



Michał Drozdowski
Member of the
Management Board



Paweł Feldman
Member of the
Management Board



Marek Ziemak
Member of the
Management Board

Warsaw, September 29th 2022