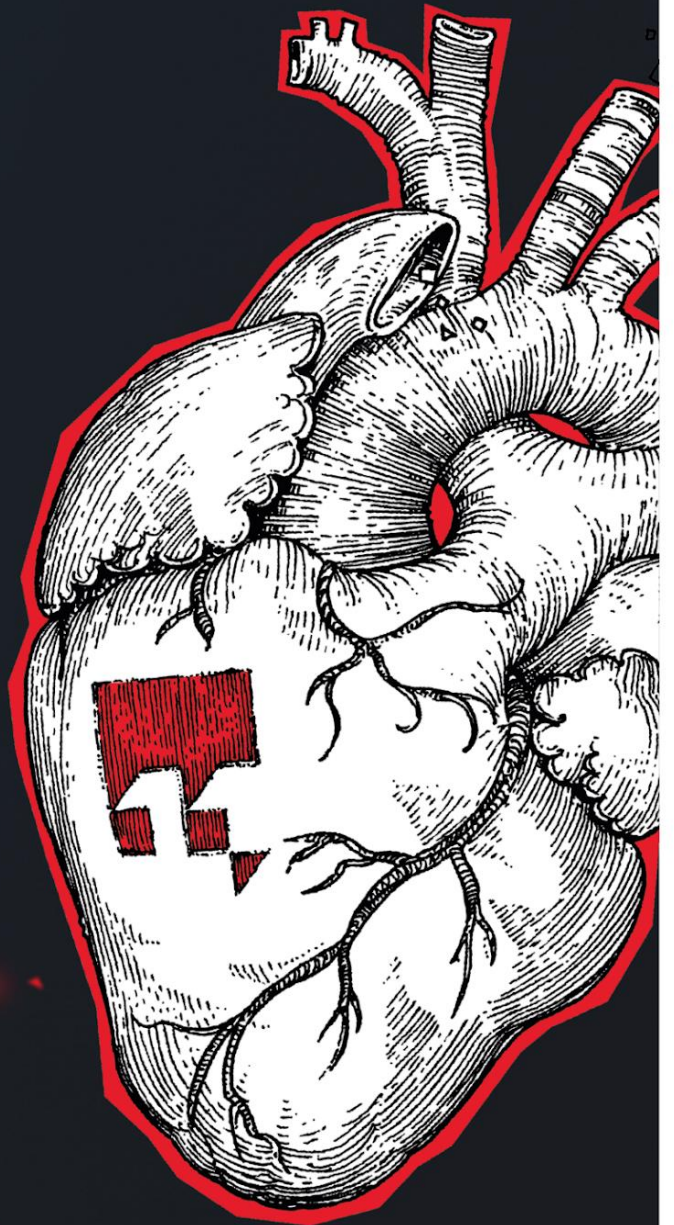


WARSAW, March 23rd 2023

# ANNUAL REPORT

11 BIT STUDIOS S.A.

# 2022



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your  
mark **11bit**  
studios

# LETTER FROM THE MANAGEMENT BOARD

Warsaw, March 23rd 2023

## DEAR SHAREHOLDERS AND INVESTORS,

Please be invited to read 11 bit studios S.A.'s Annual Report for 2022. It was an intensive and demanding year due to the challenging macroeconomic environment, including the economic slowdown and high inflation, as well as geopolitical developments such as the war in Ukraine. Despite these challenges, we are satisfied with the way we tackled them, as demonstrated by the solid financial results we delivered in the period. In 2022, the Company earned revenue of PLN 74.2m, up 5.8% year on year. Our operating profit was nearly PLN 20m, and the net profit reached PLN 22.9m. These figures surpassed our internal budget assumptions by a wide margin. We attribute this success to the unwavering dedication of each and every team member, and we are sincerely grateful for their hard work.

Given the sound foundations, in 2022 we were able to focus on producing games from our proprietary portfolio and games from the publishing division, which will be marketed in subsequent periods starting from 2023. As the development work progressed well and the release dates got nearer, we already began promotional campaigns for selected games in 2022. In August, we presented *The Alters* (former code name *Dolly*) to our fans, and in February of this year – *Thaumaturge* (former code name *Vitriol*), produced by our associate Fool's Theory Sp. z o.o. Both games met with a very positive reception, as evidenced by their rising position in the Steam wishlist. We are currently running a promotional campaign for *Frostpunk 2*, which is set to gain momentum in the upcoming months of 2023, and for *The Invincible* – the next product in our publishing portfolio, developed by Starward Industries S.A. of Kraków. 11 bit studios S.A. has been a minority shareholder in this company since 2022. The equity investments in Starward Industries S.A. and Fool's Theory Sp. z o.o. made by 11 bit studios S.A. last year are excellent examples of initiatives of strategic importance to the Company. We are positive that the combination of the teams' competencies will deliver considerable synergies

and may result in exciting new games eagerly anticipated by fans worldwide.

The previous year was a period of significant organisational changes at our Company. First of all, we successfully implemented the hybrid work model. We also consistently increased our workforce, which now exceeds 250 employees, with over ten per cent being international. Additionally, we reinforced and expanded our internal teams. Given the growing number of executive tasks and responsibilities, the Management Board was strengthened by the appointment of Paweł Feldman and Marek Ziemak. In parallel with these activities, we also found time to engage in various forms of assistance to the victims of the war in Ukraine. We are very proud to see the fans of our games, including mainly *This War of Mine*, joining in those efforts alongside our employees. Thanks to their generosity, we transferred almost PLN 3.7m to the Ukrainian Red Cross already in the first days of March 2022. This was the largest one-off donation in our Company's history.

However, let us shift our focus towards the future. 2023 is set to be a year of truly hard work for 11 bit studios S.A.. It will be the time to deliver on our promises and to achieve a crucial milestone under the strategy we announced a few years ago. The development of *Frostpunk 2*, *The Alters* and *Project 8* (code named) will be progressing at full speed, necessitating additional recruitment. In addition to boosting the development teams, new hires will also strengthen resources in other divisions, particularly in marketing and publishing, as they prepare for the upcoming game releases. This year's premiere list features, in line with the producer's declarations, *The Invincible*. Additionally, fans can expect the release of *Thaumaturge*. In 2023, in response to fans' interest, we plan to provide initial information about the upcoming games from our portfolio that to date have been known only under code names, especially that their development is well advanced.

Furthermore, we have made significant progress in discussions and work on new projects that we want to include in our publishing portfolio in the coming periods. We hope that fans will appreciate the scale and theme of the games, which will further strengthen the importance and role of the publishing division in 11 bit studios S.A.'s strategy. In 2022, the division accounted for 38% of our revenue, reaching a new record high.

We also want to invite all interested parties to our annual Investor Conference, planned for late spring, as in the previous year. It will be an opportunity to tell you more about our games and plans for the future. More details of the event will be announced in due course.

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

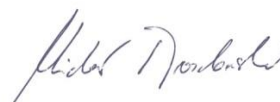
Signed by:



*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

## FINANCIAL HIGHLIGHTS

	PLN		EUR	
	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Revenue	74,205,927	70,122,691	15,827,896	15,325,689
Depreciation and amortisation	(5,891,465)	(8,920,103)	(1,256,631)	(1,949,536)
Operating profit	19,982,658	30,031,002	4,262,240	6,563,436
EBITDA	25,874,123	38,951,105	5,518,871	8,512,972
Profit (loss) before tax	27,226,341	31,834,464	5,807,295	6,957,592
<b>Net profit (loss)</b>	<b>22,889,816</b>	<b>28,685,582</b>	<b>4,882,327</b>	<b>6,269,387</b>
Net cash from operating activities	32,931,559	40,942,289	7,024,200	8,948,156
Net cash from investing activities	(28,841,463)	(37,400,883)	(6,151,796)	(8,174,163)
Net cash from financing activities	(252,635)	(927,524)	(53,886)	(202,715)
<b>Total net cash flows</b>	<b>3,837,461</b>	<b>2,613,882</b>	<b>818,519</b>	<b>571,278</b>

	PLN		EUR	
	Dec 31 2022	Dec 31 2021	Dec 31 2022	Dec 31 2021
<b>Total assets</b>	<b>244,197,441</b>	<b>219,512,964</b>	<b>52,068,795</b>	<b>47,726,435</b>
Non-current assets	142,547,147	90,679,674	30,394,496	19,715,544
Current assets	101,650,294	128,833,290	21,674,299	28,010,891
<b>Equity</b>	<b>224,543,680</b>	<b>197,337,291</b>	<b>47,878,138</b>	<b>42,905,007</b>
Non-current liabilities	9,457,456	8,961,346	2,016,558	1,948,373
Current liabilities	10,196,305	13,214,327	2,174,099	2,873,055

The financial highlights presented in the tables below have been translated into the euro at the rates specified below.

- Items of the statement of comprehensive income and statement of cash flows have been translated using the exchange rates calculated as the arithmetic means of the EUR/PLN mid rates quoted by the National Bank of Poland for the last day of each month in the reporting period. The exchange rates were as follows: EUR 1/PLN 4.6883 from January 1st to December 31st 2022, and EUR 1/PLN 4.5755 from January 1st to December 31st 2021.
- Items of assets, equity and liabilities in the statement of financial position have been translated using the EUR/PLN exchange rates quoted by the National Bank of Poland for the last day of the reporting period. The exchange rates were as follows: EUR 1/PLN 4.6899 as at December 31st 2022, and EUR 1/PLN 4.5994 as at December 31st 2021.



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**FINANCIAL STATEMENTS**  
**OF 11 BIT STUDIOS S.A.**  
**FOR 2022**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS ENDORSED BY THE EUROPEAN UNION

## STATEMENT OF COMPREHENSIVE INCOME

	Note	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
<b>Continuing operations</b>			
Revenue	1.1.	74,205,927	70,122,691
Other income	1.3.	52,950	255,825
<b>Total operating income</b>		<b>74,258,877</b>	<b>70,378,516</b>
Depreciation and amortisation	1.2.	(5,891,465)	(8,920,103)
Raw materials and consumables used		(644,158)	(534,279)
Services	1.2.	(28,610,006)	(19,200,848)
Salaries, wages and employee benefits	1.2.	(13,208,760)	(9,573,210)
Taxes and charges		(625,306)	(295,565)
Other expenses	1.3.	(5,296,524)	(1,823,509)
<b>Total operating expenses</b>		<b>(54,276,219)</b>	<b>(40,347,514)</b>
<b>Operating profit</b>		<b>19,982,658</b>	<b>30,031,002</b>
Finance income	1.4	8,053,261	2,306,088
Finance costs	1.4	(522,472)	(502,626)
Share in profit/(loss) of associate		(287,106)	-
<b>Profit before tax</b>		<b>27,226,341</b>	<b>31,834,464</b>
Income tax expense	1.5	(4,336,525)	(3,148,882)
<b>NET PROFIT</b>		<b>22,889,816</b>	<b>28,685,582</b>
<b>Earnings per share:</b>			
Basic	2.2.	9.66	12.17
Diluted	2.2.	9.53	11.96
<b>NET PROFIT</b>		<b>22,889,816</b>	<b>28,685,582</b>
<b>Other comprehensive income</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>22,889,816</b>	<b>28,685,582</b>

## STATEMENT OF FINANCIAL POSITION

	Note	Dec 31 2022 (audited)	Dec 31 2021 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>142,547,147</b>	<b>90,679,674</b>
Property, plant and equipment	2.3.	24,894,722	25,946,479
Perpetual usufruct of land	2.4.	4,225,080	4,281,361
Intangible assets	2.5.	99,977,460	59,137,637
Deferred tax assets	2.1.	517,619	957,488
Investments in associates	2.6.	3,975,734	-
Other assets	2.8.	166,170	99,080
Long-term investments	2.7.	8,151,523	-
Financial instruments (IRS)		638,839	257,629
<b>Current assets</b>		<b>101,650,294</b>	<b>128,833,290</b>
Trade and other receivables	2.9.	9,471,751	16,485,147
Income tax receivable	2.10.	2,980,694	4,138,348
Other assets	2.8.	1,787,640	752,342
Financial instruments (IRS)		125,673	42,938
Cash and cash equivalents	2.12.	30,585,991	26,748,530
Financial assets	2.11.	56,698,545	80,665,985
<b>TOTAL ASSETS</b>		<b>244,197,441</b>	<b>219,512,964</b>

	Note	Dec 31 2022 (audited)	Dec 31 2021 (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	2.13.	<b>224,543,680</b>	<b>197,337,291</b>
Share capital		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		38,047,889	35,092,206
Retained earnings		22,681,731	28,477,497
<b>Non-current liabilities</b>		<b>9,457,456</b>	<b>8,961,346</b>
Borrowings	2.16.	6,405,000	7,560,000
Provisions	2.17.	22,245	10,390
Lease liabilities	2.18.	750,876	755,245
Deferred income	2.19.	635,711	635,711
Liabilities arising from acquisition of shares in associate	2.6.	1,643,624	-
<b>Current liabilities</b>		<b>10,196,305</b>	<b>13,214,327</b>
Trade and other payables	2.20.	2,893,912	2,332,995
Royalties payable		4,056,672	5,018,390
Borrowings	2.16.	1,260,000	1,260,000
Provisions	2.17.	841,767	651,032
Lease liabilities	2.18.	15,254	14,734
Contract liabilities	2.22.	1,128,700	3,937,176
<b>Total liabilities</b>		<b>19,653,761</b>	<b>22,175,673</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>244,197,441</b>	<b>219,512,964</b>



## INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
<b>As at Jan 1 2022 (audited)</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	-	-	-	-	22,889,816	22,889,816
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,889,816</b>	<b>22,889,816</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	-	-	-	2,955,683	-	2,955,683
<b>As at Dec 31 2022 (audited)</b>	<b>238,014</b>	<b>14,422,772</b>	<b>149,153,274</b>	<b>38,047,889</b>	<b>22,681,731</b>	<b>224,543,680</b>

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

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
<b>As at Jan 1 2021 (audited)</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	-	-	-	-	28,685,582	28,685,582
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,685,582</b>	<b>28,685,582</b>
Allocation of profit to statutory reserve funds	-	-	33,315,028	-	(33,315,028)	-
Recognition of Series G share-based payments	637	655,571	-	-	-	656,208
Recognition of costs of the 2021–2025 Incentive Scheme	-	-	-	3,347,377	-	3,347,377
<b>As at Dec 31 2021 (audited)</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>

## STATEMENT OF CASH FLOWS

	Note	Jan 1–Dec 31 2022 (audited)	Jan 1 – Dec 31 2021 (audited)
<b>Cash flows from operating activities</b>			
<b>Profit for the financial year</b>		<b>22,889,816</b>	<b>28,685,582</b>
<b>Adjustments:</b>			
Depreciation and amortisation		5,891,465	8,920,103
Income tax expense recognised in profit or loss		4,336,525	3,148,882
Remeasurement of intangible assets		(67,091)	(28,510)
Costs of the 2021–2025 Incentive Scheme		2,955,683	3,347,377
Measurement of financial instruments and shares in an associate		(1,618,722)	-
Interest income		(2,071,458)	-
Other adjustments		(1,123,167)	(1,233,488)
<b>Changes in working capital:</b>			
Change in trade and other receivables		7,013,396	(4,883,641)
Change in other assets		(1,102,388)	(140,234)
Change in trade and other payables		(404,648)	(1,779,148)
Change in contract liabilities		(2,808,477)	3,937,176
Change in provisions		202,589	-
Change in deferred income		-	(59,997)
<b>Cash provided by operating activities</b>		<b>34,093,523</b>	<b>39,914,102</b>
Income tax paid		(1,161,964)	1,028,187
<b>Net cash from operating activities</b>		<b>32,931,559</b>	<b>40,942,289</b>
<b>Cash flows from investing activities</b>			
Loans to employees		(1,115,139)	1,875,057
Proceeds from bank deposits upon maturity – over 3 months		11,000,000	-
Purchase of financial assets		(142,992,418)	(122,241,959)
New bank deposits placed – over 3 months		(18,000,000)	-
Proceeds from redemption of financial assets		177,888,911	111,844,368
Proceeds from acquisition of shares in an associate		(2,619,216)	-
Proceeds from acquisition of long-term financial assets (shares in Starward Industries S.A.)		(7,324,071)	-
Payments for property, plant and equipment and intangible assets		(45,679,530)	(28,878,349)
<b>Net cash from investing activities</b>		<b>(28,841,463)</b>	<b>(37,400,883)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,366,994	656,209
Proceeds/(repayments) under credit facility		(1,155,000)	(1,260,000)
Payment of interest on credit facility		(464,629)	(323,733)
<b>Net cash from financing activities</b>		<b>(252,635)</b>	<b>(927,524)</b>
Net increase/(decrease) in cash		3,837,461	2,613,882
Cash at beginning of reporting period		26,748,530	24,134,648
<b>CASH AT END OF REPORTING PERIOD</b>		<b>30,585,991</b>	<b>26,748,530</b>



# NOTES TO THE FINANCIAL STATEMENTS

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## OVERVIEW

11 bit studios S.A. (the "Company") was incorporated by a notarial deed of December 7th 2009 before Paweł Andrzej Kania, Notary Public of Warsaw

(number in the register of notarial deeds: Rep. 16069/2009). Company shares are traded in the public market.

<b>Business name:</b>	11 bit studios Spółka Akcyjna
<b>Abbreviated name:</b>	11 bit studios S.A.
<b>Registered office:</b>	Warsaw, Poland
<b>Registered address:</b>	ul. Brzeska 2, 03-737 Warsaw, Poland
<b>Principal business activity:</b>	in accordance with the Polish Classification of Business Activities – computer programming activities (62.01.Z)
<b>Registry court:</b>	District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division
<b>National Court Register (KRS) No.:</b>	0000350888
<b>TAX IDENTIFICATION NUMBER (NIP):</b>	1182017282
<b>Industry Identification Number (REGON):</b>	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 or interests in joint ventures but has associates.

## BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards adopted for application in the European Union.

These financial statements comply with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757), and contain data for the annual reporting period from January 1st to December 31st 2022 and the comparative period from January 1st to December 31st 2021.

These financial statements give a fair view of the Company's financial position and assets as at December 31st 2022, and the results of its operations and cash flows in the year ended December 31st 2022.

These 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 financial statements, no circumstances were identified which would indicate that the Company may be unable to continue as a going concern.

## FUNCTIONAL AND PRESENTATION CURRENCY

These 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.

Transactions carried out in a currency other than the functional currency (foreign currency transactions) are reported using the exchange rate effective at the date of the transaction. As at the reporting date, monetary assets and liabilities denominated in

foreign currencies are translated at the exchange rate effective on that date. Non-monetary items that are measured at fair value and denominated in a foreign currency are translated using the exchange rate effective on the date of the fair value measurement. Non-monetary items are measured at historical cost.

Exchange differences arising on a monetary item are recognised in profit or loss for the period in which they arise.

Most exchange differences arising in the Company's operations are related to export sales and the related trade receivables. The Company presents exchange differences in finance income or costs, which facilitates a more thorough review of the Company's results as well as the sources of its income and expenses.

## COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

### 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, such sales proceeds and related cost will be recognised directly in the statement of comprehensive income.

- **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. As at the date of issue, the above amendments had no effect on these financial statements.



## 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. The new Standard will substantially change the accounting practices of all entities that deal with insurance contracts and investment agreements. However, its scope is not limited to insurance companies, and contracts concluded by entities other than insurance companies may also contain a component that meets the definition of an insurance contract (as defined in IFRS 17).

- **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 amendment, there was uncertainty as to whether the recognition of equal amounts of an asset and liability for accounting purposes (including initial recognition of leases) that does not affect current tax settlements requires recognition of deferred tax balances or whether the initial recognition exemption applies in such a case, according to which deferred tax balances need not be recognised if the recognition of an asset or liability does not affect accounting or taxable profit as at the time of recognition. The amended IAS 12 has resolved this uncertainty by stating that an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences and thus in the situation above recognition of deferred tax is required.

The amendment is effective for financial statements for periods beginning on or after January 1st 2023.

- **Amendments to IAS 16 Leases**

In September 2022, the IASB issued amendments to IFRS 16 *Leases* by clarifying the requirements for subsequent measurement of a lease liability in the case of sale and leaseback transactions that satisfy the requirements in 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 amendment applies from January 1st 2024. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

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

In 2020, the IASB published amendments to IAS 1 to clarify how to classify liabilities as current or non-current. In October 2022, the Board issued further amendments to IAS 1 that address the classification as current or non-current of liabilities with respect to which the entity is required to comply with certain covenants. The amended IAS 1 provides that liabilities are to be classified as current or non-current depending on the rights existing at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date (for example, waiver or breach of the covenant).

The amendments are effective for financial statements for periods beginning on or after January 1st 2024.

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 both in the statement of financial position and in the statement of profit or loss and statement of other comprehensive income.

The European Union has decided not to endorse IFRS 14.

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

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

### Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the

date of these financial statements, there were no circumstances which would indicate any threat to the Company continuing as a going concern.

### Revenue

Under IFRS 15 *Revenue from Contracts with Customers*, revenue is recognised in the amount of consideration that an entity expects to be entitled to receive in exchange for transferring the promised goods or services to a customer. The standard provides for a five-step model of recognising revenue from contracts with customers:

1. Identifying the contracts with customers,

2. Identifying the performance obligations in the contract,

3. Determining the transaction price,

4. Allocating the transaction price to each performance obligation,

5. Recognising revenue when a performance obligation is satisfied.

The Company recognises revenue from contracts with customers when the performance obligation is satisfied by transferring promised goods to a customer, which is when the customer obtains control of the goods.

Revenue from contracts with customers is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer, which is when the customer obtains control of that good or service. Revenue from sale of goods and the rendering of services to customers is recognised in accordance with the principle that the entity recognises revenue so as to reflect the transfer to a customer of promised goods and services, in the amount of consideration that the entity expects to receive in exchange for transferring the goods or services.

Revenue from the sale of goods and the rendering of services comprises sales of products which are developed by the Company and to which it holds exclusive rights as their producer, or goods which the Company is licensed to release and distribute, and rendering of services to third parties.

The Company analysed its contracts with customers for the application of IFRS 15 in the following categories:

#### **a. Sale of licences for the distribution of games**

The Company licenses software (intellectual property) to game distributors. A licence that is transferred for a prescribed period of time gives distributors access to the intellectual property in the form in which it exists during the term of the licence. Proceeds from the sale of game distribution licences are the basis for revenue recognition. Such revenue depends on the volume of a distributor's sales to end users (players) at a given time during the reporting period. Thus, revenue from the sale of a given product is recognised in the period when the sale takes place but not earlier than after the delivery of materials enabling the actual distribution of the finished game to commence, based on sales to end users specified in reports by game distributors.

In the case of certain agreements, the Company transfers the right to unrestricted use the licence for the amount specified in the agreement. Revenue from such contracts is recognised on a one-off basis upon transfer of control of the licence to the customer.

Revenue is recognised at the fair value of the consideration received or receivable, net of the amount of any expected trade discounts, goods returned by customers, and other similar decreases, including VAT and other taxes relating to sales.

#### **b. Sale with a right of return**

IFRS 15 also provides guidance on the sale of products with a right of return where the customer has taken control of the product while retaining the right to return the product. The right of return applies to certain contracts with distributors and results in variable revenues as the proceeds from sale may change. Therefore, the Company recognises revenue at a probable amount, taking into account historical data. Recognition of the effects of a contract that provides for a right of return or expectations to exercise that right by the customer involves recording:

- revenue for the transferred products in the amount of consideration to which the entity expects to be entitled (i.e. after adjustment for the portion of revenue relating to products that may be returned);
- a refund liability, comprising a part or all of the consideration already received or receivable for which the entity does not expect to be entitled;
- an asset for its right to recover products from customers (right-of-return asset), at the initial carrying amount of the asset (product, good) less expected cost of return and impairment, if any.

#### **c. Advance payments received from customers**

The Company receives short-term advance payments from customers for future sale of games produced or published by the Company. Since 2018, the Company has disclosed these advance payments as liabilities under contracts with customers (contract liabilities), and intends to use the simplified disclosure option provided for in IFRS 15 if the period between the moment when the customer pays for the goods or services and the moment when they are delivered does not exceed one year, and will continue not to recognise any financing component.

#### **d. Revenue in transactions in which the Company is an agent**

To make games available to end users, the Company collaborates with game distributors. Revenue is recognised by the Company in the amount of the margin on transactions, that is reduced by the amounts retained by the platforms. For details, see the description of significant judgements in Section I.

### Other income

Other income comprises income not directly related to the Company's operating activities, including in particular:

- past due, cancelled and unrecoverable liabilities written off,
- penalties and fines, compensation and awards received,

- donations received,
- travel-for-work grants,
- accounting for grants against depreciation of property, plant and equipment,
- recharged items,
- expected credit losses,
- other.

### Operating expenses

The Company prepares the statement of comprehensive income by nature of expense.

### Other expenses

Other expenses comprise costs not directly related to the entity's operating activities, including in particular:

- impairment losses on trade receivables,

- impairment losses on non-current non-financial assets,
- donations made,
- costs of discontinued projects,
- non-recoverable withholding tax,
- other.

### Finance income

Finance income includes mainly:

- interest on free cash deposited in bank accounts,
- interest and commission fees on loans,
- default interest on receivables,
- reversed provisions relating to financing activities,

- income from sale of securities,
- change in the value of financial assets measured at fair value through profit or loss,
- foreign exchange gains,
- net exchange gains on financing activities,
- reversal of impairment losses on investments,
- cancelled borrowings,
- other.

### Finance costs

Finance costs include mainly:

- interest on public charges,
- interest on credit facilities,
- loss on disposal of investments in financial assets,

- interest on leases,
- expected credit losses,
- foreign exchange losses,
- net exchange gains on financing activities,
- other.

### Government grants

A government grant is not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to it, and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Grants whose primary condition is purchase, construction or other form of acquisition of non-

current assets are recognised as deferred income in the statement of financial position and released, in reasonably determined amounts, to profit or loss on a systematic basis over the useful life of the asset.

Government grants that become receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss of the period in which they become receivable.

## Tax

The entity's income tax comprises current tax and deferred tax.

### Current tax

Current tax expense is calculated based on tax profit or loss (taxable income) for a given reporting period. Tax profit (loss) differs from accounting profit (loss) in that it does not include temporarily non-taxable

income, temporarily non-deductible expenses, or income or cost items that will never be taxable or deductible. Tax expenses are calculated based on tax rates applicable in a given financial year.

### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used to calculate taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date; where expected tax profit is insufficient to recover a deferred tax asset in whole or in part, the asset is written down accordingly.

Deferred tax is calculated at tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax liabilities and deferred tax assets are measured so as to account for the tax consequences of expected recovery (settlement) of the carrying amount of assets (liabilities) as at the reporting date.

### Current and deferred tax for the current period

Current and deferred tax is recognised in profit or loss, except for tax arising on items recognised in other comprehensive income or directly in equity.

For such items, current and deferred tax is also recognised in other comprehensive income or equity, as appropriate.

### Tax reliefs

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 sale of qualifying intellectual property rights (games) multiplied by the nexus index is taxed at a preferential CIT rate (5%).

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated impairment. Items of property, plant and equipment are depreciated from the moment they are brought into use, in accordance with the policies applicable to the Company's other non-current assets.

An asset is depreciated on a straight-line basis so as to write down its cost or measured value to its residual value. Expected useful lives, residual values and depreciation methods are reviewed at the end of each reporting period (with any changes in estimates accounted for prospectively).

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use. Any gains or losses arising from the disposal or

retirement of an item of property, plant and equipment (determined as the difference between the disposal proceeds, if any, and the carrying amount of the asset) are recognised in profit or loss for the period when the item is derecognised.

The Company's Management Board has made the following useful life estimates depending on the asset category:

- Plant and equipment: 1–5 years,
- Vehicles: 5 years,
- Leasehold improvements: 10 years,
- Buildings and premises: 40 years.



## NOTES TO THE FINANCIAL STATEMENTS

Land owned by the State Treasury or local government units may be held in perpetual usufruct. Perpetual usufruct is a specific type of property right which entitles a natural or legal person to use land to the exclusion of other persons. The perpetual usufructuary may also dispose of its perpetual usufruct right. Perpetual usufruct of land is granted for a period of 99 years or, in exceptional cases where the economic purpose of the perpetual usufruct does not require the land to be held for

such a period of time, for a shorter period, which may not be less than 40 years. The Company recognises perpetual usufruct of land in accordance with IFRS 16 as leases. The right to use a leased asset is presented in the statement of financial position as perpetual usufruct of land. As at the issue date of these financial statements, the Company had one effective agreement on perpetual usufruct of land, concerning a developed property at ul. Brzeska 2 in Warsaw.

### Intangible assets

The Company's intangible assets comprise acquired intangible assets and internally generated intangible assets.

#### Acquired intangible assets

Acquired intangible assets with a definite useful life are carried at cost less accumulated amortisation and impairment losses. Such assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, and the effects of any changes in estimates are accounted for prospectively. Acquired intangible assets with an indefinite useful life are carried at cost less accumulated impairment losses.

Licences are recognised at cost less accumulated amortisation charges and impairment losses. Licences (intangible assets with a value in excess of PLN 1,000) are amortised on a straight-line basis over their expected useful lives (2–5 years).

#### Internally generated intangible assets – research and development costs

Research costs are recognised as an expense as incurred.

Intangible assets arising from development are recognised in the statement of financial position only if all of the following conditions are met:

- Completion of the intangible asset for use or sale is technically feasible;
- The intention to complete the intangible asset and use or sell it can be demonstrated;
- The asset can be used or sold;
- It can be demonstrated how the intangible asset will generate future economic benefits;
- Adequate technical and financial resources will be available to complete the development work and to use or sell the intangible asset;

- The development expenditure can be reliably estimated.

The initial value of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria as described above. If internal development expenditure cannot be recognised in the statement of financial position, it is charged to expenses when incurred.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortisation and impairment losses on the same basis as acquired intangible assets.

#### Amortisation

Intangible assets arising from development comprise ongoing development work and completed development work.

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

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

Ongoing development work is not amortised and is tested for impairment at least once a year.

The costs of the game engine used to develop video games are amortised for 36 months and capitalised in the value of developed games.

Acquired intangible assets valued at PLN 10,000 or less are amortised on a one-off basis, while intangible assets of a higher value are amortised over 24 months at the rate of 50%.

#### **Derecognition of intangible assets**

#### **Impairment of property, plant and equipment and intangible assets**

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to identify any indications of impairment. If such indications are found, the recoverable amount of a given asset is estimated in order to determine a potential impairment loss.

Intangible assets with an indefinite useful life or ones not yet available for use are tested for impairment on an annual basis and, additionally, if there are indications of impairment.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The latter is the present value of estimated future cash flows, discounted using a pre-tax discount rate reflecting the current market assessment of the time value of money and the risks specific to the asset.

#### **Investments in associates**

Associates are entities 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

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their further use or disposal. The gain or loss arising from the derecognition of an intangible asset (determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is recognised in profit or loss for the period when the asset is derecognised.

The Management Board of 11 bit studios S.A. monitors on a continuous basis, and particularly closely at year-end, development of all of its products (games) to review progress made on them against the adopted schedule as well as their programming quality, gameplay quality, and sales potential.

If the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense in the period in which it occurs.

Right-of-use assets are initially recognised at cost, with the carrying amount subsequently reduced by depreciation charges and impairment losses, if any. A right-of-use asset is amortised on a straight-line basis over the period corresponding to the estimated useful life of the asset.

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.

### Trade and other receivables

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.

Receivables, including trade receivables, are measured at fair value at the date on which they arise, and subsequently at amortised cost using the effective interest rate method, taking into account an allowance for expected credit losses.

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.

Other receivables include in particular advance payments made for future purchases of property, plant and equipment and intangible assets.

Receivables from the state budget are presented under trade and other receivables, except corporate income tax receivable, which is disclosed as a separate item of the statement of financial position.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks, and other highly liquid short-term investments with original maturities of up to three months. The Company

classifies cash as financial assets measured at amortised cost, taking into account any impairment losses determined in accordance with the expected credit loss model.

### Equity

The share capital comprises the share capital of the Company, that is 11 bit studios S.A., which is governed by the regulations contained in the Commercial Companies Code and reflects the par value of shares paid up with cash. The share capital is recognised at par value of the shares (as stated in the Company's Articles of Association and the relevant entry in the National Court Register).

Statutory reserve funds are created out of profit and are used as provided for in the Company's Articles of Association.

Retained earnings/(deficit) include:

- Retained earnings/accumulated losses of the Company,
- Profit or loss for the current year.

The Company's equity also comprises share premium and share-based payment reserve.

### Earnings and diluted earnings per share

Earnings per share for each reporting period are calculated as the quotient of the net profit for the given period and the weighted average number of shares outstanding in the given period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares for the effects of conversion of all potentially dilutive ordinary shares. As the Company has issued dilutive instruments (subscription warrants), it presents diluted earnings per share.

### Share-based payments

Equity-settled share-based payments to employees and other persons providing similar services are measured at the fair value of equity instruments as at the grant date. For details on the determination of the fair value of equity-settled share-based payments, see Section II.2.

The fair value of equity-settled share-based payments measured as at the grant date is recognised as an expense with the straight-line method during the vesting period, based on the Company's estimates regarding equity instruments to be vested. At the end of each reporting period, the Company reviews its estimates of the number of

equity instruments to be granted. The effects of a revision to previous estimates, if any, are recognised in the statement of profit or loss over the remainder

### Borrowings

All bank borrowings are initially recognised at fair value of the funds received, less the cost of obtaining the funds.

Following initial recognition, interest-bearing borrowings are measured at amortised cost, using the effective interest method.

### Lease liabilities

In accordance with IFRS 16, which sets out guidance on recognising, measuring, presenting and disclosing leases, the Company presents assets and liabilities under contracts discussed in IFRS 16.

The Company initially recognises lease liabilities at the present value of lease payments outstanding on the date of first-time application of IFRS 16, discounted using the company's incremental borrowing rates, and recognises assets (perpetual usufruct of land) at an amount equal to lease liabilities.

The right-of-use asset relating to perpetual usufruct of land is measured at cost, i.e., less any accumulated depreciation and impairment losses.

### Provisions

Provisions are recognised if the Company has a legal or constructive obligation resulting from a past event, the amount of such obligation can be

### Contingent liabilities

The Company's contingent liabilities represent potential future obligations to make a payment or provide a service which may arise upon the occurrence or non-occurrence of one or more uncertain future events that the Company does not fully control, as well as present obligations which have not been recognised in the financial

### Trade and other payables

After initial recognition, all payables are, as a rule, measured at amortised cost using the effective interest rate method, with the exception of payables measured at fair value through profit or loss. However, in the case of payables due in more than 12 months from the end of the reporting period, any indications which might affect the measurement of such payables at amortised cost (including changes

of the vesting period, with a corresponding adjustment made to the share-based payment reserve.

Amortised cost includes the cost of obtaining the funds as well as discounts or premiums obtained on settlement of the liability.

Following initial recognition, the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

statements because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. The amounts of contingent liabilities are presented in the notes to these financial statements.

in interest rates, additional cash flows etc.) are analysed. If the difference between the amount arrived at using the amortised cost method and the amount due is not found to materially affect the financial statements, payables are carried at amounts due. Payables also include liabilities which have arisen after the reporting date but pertain to the reporting period.

Employee benefit obligations comprising wages and salaries, paid annual leaves and sick leaves are recognised in the period in which an employee

renders the related service, at the undiscounted amount of benefits expected to be paid in exchange for that service.

### Financial instruments

A financial asset or financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. On initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus (in the case of a financial

asset or a financial liability other than measured at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. Transactions costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

In the reporting periods presented, the Company held financial assets at amortised cost and financial assets at fair value through profit or loss.

#### Initial recognition of financial instruments

Financial assets or financial liabilities are recognised in the statement of financial position when and only when the Company becomes bound by the contractual provisions of the instrument.

#### Classification and subsequent measurement of financial assets

After initial recognition, the Company classifies each financial asset as measured at amortised cost or at fair value through profit or loss, based on:

- the Company's business model for financial asset management,
- and
- the profile of contractual cash flows related to a given financial asset.

A financial asset is measured at amortised cost if the following conditions are met:

- The Company holds such financial asset within a business model providing for holding financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured at fair value through profit or loss.

On initial recognition, the Company may irrevocably elect that certain investments in equity instruments that would otherwise be measured at fair value through profit or loss should subsequently be measured at fair value through other comprehensive income.

#### Reclassification

The Company reclassifies all its financial assets if and only if it changes its business model for the management of financial assets (affected by such change). Such reclassification is recognised by the Company prospectively.

#### Impairment of financial assets

The Company recognises an allowance for expected credit losses on a financial asset measured at amortised cost.

As at each reporting date, the Company measures the allowance for expected credit losses on a financial instrument at an amount equal to lifetime expected credit losses if the credit risk of that financial instrument has increased significantly since its initial recognition.

The Company applies a three-stage impairment model with respect to financial assets:

- Stage 1 – financial instruments on which the credit risk has not increased significantly since initial recognition. Expected credit losses are determined based on the probability of default within 12 months (i.e. the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);
- Level 2 – balances for which there has been a significant increase in credit risk since initial recognition, but there is no objective evidence



of impairment; expected credit losses are determined on the basis of the probability of default over the contractual life of the asset;

- Stage 3 – instruments for which there is objective evidence of impairment.

To the extent it is necessary to assess whether there has been a significant increase in credit risk in accordance with the above model, the Company considers in particular that a delay in repayment of 30 days represents an increase in credit risk.

Financial assets are written off, in whole or in part, when the Company has used practically all measures to collect them and determines that they cannot be reasonably expected to be recovered. This is usually the case when the asset is past due at least 360 days.

If as at the reporting date the credit risk of a financial instrument has not increased significantly since its initial recognition, the Company measures the allowance for expected credit losses on that financial instrument at 12-month expected credit losses.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversed provision) that is required to adjust the expected credit loss allowance at the reporting date to the amount recognisable in accordance with IFRS 9.

#### Measurement of expected credit losses

The Company measures the allowance for expected credit losses on a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk of that financial instrument has increased significantly since its initial recognition.

#### Fair value measurement and measurement procedures

#### Financial liabilities

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity;
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments, or a derivative that will or may be settled other than by the

Certain assets and liabilities are measured at fair value for financial reporting purposes. The Management Board determines appropriate measurement techniques and rules for using fair value measurement inputs.

The measurement is performed at three levels, depending on the available inputs:

- Level 1 – inputs are (unadjusted) prices quoted in active markets for identical assets or liabilities, as such prices are available at the measurement date;
- Level 2 – inputs other than quoted prices considered at Level 1 that are observable for the asset or liability, either indirectly or directly (e.g. prices of similar assets or liabilities quoted on active or inactive markets, inputs other than quoted prices that are observable for the asset or liability (interest rates, yield curves observable in commonly accepted quotation ranges, assumed volatility and spreads), or inputs confirmed by the market);
- Level 3 – inputs are unobservable input data for the asset or liability (the best information available in the circumstances that may include the entity's own data).

The fair value measurement of assets or liabilities should use observable market data to the maximum extent possible. Where the Level 1 measurement is not feasible, external expert appraisers are mandated to carry out the measurement. The Management Board closely cooperates with external expert appraisers to determine appropriate measurement techniques and model input data. Information on the measurement techniques and input data used to measure the fair value of individual assets and liabilities is disclosed in the relevant notes to the financial statements.

exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

#### Initial recognition

On initial recognition, the Company measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the financial liability.

#### Classification and carrying amount

## NOTES TO THE FINANCIAL STATEMENTS

After initial recognition, the Company classifies all financial liabilities as measured at amortised cost, except for:

- Financial liabilities, including derivatives, measured at fair value through profit or loss,
- Financial liabilities that arise from a transfer of a financial asset – in the cases specified in IFRS 9,
- Financial guarantee contracts,
- Commitments to provide a loan at a below-market interest rate,
- Contingent consideration recognised in accordance with IFRS 3.

The Company may irrevocably designate a financial liability as measured at fair value through profit or loss on initial recognition or if:

- Doing so eliminates an accounting mismatch,
- The Company manages a group of financial liabilities or financial assets and financial liabilities, and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Other financial liabilities, primarily including trade payables, borrowings and other liabilities, are measured at amortised cost using the effective interest rate method.

Trade payables, borrowings and other liabilities are measured at amounts due if there is little difference between the amount due and the amount measured at amortised cost.

### Statement of cash flows

The statement of cash flows is prepared using the indirect method.

## 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

Below are presented the principal judgements, other than those involving estimates, which the Company's Management Board made in the

process of applying the adopted accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

### Functional currency

The Company's functional currency is the Polish złoty.

The functional currency was determined by the Company's Management Board based on its judgement concerning the currency in which the Company generates revenue and incurs costs. In accordance with IAS 21.9, an entity considers the following factors in determining its functional currency:

- the currency:

- (i) that mainly influences selling prices for goods and services (this will often be the currency in which selling prices for its goods and services are denominated and settled); and
- (ii) of the country whose competitive forces and regulations mainly determine the selling prices of its goods and services;
- the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in

which such costs are denominated and settled).

The Company's revenue from the sale of goods (video games) is generated in USD and EUR (from sales in Europe). This would suggest, in accordance with IAS 21.9.a.i. alone, that the Company's functional currency is the US dollar or euro. However, upon consideration of IAS 21.9a.ii., the functional currency seems less obvious – the prices of video games sold by the Company are not affected by the competitive forces or regulations in the United States or Europe. Our selling prices are denominated in the US dollar or euro because the video games market is a global market, with prices set at the same levels for players from across the globe. Accordingly, the selling prices of the Company's games are the same for players regardless of whether a player comes from Europe (including Poland), Asia or the United States.

From the cost perspective, if construed independently of the other rules laid down in the standard, IAS 21.9.b. indicates that PLN is the Company's functional currency as the Company incurs most of its costs, including game development costs (primarily attributable to salaries and wages), in the Polish zloty.

### Principal versus agent considerations

IFRS 15 has introduced a new model for assessing whether an entity is acting as a principal or an agent. Based on an analysis of sale contracts, the Company's Management Board found that in the case of games for PCs and consoles, as well as games for mobile platforms, revenue is recognised by the Company after deduction of amounts retained by the platforms.

### Uncertainty of estimates

Discussed below are critical assumptions concerning the future and other key sources of estimation uncertainty at the reporting date which

The Company's Management Board also considered IAS 21.10.

The following factors may also provide evidence of an entity's functional currency:

- the currency in which funds from financing activities (i.e., issuing debt and equity instruments) are generated;
- the currency in which receipts from operating activities are usually retained.

The credit facility (described in Section II.2.16.), granted to the Company by PKO BP in December 2018 to finance a part of the purchase price for developed property at ul. Brzeska 2 in Warsaw is denominated in the Polish zloty. The Company does not have any non-bank borrowings or bonds in issue, and the proceeds from its share issue were denominated in the Polish zloty. Cash held by the Company in bank accounts is denominated in PLN, USD, EUR, and CNY.

Accordingly, the Company's Management Board has determined that the Company's functional and reporting currency is the Polish zloty.

The Company also sells games produced by third-party developers as part of its publishing business. As the Company controls key parameters, it is the principal. In the case of games sold by the Company as the publisher, royalties due to the developer are disclosed under services in the statement of profit or loss.

entail a significant risk that material adjustments may be required to the carrying amounts of assets and liabilities in the next financial year.

### Recoverability of internally generated intangible assets

During the year, the Company's Management Board reviewed the recoverability of internally generated intangible assets, i.e. both completed or ongoing development work related to the development of video games.

As a result of the review, the Company's Management Board is convinced that the carrying amounts of the intangible assets will be fully recovered.

### Amortisation periods for intangible assets

The Company reviews the expected useful lives of internally generated intangible assets at each year-end.

The amortisation period for intangible assets related to video games development and publication ranges from six to 48 months. In line with the standard accounting practice applied by the game development industry worldwide (as a result of the lifecycle of video games) and based on the

Company's experience with the sale of previously released games.

For the technology required to develop video games (game engine), the Company adopted an amortisation period of 36 months because of the rapid pace at which technological innovations are introduced in the game development industry, leading to regular shifts (on average, every 36 months) in technologies used to develop games.

### 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.

## SEGMENT REPORTING

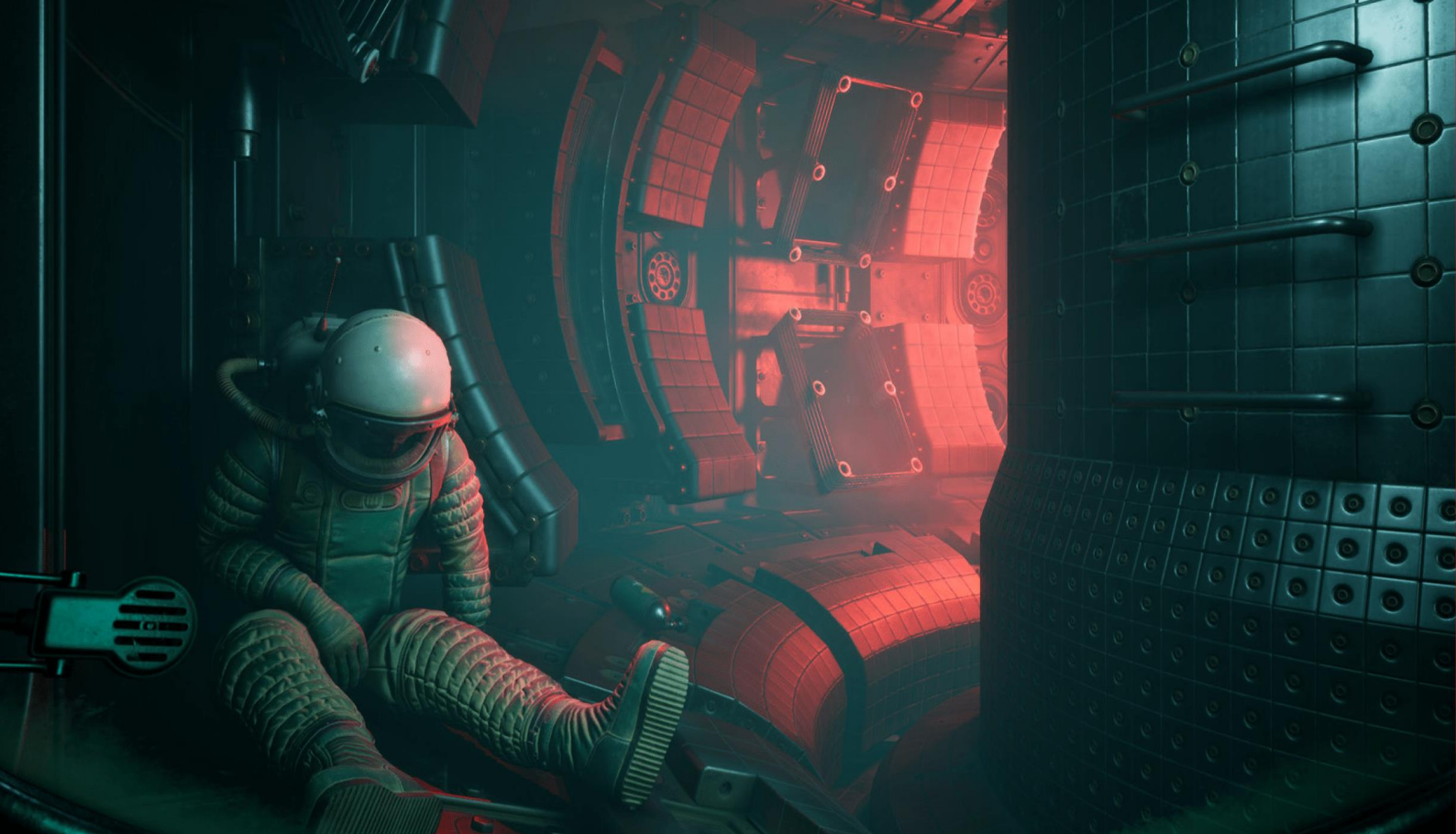
For reporting purposes, the Company has identified operating segments corresponding to the Company's components:

- That engage in business activities from which they may earn revenues and incur expenses,
- Whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

- For which discrete financial information is available.

The Company's chief operating decision maker that makes decisions about allocation of resources and assesses segment performance is the Management Board of 11 bit studios S.A.

The Company has identified one operating segment: video games production and publishing.



# II.

## NOTES TO THE FINANCIAL STATEMENTS

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# 1.

## NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

## 1.1. Revenue

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Revenue	74,205,927	70,122,691
<b>Total revenue</b>	<b>74,205,927</b>	<b>70,122,691</b>

Revenue in the reporting period came in at PLN 74,205,927, up 6% year on year (from PLN 70,122,691). As in the previous years, in 2022 the main source of

revenue was sales of its proprietary games as well as third-party developed games released by the Company as part of its publishing services.

### Revenue by geographical region

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

Below is presented revenue from external customers by geographical area. The classification is based on the place of registration of the external customers (mainly online platforms).

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Poland	1,820,736	1,463,642
European Union	1,871,971	1,563,025
United Kingdom	2,999,890	3,340,383
US	57,432,005	53,255,645
Japan	8,744,173	9,639,184
China	372,003	199,109
Other	965,149	661,703
<b>Total</b>	<b>74,205,927</b>	<b>70,122,691</b>

### Revenue by distribution channel

In total revenue, PLN 73,780,746 (2021: PLN 69,861,247) is revenue from sale of games and products directly related to games (such as soundtracks). In 2022, the Company's 10 largest sales

partners, including Valve (Steam), Netflix, Nintendo, Sony and Microsoft, accounted for 94.18% of total revenue from sales of games. None of them accounted for more than 50% of total revenue.

## 1.2. Operating expenses

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Depreciation and amortisation	5,891,465	8,920,103
Raw materials and consumables used	644,158	534,279
Services	28,610,006	19,200,848
Salaries, wages and employee benefits	13,208,760	9,573,210
Taxes and charges	625,306	295,565
<b>Total operating expenses</b>	<b>48,979,695</b>	<b>38,524,005</b>

## Depreciation and amortisation

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
<b>Depreciation/ amortisation charges made during the year:</b>		
Depreciation of property, plant and equipment	2,715,864	2,379,107
Amortisation of intangible assets	5,035,631	8,106,242
<b>Total</b>	<b>7,751,495</b>	<b>10,485,349</b>
Allocation to project costs	(1,916,313)	(1,712,193)
Land (including perpetual usufruct of land)	56,283	146,947
<b>Total</b>	<b>5,891,465</b>	<b>8,920,103</b>

The 34% drop in the depreciation and amortisation expense year on year, to PLN 5,891,465, was mainly attributable to lower amortisation (down by 38%) of intangible assets, i.e., expenditure on proprietary games and games from 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 14.2% year on year to PLN 2,715,864, as a result of growing expenditure on IT equipment for newly hired employees. A major portion of these expenses (PLN 1,916,313 in 2022 vs PLN 1,712,193 the year before) was allocated to project costs.

## Services

The year-on-year increase in the cost of services in 2022 was driven by considerably higher revenue from sale of third-party developed games, mainly *Moonlighter* (under an agreement with Netflix). The Company pays royalties on revenue from the sale of those products. In 2022, royalties due totalled PLN

17,011,015 (2021: PLN 10,001,005). The Company's total expenditure on intangible assets (production of games) which was not recognised under services but capitalised in 2022 amounted to PLN 31,182,946 (2021: PLN 18,995,445).

## Salaries, wages and employee benefits

A major rise in salaries and wages, of 38% (to PLN 13,208,760 from PLN 9,573,210 the year before), was mainly attributable to a gradual increase in workforce and growing pay levels. The item also included non-cash provisions recognised in connection with the Company's 2021–2025 Incentive Scheme. In 2022, these costs totalled PLN 2,955,683.

The Company's total expenditure on intangible assets (production of games) which was not recognised under salaries and wages but capitalised in 2022 amounted to PLN 11,967,407 (2021: PLN 8,514,010).

## 1.3. Other income and expenses

### Other income

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Grants received	-	221,820
Compensation received	9,930	2,072
Reversal of allowances for expected credit losses	29,689	23,141
Gain on disposal of non-current non-financial assets	12,026	-
Other	1,305	8,792
<b>Total other income</b>	<b>52,950</b>	<b>255,825</b>

### Other expenses

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Impairment losses on trade receivables	-	69,825
Donations	4,219,269	632,375
Costs of discontinued projects	-	348,341
Non-recoverable withholding tax	62,896	141,480
Other	1,014,359	631,488
<b>Total other expenses</b>	<b>5,296,524</b>	<b>1,823,509</b>

In 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 the game *This War of Mine* in the period from February 24th to March 2nd 2022.

Other expenses (PLN 1,014,359) comprised advertising and business travel costs. In the comparative period, the largest item of other expenses was donations made (PLN 632,375).

## 1.4. Finance income and costs

### Finance income

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Interest on bank deposits	443,026	23,572
Interest on loans	12,205	-
IRS for a credit facility	207,420	-
Interest income on bonds	2,183,293	167,210
Valuation of investment fund units	557,656	121,389
Increase in the value of shares in Starward Industries S.A.	827,452	-
Valuation of IRS	463,945	1,077,310
Exchange differences	3,358,264	916,607
<b>Total finance income</b>	<b>8,053,261</b>	<b>2,306,088</b>

As a result of favourable changes in global currency markets in 2022, i.e., depreciation of the złoty against the US dollar and the euro, in which the Company earns a majority of its revenue, in the reporting period, as in the previous year, the Company generated a significant amount of finance income from currency exchange gains: PLN 3,358,264 vs PLN

916,607 the year before. On the back of rising interest rates, 11 bit studios S.A. earned PLN 443,026 in interest income on its bank deposits in 2022. Other material items included interest income on bonds (PLN 2,183,293 vs PLN 167,210 the year before) and measurement of financial instruments (PLN 827,452).

### Finance costs

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Interest on public charges	846	5,011
Interest on credit facilities	462,606	118,383
IRS for a credit facility	2,023	205,350
Loss on disposal of investments in financial assets	-	150,034
Interest on leases	23,540	23,848
Expected credit loss	33,457	-
<b>Total finance costs</b>	<b>522,472</b>	<b>502,626</b>

In 2022, the largest item of the Company's finance costs was interest expense on the investment facility

described in **Note II.2.16** (PLN 462,606 vs PLN 118,383 a year earlier).

## 1.5. Income tax on continuing operations

### Income tax recognised in profit or loss

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
<b>Current income tax:</b>		
Attributable to current year	3,896,656	2,588,780
<b>Deferred income tax:</b>		
Attributable to current year	439,869	560,102
<b>Tax expense recognised in current year on continuing operations</b>	<b>4,336,525</b>	<b>3,148,882</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:

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
Profit before tax from continuing operations	27,226,341	31,834,464
Income tax expense at 19% (2021: 19%)	5,173,005	6,048,548
Tax effect of costs which are not deductible for tax purposes	1,433,995	529,707
Effect of IP Box tax relief settlement at 5% tax rate	(2,670,119)	(3,429,373)
Effect of 2021 settlements	372,781	-
Other changes	26,863	-
<b>Total</b>	<b>4,336,525</b>	<b>3,148,882</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 15.93% in 2022 and 9.89% in 2021.

With respect to sales of proprietary games the Company uses the IP Box relief, which was introduced on October 23rd 2018 pursuant to the Act Amending the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Legislation and certain other acts, and has been in effect since January 1st 2019. Under the Act, the Company's revenue from the sale of qualifying intellectual property rights (games) multiplied by the nexus index was taxed at a preferential CIT rate (5%). In

2022, the IP Box relief amounted to PLN 2,670,119 (2021: PLN 3,429,373).

Tax laws relating to value added tax, corporate and personal income tax, property tax, and social security contributions are regularly amended. Tax settlements may be subject to inspection over a period of five years. As a result, the disclosures in the financial statements may change at a later date after their amount is finally determined by the tax authorities. To the best of its knowledge, the Management Board is not aware of any circumstances existing as at the date of these financial statements which would necessitate the recognition of provisions for future liabilities to the revenue office.

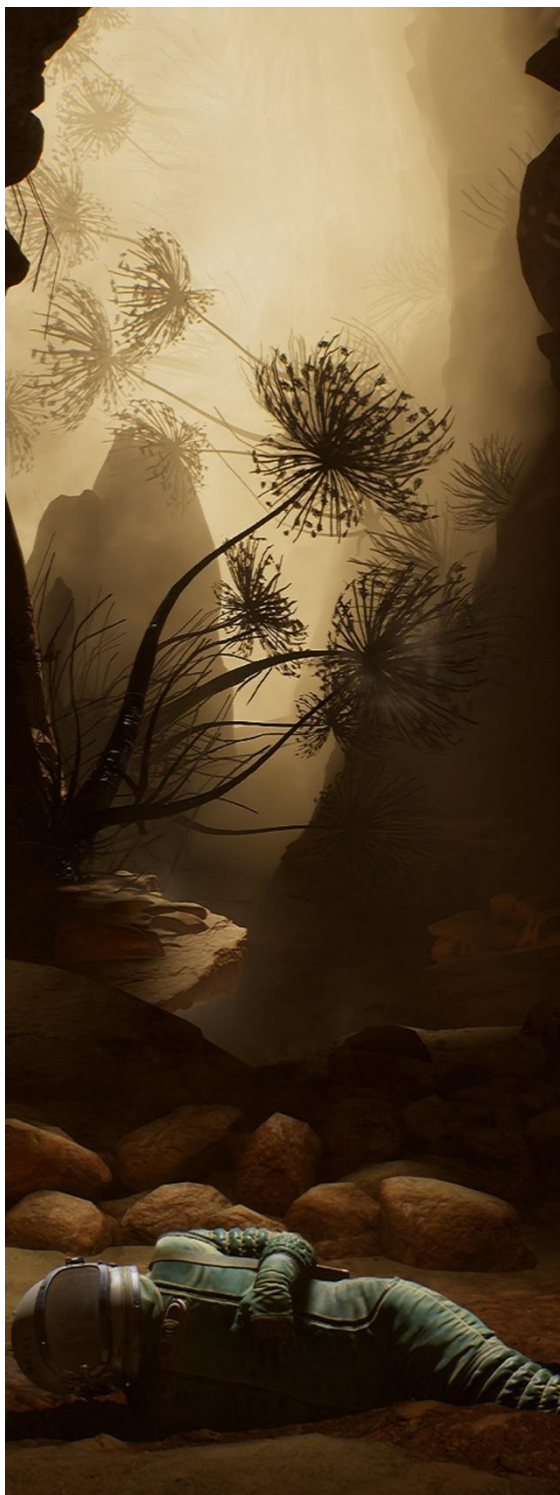


## Current tax receivable and payable

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
VAT refund receivable	1,893,585	1,888,534
CIT refund receivable	2,980,694	4,138,348
<b>Current tax receivable and payable</b>	<b>4,874,279</b>	<b>6,026,882</b>

Tax receivables included the IP Box tax relief described in **Note 1.5** of Section II (PLN 2,670,119), the tax remaining to be deducted upon receipt of

returns from trading partners, and non-recovered withholding tax.



## 2.

### NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 2.1. Deferred tax (net)

Below is presented an analysis of the deferred tax asset / (liability) shown in the statement of financial position.

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Deferred tax assets	969,335	980,081
Deferred tax liability	(451,716)	(22,593)
<b>Total</b>	<b>517,619</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

	Jan 1 2022	Recognised in profit or loss	Dec 31 2022
<b>Assets</b>			
Provisions	59,849	50,958	110,807
Royalties payable	953,494	(182,726)	770,768
Liabilities	10,580	14,704	25,284
Remeasurement of financial assets	-	60,907	60,907
Depreciation and amortisation	-	1,569	1,569
<b>Provisions</b>			
Remeasurement of financial assets	(43,842)	(389,651)	(433,493)
Measurement of financial investments	(22,593)	4,370	(18,223)
<b>Total</b>	<b>957,488</b>	<b>(439,869)</b>	<b>517,619</b>

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

	Jan 1 2021	Recognised in profit or loss	Dec 31 2021
<b>Assets</b>			
Provisions	80,232	(20,383)	59,849
Royalties payable	1,339,512	(386,018)	953,494
Liabilities	7,879	2,701	10,580
Remeasurement of financial assets	164,528	(164,528)	-
<b>Provisions</b>			
Remeasurement of financial assets	-	(43,842)	(43,842)
Measurement of financial investments	(74,561)	51,968	(22,593)
<b>Total</b>	<b>1,517,590</b>	<b>(560,102)</b>	<b>957,488</b>

## 2.2. Earnings per share

### Basic earnings per share

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
<b>Basic earnings per share:</b>		
From continuing operations	9.66	12.17
<b>Total basic earnings per share</b>	<b>9.66</b>	<b>12.17</b>
<b>Diluted earnings per share:</b>		
From continuing operations	9.53	11.96
<b>Total diluted earnings per share</b>	<b>9.53</b>	<b>11.96</b>

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

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Profit for the financial year attributable to shareholders	22,889,816	28,685,582
Total profit used to calculate basic earnings per share	22,889,816	28,685,582
<b>Profit used to calculate basic earnings per share from continuing operations</b>	<b>22,889,816</b>	<b>28,685,582</b>

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Weighted average number of ordinary shares used to calculate earnings per share	2,370,153	2,357,095

### Diluted earnings per share

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Profit for the financial year attributable to shareholders	22,889,816	28,685,582
Total profit used to calculate diluted earnings per share	22,889,816	28,685,582
<b>Profit used to calculate diluted earnings per share from continuing operations</b>	<b>22,889,816</b>	<b>28,685,582</b>

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:

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Weighted average number of ordinary shares used to calculate basic earnings per share	2,370,153	2,357,095
<b>Shares expected to be issued:</b>		
Employee stock options	37,055	50,278
<b>Weighted average number of ordinary shares used to calculate diluted earnings per share</b>	<b>2,402,635</b>	<b>2,399,332</b>

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 2.3. Property, plant and equipment

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>Gross amount as at Jan 1 2022</b>	<b>24,305,970</b>	<b>374,316</b>	<b>2,894,560</b>	<b>372,854</b>	<b>3,459,479</b>	<b>31,407,179</b>
Increase	88,933	849,475	684,439	-	41,260	1,664,107
Decrease	-	-	(15,770)	-	-	(15,770)
Reclassification	-	(1,092,839)	769,848	315,189	7,802	-
<b>Gross amount as at Dec 31 2022</b>	<b>24,394,903</b>	<b>130,952</b>	<b>4,333,077</b>	<b>688,043</b>	<b>3,508,541</b>	<b>33,055,516</b>
<b>Cumulative depreciation as at Jan 1 2022</b>	<b>1,314,700</b>	<b>-</b>	<b>2,379,879</b>	<b>372,854</b>	<b>1,393,267</b>	<b>5,460,700</b>
Depreciation	761,725	-	1,278,829	15,759	659,551	2,715,864
Decrease	-	-	(15,770)	-	-	(15,770)
<b>Cumulative depreciation as at Dec 31 2022</b>	<b>2,076,425</b>	<b>-</b>	<b>3,642,938</b>	<b>388,613</b>	<b>2,052,818</b>	<b>8,160,794</b>
<b>Net amount as at Jan 1 2022</b>	<b>22,991,270</b>	<b>374,316</b>	<b>514,681</b>	<b>-</b>	<b>2,066,212</b>	<b>25,946,479</b>
<b>Net amount as at Dec 31 2022</b>	<b>22,318,478</b>	<b>130,952</b>	<b>690,139</b>	<b>299,430</b>	<b>1,455,723</b>	<b>24,894,722</b>

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>Gross amount as at Jan 1 2021</b>	<b>24,200,705</b>	<b>102,242</b>	<b>1,953,626</b>	<b>372,854</b>	<b>3,492,462</b>	<b>30,121,889</b>
Increase	73,245	851,105	511,374	-	-	1,435,724
Decrease	(1,340)	-	(114,608)	-	(34,486)	(150,434)
Reclassification	33,360	(579,031)	544,168	-	1,503	-
<b>Gross amount as at Dec 31 2021</b>	<b>24,305,970</b>	<b>374,316</b>	<b>2,894,560</b>	<b>372,854</b>	<b>3,459,479</b>	<b>31,407,179</b>
<b>Cumulative depreciation as at Jan 1 2021</b>	<b>555,273</b>	<b>-</b>	<b>1,515,859</b>	<b>363,406</b>	<b>797,848</b>	<b>3,232,386</b>
Depreciation	759,427	-	980,327	9,448	629,905	2,379,107
Decrease	-	-	(116,307)	-	(34,486)	(150,793)
<b>Cumulative depreciation as at Dec 31 2021</b>	<b>1,314,700</b>	<b>-</b>	<b>2,379,879</b>	<b>372,854</b>	<b>1,393,267</b>	<b>5,460,700</b>
<b>Net amount as at Jan 1 2021</b>	<b>23,645,432</b>	<b>102,242</b>	<b>437,767</b>	<b>9,448</b>	<b>2,694,614</b>	<b>26,889,503</b>
<b>Net amount as at Dec 31 2021</b>	<b>22,991,270</b>	<b>374,316</b>	<b>514,681</b>	<b>-</b>	<b>2,066,212</b>	<b>25,946,479</b>



## 2.4. Perpetual usufruct of land

As at the issue date of these financial statements, the Company had one effective agreement on perpetual usufruct of land, concerning a developed property at ul. Brzeska 2 in Warsaw, purchased by the Company at the end of 2018 to house its new headquarters. Since January 1st 2019, the right of perpetual usufruct to the property located at ul. Brzeska 2 in Warsaw has been disclosed in the Company's statement of financial position (under right-of-use assets and lease liabilities). The Company measured the perpetual usufruct right at PLN 4,255,080 (as at December 31st 2022). It is amortised over the term of

the perpetual usufruct agreement, i.e., until October 27th 2099.

The lease payments are discounted at the lessee's incremental borrowing rate. The incremental borrowing rate was estimated by the Company as the interest rate at the inception of the lease at which the lessee (the Company) would have borrow funds necessary to purchase a given asset over a similar term and with a similar security. The incremental borrowing rate used to measure the lease liability is 3.4%.

	2022	2021
<b>Perpetual usufruct of land – opening balance</b>	<b>4,281,361</b>	<b>4,003,398</b>
Increase	-	424,910
Decrease	-	-
Depreciation and amortisation	(56,281)	(146,947)
<b>Perpetual usufruct of land – closing balance</b>	<b>4,225,080</b>	<b>4,281,361</b>

## 2.5. Intangible assets

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

### Completed development work:

Completed Game Engine development work as at December 31st 2022 included the capitalised cost of the fourth and fifth work phases.

As at December 31st 2022, completed video games development work comprised games released in earlier periods.

### Ongoing development work:

As at December 31st 2022, expenditure on ongoing development work included mainly expenditure on the development of games, in particular *Frostpunk 2*, *Project 8*, and *The Alters*, and third-party developed games of 11 bit studios's publishing division.

### Testing ongoing development work for impairment:

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

The Company makes projections of revenue and expenses over a time horizon of up to five years from

the financial statements date, and then discounts them with the weighted average cost of capital (WACC). As regards these financial statements, the discount rate applied is 12.5%.

The weighted average cost of capital was determined using the following capital valuation model:  $WACC = \text{cost of debt} \times \text{weight of debt} + \text{cost of equity} \times \text{weight of equity}$ . The cost of debt was estimated based on the incurred financial liabilities, i.e., the PLN 12,600,000 investment credit facility with PKO BP S.A. The cost of debt before tax was reduced by the effective tax rate. The Company calculated the cost of equity using the CAPM model, under which the cost of equity was calculated as the sum of the risk-free rate and beta multiplied by the required equity market risk premium. The cost of debt and the cost of equity were calculated using weights appropriate for the Company's financing structure. The cost of the Company's debt did not materially differ from market rates.

Revenue was estimated based on a detailed analysis of various areas of the games market using the Company's long-time experience and sales results for 11 bit studios S.A.' current game portfolio.

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

A sensitivity analysis performed as at the reporting date showed that there was no risk of impairment of

intangible assets comprising ongoing development work.

Following an analysis, in the reporting period the Company did not write off any expenditure on discontinued work.

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>Gross amount as at Jan 1 2022</b>	<b>6,813,631</b>	<b>38,056,770</b>	<b>934,772</b>	<b>52,926,025</b>	<b>98,731,198</b>
Increase	-	-	77,530	45,797,924	45,875,454
Reclassification of completed development work	-	2,151,224	365,909	(2,517,133)	-
Decrease	-	-	-	-	-
Discontinued work written off	-	-	-	-	-
<b>Gross amount as at Dec 31 2022</b>	<b>6,813,631</b>	<b>40,207,994</b>	<b>1,378,211</b>	<b>96,206,816</b>	<b>144,606,652</b>
<b>Cumulative amortisation as at Jan 1 2022</b>	<b>4,424,169</b>	<b>34,556,533</b>	<b>612,859</b>	<b>-</b>	<b>39,593,561</b>
Amortisation	1,365,173	3,390,399	280,059	-	5,035,631
Decrease	-	-	-	-	-
<b>Cumulative amortisation as at Dec 31 2022</b>	<b>5,789,342</b>	<b>37,946,932</b>	<b>892,918</b>	<b>-</b>	<b>44,629,192</b>
<b>Net amount as at Jan 1 2022</b>	<b>2,389,462</b>	<b>3,500,237</b>	<b>321,913</b>	<b>52,926,025</b>	<b>59,137,637</b>
<b>Net amount as at Dec 31 2022</b>	<b>1,024,289</b>	<b>2,261,062</b>	<b>485,293</b>	<b>96,206,816</b>	<b>99,977,460</b>

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>Gross amount 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	-	-	163,469	30,196,358	30,359,827
Reclassification of completed development work	-	1,840,573	-	(1,840,573)	-
Decrease	-	-	(161,456)	(3,550)	(165,006)
Discontinued work written off	-	-	-	(971,914)	(971,914)
<b>Gross amount as at Dec 31 2021</b>	<b>6,813,631</b>	<b>38,056,770</b>	<b>934,772</b>	<b>52,926,025</b>	<b>98,731,198</b>
<b>Cumulative amortisation as at Jan 1 2021</b>	<b>2,858,907</b>	<b>28,212,015</b>	<b>577,853</b>	<b>-</b>	<b>31,648,775</b>
Amortisation	1,565,262	6,344,518	196,462	-	8,106,242
Decrease	-	-	(161,456)	-	(161,456)
<b>Cumulative amortisation as at Dec 31 2021</b>	<b>4,424,169</b>	<b>34,556,533</b>	<b>612,859</b>	<b>-</b>	<b>39,593,561</b>
<b>Net amount as at Jan 1 2021</b>	<b>3,954,724</b>	<b>8,004,182</b>	<b>354,906</b>	<b>25,545,704</b>	<b>37,859,516</b>
<b>Net amount as at Dec 31 2021</b>	<b>2,389,462</b>	<b>3,500,237</b>	<b>321,913</b>	<b>52,926,025</b>	<b>59,137,637</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.

## 2.6. Investments in associates

	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 Sp. z o.o. 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 Sp. z o.o..

11 bit studios S.A.'s payment for the acquired shares was divided into two tranches. The first tranche, of PLN 2,619,216, was paid on March 9th 2022. The second tranche will be settled in cash seven months after the market release of *Thaumaturge*, developed by Fool's Theory Sp. z o.o. 11 bit studios S.A. is the game's publisher. The amount of the second tranche will depend on net revenue generated by the Company from the sale of *Thaumaturge* 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 December 31st 2022, the value of the second tranche was estimated at PLN 1,643,624 (discounted to December 31st 2022), i.e., PLN 144,679 lower than the estimate as at March 31st 2022. The estimate was based on the planned release date of *Thaumaturge*, the forecast revenue from its sale and the expected rating at Steam Reviews, and the value so obtained was then discounted to December 31st 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 December 31st 2022

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Cost of shares – first tranche	2,619,216	-
Cost of shares – second tranche (estimate)	1,643,624	-
Share of profit/(loss) of associate	(287,106)	-
<b>Investment in associate Fool's Theory Sp. z o.o.</b>	<b>3,975,734</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 Sp. z o.o.'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 Sp. z o.o. If Fool's Theory Sp. z o.o. 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 December 31st 2022

	Dec 31 2022
Non-current assets	14,958,981
Current assets, including:	1,941,921
Cash	1,329,840
Current liabilities	930,626
Non-current liabilities	-
Accruals and deferrals	16,667,696

### 2.7. Long-term investments

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Shares in Starward Industries S.A.	8,151,523	-
<b>Total long-term investments</b>	<b>8,151,523</b>	<b>-</b>

On July 29th 2022, the Company signed an agreement to subscribe for 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.

Between November 16th 2022 and December 31st 2022, the Company acquired 16,784 Starward Industries S.A. shares on the stock exchange. As a result, as at December 31st 2022 the Company held 116,784 shares in Starward Industries S.A.

As at December 31st 2022, the company shares were marked to market.

### 2.8. Other assets

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Insurance	81,111	65,610
Domain names, licences, subscriptions	811,719	453,317
Prepaid expenses	974,553	234,280
Trademark	71,773	84,027
Other	14,654	14,188
<b>Total other assets</b>	<b>1,953,810</b>	<b>851,422</b>
including:		
- current	1,787,640	752,342
- non-current	166,170	99,080

Other current assets comprised 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, and stock exchange fees.

### 2.9. Trade and other receivables

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Trade receivables	7,503,110	14,657,593
Taxes, grants, customs duties and social security	1,893,585	1,683,182
Other	75,056	144,372
<b>Total trade and other receivables</b>	<b>9,471,751</b>	<b>16,485,147</b>

### Trade receivables

The Company recognised impairment losses based on historical credit loss rates determined through an analysis of receivables repayment. The table below

presents the historical credit loss rates for each past due period, broken down into receivables from sales of games and receivables from other sales.

#### Expected credit loss rate:

	For receivables from sales of games (%)	For receivables from other sales (%)
Not past due	0.09	0.71
up to 30 days	0.65	2.23
31–60 days	4.72	4.75
61–90 days	7.39	4.87
91–120 days	8.47	4.89
121–359 days	46.48	54.82

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 December 31st 2022 included receivables from the Company's largest customers, accounting for over 5% of total trade receivables.

#### Receivables by customer:

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Company A	3,764,433	2,695,618
Company B	989,918	842,087
Company C	830,636	1,094,675
Company D	433,313	540,492

#### Ageing analysis of trade receivables

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Short-term	6,607,694	14,465,039
1–30 days	409,450	26,184
31–60 days	193,778	161,488
61–90 days	152,122	1,315
91–120 days	179,506	2,720
121–360 days	695	70,671
Over 360 days	-	-
<b>Total</b>	<b>7,543,245</b>	<b>14,727,417</b>

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

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
<b>As at beginning of reporting period</b>	<b>69,824</b>	<b>89,197</b>
Recognition	99,140	121,561
Reversal	(128,829)	(74,877)
Use	-	(66,057)
<b>As at end of reporting period</b>	<b>40,135</b>	<b>69,824</b>

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

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Short-term	9,827	10,993
1-30 days	4,457	6,706
31-60 days	9,193	8,856
61-90 days	7 415	653
91-120 days	8 907	1,491
121-360 days	336	41,125
over 360 days	-	-
<b>Total</b>	<b>40,135</b>	<b>69,824</b>

As at the end of 2022, there were no reasons to recognise individual impairment losses on past due receivables.

## 2.10. Income tax receivable

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Income tax receivable	2,980,694	4,138,348
<b>Total income tax receivable</b>	<b>2,980,694</b>	<b>4,138,348</b>

## 2.11. Current financial assets

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Financial instruments	48,320,428	80,475,972
Loans to employees	1,309,430	190,013
Bank deposits with maturities of more than 3 months	7,068,687	-
<b>Total current financial assets</b>	<b>56,698,545</b>	<b>80,665,985</b>



### The financial instruments included:

	Acquisition date	Measurement as at acquisition date	Interest rate (%)	Measurement as at Dec 31 2022	Maturity date
PKO Leasing notes*	Oct 26 2022	11,772,421	7	11,925,689	Feb 1 2023
PKO Leasing notes*	Oct 11 2022	7,852,418	7	7,974,399	Jan 17 2023
PKO Bank Hipoteczny S.A.	Oct 6 2022	18,369,401	7	18,672,370	Apr 3 2023
PKO Bank Hipoteczny S.A.	Nov 4 2022	9,636,607	7	9,747,970	May 9 2023
<b>Total</b>		<b>47,630,847</b>		<b>48,320,428</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. The loans bear interest at 0.5% per annum. Loans are granted for a period of 12 months. Loans to employees are presented as current assets due to the remaining repayment period.

### 2.12. Cash and cash equivalents

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Cash in bank accounts and in hand	13,983,291	26,748,530
Short-term deposits (up to three months)	16,602,700	-
<b>Total</b>	<b>30,585,991</b>	<b>26,748,530</b>

Cash in hand and at banks as at December 31st 2022, by currency:

- PLN 2,268,995,
- USD 2,208,132 (PLN 9,719,754),
- EUR 425,247 (PLN 1,994,364),
- CNY 280 (PLN 178).

When measuring its cash, including in foreign currencies, as at December 31st 2022, the Company

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

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

also measured expected credit losses (ECL) but the effect was not material.

### 2.13. Share capital

As at December 31st 2022, the Company's share capital consisted of 2,380,144 fully paid-up ordinary shares totalling PLN 238,014.

### Ordinary shares fully paid

	Number of shares	Share capital	Share premium
<b>As at Dec 31 2021</b>	<b>2,366,921</b>	<b>236,692</b>	<b>13,063,204</b>
Increase/decrease	13,223	1,322	1,359,568
<b>As at Dec 31 2022</b>	<b>2,380,144</b>	<b>238,014</b>	<b>14,422,772</b>

Each fully paid ordinary share, with a par value of PLN 0.10, confers one vote at the General Meeting and pays dividends.

Changes in the share capital in 2022 resulted from the issue of 13,223 Series G shares.

## 2.14.Dividends paid

The Company paid no dividends in 2022 or 2021.

By Resolution No. 05/06/2022 of the Annual General Meeting of 11 bit studios S.A., dated June 21st 2022, the full amount of net profit for 2021 of PLN 28,685,582 was allocated to statutory reserve funds.

Pursuant to Art. 396.1 of the Commercial Companies Code applicable the Company, at least 8% of net

profit for each financial year should be contributed to statutory reserve funds held for the purpose of covering losses until the funds reach at least one-third of the Company's share capital. That part of statutory reserve funds (retained earnings) is not available for distribution to shareholders. As at December 31st 2022, it amounted to PLN 76,240 (2021: PLN 76,240).

## 2.15.Recommendation on appropriation of 2022 profit

As at the date of issue of these 2022 financial statements, no resolution was passed by the

Management Board regarding a recommendation on the appropriation of the 2022 profit.

## 2.16.Credit facility

	2022	2021
<b>Opening balance</b>	<b>8,820,000</b>	<b>10,080,000</b>
Principal increase	-	-
Principal repayment	(1,155,000)	(1,260,000)
Interest accrued	462,606	118,383
Interest paid	(462,606)	(118,383)
<b>Closing balance</b>	<b>7,665,000</b>	<b>8,820,000</b>
including:		
- current	1,260,000	1,260,000
- non-current	6,405,000	7,560,000

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 December 31st 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. The interest rate is 3.4%. Repayment of the facility is secured with a blank promissory note issued by the Company, together with a promissory note declaration, a contractual mortgage of up to PLN 20,223,000 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.

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

Lender	Borrowed amount	Currency	As at Dec 31 2022	As at Dec 31 2021	Interest Rate	Repayment deadline
PKO BP S.A.	12,600,000	PLN	7,665,000	8,820,000	1M WIBOR + 0.9%.	Dec 11 2028
<b>Total</b>	<b>12,600,000</b>		<b>7,665,000</b>	<b>8,820,000</b>		

## 2.17. 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>10,891</b>	<b>398,378</b>	<b>57,524</b>	<b>194,629</b>	<b>661,422</b>
<b>Increase:</b>					
Recognition	13,923	540,600	83,315	167,430	805,268
<b>Decrease:</b>					
Use	-	(348,773)	(57,524)	(86,446)	(492,743)
Reversal	(1,753)	-	-	(108,182)	(109,935)
<b>As at Dec 31 2022</b>	<b>23,061</b>	<b>590,205</b>	<b>83,315</b>	<b>167,431</b>	<b>864,012</b>
including:					
- current	816	590,205	83,315	167,431	841,767
- non-current	22,245	-	-	-	22,245

	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 2021</b>	<b>-</b>	<b>322,904</b>	<b>390,000</b>	<b>147,368</b>	<b>860,272</b>
<b>Increase:</b>					
Recognition	10,891	372,953	439,720	1,787,951	2,611,515
<b>Decrease:</b>					
Use	-	(297,479)	(679,224)	(1,614,818)	(2,591,521)
Reversal	-	-	(92,972)	(125,872)	(218,844)
<b>As at Dec 31 2021</b>	<b>10,891</b>	<b>398,378</b>	<b>57,524</b>	<b>194,629</b>	<b>661,422</b>
including:					
- current	501	398,378	57,524	194,629	651,032
- non-current	10,390	-	-	-	10,390

## Retirement benefit plans

The employees of the Company are covered by the state pension benefit scheme implemented by the government in Poland through the Social Insurance Institution (ZUS). The Company is required to contribute a percentage of salaries to the old-age insurance fund to cover the cost of retirement benefits. As regards the retirement benefits scheme, the Company's sole duty is to pay the required contributions.

In accordance with the Act on Employee Capital Plans of October 4th 2018, 11 bit studios S.A. launched

an employee capital plan (PPK) for its employees in 2020. On October 23rd 2020, the Company signed agreements for the operation and management of the PPK with Aviva Specjalistyczny Fundusz Inwestycyjny Otwarty PPK (managed by Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna). Every month the Company transfers a contribution (basic contribution) equal to 1.5% of an employee's gross pay to the PPK account of each employee.

## 2.18. Lease liabilities

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
<b>Lease liabilities – opening balance</b>	<b>769,979</b>	<b>346,692</b>
Increase	-	424,910
Decrease	-	-
Charges for perpetual usufruct of land	(3,849)	(1,623)
<b>Lease liabilities – closing balance</b>	<b>766,130</b>	<b>769,979</b>
including:		
- current	15,254	14,734
- non-current	750,876	755,245

## 2.19. Deferred income

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Government grants*	635,711	635,711
<b>Total</b>	<b>635,711</b>	<b>635,711</b>
including:		
- current	-	-
- non-current	635,711	635,711

\* The amount represents a government grant (EU funding) received in 2017 under the Creative Media programme for the development of Project 8. Income from the grant has not been accounted for yet. It will be recognised against amortisation charges in the coming years.

## 2.20. Trade and other payables

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Trade payables	549,958	1,302,952
Provisions for product returns	64,461	-
Guarantee deposits – Brzeska 2	9,650	6,150
Taxes, customs duties, insurance and other dues	1,988,841	744,927
Accruals and deferred income (provision for audit and other invoices)	221,014	231,903
Amounts payable to employees	18,195	5,267
Other	41,793	41,796
<b>Total trade and other payables</b>	<b>2,893,912</b>	<b>2,332,995</b>

The average payment period for amounts due to suppliers of goods and services in Poland is 14 days. The Company has financial risk management policies in place to ensure timely payment of liabilities.

A significant increase in trade and other payables, of 24%, to PLN 2,893,914 as at the end of December 2022 from PLN 2,332,995 as at the end of 2021, was mainly attributable to an increase in taxes (PLN 1,988,841 vs PLN 744,927 the year before). Trade payables fell sharply, by almost 58%, to PLN 549,958.

**Ageing analysis of trade payables:**

	Dec 31 2022 (audited)	Dec 31 2021 (audited)
Short-term	375,242	850,795
1–30 days	127,227	452,157
31–60 days	47,489	-
61–90 days	-	-
91–120 days	-	-
121–360 days	-	-
over 360 days	-	-
<b>Total</b>	<b>549,958</b>	<b>1,302,952</b>

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

**2.21. Contractual maturities of liabilities****Maturity periods as at Dec 31 2022**

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Nominal (undiscounted) amount
Trade payables	189,501	305,186	55,271	-	-	<b>549,958</b>
Lease liabilities	2,456	4,912	22,104	147,360	2,087,609	<b>2,264,441</b>
Royalties payable	-	-	4,056,672	-	-	<b>4,056,672</b>
Credit facility	105,000	210,000	945,000	5,040,000	1,365,000	<b>7,665,000</b>
Liabilities arising from acquisition of shares in associate	-	-	-	1,643,624	-	<b>1,643,624</b>

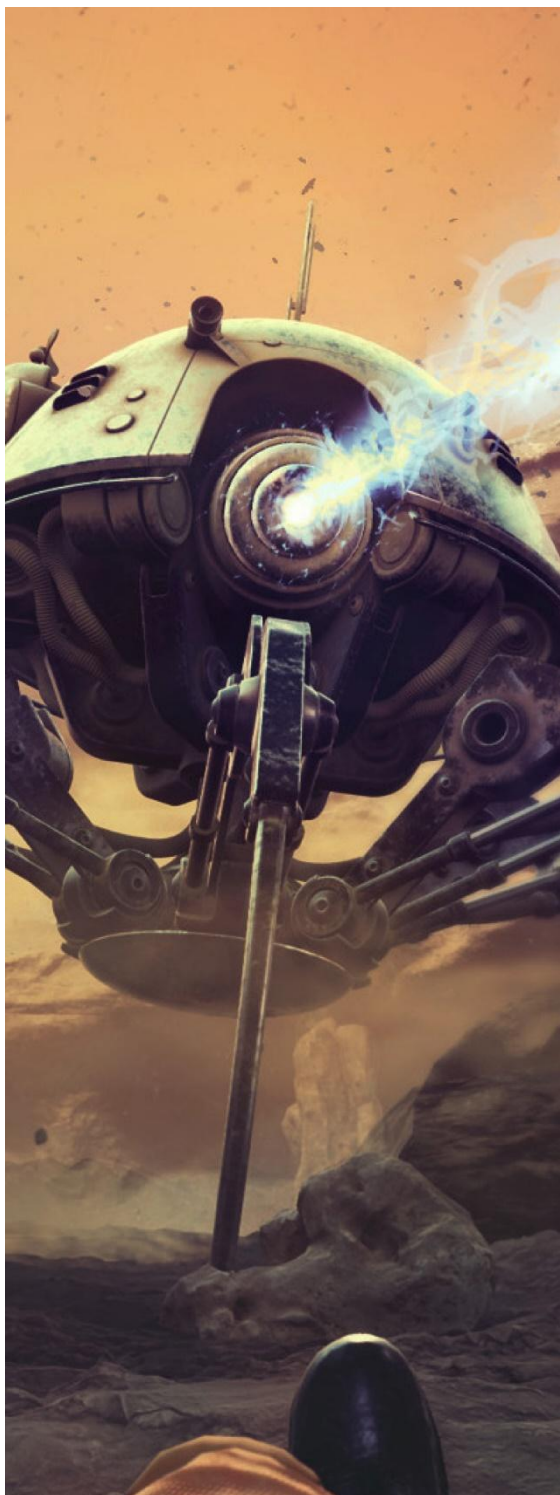
**Maturity periods for trade payables as at Dec 31 2021**

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Nominal (undiscounted) amount
Trade payables	625,829	617,838	59,285	-	-	<b>1,302,952</b>
Lease liabilities	2,282	4,565	20,542	147,360	2,117,082	<b>2,291,831</b>
Royalties payable	-	-	5,018,390	-	-	<b>5,018,390</b>
Credit facility	105,000	21,000	945,000	5,040,000	2,520,000	<b>8,820,000</b>
Liabilities arising from acquisition of shares in associate	-	-	-	-	-	-

**2.22. Contract liabilities**

As at December 31st 2022, contract liabilities comprised advance payments received by the Company from its trading partners towards future sales of the Company's products (games).

As at December 31st 2022, the Company had contract liabilities of PLN 1,128,700 (December 31st 2021: PLN 3,937,176).



# 3.

## NOTES ON FINANCIAL INSTRUMENTS AND OTHER FINANCIAL RISKS



### 3.1. Financial instruments

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 as at

December 31st 2022 or 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.

#### Financial assets and liabilities

Classes of financial instruments as at Dec 31 2022	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
<b>Financial assets</b>				
Notes issued by PKO Leasing and PKO Bank Hipoteczny	48,320,428	-	-	48,320,428
Cash	30,585,991	-	-	30,585,991
Investments in associates	-	3,975,734	-	3,975,734
Long-term investments	-	8,151,523	-	8,151,523
Bank deposits with maturities of more than 3 months	7,068,687	-	-	7,068,687
Trade and other receivables	9,471,751	-	-	9,471,751
Loans to employees	1,309,430	-	-	1,309,430
IRS	-	764,512	-	764,512
<b>Financial liabilities</b>				
Trade and other payables	2,893,912	-	-	2,893,912
Royalties payable	4,056,672	-	-	4,056,672
Liabilities arising from acquisition of shares in associate	-	1,643,624	-	1,643,624
Credit facility	7,665,000	-	-	7,665,000
Lease liability	766,130	-	-	766,130
<b>Total</b>	<b>112,138,001</b>	<b>14,535,393</b>	<b>-</b>	<b>126,673,394</b>

Classes of financial instruments as at Dec 31 2021	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
<b>Financial assets</b>				
Notes issued by PKO Leasing and PKO Bank Hipoteczny	70,404,173	-	-	70,404,173
Cash	26,748,530	-	-	26,748,530
Investments in associates	-	-	-	-
Long-term investments	-	-	-	-
Trade and other receivables	16,485,147	-	-	16,485,147
Loans to employees	190,013	-	-	190,013
Investment fund units	-	10,071,799	-	10,071,799
IRS	-	300,567	-	300,567
<b>Financial liabilities</b>				
Trade and other payables	2,332,995	-	-	2,332,995
Royalties payable	5,018,390	-	-	5,018,390
Liabilities arising from acquisition of shares in associate	-	-	-	-
Credit facility	8,820,000	-	-	8,820,000
Lease liability	769,979	-	-	769,979
<b>Total</b>	<b>130,769,227</b>	<b>10,372,366</b>	<b>-</b>	<b>141,141,593</b>

### Fair value of the Company's financial assets and liabilities not measured at fair value

In the opinion of the Company's Management Board, the carrying amounts of trade receivables

and payables and cash presented in these financial statements approximate their fair values.

### 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/notes is measured at cost plus any outstanding interest and discount determined using the effective interest rate, based on information about present value provided by PKO BP S.A. acting as a calculation agent for financial instruments issued by PKO BP Group companies. 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:

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.

	Dec 31 2022	Dec 31 2021	Fair value hierarchy
Investment fund units	-	10,071,799	Level 2
Remeasurement of IRS	764,512	300,567	Level 3

## 3.2. Objectives and policies of financial risk management

The main risks related to the Group's operations include:

- Credit risk

- Liquidity risk
- Market risk

### Credit risk

Trade receivables, investment fund units, bonds, notes, 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, Netflix, 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 60 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 section II.2. 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 December 31st 2022, the Company held cash with three institutions: PayPal (PLN 543,003), UBS Switzerland (PLN 57,770) and the

balance with PKO BP S.A. (PLN 13,391,946). The Company also invested in 3-month deposits with UBS Switzerland (USD 2,500,000), Bank PKO S.A. (PLN 10,000,000), and in deposits maturing over 3 months with Bank PKO BP S.A. (PLN 7,000,000). As at the reporting date, the Company also holds notes issued by PKO Leasing (PLN 19,900,088) and PKO Bank Hipoteczny S.A. (PLN 28,420,340).

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Company's Management Board, which has put in place an appropriate system for managing short-, medium- and long-term financing and liquidity management requirements. The Company manages liquidity risk by maintaining adequate statutory reserve funds, continuously monitoring projected and actual cash flows, and adjusting the maturity profiles of financial assets and liabilities.

The Company's only financial liability is the investment credit facility of PLN 12,600,000 contracted from PKO BP at the end of 2018 to

purchase the property located at ul. Brzeska 2 in Warsaw. Its final repayment date is December 11th 2028. The facility bears interest at 1M WIBOR plus a fixed bank margin of 0.9pp. Interest rate risk related to the facility is hedged with an interest rate swap over the entire term of the facility. The loan bears interest at a fixed rate of 3.4%.

11 bit studios S.A. invests surplus cash in financial instruments with a conservative risk profile. The Company holds notes issued by PKO Leasing and PKO Bank Hipoteczny. For a full list of financial instruments held by the Company as at December 31st 2022, see section II.2.

### Market risk

#### Currency risk

Currency risk exists when the fair value of a financial instrument or future cash flows related to the instrument will fluctuate due to changes in FX rates. Given the nature of its business, the Company is exposed to the risk related to sharp exchange rate movements, including in particular appreciation of the złoty against foreign currencies.

Since a majority of the Company's revenue is earned mainly in foreign currencies (EUR and USD) and, to a lesser extent, in PLN, the strengthening of the złoty against other currencies is an unwanted trend because it leads to lower revenue.

The Company does not apply (and has not applied) any currency risk hedges.

#### Market risk exposure of equity instruments

Following the purchase of shares in a listed company, 11 bit studios S.A. is exposed to the market risk related to trading in equity instruments.

Effect of changes in the stock exchange price of shares held by the Company on its profit or loss:

As at Dec 31 2022	
Number of shares held as at Dec 31 2022	116,784
Price as at Dec 31 2022 (closing price from the last trading day, i.e., Dec 30 2022)	69.80
Value of the asset as at Dec 31 2022	8,151,523

	10% price decline	10% price increase
Price	62.82	76.78
Value of the asset	7,336,371	8,966,676
Difference (effect on profit or loss)	(815,152)	815,152

### Exposure to currency risk

Due to significant sales generated in the US dollar and the euro, the PLN/USD and PLN/EUR exchange rates strongly affect the financial result.

The Company's net exposure in foreign currencies:

As at Dec 31 2022	USD	EUR	JPY
Cash	9,719,754	1,994,364	-
Trade receivables	5,607,089	1,557,400	149,517
Trade payables	31,471	31,577	-
<b>Net exposure in PLN</b>	<b>15,358,314</b>	<b>3,583,341</b>	<b>149,517</b>

As at Dec 31 2021	USD	EUR	JPY
Cash	9,556,820	3,924,250	-
Trade receivables	12,188,302	1,897,798	260,092
Trade payables	159,355	315,491	-
<b>Net exposure in PLN</b>	<b>21,904,477</b>	<b>6,137,539</b>	<b>260,092</b>

The Company's sensitivity to a 10% appreciation of the Polish zloty relative to the data presented above.

A positive figure indicates an increase in pre-tax profit resulting from depreciation of the Polish zloty.

As at Dec 31 2022	USD	EUR	JPY
Net profit/(loss)	1,535,831	358,334	14,951

As at Dec 31 2021	USD	EUR	JPY
Net profit/(loss)	2,190,447	613,753	26,009

### Interest rate risk

Interest rate risk exists when the fair value of a financial instrument or future cash flows related to the instrument will fluctuate due to changes in market interest rates.

As the Company invests only a small part of its surplus cash in interest-bearing assets (interest-bearing deposits), it is not significantly exposed to

interest rate risk. The Company invests its cash in instruments based on a fixed interest rate.

The interest rate risk is mainly related to debt instruments. As the Company did not use any external debt instruments based on a variable interest rate (borrowings) in 2022 and 2021, it was not exposed to any changes in cash flows resulting from interest rate movements.

### 3.3. Hedge accounting

In 2022 and 2021, the Company did not apply hedge accounting.

### 3.4. Capital management

The primary objective of the Company's capital management is to maintain a good credit rating and safe capital ratios supporting the Company's business and increasing the shareholder value.

The Company manages its capital structure and modifies it in response to changes in the economic environment. In order to maintain or adjust the capital structure, the Company may shape the

dividend policy, return capital to shareholders or issue new shares.

The Company monitors its capital position using the leverage ratio, calculated as the ratio of net debt to the sum of total equity and net debt. The Company's net debt includes interest-bearing borrowings and finance lease liabilities, less cash and cash equivalents.

	Dec 31 2022	Dec 31 2021
Borrowings (-)	(7,665,000)	(8,820,000)
Lease liabilities (-)	(766,130)	(769,979)
<b>Gross debt</b>	<b>(8,431,130)</b>	<b>(9,589,979)</b>
Cash and cash equivalents	30,585,991	26,748,530
<b>Net debt</b>	<b>22,154,861</b>	<b>17,158,551</b>
Equity	224,543,680	197,337,291
Equity and net debt	246,698,541	214,495,842
<b>Leverage ratio (%)</b>	<b>8.98</b>	<b>8.00</b>

### 3.5. Share-based payments

#### 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.

#### 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 profit or loss 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:

Service commencement date	Jan 1 2021
Grant date (date of signing the participation agreements)	Mar 10 2021
Vesting date	Dec 31 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
Risk-free rate (%)	0.86
Number of Incentive Scheme warrants	125,000
Number of Incentive Scheme warrants granted as at Mar 10 2021	97,300
Number of Incentive Scheme warrants granted as at Dec 31 2022	78,850
Measurement of warrants (PLN)	200
Cost of the Incentive Scheme as at Dec 31 2022 (PLN)	12,410,274
Total Incentive Scheme cost as at Dec 31 2025 remaining to be recognised (PLN)	9,454,591
Statement of profit or loss – employee benefits expense in 2022	2,955,683

As at the reporting date, the Company recognised costs in the statement of comprehensive income based on the assumption that the 2021–2025 Incentive Scheme will be implemented in full.

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 comprehensive income and are not partly capitalised in the statement of financial position.





# 4.

## OTHER NOTES

#### 4.1. Related-party transactions

Related parties include members of the Company's Management and Supervisory Boards (key personnel):

- 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)
- Radosław Marter – Chair of the Supervisory Board
- Jacek Czykiel – Deputy Chair 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 (since June 21st 2022)
- Wojciech Ozimek – Chair of the Supervisory Board (resigned from the Supervisory Board on April 15th 2021)
- Artur Konefał – Member of the Supervisory Board (until May 23rd 2022)

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

- Paweł Miechowski – PR Lead, brother of Grzegorz Miechowski, Member of the Management Board

Fool's Theory Sp. z o.o. is classified as a related party.

#### Commercial transactions

In addition to the services provided by the Members of the Company's Management Board, discussed in

Section II.4, the Company entered into the following related-party transactions in 2022 and 2021:

	Dec 31 2022	Dec 31 2021
Arkona – Paweł Miechowski*	257,326	236,635
Kancelaria Radcy Prawnego Agnieszka Rabenda-Ozimek*	-	53,630
Marek Ziemak*	57,483	-
Paweł Feldman*	107,624	-
Fool's Theory Sp. z o.o.***	8,394,346	-
<b>Total</b>	<b>8,816,779</b>	<b>290,265</b>

\* The entity provides B2B services to the Company and receives consideration from the Company.

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

\*\*\* Fool's Theory Sp. z o.o. became a related party of 11 bit studios S.A. on February 28th 2022. The Company has paid PLN 8,394,346 to Fool's Theory Sp. z o.o. on completion of successive milestones in the production of *The Thaumaturge*.

\*\*\*\* Prior to appointment, WM Advisory Sp. z o.o., a related party of Milena Olszewska-Miszuris, issued an invoice for PLN 4,688 (VAT exclusive) for the provision of advisory services to 11 bit studios S.A.

#### Loans advanced to related parties

On April 6th 2022, the Company advanced a PLN 1,269,000 loan to Paweł Feldman. The loan repayment date was set for April 5th 2023.

Apart from that loan, the Company did not advance any other loans to related parties in the reporting period.

#### Borrowings from related parties

The Company did not receive any loans from related parties in 2022 or 2021.

## 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 and Supervisory Board. Remuneration of Members of the Company's

Management Board and Supervisory Board for discharging managerial and supervisory duties in 2022 and in the comparative period.

### Remuneration of the Management Board in 2022 – total:

	Przemysław Marszał	Grzegorz Miechowski	Michał Drozdowski	Paweł Feldman	Marek Ziemak
Remuneration for managerial responsibilities	528,000	528,000	528,000	204,000	204,000
Annual bonus (paid in 2022)	594,953	594,953	594,953	148,738	148,738
Remuneration under civil-law contracts	60,000	60,000	60,000	95,739	46,605
Non-monetary benefits	9,893	10,292	-	267	276
<b>Total</b>	<b>1,192,846</b>	<b>1,193,245</b>	<b>1,182,953</b>	<b>448,744</b>	<b>399,619</b>

### Remuneration of the Management Board in 2021 – total:

	Przemysław Marszał	Grzegorz Miechowski	Michał Drozdowski	Paweł Feldman	Marek Ziemak
Remuneration for managerial responsibilities	438,000	438,000	438,000	-	-
Annual bonus (paid in 2021)	226,408	226,408	226,408	-	-
Remuneration under civil-law contracts	60,000	60,000	60,000	-	-
Non-monetary benefits	10,416	10,305	-	-	-
<b>Total</b>	<b>734,824</b>	<b>734,713</b>	<b>724,408</b>	<b>-</b>	<b>-</b>

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

The Members of the Management Board did not receive any other remuneration for 2022 or 2021 in the form of profit distributions or stock options. The Members of the Management Board participate in the 2021–2025 Incentive Scheme, as described in detail (together with the valuation) in **Note II.3.5** to these financial statements.

As at December 31st 2022, Przemysław Marszał (President of the Management Board), Grzegorz Miechowski (Member of the Management Board) and Michał Drozdowski (Member of the Management Board) will each have the right to subscribe for 6,500 Series C warrants convertible

into Series H shares, on the basis of the 2021–2025 Incentive Scheme participation agreements they have signed. Paweł Feldman and Marek Ziemak (Members of the Management Board) will have the right to subscribe for, respectively, 4,500 and 3,500 Series C warrants convertible into Series H shares. As at December 31st 2022, the total number of warrants to be acquired by persons participating in the 2021–2025 Incentive Scheme, with whom the Company has signed agreements on participation in the Scheme, is 78,850.

Non-monetary benefits to which Members of the Management Board were entitled in 2022 and 2021 included the right to use a company car (without a mileage limit), private medical care programme and contributions to the employee capital plan.

### Short-term benefits – Supervisory Board:

	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Radosław Marter (Chair of the Supervisory Board)	88,762	44,093
Jacek Czykiel (Deputy Chair of the Supervisory Board)	78,192	36,000

Marcin Kuciapski (Member of the Supervisory)	57,354	19,800
Piotr Wierzbicki (Member of the Supervisory Board)	57,354	19,800
Milena Olszewska-Miszuris (Member of the Supervisory Board since June 21st 2022)	32,696	-
Artur Konefał (Member of the Supervisory Board until May 23rd 2022)	24,374	14,064
Wojciech Ozimek (Chair of the Supervisory Board until April 15th 2021)	-	15,643
<b>Total</b>	<b>338,732</b>	<b>149,400</b>

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

In accordance with the remuneration policy, Members of the Management Board are entitled to an annual bonus, whose amount depends on the Company's net profit earned in a given period.

### Other related-party transactions

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

### Related-party transactions

In the period January 1st – December 31st 2022 and in the comparative period, there were no transactions executed on a non-arm's length basis.

## 4.2. Off-balance-sheet commitments

As at the issue date of this 2022 Annual Report, the Company had off-balance-sheet commitments to incur expenditure (on intangible assets only) of EUR 2,493,025, PLN 4,014,100 and USD 53,558. The

commitments are related to publishing agreements executed by the Company with third-party development studios.

## 4.3. Contingent assets and liabilities

### 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.

### Contingent assets

As at December 31st 2022 and in the comparative period, the Company did not recognise any contingent assets.

## 4.4. Auditor's fees

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

PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp.k. to audit and review the Company's financial statements for the financial years ended December 31st 2020 and December 31st 2021.

The auditor's fees were agreed at: PLN 175,000 for the audit of the full-year financial statements for 2022, PLN 60,000 for the review of the Company's interim financial statements for 2022, and PLN 15,000 for the audit of the remuneration report for 2022. The auditor's fees for the audit of the full-year financial statements for 2021, review of the interim financial statements for 2021 and audit of the remuneration report for 2021 were, respectively, PLN 110,000, PLN 49,000 and PLN 15,000. Under the annex signed in the first quarter of 2021, the Company also paid an additional PLN 3,000 for verification of the full-year financial statements for 2021, prepared in accordance with the requirements of the ESEF Regulation (in the xhtml format).

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

In the reporting period, the Company did not record any unusual seasonal or cyclical fluctuations.

#### 4.6. 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 2022 and the donation was recognised as other expenses.

#### 4.7. Events subsequent to the reporting date

By the date of authorisation of these financial statements by the Company's Management Board,

i.e., March 23rd 2023, there were no events with a material bearing on these financial statements.

These financial statements were authorised for issue by the Management Board on March 23rd 2023.

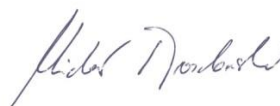
Signed by:



*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, March 23rd 2023



DIRECTORS' REPORT ON THE OPERATIONS  
**OF 11 BIT STUDIOS S.A.**  
FOR 2022



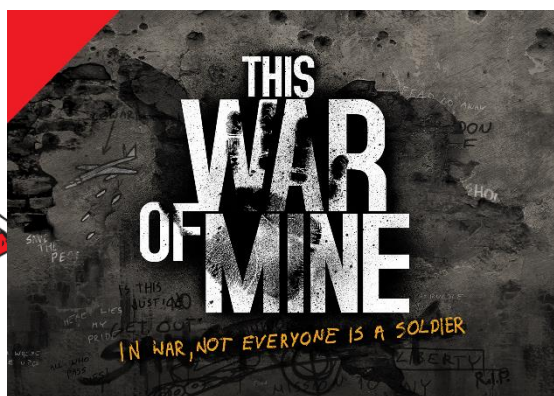


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## KEY ACHIEVEMENTS IN 2022

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



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

# 850 000 USD

Kwota zebrana na rzecz Ukraińskiego Czerwonego Krzyża w okresie inwazji Rosji na Ukrainę

### Game development

In 2022, 11 bit studios S.A. continued its development work (started a few years before) related to the production of three proprietary games: *Frostpunk 2*, *The Alters* and *Project 8* (code name). As at the date of issue of this Report, the teams responsible for these games had 70 members, about 45 members, and almost 50 members, respectively, and they are consistently growing. Total expenditure on the development of these games is estimated at approximately PLN 130m.

In addition to working on *Frostpunk 2*, 11 bit studios S.A. is developing the *Frostpunk* universe also in

other formats. The board version of *Frostpunk*, developed by Glass Cannon Unplugged, has already been released.



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

In the sequel to *Frostpunk*, the player will resume the role of the leader of a city which depends on scarce resources for survival and growth and where expansion and the search for new energy sources are inevitable. However, the apocalyptic world has moved on. After the age of coal, the remnant humanity's new hope for survival and conquest of the frigid Frostland is the development of the oil industry. But old habits die hard,



The *Frostpunk 2* trailer was very well received by gaming communities across the world. Fans are eager to sign in on wishlists compiled by Steam, GOG and Epic Games Store (top places in rankings), thus showing their willingness to buy the game after its release. In 2023, the Company plans to launch next phases of a marketing and promotional campaign that will unveil more information about *Frostpunk 2*.

## Publishing division

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

As at the issue date of this Report, there were four projects in the publishing portfolio of 11 bit studios S.A. The first of the agreements provides for publishing *Thaumaturge* (former code name



In the reporting period, on June 12th 2022, the Company published the first trailer for *The Alters* (former code name *Dolly*), which was very well received by gamers and generated a lot of publicity in the global gaming media. The game is being developed by a team of about 40. The core of the team are staff previously engaged in developing and supporting *This War of Mine*. Ultimately, the team will be about 60 people strong. For the time being the Company is not disclosing any details of this production except that it is based on a brand new IP and its budget will be larger than that of *Frostpunk*. The game, which is in the production phase, is being created based on Unreal Engine, similarly to *Frostpunk 2* and *Project 8*.

The third game from 11 bit studios S.A.'s proprietary portfolio, on the development of which the Company focused its efforts in 2022, is *Project 8*. As the game has undergone several major evaluations (the last one in the first half of 2022), it is behind the original schedule draw up a few years ago. *Project 8* is being developed by a team built from scratch, consisting of almost 50 members at the issue date of this Report, but is due to be strongly expanded through the ongoing recruitment. According to current plans, the *Project 8* team should ultimately comprise 70 to 80 people.

*Vitriol*), produced by the Fool's Theory studio of Bielsko-Biala. The title will be classified into the RPG genre. The second agreement concerns the publishing of *The Invincible*, a game based on a book by Stanisław Lem of the same title. *The Invincible* is being developed by Starward Industries S.A., a studio listed on NewConnect. The other games in 11 bit studios S.A.'s portfolio include *Botin*, produced by Spain's Digital Sun Games, the studio behind the development of *Moonlighter*, and *Ava*, produced by Chibig. The total investment budget



allocated to those projects is approximately PLN 50m. 11 bit studios S.A. intends to step up the expansion of its publishing division and increase its budget. As announced at the Investor Conference in June, the Company is ready to sign further publishing agreements, where its total capital exposure may potentially reach up to PLN 50m.

In 2022, the Company released one new game, namely *South of the Circle*, developed by UK's State of Play. The game, set in the realities of the Cold War and featuring a unique storyline, a rich narrative layer and minimalist aesthetics, was released on August 3rd 2022 for PCs and Nintendo Switch, Xbox Series S/X, Xbox One, PlayStation 5 and PlayStation 4 consoles.



### Other developments

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

In Current Report No. 26/2022 of July 29th 2022, 11 bit studios S.A. announced that it had signed an

agreement to subscribe for 75,000 Series J shares in Starward Industries S.A. at an issue price of PLN 79 per share for a total of PLN 5,925,000. The shares were paid for in cash. Furthermore, on July 29th 2022, the Company acquired 25,000 shares in Starward Industries S.A. from Marek Markuszewski, the company's CEO, at a price of PLN 10 per share, for a total amount of PLN 250,000. The shares were paid for in cash. Starward Industries S.A. is the producer of *The Invincible*, one of the games in the publishing portfolio of 11 bit studios S.A. The acquired holding (following the registration of a share capital increase through the issue of Series J shares) represented a 5.18% interest in the share capital of the company.

In 2022, the Company published two announcements regarding a share capital increase and issue of Series G shares related to the implementation of the 2017–2019 Incentive Scheme. For detailed information about further increases in the Company's share capital through the issue of Series G shares, see **pp. 103–104** of this Report. **Pp.**

**103–104** describe changes in the shareholding structure resulting from transactions entered into by the Company's shareholders (financial institutions as well as the management and supervisory personnel).

On June 21st 2022, the Annual General Meeting decided to allocate the entire net profit earned by the Company in 2021, of PLN 28,685,582, to statutory reserve funds. The General Meeting also appointed the following persons to the Supervisory Board for a new three-year term of office: Radosław Marter, Jacek Czykiel, Marcin Kuciapski, Piotr Wierzbicki and Milena Olszewska-Miszuris.

At its meeting held on June 21st 2022, the Company's Supervisory Board appointed Radosław Marter as Chair of the Supervisory Board and Jacek Czykiel as Deputy Chair. On the same date, the Supervisory Board elected the Audit Committee: Jacek Czykiel (Chair), Piotr Wierzbicki and Milena

Olszewska-Miszuris. Furthermore, the Supervisory Board appointed the following persons to the Management Board for a new three-year term of office: Przemysław Marszał (President of the Management Board), Grzegorz Miechowski and Michał Drozdowski (Members of the Management Board).

On August 11th 2022, the Supervisory Board appointed Paweł Feldman and Marek Ziemak as members of the Management Board for a joint three-year term of office.

After the end of the reporting period, on February 9th 2023 the Extraordinary General Meeting resolved to amend the Company's Articles of Association by aligning them with amendments to the Commercial Companies Code. The shareholders also decided to change the remuneration of Supervisory Board members.

## GENERAL INFORMATION ABOUT THE COMPANY, ITS PRODUCTS AND SERVICES

Since its incorporation in December 2009, the principal activity of 11 bit studios S.A. has been the development of video games for various hardware platforms. The Company is an indie game developer, handling every stage of the game creation process – from production, through marketing, to distribution in digital stores.

In 2010, 11 bit studios S.A. released the first game in the Anomaly series, the subsequent versions of which quickly gained a place among the world's most popular 'tower offense' games. The next big step was *This War of Mine*, which reached the market on November 14th 2014 (PC version). It proved a great success, with its production costs recouped already at the first weekend after the release. For a number of weeks, the game occupied top positions on the bestseller lists of Steam and other digital distribution platforms. In the following quarters, the Company took a number of steps to maintain the monetisation of *TWoM* (new hardware platforms, new language versions and add-ons, including paid ones), on the back of which revenue from its sale remained a key contributor to 11 bit

studios S.A.'s financial performance in 2014–2017. Since 2018, it has been replaced as the Company's main revenue source by *Frostpunk*, which debuted on April 24th 2018 in the PC version. Within 66 hours of the premiere, fans purchased over 250 thousand copies of *Frostpunk*, which more than covered all the production costs.

Since 2014, in an effort to diversify its business, 11 bit studios S.A. has also published games created by third-party game development studios, including foreign ones. In 2017, the Company's publishing division made a noticeable contribution, of about 12%, to the Company's revenue, following the release of two games: *Beat Cop* (March 30th 2017) and *Tower 57* (November 16th 2017). In 2018, the release of *Moonlighter* (May 29th 2018) pushed the ratio up to 18%. In 2019, it was already 40% after the Company released another third-party developed title, *Children of Morta*, whose PC version was launched on September 3rd 2019 (console versions in Q4 2019). In 2020, 2021 and 2022 the ratio was 29%, 26% and 38%, respectively.



## KEY OBJECTIVES OF THE COMPANY'S STRATEGY

The strategy of 11 bit studios S.A. for the following years is to be 'an alternative to the mainstream'. The Company intends to maintain full independence from other players in the video gaming sector, so that it can pursue its own, autonomous visions of the games it creates. However, independence will not mean poorer quality of the games. The Management Board wants the Company's titles to stand out for quality and provide a meaningful entertainment. The Company's intention is to gradually increase both the production and marketing budgets of subsequent games, so as to develop products that can be sold at increasingly higher prices. In the medium term of a few years, the Company would like to have at least three in-house

development teams capable of working in parallel on three games which could be released every few quarters. Ultimately, the Company would like to bring to players one proprietary game per year.

At the same time, 11 bit studios S.A. is expanding its publishing business, as part of which, in addition to its own games, it publishes games produced by third-party development studios. Also in this area the Company's strategy is to release increasingly complex and higher priced games. In the medium term, 11 bit studios S.A. plans to launch three to four games per year, which would help stabilise its performance.

## COMPANY'S MARKETS, SUPPLIERS AND CUSTOMERS

The Company operates in seven main geographical areas: Poland, its home market, the European Union,

the UK, the US, Japan, China and other countries (Canada, Korea, Brazil, Australia, etc.).

### Revenue from external customers by geographical area:

	Dec 31 2022		Dec 31 2021	
	PLN	share (%)	PLN	share (%)
Poland	1,820,735	2.45	1,463,642	2.09
European Union	1,871,971	2.52	1,563,025	2.23
United Kingdom	2,999,890	4.04	3,340,383	4.76
US	57,432,005	77.40	53,255,645	75.95
Japan	8,744,173	11.78	9,639,184	13.75
China	372,003	0.50	199,109	0.28
Other	965,149	1.31	661,703	0.94
<b>Total</b>	<b>74,205,927</b>	<b>100</b>	<b>70,122,691</b>	<b>100</b>

The Company sells its products (video games) based on long-term agreements with publishers and distributors from all over the world. In 2022, the largest customer was Valve Corporation (Steam), accounting for more than 10% of the Company's total sales. Other important trading partners included Nintendo Co Ltd., Sony, Epic Games, Microsoft Corporation, Amazon, Google Stadia,

Apple and Sony – the world's largest electronic distribution platforms. None of those entities is affiliated with the Company.

In the process of production of video games, the Company collaborates with a number of suppliers, using third-party IT tools and solutions.

## DESCRIPTION OF THE MARKET IN WHICH THE COMPANY OPERATES

11 bit studios S.A. is a part of the global computer game market. For a number of years now, computer games have been the fastest growing segment of the entertainment industry, the value of the gaming market being already greater than that of the film and music markets. In 2022, according to the estimates of Newzoo, a Dutch provider of games analytics, the global computer games market was

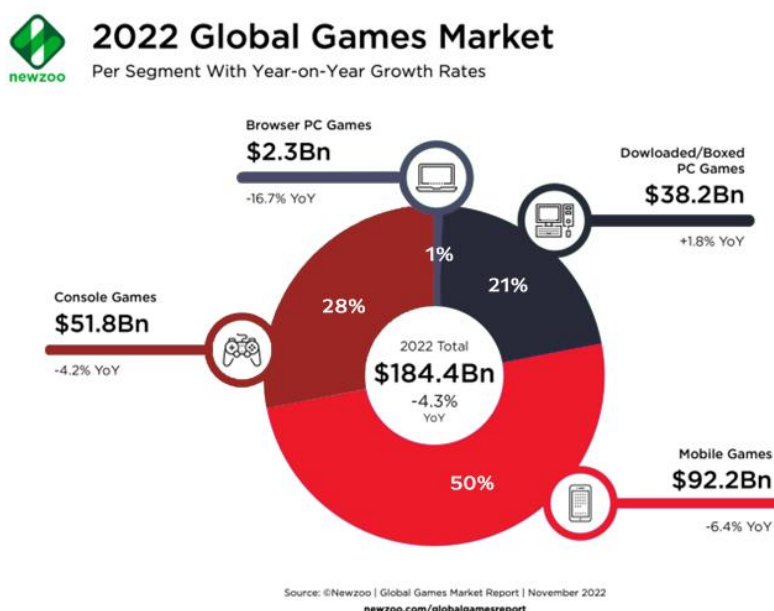
valued at USD 184.4bn, an decrease of 4.3% compared with the previous year, when it was worth USD 192.7bn. Projections for 2022 were far more ambitious. Experts expected the gaming industry to continue on the upward trend started in previous years and grow by 2.1% year on year, to USD 196.8bn. During 2022, the expectations were revised

downwards and the final 2022 figures proved even lower than anticipated.

According to Newzoo, the reason behind this disappointing decline was mainly the high comparison base of 2021, when during COVID-19 lockdowns gamers stayed at home and had much more free time to spend on their favourite form of entertainment, which drove up demand for games. After the pandemic restrictions were lifted, many people opted for other forms of spending their free time than playing computer games at home. The view that the pandemic years upset the long-term trends on the gaming market was also confirmed by the fact that the largest correction that hit the industry in 2022 affected mobile games, which was the fastest-growing segment during the pandemic. The growth seen in 2020 and 2021 was likely driven by a low entry barrier to mobile entertainment

(games for mobile devices are relatively cheap or free to play), as well as an immense and constantly growing number of mobile devices worldwide. In 2022, the mobile games market was also adversely impacted by technological changes introduced by Apple, which limited the availability of games for Apple devices. Another factor was a global economic slowdown and soaring inflation, reducing consumer spending on entertainment, including on computer games.

According to Newzoo, in 2022 the value of the mobile games segment shrank by 6.4% year on year, to USD 92.2bn. Originally, the segment was expected to grow by another 5.1%, to USD 103.5bn. Nonetheless, despite the disappointing figures for 2022, the mobile games segment continued to account for as much as 50% of the entire global gaming market.



2022 was also rather unsuccessful for the console games segment, which contracted 4.2% year on year, to USD 51.8bn, accounting for 28% of the gaming market. Newzoo's forecasts for 2022 assumed a slightly lower correction, by 2.2%, to USD 52.9bn. Analysts attribute the shrinking of this segment to factors such as limited availability of new models of the Sony and Microsoft consoles in stores (especially in the first half of 2022), as their manufacturers failed to keep up with demand amid shortage of key components, e.g., semiconductors. The lower-than-assumed number of new consoles also dragged down sales of games for those platforms. The situation was further aggravated by delayed launches of the largest, high budget AAA games that drive the growth of the entire video games industry. According to Newzoo, the delays are partly due to the remote or hybrid work model to which the largest game developers switched

during the COVID-19 pandemic. PC games were the only segment of the gaming market to go through 2022 unscathed. Its value grew by 1.8%, to USD 38.2bn, giving it a 21% market share. As usual, the sharpest decline in 2022 was seen in web browser games (down 16.7% year on year, to USD 2.3bn) as their fans are switching over to the mobile games segment.

According to Newzoo, the Asia-Pacific region – including in particular China, which outranked the US several years ago – was again the world's most important gaming market in 2022. Although its value contracted by 5.6% year on year, to USD 87.9bn, the region still accounted for almost half (48%) of the global gaming market. The high share of the Asia-Pacific region in the global computer games market stems from the fact that customers in Asia tend to choose games for mobile devices.



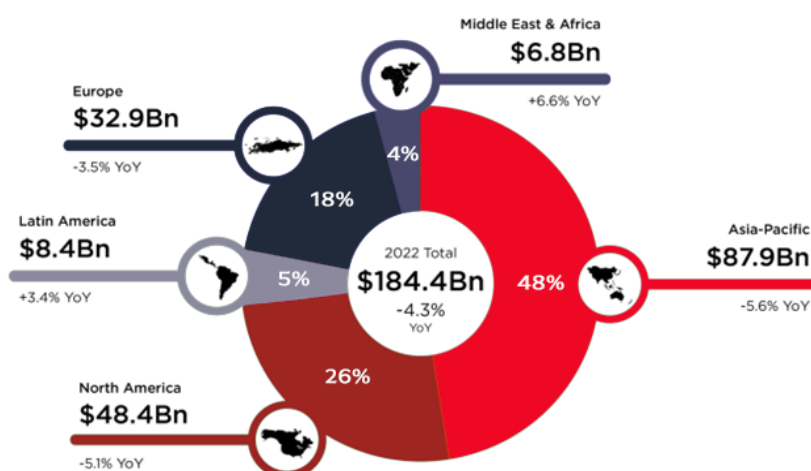
According to Newzoo, North America, or more precisely the United States, continued to be the world's second largest gaming market in 2022, with a 26% share. Experts say that in 2022 US fans spent USD 48.4bn on video games, that is 5.1% less than the year before. The decline was caused by poor performance of the console games segment, which accounts for the better part of the US market. The third largest gaming market in 2022 was Europe, with an 18% share. European customers spent USD 32.9bn on computer games, 3.5% less than in 2021.

The only gaming markets that increased their value in 2022 were the Far East and Africa (up 6.6% year on year, to USD 6.8bn) and Latin America (up 3.4%, to USD 8.4bn), accounting for, respectively, 4% and 5% of the global gaming market. The growth was attributed to low penetration of these markets with computer hardware and smartphones as well as the fast-growing number of their users.



## 2022 Global Games Market

Per Region With Year-on-Year Growth Rates



Source: ©Newzoo | Global Games Market Report | November 2022  
[newzoo.com/globalgamesreport](https://newzoo.com/globalgamesreport)

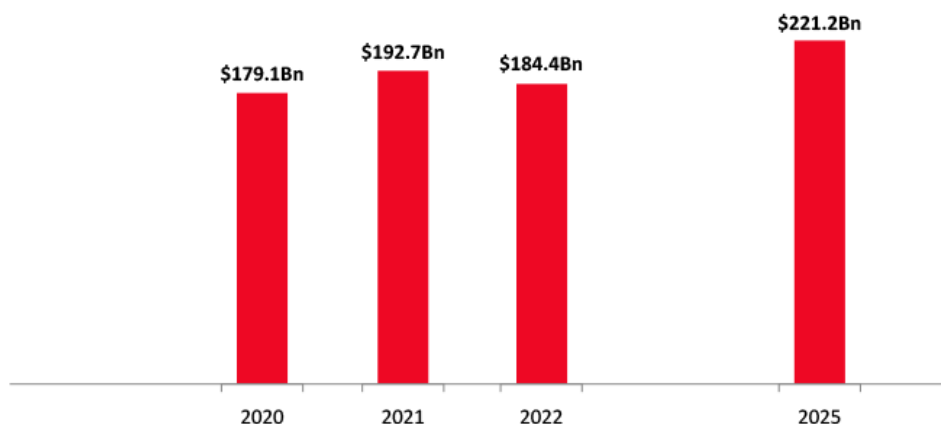
Newzoo's forecasts for the coming years are much more optimistic than for 2022. Analysts of the Dutch market intelligence provider expect that the gaming industry will be back on a growth track in the years to come. They predict that the average growth rate (CAGR) of the industry in 2020–2025 will

reach 3.4%. This means that by 2025 the value of the sector will rise to USD 211.2bn, fuelled, among other things, by a rapidly growing gaming community. According to Newzoo, in 2022 almost 3.2 billion of the world's population played computer games. To compare, in 2020 the number of gamers was 2.88bn and in 2021 – close to 3.06bn.



## Global Games Market Forecast

Forecast Toward 2025



Source: ©Newzoo | Global Games Market Report | November 2022  
[newzoo.com/globalgamesreport](https://newzoo.com/globalgamesreport)

## FINANCIAL CONDITION OF 11 BIT STUDIOS S.A. FOR 2022

### Statement of comprehensive income

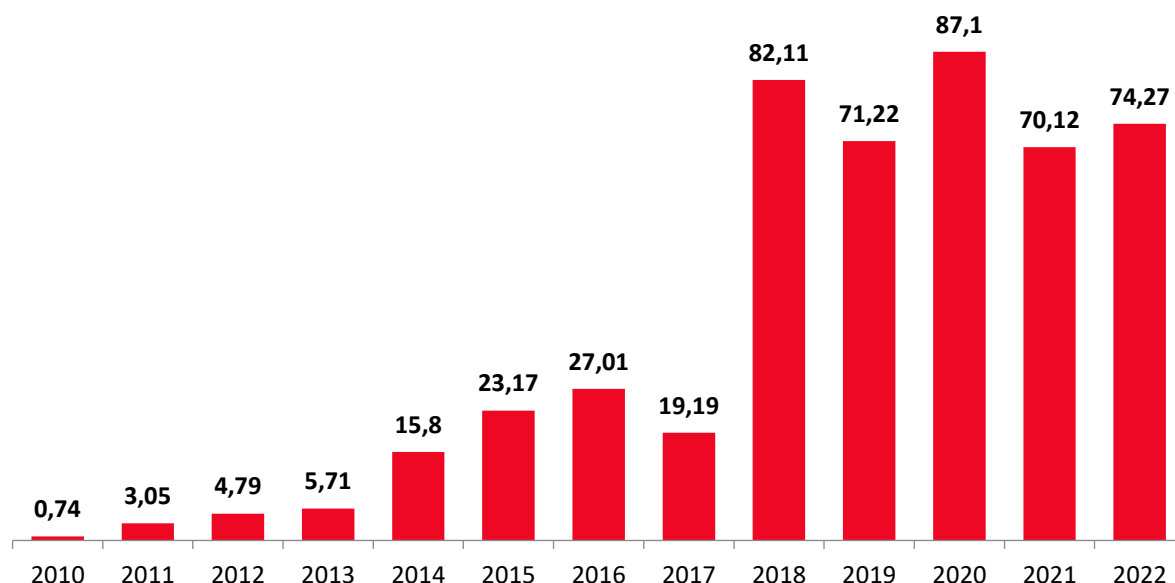
	Jan 1-Dec 31 2022 (audited)	Jan 1-Dec 31 2021 (audited)	Change y/y (%)
<b>Continuing operations</b>			
Revenue	74,205,927	70,122,691	5.82
Other income	52,950	255,825	-79.30
<b>Total operating income</b>	<b>74,258,877</b>	<b>70,378,516</b>	<b>5.51</b>
Depreciation and amortisation	(5,891,465)	(8,920,103)	-33.95
Raw materials and consumables used	(644,158)	(534,279)	20.57
Services	(28,610,006)	(19,200,848)	49.00
Salaries, wages and employee benefits	(13,208,760)	(9,573,210)	37.98
Taxes and charges	(625,306)	(295,565)	111.56
Other expenses	(5,296,524)	(1,823,509)	190.46
<b>Total operating expenses</b>	<b>(54,276,219)</b>	<b>(40,347,514)</b>	<b>34.52</b>
<b>Operating profit</b>	<b>19,982,658</b>	<b>30,031,002</b>	<b>-33.46</b>
Finance income	8,053,261	2,306,088	249.22
Finance costs	(522,472)	(502,626)	3.95
Share in profit/(loss) of associate	(287,106)	-	0%
<b>Profit before tax</b>	<b>27,226,341</b>	<b>31,834,464</b>	<b>-14.48</b>
Income tax expense	(4,336,525)	(3,148,882)	-37.72
<b>NET PROFIT</b>	<b>22,889,816</b>	<b>28,685,582</b>	<b>-20.20</b>
<b>Earnings per share:</b>			
Basic	9.66	12.17	-20.62
Diluted	9.53	11.96	-20.32
<b>NET PROFIT</b>	<b>22,889,816</b>	<b>28,685,582</b>	<b>-20.20</b>
<b>Other comprehensive income</b>	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>22,889,816</b>	<b>28,685,582</b>	<b>-20.20</b>

In 2022, 11 bit studios S.A. earned revenue of PLN 74,205,927, compared with PLN 70,122,691 in the previous year, which means an increase of 5.82% due to effective monetisation of the entire portfolio, including the proprietary titles and those marketed by the publishing division (produced by third-party developers). Game sales were supported by successful promotion and discount campaigns on the main global distribution platforms. Particularly worth mentioning are the Winter Sale on Steam (end of 2021 and beginning of 2022), Midweek Madness on Steam (January 2022), Lunar Sale on Steam (February 2021), and Publisher Sale on Nintendo (February 2022). In the following months, significant revenue was generated by the Publisher Sale and the Summer Sale on Steam (June 2022) as well as Autumn Sale and Winter Sale on the same platform (both in the fourth quarter of the year). Furthermore, in the reporting period, the Company

signed agreements with Microsoft to offer *This War of Mine: Final Cut* in Xbox Game Pass for Microsoft's new console, and with Sony to add *Frostpunk*, *Children of Morta* and *Moonlighter* to PlayStation Plus.

In 2022, 11 bit studios S.A.'s was also significantly affected by the sales campaign of *This War of Mine* in the period from February 24th to March 2nd 2022 (announced in response to Russia's invasion of Ukraine). All revenue from the campaign (PLN 3,676,405) was donated to the Ukrainian Red Cross. An agreement with Netflix for the placement of a mobile version of *Moonlighter* on this platform contributed even more to the Company's revenue in the first half the year. It was the largest agreement of this type (with a flat fee) ever signed by 11 bit studios S.A.

## Revenue (PLNm)



In 2022, the Company continued to keep a tight grip on operating expenses. Despite these efforts, the expenses rose 34.52% year on year, from PLN 40,347,514 to PLN 54,276,219.

Their largest item were services, which amounted to as much as PLN 28,610,006, up 49% year on year, driven by considerably higher revenue from the sale of third-party games (on which the Company pays fees and commissions to their creators), including specifically *Moonlighter* (as a result of the agreement with Netflix), as well as growing expenditure on preparations for the promotion of proprietary and third-party games to be released in subsequent periods. Other expenses were a major item of operating expenses (PLN 4,034,514 vs PLN 1,823,509 in 2021), and included the PLN 3,664,435 donation to the Ukrainian Red Cross referred to above.

In 2022, salaries and wages rose by as much as 37.98%, to PLN 13,208,760, as a result of a gradual increase in workforce and growing pay levels. Salaries and wages also included non-cash provisions recognised in connection with the Company's 2021–2025 Incentive Scheme. In 2022, the provision amounted to PLN 2,955,683.

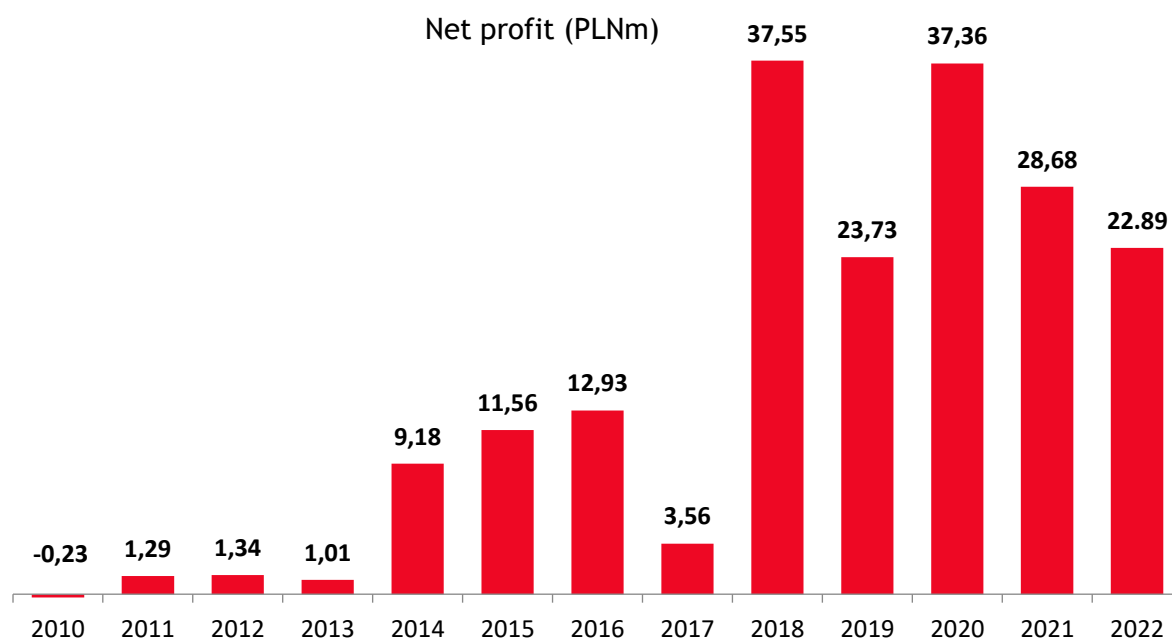
A considerable increase in the Company's operating expenses in 2022, despite a concurrent rise in revenue in that period, led to a drop in the Company's operating profit. Operating profit came in at PLN 19,982,659, a 33.46% decrease on 2021 (PLN 30,031,002), with the operating profit margin at 26.93%, down from 42.82% the year before. In the reporting period, the Company's EBITDA came in at

PLN 25,874,123, compared with PLN 38,961,103 in the comparative period. EBITDA margin went down to 34.89%, from 55.54% in 2021.

Due to growing interest rates, solid cash reserves earned 11 bit studios S.A. an interest income of PLN 662,652 vs only PLN 23,572 in the previous year. Other finance income (PLN 7,390,609 vs PLN 2,282,516 in the previous year) came in even stronger. In the reporting period, this item included mainly income from the remeasurement of the Company's foreign currency surplus following depreciation of PLN against USD and EUR. Income from the remeasurement of financial assets, including notes issued by PKO Leasing and PKO Bank Hipoteczny, was also an important item of finance income in 2022. In the reporting period, finance costs rose by 3.95%, from PLN 502,626 in 2021 to PLN 522,472. This item comprised mainly interest expense on an investment credit facility taken out by the Company with PKO BP S.A. in late 2018 to purchase an office building at ul. Brzeska 2 in Warsaw. In 2022, 11 bit studios S.A. posted net finance income of PLN 7,530,789, compared with PLN 1,803,462 in 2021.

Thanks to the positive impact of financial operations, 11 bit studios S.A.'s profit before tax reached PLN 27,226,341 in 2022, compared with PLN 31,834,464 a year earlier (down 14.48%). The Company's income tax for 2022 was PLN 4,336,525 relative to PLN 3,148,882 in the previous year. The increase was attributable to a lower share of tax expense in the Company's total costs. The amount of the income tax was also attributable to the IP Box tax relief used by the Company in 2022 (as well as in 2021). The relief amount was PLN 3,622,499 in 2022 (PLN 3,279,582 in

2021). All in all, 11 bit studios S.A.'s net profit for 2021 was PLN 22,889,816, compared with PLN 28,658,582 in 2022 (down 20.2%). The Company's net profit margin fell to 30.84%, from 40.91% in 2021.



## Statement of financial position

As at December 31st 2022, the Company's total assets amounted to PLN 244,197,441, up by 11.25% from PLN 219,512,964 in the previous year.

	Dec 31 2022 (audited)	Share (%)	Dec 31 2021 (audited)	Share (%)
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>142,547,147</b>	<b>58.37</b>	<b>90,679,674</b>	<b>41.31</b>
Property, plant and equipment	24,894,722	10.19	25,946,479	11.82
Perpetual usufruct of land	4,225,080	1.73	4,281,361	1.95
Intangible assets	99,977,460	40.94	59,137,637	26.94
Deferred tax assets	517,619	0.21	957,488	0.44
Investments in associates	3,975,734	1.63	-	0.00
Other assets	166,170	0.07	99,080	0.05
Long-term investments	8,151,523	3.34	-	0.00
Financial instruments (IRS)	638,839	0.26	257,629	0.12
<b>Current assets</b>	<b>101,650,294</b>	<b>41.63</b>	<b>128,833,290</b>	<b>58.69</b>
Trade and other receivables	9,471,751	3.88	16,485,147	7.51
Income tax receivable	2,980,694	1.22	4,138,348	1.89
Other assets	1,787,640	0.73	752,342	0.34
Financial instruments (IRS)	125,673	0.05	42,938	0.02
Cash and cash equivalents	30,585,991	12.53	26,748,530	12.19
Financial assets	56,698,545	23.22	80,665,985	36.75
<b>TOTAL ASSETS</b>	<b>244,197,441</b>	<b>100</b>	<b>219,512,964</b>	<b>100</b>

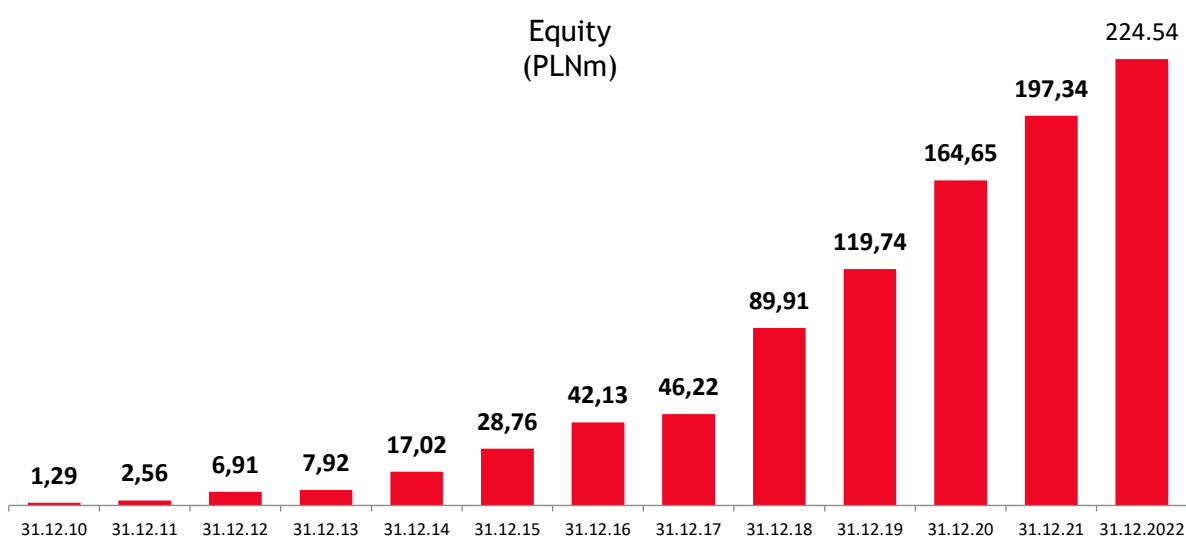
	Dec 31 2022 (audited)	Share (%)	Dec 31 2021 (audited)	Share (%)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>224,543,680</b>	<b>91.95</b>	<b>197,337,291</b>	<b>89.90</b>
Share capital	238,014	0.10	236,692	0.11
Share premium	14,422,772	5.91	13,063,204	5.95
Statutory reserve funds	149,153,274	61.08	120,467,692	54.88
Share-based payment reserve	38,047,889	15.58	35,092,206	15.99
Retained earnings	22,681,731	9.29	28,477,497	12.97
<b>Non-current liabilities</b>	<b>9,457,456</b>	<b>3.87</b>	<b>8,961,346</b>	<b>4.08</b>
Borrowings	6,405,000	2.62	7,560,000	3.44
Provisions	22,245	0.01	10,390	0.00
Lease liabilities	750,876	0.31	755,245	0.34
Deferred income	635,711	0.26	635,711	0.29
Liabilities arising from acquisition of shares in associate	1,643,624	0.67	-	0.00
<b>Current liabilities</b>	<b>10,196,305</b>	<b>4.18</b>	<b>13,214,327</b>	<b>6.02</b>
Trade and other payables	2,893,912	1.19	2,332,995	1.06
Royalties payable	4,056,672	1.66	5,018,390	2.29
Borrowings	1,260,000	0.52	1,260,000	0.57
Provisions	841,767	0.34	651,032	0.30
Lease liabilities	15,254	0.01	14,734	0.01
Contract liabilities	1,128,700	0.46	3,937,176	1.79
<b>Total liabilities</b>	<b>19,653,762</b>	<b>8.05</b>	<b>22,175,673</b>	<b>10.10</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,197,441</b>	<b>100</b>	<b>219,512,964</b>	<b>100</b>

Unlike in the previous year, as at the end of 2022 non-current assets represented the majority (58.37%) of the Company's total assets, amounting to PLN 142,547,147 (end of 2021: PLN 90,679,674), up by as much as 57.20% year on year. As at the end of 2021, non-current assets represented 41.31% of 11 bit studios S.A.'s total assets. Their main component at the end of the reporting period (as well as at the end of the comparative period) were intangible assets, amounting to PLN 99,977,460, up from PLN 59,137,637 the year before. They grew by as much as 69.06% and their share in the Company's total assets rose to 40.94% from 26.94% at the end of 2021. Intangible assets comprised partly amortised expenditure on games in the proprietary and publishing portfolios, which have already been placed on the market. The largest item, though, was expenditure on ongoing development work (*Frostpunk 2*, *Project 8*, *The Alters* projects) and on new games from the publishing division. Another component of non-current assets as at the end of 2022, with a value significantly lower than that of intangible assets, was property, plant and equipment of PLN 24,894,722 (2021: PLN 25,946,479). The largest item of the Company's property, plant and equipment was the property located at ul. Brzeska 2 in Warsaw, which the Company purchased in late 2018 for its new office. The value of property in the Company's statement of financial position as at the end of December 2022 was PLN 22,318,480, slightly less than the year before, when it stood at PLN 22,991,270. New non-current assets, not recorded as at the end of 2021, were non-current financial assets, that is shares held by 11 bit studios S.A. (purchased in the reporting period) in Fool's Theory Sp. z o.o. (PLN 3,975,734) and Starward Industries S.A. (PLN 8,151,523).

As at the end of December 2022, 11 bit studios S.A.'s current assets were PLN 101,650,294, down 21.1% on the end of the comparative period. As in 2021, current financial assets, i.e., financial instruments with a conservative risk profile (such as bonds issued by PKO BP Leasing and PKO BP Bank Hipoteczny), were the largest component of the Company's current assets, amounting to PLN 56,698,545 (end of

2021: PLN 80,665,985), that is 23.22% of total assets. The year before, the share was 36.75%. Another major item of current assets were cash and cash equivalents, which stood at PLN 30,585,991 as at the end of 2022, up 14.35% on the end of 2021 (PLN 26,748,530). At PLN 9,471,751, also trade and other receivables were a significant component of the Company's current assets. A year earlier, their balance was much higher, at PLN 16,485,147. A considerable item, representing 3.88% of total assets, was income tax receivable of PLN 2,980,694, compared with PLN 4,138,348 as at December 31st 2021 (down 27.97%).

The largest item of the Company's equity and liabilities were statutory reserve funds, which amounted to PLN 149,153,274 as at the end of December 2022, accounting for 61.08% of total equity and liabilities. As at the end of 2020, the respective figures were PLN 120,467,692 and 54.88%. Statutory reserve funds increased following the transfer of the Company's net profit for 2021. The decision to allocate the entire profit for 2021 (PLN 28,658,582) to statutory reserve funds was made by the shareholders at the General Meeting held on June 21st 2022. As at the end of 2022, retained earnings were a significant component of the Company's equity and liabilities. At PLN 22,681,731, they accounted for 9.29% of total equity and liabilities. As at the end of 2021, retained earnings amounted to PLN 28,477,497 (12.97% of total equity and liabilities). This year-on-year decline was attributable to the lower net profit earned by the Company in 2022. An item of 11 bit studios S.A.'s equity and liabilities which increased compared with the end of 2021 was the share-based payment reserve related to the Company's 2017–2019 Incentive Scheme. It amounted to PLN 38,047,889, representing 15.58% of total equity and liabilities, compared with PLN 35,092,206 (15.99% of total equity and liabilities) as at the end of 2021. An increase was also seen in the share premium account, whose value went up to PLN 14,422,772, from PLN 13,063,204 as at the end of 2021. As at the end of 2022, it accounted for 5.91% of total equity and liabilities, compared with 5.95% in 2021.



As at December 31st 2022, the Company's total liabilities amounted to PLN 19,653,761, compared with PLN 22,175,672 at the end of 2021. Over the year, total liabilities declined by 8.05%, and their share in total equity and liabilities fell to as little as 7.95%, from 10.10% at the end of 2021.

As at the end of December 2022, the Company's non-current liabilities stood at PLN 9,457,456 relative to PLN 8,961,346 the year before. Their main component (PLN 6,405,000) was a PLN 12,600,000 investment credit facility contracted by the Company with PKO BP at the end of 2018 to finance the purchase of the property at ul. Brzeska 2 in Warsaw (new office), which is being repaid in a timely manner.

As at the end of 2022, the Company's current liabilities stood at PLN 10,196,305 relative to PLN 13,224,717 at the end of the comparative period. They

fell by 22.84% and their share in total assets dropped to 1.19% from 6.02% at the end of 2021. The decline in current liabilities was mainly attributable to a reduction (from PLN 3,937,176 as at the end of 2021 to PLN 1,128,700 as at the end of 2022) of liabilities under contracts with customers, that is advance payments received by the Company from its trading partners towards future sales of the Company's products (games). As at the end of 2022, the largest item of 11 bit studios S.A.'s current liabilities (PLN 4,056,672) were royalties paid to third-party developers for publishing services provided to them. Year on year, they fell 19.16%. Similarly to the year before, a significant item of current liabilities as at December 31st 2022 were also trade payables, which grew by 24.04%, to PLN 2,893,913 from PLN 2,332,995 the year before. The amount comprised payments relating to the Company's day-to-day operations.



## Statement of cash flows

	Jan 1–Dec 31 2022 (audited)	Jan 1–Dec 31 2021 (audited)
<b>Cash flows from operating activities</b>		
<b>Profit for the financial year</b>	<b>22,889,816</b>	<b>28,685,582</b>
<b>Adjustments:</b>		
Depreciation and amortisation	5,891,465	8,920,103
Income tax expense recognised in profit or loss	4,336,525	3,148,882
Remeasurement of intangible assets	(67,091)	(28,510)
Remeasurement of non-financial assets (deferred tax)	439,869	-
Costs of the 2021–2025 Incentive Scheme	2,955,683	3,347,377
Measurement of financial instruments and shares in an associate	(1,618,722)	-
Interest income	(2,071,458)	-
Other adjustments	(1,123,167)	(1,233,488)
<b>Changes in working capital:</b>		
Change in trade and other receivables	7,013,396	(4,883,641)
Change in other assets	(1,102,388)	(140,234)
Change in trade and other payables	(404,648)	(1,779,148)
Change in contract liabilities	(2,808,477)	3,937,176
Change in provisions	202,589	-
Change in deferred income	-	(59,997)
<b>Cash provided by operating activities</b>	<b>34,093,523</b>	<b>39,914,102</b>
Income tax paid	(1,161,964)	1,028,187
<b>Net cash from operating activities</b>	<b>32,931,559</b>	<b>40,942,289</b>
<b>Cash flows from investing activities</b>		
Loans to employees	(1,115,139)	1,875,057
Proceeds from bank deposits upon maturity – over 3 months	11,000,000	-
Purchase of financial assets	(142,992,418)	(122,241,959)
New bank deposits placed – over 3 months	(18,000,000)	-
Proceeds from redemption of financial assets	177,888,911	111,844,368
Outflows on acquisition of shares in an associate	(2,619,216)	-
Outflows on acquisition of long-term financial assets (shares in Starward Industries S.A.)	(7,324,071)	-
Payments for property, plant and equipment and intangible assets	(45,679,530)	(28,878,349)
<b>Net cash from investing activities</b>	<b>(28,841,463)</b>	<b>(37,400,883)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,366,994	656,209
Proceeds/(repayments) under credit facility	(1,155,000)	(1,260,000)
Payment of interest on credit facility	(464,629)	(323,733)
<b>Net cash from financing activities</b>	<b>(252,635)</b>	<b>(927,524)</b>
Net increase /(decrease) in cash	3,837,461	2,613,882
Cash at beginning of reporting period	26,748,530	24,134,648
<b>CASH AT END OF REPORTING PERIOD</b>	<b>30,585,991</b>	<b>26,748,530</b>

In 2022, the Company generated cash flows from operating activities of PLN 34,093,523, 9.24% less than in 2021, despite no new game releases significantly contributing to its financial performance. The high level of cash flows from operating activities (higher than the net profit earned by 11 bit studios S.A. for 2022) was attributable to very good sales of the games placed on the market in previous periods, mainly *Frostpunk* (and

its paid add-ons offered as part of the Season Pass), *Moonlighter* and *Children of Morta* (the latter two were third-party developed titles released by the publishing division). Sales of *This War of Mine* were another major contributor to revenue. It should be stressed that despite the game's natural ageing, revenue from its sale in 2022 went up year on year on account of the sales campaign discussed in **Note 4.6**. In the reporting period, funds from operations

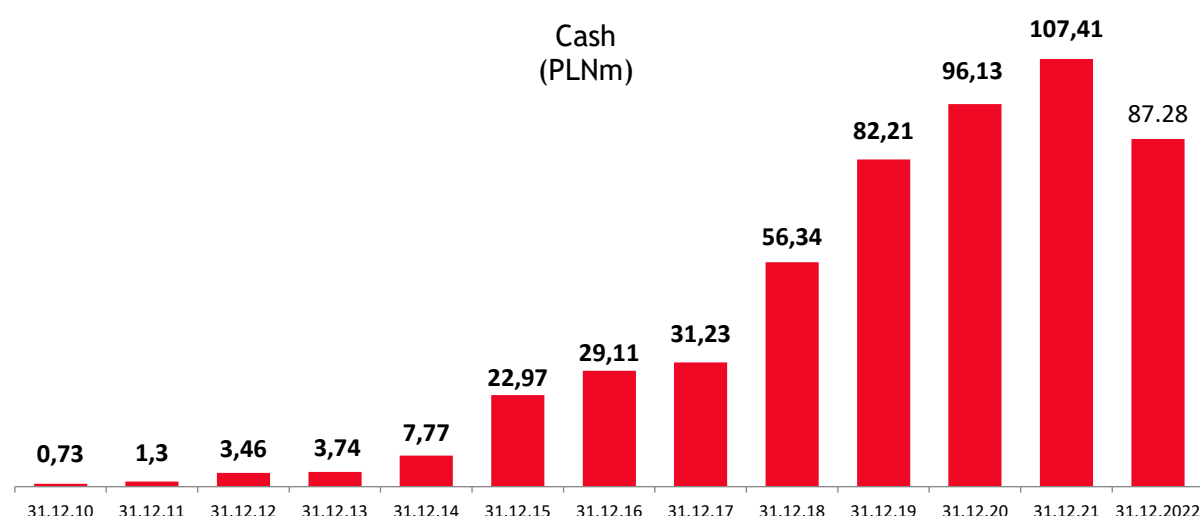
increased also due to conversion of trade payables into cash. Year on year, their balance was PLN 7,013 396. Consequently, taking into account the income tax paid (PLN 1,161,964), net cash provided by the Company's operating activities in 2022 amounted to PLN 32,931,559, compared with PLN 40,942,289 a year earlier, a decrease of 14.23%.

At the same time, the Company spent PLN 28,841,461 on investments, compared with PLN 37,400,883 in 2021. The major part of that amount were financial investments (purchase of financial instruments with a conservative risk profile or bank deposits), used by 11 bit studios S.A. to manage its cash resources. Payments for property, plant and equipment and intangible assets (mainly game development), amounting to PLN 45,679,530, were also an important item of expenditure, having increased significantly from PLN 28,878,349 in 2021. The item included high capital expenditure on new games in the proprietary and publishing division's portfolios.

Cash flows from financing activities in 2022 included payments related to the servicing of a 10-year investment credit facility with PKO BP S.A., taken

out in late 2018 to purchase the property at ul. Brzeska 2 in Warsaw. In 2022, 11 bit studios S.A. spent PLN 1,155,000 to repay the facility. PLN 464,629 was paid in interest (2021: PLN 323,733). A considerable item (PLN 1,366,994) were proceeds from a share issue for the purposes of the 2017-2019 Incentive Scheme. In 2022, 11 bit studios S.A. issued 13,223 Series G shares at an issue price of PLN 103.38 per share (the par value of the shares is PLN 0.1).

As at December 31st 2022, the Company held cash and cash equivalents of PLN 30,585,991 vs PLN 26,748,530 as at the end of 2021, an increase of 14.35% year on year. It should be noted that at the end of 2022 the Company also held PLN 56,698,545 invested in financial instruments with a conservative risk profile. Total cash resources available to the Company at the end of 2022 amounted to PLN 87,284,536, an 18.7% decrease from PLN 107,414,514 at the end of 2021. Inclusive of trade receivables (PLN 9,471,751 as at the end of 2022 relative to PLN 16,485,147 the year before), 11 bit studios S.A.'s total financial assets as at December 31st 2022 reached PLN 96,756,287, excluding income tax receivable.



### Borrowings in the financial year 2022

In 2022, 11 bit studios S.A. did not enter into any credit facility or loan agreements.

The only credit facility held by the Company is the 10-year investment credit facility contracted with Powszechna Kasa Oszczędności Bank Polski S.A. For full details, see **Note 2.16**.

### Loans advanced in the financial year 2021

In 2022, in accordance with Art. 245.1, 245.4 and 245.8 of the Commercial Companies Code and pursuant

to Resolution No. 22/06/2020 of the Company's Annual General Meeting of June 9th 2020, the

## OVERVIEW

Company entered into a loan agreement with an employee to directly finance the acquisition of shares offered under the 2017–2019 Incentive Scheme. The loan amount was PLN 1,269,000. As at the end of the reporting period, the outstanding loan amount (including interest) was PLN 1,273,690.

In the reporting period, the Company entered into six loan agreements totalling PLN 42,000 with its employees and associates to finance their own needs. As at December 31st 2022, the outstanding amount of the loans (including interest) totalled PLN 35,739.

### Sureties and guarantees issued in the financial year 2022 and other material off-balance sheet items

The Company did not issue any sureties or guarantees in the financial year 2022. For information on material off-balance sheet items

related to 11 bit studios S.A.'s publishing activities, see **Note 4.2**.

### Current economic and financial condition of the Company and assessment of financial resources management

The Company's current economic and financial condition is stable. The Management Board has not

identified any threats to the Company's liquidity position or solvency.

### Description and assessment of factors and non-recurring events with a bearing on the Company's results in 2022

In 2022, there were no events of a non-recurring nature (except as described in **Note 4.6.**) which

would have a bearing on the results of the Company's operations.

## AGREEMENTS SIGNIFICANT TO THE COMPANY'S OPERATIONS (EXCLUDING CREDIT FACILITY AND LOAN AGREEMENTS) EXECUTED IN 2022 AND BY THE ISSUE DATE OF THIS REPORT

On February 28th 2022, in Current Report No. 8/2022 the Company announced that it had acquired 40% of shares in Fool's Theory Sp. z o.o. (developer of *Thaumaturge*, to be published by 11 bit studios S.A.) from Jakub Rokosz and Krzysztof Mąka, until then the sole owners of the company. In accordance with the agreement, 11 bit studios S.A. paid the first instalment of PLN 2,619,215.5 for the shares on March 9th 2022. The second instalment will be paid in cash within seven months after the market release of *Thaumaturge*, developed by



Fool's Theory Sp. z o.o. 11 bit studios S.A. is the game's publisher. The amount of the second tranche will depend on net revenue generated by the Company from the sale of *Thaumaturge* 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. Moreover, on February 28th 2022 the Company concluded a shareholders' agreement with Jakub Rokosz and Krzysztof Mąka setting out detailed rules

for managing Fool's Theory Sp. z o.o.'s affairs and mutual rights and obligations of its shareholders. The parties to the shareholders agreement agreed that they would not sell or otherwise transfer their shareholdings in Fool's Theory Sp. z o.o. until at least seven months after the release of *Thaumaturge* and that they would have the right of first refusal thereafter in the event that any of the shareholders wishes to sell their interest. The shareholders also agreed to work in concert, for a period of ten years from the date of the agreement, to advance the development of Fool's Theory Sp. z o.o. and to prepare an incentive scheme for key employees and associates of Fool's Theory Sp. z o.o., which would be based on the financial results (cumulative revenue and gross profit) of the company generated in the years 2023–2027. Additionally, if Fool's Theory Sp. z o.o. 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 Current Report No. 26/2022 of July 29th 2022, 11 bit studios S.A. announced that it had signed an agreement to subscribe for 75,000 Series J shares in Starward Industries S.A. at an issue price of PLN 79 per share for a total of PLN 5,925,000. The shares have been paid for in cash. Furthermore, on July 29th 2022, the Company acquired 25,000 shares in Starward Industries S.A. from Marek Markuszewski, Starward Industries S.A. CEO, at a price of PLN 10 per share, for a total amount of PLN 250,000. The shares have been paid for in cash. Starward Industries S.A. of Kraków is the developer of *The Invincible*, a game whose publisher is 11 bit studios S.A.

## EXPLANATION OF DIFFERENCES BETWEEN FINANCIAL RESULTS DISCLOSED IN THE FULL-YEAR REPORT AND PREVIOUSLY PUBLISHED FINANCIAL FORECASTS FOR THE YEAR

The Company did not publish any financial forecasts for 2022.

## USE OF PROCEEDS FROM SHARE ISSUE AS AT THE RELEASE DATE OF THIS REPORT

In the reporting period, the Company issued new Series G shares in connection with the 2017–2019 Incentive Scheme for Members of the Management Board, employees and independent contractors, adopted by Resolution No. 18/05/2017 of the Company's Annual General Meeting on May 10th 2017. On June 9th 2020, acting on the proposal of the Company's Management Board, the Supervisory Board passed a resolution, following approval of the Company's financial statements for 2019 by the Annual General Meeting on June 9th, to grant 130,000 Series B subscription warrants to the 2017–2019 Incentive Scheme Participants. The persons

who subscribed for the warrants will be able to exercise the warrants by subscribing for Series G shares by June 30th 2023. The issue price of Series G shares was set at PLN 103.38.

As at the issue date of this Report, the Company issued (starting from July 2020) a total of 92,945 Series G shares, generating proceeds of PLN 9,608,654 (gross). In the reporting period: 13,223 Series G shares and proceeds of PLN 1,366,994 (gross). The funds have been allocated to the Company's working capital and are to be used to finance the day-to-day operation and growth projects (production of new games).

## THE COMPANY ON THE CAPITAL MARKET

11 bit studios S.A. has been present on the Warsaw Stock Exchange since October 28th 2010, when Company shares were first listed on the NewConnect market. In 2015, the Company's shareholders decided to change the listing market on the WSE. The shares were first traded on the main market on December 18th 2015. At the start of the first trading session, their price was PLN 68.1. At that time, 2,217,199 Series A – Series E shares were floated on the WSE. From June 22nd 2017, following an increase in the Company's share capital by 70,000 Series F shares (issued for the purposes of the 2014–2016 Incentive Scheme), 2,287,199 Series A – Series F shares were traded on the stock exchange. As of mid-2020, the Company published several current reports announcing share capital increases through the issue of Series G shares, issued for the purposes of the 2017–2019 Incentive Scheme. As a result, the Company's share capital comprised 2,380,144 Series A – Series G shares as at the reporting date.

The Company founders, i.e., Przemysław Marszał (President of the Management Board) as well as Grzegorz Miechowski and Michał Drozdowski (Members of the Management Board) remain its major shareholders. As at the issue date of this 2022 Full-Year Report, they controlled jointly 358,543 shares in the Company, representing 15.06% of the share capital and the same proportion of voting rights at the General Meeting.

By a decision of the WSE Management Board, the 11 bit studios stock has been included in the mWIG40 index since June 15th 2018. As at the issue date of this

Report, its weight in the index was 2.27% (2021: 1.63%).

11 bit studios S.A. shares are also a constituent of the WIG.GAMES5 index, published since March 18th 2019 and featuring the largest gaming companies listed on the WSE. As at the issue date of this Report, the 11 bit studios S.A. stock's weight in the index was 25.03% (2021: 20.73%). The Company shares are also included in WIG-gry, an index published since December 30th 2016 and featuring all gaming companies listed on the WSE. As at the reporting date, 11 bit studios S.A. stock's weight in WIG-gry was 10.47%.

Company shares are also included in the WIG-ESG Index, published since September 3rd 2019, which brings together socially responsible businesses, i.e., those that adhere to CSR standards, in particular with respect to environmental, social, economic and corporate governance aspects. 11 bit studios S.A. shares account for 0.59% of the index (2021: 0.47%).

11 bit studios S.A. also features in the WIG, WIG140, WIG-Poland, WIGtech, mWIG40TR and WIGtechTR indices.

Throughout 2022, the Company's stock enjoyed great interest from investors on the WSE and were among the few which closed the year in the positive territory. During that period, the Company's share price increased by almost 6.50%, while both the WIG Games and the WIG-gry indices featuring, respectively, the largest gaming companies and all gaming companies listed on the WSE, declined. It should be added that in 2022 the broad-market WIG

index fell by a staggering 17.08%, while the mWIG40 index, which includes 11 bit studios, lost almost 21.5%.

**Chart: Performance of 11 bit studios S.A. shares on the Warsaw Stock Exchange in 2022 (PLN)**



SOURCE: PARKIET.COM

In 2022, the price of 11 bit studios shares on the WSE ranged from PLN 467.5 (closing price on June 17th 2022) to PLN 590 (trading days of March 31st and December 30th 2022). The Company's stock price was subject to strong fluctuations, especially in spring: when market sentiment deteriorated at the news of Russia's invasion of Ukraine, the stock price fell below PLN 500 (in early March) to go up by more than 20% over the next few weeks to PLN 590 at the end of the first quarter. December was another favourable period for the price of Company shares: after hitting a floor (PLN 500 on November 21st), the price picked up to PLN 590 at the close of the last trading day of the year. As a result, at the close of the last trading day in 2022, the market value of 11 bit studios S.A. was almost PLN 1.405bn (52th position among the largest Polish companies listed on the WSE). To compare, the Company's market capitalisation in 2021 was PLN 1.31bn (67th place in the ranking).

The price growth was accompanied by satisfying liquidity of the shares. In the reporting period, the total value of trading in Company shares on the WSE was PLN 537.16m (EUR 114.88m), which means that 11 bit studios S.A. ranked 46th among WSE-listed companies with the largest value of trading in 2022. The average daily trading volume of Company shares was 4,058 shares, with 311 trades executed daily.

Investors' strong interest in the 11 bit studios S.A. stock translated into good equity research coverage.

Throughout 2022, stock analysts from different brokerage houses and offices issued 15 equity research reports on 11 bit studios S.A., compared with 12 in 2021. In 2022, as many as nine of the reports had 'buy' recommendations. In one case, analysts recommended accumulation of the Company's stock, and in four cases the recommendation was 'hold'. The shares also received one 'neutral' recommendation.

In 2022, 11 bit studios S.A. gradually increased its activity (previously limited by the COVID-19 pandemic and the related restrictions on mobility and organisation of events) involving face-to-face meetings with market participants, including Investors and Shareholders. In 2022, 11 bit studios S.A. also remained very active as regards meetings held using electronic communication channels (Microsoft Teams, Zoom, Google Meets, etc.). Apart from ongoing one-on-one discussions with managers and stock analysts from brokerage houses and offices in Poland and abroad, in 2022 the Company participated in selected investor conferences, including outside Poland, such as those organised by Ipopema Securities (January) and Wood&Co (December).

In line with its long-standing practice, 11 bit studios S.A. also held an annual Investor Conference in 2022, which for the first time took the form of both an offline and online event. The meeting was attended by more than 100 guests, including stock analysts,



managers and representatives of economic media (including several dozen who attended in person), and twice as many retail investors. The conference was broadcast over the Internet and simultaneously interpreted into Polish. The recording is available on the Company's YouTube channel at:

- <https://www.youtube.com/watch?v=tHKHc7iIbHA&t=2900s> (Polish)
- <https://www.youtube.com/watch?v=sym2XzgfLro&t=2017s> (English)

## GROWTH PROSPECTS

11 bit studios S.A. is a producer of cross-platform video games sold all over the world, mainly through specialised online platforms, with Steam in the lead. Export sales accounted for 97.55% of the Company's total revenue in 2022 (2021: 97.9%).

The long-term objective of 11 bit studios S.A. is to grow much faster than the entire video games market (for a description and forecasts for the global video games market, see **pp. 74-76** of this Report), which has been the fastest growing segment of the entertainment industry for a number of years. The success of *This War of Mine* and *Frostpunk* consolidated the Company's position as one of the leading developers in the indie (independent) segment of the gaming industry. From the date of release to the end of 2022, revenue from the sale of *This War of Mine* and its paid DLCs for all devices exceeded PLN 130m. Sale of products based on IP related to *Frostpunk* brought almost PLN 200m in revenue (in more than four years after the release of the game for PCs). This goes hand in hand with the Company's strategy, which assumes production of games which are ever larger, and thus ever more costly, but offer a greater commercial potential conducive to a gradual exit from the indie segment.

In the near term, 11 bit studios S.A.'s financial performance will be determined chiefly by future sales of *Frostpunk* and paid DLCs offered for this title as part of the Season Pass. The game, released in April 2018, is still very popular with fans. Coupled with the Company's marketing and promotional activities, this translates into solid revenue streams. The *Frostpunk* brand is being developed also in other formats.

The board version of *Frostpunk*, prepared by Glass Cannon Unplugged, has already been released. Over the next few quarters, fans will also have access to the game's mobile version, being developed by China's NetEase. 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 well known worldwide.



Apart from *Frostpunk*, in future periods the Company's revenue will also be driven by sales of other back catalogue products, such as *This War of Mine*. More than eight years from its release and with very limited marketing activities on the part of 11 bit studios S.A., *This War of Mine* is still very popular with computer game fans thanks to its unique theme (war seen through the eyes of civilians). As in previous quarters and years, an important source of the Company's revenue and profits in subsequent periods will be the productions from the publishing portfolio, notably *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 owing to natural ageing of the products.

In the longer term, 11 bit studios S.A.'s financial results will be driven by the releases of new games in the proprietary (*Frostpunk 2*, *The Alters* and *Project 8*) and publishing portfolios. As at the issue date of this Report, the pipeline of games created by third-party development teams consisted of four items. The total production budget of the three proprietary games is approximately PLN 130m.

**ok. 130 mln PLN**

**Łączny budżet produkcyjny trzech gier własnych Frostpunk 2, The Alters oraz "Projekt 8"**

To compare, the production budget of *Frostpunk* (PC version) was below PLN 10m. The teams working on each of the games consist of more than 70, approximately 45 and almost 50 people, respectively, and are being steadily expanded. This is in line with the Company's medium-term strategy for the next few years, which is to have three in-house development teams, comparable in size (each approximately 60–80 people strong). Assuming a production cycle of about three to four years for each game, with three teams 11 bit studios S.A. would be able to release one proprietary title a year.

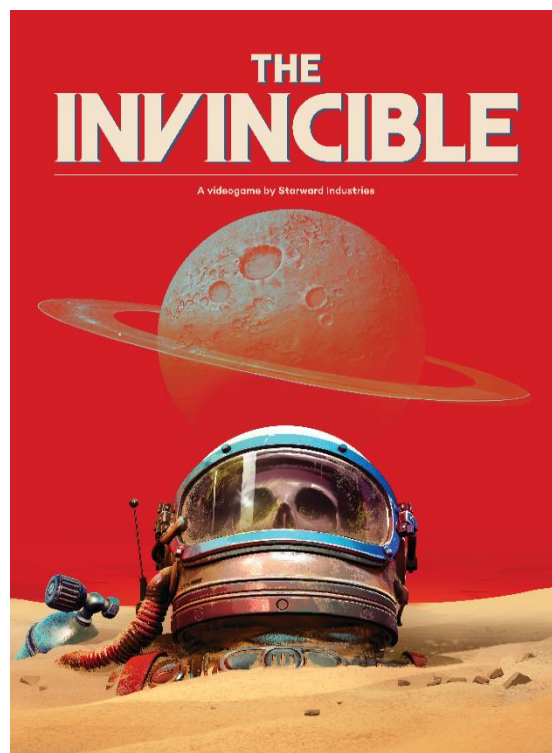
In the coming quarters and years, the Company's performance will also be materially supported by the publishing division. In the last quarters, the Company focused on significant strengthening and expanding of the potential of the publishing team (appointment of Marek Ziemak, Head of the Publishing Division, as Member of the Management Board demonstrates the importance of this line of business) and compounded its efforts to acquire new products for the publishing portfolio. The publishing portfolio of 11 bit studios S.A. currently consists of four projects. The first of the agreements provides for publishing *Thaumaturge*, produced by Fool's Theory Sp. z o.o. of Bielsko-Biała (11 bit studios S.A. holds a 40% interest in that company). 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, launched in 2022, is *The Invincible*, an adaption of the novel of the same title by Stanisław Lem. The game's producer is Starward Industries S.A. of Kraków. 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 liabilities under publishing agreements were EUR 2,493,025, PLN 4,014,100 and USD 53,558.

It is 11 bit studios S.A.'s intention to rapidly expand the publishing portfolio in order to implement its medium-term (a few years') strategy that provides for releasing three to four third-party developed games each year. To achieve this goal, the Company

intends to sign at least several new publishing agreements in the next few quarters, where its total capital exposure may potentially reach up to PLN 50m.

An element which also may have a material bearing on the Company's performance in the future is planned acquisitions, designed to expand and bolster the competencies and market position of 11 bit studios S.A. In 2022, the Company completed two such acquisitions (for details, see pp. 87–88 of this Report). On February 28th 2022, the Company announced the acquisition of 40% of shares in Fool's Theory Sp. z o.o., and on July 29th 2022 – the subscription for 75,000 new Series J shares in Starward Industries and acquisition of further 25,000 shares in that company from Marek Markuszewski, its CEO.



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.

## EXTERNAL AND INTERNAL DRIVERS OF THE COMPANY'S GROWTH

11 bit studios S.A. operates on international markets. Therefore, in addition to local factors, its strategy and

financial performance are influenced by global economic and political developments, including



## OVERVIEW

macroeconomic ones, as well as tax regulations and the legal environment. For a detailed discussion of major external and internal factors that may adversely affect the Company's operations, see the risk section (pp. 106–112 of this Report).

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

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

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

## FEASIBILITY OF INVESTMENT PLANS

As at December 31st 2022, the Company's cash in hand and at banks (cash and cash equivalents) amounted to PLN 30,585,991. In the previous year, it amounted to PLN 26,748,529. As at the end of 2021, 11 bit studios S.A. also held PLN 56,698,545 invested in financial instruments with a conservative risk profile. Total cash resources available to the Company at the end of 2022 amounted to PLN 87,284,536, an 18.7% decrease on 2021, when they stood at PLN 107,414,514. In addition, the Company had PLN 9,471,751 in (mainly trade) receivables (end of 2021: PLN 16,079,147) and PLN 7,106,579 in income tax receivables (2021: PLN 4,138,348). The total value of 11 bit studios S.A.'s financial assets reported as at December 31st 2022 was PLN 99,736,981 (2021: PLN 123,493,662).

At the same time, liabilities (current and non-current) totalled PLN 19,653,762 as at December 31st 2022, compared with PLN 22,175,672 the year before. Of that amount, PLN 7,665,000 was attributable to the steadily repaid credit facility contracted with PKO BP at the end of 2018 to purchase the property at ul. Brzeska 2 in Warsaw, which has been home to the Company's headquarters since March 2020. As at the end of 2021, the facility was valued at PLN 8,820,000.

With the large cash resources, far exceeding its liabilities, the Company should be able to finance its day-to-day operations and planned growth investments (development of games and expansion of the 11 bit publishing division) with its own funds at least in the next few quarters, and does not need to use external funding (including funds raised on the capital market) or funds provided by business partners (game publishers and distributors).

However, the Company does not rule out such an option.



# OVERVIEW OF 11 BIT STUDIOS S.A.'S OPERATIONS AND RESOURCES

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## COMPANY OVERVIEW

Business name:	11 bit studios Spółka Akcyjna
Abbreviated name:	11 bit studios S.A.
Registered office:	Warsaw, Poland
Registered address:	ul. Brzeska 2, 03-737 Warsaw, Poland
Principal business activity:	in accordance with the Polish Classification of Business Activities – computer programming activities (62.01.Z)
Registry court:	District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division
National Court Register (KRS) No.:	0000350888
Tax Identification Number (NIP):	1182017282
Industry Identification Number (REGON):	142118036

The Company was established for indefinite time. The financial year of the Company is the same as the calendar year.

The Company's principal business activity includes:

- Production of cross-platform computer games,
- Sale of cross-platform computer games.

The Company does not have any subsidiaries. It has an associate – Fool's Theory Sp. z o.o.

## GOVERNING BODIES

### Management Board

- Przemysław Marszał – President
- Grzegorz Miechowski – Member
- Michał Drozdowski – Member
- Paweł Feldman – Member
- Marek Ziemak – Member of the Management Board

The composition of 11 bit studios S.A.'s Management Board changed in the reporting period.

On June 21st 2022, the Supervisory Board appointed the following persons to the Management Board for another term of office: Przemysław Marszał as President of the Management Board, and Grzegorz Miechowski and Michał Drozdowski as 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 ending December 31st 2025.

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.

## Experience and competences of the Management Board Members



### **Przemysław Marszał, President of the Management Board**

Graduate of the Faculty of Architecture at the University of Ecology and Management. Member of the Management Board of Metropolis Software in 2005–2009. He started his career in the video games industry as a graphic designer. As the chief artist, he is responsible for the final appearance of all 11 bit studios S.A. games, from the first sketch to the day of their release. He designed the entire 'charcoal drawing' appearance, which became one of the most distinctive features of *This War of Mine*. One of the key authors of *Frostpunk*. His responsibilities in the Management Board include strategy and planning, and overseeing the T&C (Team&Culture) division.

### **Grzegorz Miechowski, Member of the Management Board**

Graduate of the Faculty of Information Technology and Management at the Wrocław University of Technology. He has been involved in developing video games since the early 1990s, when he founded Metropolis Software House, one of the first game development studios in Poland. He headed it from 1999 to 2009. One of the founders of 11 bit studios S.A. and the author of the original concept of *This War of Mine*, a game which proved to be a worldwide success. Co-author of the *Frostpunk* concept. His responsibilities in the Management Board include supervising the financial, IT and administration divisions.



### **Michał Drozdowski, Member of the Management Board.**

Graduate of the Faculty of Economics and Management at the Higher School of Commerce and Law. He worked as a designer for Lead 3D in 2002–2005. In 2006, he joined Metropolis Software, where he served as the Design Director from 2007. At 11 bit studios S.A., Michał Drozdowski was responsible for the design of all 11 bit studios S.A. games, including titles from the *Anomaly* series, *Funky Smugglers*, *This War of Mine* and *Frostpunk*. His responsibilities on the Management Board include all matters related to game creation.

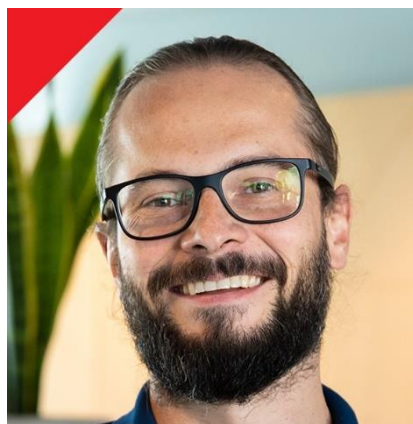




matters related to development of the Company's new business lines, including IP, as well as the PR and marketing departments.

**Paweł Feldman**, Member of the Management Board

Graduate of the Faculty of Management of the University of Warsaw. He has many years of experience in the gaming industry, both from the publisher and developer perspective. He has worked on numerous critically acclaimed titles, such as *Wiedźmin*, *This War of Mine* and *Frostpunk*. He focuses mainly on the strategy, business, sales and marketing activities. He has worked for 11 bit studios since 2012, supervising sales and the publishing business line, among other things. His responsibilities on the Management Board include



**Marek Ziemak**, Member of the Management Board

Graduate of the Cybernetics Faculty of the Military University of Technology with a major in Computer Science: IT Management Systems. Completed postgraduate Master of Business Administration programme for IT personnel at Kozminski University. He started his professional career in the video game industry in 2006 when he joined the CD Projekt RED team as a game tester. He later served as a gameplay designer and developer. He left the ranks of CD Projekt RED in 2014 when he joined the nascent publishing division of 11 bit studios. Executive Producer of publishing projects since 2019, and Head of External Development since 2020. His responsibilities on the Management Board include all matters related to the production of proprietary and third-party developed games.



**Supervisory Board**

- Radosław Marter – Chair of the Supervisory Board,
- Jacek Czykiel – Deputy Chair 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 Supervisory Board changed in 2022.

The term of office of the previous Supervisory Board, consisting of the following members, ended on May

23rd 2022: Radosław Marter (Chair of the Supervisory Board), Jacek Czykiel (Deputy Chair 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 as Chair of the Supervisory Board. Jacek Czykiel was appointed Deputy Chair of the Supervisory Board. The joint term of office of the current Supervisory Board expires on June 21st 2025.

## Experience and competences of the Supervisory Board Members

### Radosław Marter – Chair of the Supervisory Board

Mr Marter has worked in the pharmaceutical/medical and technology industries for over 20 years. From 2000 to 2007, he was involved in managing Media Vision's sales department. Between 2007 and 2017, he was a co-founder and Vice President of the Management Board of Active Pharm, a company which he managed for over 10 years, implementing projects in the area of multi-channel marketing, clinical trials, medical systems and applications, as well as marketing strategies for the largest pharmaceutical corporations. Author of publications and articles on digital transformation based on organisations' gamification platforms. In addition to his work in the pharmaceutical and technology sectors, he has gained experience in supporting non-profit organisations by implementing strategies for image building, management and execution of social campaigns. At present, he is Managing Partner at the one2tribe Group and CEO at OnePharma. His passion is new media and technologies as well as challenging projects, which he often communicated as a speaker at conferences, in publications and in social media.

### Jacek Czykiel – Deputy Chair of the Supervisory Board

In 1996, he graduated from the Social Economy department of the Faculty of Economics at the University of Warsaw Branch in Rzeszów (major in Labour Economics and Social Policy). In 1997, Mr Czykiel completed post-graduate courses in corporate finance and accounting at the University of Warsaw. In 1998, he received the qualification certificate authorising him to provide bookkeeping services. In 1999–2000, he worked as an accountant for Ernst & Young Usługi Księgowe Sp. z o.o. Since 2000, he has been the Chief Financial Officer at Beijer Re Polska.

### Marcin Kuciapski – Member of the Supervisory Board

Graduate of the Maritime Academy in Gdynia (M. Sc. in Commodity Studies). He also graduated from Hochschule Bremenhaven (Business and Economics) as part of the Erasmus Programme. Since 2008, he has held a securities broker license. Winner of numerous awards and distinctions, including 1st place in the *Forbes* ranking of Institutional Brokers 2013. In 2008–2010, he worked for DM PKO BP, initially at the Equity Research Team, and then at the Institutional Sales Team as Institutional Broker. In 2010, he moved to the same position with the Brokerage Office of BZ WBK, to be promoted to Executive Director in 2012. Since 2017 with Santander Bank Polska as Head of the Institutional Brokerage Team at the Institutional Sales Department. Founder (May 2019) of Pure Alpha Investments, an company active in the area of investments in the public and private markets.

### Piotr Wierzbicki – Member of the Supervisory Board

Graduate of the Warsaw School of Economics (SGH). He has also completed a number of training programmes in finance, management, financial reporting (IAS, US GAAP) and project management, including the Business Programme for Top Executives at IMD Business School, and ACCA Training. In 1993–1996 he worked at PWC as a Senior - Audit&Business Advisory Services. In 1996–2008, with Sun Microsystems, initially as CFO and, from 2002, as CEO. In 2009–2010, he was employed at Sygnity as Executive VP, CFO. In the following years, he worked at a number of companies, including EMC, YieldPlanet (currently as Member of the company's Supervisory Board) and again at Sygnity. In May 2018, he took the position of Managing Director, Country Manager, at Atos Polska. Since December 2022, has been EVP, Head of Global Delivery Center in Poland, at Capgemini.

### Milena Olszewska-Miszuris – Member of the Supervisory Board

Graduate of two faculties of the SGH Warsaw School of Economics: Quantitative Methods and



Information Systems and Finance and Banking with a major in Investment Banking. She holds three international finance certifications: CFA (Chartered Financial Analyst), ACCA (Association of Chartered Certified Accountants) and FSA Credential (Fundamentals of Sustainability Accounting). In 2004–2005, she worked at CDM Pekao as equity analyst and then, until 2008, as equity analyst at the Polish branch of KBC Securities N.V. From 2008 to 2015, she was senior securities analyst at ING Securities. Between 2015 and 2017, she was President of the Management Board of ADS

Partners, an investor relations consultancy. Since 2017 she has served as President of the Management Board of WM Advisory, a value creation consultancy. She was an independent member of the supervisory boards of Ten Square Games and R22. Currently, she serves on the supervisory board of STS Holding. In 2020–2021, she was Vice President of CFA Society Poland. Member of the WSE Corporate Governance Consultative Committee and Co-Chair of the 30% Club Poland social campaign.

## AUDITORS

PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp.k.  
ul. Polna 11  
00-633 Warsaw

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

Statutory Auditors under Reg. No. 144. The Company previously engaged PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp.k. to audit and review its financial statements for the financial years 2020 and 2021.

The auditor's fees were agreed at: PLN 175,000 for the audit of the full-year financial statements for 2022, PLN 60,000 for the review of the Company's interim financial statements for 2022, and PLN 15,000 for the audit of the remuneration report for 2022. The auditor's fees for the audit of the full-year financial statements for 2021, review of the interim financial statements for 2021 and audit of the remuneration report for 2021 were, respectively, PLN 110,000, PLN 49,000 and PLN 15,000. Under the annex signed in the first quarter of 2021, the Company also paid an additional PLN 3,000 for verification of the full-year financial statements for 2021, prepared in accordance with the requirements of the ESEF Regulation (in the xhtml format).

### Policy on selection and appointment of an audit firm to carry out the statutory audit of financial statements of 11 bit studios S.A.

The policy on selection and appointment of an audit firm to carry out the statutory audit of financial statements of 11 bit studios S.A. lays down the general rules for selecting and appointing an audit firm that meets the independence criteria and offers top quality services, taking into account the selection criteria set by the Supervisory Board with the support of the Audit Committee.

In accordance with the regulations applicable to the Company, including the Company's Articles of Association, the entity qualified to audit financial statements is selected by the Supervisory Board

upon recommendation by the Audit Committee. The Supervisory Board – while making the final selection, and the Audit Committee – while preparing its recommendation, act in line with at least the following guidelines concerning the entity qualified to audit financial statements:

- the entity's impartiality and independence;
- the price proposed by the entity;

- experience in auditing financial statements of public-interest entities, including entities with a business profile similar to the Company's;
- ability to provide the required range of services;
- professional qualifications and experience of personnel directly involved in the audit;
- knowledge of the Company's industry;
- ability to ensure that the audit is conducted in accordance with International Auditing and Assurance Standards;
- the entity's reputation;
- ability to perform the audit within the time frame specified by the Company.

The Company evaluates bids submitted by audit firms against the selection criteria set out in the tender documentation and procedure, and prepares a report with conclusions from the selection procedure, which are subject to approval by the Audit Committee. It is prohibited to introduce any contractual clauses that would require the Supervisory Board to select the entity qualified to audit financial statements from a specific category or list of such entities.

The first audit engagement agreement with an audit firm is made for no less than two years, with an option to extend its term for subsequent periods of two years or more. The same audit firm cannot audit the statutory financial statements for more than ten consecutive years. After ten years of uninterrupted cooperation with the Company, the same audit firm will be prohibited from auditing the Company's financial statements for the next five years. The lead auditor may not conduct statutory audits for more than five years. The lead auditor may again conduct a statutory audit after at least three years following the end of his/her last statutory audit. The duration of the cooperation starts from the first financial year covered by the audit agreement when the auditor was first appointed to conduct successive uninterrupted statutory audits for 11 bit studios S.A. The audit firm's fees for the audit may not be contingent on the fulfilment of any conditions, including the outcome of the audit, and may not be shaped by or depend on the provision to the Company or its related entities of any additional

non-audit services by the audit firm or any entity related to the audit firm.

The process to select an entity qualified to audit financial statements is initiated by 11 bit studios S.A. Supervisory Board's Audit Committee, which appoints 11 bit studios S.A. to organise the process. The Audit Committee assesses the audit firm's work based on, *inter alia*, an analysis of documents and information provided by the audit firm pursuant to Article 6(2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, and information on the conclusions and findings of inspections carried out by the Polish Agency for Audit Oversight, provided that they are made available by the audit firm, as well as the annual transparency report published by the audit firm in accordance with Article 13 of Regulation 537/2014 of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. The Company will seek to include in its agreements with the audit firm a provision requiring the audit firm to provide the Company with regular information on the existence of circumstances that may result in the audit firm losing its qualification to audit the financial statements or on any proceedings pending in this respect.

The Audit Committee issues recommendations to the Supervisory Board concerning:

- extension of cooperation with the audit firm, or
- initiation of a procedure to select and appoint a new audit firm, subject to the conditions laid down by law.

When giving recommendations concerning extension of cooperation with the existing audit firm, the Audit Committee:

- indicates the audit firm which it proposes to appoint to perform the statutory audit;
- represents that the recommendation is free from any third-party influence;
- acknowledges, based on the Management Board's statement, that the Company has not entered into any agreements containing clauses referred to in Art. 66.5a of the Accounting Act of September 29th 1994.

Where the selection does not concern extension of the audit agreement, the Audit Committee's recommendation:

- presents at least two possible choices for the audit firm and a duly justified preference for one of them;
- is prepared after the selection procedure organised by the Company, meeting the

criteria laid down in Art. 130.3 of the Act on Statutory Auditors, is completed.

The Audit Committee reviews this policy as necessary, including with a view to ensuring that the selection of an audit firm is made using adequate mechanisms to minimise the risk of selecting an audit firm exposed to potential loss of qualifications and with a view to securing emergency mechanisms that may be applied in the event of an unforeseen loss of qualification by an audit firm auditing the Company's financial statements.

### Policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network

The Supervisory Board, including the Audit Committee, and the governing bodies of 11 bit studios S.A. also take steps to eliminate the risk of failure to meet the independence requirements applicable to the auditor/audit firm, as well as to improve audit quality by raising the standards of audit reporting. Pursuant to Art. 130.1.4 of the Act on Statutory Auditors, the Audit Committee's tasks include assessing the auditor's independence and approving the provision by the auditor of permitted non-audit services in a public-interest entity, as well as developing a policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network.

The auditor, the audit firm conducting the statutory audit of 11 bit studios S.A., an affiliate of the audit firm or any member of its network do not provide, directly or indirectly, any prohibited non-audit services or financial audit to 11 bit studios S.A. The auditor of the financial statements of 11 bit studios S.A. may, to the extent not related to the tax policy of the audited entity, provide services that are not prohibited. Services that are not prohibited are services referred to in Art. 136.2 of the Act on Statutory Auditors, including in particular:

- services which constitute financial audit within the meaning of Art. 2.7 of the Act;
- services consisting in:
  - due diligence of an entity's economic and financial standing;
  - issuing comfort letters (in connection with prospectuses, carried out in accordance with the national standard for related services and consisting in carrying out agreed procedures);

- assurance services with regard to pro-forma financial information, earnings forecasts or estimates included in the prospectus;
- audit of historical financial information for the prospectus referred to in Commission Regulation (EC) No 809/2004 of April 29th 2004;
- verification of consolidation packages;
- confirmation of compliance with covenants under credit facility agreements based on an analysis of financial information derived from the financial statements audited by the audit firm;
- assurance services with regard to corporate governance, risk management and CSR reporting;
- services consisting in assessment of compliance of information disclosed by financial institutions and investment firms with the disclosure requirements concerning capital adequacy and variable remuneration components;
- assurance services concerning financial statements or other financial information intended for the supervisory board or other supervisory body or owners, going beyond the scope of a statutory audit and designed to assist those bodies in fulfilling their statutory duties.

Such services may only be provided to the extent not related to the Company's tax policy.

## OVERVIEW OF 11 BIT STUDIOS S.A.'S OPERATIONS AND RESOURCES

The engagement of the audit firm to perform additional services is preceded by the Audit Committee's assessment of the threats and safeguards of independence referred to in Art. 69-73 of the Act. When making such an assessment, the Audit Committee in the first place considers whether the service is permitted on the basis of adopted criteria and then checks whether the entity which is to perform the service has the required competencies and professional qualifications, whether there are any circumstances that may indicate a potential conflict of interest and whether the professional ethics and rules for the provision of the services are complied with. Following the assessment, the Audit Committee approves the engagement of the audit firm to provide additional services. The approval is granted by a resolution of the Audit Committee, which is adopted at the request of the body competent to engage the audit

firm to perform a given service. Before deciding on the approval, the Audit Committee has the right to request that all documents necessary or useful to make the assessment of threats to and safeguards of independence be presented.

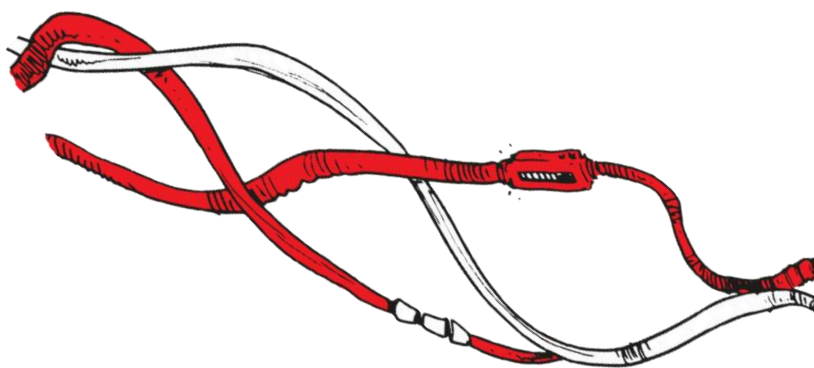
If the audit firm engaged by the Company provides permitted non-audit services for at least three consecutive financial years, the fee for these services is limited to no more than 70% of the average of the fees paid in the last three consecutive financial years for the statutory audit of the Company. The limit referred to above excludes any services required by national legislation. The responsibility for compliance with the fee limit should be contractually assigned to the audit firm, which is to be ensured by the body competent to engage the audit firm in the contract with the audit firm.

## SHARE CAPITAL

As at the issue date of this Report, the Company's share capital amounted to PLN 238,014.4 and comprised 2,380,144 shares with a par value of PLN 0.10 per share, including:

- 1,000,000 Series A bearer shares,
- 494,200 Series B bearer shares,
- 376,561 Series C bearer shares,
- 40,938 Series D bearer shares,
- 305,500 Series E bearer shares,
- 70,000 Series F bearer shares,
- 92,945 Series G bearer shares.

The shares have been fully paid up.



## SHAREHOLDING STRUCTURE AS AT THE DATE OF THIS REPORT

Name	Number of shares (number)	% of share capital held	Number of votes	% of total voting rights at GM
Allianz Polska TFI*	202,723	8.52	202,723	8.52
Grzegorz Miechowski	170,413	7.16	170,413	7.16
N-N PTE*	167,983	7.06	167,983	7.06
Esaliens TFI*	120,965	5.08	120,965	5.08
Przemysław Marszał	103,500	4.35	103,500	4.35
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
Other shareholders	1,513,452	63.58	1,513,452	63.58
<b>Total</b>	<b>2,380,144</b>	<b>100.00</b>	<b>2,380,144</b>	<b>100.00</b>

\* Number of shares registered at the Extraordinary General Meeting held on February 9th 2023.

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

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

In Current Report No. 5/2022 of January 31st 2022, 11 bit studios S.A. announced that on January 31st 2022 the Company received a notification given under Art. 69 of the Public Offering Act of July 29th 2005 by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., to the effect that following the acquisition of 11 bit studios S.A. shares on January 24th 2022 Nationale-Nederlanden Otworthy 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.

## COMPANY SHARES HELD BY MEMBERS OF ITS MANAGEMENT AND SUPERVISORY STAFF

	Position	Number of shares as at the issue date of the report (no. of shares)	Number of shares as at Dec 31 2022 (no. of shares)	Number of shares 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	Supervisory Board	1,300	1,300	1,155

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. The changes are described in detail on **p. 106**.

After the reporting period, there were no changes in the holdings of Company shares by the management and supervisory staff.

## REMUNERATION, AWARDS OR BENEFITS RECEIVED BY MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

For full details of remuneration for members of the Company's Management and Supervisory Boards, see **Note 4.1**.

## OTHER RELATED-PARTY TRANSACTIONS

In addition to the transactions described above, the Company also entered into transactions with entities related to key personnel of the Company

(key management). For a detailed description of the related-party transactions, see **Note 4.1**.

## AGREEMENTS ENTERED INTO BY THE COMPANY WITH MEMBERS OF THE MANAGEMENT STAFF PROVIDING FOR COMPENSATION IN THE EVENT OF RESIGNATION OR REMOVAL FROM POSITION

As at December 31st 2022 and as at the date of this Report, members of the Company's management and supervisory staff provide their services on the basis of an appointment under a relevant resolution

and there are no agreements providing for compensation in the event of their resignation or removal.

## AGREEMENTS THAT MAY RESULT IN FUTURE CHANGES IN PERCENTAGES OF SHARES HELD BY SHAREHOLDERS AND BONDHOLDERS

As described in **Note 3.5**, the Company operates the 2017–2019 Incentive Scheme for key employees and independent contractors, and the 2021–2025 Incentive Scheme for Members of the Management

Board, employees and independent contractors. Following implementation of the two Schemes, there may be a change in the percentages of shares held by the shareholders.

## CONTROL SYSTEM FOR EMPLOYEE SHARE OWNERSHIP SCHEMES

For full details of the 2017–2019 Incentive Scheme for key employees and independent contractors, and the 2021–2025 Incentive Scheme for Members of the

Management Board, employees and independent contractors, see **Note 3.5**.

## PURCHASE OF OWN SHARES

The Company did not and does not hold any treasury shares.

## CHANGES IN THE COMPANY'S PRINCIPAL GOVERNANCE RULES

On August 11th 2022, the Supervisory Board appointed Paweł Feldman and Marek Ziemak as members of the Management Board (previously composed of three members) for a joint term of office. With the appointment of additional

Management Board members, some of the responsibilities assigned to the Management Board members changed. For full details, see **pp. 133-134** of this Report.

## MAJOR DOMESTIC AND FOREIGN INVESTMENTS; STRUCTURE OF MAJOR EQUITY INVESTMENTS

Current financial assets (financial instruments with a conservative risk profile) and cash and cash equivalents were the largest items of the Company's assets. As at December 31st 2022, they stood at, respectively, PLN 56,698,545 (end of 2021: PLN 80,665,985) and PLN 30,585,991 (end of 2021: PLN 26,748,530). In total, the Company's current assets as at the end of 2022 amounted to PLN 101,650,294 (end of 2021: PLN 128,833,290), while its non-current assets as at the end of 2022 stood at PLN 142,547,147, relative to PLN 90,679,674 at the end of 2021.

A major item of the Company's non-current assets as at the end of 2022 was property, plant and equipment (PLN 24,894,722), comprising the property at ul. Brzeska 2 in Warsaw, purchased by the Company in December 2018 to house its new headquarters. The largest item of non-current assets was intangible assets, which included expenditure on ongoing development work (*Frostpunk 2*, *Project 8*, *Dolly*, and productions of 11 bit publishing), amortised expenditure on games already present on the market (*Frostpunk*, *Moonlighter* and *Children of Morta*) and expenditure on the game engine



development. As at the end of 2022, intangible assets increased to PLN 99,977,460 from PLN 59,137,637 in 2021. New items of non-current assets in 2022, which were not recorded at the end of 2021, were shares held in Fool's Theory Sp. z o.o. (PLN 3,975,734) and Starward Industries S.A. (PLN 8,151,523).

In 2022, the large amounts of surplus cash held by the Company enabled it to finance its current operations and investment projects with own funds, without the need for any borrowings.

## EQUITY AND ORGANISATIONAL LINKS BETWEEN THE COMPANY AND OTHER ENTITIES

As at December 31st 2021, 11 bit studios S.A. did not hold any shares in other entities. In the reporting period, the Company acquired shares in Fool's

Theory Sp. z o.o. of Bielsko-Biala and Starward Industries S.A. of Kraków. For details of both transactions, see **p. 87** of this Report.

## MANAGEMENT OF THE COMPANY'S RISKS

The Company's activities, financial position and results of operations have been, and may be in the future, subject to the risks described below. The occurrence of even some of the following risks may have a material adverse effect on the Company's operations, financial position and financial results, and may bring a loss of some or all of the capital

invested. Risk factors and uncertainties other than described below, including factors and uncertainties that the Company is currently not aware of or which it considers immaterial, may also have a material adverse effect on the Company's financial position and results of operations, and may bring a loss of some or all of the capital invested.

### Risk factors related to the Company's operating activities

#### Risk of the Company failing to achieve its strategic objectives

The strategic objective of the Company for the coming years is to increase the scale of its operations by continuing to build a diversified portfolio of high-quality video games and by further developing its publishing business. The Company's Management Board warrants that they will make every effort to ensure that the Company achieves the key strategic objectives in the coming years. Nevertheless, the Management Board can give no assurance that all the strategic objectives will be effectively reached. The Company's future position on the video games market, which has a direct impact on its revenues and profits, depends on the ability to develop and implement a growth strategy that proves successful in the long term.

#### Risk of varied and unpredictable demand for the Company's products

Work on the Company's individual products takes from 12 to 60 months, depending on the size of the project. The market success of a product, measured by the size of demand and sales revenue, allows the Company to recover the expenses incurred during the game's production process and to earn profits, if

any. The popularity of a product and, as a consequence, the amount of revenue it generates depend to a large extent on the changing tastes of consumers, hard-to-predict trends on the gaming market, and existing competitor products. Therefore, there is a high risk of an 'unsuccessful' product, i.e. one that prospective customers are not interested in because it does not suit their preferences. This may be due to poor quality or wrong targeting. For this reason, when launching a new product, the Company is not able to predict customer reactions and, consequently, to foresee with a high degree of probability the expected amount of revenues.

#### Risk related to possible delays in game production

The computer game production process includes many stages, which entails the risk of delays in individual stages and in the entire project. The individual stages take place one after another and depend on the outcome or successful completion of the preceding work. Some stages of the production process depend on the development team only while others are dependent on third parties such as service providers, partners and licensors. The Company's Management Board has limited control

over the timeliness of such third parties' activities. The work of project teams may be delayed as well, as a result of unforeseen difficulties in working on a demanding product such as a computer game.

Delayed completion of the production work on computer games may have an adverse effect on the Company's financial results in a given financial period.

#### **Risk related to the required acceptance of a project by manufacturers of closed platforms**

Due to the nature of the Company's operations, one of the main distribution channels for its products, i.e., games for electronic distribution, are closed platforms. 11 bit studios S.A. develops games for the closed platforms (consoles) of Sony, Microsoft and Nintendo. These producers reserve the right to check the product that is to be launched on their platform. As a consequence, the Company bears the risk of non-acceptance of its product by a closed platform holder.

#### **Risk related to the launch and continuation of publishing activities by the Company**

In March 2014, a new publishing department was set up within the Company. Its purpose is the production and distribution of games made by 11 bit studios S.A. or third-party developers from Poland and abroad. The Company's engagement in those activities may entail the following risks:

##### **Risk of the lack of attractive titles to be acquired by the publishing division**

The supply of attractive third-party projects is limited. It may happen that for a long time the Company will not be able to find a product that would meet all expectations.

##### **Risk of strong competition from other publishers**

In the Company's immediate environment there are at least a few companies looking for similar products that satisfy the same evaluation criteria. The more limited the supply of attractive projects, the more difficult it is to stand out from the competition and offer something unique to developers.

##### **Risk of missing significant market trends**

The gaming market is changing dynamically. New technological trends are emerging. Failure to identify a trend early enough and adapt accordingly may result in losses if the Company markets products which are not trendy.

#### **Risk associated with higher prices of software used to create games**

A more limited availability (due to changes in pricing policies or other reasons) of popular 3D engines used to develop independent games may complicate the manufacturing process and indirectly extend the time required to create a game, resulting in a reduction in the number of new products.

#### **Risk related to the growing popularity of crowd-sourcing portals and self-publishing**

As a result of the growing popularity of crowd-sourcing portals, the demand for publishing services, one of the most important advantages of which was financing or co-financing of production, is diminishing.

The projects that have the biggest chance of success in crowd-sourcing campaigns are those with high market potential, that is those that are also interesting from the perspective of publishing activities. As a result, the Company loses many potentially profitable projects.

Growing number of entities providing publishing services for small and medium-sized developers

The increase in the number of companies offering publishing services consisting in co-financing production and supporting marketing activities may bring about a drop in prices/commissions charged for publishing services and difficulties in acquiring new projects.

#### **Risk of limited effectiveness of PR activities**

The declining reach of industry media may significantly reduce the effectiveness of PR activities and make it impossible to use the existing know-how. In such conditions, the Company may be required to undertake costly promotional activities to effectively inform potential customers about the products it offers.

#### **Risk related to the Company's key independent contractors**

The Company is still a business relatively small in size, in particular as regards the structure of resources in managerial and specialist positions. Most tasks, especially in the area of commercial cooperation with trading partners, are performed by individual people. The most qualified managerial staff are the Company's founders. Any loss of key independent contractors with the greatest knowledge and experience in management and operating activities could cause a deterioration in

the quality and timeliness of the Company's services in the short term. If this situation continues in a medium or long term, it may affect the Company's expected profits. The Company's business consists in creating video games. The quality of its services and products depends on the experience and skills of independent contractors. Loss of such personnel entails the need to recruit, train and on-board new people.

The employment contracts concluded by the Company with its employees and other contracts made with independent contractors contain clauses prohibiting the provision of services to other entities or trading partners after the end of cooperation with the Company.

#### **Risk related to difficulties in finding experienced employees**

The education system in Poland does not prepare university graduates for the profession of a game developer. Therefore, the gaming industry is affected by shortages of qualified and experienced employees on the local labour market. It is difficult to find specialists who satisfy the Company's requirements. This risk is related to insufficient number of qualified employees to satisfy the needs of a dynamically growing company.

#### **Copyright-related risks involved in contracts for specific work concluded by the Company**

When signing contracts with employees, in particular Members of the Management Board, who are the most qualified management staff at the Company, the Company relies to some extent on flexible forms of employment, in particular by entering into civil-law contracts for specific work or specific tasks (*umowa o dzieło, umowa zlecenie*). The contracts for specific work concluded by the Company contain description of the work, provisions regarding the transfer to the Company of copyrights to the work, and confidentiality [clauses binding the contractor](#) in relation to materials and documents [made available](#) by the Company.

When referring to the provisions of contracts for specific work, it should be pointed out that in accordance with the applicable copyright laws, for the transfer of copyrights to be effective the contract must enumerate the specific fields of use to which copyrights are being transferred. Importantly, it is not possible to transfer copyrights to all fields of use that are yet to emerge in the future because such a contractual clause is invalid (Art. 41.2 of the Act on Copyright and Neighbouring Rights of February 4th 1994 contains a rule of significant importance to the sale of copyrights, according to which the provisions

of a contract for copyrights apply only to the fields of use that are expressly enumerated in the contract).

In the light of the rapid technological progress, also in video game development, there is a risk that the Company may use the acquired works in a field of use other than those specified in the copyright transfer contract and, consequently, may be required to pay additional remuneration to the authors. There is also a potential risk arising from Art. 44 of the Copyright and Related Rights Act of February 4th 1994, that is a risk of authors claiming additional remuneration if games based on IP acquired from them turn out to be more successful than expected. Such claim cannot be contractually restricted.

#### **Risk related to licence agreements concluded by the Company**

In connection with the nature of its business, the Company has signed a number of licence agreements for the use of specific software which is necessary in the course of its operations. The agreements are not based on a single model form but on the standards contract forms used by the licensors. Some of them provide for short termination notice periods. In addition, in many cases the licensor is entitled to terminate the agreement without notice, i.e. with immediate effect. Frequently, a licence agreement does not entitle the Company to distribute its in-house developed computer programs as part of its business activities in its own name. Under the Polish laws, the Company's use of software made available by licensors is governed by the provisions of the Act on Copyright and Neighbouring Rights of February 4th 1994 (consolidated text in Dz.U. of 2006, No. 90, item 631, as amended). In addition, the majority of the agreements are governed by laws other than the laws of Poland, e.g. the laws of the state of Washington, which significantly hinders correct assessment of the contractual obligations for the Company and the scope of its liability.

#### **Risk related to contracts concluded with foreign partners**

The contracts entered into by the Company with foreign trading partners are also governed by foreign laws or contain no provisions specifying the governing law, which makes it necessary to determine the applicable law for the contract on a case by case basis. In some cases, the applicable law turns out to be a foreign law of which the Company has limited knowledge. In addition, the Company has also entered into agreements with jurisdiction clauses indicating foreign courts or with no provisions specifying the competent courts. This creates a risk that in the event of a dispute with a

trading partner the Company will be required to conduct the dispute before foreign courts. Given the Company's limited knowledge of foreign laws (both material and procedural), this entails the risk of incurring increased legal costs in Poland and abroad.

Due to the lack of the choice of law provisions, it is not possible to unambiguously assess the validity of individual contractual clauses, e.g. regarding the liability of the parties for non-performance or improper performance of the obligations.

#### **Risk related to the shareholding structure of the Company**

As at the date of this 2022 Annual Report, the founding shareholders held a total of 358,543 shares in the Company, representing 15.06% of the share capital and conferring the right to 15.06% of total voting rights at the General Meeting. In the case of concerted actions of the abovementioned shareholders, they will have a significant impact on the activities of the Company. In addition, considering the fact that the said shareholders are also members of the Company's governing bodies, they can practically decide on resolutions adopted by the General Meeting in all matters relevant to the Company.

#### **Risk related to distribution agreements and licence agreements**

The Company has concluded a number of distribution and licence agreements regarding the rules for distribution or sharing of games developed by the Company through various types of platforms or data carriers. A significant part of these agreements have been subjected to a regime of and are governed by regulations other than Polish laws (e.g. laws of England, Germany, or the state of Texas).

Subjecting contractual relations to regulations of a country other than Poland entails the risk of incorrect or insufficient assessment of the legal effects of an agreement and incorrect interpretation of its individual provisions. In the event of a dispute with trading partners with whom the Company has signed the aforementioned agreements, it will be necessary to use the services of advisers and professional attorneys from foreign countries, which may expose the Company to significant costs.

In addition, each of these agreements contains provisions limiting the possibility of providing information to third parties to the extent such information may be deemed confidential. The Company is obliged to ensure protection of confidential information received from its partners at a level at least not worse than the protection afforded to its own confidential information. The Company's default on this obligation may result in the Company's liability for damages caused by the default.

### **Risk factors related to the environment in which the Company operates**

#### **Risk related to macroeconomic conditions in the Company's sales markets**

The Company's business depends on macroeconomic conditions prevailing in the markets where the Company distributes or intends to distribute its products. The effectiveness, and in particular the profitability, of the Company's operations depends on such factors as the rate of economic growth, the level of public consumption, fiscal and monetary policies of the state, or the inflation rate. All these factors indirectly affect the Company's revenues and other financial results. They may also influence implementation of the growth strategy adopted by the Company.

#### **Risk of changes in the legal environment**

Laws in Poland are subject to quite frequent changes. Interpretations of the law and the practice of its application change as well. The changes may be favourable to businesses, but may also bring adverse effects. Changing laws or their differing

interpretations, in particular in relation to tax laws, business laws, labour and social security laws, or securities laws may have negative consequences for the Company. Changes in the interpretations of tax regulations are particularly frequent and involve particular risks. There is no uniformity in the practice of their application by tax authorities and in judicial decisions in the area of taxation. If tax authorities adopt an interpretation of tax laws which is different from the interpretation applied by the Company, this may result in a deterioration of the Company's financial position and thus adversely affect its performance and growth prospects.

Regulations in the abovementioned branches of law are subject to frequent changes and thus treatment of business entities by administrative bodies and courts is sometimes inconsistent and unpredictable. The laws also contain contradictory and conflicting provisions and ambiguities which cause differences of opinion as to their legal interpretations both between state authorities and between state authorities and companies.

For example, tax settlements may be subject to inspection by the authorities, which, if irregularities are found, are entitled to assess tax arrears with interest. Corporate tax returns may be subject to inspection by the tax authorities for a period of five years, and some transactions carried out during that period, including transactions with related parties, may be questioned for tax purposes by the competent tax authorities. As a result, the amounts disclosed in the financial statements may change at a later date after their amount is finally determined by the tax authorities.

The following branches of law are of particular relevance because changes in their current regulations may have a material effect on the Company's business:

- Laws on copyright and neighbouring rights,
- Commercial law,
- Private business law,
- Tax law,
- Labour law,
- Social security law,
- Securities law.

Undoubtedly, many of those laws are subject to frequent changes. The Company's activities are particularly affected by the laws on copyright and neighbouring rights, whose provisions are strictly dependent on EU regulations and their amendments made by the European Parliament or the European Commission, but also on Polish laws, which differ in some respects from the legal norms of other Member States. Also, due to the nature of the Company's activities, its operations may be affected by regulatory changes in the United States.

There is a significant risk of changes to regulations in each of those areas of law given that some of them are still in the process of being adapted to EU requirements. Possible regulatory changes will always have an impact on the Company's legal environment, triggering the obligation to take measures to ensure compliance. Any change to normative regulations causes problems, in particular related to interpretative doubts concerning new laws, which creates a risk of discrepancies in the practice of public authorities, including courts. Differences in the interpretation of the laws by public authorities and by courts (including the EU courts) complicate the operation of businesses in the Polish legal system, which is not fully harmonised with the EU system.

### **Risk of currency exchange rate fluctuations**

In its operations the Company is exposed to the risk of fluctuations of foreign exchange rates. As the Company sells its products in foreign markets (North America, Western Europe, Central and Eastern Europe, including Russia and China), the main settlement currencies in foreign transactions are the US dollar (80% share) and the euro (16% share). Consequently, the amount of the Company's revenue is negatively correlated with the value of the Polish złoty. Strengthening of the Polish currency means deterioration of the Company's revenue from sale of video games in the złoty.

### **Risk related to competition**

For the Company, the risk related to competition results primarily from significant difficulties in defining and describing the competitors due to significant fragmentation of the industry. In the event that any competition stronger than expected appears on the market, this may affect customers' interest in the products offered by the Company. In addition, as the number of entities offering similar products for the same platforms is increasing, there may be growing difficulties in obtaining authorisations from platform manufacturers for the production of games for a given platform.

### **Risk related to the development of the industry in which the Company operates**

The Company operates on the market of computer games for direct distribution to mobile and fixed hardware platforms. The conditions and demand for products in the gaming industry are driven by many factors, such as economic growth and, consequently, rising wealth of the societies and increasing consumption levels, the pace and directions of the IT market growth, competition and the development of new innovative technologies and services. All of those factors are beyond the Company's control.

### **Risk of unpredictable events**

Due to the possibility of unpredictable events, such as disasters or armed conflicts, there is a risk of deterioration of the economic conditions on the global and Polish market. Such an event may have a material effect on the Company's economic position.

## COMPANY AS AN EMPLOYER

The gaming industry significantly differs from other sectors of the economy and so does its HR area. The Company hires employees and also works with other entities given extensive autonomy in the creation process. Further in this note is presented

key information about the team of experts creating the individual game elements such as sound, graphics or animation, thus directly contributing to the development of thought-provoking, ambitious games that fit with the Company's philosophy.

### Management and supervisory bodies

#### Management Board

##### Years of service of Members of the 11 bit studios S.A. Management Board

	Number of years
Przemysław Marszał	13
Grzegorz Miechowski	13
Michał Drozdowski	13
Paweł Feldman	10
Marek Ziemak	8

#### Supervisory Board

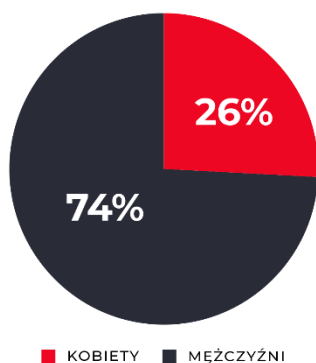
##### Supervisory Board by age group

	Number of persons
30–50 years	3
>50 years	2
<b>Total</b>	<b>5</b>

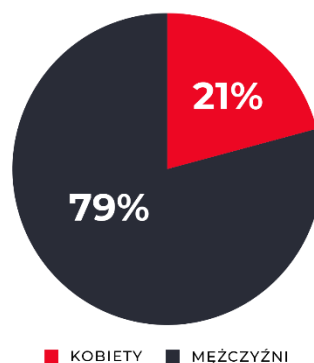
### Workforce

As at the end of 2022, 11 bit studios S.A. employed or worked with 245 individuals, of whom 33 were foreign nationals.

Płeć pracowników na rok 2022



Płeć pracowników na rok 2021



##### Employees and independent contractors by age group (no. of people)

	2022	2021
0-19	1	0
20-29	73	68
30-39	138	98
>40 years	33	23
<b>Total</b>	<b>245</b>	<b>189</b>

Average length of employees' and independent contractors' service at the Company (years)	2022	2021
Women	2	2
Men	3	2
<b>Total</b>	<b>2.8</b>	<b>2</b>

Workforce structure (Company divisions, no. of people)	2022	2021
Board	5	3
Administration	9	6
Sound	2	0
AI	1	3
Animation	8	9
Art	39	36
BizDev	4	4
Code	39	33
Design	37	23
DevOps	3	3
Finance	13	9
T&C (HR)	17	14
IT	7	4
Marketing	11	5
PR	4	2
QA	25	24
XDev	15	11
<b>Total</b>	<b>245</b>	<b>189</b>

### New hires in 2022

In 2022, 11 bit studios S.A. took on 83 new employees and independent contractors.

	Number of persons
Women	29
Men	54
<b>Total</b>	<b>83</b>

New employees and independent contractors by gender (no. of people)	2022	2021
Women	29	19
Men	54	49
<b>Total</b>	<b>83</b>	<b>68</b>

### Employer branding and recruitment

11 bit studios S.A. is building a positive image of the Company in a highly competitive labour market.



## Onboarding

Every new team member participates in an onboarding process, which is a series of meetings intended to ensure the best induction to work. On the first day, key information is presented about the studio and its internal processes, internal communication, the tools used and the available benefits. This makes it easier for new hires to settle in. On the onboarding day, each of them will get a welcome pack – a bag full of branded merchandise.



## Exit interviews

Whenever an employee intends to quit, we always attempt to conduct an exit interview with the leaver. An exit interview is a discussion during which we enquire about the reasons for quitting and the leaver's assessment of the work environment, tools, relations with the superior and the team, or development opportunities. This information allows us to respond appropriately and prevent high turnover rates. 91% of people taking part in exit

## Training and development

11 bit studios S.A. attaches great importance to employee training and development.

### Induction training

On the first day of work, every new hire undergoes the onboarding process described above, which includes health and safety orientation. We do not have any predefined training packages for new employees in each specific job. We believe that the most effective form of development is not training, but learning on the job with the support of team members, in line with the 70-20-10 model which evaluates the effectiveness of various forms of development. Our leads are offered the opportunity to identify their preferred work styles based on the Lumina methodology. Following self-assessment, every survey participant receives a report, and they

interviews declared that they would consider returning to 11 bit studios S.A. in the future.

### Presence at events

Our presence at industry events is one of the most important ways to reach out to work candidates and build our employer brand. In 2022, we sponsored a number of professional events in Poland and abroad (such as Digital Dragons, Poznan Game Arena and Game Developers Session). We also participated in initiatives attracting young talents to the labour market, such as the team game development competition (ZTGK) organised by the Łódź University of Technology or regular CV consultation sessions held by our recruiters as part of Digital Dragons Academy. At every event, we leased exhibition space where recruiters talked with potential candidates and increased brand awareness.

### Recruitment

In 2022, 5,662 candidates sent us their CVs. We made 68 offers, which resulted in 58 hires (85% offer rate).

### Internships for Ukrainians

After Russia's aggression against Ukraine, 11 bit studios S.A. decided to launch a special internship programme for Ukrainian refugees who lacked means of subsistence. During the three-month internship, they had the opportunity to gain their first work experience, which made them more attractive in the labour market. Five female arts and animation interns took part in the programme, of which three were employed on a permanent basis.

can discuss the findings with one of our Team & Culture (HR) team members. Subsequently, each lead is regularly supported by a dedicated HR Business Partner, who helps them with the various dilemmas related to their position as a lead.

### Language training

The official language for communication at 11 bit studios S.A. is English. We are committed to ensuring equal opportunities to our employees regardless of how well they speak the language, therefore we offer English lessons to everyone. Every employee can sign up for classes starting from the

first days of work. We also offer Polish language lessons. Classes take place regularly and the teachers are of different nationalities (including native speakers). In commercially reasonable situations, we also offer individual language lessons.

### Soft skills training

The training budget is spent not only on opportunities to develop job-specific hard competencies, but also to develop soft competencies, such as being assertive as a manager, stress control, communication, and more. Such opportunities are most often used by people and/or project managers, but not only. The training may address individual needs or needs of larger employee groups. We also offer the opportunity to take Gallup StrengthsFinder tests and tests of individual work style and communication preferences (Lumina).

### DevTalks

A series of meetings during which we watch recordings of industry conferences (e.g., Digital Dragons, Unreal Fest) together. The goal of DevTalks is to share knowledge in a broad range of fields, including art, programming, narrative, game dev project management. The advantage of DevTalks is their availability – the recordings are screened in the Chill Room in our office, so anyone can join at any time. We held 17 meetings in the first edition of DevTalks.

### Masterminds

The programme was set up to meet the needs of team managers who need not just professional knowledge, but also practical development. Masterminds is a six-month-long series of meetings in permanent groups of 6 to 8 people with an independent facilitator. During the meetings, participants work together on their own leadership challenges which they come across in their daily work. This form of development is exceptional in that, in addition to knowledge and experience exchange or gaining a broader perspective, participants support one another and build relationships between themselves. This form of development should be called group coaching rather than training, because the facilitator does not share any knowledge, instead he or she facilitates the work of the entire group so that they share their experience.

### Guilds

Employees are encouraged to form groups of interests which meet regularly to share their

knowledge and experience and to inspire and build relations with one another. While these are bottom-up initiatives, participants can rely on support from the T&C department as far as organisational and financial matters are concerned. This form of development is important as it brings together people from different project teams. For instance, designers from team X can discuss the practical dilemmas of their jobs with designers from projects Y and Z. As a result, they get out-of-the-box expert tips from people who are not involved in their projects.

### Early testing of interest in development activities

In the case of proposals for larger groups, before an idea is implemented we verify interest in a given development form across the organisation. We only proceed with an initiative if a sufficient number of potential participants sign up and positive feedback is obtained. The organisation of Masterminds could serve as an example here. As a result, we focus on implementing only those projects that respond to actual needs. The ideas do not originate only from T&C, some of them are put forward by employees, such as the training in public speaking.



### Library

Employees can borrow books from our company library. We currently have over 300 different books in our collection in a variety of fields: art, design, programming, project management, team management, HR, soft skills, finance, law, and more. This number is constantly growing, as every employee can suggest new additions to our collection.

### Team budget

Each team has a shared budget to cover the development needs of its members. These funds can be used to meet the needs of the team as a

whole or specific individuals, and can be spent on training, courses, additional language classes (beyond the standard offer), industry event entry fees – anything that will support our employees in broadening their knowledge and competencies required for their role.

Employees gain a wider understanding of the most recent trends and technologies by learning and taking inspiration from industry experts at conferences and festivals devoted to development. The trips are also an opportunity for

### Benefits

11 bit studios S.A. attaches great importance to the health of its employees, including mental health, as well as physical fitness.

### Health care and sports activities

For a few years, there has been a gym open seven days per week at the Company's head office. The Company finances and/or co-finances Multisport cards and health care plans for employees and independent contractors. During the COVID-19 pandemic, we organised vaccinations against the

### Conferences

networking with colleagues and experts from around the globe. For instance, our artists took part in the Promised Land Art Festival, while our programmers attended the Unreal Fest conference in the United States.

coronavirus at the workplace for all 11 bit studios S.A. team members and their families who wished to be vaccinated. We also conducted tumor marker testing in November 2022, with 147 people taking part. Psychological consultations are offered to employees and independent contractors who need mental health support.



### Flexible working hours and hybrid work model

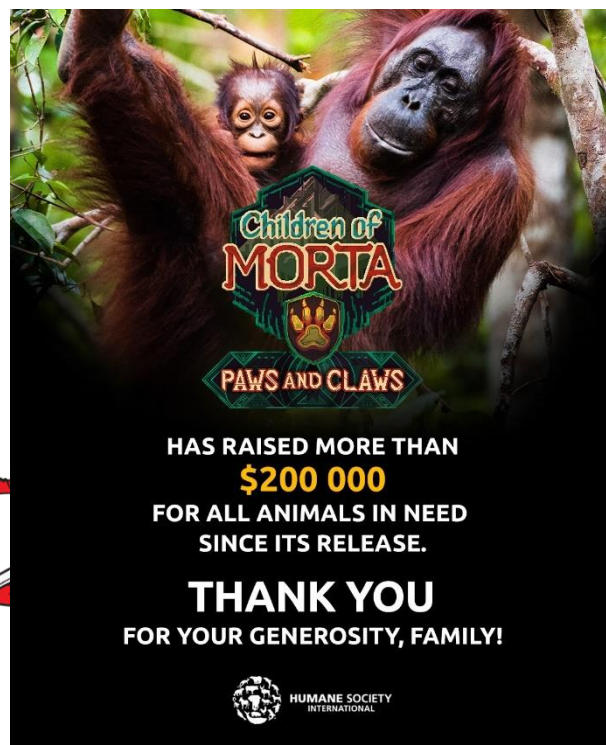
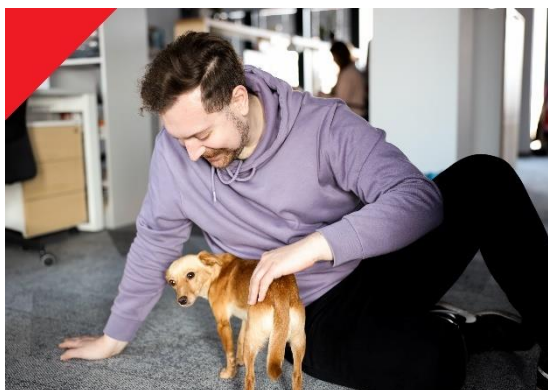
Following consultations with employees and independent contractors, in 2022 we decided to implement a hybrid work model (we work from the

office for three days and remotely for two days). Combined with flexible working hours (our working day starts between 8:00 am and 10:00 am), this is an optimum working model.



### Dog-friendly office

Our office is dog-friendly. Our employees can bring their pets to work on any day. In addition, one of our most active discussion groups is a group of pet (not just dog) owners. New photos of our pets are posted every day. It is also worth pointing out that our company provides a lot of support to animal care institutions in charity campaigns.



### Company events

Being aware how important it is to build relationships among team members, we regularly organise company events. The highlight of 2022 was our Halloween party, to which we invited our team members as well as our partners. We also held several meetings in the office for all staff members (such as a Christmas party or Easter breakfast). In

addition, we organised events that provided an opportunity to pursue hobbies and passions (joint movie nights, a canoeing trip, etc.), and meetings aimed at exchanging knowledge and experience between people with similar skills, but from different teams. Each team also had the opportunity to organise its own team-building outing.



### Kick off of work anniversaries

In 2022, for the first time, we recognised team members who had been with us for the longest time with long-service awards. We honoured six people who surpassed the symbolic threshold of 11 years with the company. The awards were handed out during a Halloween party.

### Employee incentive scheme

In 2021, 11 bit studios S.A. established the 2021–2025 (share-based) Incentive Scheme. For (technical) details about the Scheme, see Note 3.5. The Scheme is addressed to team members holding positions from grade 7 (senior) upwards. The number of options per share to which an individual is entitled depends on a number of factors – mainly the grade level, date of employment, job changes during the term of the Scheme, etc.

### Annual bonus

The Company has had an annual bonus system in place for a number of years. Its budget (total, Company-wide) depends on the net profit earned by the Company in the last four quarters. The bonus is paid out to employees in December each year.

### Internal communication

We are committed to open, transparent and regular internal communication within our company. Key information for teams, both business information about our company and information on day-to-day



As a prerequisite for the bonus payment, an employee must serve at 11 bit studios S.A. for at least six months. The individual bonus amount depends on the supervisor's assessment of work commitment, length of service and position held.

operations of the teams, is communicated on an ongoing basis through a variety of channels. Team members can openly comment on public announcements, ask questions and discuss.

### Communication channels

Our main communication channel is Slack, a messenger that enhances a culture of dialogue. We use Slack to communicate key corporate messages and for ongoing team conversations. New Slack channels are also created for team members to share their knowledge (expert channels) or passions (hobby channels). To ensure that the information reaches all of our colleagues, who come from different parts of the world, we write in English. All surveys and company newsletters are sent by email and published on the intranet. Key messages are communicated during meetings, which are held remotely or in the office.



## Vanity bits – informator cykliczny

Tworzony w przyjaznej formie, z przymrużeniem oka. Można w nim znaleźć zestawienie najważniejszych wydarzeń firmowych, ciekawostki z branży, quizy tematyczne czy zabawne zdjęcia. W 2022 roku w ośmiu wydanych numerach można było również przeczytać wywiady z koleżankami i kolegami z zespołów oraz nowymi Członkami Zarządu Spółki. Każdy kto ma ochotę, może dołączyć do redakcji Vanity Bits i współtworzyć kolejne numery budując jednocześnie naszą unikalną kulturę organizacyjną



## The Bits of news newsletter

In 2022, the Company also launched bits of news, a new newsletter in a concise form that facilitates

sharing key information from all 11 bit studios S.A. teams.

## We11 – spotkania całej firmy w formule zdalnej

W 2022 roku Spółka kontynuowała ideę organizacji **We11** - spotkań z udziałem wszystkich członków zespołu oraz kierownictwa. Celem tych spotkań jest podzielenie się najważniejszymi w danym momencie informacjami. Otwarta formuła We11 umożliwia zadawanie pytań czy też komentowanie proponowanych zmian czy nowych pomysłów.





## Hub – the company intranet

Hub is our company intranet. It makes it easier for staff to navigate our office or find the right person

from another team. It is useful when they apply for company benefits or need to find a specific policy.



## Periodic performance assessment

Every year, the Company runs the year-end conversation process to reflect on the preceding months: the employee's strengths, areas in which he or she has developed, cooperation with the supervisor, and planning for further development in

the short and long term. This year, we have modified the form by adding questions to encourage deeper reflection and focus on specific conclusions. As a result, employees get more specific development hints and plans. .

## Culture Amp

In response to the constant workforce growth, which necessitates streamlining the Year-end Conversation process and data archiving, we launched Culture Amp, a new employee experience platform. All questions and answers are recorded in the system, which, in the long term, will make it easier for employees and their supervisors to review and compare answers from previous years. In

addition, the tool helped us modify the form on the basis of factual data provided by the experts who had created it. Culture Amp also provides soft skills development tips in the form of knowledge pills available to all users. The additional functionalities of Culture Amp will help us collect employee feedback in our areas of focus. The system enables the creation of different surveys, suggests complete question sets and offers a visual presentation of results (employee opinions) by different demographics.



## ENVIRONMENT

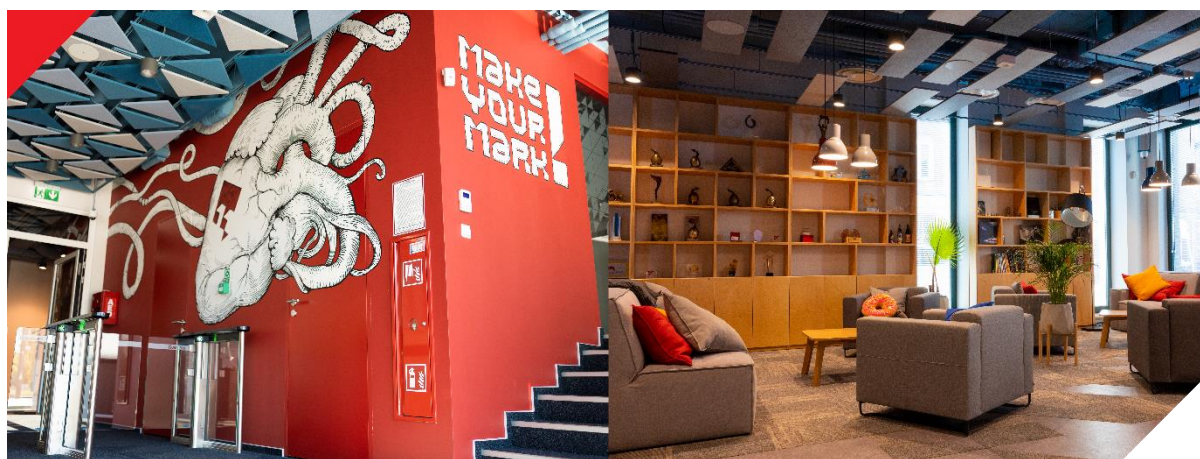
11 bit studios S.A.'s registered office is situated at ul. Brzeska 2 in Warsaw, in a Company-owned office building with a total area of 4,974.15 m<sup>2</sup>. It has a

usable floor area of 2,657.37 m<sup>2</sup> and is situated on a plot of land with a total area of 1,044 m<sup>2</sup>.

### Office building

11 bit studios S.A. is headquartered in a modern building to which heat is supplied from the municipal heating network. In the last two years, the Company modernised the heating and air-

conditioning systems in the building. Combined with control automation, the modernisation has helped optimise consumption of utilities and contributed to low emission performance of the building.



conditioning systems in the building. Combined

The building has a mechanical ventilation system with recuperation. The system, including two air handling units, operates a process of recovering energy from polluted air by means of the

recuperator. Mechanical ventilation with heat recovery supplies fresh, external filtered air by removing used air with a high CO<sub>2</sub> concentration. Such exchange takes place throughout the year and in all rooms, without opening the windows and without loss of energy.



In order to reduce water and energy consumption, dedicated social space/coffee points have been equipped with high quality energy-efficient household appliances, dishwashers with the top energy ratings, toasters, and refrigerators.

New and energy-efficient LED lighting has been installed in all office rooms, additionally controlled by motion sensors in sanitary spaces.

The choice of furniture, decoration and finishing materials used on office space walls was guided by the need to create a friendly, comfortable and creative workplace atmosphere. The building has numerous hush office booths, many conference rooms on all floors, and a resting space for employees on the groundfloor. It is equipped with acoustic panels and features modern artwork, furniture and built-in cabinets made from natural materials, which has a positive effect on work

comfort. In 2022, we put plants in pots made of natural materials in our office, which improved the quality and humidity of the air in the building. Plants were also placed outside the building, on upper-floor sun terraces, which are used by employees during breaks as well as to host meetings. Working with a computer among the vegetation on the terrace is becoming more and more popular.

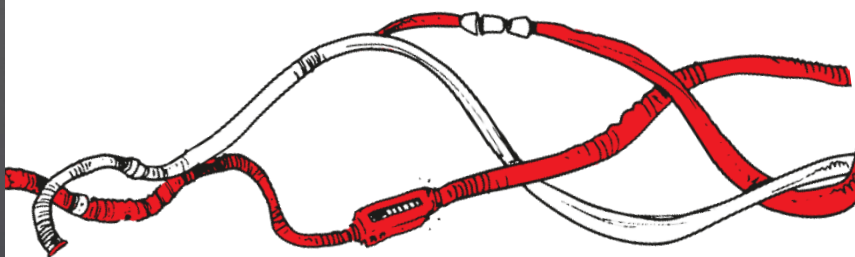
The Company's head office was equipped with complete first aid stations. In addition, a public access AED was installed in the reception of the building – a modern, fully automated defibrillator for adults and children.

The Company's registered office is situated close to the centre of Warsaw and two railway stations: Warszawa Wschodnia and Warszawa Wileńska. The employees have easy access to the metro and a well-developed public transport network, which



encourages them to opt for collective transport or bicycles and scooters instead of cars.

As the underground garage floors in the building offer bicycle and scooter racks, two-wheelers are gaining in popularity among 11 bit studios S.A. employees.



### Environmentally-friendly waste management

At 11 bit studios S.A., all waste is segregated. The bins for segregating the various types of waste are situated in the break rooms (the coffee point, chill room, kitchen space). Plastic and paper waste is segregated in the office rooms. The appropriate number of segregation points and transparent marking encourage the staff to segregate waste.

11 bit studios S.A. does not buy any beverages in plastic packaging. Plastic caps are collected in special containers and then handed over to foundations and charities. The Company uses only glassware and biodegradable bamboo coffee cups.

Taps in a number of coffee points and staff kitchens were equipped with filters. The supply of high-quality filtered water has completely eliminated the use of plastic water containers and bottles by the Company's employees and guests.

11 bit studios S.A. minimises its waste output. It uses environmentally-friendly envelopes, packing straps and cardboard packaging to secure its letters and parcels. The Company reuses the packages it receives.

Its electronic waste and spent toners are recycled by licensed operators.

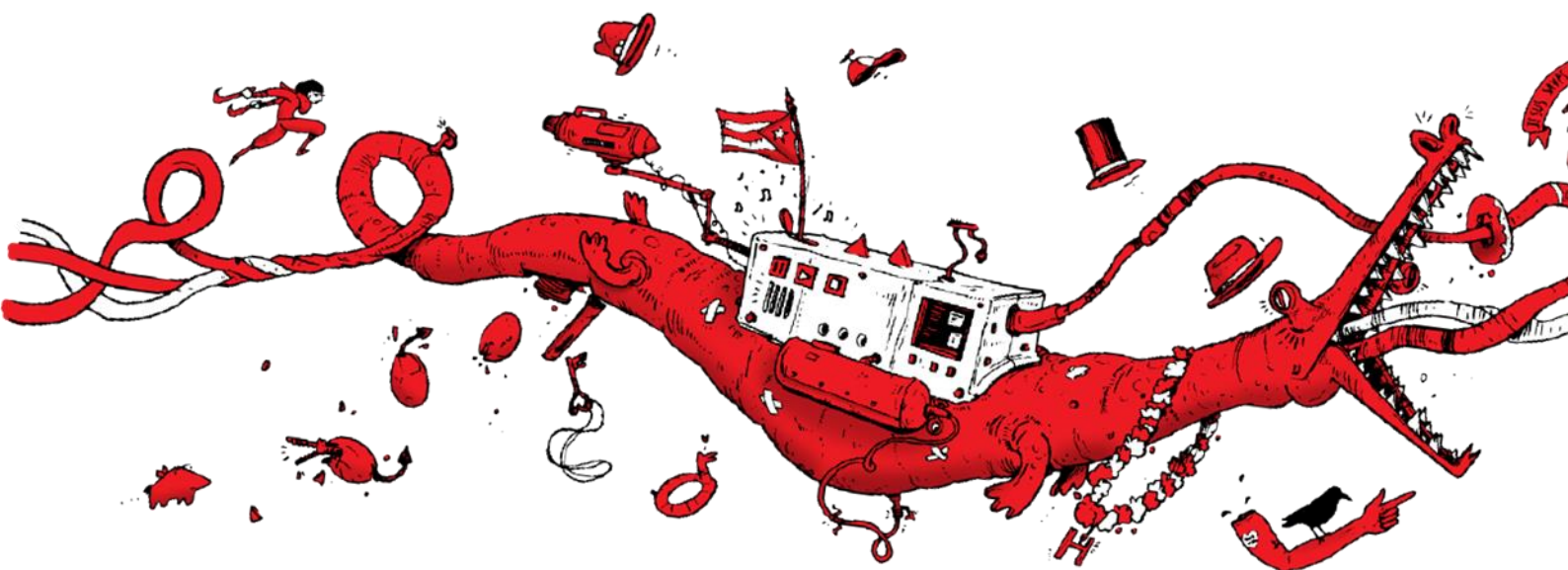
### Utilities

In 2022, the Company considerably increased its water and electricity consumption, while heat

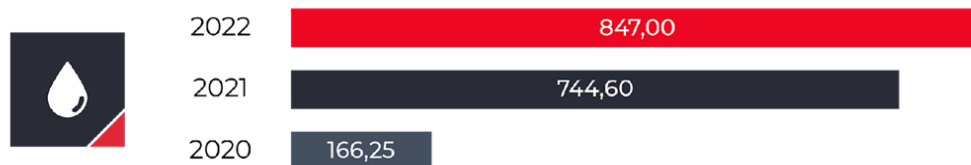
consumption fell. The increase in water and electricity consumption was attributable to a steady

## OVERVIEW OF 11 BIT STUDIOS S.A.'S OPERATIONS AND RESOURCES

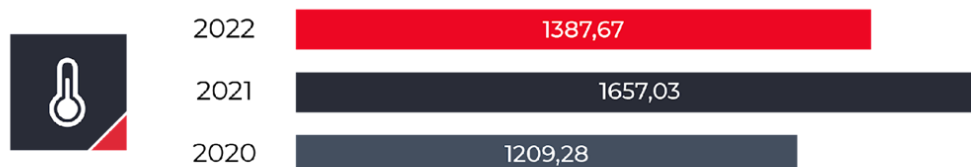
rise in the Company's workforce and the fact that on April 1st 2022 the Company switched to a hybrid work model, which means that the number of office staff using the utilities on a daily basis was much higher than before that date, when the Company was in a remote work model (with only some of the Company employees working at the office on a daily basis).



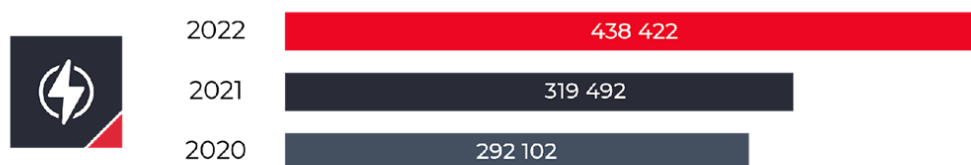
#### Zużycie wody (m³)



#### Zużycie energii elektrycznej (kWh)



#### Zużycie energii cieplnej (Gi)



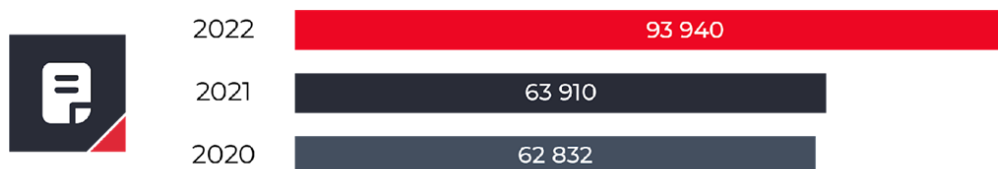
#### Biodopady (litr)



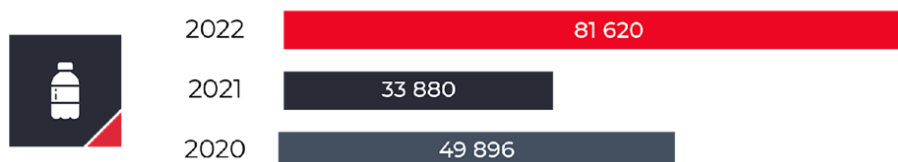
## Szkło (litr)



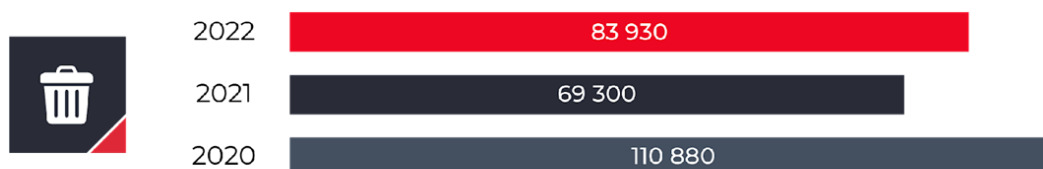
## Papier (litr)



## Plastik (litr)



## Zmieszane (litr)



## 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.

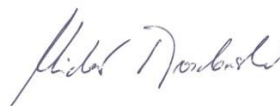
Signed by:



*Przemysław Marszał*  
President of the  
Management Board



*Grzegorz Miechowski*  
Member of the  
Management Board



*Michał Drozdowski*  
Member of the  
Management Board



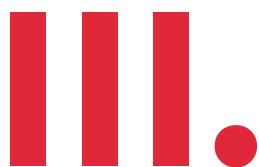
*Paweł Feldman*  
Member of the  
Management Board



*Marek Ziemak* Member  
of the Management  
Board

Warsaw, March 23rd 2023





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## CORPORATE GOVERNANCE PRINCIPLES NOT FOLLOWED BY THE COMPANY

11 bit studios S.A. is subject to the corporate governance standards set out in Best Practice for WSE-Listed Companies 2021, effective from July 1st 2021. The text of Best Practice for WSE-Listed Companies 2021 is publicly available on the website of the Warsaw Stock Exchange at

[https://www.gpw.pl/pub/GPW/files/PDF/dobre\\_praktyki/DPSN21\\_BROSZURA.pdf](https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf)

and at the registered office of the Warsaw Stock Exchange.

All information resulting from the corporate governance principles applied by the Company, reflecting subsequent updates, is published at

<https://ir.11bitstudios.com/wp-content/uploads/2022/02/Dobre-praktyki-2021.pdf>

The Company undertook to apply all corporate governance principles contained in Best Practice for WSE-Listed Companies 2021, except for the following:

### 1. Disclosure policy and investor communications

**1.3.1.** "Companies integrate ESG factors in their business strategy, including in particular environmental factors, including measures and risks relating to climate change and sustainable development."

The Company's comments: The strategy the Company is currently pursuing does not set out any detailed rules regarding environmental factors. As a result, ESG matters have not been formally addressed by identifying measures or risks for these areas. In the near future, the Company plans to take appropriate steps and adopt policies and procedures concerning ESG factors and sustainable development. Ultimately, it also plans to address these matters in its strategy.

**1.3.2.** "Companies integrate ESG factors in their business strategy, including in particular: social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations",

The Company's comments: The strategy the Company is currently pursuing does not set out any detailed rules regarding social and employee factors. However, in its operations, the Company attaches particular importance to matters relating

to the elimination of behaviour and threats that may lead to unequal treatment or discrimination, as well as to matters relating to working conditions and respect for employees' rights.

**1.4.** "To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:";

The Company's comments: The strategy the Company is currently implementing does not take into account any non-financial aspects, including ESG. The business strategy information published on the Company's website is limited to outlining its general objectives and pillars of long-term growth.

**1.4.1.** "explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks";

The Company's comments: As part of the strategy currently in place, climate change is not addressed in the Company's decision-making processes due to the nature of its business. However, the Company's governing bodies and employees are committed to ensuring that environmentally-friendly solutions are applied in the company's day-to-day functioning.

**1.4.2.** "present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target";

The Company's comments: The Company, operating in a very competitive industry, pursues an active labour and payroll policy, aligning it with the labour market and business environment requirements on an ongoing basis. This makes it difficult to compare or average the working conditions and salaries of the Company's employees, even within individual departments. The differences in remuneration at the Company are attributable to the nature and type of positions held and the overall pay volatility in particular specialisations. The Company observes the principle of equal pay for women and men employed in comparable positions and gender does not affect the terms of employment at the Company.

## **2. Management Board and Supervisory Board**

**2.1.** Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The Company's comments: The Company does not have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. Key personnel decisions with respect to the Company's governing bodies are made by the General Meeting and the Supervisory Board, based on a person's qualifications to perform certain functions, professional experience, knowledge of the industry in which the Company operates, and education. Factors such as sex or age are not taken into account when appointing a person to the governing bodies. The shareholders have the right to nominate candidates to the Supervisory Board and to elect Supervisory Board members at their own discretion. However, they do take into account additional criteria, such as independence, knowledge of accounting and financial reporting, and knowledge of the industry in which the Company operates. The participation of the minority group in the Company's governing bodies is currently below 30%.

**2.2.** Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The Company's comments: Decisions on appointment of members to the Company's Management Board or Supervisory Board are made by the Supervisory Board and the General Meeting, as appropriate, based solely on the candidate's qualifications to perform certain functions and professional experience. Factors such as age or gender of the candidate have never played any part in appointing members of the Company's governing bodies.

**2.11.6.** In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. The report referred to above

shall include at least: information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

The Company's comments: The Company does not have in place a diversity policy applicable to the management board or the supervisory board.

## **3. External systems and functions**

**3.1.** Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.

The Company's comments: The Company applies a range of internal policies and processes concerning protection of information, document circulation, compliance supervision, as well as operational and financial risk management. The directors in charge of particular business areas are responsible for effective and correct application of the policies and processes. Given the scale of its business, the Company does not have a separate internal audit function. In the future, as the Company's business grows, steps will be taken to establish such function.

**3.3.** Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

The Company's comments: Given the scale of its business, the Company does not have a separate internal audit function. In the future, as the Company's business grows, steps will be taken to establish such function. If the Company's Audit Committee, operating within the Supervisory Board, issues an opinion to the effect that an internal auditor should be appointed, the Company will promptly fulfil this obligation and update the report as regards compliance with this principle.

**3.6.** The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.



The Company's comments: The Company does not follow this principle as it has no separate internal audit function.

**3.10.** Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

The Company's comments: The Supervisory Board and its audit committee monitor the effectiveness of internal control and risk management systems and internal audit based on periodic information provided directly by persons responsible for individual organisational units and the Company's Management Board. On this basis, an annual assessment of these systems is carried out, which, in the Company's opinion, is sufficient given the nature and size of the Company's business.

## SHAREHOLDERS WITH MAJOR HOLDINGS

The table below presents shareholders holding 5% or more of voting rights at the General Meeting as at

the reporting date, based on the statements received by the Company under applicable laws.

Name	Number of shares (number)	% of share capital held	Number of votes (number)	% of total voting rights at GM
Allianz Polska TFI*	202,723	8.52	202,723	8.52
Grzegorz Miechowski	170,413	7.16	170,413	7.16
N-N PTE*	167,983	7.06	167,983	7.06
Esaliens TFI*	120,965	5.08	120,965	5.08
Przemysław Marszał	103,500	4.35	103,500	4.35
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
Other shareholders	1,513,452	63.58	1,513,452	63.58
<b>Total</b>	<b>2,380,144</b>	<b>100.00</b>	<b>2,380,144</b>	<b>100.00</b>

\* Number of shares registered at the Extraordinary General Meeting held on February 9th 2023.

## HOLDERS OF SECURITIES THAT GIVE SPECIAL CONTROL POWERS AND DESCRIPTION OF THOSE POWERS

All 11 bit studios S.A. shares are ordinary bearer shares which carry no preference, and in particular confer no special control powers.

## RESTRICTIONS ON VOTING RIGHTS

Pursuant to the Articles of Association of 11 bit studios S.A., there are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes,

deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

## RESTRICTIONS ON TRANSFERABILITY OF TITLE TO THE COMPANY'S SECURITIES

In accordance with the Articles of Association of 11 bit studios S.A., there are no restrictions on transferability of title to the Company's securities.

## RULES GOVERNING APPOINTMENT AND REMOVAL OF MEMBERS OF THE MANAGEMENT STAFF AND THEIR RIGHTS

Members of the Management Board of 11 bit studios S.A. are appointed and removed from office in accordance with the provisions of the Commercial Companies Code and the Company's Articles of Association. The Management Board consists of one or more members. The number of the Management Board members is determined by a resolution of the Supervisory Board. Members of the Management Board are appointed and removed from office by the Supervisory Board. Members of the Management Board are appointed for a joint term of office of three years. At the same time, the Supervisory Board decides which of the persons appointed to the Management Board is entrusted with the function of President of the Management Board; members of the first Management Board are appointed by the founders and in this case the founders decide which member of the Management Board will be entrusted with the function of President of the Management Board.

The powers and responsibilities of the Management Board include all Company matters which are not expressly reserved for the General Meeting or the Supervisory Board. In the case of a one-person Management Board, the President of the Management Board is authorised to make

statements on behalf of the Company. In the case of a Management Board consisting of two or more members, statements on behalf of the Company may be made by two members acting jointly or one member of the Management Board acting with a commercial proxy. Resolutions of the Management Board are passed by an absolute majority of votes present, however, in case of an equal number of votes, the President of the Management Board, who votes last, has a decisive vote. The Management Board may adopt its Rules of Procedure. The Rules of Procedure for the Management Board may not be in conflict with the provisions of the Commercial Companies Code or the Articles of Association.

The Management Board of 11 bit studios S.A. is not authorised to make independent decisions regarding the issuance of shares. Pursuant to the applicable laws and the Company's Articles of Association, issuing shares and increasing the share capital by the Company requires a relevant resolution of the General Meeting.

The Management Board may acquire Company shares subject to the rules regarding the acquisition of own shares set out in the Commercial Companies Code.

## RULES GOVERNING AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

According to the provisions of Art. 430.1 of the Commercial Companies Code, amendments to the Articles of Association require a resolution of the General Meeting and entry in the register.

Under Art. 402.2 of the Commercial Companies Code, the notice convening a General Meeting whose agenda includes amendments to the Articles of Association should contain existing provisions of the Articles of Association and the proposed amendments. Where justified by a significant scope

of the intended amendments, the notice may include a draft of a new consolidated text of the Articles of Association together with a list of its new or amended provisions.

The rules governing amendments to the Company's Articles of Association are specified in the Commercial Companies Code and the Company's Articles of Association. A change of the object of the Company may take place without repurchasing shares of those shareholders who do not agree to

the change if the resolution on changing the object of the Company is passed by a two-thirds majority of votes with shareholders representing at least half of the share capital present.

The text of the Articles of Association is available on the Company's website at: <http://ir.11bitstudios.com/dokumenty-korporacyjne>.

## PROCEEDINGS OF THE GENERAL MEETING AND ITS POWERS

The General Meetings of the Company are held in accordance with the rules set out in the Commercial Companies Code, the Articles of Association and the Rules of Procedure for the General Meeting. The texts of the Articles of Association and of the Rules of Procedure for the General Meeting are available on the Company's website at <http://ir.11bitstudios.com/dokumenty-korporacyjne>.

The rights and obligations of the Company's shareholders with respect to participation in the General Meetings and exercising voting rights are specified in the Commercial Companies Code, the Company's Articles of Association, and the applicable capital market laws.

## COMPOSITION OF THE MANAGEMENT BOARD AND DESCRIPTION OF THE OPERATION OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES AND COMMITTEES IN 2022

### Management Board

#### 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

The composition of 11 bit studios S.A.'s Management Board changed in the reporting period.

On June 21st 2022, the Supervisory Board appointed the following persons to the Management Board for another term of office: Przemysław Marszał as President of the Management Board, and Grzegorz Miechowski and Michał Drozdowski as 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 ending December 31st 2025.

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 scope of responsibilities of individual Members of the Company's Management Board is as follows:

#### **Przemysław Marszał, President of the Management Board (CEO)**

- Strategy, planning
- Supervision of the T&C (Team&Culture) division

#### **Grzegorz Miechowski, Member of the Management Board (COO)**

- Finance, accounting
- IT
- Administration

### Michał Drozdowski, Member of the Management Board (CCO)

- Art director and creative director

### Paweł Feldman, Member of the Management Board (CBDO)

For detailed information on the Management Board Members and a description of their experience and competences, see **pp. 97–98** of this Report.

## Supervisory Board

### Supervisory Board

- Radosław Marter – Chair of the Supervisory Board (*independent Member of the Supervisory Board\**)
- Jacek Czykiel – Deputy Chair of the Supervisory Board (*independent Member of the Supervisory Board\**)
- Marcin Kuciapski – Member of the Supervisory Board (*independent Member of the Supervisory Board\**)
- Piotr Wierzbicki – Member of the Supervisory Board (*independent Member of the Supervisory Board\**)
- Milena Olszewska-Miszuris – Member of the Supervisory Board (since June 21st 2022) (*independent Member of the Supervisory Board\**)

\* *Independence criteria for members of supervisory boards are set out in Principle 2.3 of Best Practice for WSE-Listed Companies 2021. For detailed information on the Supervisory Board Members and a description of their experience and competences, see **p. 99** of this Report.*

All Members of the Company's Supervisory Board, with the exception of Milena Olszewska-Miszuris, meet the independence criteria set out in Art. 129.3 of the Polish Act on Statutory Auditors, Audit Firms, and Public Oversight.

The composition of 11 bit studios S.A.'s Supervisory Board changed in the reporting period.

The term of office of the previous Supervisory Board, consisting of the following members, ended on May 23rd 2022: Radosław Marter, Chair of the Supervisory

- Supervision over development of new business lines, including IP,
- marketing and PR

### Marek Ziemak, Member of the Management Board (CPO)

- Supervision over the publishing division (external development)
- Supervision over internal development teams

Board, Jacek Czykiel, Deputy Chair 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 as Chair of the Supervisory Board. Jacek Czykiel was appointed Deputy Chair 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 as Chair, and Piotr Wierzbicki and Milena Olszewska-Miszuris as Members.

The rules of operation of the Company's Management Board and Supervisory Board are specified in the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board. The texts of the Articles of Association and of the Rules of Procedure for the Supervisory Board are available on the Company's website at <http://ir.11bitstudios.com/dokumenty-korporacyjne>.

On June 21st 2022, the Company's Supervisory Board appointed the following Audit Committee:

- Jacek Czykiel – Chair of the Audit Committee
- Piotr Wierzbicki – Member of the Audit Committee



- Milena Olszewska-Miszuris – Member of the Audit Committee.

The Audit Committee of this composition meets the independence criteria and the other requirements set forth in Art. 129.1, 129.3 129.5 and 129.6 of the Act on Statutory Auditors, Audit Firms, and Public Oversight, that is:

- at least one member of the Audit Committee has knowledge of and skills in accounting or auditing (this requirement is met by Jacek Czykiel, Piotr Wierzbicki and Milena Olszewska-Miszuris);
- at least one member of the Audit Committee has knowledge and skills relevant for the industry in which the Company operates (this requirement is met by Jacek Czykiel);
- most of the Audit Committee members, including its Chair, are independent of the Company (this requirement is met by Jacek Czykiel, Chair of the Supervisory Board, and Piotr Wierzbicki).

The Company states that the Chair of the Audit Committee meets the independence criteria set out in Annex II to Commission Recommendation 2005/162/EC of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

In 2022, the Audit Committee held six meetings.

- March 22nd 2022 – summary of the review of the financial statements for 2021;

- April 5th 2022 – meeting with audit firms (EY, PwC, KPMG) which presented their bids for the audit of financial statements for 2022 and 2023;
- August 11th 2022 – meeting with PwC (the Company's auditor) devoted to *Project 8*;
- August 16th 2022 – meeting with PwC and the Company's Management Board devoted to *Project 8*;
- September 23rd 2022 – remote meeting with the PwC team concerning the 2022 half-year report;
- October 26th 2022 – remote meeting with KMD Legal (a law firm) and discussion on the policy and procedure for the selection of the audit firm to perform statutory audit of the Company's financial statements and on the policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network.

The Company did not appoint members of a remuneration committee as remuneration at the Company is defined in the contracts concluded by the Company with persons holding management and governance positions (the remuneration amounts vary depending on the function or position held). The remuneration received by the Company's management and senior management includes share-based payments, stock options or other rights to acquire shares, as well as forms of remuneration that is not determined by reference to share price movements.

## PRINCIPAL RULES IN PLACE AT 11 BIT STUDIOS S.A. AND INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Company has in place internal control systems required to keep accounting records and prepare financial statements and reports. Substantive supervision over the process of preparing the Company's financial statements and periodic reports is exercised directly by the Management Board. In 2022, the accounting books of 11 bit studios S.A. were kept by internal accounting services.

The financial data being the basis for the financial statements comes from the accounting and financial system, in which transactions are recorded in accordance with the Company's accounting policies based on International Accounting Standards. The Company has implemented and applies appropriate methods to secure access to data and the computer system for their processing,

including the storage and protection of accounting books and accounting documents.

The Company's financial statements are submitted to the Management Board for final verification. The financial statements adopted by the Management Board are submitted to the Supervisory Board in order to take actions stipulated in the Commercial Companies Code, i.e. to perform assessment of the financial statements. Full-year and half-year financial statements are audited by the independent statutory auditor appointed by the Company's Supervisory Board. The results of the audit are delivered to the Management Board and the Supervisory Board, and the opinion and report from the audit of the full-year financial statements is additionally presented to the General Meeting.

## SPONSORSHIP, CHARITY OR OTHER SIMILAR ACTIVITIES CARRIED OUT BY THE COMPANY

In 2022, 11 bit studios S.A. was actively involved in charitable and sponsorship activities. The amount of funds allocated to these activities had been the highest since the Company's inception. Particularly noteworthy is the support provided by 11 bit studios S.A. to the victims of war in Ukraine. On February 24th 2022, the first day of Russia's invasion of our eastern neighbour, the Company 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 of fans and media globally (the world's leading media, including *The Washington Post*, wrote about the initiative) and within seven days the Company raised as much as USD 850,000 for the noble cause.

The amount of donations made by 11 bit studios S.A. in 2022 to those in need totalled PLN 4,219,269, having increased by 667.21% on 2021 (PLN 632,375).

In addition to the funds provided to the Ukrainian Red Cross, as described in the paragraph above, 11 bit studios S.A. also lent support to Humane Society International, an organisation engaging in the protection of animals. In 2022, the Company allocated PLN 504,444 (2021: PLN 598,748) to that purpose, and the source of the funds were proceeds from the sale of *Children of Morta – Paws and Claws*, a DLC for *Children of Morta* which introduced animal characters in the game. In 2022, the Company also provided support for Whale and Dolphin Conservation, Związek Harcerstwa Rzeczypospolitej (The Scouting Association of the Republic of Poland) and *Inna Przestrzeń* (a foundation supporting refugees). In addition, 11 bit studios S.A. provided financial support to universities and other educational institutions by providing them with free licences for games used in education and training.

## MANAGEMENT BOARD'S REPRESENTATION

We hereby represent that this 2022 Annual Report of 11 bit studios S.A. comprises the Letter from the President of the Management Board, financial highlights, Financial Statements, Directors' Report on the operations of 11 bit studios S.A. in 2022, and the corporate governance report.

We represent that, to the best of our knowledge, the financial statements and the comparative financial data have been prepared in accordance with the

applicable International Financial Reporting Standards (IFRSs) as endorsed by the European Union, and that they give a clear, true and fair view of the Company's assets, financial position and financial performance, and that the Directors' Report on the Company's operations in 2022 gives a fair view of the Company's development, achievements and position and describes the key risks and threats.

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

- The audit firm which audited the financial statements of 11 bit studios S.A. for the year ended December 31st 2022 was appointed in accordance with applicable laws, including regulations governing the selection of an audit firm and the relevant selection procedure;
- The audit firm and members of the audit team met the conditions required to prepare an impartial and independent audit report on full-year financial statements in accordance with

applicable laws, professional standards and rules of ethics;

- 11 bit studios S.A. complied with applicable laws and regulations concerning the required rotation of audit firms and lead statutory auditors, as well as the mandatory grace periods;
- 11 bit studios S.A. has a policy in place for the selection of an audit firm and for the provision of additional non-audit services to the Company by the audit firm, its associate or member of its network, including services

conditionally exempted from the prohibition of providing non-audit services by the audit firm.

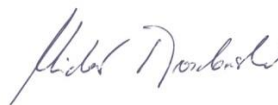
Signed by:



*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



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