

WARSAW, November 17th 2022



**QUARTERLY REPORT OF  
11 BIT STUDIOS S.A.  
FOR NINE MONTHS ENDED  
SEPTEMBER 30TH 2022**

# LETTER FROM THE MANAGEMENT BOARD

Warsaw, November 17th 2022

**Dear Shareholders and Investors,**

We present to you the report of 11 bit studios S.A. for the nine months ended September 30th 2022.

During the period, our Company delivered PLN 59.58 million in revenue (up by 21.11% year on year), and earned an operating profit of nearly PLN 16 million (down by 13.15%) and a net profit of PLN 19.97 million (up by 14.76% year on year). In the three months ended September 30th 2022 alone, revenue reached PLN 13.81 million (2.94% more than in the reference period), operating profit was PLN 2.58 million (down by 34.25%), and net profit came in at PLN 4.88 million (an improvement of almost 19.36%). We must admit that we are very pleased with these results as they have exceeded our somewhat conservative projections for 2022. We also wish to point out that a material item contributing to the Company's net profit for the first nine months of 2022 was finance income on financial assets (remeasurement of the assets and interest on bank deposits). It amounted to PLN 7.86 million, compared with PLN 1.59 million in the reference period. Other noteworthy figures reported by 11 bit studios include an operating cash flow of more than PLN 36.79 million for the period from January to September 2022 and PLN 111.27m in financial assets (cash and cash equivalents, financial instruments, trade and tax receivables) as at September 30th 2022. The Company's total liabilities as at the reporting date stood at PLN 24.97 million.

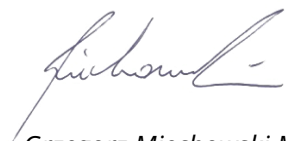
As in prior periods, 11 bit studios' robust financial performance in the nine months ended September 30th 2022 follows from the successful monetisation of its entire portfolio of proprietary games, notably *Frostpunk* and *This War of Mine* (which celebrated its eighth anniversary of the first release a few days ago). The contribution of the publishing portfolio was also significant. Revenue from *Moonlighter* (made available on the Netflix platform in the second quarter of this year), *Children of Morta*, *South of the Circle* (released in August), and other third-party developed games accounted for approximately 39% of the Company's total revenue in the period (25% the year before). We are therefore delighted with how our publishing house is growing and are similarly pleased with the equity investments we recently completed as previously announced. In 2022, 11 bit studios made a decision to acquire a 40% equity interest in Fool's Theory, the producer of a game under the working title *Vitriol*, and 5.1% of shares in Starward Industries, the studio developing *The Invincible*, which is slated for release in 2023. 11 bit studios will be the publisher of both titles. The Company's disclosed publishing portfolio further includes *Ava* and *Botin* (working titles).

11 bit studios has largely been focused on developing three new proprietary games, namely *Frostpunk 2*, *The Alters* (its the marketing campaign was launched in the third quarter), and *Project 8* (working title). In the case of this last title, the production is back on track despite some previous headwinds. Accordingly, the Company is consistently increasing its headcount, including expanding its game development teams, as well as strengthening its business development, publishing and marketing departments in order to better meet the challenges lying ahead of it, not only those related to new game releases. These efforts have translated into increased spending on the development of games in the Company's proprietary and publishing portfolios. In the first three quarters of 2022 alone, it amounted to PLN 34.26 million, that is 65.67% more than in the same period of 2021. A further growth in such expenditure should be expected in the periods to come, which is in line with the Company's medium-term plans and long-term strategy.

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



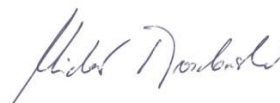
*Przemysław Marszał President  
of the Management Board*



*Grzegorz Miechowski Member  
of the Management Board*



*Paweł Feldman Member  
of the Management Board*



*Michał Drozdowski Member  
of the Management Board*



*Marek Ziemak Member of  
the Management Board*

# 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 September 30th 2022 – **PLN 4.8698**
- Exchange rate as at December 31st 2021 – **PLN 4.5994**

Items of the statement of comprehensive income 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 period from January 1st to September 30th 2022 – **PLN 4.6880**,
- Exchange rate for the period from January 1st to September 30th 2021 – **PLN 4.5585**.

## Statement of financial position

	Sep 30 2022 (PLN)	Sep 30 2022 (EUR)	Dec 31 2021 (PLN)	Dec 31 2021 (EUR)
<b>Total assets</b>	<b>245,847,176</b>	<b>50,484,040</b>	<b>219,512,964</b>	<b>47,726,435</b>
Non-current assets	126,346,368	25,944,878	90,679,674	19,715,544
Current assets	119,500,808	24,539,161	128,833,290	28,010,891
<b>Total equity and liabilities</b>	<b>245,847,176</b>	<b>50,484,040</b>	<b>219,512,964</b>	<b>47,726,435</b>
Equity	220,876,521	45,356,384	197,337,291	42,905,007
Non-current liabilities	9,362,139	1,922,489	8,961,346	1,948,373
Current liabilities	15,608,516	3,205,166	13,214,327	2,873,055

## Statement of profit or loss

	Period ended Sep 30 2022 (PLN)	Period ended Sep 30 2022 (EUR)	Period ended Sep 30 2021 (PLN)	Period ended Sep 30 2021 (EUR)
Revenue	59,582,490	12,709,575	49,196,100	10,792,168
Depreciation and amortisation	4,567,347	974,263	7,127,385	1,563,537
<b>Operating profit</b>	<b>15,996,697</b>	<b>3,412,265</b>	<b>18,419,215</b>	<b>4,040,631</b>
EBITDA*	20,564,044	4,386,528	25,546,600	5,604,168
Profit (loss) before tax	23,328,225	4,976,157	19,694,655	4,320,425
<b>Net profit (loss)</b>	<b>19,965,078</b>	<b>4,258,762</b>	<b>17,397,796</b>	<b>3,816,562</b>

\* - Operating profit before depreciation and amortisation.

## Statement of cash flows

	Period ended Sep 30 2022 (PLN)	Period ended Sep 30 2022 (EUR)	Period ended Sep 30 2021 (PLN)	Period ended Sep 30 2021 (EUR)
Net cash from operating activities	36,789,655	7,847,623	35,765,527	7,845,898
Net cash from investing activities	(40,905,637)	(8,725,605)	(21,120,989)	(4,693,701)
Net cash from financing activities	62,323	13,294	(689,457)	(151,246)
Total net cash flows	(4,053,660)	(864,688)	13,955,081	3,061,332

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**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**OF 11 BIT STUDIOS S.A.**

**FOR NINE MONTHS ENDED  
SEPTEMBER 30TH 2022**



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

## 1.1. Interim statement of comprehensive income (PLN)

	Note	9 months ended Sep 30 2022( <i>unaudited</i> )	9 months ended Sep 30 2021( <i>unaudited</i> )	3 months ended Sep 30 2022 ( <i>unaudited</i> )	3 months ended Sep 30 2021 ( <i>unaudited</i> )
<b>Continuing operations</b>					
Revenue	2.10	59,582,490	49,196,100	13,812,683	13,417,809
Other income	2.11.1	78,990	226,783	26,038	162,979
<b>Total operating income</b>		<b>59,661,480</b>	<b>49,422,883</b>	<b>13,838,721</b>	<b>13,580,788</b>
Depreciation and amortisation	2.12	(4,567,347)	(7,127,385)	(1,494,589)	(1,862,533)
Raw materials and consumables used		(475,875)	(375,494)	(154,561)	(130,041)
Services	2.13	(23,803,073)	(13,052,866)	(5,742,172)	(4,087,853)
Salaries, wages and employee benefits	2.14	(9,999,334)	(8,938,472)	(3,235,942)	(3,112,057)
Taxes and charges		(261,861)	(218,770)	(92,675)	(80,695)
Other expenses	2.11.2	(4,557,293)	(1,290,681)	(539,234)	(384,154)
<b>Total operating expenses</b>		<b>(43,664,783)</b>	<b>(31,003,668)</b>	<b>(11,259,173)</b>	<b>(9,657,333)</b>
<b>Operating profit</b>		<b>15,996,697</b>	<b>18,419,215</b>	<b>2,579,548</b>	<b>3,923,455</b>
Interest income	2.15	356,820	12,196	289,078	7,962
Other finance income	2.15	7,508,784	1,582,374	2,896,033	904,250
Finance costs	2.16	(377,599)	(319,130)	(162,435)	(137,346)
Share of profit/(loss) of associate		(156,477)	-	(79,918)	-
<b>Profit before tax</b>		<b>23,328,225</b>	<b>19,694,655</b>	<b>5,522,306</b>	<b>4,698,321</b>
Income tax expense	2.17	(3,363,147)	(2,296,859)	(641,004)	(608,623)
<b>NET PROFIT</b>		<b>19,965,078</b>	<b>17,397,796</b>	<b>4,881,301</b>	<b>4,089,698</b>
<b>Earnings per share (PLN):</b>					
Basic	2.18	8.40	7.36	2.05	1.72
Diluted	2.18	8.29	7.23	2.03	1.70
<b>NET PROFIT</b>		<b>19,965,078</b>	<b>17,397,796</b>	<b>4,881,301</b>	<b>4,089,698</b>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>19,965,078</b>	<b>17,397,796</b>	<b>4,881,301</b>	<b>4,089,698</b>

The attached information on pages 15 to 57 forms an integral part of these condensed financial statements.

## 1.2. Interim statement of financial position (PLN)

### ASSETS

	Note	As at Sep 30 2022 <i>(unaudited)</i>	As at Dec 31 2021 <i>(audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	2.19	25,170,000	25,946,479
Intangible assets	2.20	89,478,400	59,137,637
Perpetual usufruct of land		4,239,148	4,281,361
Deferred tax assets	2.17	1,121,409	957,488
Other non-current assets	2.27	186,722	99,080
Investments in associates	2.23	3,812,330	-
Long-term investments	2.24	1,543,750	-
Financial instruments (IRS) – long-term portion		794,609	257,629
<b>Total non-current assets</b>		<b>126,346,368</b>	<b>90,679,674</b>
<b>Current assets</b>			
Trade and other receivables	2.21	7,325,713	16,485,147
Income tax receivable	2.22	3,008,229	4,138,348
Unregistered shares in Starward Industries S.A. receivable		4,631,250	-
Other current assets	2.26	1,448,317	752,342
Financial instruments (IRS) – short-term portion		151,354	42,938
Cash and cash equivalents	2.28	22,694,870	26,748,530
Current financial assets		80,241,075	80,665,985
<b>Total current assets</b>		<b>119,500,808</b>	<b>128,833,290</b>
<b>TOTAL ASSETS</b>		<b>245,847,176</b>	<b>219,512,964</b>

The attached information on pages 15 to 57 forms an integral part of these condensed financial statements.

## EQUITY AND LIABILITIES

	Note	As at Sep 30 2022 <i>(unaudited)</i>	As at Dec 31 2021 <i>(audited)</i>
<b>Equity</b>			
Share capital	2.29	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		37,305,468	35,092,206
Retained earnings		19,756,993	28,477,497
<b>Total equity</b>		<b>220,876,521</b>	<b>197,337,291</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings and other debt instruments	2.31	6,615,000	7,560,000
Deferred income	2.36	635,711	635,711
Long-term provisions	2.34.2	9,997	10,390
Lease liabilities - perpetual usufruct of land		751,840	755,245
Liabilities arising from investments in associates		1,349,591	-
<b>Total non-current liabilities</b>		<b>9,362,139</b>	<b>8,961,346</b>
<b>Current liabilities</b>			
Trade and other payables		4,075,695	2,332,995
Short-term provisions	2.34.1	4,146,025	651,032
Royalties payable		4,930,369	5,018,390
Contract liabilities	2.33	1,181,170	3,937,176
Short-term borrowings and other debt instruments	2.31	1,260,000	1,260,000
Lease liabilities - perpetual usufruct of land		15,257	14,734
<b>Total current liabilities</b>		<b>15,608,516</b>	<b>13,214,327</b>
<b>Total liabilities</b>		<b>24,970,655</b>	<b>22,175,673</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>245,847,176</b>	<b>219,512,964</b>

The attached information on pages 15 to 57 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
<b>As at Jan 1 2022</b>	<b>236,692</b>	<b>13,063,204</b>	<b>120,467,692</b>	<b>35,092,206</b>	<b>28,477,497</b>	<b>197,337,291</b>
Net profit for the financial year	-	-	-	-	19,965,078	19,965,078
Other comprehensive income for the financial year (net)	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	<b>19,965,078</b>	<b>19,965,078</b>
Allocation of profit to statutory reserve funds	-	-	28,685,582	-	(28,685,582)	-
Recognition of series G share-based payments*	1,322	1,359,568	-	-	-	1,360,890
Recognition of costs of the 2021-2025 Incentive Scheme	-	-	-	2,213,262	-	2,213,262
<b>As at Sep 30 2022 (unaudited)</b>	<b>238,014</b>	<b>14,422,772</b>	<b>149,153,274</b>	<b>37,305,468</b>	<b>19,756,993</b>	<b>220,876,521</b>

\* Net of the cost of issue of Series G shares of PLN 6,893.

The attached information on pages 15 to 57 forms an integral part of these condensed financial statements.



### Comparative data for the period Jan 1 2021 – Sep 30 2021

	Share capital	Share premium	Statutory reserve funds	Share-based payment reserve	Retained earnings	Total
<b>As at Jan 1 2021</b>	<b>236,055</b>	<b>12,407,633</b>	<b>87,152,664</b>	<b>31,744,829</b>	<b>33,106,943</b>	<b>164,648,124</b>
Net profit for the financial year	-	-	-	-	17,397,796	17,397,796
Other comprehensive income for the financial year (net)	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	<b>17,397,796</b>	<b>17,397,796</b>
Allocation of profit to statutory reserve funds	-	-	33,315,028	-	(33,315,028)	-
Recognition of series G share-based payments*	487	501,481	-	-	-	501,968
Recognition of costs of the 2021-2025 Incentive Scheme	-	-	-	2,916,714	-	2,916,714
<b>As at Sep 30 2021 (unaudited)</b>	<b>236,542</b>	<b>12,909,114</b>	<b>120,467,692</b>	<b>34,661,543</b>	<b>17,189,711</b>	<b>185,464,602</b>

\* Net of the cost of issue of Series G shares of PLN 2,250.

The attached information on pages 15 to 57 forms an integral part of these condensed financial statements.

## 1.4. Interim statement of cash flows (PLN)

	Note	Period ended Sep 30 2022 (unaudited)	Period ended Sep 30 2021 (unaudited)
<b>Cash flows from operating activities</b>			
<b>Profit for reporting period</b>		<b>19,965,078</b>	<b>17,397,796</b>
<b>Adjustments:</b>			
Depreciation and amortisation	2.12	4,567,347	7,127,388
Income tax expense recognised in profit or loss	2.17.1	3,363,147	2,296,859
Remeasurement of intangible assets		87,642	(40,420)
Remeasurement of non-financial assets (deferred tax)		593,393	-
Costs of the 2021–2025 Incentive Scheme	2.37.2	2,213,262	2,916,714
Other adjustments		712,462	172,338
<b>Changes in working capital:</b>			
Change in trade and other receivables		4,528,185	4,602,145
Change in other assets		(783,617)	18,521
Change in trade and other payables		1,654,681	(1,372,116)
Increase/(decrease) in net contract assets/liabilities		(2,756,006)	-
Change in provisions		3,494,600	-
Change in deferred income		-	(59,997)
<b>Cash provided by operating activities</b>		<b>37,640,174</b>	<b>33,059,228</b>
Income tax paid		(850,519)	2,706,299
<b>Net cash from operating activities</b>		<b>36,789,655</b>	<b>35,765,527</b>
<b>Cash flows from investing activities</b>			
Loans to employees		(1,118,220)	275,245
Proceeds from redemption of financial assets		112,500,000	-
Acquisition of financial assets		(95,361,571)	(70,873,469)
New bank deposits placed – over 3 months		(14,000,000)	-
Proceeds from redemption of bonds		-	69,000,000
Acquisition of non-current financial assets		(8,794,216)	-
Payments for property, plant and equipment and intangible assets		(34,131,631)	(19,522,765)
<b>Net cash from investing activities</b>		<b>(40,905,638)</b>	<b>(21,120,989)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,366,994	501,969
Proceeds/(repayments) under credit facility		(945,000)	(945,000)
Payment of interest on credit facility		(359,671)	(246,426)
<b>Net cash from financing activities</b>		<b>62,323</b>	<b>(689,457)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>(4,053,660)</b>	<b>13,955,081</b>
Cash at beginning of reporting period		26,748,530	24,134,649
<b>CASH AT END OF REPORTING PERIOD</b>		<b>22,694,870</b>	<b>38,089,730</b>

The attached information on pages 15 to 57 forms an integral part of these condensed financial statements.

## 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 September 30th 2022**

### **Management Board**

- Przemysław Marszał – President
- Grzegorz Miechowski – Member
- Michał Drozdowski – Member
- Paweł Feldman – Member
- Marek Ziemak – Member

### **Supervisory Board**

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

After the reporting date, there were no changes in the composition of the Management or Supervisory Board.

## **2.4. Commentary on estimates of financial results**

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

## **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 September 30th 2022 and December 31st 2021, and results of its operations and cash flows for the nine and three months ended September 30th 2022 and September 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 quarterly 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 amendments are effective for financial statements for periods beginning on or after January 1st 2023.

- **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.

- **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.

- **Amendment to IFRS 16 Leases**

In September 2022, the IASB issued amendments to IFRS 16 *Leases* to clarify certain issues concerning the recognition of sale and leaseback transactions which satisfy the criteria under IFRS 15 to be accounted for as a sale. The amendments require that a seller-lessee subsequently measure lease liabilities arising in leasebacks in such a way as not to recognise any gain or loss relating to the right of use it retains. The new requirement is of particular importance where a leaseback involves variable payments that do not depend on an index or rate, as under IFRS 16 such payments are not 'lease payments'. The amended standard includes a new example that illustrates the application of the new requirement in such situations. The amendments are effective as of January 1st 2024. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

- **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, significant accounting policies applied by the Company were the same as those described in the financial statements for 2021, except for the amendments 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 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 Sep 30 2022	Period ended Sep 30 2021
Revenue	59,582,490	49,196,100

As in the previous year, in the nine months ended September 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 its publishing activities.

### 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 Sep 30 2022	Period ended Sep 30 2021
Poland	1,325,252	1,117,305
European Union	1,655,918	1,225,457
US	46,365,417	37,597,432
Japan	6,847,259	6,391,048
China	306,972	136,388
Other	3,081,672	2,728,470
<b>Total</b>	<b>59,582,490</b>	<b>49,196,100</b>

### 2.10.2. Revenue by distribution channel

The Company's revenue from sales of video games in the nine months ended September 30th 2022, amounting to PLN 59,582,490 (vs PLN 49,196,100 the year before), included PLN 56,255,431 (vs PLN 46,916,417 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 Sep 30 2022	Period ended Sep 30 2021
Grants received	-	221,820
Other income	1,063	2,891
Impairment losses – reversal of ECL provision	57,402	-
Other income - received damages/compensations	8,499	2,072
Gain on disposal of non-current non-financial assets	12,026	-
<b>Total</b>	<b>78,990</b>	<b>226,783</b>

### 2.11.2. Other expenses

	Period ended Sep 30 2022	Period ended Sep 30 2021
<b>Impairment losses recognised on:</b>		
Trade receivables	-	-
<b>Other expenses:</b>		
Costs of discontinued projects	-	344,756
Impairment losses on non-current non-financial assets	-	51,477
Non-recoverable withholding tax	62,896	141,480
Donations	4,005,992	504,153
Other expenses	488,405	248,815
<b>Total</b>	<b>4,557,293</b>	<b>1,290,681</b>

In the nine months ended September 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 488,405) 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 Sep 30 2022	Period ended Sep 30 2021
<b>Depreciation and amortisation charges in the period:</b>		
Depreciation of property, plant and equipment	2,053,199	1,604,283
Amortisation of intangible assets	3,998,010	6,473,851
<b>Total</b>	<b>6,051,209</b>	<b>8,078,134</b>
Allocation to project costs	(1,526,074)	(1,083,623)
Land (depreciation of the right-of-use asset)	42,212	132,874
<b>Total</b>	<b>4,567,347</b>	<b>7,127,385</b>

The 35.91% year-on-year decrease in the depreciation and amortisation expense in the nine months ended September 30th 2022, to PLN 4,567,347 was mainly attributable to lower amortisation (down by 38.24%) 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 27.98% year on year to PLN 2,053,199, as a result of growing expenditure on IT equipment for newly hired employees. Some of the depreciation and amortisation expense incurred in the nine months ended September 30th 2022, in the amount of PLN 1,526,074, was allocated to project costs (nine months ended September 30th 2021: PLN 1,083,623).

## 2.13. Services (PLN)

	Period ended Sep 30 2022	Period ended Sep 30 2021
Services	23,803,073	13,052,866

The year-on-year increase in the cost of services in the nine months ended September 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 nine months ended September 30th 2022, the amount of royalties recognised in profit or loss was PLN 14,140,276 vs PLN 5,395,947 the year before.

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

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 nine months ended September 30th 2022 amounted to PLN 23,779,186, compared with PLN 13,171,920 in the corresponding period of 2021.



## 2.14. Salaries, wages and employee benefits (PLN)

	Period ended Sep 30 2022	Period ended Sep 30 2021
Salaries, wages and employee benefits	9,999,334	8,938,472

The 11.87% increase in salaries and wages (to PLN 9,999,334 in the nine months ended September 30th 2022, from PLN 8,938,472 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 nine months ended September 30th 2022, salaries, wages and employee benefits amounted to PLN 2,213,265 vs PLN 2,916,714 a year earlier.

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 nine months ended September 30th 2022 amounted to PLN 8,425,779, compared with PLN 5,914,932 in the corresponding period of 2021.

## 2.15. Finance income (PLN)

	Period ended Sep 30 2022	Period ended Sep 30 2021
<b>Interest income:</b>		
Bank deposits	356,820	12,196
<b>Finance income:</b>		
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)	719,511	264,400
Disposal of financial assets (discount notes issued by PKO Leasing and PKO Bank Hipoteczny)	753,196	-
Remeasurement of IRS	645,396	511,622
Net foreign exchange gains (losses), including:		
a) Cash	4,586,103	73,852
b) Loans and receivables	821,864	668,586
c) Liabilities measured at amortised cost	(17,286)	63,914
<b>Total</b>	<b>7,865,604</b>	<b>1,594,570</b>

As a result of favourable changes in global currency markets in the nine months ended September 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 5,390,681, compared with PLN 806,352 the year before. On the back of rising interest rates, 11 bit studios S.A. earned PLN 356,820 in interest income on its bank deposits in the nine months ended September 30th 2022 (vs PLN 12,196 in the nine months ended September 30th 2021). Other material items included remeasurement of financial assets (PLN 719,511 vs PLN 264,400) and

disposal of financial assets (PLN 753,196). 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 2.31** for more details).

## 2.16. Finance costs (PLN)

	Period ended Sep 30 2022	Period ended Sep 30 2021
Interest on public charges	271	5,003
Interest on credit facilities	357,648	79,167
Settlement of IRS	2,023	167,259
Losses on remeasurement of financial assets	-	1,445
Loss on disposal of investments in financial assets	-	48,286
Other	17,657	17,970
<b>Total</b>	<b>377,599</b>	<b>319,130</b>

In the nine months ended September 30th 2022, the largest item of the Company's finance costs was interest expense on the investment facility described in **Note 2.31** (PLN 357,648 vs. PLN 79,167 a year earlier).

## 2.17. Income tax on continuing operations (PLN)

### 2.17.1. Income tax recognised in profit or loss

	Period ended Sep 30 2022	Period ended Sep 30 2021
<b>Current income tax:</b>		
Attributable to current year	3,527,068	1,776,107
<b>Deferred income tax:</b>		
Attributable to current year	(163,921)	520,752
<b>Tax expense recognised in current year on continuing operations</b>	<b>3,363,147</b>	<b>2,296,859</b>

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 Sep 30 2022	Period ended Sep 30 2021
Profit before tax from continuing operations	23,328,225	19,694,655
Income tax expense at 19% (2021: 19%)	4,432,363	3,741,984
Tax effect of income which is not classified as income for tax purposes	-	(97,620)
Tax effect of costs which are not deductible for tax purposes	(189,285)	744,177
Tax effect of costs which are deductible for tax purposes	-	127,474
Effect of IP Box tax relief settlement at 5% tax rate	(805,784)	(2,145,681)
Effect of 2021 settlements	(1,451,376)	-
Other changes	680,987	(73,475)
<b>Total</b>	<b>2,666,905</b>	<b>2,296,859</b>

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 11.43% in the nine months ended September 30th 2022, compared with 11.66% the year before.

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%). In the nine months ended September 30th 2022, the IP Box relief amounted to PLN 805,784 (vs. PLN 2,145,681 in the comparative period).

### 2.17.2. Current tax receivable and payable

	As at Sep 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
<b>Total</b>	<b>6,850,879</b>	<b>6,026,882</b>

Tax receivables included the IP Box tax relief described in Note **2.17.1** (PLN 805,784), the tax remaining to be deducted upon receipt of returns from trading partners, and non-recovered withholding tax.

### 2.17.3.Deferred tax (net)

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

	As at Sep 30 2022	As at Dec 31 2021
Deferred tax assets	1,486,252	980,081
Deferred tax liabilities	(364,843)	(22,593)
<b>Total</b>	<b>1,121,409</b>	<b>957,488</b>

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 Sep 30 2022
<b>Assets</b>			
Provisions	59,849	433,593	493,442
Royalties payable	953,494	(16,724)	936,770
Liabilities	10,580	11,075	21,655
Remeasurement of financial assets	-	34,385	34,385
<b>Provisions</b>			
Remeasurement of financial assets	(43,842)	(297,664)	(341,506)
Measurement of financial investments	(22,593)	(744)	(23,337)
<b>Total</b>	<b>957,488</b>	<b>163,921</b>	<b>1,121,409</b>

#### Income tax assets/liabilities in the comparative period

	As at Dec 31 2020	Recognised in profit or loss	As at Sep 30 2021
<b>Assets</b>			
Provisions	80,232	235,036	315,268
Royalties payable	1,339,512	(709,855)	629,657
Liabilities	7,879	(319)	7,560
Remeasurement of financial assets	164,528	(87,428)	77,100
<b>Provisions</b>			
Measurement of financial investments	(74,561)	41,814	(32,747)
<b>Total</b>	<b>1,517,590</b>	<b>(520,752)</b>	<b>996,838</b>

## 2.18. Earnings per share (PLN)

### 2.18.1. Basic earnings per share

	Period ended Sep 30 2022	Period ended Sep 30 2021
<b>Basic earnings per share:</b>		
From continuing operations	8.40	7.36
<b>Total basic earnings per share</b>	<b>8.40</b>	<b>7.36</b>
<b>Diluted earnings per share:</b>		
From continuing operations	8.29	7.23
<b>Total diluted earnings per share</b>	<b>8.29</b>	<b>7.23</b>

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

	Period ended Sep 30 2022	Period ended Sep 30 2021
Net profit for Q1-Q3 attributable to shareholders	19,965,078	17,397,796
Total profit used to calculate basic earnings per share	19,965,078	17,397,796
<b>Profit used to calculate basic earnings per share from continuing operations</b>	<b>19,965,078</b>	<b>17,397,796</b>

	Period ended Sep 30 2022	Period ended Sep 30 2021
Weighted average number of ordinary shares used to calculate earnings per share	2,375,488	2,362,845

### 2.18.2. Diluted earnings per share

	Period ended Sep 30 2022	Period ended Sep 30 2021
Profit for the financial year attributable to shareholders	19,965,078	17,397,796
Total profit used to calculate diluted earnings per share	19,965,078	17,397,796
<b>Profit used to calculate diluted earnings per share from continuing operations</b>	<b>19,965,078</b>	<b>17,397,796</b>

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 Sep 30 2022	Period ended Sep 30 2021
Weighted average number of ordinary shares used to calculate basic earnings per share	2,375,488	2,362,845
<b>Shares expected to be issued:</b>		
Employee stock options	37,055	51,778
<b>Weighted average number of ordinary shares used to calculate diluted earnings per share</b>	<b>2,412,543</b>	<b>2,405,910</b>

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 Sep 30 2022	As at Dec 31 2021
Buildings and premises	22,471,663	22,991,270
Property, plant and equipment under construction	75,648	374,315
Plant and equipment	712,311	514,682
Vehicles	315,189	-
Other property, plant and equipment	1,595,189	2,066,212
<b>Total</b>	<b>25,170,000</b>	<b>25,946,479</b>

### Gross carrying amount:

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>As at Jan 1 2022</b>	<b>24,305,970</b>	<b>374,314</b>	<b>2,894,560</b>	<b>372,854</b>	<b>3,459,479</b>	<b>31,407,177</b>
Increase	51,500	661,492	555,499	-	8,228	1,276,719
Decrease	-	-	(15,770)	-	-	(15,770)
Reclassification	-	(960,158)	637,167	315,189	7,802	-
<b>As at Sep 30 2022</b>	<b>24,357,470</b>	<b>75,648</b>	<b>4,071,456</b>	<b>688,043</b>	<b>3,475,509</b>	<b>32,668,126</b>

**Accumulated depreciation and impairment:**

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>As at Jan 1 2022</b>	<b>1,314,700</b>	-	<b>2,379,878</b>	<b>372,854</b>	<b>1,393,268</b>	<b>5,460,700</b>
Depreciation	571,107	-	995,037	-	487,052	2,053,196
Decrease	-	-	(15,770)	-	-	(15,770)
<b>As at Sep 30 2022</b>	<b>1,885,807</b>	-	<b>3,359,145</b>	<b>372,854</b>	<b>1,880,320</b>	<b>7,498,126</b>

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

**Gross carrying amount:**

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>As at Jan 1 2021</b>	<b>24,200,705</b>	<b>102,241</b>	<b>1,953,626</b>	<b>372,854</b>	<b>3,492,462</b>	<b>30,121,888</b>
Increase	60,335	346,352	356,009	-	-	762,696
Decrease	(1,340)	-	-	-	(15,027)	(16,367)
Reclassification	38,460	(319,329)	279,366	-	1,503	-
<b>As at Sep 30 2021</b>	<b>24,298,160</b>	<b>129,264</b>	<b>2,589,001</b>	<b>372,854</b>	<b>3,478,938</b>	<b>30,868,217</b>

**Accumulated amortisation and impairment:**

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>As at Jan 1 2021</b>	<b>555,273</b>	-	<b>1,515,859</b>	<b>363,406</b>	<b>797,848</b>	<b>3,232,386</b>
Depreciation	569,235	-	549,688	9,448	472,898	1,601,269
Decrease	-	-	(1,700)	-	(15,027)	(16,727)
<b>As at Sep 30 2021</b>	<b>1,124,508</b>	-	<b>2,063,847</b>	<b>372,854</b>	<b>1,255,719</b>	<b>4,816,928</b>

## 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 September 30th 2022 included the capitalised cost of the fourth and fifth work phases.

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

### Ongoing development work:

As at September 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 Sep 30 2022	As at Dec 31 2021
Completed development work (game engine)	1,365,582	2,389,463
Completed development work (games)	2,885,688	3,500,237
Ongoing development work	85,037,489	52,926,024
Licences	189,641	321,913
<b>Total</b>	<b>89,478,400</b>	<b>59,137,637</b>

### Gross carrying amount:

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>As at Jan 1 2022</b>	<b>6,813,631</b>	<b>38,056,770</b>	<b>934,772</b>	<b>52,926,024</b>	<b>98,731,197</b>
Increase	-	-	76,085	34,262,688	34,338,773
Reclassification of completed development work	-	2,151,224	-	(2,151,224)	-
Decrease	-	-	-	-	-
Discontinued work written off	-	-	-	-	-
<b>As at Sep 30 2022</b>	<b>6,813,631</b>	<b>40,207,994</b>	<b>1,010,857</b>	<b>85,037,488</b>	<b>133,069,970</b>



**Accumulated amortisation and impairment:**

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>As at Jan 1 2022</b>	<b>4,424,169</b>	<b>34,556,533</b>	<b>612,859</b>	-	<b>39,593,561</b>
Amortisation	1,023,880	2,765,771	208,358	-	3,998,011
Decrease	-	-	-	-	-
<b>As at Sep 30 2022</b>	<b>5,448,049</b>	<b>37,322,304</b>	<b>821,217</b>	-	<b>43,591,570</b>

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

**Gross carrying amount:**

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>As at Jan 1 2021</b>	<b>6,813,631</b>	<b>36,216,197</b>	<b>932,759</b>	<b>25,545,704</b>	<b>69,508,291</b>
Increase	-	-	40,996	20,681,505	20,722,501
Reclassification of completed development work	-	1,840,573	-	(1,840,573)	-
Decrease	-	-	-	(3,298)	(3,298)
Discontinued work written off	-	-	-	(968,330)	(968,330)
<b>As at Sep 30 2021</b>	<b>6,813,631</b>	<b>38,056,770</b>	<b>973,755</b>	<b>43,415,008</b>	<b>89,259,164</b>

**Accumulated amortisation and impairment:**

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>As at Jan 1 2021</b>	<b>2,858,907</b>	<b>28,212,015</b>	<b>577,853</b>	-	<b>31,648,775</b>
Amortisation	1,223,968	5,111,681	141,216	-	6,476,865
Decrease	-	-	-	-	-
<b>As at Sep 30 2021</b>	<b>4,082,875</b>	<b>33,323,696</b>	<b>719,069</b>	-	<b>38,125,640</b>

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 Sep 30 2022	As at Dec 31 2021
<b>Trade and other receivables, including:</b>	<b>7,338,135</b>	<b>16,554,971</b>
Trade receivables	5,287,633	14,727,417
Taxes, grants, customs duties and social security	1,979,995	1,683,182
Other	70,507	144,372
<b>Impairment losses on trade receivables</b>	<b>(12,422)</b>	<b>(69,824)</b>
<b>Total</b>	<b>7,325,713</b>	<b>16,485,147</b>

### 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 September 30th 2022 included receivables from the Company's largest customers, accounting for over 5% of total trade receivables.

#### Receivables by customer:

	As at Sep 30 2022	As at Dec 31 2021
Company A	2,340,523	2,695,618
Company B	655,240	3,897,600
Company C	428,810	842,087

### Ageing analysis of trade receivables

	As at Sep 30 2022	As at Dec 31 2021
Short-term	5,226,329	14,465,039
1-30 days	31,133	26,184
31-60 days	25,687	161,488
61-90 days	1,995	1,315
91-120 days	797	2,720
121-360 days	1,692	70,671
Over 360 days	-	-
<b>Total</b>	<b>5,287,633</b>	<b>14,727,417</b>

### Changes in impairment losses on impaired trade receivables:

	As at Sep 30 2022	As at Dec 31 2021
<b>As at beginning of reporting period</b>	<b>69,824</b>	<b>89,197</b>
Recognition	59,005	121,561
Reversal	(116,407)	(74,877)
Use	-	(66,057)
<b>As at end of reporting period</b>	<b>12,422</b>	<b>69,824</b>

### Ageing structure of allowance for expected credit losses:

	As at Sep 30 2022	As at Dec 31 2021
Short-term	4,773	10,993
1-30 days	4,055	6,706
31-60 days	1,716	8,856
61-90 days	595	653
91-120 days	327	1,491
121-360 days	956	41,125
over 360 days	-	-
<b>Total</b>	<b>12,422</b>	<b>69,824</b>

As at the end of September 2022, 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 Sep 30 2022	As at Dec 31 2021
Income tax receivable	3,008,229	4,138,348
<b>Total</b>	<b>3,008,229</b>	<b>4,138,348</b>

## 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 September 30th 2022, the value of the second tranche was estimated at PLN 1,308,942 (discounted to September 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 September 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 September 30th 2022 (PLN)

Cost of shares – first tranche	2,619,216
Cost of shares – second tranche (estimate)	1,349,591
Share of Fool's Theory Sp. z o.o.'s profit (loss)	(156,477)
Dividends received from associate	-
<b>Investment in Fool's Theory Sp. z o.o. – carrying amount</b>	<b>3,812,330</b>

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 September 30th 2022 (PLN)**

Non-current assets	13,072,309
Current assets	2,241,853
Cash	280,000
Current liabilities	948,154
Non-current liabilities	-

**2.24. Long-term investments (PLN)**

	As at Sep 30 2022	As at Dec 31 2021
Starward Industries shares	1,543,750	-
<b>Total</b>	<b>1,543,750</b>	<b>-</b>

On July 29th 2022, the Company signed an agreement to acquire 75,000 new Series J shares in Starward Industries S.A. at the issue price of PLN 79 per share for a total of PLN 5,925,000 and acquired 25,000 shares in Starward Industries S.A. from Marek Markuszewski, President of its Management Board, at a price of PLN 10 per share, for a total of PLN 250,000.

Since as at reporting date the new shares were yet registered (date registered with the National Court Register: October 6th 2022), they are presented under 'Unregistered shares in Starward Industries S.A. receivable' (PLN 4,631,250).

**2.25. Current financial assets (PLN)**

	As at Sep 30 2022	As at Dec 31 2021
Financial instruments	64,810,250	80,475,972
Loans to employees	1,311,417	190,013
Bank deposits with maturities of more than 3 months	14,119,408	-
<b>Total</b>	<b>80,241,075</b>	<b>80,665,985</b>

### The financial instruments included:

	Acquisition date	Measurement as at acquisition date	Interest rate (%)	Measurement as at Sep 30 2022	Maturity date
PKO Leasing notes*	Jul 20 2022	11,790,675	6.75	11,947,669	Oct 24 2022
PKO Leasing notes*	Sep 28 2022	14,759,402	7.00	14,765,063	Dec 22 2022
PKO Leasing notes*	Jun 14 2022	7,840,315	6.30	7,986,152	Oct 10 2022
PKO Bank Hipoteczny notes*	Apr 25 2022	19,568,422	5.00	19,725,132	Oct 3 2022
PKO Parasolowy FIO – Subfundusz Obligacji Samorządowych	Dec 23 2020	10,000,000		10,385,919	
<b>Total</b>		<b>63,958,814</b>		<b>64,810,250</b>	

\* 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.

## 2.26. Other current assets (PLN)

	As at Sep 30 2022	As at Dec 31 2021
Insurance	17,169	65,610
Domain names, licences, subscriptions	723,812	438,265
Prepaid expenses	652,743	234,280
Property tax	26,655	-
Perpetual usufruct of land	6,847	-
Other	21,091	14,187
<b>Total</b>	<b>1,448,317</b>	<b>752,342</b>

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).

## 2.27. Other non-current assets (PLN)

	As at Sep 30 2022	As at Dec 31 2021
Long-term prepayments and accrued income	186,722	99,080
<b>Total</b>	<b>186,722</b>	<b>99,080</b>

Long-term prepayments and accrued income as at the end of the three months ended September 30th 2022 and as at the end of 2021 included fees for Internet domains and trademarks.

## 2.28. Cash and cash equivalents (PLN)

	As at Sep 30 2022	As at Dec 31 2021
Cash in hand and at banks	19,694,870	26,748,530
Bank deposits (total, for up to three months and above)	3,000,000	-
<b>Total</b>	<b>22,694,870</b>	<b>26,748,530</b>

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

- PLN 4,666,256,
- USD 2,693,835 (PLN 13,343,371),
- EUR 346,020 (PLN 1,685,048),
- CNY 280 (PLN 195).

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 September 30th 2022, the Company also measured expected credit losses (ECL), but the effect was not material.

## 2.29. Share capital (PLN)

As at September 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.

## 2.30. Information on dividend paid or declared

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

## 2.31. 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 September 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 September 30th 2022, the long-term portion of the facility was PLN 6,615,000 (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 Sep 30 2022	As at Dec 31 2021	Interest Rate	Repayment deadline
PKO BP S.A.	12,600,000	PLN	7,875,000	8,820,000	1M WIBOR +0.9%.	Dec 11 2028
<b>Total</b>	<b>12,600,000</b>		<b>7,875,000</b>	<b>8,820,000</b>		

### Repayment schedule for the investment credit facility with PKO BP S.A. (principal amount, excluding interest and measurement of IRS) as at September 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	1,575,000	7,875,000
<b>Total</b>	<b>105,000</b>	<b>210,000</b>	<b>945,000</b>	<b>5,040,000</b>	<b>1,575,000</b>	<b>7,875,000</b>

## 2.32. Trade and other payables (PLN)

	As at Sep 30 2022	As at Dec 31 2021
Trade payables	3,143,453	1,302,952
Provisions for product returns	41,813	-
Guarantee deposits – Brzeska 2	9,050	6,150
Taxes, customs duties, insurance and other dues	635,684	744,927
Accruals and deferred income	184,762	231,903
Amounts payable to employees	19,140	5,267
Other	41,793	41,796
<b>Total</b>	<b>4,075,695</b>	<b>2,332,995</b>



As at September 30th 2022, 11 bit studios S.A.'s trade and other payables amounted to PLN 4,075,695, up 74.7% on December 31st 2021. The largest item was trade payables (PLN 3,143,453 vs PLN 1,302,952 as at September 30th 2021).

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

#### Ageing analysis of trade payables:

	As at Sep 30 2022	As at Dec 31 2021
Short-term	2,352,787	850,795
1-30 days	2,682	452,157
31-60 days	66,754	-
61-90 days	188,757	-
91-120 days	210,515	-
121-360 days	321,958	-
over 360 days	-	-
<b>Total</b>	<b>3,143,453</b>	<b>1,302,952</b>

#### Maturity periods for trade payables as at Sep 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	<b>Total</b>
791,639	2,329,524	22,290	-	-	-	<b>3,143,453</b>

#### 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	<b>Total</b>
625,829	617,838	59,285	-	-	-	<b>1,302,952</b>

### 2.33. Contract liabilities

As at September 30th 2022, liabilities under contracts with customers (PLN 1,181,170 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).

### 2.34. 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.

### 2.34.1.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
<b>As at Jan 1 2022</b>	<b>501</b>	<b>398,378</b>	<b>57,524</b>	<b>194,629</b>	<b>651,032</b>
<b>Increase:</b>					
Recognition	170	520,709	1,668,832	1,824,475	4,014,186
<b>Decrease:</b>					
Use	-	(318,329)	-	(200,550)	(518,879)
Reversal	-	-	-	(314)	(314)
<b>As at Sep 30 2022</b>	<b>671</b>	<b>600,758</b>	<b>1,726,356</b>	<b>1,818,240</b>	<b>4,146,025</b>

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

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

### 2.34.2.Long-term provisions

	Provision for retirement and disability benefits	Total
<b>As at Jan 1 2022</b>	<b>10,390</b>	<b>10,390</b>
<b>Increase:</b>		
Recognition	1,360	1,360
<b>Decrease:</b>		
Use	-	-
Reversal	(1,753)	(1,753)
<b>As at Sep 30 2022</b>	<b>9,997</b>	<b>9,997</b>

## 2.35. 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 September 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.

### 2.35.1. Financial assets and liabilities

#### Financial assets:

	As at Sep 30 2022	As at Dec 31 2021
<b>Measured at amortised cost</b>		
Notes issued by PKO Leasing and PKO Bank Hipoteczny	54,424,330	70,404,173
Cash	22,694,870	26,748,530
Bank deposits with maturities of more than 3 months	14,119,408	-
Trade and other receivables	7,325,713	16,079,147
Loans to employees	1,311,417	190,013
<b>Measured at fair value</b>		
Investment fund units	10,385,919	10,071,799
IRS	1,010,988	300,567
<b>Total</b>	<b>111,272,645</b>	<b>123,794,229</b>

#### Financial liabilities:

	As at Sep 30 2022	As at Dec 31 2021
Trade and other payables	4,075,695	2,332,995
Credit facility	7,875,000	8,820,000
Lease liability – perpetual usufruct rights to land	767,097	769,979
<b>Total</b>	<b>12,717,792</b>	<b>11,922,974</b>

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

### 2.35.2. Credit risk

Trade receivables, investment fund units, bonds, notes (notes held as at September 30th 2022 had fixed interest rates and short (up to several months) maturity periods – **Note 2.25.**), 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, 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 2.21**. 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 September 30th 2022, the Company held cash with two institutions: PayPal (PLN 577,153) 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.

### 2.35.3. 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 Sep 30 2022	As at Dec 31 2021	Fair value hierarchy
Investment fund units	10,385,919	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.

### 2.36. Deferred income (PLN)

	As at Sep 30 2022	As at Dec 31 2021
Government grants*	635,711	635,711
<b>Total</b>	<b>635,711</b>	<b>635,711</b>
Short-term	-	-
Long-term	635,711	635,711
<b>Total</b>	<b>635,711</b>	<b>635,711</b>

\* 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. The grant will be accounted for against the depreciation and amortisation of *Project 8*.

## 2.37.Share-based payments (PLN)

### 2.37.1.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.

### 2.37.2.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	79,500
Number of Incentive Scheme warrants granted as at Sep 30 2022	80,500
Measurement of warrants (PLN)	199.84
Scheme valuation as at Sep 30 2022 (PLN)	15,887,549
Statement of profit or loss – employee benefits expense in 2021	3,347,377
Statement of profit or loss – employee benefits expense in Q1-Q3 2022	2,213,265
Total Incentive Scheme cost as at Dec 31 2025 remaining to be recognised (PLN)	10,326,907

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). 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.

### 2.38. 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.

### 2.38.1.Sale transactions

Apart from contracting services from members of the Company's Management Board as described in **Note 2.38.4**, the Company entered into the following transactions with other related parties in the nine months ended September 30th 2022 and September 30th 2021:

	Period ended Sep 30 2022	Period ended Sep 30 2021
Arkona – Paweł Miechowski	180,000	166,500
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek*	not applicable	33,863
Fool's Theory Sp. z o.o.**	6,482,221	-
<b>Total</b>	<b>6,662,221</b>	<b>200,363</b>

\* Kancelaria Radcy Prawnego Agnieszki Rabenda-Ozimek (law firm) ceased to be a related party to the Company as of April 15th 2021.

\*\* Fool's Theory Sp. z o.o. became a related party of 11 bit studios S.A. as of February 28th 2022.

### 2.38.2.Loans advanced to related parties

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

### 2.38.3.Borrowings from related parties

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

### 2.38.4.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 nine months ended September 30th 2022 and in the reference period, Members of the Company's Management Board and Supervisory Board were remunerated as follows for discharging managerial and supervisory responsibilities:

**Short-term benefits - Management Board:**

	Period ended Sep 30 2022	Period ended Sep 30 2021
Przemysław Marszał	917,534	429,108
Grzegorz Miechowski	918,510	429,934
Michał Drozdowski	910,441	421,954
Paweł Feldman	163,584	-
Marek Ziemak	163,517	-
<b>Total</b>	<b>3,073,586</b>	<b>1,280,996</b>

**Short-term benefits - Supervisory Board:**

	Period ended Sep 30 2022	Period ended Sep 30 2021
Radosław Marter (Chairman of the Supervisory Board since April 15th 2021)	64,762	30,593
Jacek Czykiel (Deputy Chairman of the Supervisory Board)	56,877	27,000
Marcin Kuciapski (Member of the Supervisory)	41,825	14,850
Piotr Wierzbicki (Member of the Supervisory Board)	41,825	14,850
Artur Konefał (Member of the Supervisory Board until May 23rd 2022)	24,374	9,114
Milena Olszewska- Miszuris (Member of the Supervisory Board since June 21st 2022)	17,243	-
Wojciech Ozimek (Chairman of the Supervisory Board until April 15th 2021)	-	15,643
<b>Total</b>	<b>246,906</b>	<b>112,050</b>

The Members of the Management Board did not receive any other remuneration in the form of profit distributions or stock options for the nine months ended September 30th 2022 or September 30th 2021. However, they participate in the 2017–2019 Incentive Scheme and the 2021–2025 Incentive Scheme, as described in detail (together with the valuation) in **Note 2.37**.

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

**Short-term benefits - Management Board:**

	Period ended Sep 30 2022	Period ended Sep 30 2021
Grzegorz Miechowski	45,000	45,000
Michał Drozdowski	45,000	45,000
Przemysław Marszał	45,675	45,000
Paweł Feldman	8,182	-
Marek Ziemak	9,078	-
<b>Total</b>	<b>152,935</b>	<b>135,000</b>



### **2.38.5. Other related-party transactions**

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

### **2.39. 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.

### **2.40. Off-balance-sheet commitments**

As at the reporting data, the Company had off-balance-sheet commitments of PLN 5,155,617, EUR 2,694,070 and USD 56,263. 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.

### **2.41. Contingent assets and liabilities**

#### **2.41.1. 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 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.

#### **2.41.2. Contingent assets**

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

### **2.42. Sureties and guarantees**

The Company did not provide any sureties or guarantees as at September 30th 2022 or December 31st 2021.

#### **2.43. Seasonal and cyclical changes in the Company's business during the reporting period**

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

#### **2.44. 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.

#### **2.45. Events subsequent to the reporting date**

After the reporting date until the date of issue of this Report, no events occurred which would have had a material effect on the Company's financial statements.



**OTHER INFORMATION TO THE  
QUARTERLY REPORT**

# 1. OVERVIEW

## 1.1. Composition of the Company's governing bodies as at September 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
- Paweł Feldman – Member of the Management Board
- Marek Ziemak – 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 11 bit studios S.A.'s Management and Supervisory Boards changed 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.

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 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).

## 1.2. Shareholding structure as at the issue date of this quarterly report

	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
<b>Total</b>	<b>2,380,144</b>	<b>100.00</b>	<b>2,380,144</b>	<b>100.00</b>

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 Powszechnie 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 Powszechnie 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.

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.

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

	Position	Shareholding as at the reporting date (no. of shares)	Shareholding as at Sep 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	13,936	not applicable
Marek Ziemak*	Member of the Management Board	2,542	2,542	not applicable

Marcin Kuciapski	Member of the Supervisory Board	1,300	1,300	1,155
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\* - 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 1.2.** in Other information to the Quarterly Report.

#### 1.4. Factors with bearing on the Company's future results

Over the next few months, including the remainder of 2022, 11 bit studios S.A.'s performance will be determined chiefly by future sales of *Frostpunk* and paid DLCs released for this title as part of the Season Pass. The Company intends to maintain gamers' interest in *Frostpunk* through promotional and marketing activities, and to capitalise on this IP in other, non-digital fields, a case in point being the board game version of the title that has been produced for a few quarters now by Glass Cannon Unplugged. A noteworthy event will be the upcoming release of the game's mobile version, being developed by 11 bit studios S.A.'s Chinese partner, NetEase, a global leader in the segment of games for mobile devices. In addition, a series of novels and short stories centred on the *Frostpunk* universe is under preparation. The project is supervised by Jacek Dukaj, a science fiction writer, one of the most popular in Poland and known globally.

*This War of Mine* will also be a significant revenue driver for 11 bit studios S.A. over the quarters to come, although its contribution will gradually decrease due to the natural obsolescence of the game. More than eight years from its release for PCs on November 14th 2014, *This War of Mine* is still very popular with computer game fans thanks to its unique theme (war seen through the eyes of civilians). In response to this popularity, the Company has been taking various efforts to maintain the product's sales. One example is the release of the game for PS5 and Xbox Series S|X on May 10th 2022. *This War of Mine's* version for the latest consoles features a number of graphic improvements. It has also been adapted to support 4K resolution.

An important source of 11 bit studios S.A.'s revenue and profits in the coming periods will be the productions from the publishing portfolio, especially *Moonlighter* and *Children of Morta*. However, as in the case of proprietary games, revenue from this source is expected to decline gradually despite the effort undertaken by the Company (agreement with Netflix to release the mobile version of *Moonlighter*) owing to natural ageing of both products. In the nine months to September 30th 2022, revenue from sale of games created by third-party developers accounted for 39% of the Company's total revenue. A year earlier, the share was 25%.

In the longer term of a few years, 11 bit studios S.A.'s financial results will be driven by the releases of new games in the proprietary and publishing portfolios. As at the issue date of these financial statements, the pipeline of games created by in-house development teams consisted of three items. All of them are based on Unreal Engine, produced by Epic Games. The total production budget of *Frostpunk 2*, *The Alters* and *Project 8* (working title) is approximately PLN 110m. To

compare, the production budget of *Frostpunk* (PC version) was below PLN 10m. The *Frostpunk 2* development team is approximately 75 strong. The other two teams have more than 40 members each, and all the teams are being expanded on a regular basis. 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 publishing team potential and intensified 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 title of *Vitriol*, produced by Fool's Theory Sp. z o.o. 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. The latest publishing project is *The Invincible*, an adaption of the novel of the same title by Stanisław Lem.

The total investment budget (for 11 bit studios S.A.) allocated to those projects is approximately PLN 50m. To compare, the Company had invested slightly over PLN 2m in each of *Moonlighter* and *Children of Morta*. As at the issue date of this Report, the Company's total capital commitments were as follows: EUR 2,694,070, USD 56,263 and PLN 5,155,617.

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. Advanced talks are under way on new publishing contracts, including with foreign teams.

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. In the reporting period, the Company announced the acquisitions of: a 40% ownership interest in Fool's Theory Sp. z o.o. (the developer of *Vitriol*, which is to be published by 11 bit studios S.A.) and 5.13% of shares in NewConnect-listed Starward Industries S.A. (the developer of *The Invincible*, another title in 11 bit studios S.A.'s publishing portfolio). As at the issue date of this Report, the Company was holding talks with 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.

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 third quarter of 2022 and the donation was recognised as other expenses.

### **1.5. Significant achievements or failures of the Company**

In the reporting period, the Company did not record any significant achievements or failures.

This quarterly report was authorised by the Company's Management Board on November 17th 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, November 17th 2022