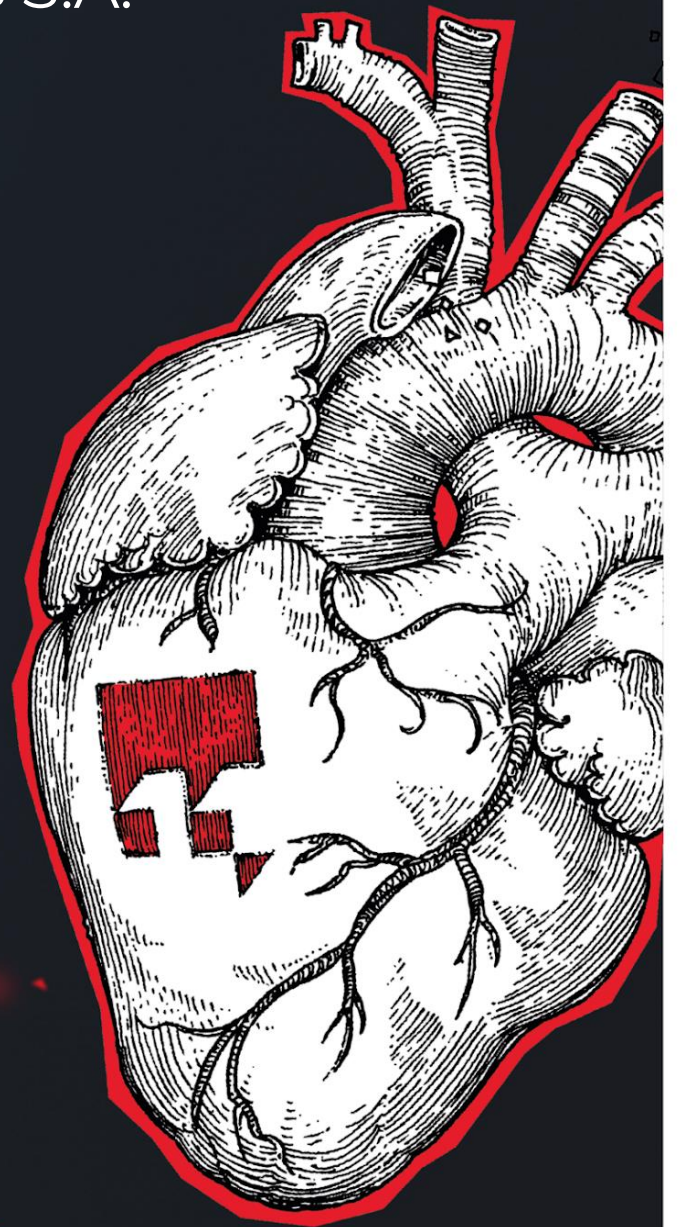


Warsaw, November 17th  
2023

# QUARTERLY REPORT

OF 11 BIT STUDIOS S.A.

FOR NINE  
MONTHS  
ENDED  
SEPTEMBER  
30TH 2023



MAKE  
YOUR  
MARK **11bit**  
STUDIOS

# LETTER FROM THE MANAGEMENT BOARD

Warsaw, November 17th 2023

## DEAR SHAREHOLDERS AND INVESTORS,

We present to you the report of 11 bit studios S.A. for the nine months ended September 30th 2023. During the period, we earned PLN 34.28m in revenue, with EBITDA at PLN 1.66m and net profit at PLN 1.35 million. In the three months ended September 30th 2023, revenue came in at PLN 9.5m, while EBITDA was negative, at PLN -1.28m. We also incurred a net loss of PLN 2.66m in the third quarter, mainly attributable to non-cash costs of remeasurement of our holding in Starward Industries S.A., which saw a lacklustre stock performance in the summer quarter.

The decreasing revenues stem from declining sales of games from our portfolio, a consequence of their natural ageing (it has been over four years since our last major release, *Children of Morta*). At the same time, we are stepping up investment in new games, both proprietary productions and those in our publishing portfolio, which translates into higher operating costs. In the first nine months of this year, we spent as much as PLN 41.99m on game investments.

We strongly believe the negative trend in our financial results will reverse in the upcoming periods. We have a strong footing for this. After a few years of 'dormancy', we are moving ahead with our planned game releases, starting from the fourth quarter. Although the sales of *The Invincible*, developed by Starward Industries S.A. and launched on November 6th 2023, were below expectations in the lead-up to and aftermath of the release, the positive reviews, especially from gamers, and impressive popularity on Steam (with the title featuring on more than 550,000 wishlists) warrant an assumption that the game will successfully monetise in the long term.

In the fourth quarter, we decided to delay the release of *The Thaumaturge*, initially scheduled for December 5th 2023, to February 20th 2024. The additional time gained with this postponement will allow the development studio, Fool's Theory (11 bit studios S.A.'s associate, in which we hold 40% of shares), to refine the product, enhancing its commercial and sales potential. Our marketing department will use these extra weeks for more impactful promotion of *The Thaumaturge*, a game of the popular RPG genre

As we promised at the Investor Conference in June this year, the first half of 2024 will abound in new games from our portfolio. During this period, fans can expect, apart from *The Thaumaturge*, *INDIKA*, an ambitious game project produced by Odd Meter of Kazakhstan. The next two releases will be our proprietary titles: *Frostpunk 2* and *The Alters*. The market debuts of these games will be a key driver of 11 bit studios S.A.'s financial performance not only next year but also in years to come. Both productions were showcased at media-only presentations during the Gamescom trade fair in Cologne, Germany, in August, receiving exceptionally positive feedback. We firmly believe that they will have an equally positive reception from gamers, who are actively adding the two games to their wishlists on Steam.

In the background, work is progressing on the development of *Project 8* (working name), another item on 11 bit studios S.A.'s proprietary production list, and games from the publishing portfolio: *Botin* and *Ava*. We plan to start their promotion in 2024 as the releases are scheduled for 2025.

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

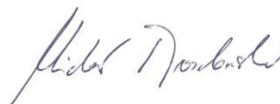
Signed by:

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

Przemysław Marszał  
President of  
the Management Board

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

Grzegorz Miechowski  
Member of  
the Management Board

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

Michał Drozdowski  
Member of  
the Management Board

A handwritten signature in black ink, appearing to read 'Paweł Feldman'.

Paweł Feldman Member of  
the Management Board

A handwritten signature in black ink, appearing to read 'Marek Ziemak'.

Marek Ziemak Member of  
the Management Board

## FINANCIAL HIGHLIGHTS

	PLN		EUR	
	Jan 1-Sep 30 2023	Jan 1-Sep 30 2022	Jan 1-Sep 30 2023	Jan 1-Sep 30 2022
Revenue	34,280,259	59,582,490	7,489,188	12,709,575
Depreciation and amortisation	(3,333,042)	(4,567,347)	(728,168)	(974,263)
Operating profit	(1,673,098)	15,996,697	(365,521)	3,412,265
EBITDA	1,659,944	20,564,044	362,647	4,386,528
Profit (loss) before tax	1,660,363	23,328,225	362,738	4,976,157
<b>Net profit (loss)</b>	<b>1,350,738</b>	<b>19,965,078</b>	<b>295,095</b>	<b>4,258,762</b>
Net cash from operating activities	23,948,128	36,789,655	5,231,933	7,847,623
Net cash from investing activities	(13,866,265)	(40,905,637)	(3,029,355)	(8,725,605)
Net cash from financing activities	2,461,936	62,323	537,858	13,294
<b>Total net cash flows</b>	<b>12,543,799</b>	<b>(4,053,659)</b>	<b>2,740,436</b>	<b>(864,688)</b>

	PLN		EUR	
	Sep 30 2023	Dec 31 2022	Sep 30 2023	Dec 31 2022
<b>Total assets</b>	<b>264,146,703</b>	<b>244,197,441</b>	<b>56,982,204</b>	<b>52,068,795</b>
Non-current assets	182,330,782	142,547,147	39,332,725	30,394,496
Current assets	81,815,921	101,650,294	17,649,478	21,674,299
<b>Equity</b>	<b>231,721,429</b>	<b>224,543,680</b>	<b>49,987,365</b>	<b>47,878,138</b>
Non-current liabilities	8,335,263	9,457,456	1,798,098	2,016,558
Current liabilities	24,090,014	10,196,305	5,196,741	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 4.5773 from January 1st to September 30th 2023, and EUR 1 = PLN 4.6880 from January 1st to September 30th 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 4.6356 as at September 30th 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 NINE MONTHS ENDED SEPTEMBER  
30TH 2023

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS ENDORSED BY THE EUROPEAN UNION

## STATEMENT OF COMPREHENSIVE INCOME

	Note	9 months ended Sep 30 2023 (unaudited)	9 months ended Sep 30 2022 (unaudited)	3 months ended Sep 30 2023 (unaudited)	3 months ended Sep 30 2022 (unaudited)
<b>Continuing operations</b>					
Revenue	1.1.	34,280,259	59,582,490	9,504,805	13,812,684
Other income	1.3.	64,864	78,990	33,392	26,038
<b>Total operating income</b>		<b>34,345,123</b>	<b>59,661,480</b>	<b>9,538,197</b>	<b>13,838,722</b>
Depreciation and amortisation		(3,333,042)	(4,567,347)	(1,020,947)	(1,494,587)
Raw materials and consumables used		(608,323)	(475,875)	(218,219)	(154,561)
Services		(20,038,142)	(23,803,073)	(6,415,578)	(5,742,171)
Salaries, wages and employee benefits		(9,588,136)	(9,999,334)	(3,112,942)	(3,235,943)
Taxes and charges		(320,436)	(261,861)	(204,116)	(92,675)
Other expenses	1.3.	(2,130,142)	(4,557,293)	(868,361)	(539,234)
<b>Total operating expenses</b>		<b>(36,018,221)</b>	<b>(43,664,783)</b>	<b>(11,840,163)</b>	<b>(11,259,171)</b>
<b>Operating profit</b>		<b>(1,673,098)</b>	<b>15,996,697</b>	<b>(2,301,966)</b>	<b>2,579,551</b>
Finance income	1.4	4,304,299	7,865,604	(2,280,754)	3,185,110
Finance costs	1.4	(932,271)	(377,599)	1,596,589	(162,435)
Share in profit/(loss) of associate		(38,567)	(156,477)	(117,584)	(79,918)
<b>Profit before tax</b>		<b>1,660,363</b>	<b>23,328,225</b>	<b>(3,103,715)</b>	<b>5,522,308</b>
Income tax expense	1.5	(309,625)	(3,363,147)	441,248	(641,004)
<b>NET PROFIT</b>		<b>1,350,738</b>	<b>19,965,078</b>	<b>(2,662,467)</b>	<b>4,881,304</b>
				-	-
<b>Earnings per share:</b>				-	-
Basic	1.6.	0.37	8.40	(1.30)	2.04
Diluted	1.6.	0.37	8.29	(1.29)	2.03
<b>NET PROFIT</b>		<b>1,350,738</b>	<b>19,965,078</b>	<b>(2,662,467)</b>	<b>4,881,304</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,350,738</b>	<b>19,965,078</b>	<b>(2,662,467)</b>	<b>4,881,304</b>

## STATEMENT OF FINANCIAL POSITION

	Note	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>182,330,782</b>	<b>142,547,147</b>
Property, plant and equipment	2.1.	24,748,546	24,894,722
Perpetual usufruct of land	2.2.	4,182,868	4,225,080
Intangible assets	2.3.	139,572,404	99,977,460
Deferred tax asset	2.4.	390,346	517,619
Investments in associates	2.5.	3,745,961	3,975,734
Other assets		104,036	166,170
Long-term investments	2.6.	9,319,603	8,151,523
Financial instruments (IRS)		267,018	638,839
<b>Current assets</b>		<b>81,815,921</b>	<b>101,650,294</b>
Trade and other receivables	2.7.	5,655,025	9,471,751
Income tax receivable		1,460,125	2,980,694
Other assets		1,508,517	1,787,640
Financial instruments (IRS)		61,619	125,673
Cash and cash equivalents	2.9.	43,129,790	30,585,991
Financial assets	2.8.	30,000,845	56,698,545
<b>TOTAL ASSETS</b>		<b>264,146,703</b>	<b>244,197,441</b>

	Note	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	2.10.	<b>231,721,429</b>	<b>224,543,680</b>
Share capital		241,720	238,014
Share premium		18,232,710	14,422,772
Statutory reserve funds		172,043,090	149,153,274
Share-based payment reserve		40,061,257	38,047,889
Retained earnings		1,142,652	22,681,731
<b>Non-current liabilities</b>		<b>8,335,263</b>	<b>9,457,456</b>
Borrowings	2.13.	5,460,000	6,405,000
Provisions	2.14.	37,688	22,245
Lease liabilities	2.15.	749,446	750,876
Deferred income		635,711	635,711
Liabilities arising from acquisition of shares in associate	2.5.	1,452,418	1,643,624
<b>Current liabilities</b>		<b>24,090,011</b>	<b>10,196,305</b>
Trade and other payables	2.16.	4,063,563	2,893,912
Royalties payable		3,395,910	4,056,672
Borrowings	2.13.	1,260,000	1,260,000
Provisions	2.14.	1,555,163	841,767
Lease liabilities	2.15.	15,257	15,254
Contract liabilities		13,800,118	1,128,700
<b>Total liabilities</b>		<b>32,425,274</b>	<b>19,653,761</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>264,146,703</b>	<b>244,197,441</b>



## INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
<b>As at Jan 1 2023 (audited)</b>	<b>238,014</b>	<b>14,422,772</b>	<b>149,153,274</b>	<b>38,047,889</b>	<b>22,681,731</b>	<b>224,543,680</b>
Net profit for the financial year	-	-	-	-	<b>1,350,738</b>	1,350,738
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,350,738</b>	<b>1,350,738</b>
Allocation of profit to statutory reserve funds	-	-	22,889,816	-	(22,889,816)	-
Recognition of Series G share-based payments	3,706	3,809,938	-	-	-	3,813,644
Recognition of costs of the 2021–2025 Incentive Scheme	-	-	-	2,013,368	-	2,013,368
<b>As at Sep 30 2023 (unaudited)</b>	<b>241,720</b>	<b>18,232,710</b>	<b>172,043,090</b>	<b>40,061,257</b>	<b>1,142,652</b>	<b>231,721,429</b>

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
<b>As at Jan 1 2022 (audited)</b>	<b>236,692</b>	<b>13,063,204</b>	<b>120,467,692</b>	<b>35,092,206</b>	<b>28,477,497</b>	<b>197,337,291</b>
Net profit for the financial year	-	-	-	-	19,965,078	19,965,078
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,965,078</b>	<b>19,965,078</b>
Allocation of profit to statutory reserve funds	-	-	28,685,582	-	(28,685,582)	-
Creation of capital reserve	-	-	-	-	-	-
Recognition of Series G share-based payments	1,322	1,359,568	-	-	-	1,360,890
Recognition of costs of the 2021–2025 Incentive Scheme	-	-	-	2,213,262	-	2,213,262
<b>As at Sep 30 2022 (unaudited)</b>	<b>238,014</b>	<b>14,422,772</b>	<b>149,153,274</b>	<b>37,305,468</b>	<b>19,756,993</b>	<b>220,876,521</b>

## STATEMENT OF CASH FLOWS

	Note	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
<b>Cash flows from operating activities</b>			
<b>Profit for the financial year</b>		<b>1,350,738</b>	<b>19,965,078</b>
<b>Adjustments:</b>			
Depreciation and amortisation		3,333,042	4,567,347
Income tax expense recognised in profit or loss		309,625	3,363,147
Remeasurement of intangible assets		62,133	87,642
Remeasurement of non-financial assets (deferred tax)		-	593,393
Costs of the 2021-2025 Incentive Scheme		2,013,368	2,213,262
Measurement of financial instruments and shares in an associate		(1,603,740)	-
Share of (profit)/loss of associates		38,567	-
Interest income		(1,804,364)	-
Other adjustments		(146,644)	712,462
<b>Changes in working capital:</b>			
Change in trade and other receivables		3,816,726	4,528,185
Change in other assets		468,529	(783,617)
Change in trade and other payables		507,464	1,654,681
Change in contract liabilities		12,671,418	(2,756,006)
Change in provisions		728,840	3,494,600
<b>Cash provided by operating activities</b>		<b>21,745,702</b>	<b>37,640,147</b>
Income tax paid		2,202,426	(850,519)
<b>Net cash from operating activities</b>		<b>23,948,128</b>	<b>36,789,655</b>
<b>Cash flows from investing activities</b>			
Loans to employees		592,481	(1,118,220)
Proceeds from bank deposits upon maturity – over 3 months		30,075,175	-
Purchase of financial assets		(7,751,897)	(95,361,571)
New bank deposits placed – over 3 months		(43,000,000)	(14,000,000)
Proceeds from redemption of financial assets		49,000,000	112,500,000
Proceeds from acquisition of shares in an associate		-	-
Payment for acquisition of long-term financial assets (shares in Starward Industries S.A.)		(214)	(8,794,216)
Payments for property, plant and equipment and intangible assets		(42,781,810)	(34,131,631)
<b>Net cash from investing activities</b>		<b>(13,866,265)</b>	<b>(40,905,638)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		3,830,746	1,366,994
Proceeds/(repayments) under credit facility		(945,000)	(945,000)
Payment of interest on credit facility		(423,810)	(359,671)
<b>Net cash from financing activities</b>		<b>2,461,936</b>	<b>62,323</b>
Net increase/(decrease) in cash		12,543,799	(4,053,660)
Cash at beginning of reporting period		30,585,991	26,748,530
<b>CASH AT END OF REPORTING PERIOD</b>		<b>43,129,790</b>	<b>22,694,870</b>



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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## OVERVIEW

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

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

<b>Business name:</b>	11 bit studios Spółka Akcyjna
<b>Abbreviated name:</b>	11 bit studios S.A.
<b>Registered office:</b>	Warsaw, Poland
<b>Registered address:</b>	ul. Brzeska 2, 03-737 Warsaw, Poland
<b>Principal business activity:</b>	in accordance with the Polish Classification of Business Activities – computer programming activities (62.01.Z)
<b>Registry court:</b>	District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division
<b>National Court Register (KRS) No.:</b>	0000350888
<b>TAX IDENTIFICATION NUMBER (NIP):</b>	1182017282
<b>Industry Identification Number (REGON):</b>	142118036

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

The Company's principal business activity includes:

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

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

## BASIS OF ACCOUNTING USED IN PREPARING THESE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been prepared in accordance with IAS 34 *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 present the financial position of 11 bit studios S.A. as at September 30th 2023 and December 31st 2022, and results of its operations and cash flows for the nine months ended September 30th 2023 and September 30th 2022.

These condensed interim 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 condensed interim financial statements have been prepared based on the assumption that the Company will continue as a going concern for the foreseeable future.

As at the date of authorisation of these 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 condensed interim 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, as appropriate, 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 condensed interim financial statements

The following new standards and amendments to existing standards effective from January 1st 2023 were applied for the first time in these condensed interim financial statements:

- **Amendments to 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.

IFRS 17 *Insurance Contracts* replaced IFRS 4, which provided for diverse practices in accounting for insurance contracts. The new standard substantially changes 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 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 IFRS 17 only and does not affect any other requirements of 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.

- **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.

#### ▪ Amendments to IAS 12 *Income Taxes*

The amendments to IAS 12 published in 2021 clarify how to account for deferred tax on transactions such as leases and decommissioning obligations. Prior to the amendments, there was uncertainty as to whether the recognition of equal amounts of assets and liabilities for accounting purposes (e.g., initial recognition of leases) which does not affect current tax settlements necessitates the recognition of deferred taxes or whether the initial recognition exemption, according to which deferred taxes are not recognised if the recognition of an asset or liability does not affect profit or loss at the time of recognition, applies. 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.

#### ▪ Amendments to IAS 12 *Income Taxes*

In May 2023, the IASB published new amendments to IAS 12 *Income Taxes* in response to global regulations on Pillar Two minimum income tax issued by the Organisation for Economic Cooperation and Development (OECD) in connection with the international tax reform. The amendments to IAS 12 provide for a temporary exemption from the requirement to recognise deferred tax under the adopted tax law which implements Pillar Two's model principles. Companies may apply the guidelines under the amended IAS 12 immediately. Specific disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

### 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 condensed interim financial statements the following issued standards, interpretations or amendments to existing standards prior to their effective date:

#### ▪ IFRS 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 amendments apply from January 1st 2024. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

#### ▪ Amendments 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 IASB 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 IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* – disclosures on supplier finance arrangements

In May 2023, the IASB published amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*. The amendments provide for disclosure requirements relating to supplier finance arrangements (reverse factoring). An entity is required to disclose specific information on such arrangements to enable users of financial

statements to assess how they affect its liabilities, cash flows and exposure to liquidity risk. The amendments are intended to enhance transparency of disclosures on supplier finance arrangements but do not affect the principles of recognition and measurement. The new requirements will be effective for annual 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.

▪ **Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates***

In August 2023, the IASB published amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, which are intended to help entities determine whether a currency is exchangeable for another currency and estimate the spot exchange rate if it is not. In addition, where a currency is not exchangeable, the amended standard requires disclosure of additional information on how an alternative exchange rate is determined.

The amendments are effective for financial statements for periods beginning on or after January 1st 2025.

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

▪ **IFRS 14 *Regulatory Deferral Accounts***

The standard permits an entity which is a first-time adopter of IFRS (on or after January 1st 2016) to

continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRSs and do not account for such activities, in accordance with the issued IFRS 14 amounts from rate-regulated activities should be presented as a separate item 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 condensed interim financial statements, endorsement of the amendments has been postponed by the European Union.

## STATEMENT OF ACCOUNTING POLICIES

In these condensed interim 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 condensed interim 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 condensed interim 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.



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# 1.

## NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

## 1.1. Revenue

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Revenue	34,280,259	59,582,490
<b>Total revenue</b>	<b>34,280,259</b>	<b>59,582,490</b>

In the reporting period, revenue came in at PLN 34,280,259, down 42% from PLN 59,582,490 posted for the same period of 2022. As in the previous periods, the main source of revenue in the nine

months ended September 30th 2023 was sales of proprietary games and 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 third- party customers (mainly online platforms).

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Poland	2,240,958	1,325,252
European Union	688,338	1,655,918
United Kingdom	1,744,585	2,408,303
US	24,908,031	46,365,417
Japan	3,660,775	6,847,259
China	277,238	306,972
Other	760,334	673,369
<b>Total</b>	<b>34,280,259</b>	<b>59,582,490</b>

### Revenue by distribution channel

Of the total revenue amount, PLN 33,930,333 (PLN 59,340,939 in the nine months ended September 30th 2022) was revenue from sales of games and products directly related to games (such as soundtracks). In the nine months to September 30th 2023, the Company's ten largest distribution

partners, including Valve (Steam), Glass Cannon, Nintendo, Sony and Microsoft, accounted for 92.92% of total revenue from sales of games, with revenue from Valve representing more than 50% of total revenue.

## 1.2. Operating expenses

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Depreciation and amortisation	3,333,042	4,567,347
Raw materials and consumables used	608,323	475,875
Services	20,038,142	23,803,073
Salaries, wages and employee benefits	9,588,136	9,999,334
Taxes and charges	320,436	261,861
<b>Total operating expenses</b>	<b>33,888,079</b>	<b>39,107,490</b>

### 1.3. Other income and expenses

#### Other income

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Compensation received	32,292	8,499
Expected credit loss	28,841	57,402
Gain on disposal of non-current non-financial assets	-	12,026
Other	3,731	1,063
<b>Total other income</b>	<b>64,864</b>	<b>78,990</b>

#### Other expenses

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Donations	290,911	4,005,992
VAT settlements written off	396,076	62,896
Other	1,443,155	488,405
<b>Total other expenses</b>	<b>2,130,142</b>	<b>4,557,293</b>

In the nine months ended September 30th 2023, the main item of other expenses was other costs comprising mainly business travel and advertising costs (PLN 1,282,958). In the nine months to September 30th 2022, the largest item of other

expenses was donations, including a PLN 3,664,435 donation to the Ukrainian Red Cross. The funds for this purpose were raised from the sale of 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-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Interest on bank deposits	1,359,887	200,070
Interest on loans advanced	37,170	9,859
IRS for credit facility	237,653	146,890
Interest income on bonds	861,795	753,196
Measurement of investment fund units	-	719,511
Measurement of IRS	-	645,396
Measurement of financial instruments (Starward Industries S.A.)	1,167,864	-
Expected credit loss	6,646	-
Exchange differences	607,033	5,390,681
Other	26,251	-
<b>Total finance income</b>	<b>4,304,299</b>	<b>7,865,604</b>

## Finance costs

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Interest on public charges	51,911	271
Interest on credit facilities	423,810	357,648
IRS for credit facility	-	2,023
Measurement of IRS	435,875	-
Interest on leases	20,675	17,657
<b>Total finance costs</b>	<b>932,271</b>	<b>377,599</b>

## 1.5. Income tax on continuing operations

### Income tax recognised in profit or loss

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
<b>Current income tax:</b>		
Attributable to current year	182,352	3,527,068
<b>Deferred income tax:</b>		
Attributable to current year	127,273	(163,921)
<b>Tax expense recognised in current year on continuing operations</b>	<b>309,625</b>	<b>3,363,147</b>

With respect to income tax, 11 bit studios S.A. is bound by laws and regulations of general application. The Company does not conduct operations in any Special Economic Zone, which

would entail the applicability of other rules for calculating taxes. The Company's fiscal and accounting year is the same as the calendar year.

### Effective tax rate:

	Jan 1-Sep 30 2023 (unaudited)	Jan 1-Sep 30 2022 (unaudited)
Profit before tax from continuing operations	1,660,363	23,328,225
Income tax expense at 19% (2022: 19%)	315,469	4,432,363
Tax effect of costs which are not deductible for tax purposes	607,162	(189,285)
Effect of IP Box tax relief settlement at 5% tax rate	(678,967)	(805,784)
Effect of 2021 settlements	-	(1,451,376)
Other changes – effect of IP Box on deferred tax	65,961	680,987
<b>Total</b>	<b>309,625</b>	<b>2,666,905</b>

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 18.65% in the nine months ended September 30th 2023, compared with 11.43% the year before.

With respect to sales of proprietary games the Company uses the IP Box relief, which was introduced on October 23rd 2018 pursuant to the Act Amending the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Legislation and certain other acts, and has been in effect since January 1st 2019. Under the Act, the Company's revenue from the sale of qualifying intellectual

property rights (games) multiplied by the nexus index was taxed at a preferential CIT rate (5%). In the nine months ended September 30th 2023, the IP Box relief amounted to PLN 678,967, compared with PLN 805,784 in the corresponding period of 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

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
VAT refund receivable	2,024,519	1,893,585
CIT refund receivable	1,460,125	2,980,694
<b>Current tax receivable and payable</b>	<b>3,484,644</b>	<b>4874 279</b>

Tax receivables included the IP Box tax relief described in this Note (PLN 678,967), the tax remaining to be deducted upon receipt of returns

from trading partners, and non-recovered withholding tax.

## 1.6. Earnings per share

### Basic earnings per share

	Sep 30 2023 (unaudited)	Sep 30 2022 (unaudited)
<b>Basic earnings per share:</b>		
From continuing operations	0.37	8.40
<b>Total basic earnings per share</b>	<b>0.37</b>	<b>8.40</b>
<b>Diluted earnings per share:</b>		
From continuing operations	0.37	8.29
<b>Total diluted earnings per share</b>	<b>0.37</b>	<b>8.29</b>

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

	Sep 30 2023 (unaudited)	Sep 30 2022 (unaudited)
Profit for the financial year attributable to shareholders	1,350,738	19,965,078
Total profit used to calculate basic earnings per share	1,350,738	19,965,078
<b>Profit used to calculate basic earnings per share from continuing operations</b>	<b>1,350,738</b>	<b>19,965,078</b>

	Sep 30 2023 (unaudited)	Sep 30 2022 (unaudited)
Weighted average number of ordinary shares used to calculate earnings per share	2,412,308	2,375,488



## Diluted earnings per share

	Sep 30 2023 (unaudited)	Sep 30 2022 (unaudited)
Profit for the financial year attributable to shareholders	1,350,738	19,965,078
Total profit used to calculate diluted earnings per share	1,350,738	19,965,078
<b>Profit used to calculate diluted earnings per share from continuing operations</b>	<b>1,350,738</b>	<b>19,965,078</b>

The weighted average number of shares used to calculate diluted earnings per share is reconciled

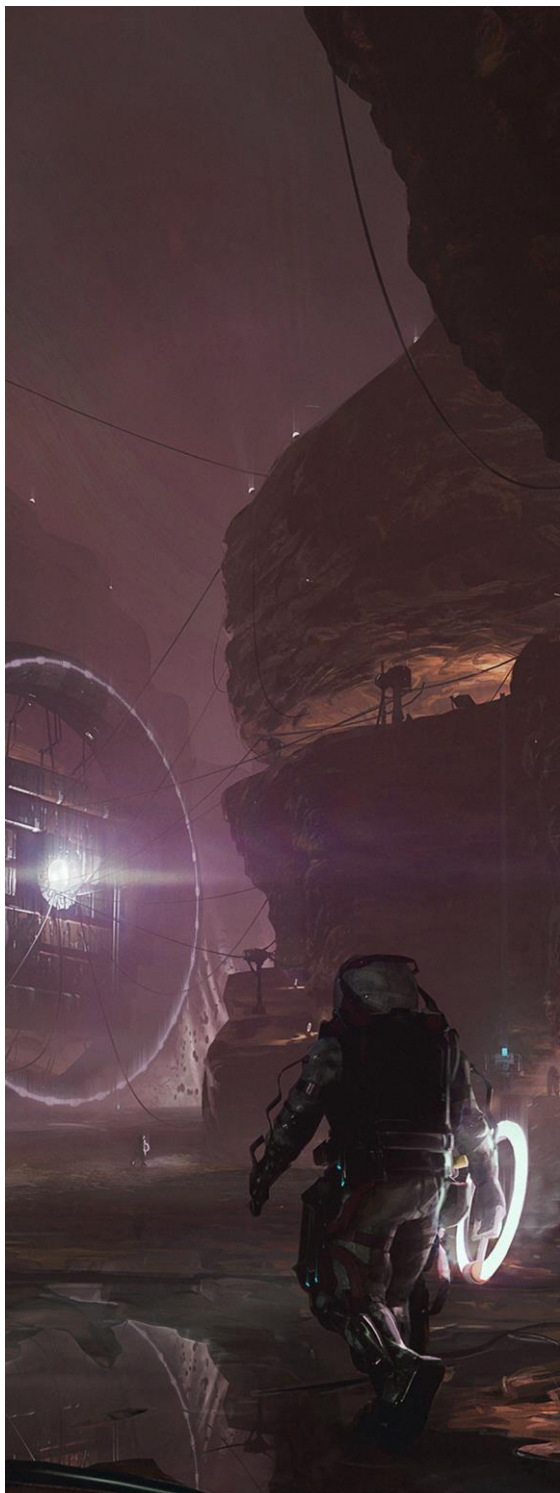
with the average used to calculate basic earnings per share in the following manner:

	Sep 30 2023 (unaudited)	Sep 30 2022 (unaudited)
Weighted average number of ordinary shares used to calculate basic earnings per share	2,412,308	2,375,488
<b>Shares expected to be issued:</b>		
Employee stock options	-	37,055
<b>Weighted average number of ordinary shares used to calculate diluted earnings per share*</b>	<b>2,423,947</b>	<b>2,412,543</b>

\* On April 12th 2023, the eligible individuals subscribed for the last 37,055 Series G shares issued in connection with the 2017–2019 Incentive Scheme. This is the reason for the difference between the weighted average number of shares in the reporting period and the number of shares as at the end of the reporting period.

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.

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 2.1. Property, plant and equipment

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>Gross amount as at Jan 1 2023</b>	<b>24,394,906</b>	<b>130,950</b>	<b>4,333,078</b>	<b>688,042</b>	<b>3,508,540</b>	<b>33,055,516</b>
Increase	59,525	1,343,024	528,206	-	107,590	2,038,345
Decrease	-	-	(32,131)	-	-	(32,131)
Reclassification	-	(1,365,495)	1,050,760	314,735	-	-
<b>Gross amount as at Sep 30 2023</b>	<b>24,454,431</b>	<b>108,479</b>	<b>5,879,913</b>	<b>1,002,777</b>	<b>3,616,130</b>	<b>35,061,730</b>
<b>Cumulative depreciation as at Jan 1 2023</b>	<b>2,076,426</b>	<b>-</b>	<b>3,642,937</b>	<b>388,613</b>	<b>2,052,818</b>	<b>8,160,794</b>
Depreciation	573,111	-	1,026,658	89,243	495,509	2,184,521
Decrease	-	-	(32,131)	-	-	(32,131)
<b>Cumulative depreciation as at Sep 30 2023</b>	<b>2,649,537</b>	<b>-</b>	<b>4,637,464</b>	<b>477,856</b>	<b>2,548,326</b>	<b>10,313,184</b>
<b>Net amount as at Jan 1 2023</b>	<b>22,318,480</b>	<b>130,950</b>	<b>690,141</b>	<b>299,429</b>	<b>1,455,722</b>	<b>24,894,722</b>
<b>Net amount as at Sep 30 2023</b>	<b>21,804,894</b>	<b>108,479</b>	<b>1,242,449</b>	<b>524,921</b>	<b>1,067,803</b>	<b>24,748,546</b>
	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
<b>Gross amount as at Jan 1 2022</b>	<b>24,305,970</b>	<b>374,316</b>	<b>2,894,560</b>	<b>372,854</b>	<b>3,459,479</b>	<b>31,407,179</b>
Increase	51,500	661,492	555,499	-	8,228	1,276,719
Decrease	-	-	(15,770)	-	-	(15,770)
Reclassification	-	(960,158)	637,167	315,189	7,802	-
<b>Gross amount as at Sep 30 2022</b>	<b>24,357,470</b>	<b>75,648</b>	<b>4,071,456</b>	<b>688,043</b>	<b>3,475,509</b>	<b>32,668,126</b>
<b>Cumulative depreciation as at Jan 1 2022</b>	<b>1,314,700</b>	<b>-</b>	<b>2,379,879</b>	<b>372,854</b>	<b>1,393,267</b>	<b>5,460,700</b>
Depreciation	571,107	-	995,037	-	487,052	2,053,196
Decrease	-	-	(15,770)	-	-	(15,770)
<b>Cumulative depreciation as at Sep 30 2022</b>	<b>1,885,808</b>	<b>-</b>	<b>3,359,145</b>	<b>372,854</b>	<b>1,880,320</b>	<b>7,498,127</b>
<b>Net amount as at Jan 1 2022</b>	<b>22,991,270</b>	<b>374,316</b>	<b>514,681</b>	<b>-</b>	<b>2,066,212</b>	<b>25,946,479</b>
<b>Net amount as at Sep 30 2022</b>	<b>22,471,663</b>	<b>75,648</b>	<b>712,311</b>	<b>315,189</b>	<b>1,595,189</b>	<b>25,170,000</b>

## 2.2. Perpetual usufruct of land

As at the issue date of these condensed interim 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 right 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 borrowed funds necessary to purchase a given asset for a similar term and with a similar security. The incremental borrowing rate used to measure the lease liability is 3.4%.

	2023	2022
<b>Perpetual usufruct of land – opening balance</b>	<b>4,225,080</b>	<b>4,281,361</b>
Increase	-	-
Decrease	-	-
Amortisation	(42,211)	(56,281)
<b>Perpetual usufruct of land – closing balance</b>	<b>4,182,868</b>	<b>4,225,080</b>

## 2.3. Intangible assets

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>Gross amount as at Jan 1 2023</b>	<b>6,813,631</b>	<b>40,207,994</b>	<b>1,378,211</b>	<b>96,206,815</b>	<b>144,606,651</b>
Increase	-	-	10,000	41,993,820	42,003,820
Reclassification of completed development work	-	-	-	-	-
Decrease	-	-	-	(4,341)	(4,341)
Discontinued work written off	-	-	-	-	-
<b>Gross amount as at Sep 30 2023</b>	<b>6,813,631</b>	<b>40,207,994</b>	<b>1,388,211</b>	<b>138,196,294</b>	<b>186,606,130</b>
<b>Cumulative amortisation as at Jan 1 2023</b>	<b>5,789,342</b>	<b>37,946,933</b>	<b>892,916</b>	<b>-</b>	<b>44,629,191</b>
Amortisation	1,023,880	1,227,193	153,462	-	2,404,535
Decrease	-	-	-	-	-
<b>Cumulative amortisation as at Sep 30 2023</b>	<b>6,813,222</b>	<b>39,174,126</b>	<b>1,046,378</b>	<b>-</b>	<b>47,033,726</b>
<b>Net amount as at Jan 1 2023</b>	<b>1,024,289</b>	<b>2,261,061</b>	<b>485,295</b>	<b>96,206,815</b>	<b>99,977,460</b>
<b>Net amount as at Sep 30 2023</b>	<b>409</b>	<b>1,033,868</b>	<b>341,833</b>	<b>138,196,294</b>	<b>139,572,404</b>

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
<b>Gross amount as at Jan 1 2022</b>	<b>6,813,631</b>	<b>38,056,770</b>	<b>934,772</b>	<b>52,926,025</b>	<b>98,731,198</b>
Increase	-	-	76,085	34,262,688	34,338,773
Reclassification of completed development work	-	2,151,224	-	(2,151,224)	-
Decrease	-	-	-	-	-
Discontinued work written off	-	-	-	-	-
<b>Gross amount as at Sep 30 2022</b>	<b>6,813,631</b>	<b>40,207,994</b>	<b>1,010,857</b>	<b>85,037,488</b>	<b>133,069,970</b>
<b>Cumulative amortisation as at Jan 1 2022</b>	<b>4,424,169</b>	<b>34,556,533</b>	<b>612,859</b>	<b>-</b>	<b>39,593,561</b>
Amortisation	1,023,880	2,765,771	208,358	-	3,998,011
Decrease	-	-	-	-	-
<b>Cumulative amortisation as at Sep 30 2022</b>	<b>5,448,049</b>	<b>37,322,304</b>	<b>821,217</b>	<b>-</b>	<b>43,591,570</b>
<b>Net amount as at Jan 1 2022</b>	<b>2,389,462</b>	<b>3,500,237</b>	<b>321,913</b>	<b>52,926,025</b>	<b>59,137,637</b>
<b>Net amount as at Sep 30 2022</b>	<b>1,365,582</b>	<b>2,885,688</b>	<b>189,641</b>	<b>85,037,488</b>	<b>89,478,400</b>

There were no research and development costs that did not meet the criteria to be capitalised on initial

recognition in the reporting period or comparative periods.

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

#### Completed development work:

Completed game engine development work as at September 30th 2023 included the capitalised cost of the fourth and fifth work phases.

Completed computer games development work as at September 30th 2023 comprised games released in earlier periods.

#### Ongoing development work:

As at September 30th 2023, expenditure on ongoing development work included mainly expenditure on the development of games, in particular *Frostpunk 2*, *The Alters*, *Project 8*, and third-party games released by the publishing division.

#### Testing ongoing development work for impairment:

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). The discount rate applied in these financial statements is 12.3%.

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.

An impairment test performed as at June 30th 2023 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.

## 2.4. Deferred tax (net)

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

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Deferred tax asset	942,072	969,335
Deferred tax liability	(551,726)	(451,716)
<b>Total</b>	<b>390,346</b>	<b>517,619</b>

All deferred tax assets are classified as current assets, because the items on which the asset is calculated are provisions for current expenses, including

royalties and provisions for bonuses. The Company expects the assets to be reversed in full within 12 months from the reporting date.

## Income tax assets/liabilities in the reporting period

	Jan 1 2023	Recognised in profit or loss	Sep 30 2023
<b>Assets</b>			
Provisions	110,807	75,187	185,994
Royalties payable	770,768	(125,545)	645,223
Liabilities	25,284	8,149	33,433
Remeasurement of financial assets	60,907	6,065	66,972
Depreciation and amortisation	1,569	8,881	10,450
<b>Provisions</b>			
Remeasurement of financial assets	(433,493)	(42,680)	(476,173)
Measurement of financial investments	(18,223)	(57,330)	(75,553)
<b>Total</b>	<b>517,619</b>	<b>(127,273)</b>	<b>390,346</b>

## Income tax assets/liabilities in the comparative period

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

## 2.5. 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 September 30th 2023

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Cost of shares – first tranche	2,619,216	2,619,216
Cost of shares – second tranche (estimate)	1,452,418	1,643,624
Share of profit/(loss) of associate	(325,673)	(287,106)
<b>Investment in associate Fool's Theory Sp. z o.o.</b>	<b>3,745,961</b>	<b>3,975,734</b>

On June 5th 2023, 11 bit studios S.A. signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A., under which it issued a surety to secure a PLN 3,500,000 one-year multi-purpose credit facility agreement concluded by PKO BP S.A.

with Fool's Theory Sp. z o.o. on June 5th 2023. The surety for up to PLN 5,250,000 is valid until the date of the facility repayment by Fool's Theory Sp. z o.o. It was granted on arm's length terms and does not give 11 bit studios S.A. control over the company.

### Selected data from the statement of financial position of Fool's Theory Sp. z o.o. as at September 30th 2023

	Sep 30 2023
Non-current assets	21,314,266
Current assets	2,484,198
Current liabilities	5,075,554
Non-current liabilities	-
Accruals and deferrals	19,517,119

## 2.6. Long-term investments

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Shares in Starward Industries S.A.	9,319,603	8,151,523
<b>Total long-term investments</b>	<b>9,319,603</b>	<b>8,151,523</b>

11 bit studios S.A. holds 116,787 shares in Starward Industries S.A. Their price at the close of trading on September 30th 2023 was PLN 79.80 per share.

## 2.7. Trade and other receivables

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Trade receivables	3,590,579	7,503,110
Taxes, grants, customs duties and social security	2,011,755	1,893,585
Other	52,691	75,056
<b>Total trade and other receivables</b>	<b>5,655,025</b>	<b>9,471,751</b>

### Trade receivables

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

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

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

Since the Company has cooperated for years with the same trading partners with a very high financial

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

The balances disclosed as at September 30th 2023 included receivables from the Company's largest customers, accounting for over 5% of total trade receivables.

### Receivables by customer:

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Company A	1,561,794	3,764,433
Company B	304,825	-
Company C	288,289	830,636
Company D	264,566	989,918
Company E	190,606	433,313

### Ageing analysis of trade receivables

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Short-term	3,428,758	6,607,694
1-30 days	59,696	409,450
31-60 days	111,153	193,778
61-90 days	1,094	152,122
91-120 days	-	179,506
121-360 days	1,171	695
Over 360 days	-	-
<b>Total</b>	<b>3,601,872</b>	<b>7,543,245</b>

## 2.8. Current financial assets

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Financial instruments	7,934,119	48,320,428
Loans to employees	703,131	1,309,430
Bank deposits with maturities of more than 3 months	21,363,595	7,068,688
<b>Total current financial assets</b>	<b>30,000,845</b>	<b>56,698,545</b>

### The financial instruments included:

	Acquisition date	Measurement as at acquisition date	Interest rate (%)	Measurement as at Sep 30 2023	Maturity date
PKO Bank Hipoteczny notes	May 23 2023	7,751,897	6.6	7,934,119	Nov 16 2023
<b>Total</b>		<b>7,751,897</b>		<b>7,934,119</b>	

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

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

Loans to employees are measured at amortised cost. The loans bear interest at 12M WIBOR plus 0.5% per annum. The interest rate on the loan advanced to Przemysław Marszał, President of the Company's Management Board, is 6%.

## 2.9. Cash and cash equivalents

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Cash in bank accounts and in hand	30,020,690	13,983,291
Short-term deposits (up to 3 months)	13,109,100	16,602,700
<b>Total</b>	<b>43,129,790</b>	<b>30,585,991</b>

Cash in hand and at banks as at September 30th 2023, by currency:

- PLN 3,919,340,
- USD 5,517,396 (PLN 24,109,363),
- EUR 429,679 (PLN 1,991,819),
- CNY 280 (PLN 168).

When measuring its cash, including cash denominated in foreign currencies, as at September

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).

30th 2023, the Company also measured expected credit losses (ECL), but the effect was not material.

## 2.10. Share capital

As at September 30th 2023, the Company's share capital consisted of 2,417,199 fully paid-up ordinary shares totalling PLN 241,719.9.

### Ordinary shares fully paid

	Number of shares	Share capital	Share premium
<b>As at Dec 31 2022</b>	<b>2,380,144</b>	<b>238,014</b>	<b>14,422,772</b>
Increase/decrease	37,055	3,706	3,809,938
<b>As at Sep 30 2023</b>	<b>2,417,199</b>	<b>241,720</b>	<b>18,232,710</b>

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

Changes in the share capital in the nine months ended September 30th 2023 resulted from the issue of 37,055 Series G shares.

## 2.11. Dividends paid

No dividends were paid by the Company in the period from January 1st to September 30th 2023 or in 2022.

## 2.12. Allocation of net profit for 2022

Based on the decision of shareholders present at the Annual General Meeting on May 31st 2023, the full amount of the Company's net profit for 2022 of PLN

22,889,816 was transferred to statutory reserve funds.

## 2.13. Credit facility

	2023	2022
<b>Opening balance</b>	<b>7,665,000</b>	<b>8,820,000</b>
Principal increase	-	-
Principal repayment	(945,000)	(1,155,000)
Interest accrued	423,810	462,606
Interest paid	(423,810)	(462,606)
<b>Closing balance</b>	<b>6,720,000</b>	<b>7,665,000</b>
including:		
- current	1,260,000	1,260,000
- non-current	5,460,000	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 September 30th 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 Sep 30 2023	As at Dec 31 2022	Interest rate	Repayment deadline
PKO BP S.A.	12,600,000	PLN	6,720,000	7,665,000	1M WIBOR + 0.9%.	Dec 11 2028
<b>Total</b>	<b>12,600,000</b>		<b>6,720,000</b>	<b>7,665,000</b>		

### 2.14.Provisions

	Provision for retirement and disability benefits	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
<b>As at Jan 1 2023</b>	<b>23,061</b>	<b>590,205</b>	<b>83,315</b>	<b>167,431</b>	<b>864,012</b>
<b>Increase:</b>					
Recognition	16,407	733,686	146,186	307,708	1,203,987
<b>Decrease:</b>					
Use	-	(473,849)	-	(800)	(474,649)
Reversal	(499)	-	-	-	(499)
<b>As at Sep 30 2023</b>	<b>38,969</b>	<b>850,042</b>	<b>229,501</b>	<b>474,339</b>	<b>1,592,851</b>
including:					
- current	1,281	850,042	229,501	474,339	1,555,163
- non-current	37,688	-	-	-	37,688

	Provision for retirement and disability benefits	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
<b>As at Jan 1 2022</b>	<b>10,891</b>	<b>398,378</b>	<b>57,524</b>	<b>194,629</b>	<b>661,422</b>
<b>Increase:</b>					
Recognition	1,530	520,709	1,668,832	1,824,475	4,015,546
<b>Decrease:</b>					
Use	-	(318,329)	-	(200,550)	(518,879)
Reversal	(1,753)	-	-	(314)	(2,067)
<b>As at Sep 30 2022</b>	<b>10,668</b>	<b>600,758</b>	<b>1,726,356</b>	<b>1,818,240</b>	<b>4,156,022</b>
including:					
- current	671	600,758	1,726,356	1,818,240	4,146,015
- non-current	9,997	-	-	-	9,997



**2.15. Lease liabilities**

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
<b>Lease liabilities – opening balance</b>	<b>766,130</b>	<b>769,979</b>
Increase	-	-
Decrease	-	-
Charges for perpetual usufruct of land	(1,427)	(3,849)
<b>Lease liabilities – closing balance</b>	<b>764,703</b>	<b>766,130</b>
including:		
- current	15,257	15,254
- non-current	749,446	750,876

**2.16. Trade and other payables**

	Sep 30 2023 (unaudited)	Dec 31 2022 (audited)
Trade payables	2,730,420	549,958
Provisions for product returns	41,811	64,461
Guarantee deposits – Brzeska 2	11,900	9,650
Taxes, customs duties, insurance and other dues	926,179	1,988,841
Accruals and deferred income (provision for audit and other invoices)	295,871	221,014
Amounts payable to employees	15,591	18,195
Other	41,791	41,793
<b>Total trade and other payables</b>	<b>4,063,563</b>	<b>2,893,912</b>

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

policies in place to ensure timely payment of liabilities.

**2.17. Contractual maturities of liabilities****Time to maturity as at September 30th 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	1,870,427	859,786	207	-	-	<b>2,730,420</b>
Lease liabilities	2,456	4,912	22,104	147,360	2,065,505	<b>2,242,337</b>
Royalties payable	-	-	3,395,910	-	-	<b>3,395,910</b>
Credit facility	105,000	210,000	945,000	5,040,000	420,000	<b>6,720,000</b>
Liabilities arising from acquisition of shares in associate	-	-	-	1,452,418	-	<b>1,452,418</b>

**Time to maturity as at December 31st 2022**

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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



# 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

September 30th 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 Sep 30 2023	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
<b>Financial assets</b>				
PKO Leasing and PKO Bank Hipoteczny notes	7,934,119	-	-	7,934,119
Cash	43,129,790	-	-	43,129,790
Investments in associates	-	3,745,961	-	3,745,961
Long-term investments	-	9,319,603	-	9,319,603
Bank deposits with maturities of more than 3 months	21,363,595	-	-	21,363,595
Trade and other receivables	5,655,025	-	-	5,655,025
Loans to employees	703,131	-	-	703,131
IRS	-	328,637	-	328,637
<b>Financial liabilities</b>				
Trade and other payables	4,063,563	-	-	4,063,563
Royalties payable	3,395,910	-	-	3,395,910
Liabilities arising from acquisition of shares in associate	-	1,452,418	-	1,452,418
Credit facility	6,720,000	-	-	6,720,000
Lease liability	764,703	-	-	764,703
<b>Total</b>	<b>93,729,836</b>	<b>14,846,619</b>	<b>-</b>	<b>108,576,455</b>

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

### 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 to 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.

	Sep 30 2023	Dec 31 2022	Fair value hierarchy
Measurement of IRS	328,637	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:

Start date of the Scheme	Jan 1 2021
Grant date (date of signing the participation agreements)	Mar 10 2021
Grant date 2 (date of signing the participation agreements)	Sep 22 2023
Vesting date	Dec 31 2025
11 bit studios S.A. share price on grant date (PLN)	517
11 bit studios S.A. share price on grant date 2 (PLN)	697
Six-month volatility of 11 bit studios S.A. share price (%)	34.43
Six-month volatility of 11 bit studios S.A. share price 2 (%)	29.40
Risk-free rate (%)	0.86
Risk-free rate 2 (%)	5.25
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 Sep 22 2023	34,771
Number of Incentive Scheme warrants granted as at Sep 30 2023	109,921
Measurement of warrants (PLN)	199,84338
Measurement of warrants 2 (PLN)	331,62706
Scheme valuation as at Sep 30 2023 (PLN)	26,549,235
Statement of profit or loss – employee benefits expense in 2021	3,347,377
Statement of profit or loss – employee benefits expense in 2022	2,955,683
Statement of profit or loss – employee benefits expense in Q1–Q3 2023	2,013,368
Total Incentive Scheme cost as at Dec 31 2025 remaining to be recognised (PLN)	18,232,807

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 Expert, 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 September 30th 2023 and from January 1st to September 30th 2022:

	Sep 30 2023	Sep 30 2022
Arkona – Paweł Miechowski*	180,111	180,000
Marek Ziemak*	53,766	-
Paweł Feldman*	56,212	-
Fool's Theory Sp. z o.o.	1,478,949	6,482,221
<b>Total</b>	<b>1,769,038</b>	<b>6,662,221</b>

\* 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 entire loan amount was repaid.

On April 5th 2023, in accordance with Art. 245.1, 245.4 and 245.8 of the Commercial Companies Code and pursuant to Resolution No. 21/06/2020 of the Company's Annual General Meeting of June 9th 2020, the Company entered into a loan agreement

with Przemysław Marszał, President of the Management Board, to directly finance the acquisition of shares offered under the 2017–2019 Incentive Scheme. The loan amount was PLN 800,000. As at the end of the reporting period, the amount outstanding under the loan (including interest) was PLN 671,495.

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 September 30th 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 nine months to September 30th 2023 and in the comparative period is presented below.

	Jan 1-Sep 30 2023	Jan 1-Sep 30 2022
Short-term benefits – Management Board:	4,093,888	3,073,586
Short-term benefits – Supervisory Board:	332,691	246,906
<b>Total</b>	<b>4,426,578</b>	<b>3,320,492</b>

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

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

nine months ended September 30th 2023 or nine months ended September 30th 2022. However, they participate in the 2021–2025 Incentive Scheme, as described in detail (together with the valuation) in **Note 3.2** to these condensed interim financial statements.

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

	Jan 1-Sep 30 2023	Jan 1-Sep 30 2022
Short-term benefits – Management Board (civil-law contracts and cooperation agreements)	270,061	152,935
<b>Total</b>	<b>270,061</b>	<b>152,935</b>

### Other related-party transactions

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

### Information on related-party transactions

No transactions were executed on a non-arm's length basis in the period from January 1st to September 30th 2023 or in the comparative period.

#### 4.2. Off-balance-sheet commitments

As at the issue date of this report for the nine months ended September 30th 2023, the Company had off-balance-sheet commitments to incur expenditure (on intangible assets only) of EUR 3,612,993, PLN

2,397,488 and USD 44,162. 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 situated on the property, and 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 September 30th 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 nine months to September 30th 2023.

### 4.5. Events subsequent to the reporting date

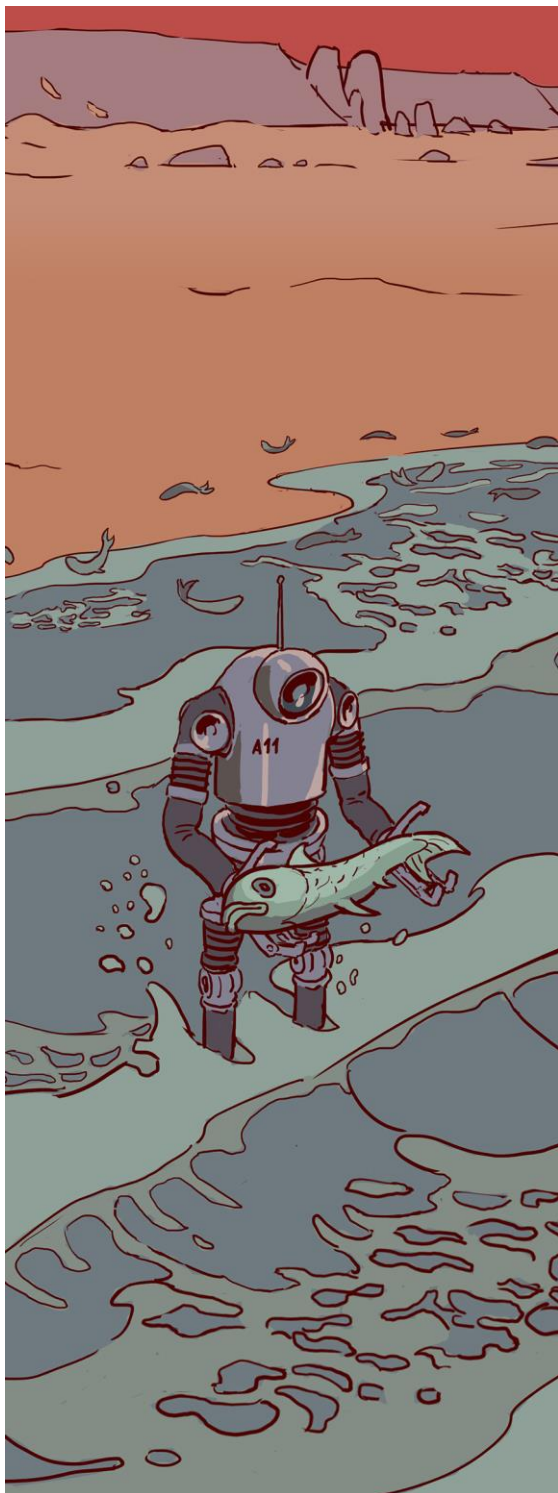
On October 18th 2023, 11 bit studios S.A. announced, in Current Report No. 24/2023, that it would be the publisher of *INDIKA*, a game developed by Odd Meter (Kazakhstan). The game will be released for PC and for Xbox Series X/S and PlayStation 5, with the premiere date scheduled for the first quarter of 2024. *INDIKA* is an adventure game with a rich storyline placed in an alternative version of the 19th century Russia. The Management Board of 11 bit studios S.A. decided, in consultation with the game producer, to donate a part of revenue generated by *INDIKA* to support child victims of the war in Ukraine.

November 6th 2023 saw the release of *The Invincible*, developed by Starward Industries S.A. of Kraków, with 11 bit studios S.A. as the publisher. The Company holds 5.99% of shares in Starward

Industries S.A. *The Invincible* was offered for PC and for PS5 and Xbox Series X/S.

On November 15th 2023, 11 bit studios S.A. announced, in Current Report No. 26/2023, its decision to change the release date for *The Thaumaturge* (for PC) to February 20th 2024, from the initially planned December 5th 2023. The console version of *The Thaumaturge* for Xbox Series X/S and PlayStation 5 is scheduled to be launched at a later date. The reason behind the decision is that the development studio, Fool's Theory sp. z o.o., wants to refine the game, which, as the Company's Management Board believes, should increase its commercial and sales potential.

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



# 5.

## OTHER INFORMATION RELEVANT TO THE QUARTERLY REPORT

## 5.1. Significant achievements or failures in January 1st to September 30th 2023

In the reporting period, 11 bit studios S.A. posted revenue of PLN 34,280,259, a 42.47% (PLN 59,582,490) decrease year on year. 39% of the revenue was derived from sales of games developed by third parties who used the publishing services provided by the Company. This is in line with the figure reported for the reference period.

The year-on-year decline in revenue in the nine months ended September 30th 2023 was mainly attributable to the high base, as well as the gradual ageing of the Company's products, which has an adverse effect on the sales volumes and retail prices of games from the proprietary and publishing portfolios. With no new releases in the reporting period (apart from the board game version of *Frostpunk*, which premiered on February 23rd this year), 11 bit studios S.A. focused on effective monetisation of the existing product portfolio. The Company attached great importance to maximising exposure of its products on major distribution platforms. Given the highly mature product portfolio, these efforts based on long-standing relationships with key trading partners are of strategic importance to the sales levels. In the nine months to September 30th 2023, sales came in higher than assumed in internal budgets for that period.

Operating expenses in the nine months ended September 30th 2023 were PLN 36,018,221, a 17.51% 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. The largest item of operating expenses in the first nine months of 2023, as well as in the comparative period, was cost of services (PLN 20,038,142 vs PLN 23,803,073 the year before). It included royalties for the producers of *Moonlighter* and *Children of Morta*, which were lower by almost a half than in the corresponding period of the previous year. Marketing costs were a rapidly growing component of the cost of services. They are rising in line with increasing expenditure incurred to prepare for the upcoming releases of games from the proprietary and publishing portfolios (e.g. cost of production of film trailers, translations, tests and participation in trade fairs), and are expected to grow further in subsequent periods. In the nine months ended September 30th 2023, the Company spent PLN 9,588,136 on salaries and wages (PLN 9,999,334 the year before). It should be noted, however, that the item included a non-cash provision (PLN 2,013,368 vs PLN 2,213,265 the year before) recognised every quarter (until the fourth quarter of 2025 inclusive) for the costs of the 2021–2025 Incentive Scheme. At PLN 3,333,042, depreciation and amortisation was a considerable item of operating expenses in the first three quarters of 2023 (down 27.02% year on year). The decrease in its amount 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.

Given the year-on-year drop in revenue, accompanied by a slower rate of decline in operating expenses, in the nine months ended September 30th 2023 11 bit studios S.A. posted an operating loss of PLN 1,673,098, compared with an operating profit of PLN 15,996,697 earned a year earlier. EBITDA in the reporting period went down to PLN 1,659,944 from PLN 20,564,044 the year before.

The balance of finance income and finance costs, at PLN 3,372,028, had a positive effect on the Company's results for the nine months ended September 30th 2023. In the reference period, its effect was even more significant, at PLN 7,488,005. The positive balance of finance income and finance costs in the first nine months of this year included income from the management of surplus cash (interest on bank deposits and safe financial instruments) and upward remeasurement of 11 bit studios S.A.'s holding in Starward Industries S.A. (116,787 shares representing 5.99% of the company's share capital). On a year-to-date basis, after the first nine months of 2023, finance income from the remeasurement was PLN 1,167,864, down from PLN 4,694,832 as at June 30th 2023. The three months ended September 30th 2023 saw a steep decline in Starward Industries S.A.'s stock price, and this trend has continued in the fourth quarter of 2023 and as at the issue date of this report. In the reporting period, 11 bit studios S.A.'s total finance income, including foreign exchange gains, was PLN 4,304,299. On the other hand, finance costs, including the cost of debt service on the credit facility contracted in December 2018 to purchase the office building at ul. Brzeska 2 in Warsaw (the Company's current headquarters), amounted to PLN 932,271.

The net finance income contributed to 11 bit studios S.A.'s profit before tax of PLN 1,660,363 for the nine months ended September 30th 2023, relative to PLN 23,328,225 in the corresponding period of the previous year. The Company posted a net profit of PLN 1,350,738, a year-on-year decrease of 93.38%, from PLN 20,394,550. Net profit margin was 3.94%, compared with 34.23% the year before.

In the nine months to September 30th 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 over 80 members, some 50 members and almost 50 members, respectively. The growing production resources translated into increased spending on game development, which reached as much as PLN 41,993,820 in the reporting period vs PLN 34,107,931 in the comparative period. All games in the proprietary product portfolio,



primarily *Frostpunk 2* and *The Alters*, were in an advanced development phase and underwent successive rounds of external tests, which will continue in subsequent periods. The release dates for the proprietary titles have not been disclosed yet. However, at the annual Investor Conference held on June 14th 2023, the Company announced that *Frostpunk 2* and *The Alters* would be launched in the first half of 2024. The Management Board also upholds the plan to release *Project 8* by the end of 2025.

In the reporting period, 11 bit studios S.A.'s publishing division focused on producing and preparing the releases of new games developed by third-party studios and acquiring new titles for the publishing portfolio as well as monetising the titles released in previous quarters. The first of the announced releases of third-party games, i.e. the premiere of *The Invincible*, took place after the reporting period, on November 6th 2023. Another game, *The*

*Thaumaturge*, will premiere on February 20th 2024. As at the issue date of this report, there were four projects in the publishing portfolio of 11 bit studios S.A. The first one is the abovementioned *The Thaumaturge*, being developed by Fool's Theory studio of Bielsko-Biała. 11 bit studios S.A. holds 40% of shares in this company. The portfolio also includes two games being produced by Spanish developers, with working titles *Botin* and *Ava*, and *INDIKA* from the Odd Meter studio of Kazakhstan, started in the reporting period. The total investment budget allocated to those projects is approximately PLN 50m.

11 bit studios S.A. intends to step up the expansion of its publishing division and increase its budget. The Company is negotiating new publishing agreements, which will be announced in subsequent periods.

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

There were no non-recurring events during the reporting period that 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*	229,878	9.51	229,878	9.51
Grzegorz Miechowski	168,413	6.97	168,413	6.97
N-N PTE*	144,900	5.99	144,900	5.99
Esaliens TFI**	120,965	5.00	120,965	5.00
Przemysław Marszał	120,863	5.00	120,863	5.00
Michał Drozdowski	100,044	4.14	100,044	4.14
Paweł Feldman	10,436	0.43	10,436	0.43
Marek Ziemak	1,002	0.04	1,002	0.04
Other shareholders	1,520,698	62.92	1,520,698	62.92
<b>Total</b>	<b>2,417,199</b>	<b>100.00</b>	<b>2,417,199</b>	<b>100.00</b>

\* Number of shares registered at the Annual General Meeting held on May 31st 2023.

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

In Current Report No. 7/2023 of April 4th 2023, 11 bit studios S.A. announced 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

		Number of shares as at the issue date of the report	Number of shares as at Sep 30 2023	Number of shares as at Dec 31 2022
Przemysław Marszał	President of the Management Board	120,863	120,863	103,500
Grzegorz Miechowski	Member of the Management Board	168,413	168,413	170,413
Michał Drozdowski	Member of the Management Board	100,044	100,044	84,630
Paweł Feldman	Member of the Management Board	10,436	10,436	13,936
Marek Ziemak	Member of the Management Board	1,002	1,002	2,542
Marcin Kuciapski	Member of the Supervisory Board	1,500	1,500	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 changes in the holdings of Company shares by the management and supervisory staff, as 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

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., with interest rate set 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. with interest rate also set at 8.16% per annum. Both loans were repaid on June 7th 2023 together with accrued interest.

On June 5th 2023, 11 bit studios S.A. signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A., under which it issued a surety to secure a PLN 3,500,000 one-year multi-purpose credit facility agreement concluded by PKO BP S.A. with Fool's Theory Sp. z o.o. on June 5th 2023. The surety for up to PLN 5,250,000 is valid until the date of the facility repayment by Fool's Theory Sp. z o.o. It was granted on arm's length terms. In the Company's opinion, as at the reporting date there were no grounds for recognising provisions in respect of the surety.

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

11 bit studios S.A.'s performance over the next months, including the remaining part of 2023, will be determined by the launch of games in the publishing division, i.e. *The Invincible* and *The Thaumaturge* (the latter scheduled for release in the first quarter of 2024), and by further monetisation of the Company's portfolio of existing products, primarily *Frostpunk*.

*The Invincible*, developed by Starward Industries S.A. of Kraków (in which 11 bit studios S.A. holds 5.99% of the share capital), was released on November 6th 2023 for PC and for the PS5 and Xbox Series S/X consoles. The game is based on a book of the same title by the Polish writer Stanisław Lem. 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. *The Invincible* received very favourable reviews from gamers immediately after its release. According to the *Metacritic* website, which aggregates user reviews, its average score was over 9/10. Unfortunately, this did not translate into equally high sales volumes in the lead-up to and aftermath of the release. Therefore, the Company has planned, in cooperation with the game developer, a range of initiatives, including marketing activities, to stimulate sales of *The Invincible* in subsequent periods and extend its monetisation.

The other game planned for launch in 2023 was *The Thaumaturge*, being 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. The release of *The Thaumaturge* for PC, originally scheduled for December 5th 2023, was postponed to February 20th 2024. The console versions will be released after that date. *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 promotional campaign for the game started in February this year

Monetisation of the existing product portfolio will remain an important driver of 11 bit studios S.A.'s results over the next months, at least until the release of the proprietary games, *Frostpunk 2* and *The Alters*, planned for the first half of 2024. The Company will focus on further 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. One manifestation of those efforts 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.

Over the next quarters, revenue will also be generated from continuing sales of *This War of Mine* and products from the publishing portfolio, including in particular *Moonlighter* and *Children of Morta*, although their contribution will gradually decrease due to the natural ageing of the games. The Company engages in various activities to maintain monetisation of these titles, a case in point being inclusion of *This War of Mine* in the official supplementary reading list for secondary schools in Poland at the beginning of the school year 2023/2024. The Company had campaigned for that over the past couple of years.

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 this report, 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 150m. As already mentioned, the first two of these games are expected to be launched in the first half of 2024. *Project 8* will be released 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

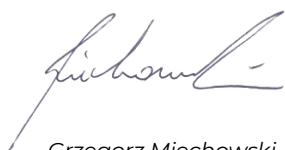
business and growth in publishing revenue. In the medium term, 11 bit studios S.A. wants to launch three to four third-party games annually. The Company is working intensively to expand its publishing portfolio, strengthening its publishing team and other resources accordingly. Currently, the pipeline consists of four projects. Apart from *The Thaumaturge*, which will debut on February 20th 2024, it includes *INDIKA*, being developed by the Kazakh studio Odd Meter (11 bit studios S.A. announced the execution of the publishing agreement on October 18th 2023). The game is scheduled for release in the first quarter of 2024. The publishing portfolio also includes *Botin* and *Ava* (code names).

These condensed interim financial statements were authorised for issue by the Management Board on November 17th 2023.

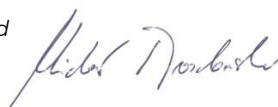
Signed by:



Przemysław Marszał  
President of  
the Management Board



Grzegorz Miechowski  
Member of  
the Management Board



Michał Drozdowski  
Member of  
the Management Board



Paweł Feldman  
Member of  
the Management Board



Marek Ziemak  
Member of  
the Management Board

Warsaw, November 17th 2023



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