

WARSAW, May 25th 2023

QUARTERLY REPORT

11 BIT STUDIOS S.A.

FOR THE
THREE
MONTHS
ENDED
MARCH
31ST 2023



MAKE
YOUR
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STUDIOS

LETTER FROM THE MANAGEMENT BOARD

Warsaw, May 25th 2023

DEAR SHAREHOLDERS AND INVESTORS,

It is our pleasure to present to you the quarterly report of 11 bit studios S.A. for the three months ended March 31st 2023. 11 bit studios S.A. posted over PLN 14.76m in revenue for the first three months of the year. EBITDA came in at PLN 3.0m, operating profit was PLN 1.88m, and net profit exceeded PLN 2.46m. Although slightly lower than last year, these figures were significantly above our internal first-quarter budget. Worthy of note is the strong contribution of *This War of Mine* to first-quarter 2022 sales in late February and early March when, in response to Russia's invasion of Ukraine, the Management Board of 11 bit studios S.A. decided to donate all revenue from sales of the game generated during the period to the Ukrainian Red Cross. First revenue from sales of the *Frostpunk* board game was booked in the three months to March 31st 2023 (a seven-digit figure). Remeasurement of a shareholding in Starward Industries S.A. also significantly contributed to the Company's earnings. 11 bit studios S.A. holds an almost 6% equity interest in the Kraków-based developer of *The Invincible* (one of the titles in our publishing portfolio).

Solid current financial results and a cash cushion allow 11 bit studios S.A. to fully focus on the development of games in its proprietary and publishing portfolios that are scheduled for release in the coming months and years. The Company has consistently increased development expenditure, to just under PLN 12.14m in the first quarter of 2023,

up almost 28.2% year on year. This expenditure, as well as expenditure on promoting new titles ahead of launch, is expected to rise in subsequent periods. 11 bit studios S.A. plans to release two games in 2023, *The Invincible* and *The Thaumaturge*, developed by our associated company Fool's Theory. Our promotional efforts help move both titles higher on the Steam wishlist, which means the releases may contribute significantly to this year's performance. They will of course be complemented by revenue from sales of our existing titles including chiefly *Frostpunk* and *This War of Mine* – their monetisation will continue to provide an important cash stream in the long term, as demonstrated by our first-quarter 2023 results.

We are fully aware the Company's long-term performance will be driven primarily by the launches of proprietary titles we have been working on for several years now, namely *Frostpunk 2*, *The Alters* and the game under the working title of *Project 8*. We cannot wait to be able to share more details of the upcoming releases, which, we are confident, will take place by the end of 2025.

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

We also want to invite all interested parties to our annual Investor Conference, currently planned to be held on Wednesday, June 14th. More details of the event will be announced in due course.

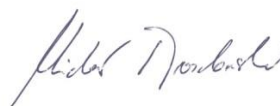
Signed by:



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–Mar 31 2023	Jan 1–Mar 31 2022	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Revenue	14,763,386	17,745,553	3,140,812	3,818,547
Depreciation and amortisation	(1,121,349)	(1,568,946)	(238,560)	(337,611)
Operating profit	1,884,615	3,748,881	400,939	806,697
EBITDA	3,005,964	5,317,827	639,499	1,144,308
Profit (loss) before tax	2,855,447	5,351,957	607,477	1,151,652
Net profit (loss)	2,465,946	3,773,730	524,614	812,044
Net cash from operating activities	2,015,225	12,415,010	428,726	2,671,503
Net cash from investing activities	(5,240,459)	11,536,331	(1,114,873)	2,482,426
Net cash from financing activities	(614,827)	(295,070)	(130,800)	(63,494)
Total net cash flows	(3,840,062)	23,656,271	(816,947)	5,090,435

	PLN		EUR	
	Mar 31 2023	Dec 31 2022	Mar 31 2023	Dec 31 2022
Total assets	248,043,062	244,197,441	53,051,666	52,068,795
Non-current assets	155,053,417	142,547,147	33,162,959	30,394,496
Current assets	92,989,645	101,650,294	19,888,706	21,674,299
Equity	227,797,506	224,543,680	48,721,528	47,878,138
Non-current liabilities	9,100,220	9,457,456	1,946,363	2,016,558
Current liabilities	11,145,336	10,196,305	2,383,774	2,174,099

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 4.7005 from January 1st to March 31st 2023, and EUR 1/ PLN 4.6472 from January 1st to March 31st 2022.
- 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 4.6755 as at March 31st 2023, and EUR 1/ PLN 4.6899 as at December 31st 2022.

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QUARTERLY REPORT

OF 11 BIT STUDIOS S.A.

FOR THE FIRST QUARTER OF 2023

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS ENDORSED BY THE EUROPEAN UNION

STATEMENT OF COMPREHENSIVE INCOME

	Note	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Continuing operations			
Revenue	1.1.	14,763,386	17,745,553
Other income	1.3.	54,170	53,633
Total operating income		14,817,556	17,799,186
Depreciation and amortisation	1.2.	(1,121,349)	(1,568,946)
Raw materials and consumables used		(205,680)	(191,375)
Services		(7,747,617)	(5,538,132)
Salaries, wages and employee benefits		(3,318,852)	(2,892,337)
Taxes and charges		(150,059)	(82,417)
Other expenses	1.3.	(389,384)	(3,777,098)
Total operating expenses		(12,932,941)	(14,050,305)
Operating profit		1,884,615	3,748,881
Finance income	1.4	1,883,408	1,690,501
Finance costs	1.4	(1,003,342)	(84,129)
Share in profit/(loss) of associate		90,766	(3,296)
Profit before tax		2,855,447	5,351,957
Income tax expense	1.5	(389,501)	(1,578,227)
NET PROFIT		2,465,946	3,773,730
Earnings per share:			
Basic	2.2.	1.04	1.61
Diluted	2.2.	1.02	1.58
NET PROFIT		2,465,946	3,773,730
Other comprehensive income			-
TOTAL COMPREHENSIVE INCOME		2,465,946	3,773,730

STATEMENT OF FINANCIAL POSITION

	Note	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
ASSETS			
Non-current assets		155,053,417	142,547,147
Property, plant and equipment	2.3.	25,019,422	24,894,722
Perpetual usufruct of land	2.4.	4,211,009	4,225,080
Intangible assets	2.5.	111,345,229	99,977,460
Deferred tax assets	2.1.	761,068	517,619
Investments in associates	2.6.	4,128,589	3,975,734
Other assets		145,139	166,170
Long-term investments	2.7.	8,969,242	8,151,523
Financial instruments (IRS)		473,719	638,839
Current assets		92,989,645	101,650,294
Trade and other receivables	2.8.	11,093,259	9,471,751
Income tax receivable		2,628,254	2,980,694
Other assets	2.8.	2,005,946	1,787,640
Financial instruments (IRS)		99,730	125,673
Cash and cash equivalents	2.10.	26,745,930	30,585,991
Financial assets	2.9.	50,416,526	56,698,545
TOTAL ASSETS		248,043,062	244,197,441

	Note	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
EQUITY AND LIABILITIES			
Equity	2.11.	227,797,506	224,543,680
Share capital		238,014	238,014
Share premium		14,422,772	14,422,772
Statutory reserve funds		149,153,274	149,153,274
Share-based payment reserve		38,835,772	38,047,889
Retained earnings		25,147,674	22,681,731
Non-current liabilities		9,100,220	9,457,456
Borrowings	2.14.	5,985,000	6,405,000
Provisions	2.15.	23,393	22,245
Lease liabilities	2.16.	750,403	750,876
Deferred income		635,711	635,711
Liabilities arising from acquisition of shares in associate	2.6.	1,705,713	1,643,624
Current liabilities		11,145,336	10,196,305
Trade and other payables	2.17.	2,448,194	2,893,912
Royalties payable		6,191,700	4,056,672
Borrowings	2.14.	1,260,000	1,260,000
Provisions	2.15.	1,152,818	841,767
Lease liabilities	2.16.	15,254	15,254
Contract liabilities		77,370	1,128,700
Total liabilities		20,245,556	19,653,761
TOTAL EQUITY AND LIABILITIES		248,043,062	244,197,441

INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
As at Jan 1 2023 <i>(audited)</i>	238,014	14,422,772	149,153,274	38,047,889	22,681,731	224,543,680
Net profit for the financial year	-	-	-	-	2,465,943	2,465,943
Total comprehensive income	-	-	-	-	2,465,943	2,465,943
Allocation of profit to statutory reserve funds	-	-	-	-	-	-
Recognition of Series G share-based payments	-	-	-	-	-	-
Recognition of costs of the 2021–2025 Incentive Scheme	-	-	-	787,883	-	787,883
As at Mar 31 2023 <i>(unaudited)</i>	238,014	14,422,772	149,153,274	38,835,772	25,147,674	227,797,506

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
As at Jan 1 2022 <i>(audited)</i>	236,692	13,063,204	120,467,692	35,092,206	28,477,497	197,337,291
Net profit for the financial year	-	-	-	-	3,773,730	3,773,730
Total comprehensive income	-	-	-	-	3,773,730	3,773,730
Creation of capital reserve	-	-	-	836,843	-	836,843
Recognition of Series G share-based payments	94	97,369	-	-	-	97,463
Recognition of costs of the 2021–2025 Incentive Scheme	-	-	-	-	-	-
As at Mar 31 2022 <i>(unaudited)</i>	236,786	13,160,573	120,467,692	35,929,049	32,251,227	202,045,327

STATEMENT OF CASH FLOWS

	Note	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Cash flows from operating activities			
Profit for the financial year		2,465,946	3,773,730
Adjustments:			
Depreciation and amortisation		1,121,349	1,568,946
Income tax expense recognised in profit or loss		389,501	1,578,227
Remeasurement of intangible assets		21,031	36,280
Costs of the 2021–2025 Incentive Scheme		787,883	836,843
Measurement of financial instruments and shares in an associate		(908,269)	-
Interest income		(417,388)	-
Other adjustments		(575,750)	(981,710)
Changes in working capital:			
Change in trade and other receivables		(1,621,508)	7,612,858
Change in other assets		(197,275)	(416,515)
Change in trade and other payables		1,688,835	(114,970)
Change in contract liabilities		(1,051,330)	1,048,656
Change in provisions		312,200	-
Cash provided by operating activities		2,015,225	14,942,345
Income tax paid		-	(2,527,335)
Net cash from operating activities		2,015,225	12,415,010
Cash flows from investing activities			
Loans to employees		(1,587)	176,780
Proceeds from bank deposits upon maturity – over 3 months		3,000,000	-
Purchase of financial assets		-	(26,719,591)
New bank deposits placed – over 3 months		(16,000,000)	-
Proceeds from redemption of financial assets		20,375,161	50,000,000
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.)		(215)	-
Payments for property, plant and equipment and intangible assets		(12,613,819)	(9,301,642)
Net cash from investing activities		(5,240,459)	11,536,331
Cash flows from financing activities			
Proceeds from issue of shares		-	97,901
Proceeds/(repayments) under credit facility		(420,000)	(315,000)
Payment of interest on credit facility		(194,827)	(77,971)
Net cash from financing activities		(614,827)	(295,070)
Net increase/(decrease) in cash		(3,840,062)	23,656,271
Cash at beginning of reporting period		30,585,991	26,748,530
CASH AT END OF REPORTING PERIOD		26,745,930	50,404,801



NOTES TO THE INTERIM CONDENSED 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.

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, 14th Commercial Division
National Court Register (KRS) No.:	0000350888
TAX IDENTIFICATION NUMBER (NIP):	1182017282
Industry Identification Number (REGON):	142118036

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

The Company's principal business activity includes:

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

The Company does not have any subsidiaries or interests in joint ventures but has associates.

BASIS OF PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been prepared in accordance with IAS 42 *Interim Financial Reporting* endorsed by the European Union ("IAS 34") and the Regulation of the Minister of Finance of March 29th 2018 on current and periodic information to be provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Dz.U. of 2018, item 757), and they present the financial position of 11 bit studios S.A. as at March 31st 2023 and December 31st 2022, and results of its operations and cash flows for the three months ended March 31st 2023 and March 31st 2022.

These interim condensed financial statements do not include all the information and disclosures required in full-year financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31st 2022.

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

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 these interim condensed financial statements

The following new standards and amendments to existing standards effective from January 1st 2022 were applied for the first time in these interim condensed 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 interim condensed 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 interim condensed 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 interim condensed financial statements, endorsement of the amendments has been postponed by the European Union.

STATEMENT OF ACCOUNTING POLICIES

In these interim condensed financial statements, significant accounting policies and significant judgements and estimates applied by the Company

were the same as those described in the notes to the financial statements for 2022.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

When applying the accounting policies adopted by the Company, the Company's Management Board is required to make judgements, estimates and assumptions in the process of measuring assets and

liabilities. Estimates and their underlying assumptions are based on historical experience and other factors considered material. Actual results may differ from those estimates.

Professional judgement in accounting

The principal judgements which the Management Board made in the process of applying the Company's accounting policies and which have the

most significant effect on the amounts recognised in these interim condensed financial statements are the same as those described in the financial statements for 2022.

Uncertainty of estimates

The principal judgements which the Management Board made in the process of applying the Company's accounting policies and which have the most significant effect on the amounts recognised

in these interim condensed financial statements are the same as those described in the financial statements for 2022.

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.

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1.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

1.1. Revenue

	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Revenue	14,763,386	17,745,553
Total revenue	14,763,386	17,745,553

In the reporting period, revenue came in at PLN 14,763,386, down 16.81% from PLN 17,745,553 posted for the same period of the previous year (for more information on the high base effect, see Note 5.1). In

the first quarter of 2023, as in prior periods, the main source of revenue was sales of 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–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Poland	1,539,213	621,112
European Union	238,690	573,525
United Kingdom	518,266	867,027
US	10,758,651	13,062,223
Japan	1,365,031	2,099,046
China	59,410	66,145
Other	284,125	456,475
Total	14,763,386	17,745,553

Revenue by distribution channel

Out of total revenue, PLN 14,700,414 (three months to March 31st 2022: PLN 17,641,331) was revenue from sales of games and products directly related to games (such as soundtracks). In the three months to

March 31st 2023, the Company's ten largest sales partners, including Valve (Steam), Glass Cannon, Nintendo, Sony and Microsoft, accounted for 94.86% of total revenue from sales of games.

1.2. Operating expenses

	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Depreciation and amortisation	1,121,349	1,568,946
Raw materials and consumables used	205,680	191,375
Services	7,747,617	5,538,132
Salaries, wages and employee benefits	3,318,852	2,892,337
Taxes and charges	150,059	82,417
Total operating expenses	12,543,557	10,273,207

Depreciation and amortisation

	Jan 1–Mar 31 2023 (audited)	Jan 1–Mar 31 2022 (audited)
Depreciation/ amortisation charges made during the year:		
Depreciation of property, plant and equipment	723,725	718,444
Amortisation of intangible assets	835,022	1,375,115
Total	1,558,748	2,093,559
Allocation to project costs	(451,469)	(538,684)
Land (including perpetual usufruct of land)	14,071	14,071
Total	1,121,349	1,568,946

The 28.5% year-on-year drop in depreciation and amortisation expense recorded in the first quarter of 2023, down to PLN 1,121,349, was mainly attributable to lower amortisation of intangible assets (down

39%) comprising expenditure incurred to develop proprietary games and games in the publishing portfolio, which was due to expiry of the amortisation period of certain products.

1.3. Other income and expenses

Other income

	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Compensation received	3	3,741
Reversal of allowances for expected credit losses	28,172	49,252
Penalty charged to trading partner	25,995	-
Other	-	640
Total other income	54,170	53,633

Other expenses

	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Donations	-	3,676,405
Other	389,384	100,693
Total other expenses	389,384	3,777,098

In the three months to March 31st 2023, the only item of other expenses were other expenses comprising mainly business travel and advertising costs (PLN 389,384). In the three months to March 31st 2022, the largest item of other expenses were

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.

1.4. Finance income and costs

Finance income

	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Interest on bank deposits	357,299	-
Interest on loans	2,234	6,468
IRS for a credit facility	109,688	5,549
Interest income on bonds	375,161	81,745
Measurement of investment fund units	-	133,993
Measurement of bonds	217,647	-
Measurement of IRS	-	346,583
Measurement of financial instruments (Starward Industries S.A.)	817,503	-
Expected credit loss	3,876	-
Exchange differences	-	1,116,163
Total finance income	1,883,408	1,690,501

The largest items of finance income in the three months to March 31st 2023 were interest on bank deposits (PLN 357,299), measurement of bonds (PLN 217,647), and measurement of financial instruments

(PLN 817,503). In contrast, the largest items of finance income for the three months to March 31st 2022 were exchange differences (PLN 1,116,162) and measurement of IRS (PLN 346,583).

Finance costs

	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Interest on public charges	51,541	266
Interest on credit facilities	194,827	75,949
IRS for a credit facility	-	2,023
Measurement of IRS	191,063	-
Interest on leases	6,896	5,891
Exchange differences	559,015	-
Total finance costs	1,003,342	84,129

In the three months to March 31st 2023, the largest items of the Company's finance costs were foreign exchange losses (PLN 559,015) and interest expense

on the investment facility described in **Note II.2.16** (PLN 194,827 vs PLN 75,949 a year earlier).

1.5. Income tax on continuing operations

Income tax recognised in profit or loss

	Jan 1–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Current income tax:		
Attributable to current year	632,950	1,520,979
Deferred income tax:		
Attributable to current year	(243,449)	57,248
Tax expense recognised in current year on continuing operations	389,501	1,578,227

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–Mar 31 2023 (unaudited)	Jan 1–Mar 31 2022 (unaudited)
Profit before tax from continuing operations	2,855,447	5,351,957
Income tax expense at 19% (2022: 19%)	542,535	1,016,872
Tax effect of income which is not classified as income for tax purposes	-	(103,865)
Tax effect of costs which are not deductible for tax purposes	(191,521)	760,625
Tax effect of costs which are deductible for tax purposes	-	(686,120)
Effect of IP Box tax relief settlement at 5% tax rate	(369,317)	(619,637)
Other changes – effect of IP Box on deferred tax	407,804	-
Total	389,501	1,578,227

The tax rate applied in the above reconciliation in 2023 and 2022 is 19%. It is the corporate income tax rate applicable in Poland in accordance with the tax laws. The effective tax rate was 13.64% in the first quarter of 2023 and 29.49% in the first quarter of 2022.

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

three months ended March 31st 2023, the IP Box relief amounted to PLN 369,317 compared with PLN 619,637 in the three months ended March 31st 2022.

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

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
VAT refund receivable	2,628,254	1,192,636
CIT refund receivable	1,622,069	5,658,243
Current tax receivable and payable	4,250,323	6,850,879

Tax receivables included the IP Box tax relief described in **Note 1.5** (PLN 369,317), 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.

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Deferred tax assets	1,401,237	969,335
Deferred tax liability	(640,169)	(451,716)
Total	761,068	517,619

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 2023	Recognised in profit or loss	Mar 31 2023
Assets			
Provisions	110,807	36,735	147,542
Royalties payable	770,768	405,655	1,176,423
Liabilities	25,284	4,881	30,165
Remeasurement of financial assets	60,907	(17,982)	42,925
Depreciation and amortisation	1,569	2,613	4,182
Provisions			
Remeasurement of financial assets	(433,493)	(160,377)	(593,870)
Measurement of financial investments	(18,223)	(23,271)	(41,494)
Penalties and compensation income	-	(4,805)	(4,805)
Total	517,619	243,449	761,068

Income tax assets/liabilities in the comparative period

	Jan 1 2022	Recognised in profit or loss	Dec 31 2022
Assets			
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
Provisions			
Remeasurement of financial assets	(43,842)	(389,651)	(433,493)
Measurement of financial investments	(22,593)	4,370	(18,223)
Total	957,488	(439,869)	517,619

2.2. Earnings per share

Basic earnings per share

	Mar 31 2023 (unaudited)	Mar 31 2022 (unaudited)
Basic earnings per share:		
From continuing operations	1.04	1.61
Total basic earnings per share	1.04	1.61
Diluted earnings per share:		
From continuing operations	1.02	1.58
Total diluted earnings per share	1.02	1.58

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

	Mar 31 2023 (unaudited)	Mar 31 2022 (unaudited)
Profit for the financial year attributable to shareholders	2,465,946	3,773,730
Total profit used to calculate basic earnings per share	2,465,946	3,773,730
Profit used to calculate basic earnings per share from continuing operations	2,465,946	3,773,730

	Mar 31 2023 (unaudited)	Mar 31 2022 (unaudited)
Weighted average number of ordinary shares used to calculate earnings per share	2,380,144	2,341,127

Diluted earnings per share

	Mar 31 2023 (unaudited)	Mar 31 2022 (unaudited)
Profit for the financial year attributable to shareholders	2,465,946	3,773,730
Total profit used to calculate diluted earnings per share	2,465,946	3,773,730
Profit used to calculate diluted earnings per share from continuing operations	2,465,946	3,773,730

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:

	Mar 31 2023 (unaudited)	Mar 31 2022 (unaudited)
Weighted average number of ordinary shares used to calculate basic earnings per share	2,380,144	2,341,127
Shares expected to be issued:		
Employee stock options	37,055	49,214
Weighted average number of ordinary shares used to calculate diluted earnings per share	2,417,199	2,380,988

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
Gross amount as at Jan 1 2023	24,394,903	130,952	4,333,077	688,043	3,508,541	33,055,516
Increase	-	518,020	330,405	-	-	848,425
Decrease	-	-	-	-	-	-
Reclassification	-	(483,779)	169,043	314,736	-	-
Gross amount as at Mar 31 2023	24,394,903	165,193	4,832,525	1,002,779	3,508,541	33,903,941
Cumulative depreciation as at Jan 1 2023	2,076,425	-	3,642,938	388,613	2,052,818	8,160,794
Depreciation	190,909	-	348,681	26,251	157,884	723,725
Decrease	-	-	-	-	-	-
Cumulative depreciation as at Mar 31 2023	2,267,334	-	3,991,619	414,864	2,210,702	8,884,519
Net amount as at Jan 1 2023	22,318,478	130,952	690,139	299,430	1,455,723	24,894,722
Net amount as at Mar 31 2023	22,127,569	165,193	840,906	587,915	1,297,839	25,019,422

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
Gross amount as at Jan 1 2022	24,305,970	374,316	2,894,560	372,854	3,459,479	31,407,179
Increase	9,970	111,545	141,740	-	5,800	269,055
Decrease	-	-	-	-	-	-
Reclassification	-	(243,926)	243,926	-	-	-
Gross amount as at Mar 31 2022	24,315,941	241,933	3,280,226	372,854	3,465,279	31,676,233
Cumulative depreciation as at Jan 1 2022	1,314,700	-	2,379,879	372,854	1,393,267	5,460,700
Depreciation	190,213	-	365,424	-	162,807	718,444
Decrease	-	-	-	-	-	-
Cumulative depreciation as at Mar 31 2022	1,504,914	-	2,745,302	372,854	1,556,075	6,179,144
Net amount as at Jan 1 2022	22,991,270	374,316	514,681	-	2,066,212	25,946,479
Net amount as at Mar 31 2022	22,811,027	241,933	534,924	-	1,909,206	25,497,090

2.4. Perpetual usufruct of land

As at the issue date of these interim condensed 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 4,211,009 (as at March 31st 2023). 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%.

	2023	2022
Perpetual usufruct of land – opening balance	4,225,080	4,281,361
Increase	-	-
Decrease	-	-
Depreciation and amortisation	(14,071)	(56,281)
Perpetual usufruct of land – closing balance	4,211,009	4,225,080

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 March 31st 2023 included the capitalised cost of the fourth and fifth work phases.

As at March 31st 2023, completed video games development work comprised games released in earlier periods.

Ongoing development work:

As at March 31st 2023, 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 applied discount rate was 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 December 31st 2022 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
Gross amount as at Jan 1 2023	6,813,631	40,207,994	1,378,211	96,206,816	144,606,652
Increase			10,000	12,192,792	12,202,792
Reclassification of completed development work	-	-	-	-	-
Decrease	-	-	-	-	-
Discontinued work written off	-	-	-	-	-
Gross amount as at Mar 31 2023	6,813,631	40,207,994	1,388,211	108,399,608	156,809,444
Cumulative amortisation as at Jan 1 2023	5,789,342	37,946,932	892,918	-	44,629,192
Amortisation	341,293	435,909	57,821	-	835,023
Decrease	-	-	-	-	-
Cumulative amortisation as at Mar 31 2023	6,130,635	38,382,841	950,739	-	45,464,215
Net amount as at Jan 1 2023	1,024,289	2,261,062	485,293	96,206,816	99,977,460
Net amount as at Mar 31 2023	682,996	1,825,153	437,472	108,399,608	111,345,229

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
Gross amount as at Jan 1 2022	6,813,631	38,056,770	934,772	52,926,025	98,731,198
Increase	-	-	3,600	9,517,321	9,520,921
Reclassification of completed development work	-	-	-	-	-
Decrease	-	-	-	-	-
Discontinued work written off	-	-	-	-	-
Gross amount as at Mar 31 2022	6,813,631	38,056,770	938,372	62,443,345	108,252,118
Cumulative amortisation as at Jan 1 2022	4,424,169	34,556,533	612,859	-	39,593,561
Amortisation	341,293	968,019	65,803	-	1,375,115
Decrease	-	-	-	-	-
Cumulative amortisation as at Mar 31 2022	4,765,462	35,524,552	678,662	-	40,968,676
Net amount as at Jan 1 2022	2,389,462	3,500,237	321,913	52,926,025	59,137,637
Net amount as at Mar 31 2022	2,048,169	2,532,218	259,710	62,443,345	67,283,442

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

Measurement of investment in Fool's Theory Sp. z o.o. as at March 31st 2023

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Cost of shares – first tranche	2,619,216	2,619,216
Cost of shares – second tranche (estimate)	1,705,713	1,643,624
Share of profit/(loss) of associate	(196,340)	(287,106)
Investment in associate Fool's Theory Sp. z o.o.	4,128,589	3,975,734

Selected data from the statement of financial position of Fool's Theory Sp. z o.o. as at March 31st 2023

	Mar 31 2023
Non-current assets	16,624,907
Current assets	668,382
Current liabilities	1,194,197
Non-current liabilities	-
Accruals and deferrals	16,569,102

2.7. Long-term investments

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Shares in Starward Industries S.A.	8,969,242	8,151,523
Total long-term investments	8,969,242	8,151,523

2.8. Trade and other receivables

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Trade receivables	9,375,564	7,503,110
Taxes, grants, customs duties and social security	1,622,069	1,893,585
Other	95,626	75,056
Total trade and other receivables	11,093,259	9,471,751

Trade receivables

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

The Company also recognises impairment losses for receivables that are past due more than 360 days, but there were no such receivables in the reporting period.

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

Since the Company has cooperated for years with the same trading partners with a very high financial standing and has never experienced any payment problems in those relations, it applies simplified

methods to measure receivables at amortised cost, unless this would distort information contained in its statement of financial position, in particular where the period until the due date for payment is not long. Historically, there have been only minor changes to the list of trading partners through which the Company sells games.

The balances disclosed as at March 31st 2022 included receivables from the Company's largest customers, accounting for over 5% of total trade receivables.

Receivables by customer:

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Company A	5,981,017	3,764,433
Company B	1,286,550	989,918
Company C	358,751	433,313
Company D	284,823	-

Ageing analysis of trade receivables

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Short-term	8,127,300	6,607,694
1-30 days	479,462	409,450
31-60 days	2,197	193,778
61-90 days	190,415	152,122
91-120 days	92,933	179,506
121-360 days	495,220	695
Over 360 days	-	-
Total	9,387,527	7,543,245

Receivables of PLN 494,024 included in the 121-360 days line item were settled in April 2023.

As at March 31st 2023, there were no reasons to recognise individual impairment losses on past due receivables.

2.9. Current financial assets

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Financial instruments	28,913,236	48,320,428
Loans to employees	1,311,917	1,309,430
Bank deposits with maturities of more than 3 months	20,191,373	7,068,687
Total current financial assets	50,416,526	56,698,545

The financial instruments included:

	Acquisition date	Measurement as at acquisition date	Interest rate (%)	Measurement as at Mar 31 2023	Maturity date
PKO Bank Hipoteczny S.A.	Oct 6 2022	18,369,401	7	18,989,431	Apr 3 2023
PKO Bank Hipoteczny S.A.	Nov 4 2022	9,636,607	7	9,923,805	May 9 2023
Total		28,006,008		28,913,236	

* 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.

2.10. Cash and cash equivalents

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Cash in bank accounts and in hand	13,865,730	13,983,291
Short-term deposits (up to three months)	12,880,200	16,602,700
Total	26,745,930	30,585,991

Cash in hand and at banks as at March 31st 2023, by currency:

- PLN 3,180,418,
- USD 2,046,739 (PLN 8,787,467),
- EUR 406,731 (PLN 1,901,670),
- CNY 280 (PLN 175).

When measuring its cash, including cash denominated in foreign currencies, as at March 31st

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).

2023, the Company also measured expected credit losses (ECL), but the effect was not material.

2.11. Share capital

As at March 31st 2023, the Company's share capital consisted of 2,380,144 fully paid-up ordinary shares totalling PLN 238,014.40.

Ordinary shares fully paid

	Number of shares	Share capital	Share premium
As at Dec 31 2022	2,380,144	238,014	14,422,772
Increase/decrease	-	-	-
As at Mar 31 2023	2,380,144	238,014	14,422,772

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

2.12. Dividends paid

No dividends were paid by the Company in January 1st to March 31st 2023 or in 2022.

2.13. Recommendation on appropriation of 2022 profit

On April 18th 2023, the Company's Management Board passed a resolution to allocate the entire net profit earned by the Company in 2022 to statutory reserve funds. On April 21st 2023, the Company's

Supervisory Board issued a positive opinion on the recommendation. A final decision on the allocation of profit for 2022 will be made by shareholders at the General Meeting convened for May 31st 2023.

2.14. Credit facility

	2023	2022
Opening balance	7,665,000	8,820,000
Principal increase	-	-
Principal repayment	(420,000)	(1,155,000)
Interest accrued	194,827	462,606
Interest paid	(194,827)	(462,606)
Closing balance	7,245,000	7,665,000
including:		
- current	1,260,000	1,260,000
- non-current	5,985,000	6,405,000

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 March 31st 2023, 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 Mar 31 2023	As at Dec 31 2022	Interest Rate	Repayment deadline
PKO BP S.A.	12,600,000	PLN	7,245,000	7,665,000	1M WIBOR + 0.9%.	Dec 11 2028
Total	12,600,000		7,245,000	7,665,000		

2.15. Provisions

	Provision for retirement and disability benefits	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
As at Jan 1 2023	23,061	590,205	83,315	167,431	864,012
Increase:					
Recognition	1,367	408,420	18,174	38,022	465,983
Decrease:					
Use	-	(153,784)	-	-	(153,784)
Reversal	-	-	-	-	-
As at Mar 31 2023	24,428	844,841	101,489	205,453	1,176,211
including:					
- current	1,035	844,841	101,489	205,453	1,152,818
- non-current	23,393	-	-	-	23,393

	Provision for retirement and disability benefits	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
As at Jan 1 2022	10,891	398,378	57,524	194,629	661,422
Increase:					
Recognition	80	321,489	60,308	213,099	594,976
Decrease:					
Use	-	(181,386)	-	(119,853)	(301,239)
Reversal	(693)	-	-	(315)	(1,008)
As at Mar 31 2022	10,278	538,481	117,832	287,560	954,151
including:					
- current	581	538,481	117,832	287,560	944,454
- non-current	9,697	-	-	-	9,697

2.16. Lease liabilities

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Lease liabilities – opening balance	766,130	769,979
Increase	-	-
Decrease	-	-
Charges for perpetual usufruct of land	(473)	(3,849)
Lease liabilities – closing balance	765,657	766,130
including:		
- current	15,254	15,254
- non-current	750,403	750,876

2.17. Trade and other payables

	Mar 31 2023 (unaudited)	Dec 31 2022 (audited)
Trade payables	1,007,946	549,958
Provisions for product returns	101,517	64 461
Guarantee deposits – Brzeska 2	9,569	9,650
Taxes, customs duties, insurance and other dues	1,001,664	1,988,841
Accruals and deferred income (provision for audit and other invoices)	263,681	221,014
Amounts payable to employees	22,022	18,195
Other	41,795	41,793
Total trade and other payables	2,448,194	2,893,912

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.

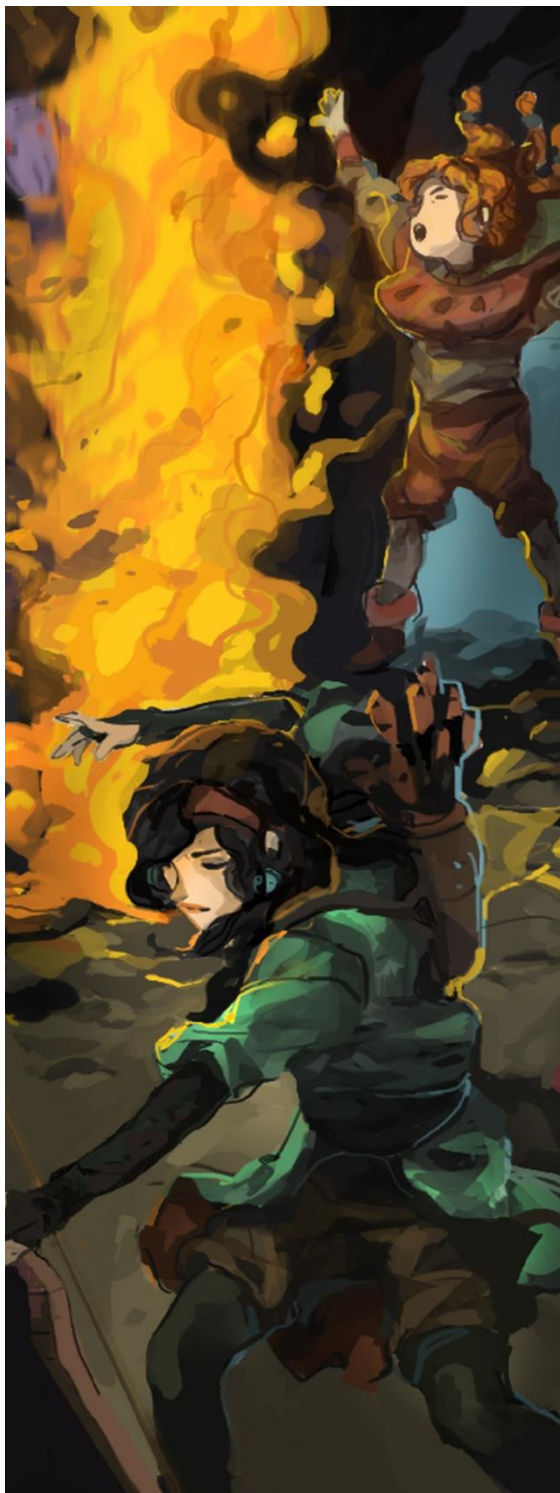
A significant 15% decrease in trade and other payables, from PLN 2,893,912 at the end of 2022 to PLN 2,448,193 in the three months to March 31st 2023, was mainly attributable to a decrease in tax liabilities (PLN 1,001,664 vs PLN 1,988,841 the year before). Trade payables rose sharply, by almost 83%, to PLN 1,007,946.

2.18. Contractual maturities of liabilities**Liabilities maturity periods as at Mar 31 2023**

	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	892,173	115,742	31	-	-	1,007,946
Lease liabilities	2,456	4,912	14,736	147,360	2,087,609	2,257,073
Royalties payable	-	-	6,191,700	-	-	6,191,700
Credit facility	105,000	210,000	945,000	5,040,000	945,000	7,245,000
Liabilities arising from acquisition of shares in associate	-	-	-	1,705,713	-	1,705,713

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	-	-	549,958
Lease liabilities	2,456	4,912	22,104	147,360	2,087,609	2,264,441
Royalties payable	-	-	4,056,672	-	-	4,056,672
Credit facility	105,000	210,000	945,000	5,040,000	1,365,000	7,665,000
Liabilities arising from acquisition of shares in associate	-	-	-	1,643,624	-	1,643,624



3.

NOTES ON FINANCIAL INSTRUMENTS

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 both as at

March 31st 2023 and December 31st 2022. 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 Mar 31 2023	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
Financial assets				
Notes issued by PKO Leasing and PKO Bank Hipoteczny	28,913,236	-	-	28,913,236
Cash	26,745,930	-	-	26,745,930
Investments in associates	-	4,128,589	-	4,128,589
Long-term investments	-	8,969,242	-	8,969,242
Bank deposits with maturities of more than 3 months	20,191,373	-	-	20,191,373
Trade and other receivables	11,093,259	-	-	11,093,259
Loans to employees	1,311,917	-	-	1,311,917
IRS	-	573,449	-	573,449
Financial liabilities				
Trade and other payables	2,448,194	-	-	2,448,194
Royalties payable	6,191,700	-	-	6,191,700
Liabilities arising from acquisition of shares in associate	-	1,705,713	-	1,705,713
Credit facility	7,245,000	-	-	7,245,000
Lease liability	765,657	-	-	765,657
Total	104,906,266	15,376,993	-	120,283,259

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
Financial assets				
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
Financial liabilities				
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
Total	112,138,001	14,535,393	-	126,673,394

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.

	Mar 31 2023	Dec 31 2022	Fair value hierarchy
Remeasurement of IRS	573,449	764,512	Level 3

3.2. 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

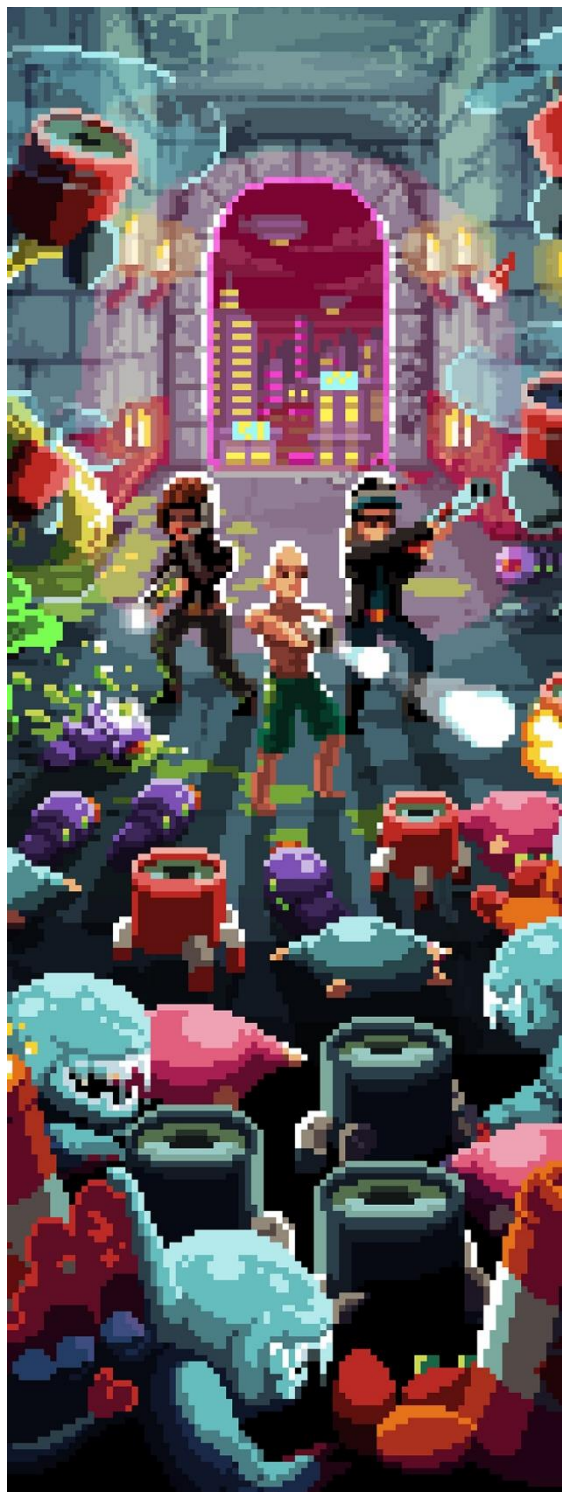
The fair value of warrants granted under the Incentive Scheme has been estimated using the Damodaran warrant pricing model, which takes into account the Company's share price as at the date of signing the Incentive Scheme participation agreement (the grant date) and its annual volatility. This value 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 Mar 31 2023	77,300
Measurement of warrants (PLN)	200
Total Incentive Scheme cost as at Mar 31 2023 (PLN)	15,447,893
Total Incentive Scheme cost as at Dec 31 2025 remaining to be recognised (PLN)	8,356,950
Statement of profit or loss – employee benefits expense in Q1 2023	787,883

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
- Marek Ziemak – Member of the Management 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.

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 Members of the Company's Management Board, as described in Section II.4, the Company entered into the following

related-party transactions in the periods from January 1st to March 31st 2023 and from January 1st to March 31st 2022:

	Mar 31 2023	Mar 31 2022
Arkona – Paweł Miechowski*	70,933	60,000
Marek Ziemak*	17,907	-
Paweł Feldman*	17,700	-
Fool's Theory Sp. z o.o.	22,441	1,612,355
Total	128,981	1,672,355

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

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 with an amendment extending the loan repayment date to April 14th 2023 signed on April 6th. The loan was repaid.

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 its related parties in the period from January 1st to March 31st 2023 or in 2022.

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 and Supervisory Boards for

discharging managerial and supervisory duties in the three months to March 31st 2023 and in the comparative period is presented below.

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Short-term benefits – Management Board:	889,745	517,923
Short-term benefits – Supervisory Board:	108,524	91,433
Total	998,269	609,356

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

The members of the Company's Management Board did not receive any other remuneration in the form of profit distributions or stock options for the

three months ended March 31st 2023 or three months ended March 31st 2022. However, they participate in the 2021–2025 Incentive Scheme, as described in detail (together with the valuation) in **Note 2.14** to these interim condensed financial statements.

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

	Jan 1–Mar 31 2023	Jan 1–Mar 31 2022
Short-term benefits – Management Board (civil-law contracts and cooperation agreements)	88,959	45,000
Total	88,959	45,000

Other related-party transactions

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

Related-party transactions

No transactions were executed on a non-arm's length basis in the period from January 1st to March 31st 2023 or in the comparative period.

4.2. Off-balance-sheet commitments

As at the issue date of this report for the three months to March 31st, the Company had off-balance-sheet commitments to incur expenditure (on intangible assets only) of EUR 4,373,585, PLN

3,656,968 and USD 53,192. 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 March 31st 2023 and in the comparative period, the Company did not recognise any contingent assets.

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

No seasonal or cyclical fluctuations of a non-recurring nature were reported in the three months to March 31st 2023.

4.5. Events subsequent to the reporting date

In the period between the reporting date and the issue date of these interim condensed financial statements, the Company entered into two loan

agreements with Fool's Theory Sp. z o.o. See **Note 5.6** for details.

There were no other events occurring after the reporting date that would have had a material effect on these interim condensed financial statements.



5.

OTHER INFORMATION RELEVANT TO THE QUARTERLY REPORT

5.1. Significant achievements or failures in January 1st to March 31st 2023

11 bit studios S.A. posted revenue of PLN 14,763,386 for the reporting period, a 16.81% decrease year on year. 40% of revenue was derived from sales of games developed by third parties who used the publishing services provided by the Company. The prior-year figure was 23%. To note, the year-on-year drop in revenue was attributable chiefly to a high base last year. In the three months to March 31st 2022, 11 bit studios S.A. made a decision to respond to Russia's invasion of Ukraine by donating all proceeds from the sale of *This War of Mine* (generated in the first week after the initiative was launched, amounting to USD 850,000) to the Ukrainian Red Cross. The amount significantly increased 11 bit studios S.A.'s revenue for the three months to March 31st 2022.

Solid revenue posted by 11 bit studios S.A. in the first quarter of 2023 that exceeded in-house estimates was driven by successful monetisation of the entire product portfolio. The Company attached great importance to maximising exposure of its products on major distribution platforms. These efforts are based on long-standing relationships with key trading partners and are of strategic importance to the level of sales generated by the Company given its highly mature product portfolio. Particularly worthy of note is the extremely successful sale promotion called Grand Collection run on Steam in March 2023 enabling fans to purchase a complete range of the Company's titles for a total price of USD 25. The promotion was supported by a wide array of paid marketing activities run on major social media platforms (Facebook, Tik-Tok and Youtube), including competitions and giveaways. A free weekend was also run for *Frostpunk* fans, which proved an excellent sales driver supporting sales in subsequent periods. Another major sales promotion on Steam was Base Builder Fest (February 2022), which offered fans an opportunity to buy *Frostpunk* and *This War of Mine* at a discount. Other sales promotions supporting 11 bit studios S.A.'s revenue in the first quarter of 2023 included Winter Sale and Custom Sale on Steam and Winter Sale on Nintendo. A major contributor to revenue in the reporting period were sales of the board game edition of *Frostpunk* developed by Glass Canon, which was launched on February 23rd 2023.

Operating expenses in the three months ended March 31st 2023 were PLN 12,994,075, a 7.52% decrease year on year. To note, operating expenses for the comparative period were increased by a donation to the Ukrainian Red Cross, amounting to PLN 3,676,405. As in the comparative period, the largest item of operating expenses reported by 11 bit studios S.A. for the first quarter of 2023 were services (PLN 7,949,250), which included mainly royalties payable to the developers of *Moonlighter* and *Children of Morta*. Another major component of services were costs of marketing services, which increased more than 60% year on year and reached

a seven-digit number during the quarter. The increase was attributable to rising expenditure incurred in the run-up to the upcoming launches of new titles developed or published by the Company. In the three months ended March 31st 2023, the Company spent PLN 3,318,152 on salaries and wages (PLN 2,892,337 the year before). It should be noted, however, that the item included a non-cash provision (PLN 787,883 vs PLN 836,843 the year before) recognised every quarter (until the fourth quarter of 2025 inclusive) for the costs of the 2021–2025 Incentive Scheme. At PLN 1,121,349, depreciation and amortisation was a considerable item of operating expenses in the first quarter of 2023 (down 39.91% year on year). The decrease was attributable to the completion of amortisation of expenditure on games from the proprietary and publishing division's portfolios, which were released several years or several quarters ago.

The year-on-year drop in revenue combined with a slight decrease in operating expenses translated into an operating profit of PLN 1,884,615 for the three months ended March 31st 2023, down 49.73% year on year. However, the Company's operating profit margin went down to 12.76%, from 21.12% in the corresponding period of the previous year. Profit before tax of PLN 2,855,447 for the three months to March 31st 2023 was supported by net finance income reflecting effective free cash management and an increase in the value of the Company's holding of Starward Industries S.A. shares. Profit before tax for the corresponding period of the previous year stood at PLN 5,351,957. The Company posted a net profit of PLN 2,465,946, a year-on-year decrease of 34.6%. Net profit margin was 16.70%, compared with 21.26% the year before.

In the three months to March 31st 2023, 11 bit studios S.A. continued the development of *Frostpunk 2*, *The Alters* and *Project 8* (the latter is still referred to by its code name). As at the date of issue of this report, the development teams working on these games comprised 70 members, some 40 members and almost 50 members, respectively. The growing production resources translated into increased spending on game development, which reached as much as PLN 12,136,092 in the three months ended March 31st 2023 vs PLN 9,467,985 in the comparative period. Development of all proprietary titles progressed on schedule. Given their stage of advancement, two games underwent the first round of external testing in the three months to March 31st 2023. Further external testing rounds are planned in subsequent periods.

The amount stated above also included expenditure on games in the publishing division. As at the reporting date, 11 bit studios S.A.'s publishing portfolio comprised four titles including *The Thaumaturge* developed by Fool's Theory of Bielsko-Biała and *The Invincible* developed by

Starward Industries S.A. of Kraków. 11 bit studios S.A. jointly owns the two studios, holding 40% and 5.99% equity interests, respectively (as at the reporting date). The portfolio also included games created by Spanish developers under the working titles of *Botin* (Digital Sun Games) and *Ava* (Chibig). The Polish games in the publishing division are slated for release in 2023. Intensive promotional efforts were

run in the three months to March 31st 2023 ahead of their release dates, which helped the games to steadily move up the Steam wishlist. As part of these efforts, the first trailer of *The Thaumaturge* (previously code-named as *Vitriol*) was released during the reporting period (on February 27th 2023), and it was very well received by fans.

5.2. Non-recurring factors and events with a material bearing on the interim condensed financial statements

There were no non-recurring events during the reporting period that could have had a material bearing on these financial statements.

5.3. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of total voting rights in the Company as at the issue date of these financial statements

Name	Number of shares	% of share capital held	Number of votes	% of total voting rights at GM
Allianz Polska TFI*	202,723	8.39	202,723	8.39
Grzegorz Miechowski	168,413	6.97	168,413	6.97
N-N PTE*	167,983	6.95	167,983	6.95
Esaliens TFI*	120,965	5.00	120,965	5.00
Przemysław Marszał	120,863	5.00	120,863	5.00
Other shareholders	1,636,252	67.69	1,636,252	67.69
Total	2,417,199	100.00	2,417,199	100.00

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

No changes occurred in the shareholding structure of 11 bit studios S.A. during the reporting period.

After the reporting period, 11 bit studios S.A. announced in Current Report No. 7/2023 of April 4th 2023 that on that day the Company received notifications under Article 19(1) of the Market Abuse Regulation from Przemysław Marszał, President of the Management Board, and Members of the Management Board Grzegorz Miechowski, Michał Drozdowski, Paweł Feldman and Marek Ziemak concerning disposals of 11 bit studios S.A. shares. Przemysław Marszał sold a total of 1,050 shares, Grzegorz Miechowski sold 2,000 shares, Michał Drozdowski sold 3,000 shares, Paweł Feldman sold 3,500 shares and Marek Ziemak sold 1,540 shares in 11 bit studios S.A. The trades were executed during a stock exchange session on April 4th 2023 at a price of PLN 635 per share.

In Current Report No. 8/2023 of April 12th 2023, 11 bit studios S.A. announced that on April 12th 2023 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 12th 2023, Marcin Kuciapski purchased a total of 200 shares in 11 bit studios S.A.

in trades executed on the WSE, at an average price of PLN 618.855 per share.

In Current Report No. 9/2023 of April 12th 2023, 11 bit studios S.A. announced that according to information it received from Dom Maklerski BOŚ S.A. 37,055 Series G shares were duly subscribed and paid for as part of a public offering on April 12th 2023, for a total amount of PLN 3,830,745.90. The shares were issued for the purposes of the 2017-2019 Incentive Scheme. The Company also announced that as of April 12th 2023 the Company's share capital was PLN 241,719.9 and comprised 2,417,199 shares with a par value of PLN 0.1 per share.

In Current Report No. 10/2023 of April 12th 2023, 11 bit studios S.A. announced that on April 12th 2023 the Company received notifications under Article 19(1) of the Market Abuse Regulation from Przemysław Marszał, President of the Management Board, and Michał Drozdowski, Member of the Management Board, concerning acquisitions of 11 bit studios S.A. shares. On April 12th 2023, Przemysław Marszał acquired 18,413 Company shares at a price of PLN 103.38 per share under the 2017-2019 Incentive Scheme. On April 12th 2023, Michał Drozdowski acquired 18,414 shares in 11 bit studios S.A. at a price

of PLN 103.38 per share under the 2017–2019 Incentive Scheme.

Following the share acquisition transaction referred to above, Przemysław Marszał's holding increased to 120,863 shares, representing 5.00% of the share

capital and conferring 5.00% of voting rights in the Company. A notification to that effect was received by 11 bit studios S.A. on April 12th 2023 and was announced in Current Report No. 11/2023 of April 12th 2023.

5.4. Company shares or rights to Company shares held by management and supervisory personnel as at the date of issue of these financial statements

	Position	Number of shares as at the issue date of the report (no. of shares)	Number of shares as at Mar 31 2023 (no. of shares)	Number of shares as at Dec 31 2022 (no. of shares)
Przemysław Marszał	President of the Management Board	120,863	103,500	103,500
Grzegorz Miechowski	Member of the Management Board	168,413	170,413	170,413
Michał Drozdowski	Member of the Management Board	100,044	84,630	84,630
Paweł Feldman	Member of the Management Board	10,436	13,936	13,936
Marek Ziemak	Member of the Management Board	1,002	2,542	2,542
Marcin Kuciapski	Member of the Supervisory Board	1,500	1,300	1,300

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 no changes in the holdings of Company shares by the management and supervisory staff.

Such changes occurred subsequent to the reporting date and are discussed in more detail in **Note. 5.3** above.

5.5. Material court proceedings

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.

5.6. Loan guarantees or sureties issued by the Company or its subsidiary

No loan guarantees or sureties were provided by the Company in the three months to March 31st 2023.

After the reporting period and before the issue date of these financial statements, on April 18th 2023 the Company advanced a one-month loan of PLN 300,000 to its associate Fool's Theory sp. z o.o. The

loan bears interest at 8.16% per annum. On May 17th 2023, the parties signed an annex to the loan agreement, extending the loan repayment date until June 10th 2023. On May 11th 2023, 11 bit studios S.A. advanced another one-month loan of PLN 400,000 to Fool's Theory Sp. z o.o. The loan bears interest at 8.16% per annum.

5.7. Factors which will affect the Company's performance in the next quarter and beyond

11 bit studios S.A.'s performance in 2023 will be determined by the launch of two games in the

publishing division planned this year, *The Invincible* and *The Thaumaturge*, and by further monetisation

of the Company's existing product portfolio, including *Frostpunk*.

Developed by Kraków-based studio Starward Industries S.A. (5.99% owned by 11 bit studios S.A.), *The Invincible* is based on Stanisław Lem's book under the same title. In the game the player takes on the role of savvy astrobiologist Yasna, who wakes up on the hostile surface of the distant planet Regis III and is drawn into a rescue mission to find the missing crew members of an interstellar scientific expedition. Promotional efforts for *The Invincible* have been run for several quarters now. The game and related marketing materials have been very well received by fans and players, as demonstrated by the place *The Invincible* occupies on the Steam wishlist and numerous publications in top global gaming media. The exact release date is yet to be set.

The other game planned for launch in 2023 is *The Thaumaturge* developed by Fool's Theory Sp. z o.o., a studio based in Bielsko-Biała that is 40% owned by 11 bit studios S.A. In February 2023, 11 bit studios S.A. launched a promotional campaign for *The Thaumaturge*, unveiling the official title of the game (which was previously code-named as *Vitriol*) and publishing the first trailer. *The Thaumaturge* is an isometric, story-rich RPG with a unique take on turn-based combat, character development features, and investigation mechanics, touching upon the complex theme of inner demons. The game unfolds in early 20th century Poland after it has been annexed by the Russian Empire. The exact release date is yet to be set.

As regards monetisation of the existing product portfolio, 11 bit studios S.A. will focus on future sales of *Frostpunk* and three paid DLCs released for the title as part of the Season Pass. The Company intends to maintain gamers' interest in *Frostpunk* through promotional and marketing activities, and to capitalise on this IP in other, non-digital fields, a case in point being the board game version of *Frostpunk* developed by Glass Cannon Unplugged, which was launched in February. Also noteworthy is the game's mobile version being developed by 11 bit studios S.A.'s Chinese partner, NetEase, a global leader in the segment of games for mobile devices. In addition, a series of novels and short stories centred on the *Frostpunk* universe is under preparation. The project is supervised by Jacek Dukaj, a science fiction writer, one of the most popular in Poland and known globally.

This War of Mine will continue to be an important revenue stream for 11 bit studios S.A. in the coming quarters. However, revenue from this source will

decline due to natural ageing of the title (released for PC on November 14th 2014). The Company is taking steps to extend the life cycle of *This War of Mine*, which has already been quite long given its unique theme (war seen through the eyes of a civilian). As a result of these efforts, *This War of Mine* has been included in the official supplementary reading list for secondary schools in Poland, something that the Company has pressed for over the past couple of years.

The main source of revenue and earnings for 11 bit studios S.A. in the coming periods will be sales of games in its publishing portfolio, including *Moonlighter*, *Children of Morta*, and *South of The Circle*, which was released in the third quarter of 2022. It should be noted, however, that as in the case of the Company's proprietary games, revenue from sales of games developed by third parties that were launched a long while ago will gradually decline due to natural ageing.

In the longer term of a few years, 11 bit studios S.A.'s financial results will be driven by the releases of new games in the proprietary and publishing portfolios. As at the issue date of these financial statements, the pipeline of games created by in-house development teams consisted of three titles: *Frostpunk 2*, *The Alters*, and *Project 8* (working title). Their total development budget is estimated at approximately PLN 130m. The release dates of the games have not yet been disclosed, but it is the Company's intention to launch all three titles by the end of 2025, which is the last year of the 2021–2025 Incentive Scheme.

The Company's medium-term strategy for the next few years 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. The Company's strategy envisages further expansion of the publishing business and growth in publishing revenue. In the medium term, 11 bit studios S.A. wants to launch three to four third-party games annually. In recent quarters, the Company has stepped up efforts to expand its publishing portfolio (strengthening its publishing team and other resources accordingly), which comprised four titles at the reporting date: *The Invincible*, *The Thaumaturge*, *Botin*, and *Ava*. The total investment budget (for 11 bit studios S.A.) allocated to those projects is approximately PLN 50m. As at the issue date of these financial statements, the Company's commitments under publishing agreements totalled EUR 4,373,585, PLN 3,656,968, and USD 53,192. In the medium term, 11 bit studios S.A. wants to launch three to four third-party games annually.

These interim condensed financial statements were authorised for issue by the Management Board on May 25th 2023.

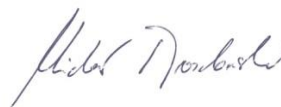
Signed by:



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
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Marek Ziemak
Member of the
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Warsaw, May 25th 2023



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