

Warsaw, 27 August 2024

HALF-YEAR REPORT

OF 11 BIT STUDIOS S.A.

FOR THE SIX
MONTHS ENDED
30 JUNE

20 24



MAKE
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STUDIOS

LETTER FROM THE MANAGEMENT BOARD

Warsaw, 27 August 2024

DEAR SHAREHOLDERS AND INVESTORS,

It is our pleasure to present to you the half-year report of 11 bit studios S.A. for the six months ended 30 June 2024. During the period, we earned PLN 30.76 million in revenue. The year-on-year increase of 24.16% was driven by the recent product portfolio additions from our publishing division: *The Invincible* (released on 6 November 2023), *The Thaumaturge* (6 March 2024) and *INDIKA* (2 May 2024). Over the first six months of this year, sales of third-party developed titles already accounted for 52% of 11 Bit Studios S.A.'s total revenue. However, the revenue growth was not sufficient to offset higher operating expenses, which rose 49% year on year, largely due to the preparations for the upcoming launches of the in-house titles *Frostpunk 2* and *The Alters*. As a result, in the six months ended 30 June 2024, 11 bit studios S.A. posted an operating loss of PLN 5.35 million, and a net loss of PLN 0.48 million. It is important to note that the level of the net loss for the first half of 2024 was significantly influenced by the profit reported by the associated company Fool's Theory Sp. z o.o.

We are confident that our financial results in the coming periods will be much stronger, and that the years 2024–2026 will be record-breaking for 11 bit studios S.A. These optimistic projections are based on the anticipated strong sales of *Frostpunk 2* and *The Alters*, supported by sales of third-party titles and the future release of *Project 8* (code name). *Frostpunk 2* for PC is slated for release on 20 September 2024, with *The Alters* scheduled to follow a few weeks later for PC, Xbox Series X/S and PS5. We will announce the exact release date in the first half of September. Both *Frostpunk 2* and *The Alters* will be available on the Game Pass service on their respective release dates, as part of the agreement signed last year with Microsoft Corporation.

We are putting our full effort into ensuring the successful market debut of these games. We are committed to delivering titles of the highest technical quality, offering players world-class entertainment. That is why *Frostpunk 2* and *The Alters* have undergone extensive testing and quality assurance for several months, involving both our internal QA teams and external testers. We are also

closely monitoring player feedback on the early excerpts of both games that have been shared. We are pleased with the thousands of completed surveys we have received, and the suggestions they contain will help us refine the games to better meet our fans' expectations. We are aware of the strong anticipation for the releases, as reflected in Steam wish list rankings. *Frostpunk 2* currently ranks 3rd among Steam's most anticipated launches, while *The Alters* is ranked 46th and steadily moving up. This is a testament to the hard work of our marketing department, who are dedicated to making our titles known worldwide. Recent marketing efforts include May's screenings of *Frostpunk 2* and *The Alters* in Warsaw, attended by nearly 100 gaming media representatives, including journalists and influencers from around the globe. Additionally, a collaborative campaign run in partnership with IGN, the world's largest gaming media outlet, featured video materials on *The Alters* in late June and early July. A few days ago, we announced the release date for the *Frostpunk* universe anthology, set for 25 September 2024. The anthology was overseen by Jacek Dukaj, one of Poland's most renowned science fiction writers and a globally recognised author. Another highlight of our recent activities was at Gamescom, which concluded a few days ago. *Frostpunk 2* won the prestigious Best Gameplay award, while the third-party title *Creatures of Ava* took home the Games for Impact award. In total, our titles, including *The Alters*, received eight nominations for major awards across various categories.

We have more promotional activities planned for both games and have yet to reveal the full extent of the promotional campaign, which will involve our business partners and the world's top gaming media. We will be unveiling more details as we move forward.

Once again, we thank you for the trust you place in our Company and invite you to read the Report.

Signed by:



Przemysław Marszał
President of
the Management Board



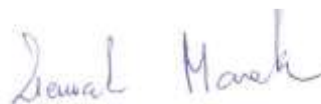
Grzegorz Miechowski
Member of
the Management Board



Michał Drozdowski
Member of
the Management Board



Paweł Feldman
Member of
the Management
Board



Marek Ziemak
Member of
the Management
Board

FINANCIAL HIGHLIGHTS

	PLN		EUR	
	1 Jan – 30 Jun 2024	1 Jan – 30 Jun 2023	1 Jan – 30 Jun 2024	1 Jan – 30 Jun 2023
Revenue	30,760,568	24,775,454	7,135,533	5,370,790
Depreciation and amortisation	(2,917,748)	(2,312,095)	(676,830)	(501,213)
Operating profit	(5,352,141)	628,869	(1,241,537)	136,325
EBITDA	(2,434,393)	2,940,964	(564,706)	637,538
Profit (loss) before tax	128,069	4,764,079	29,708	1,032,751
Net profit/(loss)	(477,805)	4,013,206	(110,837)	869,977
Net cash from operating activities	19,703,457	2,925,962	4,570,613	634,286
Net cash from investing activities	(12,046,275)	2,677,095	(2,794,376)	580,337
Net cash from financing activities	(837,953)	2,762,833	(194,380)	598,923
Total net cash flows	6,819,228	8,365,890	1,581,857	1,813,546

	PLN		EUR	
	30 Jun 2024	31 Dec 2023	30 Jun 2024	31 Dec 2023
Total assets	277,394,075	258,328,148	64,315,807	59,413,098
Non-current assets	220,626,749	191,392,967	51,153,895	44,018,622
Current assets	56,767,325	66,935,181	13,161,912	15,394,476
Equity	230,459,583	227,065,033	53,433,708	52,222,869
Non-current liabilities	5,923,308	6,558,820	1,373,361	1,508,468
Current liabilities	41,011,184	24,704,295	9,508,737	5,681,761

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 4.3109 from 1 January to 30 June 2024, and 1 EUR = PLN 4.6130 from 1 January to 30 June 2023.
- 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 4.3130 as at 30 June 2024, and EUR 1 = PLN 4.3480 as at 31 December 2023.

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CONDENSED INTERIM FINANCIAL STATEMENTS
OF 11 BIT STUDIOS S.A.

FOR THE SIX MONTHS ENDED
30 JUNE 2024

PREPARED IN ACCORDANCE WITH IAS 34 *INTERIM FINANCIAL REPORTING*, AS ENDORSED BY THE EUROPEAN UNION

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Period 6 months ended 30 Jun 2024 <i>(unaudited)</i>	Period 6 months ended 30 Jun 2023 <i>(unaudited)</i>	Period 3 months ended 30 Jun 2024 <i>(unaudited)</i>	Period 3 months ended 30 Jun 2023 <i>(unaudited)</i>
Revenue	1.1.	30,760,568	24,775,454	15,434,297	10,012,068
Other income	1.2.	4,599	31,472	4,506	(22,698)
Total operating income		30,765,167	24,806,926	15,438,803	9,989,370
Depreciation and amortisation	1.2.	(2,917,748)	(2,312,095)	(2,005,336)	(1,190,746)
Raw materials and consumables used	1.2.	(509,242)	(390,104)	(313,452)	(184,422)
Services	1.2.	(17,262,742)	(13,622,564)	(8,903,660)	(5,874,947)
Salaries, wages and employee benefits	1.2.	(13,316,140)	(6,475,194)	(7,304,251)	(3,156,342)
Taxes and charges	1.2.	(502,670)	(116,320)	(367,541)	33,739
Other expenses	1.3.	(1,608,765)	(1,261,781)	(865,762)	(872,401)
Total operating expenses		(36,117,307)	(24,178,057)	(19,760,001)	(11,245,118)
Operating profit		(5,352,141)	628,869	(4,321,199)	(1,255,748)
Finance income	1.4.	1,423,440	6,585,053	578,913	4,701,645
Finance costs	1.4.	(615,425)	(2,528,860)	(41,217)	(1,525,518)
Share in profit/(loss) of associate		4,672,195	79,017	5,043,814	(11,749)
Profit before tax		128,069	4,764,079	1,260,311	1,908,630
Income tax expense	1.5.	(605,874)	(750,873)	(132,450)	(361,373)
NET PROFIT		(477,805)	4,013,206	1,127,861	1,547,257
Earnings per share:					
Basic	1.6.	(0.20)	1.67	0.46	0.63
Diluted	1.6.	(0.20)	1.66	0.46	0.63
NET PROFIT		(477,805)	4,013,206	1,127,861	1,547,257
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		(477,805)	4,013,206	1,127,861	1,547,257

INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
ASSETS			
Non-current assets		220,626,749	191,392,967
Property, plant and equipment	2.1.	23,225,259	24,202,561
Perpetual usufruct of land	2.2.	4,140,656	4,168,798
Intangible assets	2.3.	182,674,958	155,367,739
Deferred tax asset	2.4.	2,188,485	2,039,472
Investments in associates	2.5.	6,833,034	3,626,510
Other assets	2.7.	56,594	84,685
Long-term investments	2.6.	1,258,964	1,652,536
Financial instruments (IRS)	3.1.	248,800	250,666
Current assets		56,767,325	66,935,181
Trade and other receivables	2.8.	10,820,690	10,741,528
Income tax receivable	1.5.	2,034,508	804,451
Merchandise		47,311	1,510
Other current assets	2.7.	887,607	939,838
Financial instruments (IRS)		69,432	61,388
Current financial assets		40,899	16,830,492
Cash and cash equivalents	2.10.	42,866,878	37,555,974
TOTAL ASSETS		277,394,075	258,328,148

	Note	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
EQUITY AND LIABILITIES			
Equity	2.11.	230,459,583	227,065,033
Share capital	2.11.	241,720	241,720
Share premium	2.11.	18,232,710	18,232,710
Statutory reserve funds		178,071,407	172,043,090
Share-based payment reserve		34,391,552	36,229,989
Retained earnings		(477,805)	317,524
Non-current liabilities		5,923,308	6,558,820
Borrowings	2.13.	4,515,000	5,145,000
Employee benefit and other provisions	2.14.	24,617	29,148
Lease liabilities	2.15.	747,981	748,962
Deferred income	2.16.	635,710	635,710
Current liabilities		41,011,184	24,704,295
Trade and other payables	2.16.	3,498,676	2,918,000
Royalties payable		4,474,333	3,227,816
Borrowings	2.13.	1,260,000	1,260,000
Employee benefit and other provisions	2.14.	7,412,635	2,462,361
Lease liabilities	2.15.	15,254	15,254
Liabilities arising from acquisition of shares in associate		-	1,465,671
Contract liabilities	2.18.	24,350,286	13,355,194
Total liabilities		46,934,492	31,263,115
TOTAL EQUITY AND LIABILITIES		277,394,075	258,328,148

INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
As at 1 Jan 2024 (audited)	241,720	18,232,710	172,043,090	36,229,989	317,524	227,065,033
Net profit for the financial year	-	-	-	-	(477,805)	(477,805)
Total comprehensive income	-	-	-	-	(160,281)	226,587,227
Decrease in statutory reserve funds – correction for prior years	-	-	(208,085)	-	208,085	-
Transfer from share-based payment reserve	-	-	5,710,793	(5,710,793)	-	-
Allocation of profit to statutory reserve funds	-	-	525,609	-	(525,609)	-
Recognition of costs of the 2021–2025 Incentive Scheme	-	-	-	3,872,356	-	3,872,356
As at 30 Jun 2024 (unaudited)	241,720	18,232,710	178,710,407	34,391,552	(477,805)	230,459,583

	Share capital	Share premium	Statutory reserve funds	Capital reserve	Retained earnings	Total
As at 1 Jan 2023 (audited)	238,014	14,422,772	149,153,274	38,047,889	22,681,731	224,543,680
Net profit for the financial year	-	-	-	-	4,013,206	4,013,206
Total comprehensive income	-	-	-	-	26,694,937	228,556,886
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	-	-	-	1,420,887	-	1,420,887
As at 30 Jun 2023 (unaudited)	241,720	18,232,710	172,043,090	39,468,776	3,805,121	233,791,416

* Net of the cost of issue of Series G shares of PLN 17,102.

INTERIM STATEMENT OF CASH FLOWS

	Note	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Cash flows from operating activities			
Profit for period	1.6.	(477,805)	4,013,206
Adjustments:			
Depreciation and amortisation	1.2.	2,917,748	2,312,095
Income tax expense recognised in profit or loss	1.5.	605,874	750,873
Remeasurement of intangible assets		-	41,582
Costs of the 2021–2025 Incentive Scheme	3.2.	3,872,356	1,420,887
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss		387,393	(5,004,614)
Share of (profit)/loss of associate		(4,672,195)	(79,017)
Net interest income		(597,100)	(1,322,541)
Foreign exchange losses on cash		1,508,324	-
Other adjustments		421,399	(119,571)
Changes in working capital:			
Change in trade and other receivables		(79,162)	(11,407,583)
Change in withholding tax receivables		(836,023)	-
Change in inventories		(45,800)	-
Change in other assets		80,323	129,359
Change in trade and other payables		1,826,211	(132,740)
Change in contract liabilities		10,995,092	12,721,652
Change in provisions		4,945,744	604,181
Cash provided by operating activities		20,852,378	3,927,771
Income tax paid		(1,148,921)	(1,001,809)
Net cash from operating activities		19,703,457	2,925,962
Cash flows from investing activities			
Loans to employees		577,329	509,763
Proceeds from interest on bank deposits with maturities of more than 3 months		595,919	-
Proceeds on maturity of bank deposits with maturities of more than 3 months		16,000,000	19,726,347
Purchase of financial assets		-	(7,751,897)
New bank deposits placed with maturities of more than 3 months		-	(32,000,000)
Proceeds from redemption of financial assets		-	49,000,000
Payment for acquisition of non-current financial assets (Starward Industries S.A. shares)		-	(215)
Payments for property, plant and equipment and intangible assets		(29,219,524)	(26,806,903)
Net cash from investing activities		(12,046,275)	2,677,095
Cash flows from financing activities			
Proceeds from issue of shares		-	3,830,746
Proceeds/(repayments) under credit facility		(630,000)	(735,000)
Payment of interest on credit facility	1.4.	(207,953)	(332,913)
Net cash from financing activities		(837,953)	2,762,833
Increase in cash and cash equivalents		6,819,228	8,365,890
Effect of exchange rate fluctuations on cash held		(1,508,324)	-
Cash at beginning of reporting period	2.10.	37,555,974	30,585,991
CASH AT END OF REPORTING PERIOD		42,866,878	38,951,881



I.

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 7 December 2009 before Paweł Andrzej Kania, Notary Public of Warsaw (number in

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

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

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

The Company’s principal business activity includes:

- production of cross-platform computer games,
- sale of cross-platform computer games.

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

BASIS OF PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union (“IAS 34”) and the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information to be provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Dz.U. of 2018, item 757), and they present the financial position of 11 bit studios S.A. as at 30 June 2024 and 31 December 2023, and results of its operations and cash flows for the six months ended 30 June 2024 and 30 June 2023.

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 31 December 2023.

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 that 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

These condensed interim financial statements of the Company have been prepared in accordance with the accounting policies presented in the

Company's most recent full-year financial statements for the year ended 31 December 2023.

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 2023.

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 2023.

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 2023.

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: computer games production and publishing.



II.

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1.

NOTES TO THE INTERIM STATEMENT OF COMPREHENSIVE INCOME

1.1. Revenue

	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Revenue	30,760,568	24,775,454
Total revenue	30,760,568	24,775,454

In the reporting period, revenue came in at PLN 30,760,568, up 24.16% from PLN 24,775,454 posted for the same period of the previous year. In the six months ended 30 June 2024, as in prior periods, the

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

Revenue by geographical region

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

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).

	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Poland	892,729	2,009,425
European Union	801,418	509,148
United Kingdom	3,387,589	683,879
US	23,392,781	18,144,825
Japan	1,351,938	2,531,174
China	96,076	150,805
Other	838,037	746,198
Total	30,760,568	24,775,454

Revenue by distribution channel

Of the total revenue amount, PLN 30,629,138 (PLN 24,550,404 the year before) was revenue from sales of games and products directly related to games (such as soundtracks). In the six months to 30 June 2024, the Company's ten largest distribution

partners, including Valve (Steam), Nintendo, Genba, Sony and Microsoft, accounted for 94.61% of total revenue from sales of games, with revenue from Valve representing more than 50% of total revenue.

1.2. Operating expenses

	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Depreciation and amortisation	2,917,748	2,312,095
Raw materials and consumables used	509,242	390,104
Services	17,262,742	13,622,564
Salaries, wages and employee benefits	13,316,140	6,475,194
Taxes and charges	502,670	116,320
Total operating expenses	34,508,542	22,916,277

Depreciation and amortisation

	1 Jan – 30 Jun 2024 (unaudited)	1 Jan – 30 Jun 2023 (unaudited)
Depreciation/ amortisation charges made during the year:		
Depreciation of property, plant and equipment	1,230,973	1,556,782
Amortisation of intangible assets	2,305,004	1,660,045
Total	3,535,977	3,216,826
Allocation to project costs	(646,370)	(932,872)
Land (including perpetual usufruct of land)	28,141	28,141
Total	2,917,748	2,312,095

The year-on-year growth of 26.19% in the depreciation and amortisation expense in the six months to 30 June 2024, to PLN 2,917,748, was mainly attributable to the 38.85% higher amortisation (PLN 2,305,004) of intangible assets, i.e., expenditure on proprietary games and games from the publishing portfolio, following the start of amortisation of the publishing division's products

Services

The year-on-year increase of 26.72% in the cost of services in the six months ended 30 June 2024, to PLN 17,262,742, was driven mainly by higher marketing expenses in the run-up to the release of new games from the proprietary and publishing portfolios. As in prior periods, the largest item of services was royalties payable to third-party developers based on revenue from sales of their productions. The total amount of royalties payable to third-party studios in the reporting period was PLN 5,923,466.

Salaries, wages and employee benefits

Salaries and wages rose by 105.65%, to PLN 13,316,140, from PLN 6,475,194 in the reference period, with the key contributing factors being higher headcount and pay rises due to high inflation. It is worth reminding that salaries and wages include a non-cash provision recognised in respect of the Company's 2021–2025 Incentive Scheme. As at the reporting date, the Company remeasured (adjusted upwards relative to the end of 2023) the costs of the Scheme (based on its implementation), and recognised costs from the remeasurement of PLN

released in recent quarters, mainly *The Thaumaturge*. On the other hand, depreciation of property, plant and equipment fell by 20.93% year on year, to PLN 1,230,973, as a result of lower expenditure on IT equipment. A major portion of the expenses (PLN 646,370 in the six months to 30 June 2024 vs PLN 932,872 the year before) was allocated to project costs.

Other material items of the cost of services in the six months ended 30 June 2024 included management, IT, legal, and advisory services as well as expenditure on training and conferences.

The Company's total expenditure on intangible assets (production of games) which was capitalised in the six months ended 30 June 2024 rather than recognised under services was PLN 9,578,823 (six months ended 30 June 2023: PLN 8,316,349).

3,872,356 in the reporting period. In the reference period, the corresponding amount was PLN 1,420,887.

The Company's expenditure on intangible assets (production of games) which was capitalised in the six months to 30 June 2024 rather than recognised under salaries and wages amounted to PLN 9,819,727 (six months to 30 June 2023: PLN 8,112,189). The increase was attributable to the expanding size of the development teams and pay growth.

1.3. Other income and expenses

Other income

	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Compensation received	-	26,362
Liabilities written off	685	-
Impairment losses – reversal of ECL provision	-	2,318
Other	3,913	2,792
Total other income	4,599	31,472

Other expenses

	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Expected credit loss allowances	24,407	-
Donations	564,783	1,000
Non-recoverable tax	-	385,531
Other, including:	1,019,575	875,249
- cost of business trips	175,438	365,920
- advertising costs	752,214	407,125
- insurance costs	68,380	57,767
- trademark	22,858	42,220
- other	684	2,217
Total other expenses	1,608,765	1,261,780

1.4. Finance income and costs

Finance income

	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Interest on bank deposits	455,702	915,537
Interest on loans advanced	6,180	20,553
IRS for credit facility	102,596	187,008
Interest income on bonds	-	732,838
Interest on public charges	7,313	-
Measurement of financial instruments (Starward Industries S.A.)	-	4,694,832
Measurement of IRS	6,179	-
Allowances for expected credit losses on financial instruments	4,286	8,035
Exchange differences	841,183	-
Other	-	26,250
Total finance income	1,423,440	6,585,053

Finance costs

	1 Jan – 30 Jun 2024 (unaudited)	1 Jan – 30 Jun 2023 (unaudited)
Interest on public charges	-	51,820
Other interest	145	47
Interest on credit facilities	207,953	332,913
Measurement of financial instruments (Starward Industries S.A.)	393,572	-
Interest on leases	13,755	13,787
Measurement of IRS	-	309,782
Exchange differences	-	1,820,511
Total finance costs	615,425	2,528,860

1.5. Income tax expense

Income tax recognised in profit or loss

	1 Jan – 30 Jun 2024 (unaudited)	1 Jan – 30 Jun 2023 (unaudited)
Current income tax:		
Attributable to current year	754,887	82,709
Deferred income tax:		
Attributable to current year	(149,013)	668,164
Tax effect recognised in current year	605,874	750,873

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:

	1 Jan – 30 Jun 2024 (unaudited)	1 Jan – 30 Jun 2023 (unaudited)
Profit before tax from continuing operations	128,069	4,764,079
Income tax expense at 19% (2023: 19%)	24,333	905,175
Tax effect of income which is not classified as income for tax purposes	(16,932)	-
Tax effect of costs which are not deductible for tax purposes	952,824	380,296
Effect of IP Box tax relief settlement at 5% tax rate	(670,321)	(585,335)
Other changes	315,969	50,738
Total	605,874	750,873

The tax rate applied in the above reconciliation in 2024 and 2023 is 19%. It is the corporate income tax rate applicable in Poland in accordance with the tax laws. The effective tax rate was 473.09% in the six months ended 30 June 2024 and 15.03% in the six months ended 30 June 2023.

With respect to sales of proprietary games the Company uses the IP Box relief, which was introduced on 23 October 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 1

January 2019. Under the Act, the Company's revenue from the sale of qualifying intellectual property rights (games) multiplied by the nexus index was taxed at a preferential CIT rate (5%). The IP Box relief amounted to PLN 670,321 in the six months ended 30 June 2024, and PLN 585,335 in the reference period.

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

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
VAT refund receivable	1,622,346	1,866,281
CIT refund receivable	2,034,508	804,451
Current tax receivable and payable	3,656,854	2,670,732

Tax receivables included the IP Box tax relief described in **Note 1.5** above (PLN 670,321), 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

	30 Jun 2024 <i>(unaudited)</i>	30 Jun 2023 <i>(unaudited)</i>
Basic earnings per share:		
From continuing operations	(0.20)	1.67
Total basic earnings per share	(0.20)	1.67
Diluted earnings per share:		
From continuing operations	(0.20)	1.66
Total diluted earnings per share	(0.20)	1.66

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

	30 Jun 2024 <i>(unaudited)</i>	30 Jun 2023 <i>(unaudited)</i>
Profit for the financial year attributable to shareholders	(477,805)	4,013,206
Total profit used to calculate basic earnings per share	(477,805)	4,013,206
Profit used to calculate basic earnings per share from continuing operations	(477,805)	4,013,206

	30 Jun 2024 <i>(unaudited)</i>	30 Jun 2023 <i>(unaudited)</i>
Weighted average number of ordinary shares used to calculate earnings per share	2,417,199	2,396,407

Diluted earnings per share

	30 Jun 2024 <i>(unaudited)</i>	30 Jun 2023 <i>(unaudited)</i>
Profit for the financial year attributable to shareholders	(477,805)	4,013,206
Total profit used to calculate diluted earnings per share	(477,805)	4,013,206
Profit used to calculate diluted earnings per share from continuing operations	(477,805)	4,013,206

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:

	30 Jun 2024 <i>(unaudited)</i>	30 Jun 2023 <i>(unaudited)</i>
Weighted average number of ordinary shares used to calculate basic earnings per share	2,417,199	2,396,407
Shares expected to be issued:		
Employee stock options	0	0
Weighted average number of ordinary shares used to calculate diluted earnings per share	2,417,199	2,413,818

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 INTERIM 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
Gross amount as at 1 Jan 2024	24,499,942	56,466	6,005,121	1,002,778	3,617,187	35,181,493
Increase	-	30,504	194,341	-	28,825	253,671
Decrease	-	-	-	-	-	-
Reclassification	-	(54,643)	54,643	-	-	0
Gross amount as at 30 Jun 2024	24,499,942	32,327	6,254,105	1,002,778	3,646,012	35,435,164
Cumulative depreciation as at 1 Jan 2024	2,840,932	-	4,916,788	509,352	2,711,860	10,978,931
Depreciation	383,462	-	458,603	62,992	325,916	1,230,973
Decrease	-	-	-	-	-	-
Cumulative depreciation as at 30 Jun 2024	3,224,393	-	5,375,391	572,345	3,037,776	12,209,905
Net amount as at 1 Jan 2024	21,659,010	56,466	1,088,333	493,425	905,327	24,202,561
Net amount as at 30 Jun 2024	21,275,548	32,327	878,714	430,433	608,236	23,225,259

	Buildings and premises	Property, plant and equipment under construction	Plant and equipment	Vehicles	Other property, plant and equipment	Total
Gross amount as at 1 Jan 2023	24,394,906	130,950	4,333,078	688,042	3,508,540	33,055,516
Increase	34,225	704,067	442,989	-	107,590	1,288,872
Decrease	-	-	(32,131)	-	-	(32,131)
Reclassification	-	(746,343)	431,608	314,735	-	0
Gross amount as at 30 Jun 2023	24,429,128	88,676	5,175,544	1,002,778	3,616,130	34,312,257
Cumulative depreciation as at 1 Jan 2023	2,076,425	-	3,642,938	388,613	2,052,818	8,160,794
Depreciation	381,844	-	784,160	57,747	333,031	1,556,782
Decrease	-	-	(32,131)	-	-	(32,131)
Cumulative depreciation as at 30 Jun 2023	2,458,270	-	4,394,966	446,360	2,385,849	9,685,445
Net amount as at 1 Jan 2023	22,318,478	130,952	690,139	299,430	1,455,723	24,894,722
Net amount as at 30 Jun 2023	21,970,861	88,674	780,577	556,418	1,230,282	24,626,812

2.2. Perpetual usufruct of land

As at the issue date of these financial statements, the Company had one effective agreement on perpetual usufruct of land, concerning a developed property at ul. Brzeska 2 in Warsaw, purchased by the Company at the end of 2018 to house its new headquarters. Since 1 January 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 depreciated over the term of the perpetual usufruct agreement, i.e., until 27 October 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 to borrow 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%.

	30 Jun 2024	31 Dec 2023
Perpetual usufruct of land – opening balance	4,168,798	4,225,080
Increase		
Decrease		
Depreciation and amortisation	(28,141)	(56,282)
Perpetual usufruct of land – closing balance	4,140,656	4,168,798

2.3. Intangible assets

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

Completed development work:

As at 30 June 2024, completed computer games development work (PLN 27,321,186) comprised games released in prior periods as well as in the reporting period, including: *South of The Circle*, *The Invincible*, *The Thaumaturge* and *INDIKA*.

Ongoing development work:

As at 30 June 2024, expenditure on ongoing development work (PLN 155,107,159) included mainly expenditure on the development of games, in particular *Frostpunk 2*, *The Alters*, *Project 8*, and third-party games in the publishing division. Expenditure on the largest of the projects accounted for 30% of total expenditure on ongoing development work.

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 11.2%.

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.

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

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

A sensitivity analysis performed as at the reporting date showed that there was no risk of impairment of intangible assets comprising ongoing development work. In particular, a hypothetical 20% reduction in projected revenue from the sale of games would not necessitate the recognition of impairment losses.

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
Gross amount as at 1 Jan 2024	6,813,631	45,032,214	1,388,211	149,621,045	202,855,101
Increase	-	-	-	29,612,223	29,612,223
Reclassification of completed development work	-	24,126,109	-	(24,126,109)	-
Gross amount as at 30 Jun 2024	6,813,631	69,158,323	1,388,211	155,107,159	232,467,324
Cumulative amortisation as at 1 Jan 2024	6,813,631	39,589,739	1,083,992	-	47,487,362
Amortisation	-	2,247,398	57,608	-	2,305,006
Cumulative amortisation as at 30 Jun 2024	6,813,631	41,837,138	1,141,600	-	49,792,369
Net amount as at 1 Jan 2024	0	5,442,475	304,218	149,621,045	155,367,739
Net amount as at 30 Jun 2024	0	27,321,186	246,612	155,107,159	182,674,958

	Completed development work (game engine)	Completed development work (games)	Licences	Ongoing development work	Total
Gross amount as at 1 Jan 2023	6,813,631	40,207,994	1,378,211	96,206,816	144,606,652
Increase	-	-	10,000	26,412,763	26,422,763
Gross amount as at 30 Jun 2023	6,813,631	40,207,994	1,388,211	122,619,579	171,029,415
Cumulative amortisation as at 1 Jan 2023	5,789,342	37,946,932	892,918	-	44,629,192
Amortisation	682,587	871,817	105,642	-	1,660,046
Cumulative amortisation as at 30 Jun 2023	6,471,929	38,818,750	998,557	-	46,289,236
Net amount as at 1 Jan 2023	1,024,289	2,261,062	485,293	96,206,816	99,977,460
Net amount as at 30 Jun 2023	341,702	1,389,244	389,654	122,619,578	124,740,178

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

recognition in the reporting period or the reference period.

2.4. Deferred tax (net)

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

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Deferred tax asset	3,065,972	2,147,489
Deferred tax liability	(877,487)	(108,017)
Total	2,188,485	2,039,472

Income tax assets/liabilities in the reporting period

	1 Jan 2024	Recognised in profit or loss	30 Jun 2024
Assets			
Provisions	304,353	675,245	979,598
Royalties payable	613,285	236,838	850,123
Liabilities	47,704	13,258	60,962
Remeasurement of financial assets	1,168,562	(13,126)	1,155,436
Depreciation and amortisation	13,585	6,268	19,853
Liabilities			
Remeasurement of financial assets	(59,290)	(801,799)	(861,089)
Measurement of financial investments	(48,727)	32,329	(16,398)
Total	2,039,472	149,013	2,188,485

Income tax assets/liabilities in the comparative period

	1 Jan 2023	Recognised in profit or loss	30 Jun 2023
Assets			
Provisions	110,807	58,671	169,478
Royalties payable	770,768	26,940	797,708
Liabilities	25,284	6,587	31,871
Remeasurement of financial assets	60,907	(16,540)	44,367
Depreciation and amortisation	1,569	5,747	7,316
Liabilities			
Remeasurement of financial assets	(433,493)	(712,260)	(1,145,753)
Measurement of financial investments	(18,223)	(37,309)	(55,532)
Total	517,619	(668,164)	(150,545)

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

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

11 bit studios S.A.'s payment for the acquired shares was divided into two tranches. The first tranche, of PLN 2,619,216, was paid on 9 March 2022. Under an Annex of 29 September 2023, the amount of the second tranche was set at PLN 1,571,529. It was to be

settled seven months after the release of *The Thaumaturge*, developed by Fool's Theory Sp. z o.o. 11 bit studios S.A. is the game's publisher.

On 9 February 2024, the Company signed Annex 2, providing that the second tranche would be paid within six months from the time when 11 bit studios S.A.'s net revenue from sales of *The Thaumaturge* exceeded PLN 45 million. This threshold must be exceeded before 20 February 2028. *The Thaumaturge* was released on 4 March 2024. Under Annex 2, the amount of the second tranche will

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

depend on net revenue generated by the Company from sales of the game over six months from its release and the percentage of positive user ratings on Steam Reviews received by *The Thaumaturge* over that period. In accordance with Annex 2, the second tranche amount will range from PLN 1,571,529 to PLN 3,666,901.

As at 30 June 2024, the second tranche was estimated at PLN 0, based on the assumption that 11 bit studios S.A. 's revenue from the sale of *The Thaumaturge* will not exceed PLN 45 million.

Measurement of investment in Fool's Theory Sp. z o.o. as at 30 June 2024

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Cost of shares – first tranche	2,619,216	2,619,216
Cost of shares – second tranche (estimate)	0	1,465,670
Cumulative share of profit/(loss) of associate	4,213,818	(458,376)
Investment in associate Fool's Theory Sp. z o.o.	6,833,034	3,626,510

Furthermore, on 28 February 2022, the Company concluded a shareholder agreement with Jakub Rokosz and Krzysztof Mąka, setting out detailed rules for managing Fool's Theory Sp. z o.o.'s affairs and the mutual rights and obligations of its shareholders. The shareholders agreed to prepare an incentive scheme for key employees and independent contractors of Fool's Theory Sp. z o.o., and currently work is continuing to develop its framework. The scheme will cover the period 2024–2027.

If Fool's Theory Sp. z o.o. achieves the targets set in connection with the scheme, 11 bit studios S.A. will pay Jakub Rokosz and Krzysztof Mąka a bonus in the aggregate amount of PLN 1,000,000. In the Company's opinion, this contingent consideration constitutes a service fee and as such it will be recognised in the Company's under salaries, wages and personnel expenses on a straight-line basis over the period of service in accordance with IAS 19. The cost of this consideration will be recognised on a straight-line basis until the end of 2027. As at the reporting date, the Company did not recognise any amounts in respect of this cost item.

Selected financial figures of Fool's Theory Sp. z o.o. as at 30 June 2024

	30 Jun 2024
Non-current assets	22,794,796
Current assets, including:	7,965,705
Cash	166,150
Equity	18,488,663
Current liabilities	4,356,736
Non-current liabilities	1,007,795
Accruals and deferrals	14,209,735
Net profit/(loss)	19,302,907

2.6. Long-term investments

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Shares in Starward Industries S.A.	1,258,964	1,652,536
Total long-term investments	1,258,964	1,652,536

As at 30 June 2024, 11 bit studios S.A. held 116,787 shares in Starward Industries S.A., or 5.99% of its

share capital. The holding did not change relative to 31 December 2023.

2.7. Other assets

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
Insurance	62,770	100,879
Domain names, licences, subscriptions	620,681	759,026
Prepaid expenses	100,733	92,844
Trademark	53,393	59,520
Other	23,326	12,254
Property tax	83,298	-
Total other assets	944,201	1,024,524
including:		
- current	887,607	939,838
- non-current	56,594	84,685

Other current assets comprised prepayments and accrued income, including prepaid expenses related to industry events (trade fairs) in which the Company will take part in subsequent periods, as

well as fees for Internet domain names, licences, property insurance, subscriptions, and stock exchange fees.

2.8. Trade and other receivables

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
Trade receivables	9,194,418	8,850,841
Taxes, grants, customs duties and social security	1,622,346	1,866,281
Other	3,926	24,406
Total trade and other receivables	10,820,690	10,741,528

Trade receivables

The Company recognised allowances for expected credit losses based on historical credit loss rates determined through an analysis of receivables repayment. The table below presents the historical

Expected credit loss rate:

	For receivables from sales of games (%)	For receivables from other sales (%)
Not past due	0.04	0.12
up to 30 days	0.19	1.06
31-60 days	4.75	3.72
61-90 days	7.47	4.50
91-120 days	7.93	4.72
121-359 days	46.44	54.06

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.

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

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 31 December 2023 included receivables from the Company's largest customers, accounting for over 5% of total trade receivables.

Receivables by customer:

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
Company A	5,474,381	3,961,574
Company B	1,042,102	1,087,955
Company C	516,967	475,279
Company D	489,519	763,241

Ageing analysis of trade receivables

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
Not past due	8,745,636	8,123,979
1-30 days	102,127	725,775
31-60 days	109,871	4,025
61-90 days	7,356	887
91-120 days	259,536	461
121-360 days	863	2,277
Over 360 days	-	-
Total	9,225,389	8,857,404

Changes in impairment losses on impaired trade receivables:

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
As at beginning of reporting period	6,564	40,135
Recognition	39,011	18,527
Reversal	(14,604)	(52,098)
Use	-	-
As at end of reporting period	30,971	6,564

Ageing structure of allowances for expected credit losses:

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
Not past due	4,127	3,747
1-30 days	277	1,521
31-60 days	5,006	154
61-90 days	535	51
91-120 days	20,574	24
121-360 days	452	1,067
over 360 days	-	-
Total	30,971	6,564

As at 30 June 2024, there were no reasons to recognise individual impairment losses on past due receivables.

2.9. Current financial assets

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
Loans to employees	40,899	612,047
Bank deposits with maturities of more than 3 months	-	16,218,444
Total current financial assets	40,899	16,830,492

Loans to employees are measured at amortised cost. They bear interest at 12M WIBOR plus 0.5% margin per annum. Loans are granted for a period of 12

months. Loans to employees are presented as current assets based on the period remaining to the repayment date.

2.10. Cash and cash equivalents

	30 Jun 2024 <i>(unaudited)</i>	31 Dec 2023 <i>(audited)</i>
Cash in bank accounts and in hand	30,077,329	25,764,898
Short-term deposits (up to 3 months)	12,805,468	11,805,000
Impairment losses on cash and cash equivalents	(15,919)	(13,924)
Total	42,866,878	37,555,974

As at 30 June 2024, 68.55% of the Company's cash and cash equivalents were deposited with Powszechna Kasa Oszczędności Bank Polski S.A.

Cash in hand and at banks as at 30 June 2024, by currency:

- PLN 2,200,572,
- USD 6,599,075 (PLN 26,607,468),
- EUR 290,567 (PLN 1,253,214),
- CNY 280 (PLN 155).

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

- PLN 2,610,497,
- USD 5,444,959 (PLN 21,425,915),
- EUR 1,714,407 (PLN 394,298),
- CNY 280 (PLN 155).

When measuring its cash, including in foreign currencies, as at 30 June 2024, the Company also

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

2.11. Share capital

As at 30 June 2024, 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
As at 31 Dec 2023	2,417,199	241,720	18,232,710
Increase/decrease	-	-	-
As at 30 Jun 2024	2,417,199	241,720	18,232,710

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

2.12. Dividends paid

No dividends were paid by the Company in the period from 1 January to 30 June 2024 or in 2023.

Based on a decision of shareholders present at the Annual General Meeting on 6 June 2024, the full amount of the Company's net profit for 2023 of PLN 525,609 was transferred to statutory reserve funds.

2.13. Credit facility

	30 Jun 2024	31 Dec 2023
Opening balance	6,405,000	7,665,000
Principal increase	-	-
Principal repayment	(630,000)	(1,260,000)
Interest accrued	207,953	541,479
Interest paid	(207,953)	(541,479)
Closing balance	5,775,000	6,405,000
including:		
- short-term	1,260,000	1,260,000
- long-term	4,515,000	5,145,000

On 19 December 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 11 December 2028. The facility is repayable in monthly instalments. As at 30 June 2024, 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.

On 26 June 2023, the Company signed a PLN 20,000,000 multi-purpose credit facility agreement with PKO BP S.A. Its term ends on 25 June 2025. The facility may be drawn in the zloty or the euro to finance the Company's day-to-day operations. As at the reporting date, the Company made no drawdowns under the facility.

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

Lender	Borrowed amount	Currency	As at 30 Jun 2024	As at 31 Dec 2023	Interest rate	Repayment deadline
PKO BP S.A.	12,600,000	PLN	5,775,000	6,405,000	1M WIBOR + 0.9%.	11 Dec 2028
Total	12,600,000		5,775,000	6,405,000		

2.14. Employee benefit and other provisions

	Accrued retirement and disability benefits	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
As at 1 Jan 2024	30,214	903,528	766,449	791,317	2,491,508
Increase:					
Recognition	2,875	1,034,986	2,227,723	2,238,529	5,504,113
Decrease:					
Use	-	(526,257)	-	(17,501)	(543,758)
Reversal	(7,245)	-	-	(7,367)	(14,612)
As at 30 Jun 2024	25,844	1,412,257	2,994,172	3,004,978	7,437,252
including:					
- short-term	1,227	1,412,257	2,994,172	3,004,978	7,412,635
- long-term	24,617	-	-	-	24,617

	Accrued retirement and disability benefits	Accrued holiday entitlements	Accrued bonuses for Management Board members and employees	Accrued salaries and wages and B2B bonuses	Total
As at 1 Jan 2023	23,061	590,205	83,315	167,431	864,012
Increase:					
Recognition	1,367	684,293	87,540	177,973	951,173
Decrease:					
Use	-	(345,693)	-	(800)	(346,493)
Reversal	(499)	-	-	-	(499)
As at 30 Jun 2023	23,929	928,805	170,855	344,604	1,468,193
including:					
- short-term	958	928,805	170,855	344,603	1,445,222
- long-term	22,971	-	-	-	22,971

2.15. Lease liabilities

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Lease liabilities – opening balance	766,130	766,130
Increase	-	-
Decrease	-	-
Charges for perpetual usufruct of land	(1,426)	(1,915)
Lease liabilities – closing balance	764,704	764,215
including:		
- short-term	15,254	15,253
- long-term	747,981	748,962

2.16. Deferred income

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Government grants	635,710	635,710
Total	635,710	635,710
including:		
- short-term	-	-
- long-term	635,710	635,710

The amount represents a government grant (EU funding) received in 2017 under the Creative Media programme for the development of *Project 8*.

Income from the grant has not been accounted for yet. It will be recognised against amortisation charges in the coming years.

2.17. Trade and other payables

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Trade payables	1,555,915	1,113,891
Provisions for product returns	245,153	98,804
Guarantee deposits – Brzeska 2	5,600	11,600
Taxes, customs duties, insurance and other dues	1,162,396	1,238,923
Accruals and deferred income (provision for audit and other invoices)	480,013	407,031
Amounts payable to employees	7,804	5,956
Other	41,795	41,795
Total trade and other payables	3,498,676	2,918,000

Ageing analysis of trade payables:

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Not past due	1,278,070	922,151
1–30 days	122,810	187,714
31–60 days	82,049	280
61–90 days	-	345
91–120 days	29,472	3,401
121–360 days	43,514	-
over 360 days	-	-
Total	1,555,915	1,113,891

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

2.18. Contractual maturities of liabilities

Time to maturity as at 30 Jun 2024

	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	1,491,403	64,512	-	-	-	1,555,915
Lease liabilities	2,456	4,912	22,104	117,888	2,217,777	2,365,137
Royalties payable	-	2,492,752	1,981,581	-	-	4,474,333
Credit facility	105,000	210,000	945,000	4,515,000	-	5,775,000

Time to maturity as at 31 Dec 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	1,059,825	54,066	-	-	-	1,113,891
Lease liabilities	2,456	4,912	22,104	117,888	2,087,609	2,234,969
Royalties payable	-	1,939,426	1,288,390	-	-	3,227,816
Credit facility	105,000	210,000	945,000	5,040,000	105,000	6,405,000
Liabilities arising from acquisition of shares in associate	-	-	-	1,465,671	-	1,465,671

2.19. Contract liabilities

	30 Jun 2024 (unaudited)	31 Dec 2023 (audited)
Contract liabilities	24,350,286	13,355,194
Total	24,350,286	13,355,194

The significant increase in the Company's contract liabilities as at the reporting date was due to advance payments received from trading partners

(mainly Microsoft Corporation) in respect of future sales of the Company's proprietary and third-party developed games.



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 values as at 30 June

2024 and 31 December 2023. 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 30 Jun 2024	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
Financial assets				
Cash	42,866,878	-	-	42,866,878
Investments in associates	-	6,883,034	-	6,883,034
Long-term investments	-	1,258,964	-	1,258,964
Trade and other receivables	10,820,690	-	-	10,820,690
Loans to employees	40,899	-	-	40,899
IRS	-	318,232	-	318,232
Total	53,728,467	8,410,230	-	62,138,697
Financial liabilities				
Trade and other payables	3,498,676	-	-	3,498,676
Royalties payable	4,474,333	-	-	4,474,333
Credit facility	5,775,000	-	-	5,775,000
Total	13,748,009	-	-	13,748,009

Classes of financial instruments as at 31 Dec 2023	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
Financial assets				
Cash	37,555,974	-	-	37,555,974
Long-term investments	-	1,652,536	-	1,652,536
Bank deposits with maturities of more than 3 months	16,218,444	-	-	16,218,444
Trade and other receivables	8,875,246	-	-	8,875,246
Loans to employees	612,047	-	-	612,047
IRS	-	312,053	-	312,053
Total	63,261,711	1,964,589	-	65,226,300
Financial liabilities				
Trade and other payables	1,679,077	-	-	1,679,077
Royalties payable	3,227,816	-	-	3,227,816
Liabilities arising from acquisition of shares in associate	-	1,465,671	-	1,465,671
Credit facility	6,405,000	-	-	6,405,000
Total	11,311,893	1,465,671	-	12,777,564

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 and 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 loans for employees is determined based on future cash flows, discounted at the current interest rate on loans.

Financial assets measured at fair value:

	30 Jun 2024	31 Dec 2023	Fair value hierarchy
Starward Industries S.A. shares	1,258,964	1,652,536	Level 1
Measurement of IRS	318,232	312,053	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 21 January 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 30 June 2029.

Pursuant to Resolution No. 05/01/2021 of the Extraordinary General Meeting of 21 January 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. Costs of the Incentive Scheme are recognised in the statement of profit or loss over the entire term of the Incentive Scheme, with a corresponding entry in capital reserves. The terms and conditions of the incentive scheme are based on the achievement of the general corporate objectives rather than targets set for individual persons (Scheme participants).

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:

Number of warrants	125,000
Start date of the Scheme	1 Jan 2021
Vesting date	31.12.2025

	First tranche	Second tranche	Total
Grant date	10 Mar 2021	22 Sep 2023	-
11 bit studios S.A. share price on grant date (PLN)	517	697	-
Six-month volatility of 11 bit studios S.A. share price (%)	34.43	29.40	-
Risk-free rate (%)	0.86	5.25	-
Number of Incentive Scheme warrants granted as at 30 Jun 2024	74,850	32,321	107,171
Measurement of warrants (PLN)	199.84	336.30	-
Scheme valuation as at 30 Jun 2024 (PLN)	8,436,468	6,130,510	14,566,978
Statement of profit or loss – employee benefits expense in 2021 (PLN)	-	-	3,347,377
Statement of profit or loss – employee benefits expense in 2022 (PLN)	-	-	2,955,683
Statement of profit or loss – employee benefits expense in 2023 (PLN)	-	-	(1,817,900)
Statement of profit or loss – employee benefits expense in 2024 (PLN)	-	-	3,872,356
Total Incentive Scheme cost as at 31 Dec 2025 remaining to be recognised (PLN)	-	-	6,209,462
Total	-	-	14,566,978

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 may not be implemented in full.

The Company remeasured the total costs of the 2021–2025 Incentive Scheme as at the reporting date at PLN 14,566 978, up from PLN 12,242,390 as at 31 December 2023. This led to an increase in the costs of the Incentive Scheme recognised in the six months ended 30 June 2024.

objectives set out in the Incentive Scheme are Group-wide and have not been set for individual persons (participants of the Scheme). All costs of the Incentive Scheme are recognised as they are incurred in the statement of comprehensive income and are not partly capitalised in the statement of financial position.

The costs of the 2021–2025 Incentive Scheme are recognised over its entire term. The financial



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 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. has been classified as a related party since 28 February 2022.

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 1 January to 30 June 2024 and from 1 January to 30 June 2023:

	1 Jan – 30 Jun 2024	1 Jan – 30 Jun 2023
Arkona – Paweł Miechowski*	147,684	141,733
Marek Ziemak*	150,918	35,832
Paweł Feldman*	152,177	37,516
Fool's Theory Sp. z o.o.	532,700	685,196
Total	983,480	900,277

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

Loans advanced to related parties

On 5 June 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 5 June 2023. In accordance with an annex signed on 4 June 2024, the surety for up to PLN 5,250,000 is valid until 4 June 2028. 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.

On 5 April 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 9 June 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. The loan, including interest, was repaid in full on 26 February 2024.

Borrowings from related parties

The Company did not receive any loans from its related parties in the period from 1 January to 30 June 2024 or in 2023.

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 six months to 30 June 2024 and in the comparative period is presented below.

Remuneration of the Management Board as at 30 June 2024 – total:

	Przemysław Marszał	Grzegorz Miechowski	Michał Drozdowski	Paweł Feldman	Marek Ziemak
Remuneration for managerial responsibilities	616,171	616,403	613,111	506,619	505,692
Remuneration under civil-law contracts	35,931	35,400	35,400	-	-
Remuneration under service contracts	-	-	-	152,177	150,918
Total	652,102	651,803	648,511	658,796	656,610

Remuneration of the Management Board as at 30 June 2023 – total:

	Przemysław Marszał	Grzegorz Miechowski	Michał Drozdowski	Paweł Feldman	Marek Ziemak
Remuneration for managerial responsibilities	348,080	349,524	345,691	354,529	354,972
Remuneration under civil-law contracts	35,917	35,400	35,400	-	-
Remuneration under service contracts	-	-	-	37,516	35,832
Total	383,997	384,924	381,091	392,045	390,804

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

The members of the Management Board did not receive any other remuneration in the form of profit distributions or stock options for the six months ended 30 June 2024 or the six months ended 30 June 2023. The members of the Management Board participate in the 2021–2025 Incentive Scheme, as described in detail (together with the valuation) in **Note 3.2** to these financial statements.

As at 30 June 2024, Przemysław Marszał (President of the Management Board), Grzegorz Miechowski

(Member of the Management Board) and Michał Drozdowski (Member of the Management Board) will each have the right to subscribe for 6,500 Series C warrants convertible into Series H shares, on the basis of the 2021–2025 Incentive Scheme participation agreements they have signed. Paweł Feldman and Marek Ziemak (Members of the Management Board) will each have the right to subscribe for 5,500 Series C warrants convertible into Series H shares. As at 30 June 2024, the total number of warrants to be acquired by persons participating in the 2021–2025 Incentive Scheme with whom the Company has signed participation agreements is 77,300.

Short-term benefits – Supervisory Board:

	1 Jan – 30 Jun 2024	1 Jan – 30 Jun 2023
Radosław Marter (Chair of the Supervisory Board)	57,000	57,000
Jacek Czykiel (Deputy Chair of the Supervisory Board)	55,047	51,278
Marcin Kuciapski (Member of the Supervisory)	36,540	36,527
Piotr Wierzbicki (Member of the Supervisory Board)	39,540	37,026
Milena Olszewska–Miszuris – Member of the Supervisory Board.	39,540	37,026
Total	227,667	218,857

On 9 June 2024, the Company's Annual General Meeting passed a resolution (No. 17/06/2024) to adopt a remuneration policy for members of the Company's Management and Supervisory Boards. The full text of the remuneration policy is available on the Company's website in the Investor Relations tab.

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

Other related-party transactions

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

Information on related-party transactions

No transactions were executed on a non-arm's length basis in the period from 1 January to 30 June 2024 or in the comparative period.

4.2. Off-balance-sheet commitments

As at the reporting date, the Company had off-balance-sheet commitments to incur expenditure (on intangible assets only) of EUR 1,876,404, PLN

671,679 and USD 465,579. 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.

issued by the Company, together with a promissory note declaration, PLN 16,000,000 guarantee issued by Bank Gospodarstwa Krajowego, contractual mortgage of up to PLN 30,000,000 (it will replace the contractual mortgage for the investment credit facility of December 2018) 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 S.A.

Security for a multi-purpose credit facility agreement signed by the Company with PKO BP S.A. in June 2023 to finance the Company's day-to-day operations, comprising a blank promissory note

Surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A., under which the Company 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 5 June 2023. In accordance with an annex signed on 4 June 2024, the surety for up to PLN 5,250,000 is valid until 4 June 2028. 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.

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 30 June 2024 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 six months to 30 June 2024.

4.5. Events subsequent to the reporting date

By the date of authorisation of these interim condensed financial statements by the Company's Management Board, i.e., 27 August 2024, no events with a material bearing on these financial statements occurred.



DIRECTORS' REPORT ON THE OPERATIONS

OF 11 BIT STUDIOS S.A.

FOR THE SIX MONTHS ENDED
30 JUNE 2024



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GOVERNING BODIES

Management Board

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

There were no changes in the composition of 11 bit studios S.A.'s Management Board in the reporting period.

The term of office of the members of the Management Board expires on the date the Annual

General Meeting receives the Company's full-year financial statements for the financial year ending 31 December 2025.

Experience and qualifications of the Management Board members



Przemysław Marszał, President of the Management Board

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

Grzegorz Miechowski, Member of the Management Board

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





Michał Drozdowski, Member of the Management Board

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

Paweł Feldman – Member of the Management Board

Graduate of the Faculty of Management of the University of Warsaw. He has many years of experience in the gaming industry, both from the publisher and developer perspective. He has worked on numerous critically acclaimed titles, such as *Witcher*, *This War of Mine* and *Frostpunk*. He focuses mainly on the strategy, business, sales and marketing activities. He has worked for 11 bit studios since 2012, supervising sales and the publishing business line, among other things. His responsibilities on the Management Board include matters related to development of the Company's new business lines, including IP, as well as the PR and marketing departments.



Marek Ziemak, Member of the Management Board

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



Supervisory Board

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

There were no changes in the composition of 11 bit studios S.A.'s Supervisory Board in the reporting period.

The term of office of the members of the Supervisory Board expires on the date the Annual General Meeting receives the Company's full-year financial statements for the financial year ending 31 December 2025.

Experience and qualification of the Supervisory Board members

Radosław Marter – Chair of the Supervisory Board

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

Jacek Czykiel – Deputy Chair of the Supervisory Board

In 1996, he graduated from the Social Economy department of the Faculty of Economics at the

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

Marcin Kuciapski – Member of the Supervisory Board

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

Piotr Wierzbicki – Member of the Supervisory Board

Graduate of the Warsaw School of Economics (SGH). He has also completed a number of training programmes in finance, management, financial reporting (IAS, US GAAP) and project management, including the Business Programme for Top Executives at IMD Business School, and ACCA Training. In 1993–1996 he worked at PWC as a Senior - Audit&Business Advisory Services. In 1996–2008, with Sun Microsystems, initially as CFO and, from 2002, as CEO. In 2009–2010, he was employed at Sygnity as Executive VP, CFO. In the following years, he worked at a number of companies, including EMC, YieldPlanet (currently as member of the company's Supervisory Board) and again at Sygnity. In May 2018, he took the position of Managing Director, Country Manager, at Atos Polska. Since June 2023, he has served as President of the Management Board of Capgemini Polska Sp. z o.o.

Milena Olszewska-Miszuris – Member of the Supervisory Board

Graduate of two faculties of the SGH Warsaw School of Economics: Quantitative Methods and Information Systems and Finance and Banking with a major in Investment Banking. She holds three international finance certifications: CFA (Chartered Financial Analyst), ACCA (Association of Chartered Certified Accountants) and FSA Credential (Fundamentals of Sustainability Accounting). From 2004 to 2015, she worked at international brokerage offices as an equity analyst, specialising in the TMT,

retail, and energy sectors. Currently, she leads a boutique consulting firm that supports enterprises in building value, storytelling, financial reporting, sustainable development, and investor relations. She is a member of the Corporate Governance Committee at the Warsaw Stock Exchange, a member of the Governance, Risk and Performance Global Forum at ACCA, an expert in sustainable corporate governance at UN Global Compact Network Poland, and Co-Chair of the social campaign 30% Club Poland. She has served as an independent member on the supervisory boards of Ten Square Games, R22, and STS Holding.

SHAREHOLDING STRUCTURE AS AT THE DATE OF THIS REPORT

Name	Number of shares	% of share	Number of votes	% of total voting rights
		capital held		at GM
Allianz Polska TFI*	179,873	7.44	179,873	7.44
Grzegorz Miechowski	168,413	6.97	168,413	6.97
N-N PTE*	137,000	5.67	137,000	5.67
Esaliens TFI**	120,965	5.00	120,965	5.00
Przemysław Marszał	120,003	4.96	120,003	4.96
Michał Drozdowski	98,844	4.09	98,844	4.09
Paweł Feldman	9,336	0.39	9,336	0.39
Marek Ziemak	1,002	0.04	1,002	0.04
Other shareholders	1,581,763	65.44	1,581,763	65.44
Total	2,417,199	100.00	2,417,199	100.00

* Number of shares registered at the Annual General Meeting held on 6 June 2024.

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

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

In Current Report No. 4/2024 of 20 February 2024, 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 Michał Drozdowski and Paweł Feldman, concerning disposals of 11 bit studios S.A. shares. Przemysław Marszał sold a total of 860 shares, Michał Drozdowski sold 1,200 shares, and Paweł Feldman sold 1,100 shares. The trades were executed during a trading session on 19 February 2024 at a price of PLN 600 per share.

Following the disposal, Przemysław Marszał's holding decreased to 120,003 shares, representing 4.96% of the share capital and conferring 4.96% of voting rights in the Company. A notification of the decrease in his holding to below 5% of the share capital and total voting rights was received by 11 bit studios S.A. on 20 February 2024 and was

announced in Current Report No. 5/2024 of 20 February 2024.

In Current Report No. 6/2024 of 22 February 2024, 11 bit studios S.A. announced that on that day 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 12 April 2023, Marcin Kuciapski purchased a total of 250 shares in 11 bit studios S.A. in trades executed on the WSE, at an average price of PLN 569.60 per share.

There was a change in the shareholding structure of 11 bit studios S.A. after the reporting period.

In Current Report No. 18/2024 of 12 July 2024, 11 bit studios S.A. announced that on that day 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 11 July 2024 and 12 July 2024, Marcin Kuciapski purchased a total of 80 and 40 shares in 11 bit studios S.A. in transactions on the WSE, at an

average price of PLN 632 per share and PLN 640 per share, respectively.

COMPANY SHARES HELD BY MEMBERS OF ITS MANAGEMENT AND SUPERVISORY STAFF

	Position	Number of shares	Number of shares	Number of shares
		as at the issue date of the report	as at 31 Dec 2023	as at 31 Dec 2022
Przemysław Marszał	President of the Management Board	120,003	120,003	103,500
Grzegorz Miechowski	Member of the Management Board	168,413	168,413	170,413
Michał Drozdowski	Member of the Management Board	98,844	98,844	84,630
Paweł Feldman	Member of the Management Board	9,336	9,336	13,936
Marek Ziemak	Member of the Management Board	1,002	1,002	2,542
Marcin Kuciapski	Member of the Supervisory Board	1,870	1,750	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. The changes are described in detail on p. 51.

After the reporting period, there was a change in the holding of Company shares by a member of the Supervisory Board, as described on p. 52.

MANAGEMENT OF THE COMPANY'S RISKS

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

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

Risk factors related to the Company's operating activities

Risk of the Company failing to achieve its strategic objectives

The strategic objective of the Company for the coming years is to increase the scale of its operations by continuing to build a diversified portfolio of high-quality computer games and by further developing its publishing business. The Company's Management Board warrants that they will make every effort to ensure that the Company achieves

the key strategic objectives in the coming years. Nevertheless, the Management Board can give no assurance that all the strategic objectives will be effectively reached. The Company's future position on the gaming market, which has a direct impact on its revenues and profits, depends on the ability to develop and implement a growth strategy that proves successful in the long term.

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

Work on the Company's products typically takes from 12 to 60 months, depending on the size of the project. The market success of a product, measured by the size of demand and sales revenue, allows the Company to recover the expenses incurred during the game's production process and to earn profits, if any. The popularity of a product and, as a consequence, the amount of revenue it generates depend to a large extent on the changing tastes of consumers, hard-to-predict trends on the gaming market, and existing competitor products. Therefore, there is a high risk of an 'unsuccessful' product, i.e. one that prospective customers are not interested in because it does not suit their preferences. This may be due to poor quality or wrong targeting. For this reason, when launching a new product, the Company is not able to predict customer reactions and, consequently, to foresee with a high degree of probability the expected amount of revenues.

Risk related to possible delays in game production

The computer game production process includes many stages, which entails the risk of delays in individual stages and in the entire project. The individual stages take place one after another and depend on the outcome or successful completion of the preceding work. Some stages of the production process depend on the development team only while others are dependent on third parties such as service providers, partners and licensors. The Company's Management Board has limited control over the timeliness of such third parties' activities. The work of project teams may be delayed as well, as a result of unforeseen difficulties in working on a demanding product such as a computer game.

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

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

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

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

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

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

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

Risk of strong competition from other publishers

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

Risk of missing significant market trends

The gaming market is rapidly evolving, with new technological trends constantly emerging. Failure to identify these trends early and adapt accordingly may result in losses if the Company markets products which are not aligned with current trends.

Risk associated with higher prices of software used to create games

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

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

As a result of the growing popularity of crowd-sourcing portals, the demand for publishing services, one of the most important advantages of which was financing or co-financing of production, is diminishing. The projects that have the biggest chance of success in crowd-sourcing campaigns are those with high market potential, that is those that are also interesting from the perspective of publishing activities. As a result, the Company loses many potentially profitable projects.

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

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

Risk of limited effectiveness of PR activities

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

Risk related to the Company's key independent contractors

The Company is still a business relatively small in size, in particular as regards the structure of resources in managerial and specialist positions. Most tasks, especially in the area of commercial cooperation with trading partners, are performed by individual people. The most qualified managerial staff are the Company's founders. Any loss of key independent contractors with the greatest knowledge and experience in management and operating activities could cause a deterioration in the quality and timeliness of the Company's services in the short term. If this situation continues in a medium or long term, it may affect the Company's expected profits. The Company's business consists in creating computer games. The quality of its services and products depends on the experience and skills of independent contractors. Loss of such personnel entails the need to recruit, train and on-board new people.

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

Risk related to difficulties in finding experienced employees

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

number of qualified employees to satisfy the needs of a dynamically growing company.

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

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

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

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

Risk related to licence agreements concluded by the Company

In connection with the nature of its business, the Company has signed a number of licence agreements for the use of specific software which is necessary in the course of its operations. The agreements are not based on a single model form but on the standards contract forms used by the licensors. Some of them provide for short termination notice periods. In addition, in many

cases the licensor is entitled to terminate the agreement without notice, i.e. with immediate effect. Frequently, a licence agreement does not entitle the Company to distribute its in-house developed computer programs as part of its business activities in its own name. Under the Polish laws, the Company's use of software made available by licensors is governed by the provisions of the Copyright and Related Rights Act of 4 February 1994 (consolidated text in Dz.U. of 2006, No. 90, item 631, as amended). In addition, the majority of the agreements are governed by laws other than the laws of Poland, e.g. the laws of the state of Washington, which significantly hinders correct assessment of the contractual obligations for the Company and the scope of its liability.

Risk related to contracts concluded with foreign partners

The contracts entered into by the Company with foreign trading partners are also governed by foreign laws or contain no provisions specifying the governing law, which makes it necessary to determine the applicable law for the contract on a case by case basis. In some cases, the applicable law turns out to be a foreign law of which the Company has limited knowledge. In addition, the Company has also entered into agreements with jurisdiction clauses indicating foreign courts or with no provisions specifying the competent courts. This creates a risk that in the event of a dispute with a trading partner the Company will be required to conduct the dispute before foreign courts. Given the Company's limited knowledge of foreign laws (both material and procedural), this entails the risk of incurring increased legal costs in Poland and abroad.

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

Risk related to the shareholding structure of the Company

Risk factors related to the environment in which the Company operates

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

The Company's business depends on macroeconomic conditions prevailing in the markets where the Company distributes or intends to distribute its products. The effectiveness, and in

As at the date of issue of this half-year report for the six months ended 30 June 2023, the founding shareholders held a total of 387,260 shares in the Company, representing 16.02% of the share capital and conferring the right to 16.02% of total voting rights at the General Meeting. In the case of concerted actions of the abovementioned shareholders, they will have a significant impact on the activities of the Company. In addition, considering the fact that the said shareholders are also members of the Company's governing bodies, they can practically decide on resolutions adopted by the General Meeting in all matters relevant to the Company.

Risk related to distribution agreements and licence agreements

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

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

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

particular the profitability, of the Company's operations depends on such factors as the rate of economic growth, the level of public consumption, fiscal and monetary policies of the state, or the inflation rate. All these factors indirectly affect the Company's revenues and other financial results.

They may also influence implementation of the growth strategy adopted by the Company.

Risk of changes in the legal environment

Laws in Poland are subject to frequent changes, as are interpretations and application practices. While some changes may benefit businesses, others can have adverse effects. Changing laws or their differing interpretations, in particular in relation to tax laws, business laws, labour and social security laws, or securities laws may have negative consequences for the Company. Changes in the interpretations of tax regulations are particularly frequent and involve significant risks. There is no uniformity in the practice of their application by tax authorities and in judicial decisions in the area of taxation. If tax authorities adopt an interpretation of tax laws which is different from the interpretation applied by the Company, this may result in a deterioration of the Company's financial position and thus adversely affect its performance and growth prospects.

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

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

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

- Laws on copyright and related rights,
- commercial law,
- private business law,
- tax law,
- labour law,
- social security law,

- securities law.

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

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

Risk of currency exchange rate fluctuations

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

Risk related to competition

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

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

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

and services. All of those factors are beyond the Company's control.

Risk of unpredictable events

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

MAJOR ACHIEVEMENTS IN THE SIX MONTHS ENDED 30 JUNE 2024

The key drivers of 11 bit studios S.A.'s revenue in the first six months of 2024 were sales of *Frostpunk*, *The Invincible*, *The Thaumaturge* and *INDIKA* (the last three are the publishing division's titles released in recent months), bolstered by strong revenue from

sales of other products (the back catalogue), led by *This War of Mine*, *Moonlighter* and *Children of Morta*. Monetisation was supported by promotional and sale campaigns (e.g. Publisher Sale on Steam and other distribution platforms).

Game development

In the six months ended 30 June 2024, 11 bit studios S.A. continued its development work, started a few years before, on the production of three proprietary games: *Frostpunk 2*, *The Alters* and *Project 8* (code name). As at the date of issue of this Directors' Report, the teams responsible for these games consisted of more than 80 (*Frostpunk 2*) and approximately 50 (*The Alters* and *Project 8*) members. The teams are expanded as needed. The growing production resources translated into increased spending on game development, which reached PLN 29,611,891 in the reporting period vs PLN 26,412,763 in the comparative period. We estimate that the development expenditure on the three games may exceed PLN 160 million (the amount does not include marketing costs).

11 bit studios S.A. is making extensive preparations for the upcoming releases of its proprietary games by ramping up marketing and promotional budgets. Both *Frostpunk 2* and *The Alters* are attracting significant fan interest, as demonstrated by their high positions in Steam wish list rankings, with *Frostpunk 2* ranking 3rd and *The Alters* 46th as at the issue date of this Directors' Report. A major highlight of our promotional efforts was a showcase event in Warsaw on 16-17 May 2024, which was attended by close to 100 influencers and key gaming media representatives from across the world, including several Polish outlets. The guests were given an exclusive look at *Frostpunk 2* and *The Alters*, with hands-on gameplay sessions for both titles. The overwhelmingly positive feedback from this event suggests a strong sales outlook for both games. Another key promotional activity during the reporting period was the *Frostpunk 2* and *The Alters* hands-on gameplay sessions for managers and analysts, held in June. Nearly 50 financial industry representatives, including some from outside Poland, had the chance to experience both games firsthand. Also noteworthy was the June promotional campaign for *The Alters* in partnership with IGN, a leading global gaming outlet, which featured a series of trailers unveiling new game details. To further improve the visibility of *Frostpunk 2*, we ran a promotional campaign for *Frostpunk* during the annual Steam Summer Sale at the end of June and early July, resulting in over 400,000 copies sold at a 90% discount off the base price, greatly enhancing the game's recognition – a crucial step ahead of the release of the next game in this

On 6 March 2024, 11 bit studios S.A. announced that a PC version of *Frostpunk 2* is scheduled to premiere on 25 July 2024, and offered an option for gamers to pre-order *Frostpunk 2* on Steam and the Microsoft Store, either in the basic edition priced at EUR/USD 44.99, or the Deluxe version, priced at EUR/USD 74.99, which includes access to three paid DLCs to be released following the launch of the basic version. On 27 June 2024, we decided to postpone the release date of *Frostpunk 2* to 20 September. The reason behind this decision was the intention to refine the game, which, as the Management Board believes, should increase its commercial and sales potential. At the same time, we announced that the market launch of *The Alters* (for PC, PS5 and Xbox Series X/S) was scheduled to occur a few weeks after the debut of *Frostpunk 2*. *Project 8* is slated for release by the end of 2025.

universe. For the coming weeks, the Company has planned an array of marketing activities, organised either independently or with partners, to further enhance the visibility and commercial potential of these titles. What is also important, both *Frostpunk 2* and *The Alters* will be available on Microsoft's Game Pass right from their respective launch dates, which will broaden their reach.

During the reporting period, work continued on the development of *Frostpunk* for mobile devices, a project initiated a few years earlier and managed by China's NetEase, a major player in the global gaming industry with a robust footprint in the mobile gaming sector. This version of the game will be

Publishing division

In the six months ended 30 June 2024, 11 bit studios S.A.'s publishing division focused on producing and launching 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, that is *Moonlighter*, *Children of Morta*, and especially *The Invincible* (which premiered in the fourth quarter of 2023).

On 4 March 2024, we released our next title from the publishing division: *The Thaumaturge*, an RPG with a turn-based combat system set in early 20th-century Warsaw. The game was developed by Fool's Theory Sp. z o.o., a Bielsko-Biała-based studio in which 11 bit studios S.A. holds a 40% stake. *The Thaumaturge* debuted on PC, with versions for Microsoft and Sony consoles scheduled for release by the end of the year.

Another premiere followed on 2 May 2024, with the launch of *INDIKA*, an adventure game set in 19th-century Russia, developed by Odd Meter, a studio

Other developments

On 7 February 2024, we announced that, having considered the Audit Committee's recommendation, the Supervisory Board selected Grant Thornton Polska Prosta spółka akcyjna of Poznań to audit 11 bit studios S.A.'s full-year financial statements and review interim financial statements for the financial years ending 31 December 2024 and 2025.

offered in the F2P (free-2-play) model, and will include micropayments to unlock additional in-game content. Its global distribution will be handled by Come2Us, a prominent Korean publisher, with plans to launch the game by the end of 2024.

Work also continued in the reporting period on the release of a series of books by third-party authors, which are set in the *Frostpunk* universe. The project is under the artistic supervision of acclaimed science fiction writer Jacek Dukaj. The series will begin with a short story *Warm Fresh*, which will be exclusively available to fans who opt for the Deluxe edition of *Frostpunk 2*.

based in Kazakhstan. *INDIKA* was initially offered on PC, with console versions arriving shortly afterward. In June, we announced that sales of *INDIKA* had fully recouped the costs of the project.

After the reporting period, on 7 August 2024, *Creatures of Ava* (previously code-named *Ava*) was released. The game, first unveiled on 6 March 2024, is a collaboration between Spanish studios Inverge and Chibig. In this action-adventure title, players embark on a quest to save the planet Ava by taming creatures to combat a devastating infection. *Creatures of Ava* has been available on Xbox Series X|S and PC, and has also been part of Microsoft's Game Pass subscription from day one.

Apart from the titles listed above, 11 bit studios S.A.'s publishing portfolio includes *Botin* (code name), being produced by Digital Sun, the Spain-based studio behind the *Moonlighter*. Further information about the game, including its release date, will be disclosed in due course.

On 12 February 2024, we reported on the sale of small holdings of Company shares by three members of the Management Board. For details, see p. 51 of this Directors' Report.

On 6 June 2024, the Annual General Meeting decided to allocate the entire net profit earned by the Company in 2023, of PLN 525,609, to statutory reserve funds.

DESCRIPTION OF MATERIAL PROCEEDINGS PENDING BEFORE A COURT, ARBITRATION BODY OR STATE ADMINISTRATION AUTHORITY

The Company is neither the subject of nor a party to any material proceedings pending before a court, a

competent arbitration body or a state administration authority.



II.

FINANCIAL CONDITION OF 11 BIT STUDIOS S.A.

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INTERIM STATEMENT OF COMPREHENSIVE INCOME

	1 Jan – 30 Jun 2024 (audited)	1 Jan – 30 Jun 2023 (audited)	Change y/y (%)
Continuing operations			
Revenue	30,760,568	24,775,454	24.16
Other income	4,599	31,472	(85.39)
Total operating income	30,765,167	24,806,926	(24.02)
Depreciation and amortisation	(2,917,748)	(2,312,095)	26.19
Raw materials and consumables used	(509,242)	(390,104)	30.54
Services	(17,262,742)	(13,622,564)	26.72
Salaries, wages and employee benefits	(13,316,140)	(6,475,194)	105.65
Taxes and charges	(502,670)	(116,320)	332.14
Other expenses	(1,608,765)	(1,261,781)	27.50
Total operating expenses	(36,117,307)	(24,178,057)	49.38
Operating profit	(5,352,141)	628,869	-
Finance income	1,423,440	6,585,053	(78.38)
Finance costs	(615,425)	(2,528,860)	(75.66)
Share in profit/(loss) of associate	4,672,195	79,017	5,812.90
Profit before tax	128,069	4,764,079	(97.31)
Income tax expense	(650,874)	(750,873)	(19.31)
NET PROFIT	(477,805)	4,013,206	-
Earnings per share:			
Basic	(0.20)	1.67	-
Diluted	(0.20)	1.66	-
NET PROFIT	(477,805)	4,013,206	-
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	(477,805)	4,013,206	-

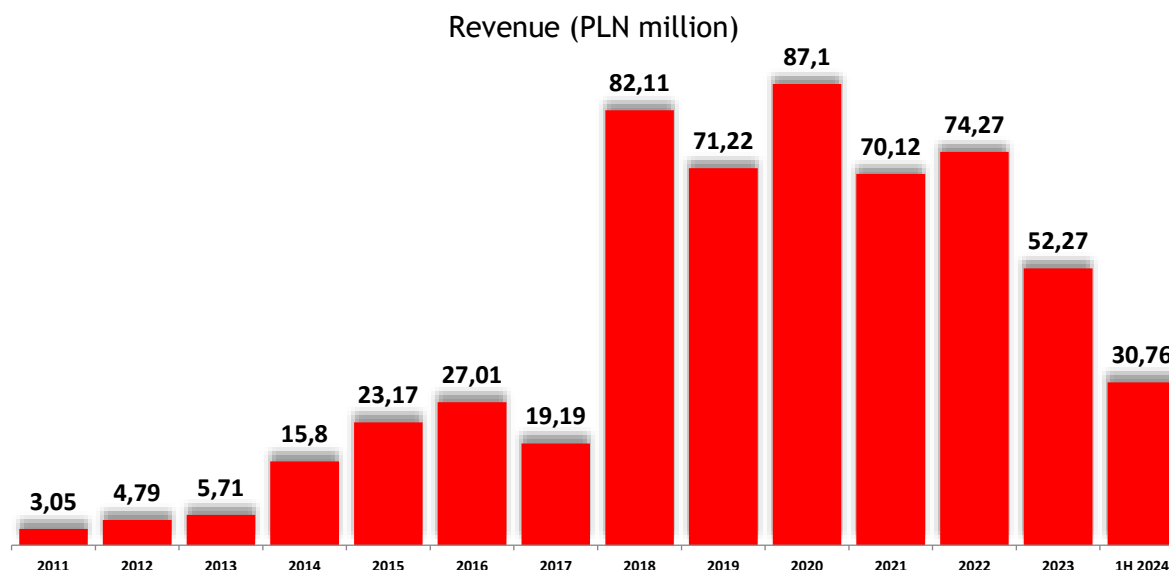
In the six months ended 30 June 2024, 11 bit studios S.A. posted revenue of PLN 30,760,568, up 24.16% year on year, from PLN 24,775,454 in the corresponding period of 2023. The increase was primarily driven by the expansion of the Company's product portfolio following the recent launch of new third-party developed titles. The games released in the reporting period included *The Thaumaturge* (20 February 2024) and *INDIKA* (2 May 2024). Another game from the publishing portfolio, *The Invincible*, has been on the market since the fourth quarter of 2023. As a result, revenue generated by the publishing segment's titles accounted for 52% of 11 bit studios S.A.'s total revenue in the six months to 30 June 2024. The source of other revenue streams was the continuing robust sales of proprietary games, supported by periodic promotional and sales campaigns. The key titles were *Frostpunk* and *This War of Mine*, on the market since 2018 and 2014, respectively.

In the reporting period, like in the previous periods, the Company continued its focus on a tight control of operating expenses. In the six months to 30 June

2024, they totalled PLN 36,117,307, up 49.38% year on year. This marked increase was partly attributable to rising costs of services (at PLN 17,262,742, up 26.72% year on year). The cost of services included mainly royalties paid to third-party developers using the Company's publishing services, and costs of independent contractors (B2B contracts), as well marketing expenditure, which is rapidly growing in connection with the marketing campaigns launched for new games in the Company's portfolio. The cost of salaries and wages grew at an even faster pace, rising by 105.65% compared with the first six months of 2023, to PLN 13,316,140. This was due to upward pay adjustments in response to inflation and an increase in the Company's headcount. It is worth reminding that salaries and wages included a non-cash provision recognised in respect of the Company's 2021–2025 Incentive Scheme. In the six months to 30 June 2024, the provision amounted to PLN 3,872,356. In the reference period, the corresponding amount was PLN 1,420,887. The increase in operating expenses in the reporting period was also driven by higher depreciation and amortisation, which reached PLN 2,917,748, up from

PLN 2,312,095 the year before. The change was due to the start of amortisation of third-party developed titles released in the last few months. A material item of other expenses in the six months ended 30 June 2024, not recorded in the reference period, was

a donation to the War Child Foundation, which helps child victims of war. The funds for this purpose came from the sale of *This War of Mine: The Little Ones* DLC. The donated amount was more than PLN 0.5 million.

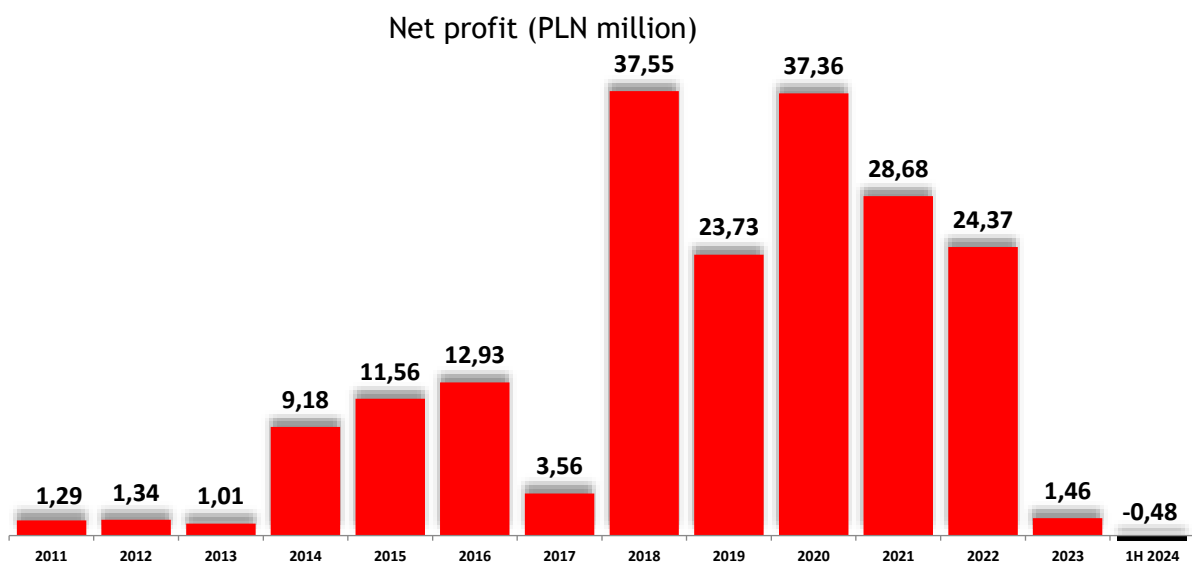


The increase in revenue in the six months ended 30 June 2024 was accompanied by a faster growth in operating expenses, resulting in 11 bit studios S.A. reporting an operating loss of PLN 5,352,141 for the period. In the corresponding period of 2023, it earned an operating profit of PLN 628,869. In the six months to 30 June 2024, the Company's EBITDA was negative, at - PLN 2,434,393, compared with an EBITDA profit of PLN 2,940,964 in the reference period.

Due to continuing high interest rates, cash reserves earned 11 bit studios S.A. interest income of PLN 564,478 in the first six months of 2024, vs PLN 1,123,098 the year before. The decrease was caused by the shrinking cash surplus. Other finance income went down as well, to PLN 858,962, from PLN 5,461,955 in the six months ended 30 June 2023. The high base was mainly attributable to an increase in the value of Starward Industries S.A. shares held by the Company. In the six months ended 30 June 2024, the largest item of other finance income was a gain on remeasurement of the Company's cash resources denominated in foreign currencies, driven by the depreciation of the zloty against the US dollar and the euro. Finance costs for the first six months of 2024 (PLN 615,425) included interest expense on

an investment credit facility contracted by 11 bit studios S.A. with PKO BP S.A. at the end of 2018 and a loss on remeasurement of the holding of Starward Industries S.A. shares. A factor with a positive effect on the net balance of finance income and finance costs was the recognition of the Company's share in the PLN 4,672,195 profit earned by Fool's Theory Sp. z o.o. (an associate). As a result, in the six months to 30 June 2024, 11 bit studios S.A. reported net finance income of PLN 5,480,210, up 32.52% year on year, from PLN 4,135,210.

Finance income for the six months to 30 June 2024 contributed positively to profit before tax, which was PLN 128,069, compared with PLN 4,764,079 the year before. The Company's income tax for the reporting period was PLN 605,874 (PLN 750,873 in the reference period) and included the effect of the IP Box tax relief used by the Company. In the six months ended 30 June 2024, the IP Box relief amounted to PLN 670,321, up from PLN 585,335 in the six months ended 30 June 2023. Ultimately, 11 bit studios S.A. reported a net loss of PLN 477,805 for the six months ended 30 June 2024, compared with a net profit of PLN 4,013,206 in the corresponding period of 2023.



INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024, the Company's total assets amounted to PLN 277,394,075, up by 7.38% from PLN 258,328,148 as at 31 December 2023.

	30 Jun 2024 (audited)	Share (%)	31 Dec 2023 (audited)	Share (%)
ASSETS				
Non-current assets	220,626,749	79.54	191,392,967	74.09
Property, plant and equipment	23,225,259	8.37	24,202,561	9.37
Perpetual usufruct of land	4,140,656	1.49	4,168,798	1.61
Intangible assets	182,674,958	65.85	155,367,739	60.14
Deferred tax asset	2,188,485	0.79	2,039,472	0.79
Investments in associates	6,833,034	2.46	3,626,510	1.40
Other assets	56,594	0.02	84,685	0.03
Long-term investments	1,258,964	0.45	1,652,536	0.64
Financial instruments (IRS)	248,800	0.09	250,666	0.10
Current assets	56,767,325	20.46	66,935,181	25.91
Trade and other receivables	10,826,427	3.90	10,741,528	4.14
Income tax receivable	2,034,508	0.73	804,451	0.31
Merchandise	47,311	0.02	1,510	0.01
Other assets	887,607	0.32	939,838	0.36
Financial instruments (IRS)	69,432	0.03	61,388	0.02
Financial assets	40,899	0.01	16,830,492	6.52
Cash and cash equivalents	42,866,878	15.45	37,555,974	14.54
TOTAL ASSETS	277,394,075	100	258,328,148	100

	30 Jun 2024 (unaudited)	Share (%)	31 Dec 2023 (audited)	Share (%)
EQUITY AND LIABILITIES				
Equity	230,459,583	83.08	227,065,033	87.90
Share capital	241,720	0.09	241,720	0.09
Share premium	18,232,710	6.57	18,232,710	7.06
Statutory reserve funds	178,071,407	64.19	172,043,090	66.60
Share-based payment reserve	34,391,552	12.40	36,229,989	14.02
Retained earnings	(477,805)	(0.17)	317,524	0.12
Non-current liabilities	5,923,308	2.14	6,558,820	2.54
Borrowings	4,515,000	1.63	5,145,000	1.99
Employee benefit and other provisions	24,617	0.01	29,148	0.01
Lease liabilities	747,981	0.27	748,962	0.29
Deferred income	635,710	0.23	635,710	0.25
Current liabilities	41,011,184	14.78	24,704,295	9.56
Trade and other payables	3,498,676	1.26	2,918,000	1.13
Royalties payable	4,474,333	1.61	3,227,816	1.25
Borrowings	1,260,000	0.45	1,260,000	0.49
Employee benefit and other provisions	7,412,635	2.67	2,462,361	0.95
Lease liabilities	15,254	0.01	15,254	0.01
Liabilities arising from acquisition of shares in associate	-	-	1,465,671	0.57
Contract liabilities	24,350,286	8.78	13,355,194	5.17
Total liabilities	46,934,492	16.92	31,263,115	12.10
TOTAL EQUITY AND LIABILITIES	277,394,075	100	258,328,148	100

As at the end of June 2024, non-current assets represented the majority (79.54%) of the Company's total assets, amounting to PLN 220,626,749 (end of 2023: PLN 191,392,967), up 15.27% year on year. As at the end of 2023, non-current assets accounted for 74.09% of total assets. As at 30 June 2024, intangible assets were the main component of non-current assets. They stood at PLN 182,674,958, up 17.58% from PLN 155,367,739 as at 31 December 2023, and their share in total assets rose to 65.85% from 60.14% at the end of 2023. Intangible assets included partly amortised expenditure on games in the proprietary and publishing portfolios which have already been placed on the market. The largest item, though, was expenditure on ongoing development work: the *Frostpunk 2*, *Project 8*, and *The Alters* projects, and on new games from the publishing division, that is *Creatures of Ava* (released after the end of the reporting period) and *Botin*. Another component of non-current assets as at 30 June 2024, with a value significantly lower than that of intangible assets, was property, plant and equipment of PLN 23,225,259 (31 December 2023: PLN 24,202,561). The largest item of the Company's property, plant and equipment was the property located at ul. Brzeska 2 in Warsaw, which the Company purchased in late 2018 for its new office. Other significant non-current assets included non-current financial assets, i.e. shares in Fool's Theory Sp. z o.o. and Starward Industries S.A. As at 30 June 2024, they were valued, respectively, at PLN 6,833,034 (an increase of 88.42% from half a year

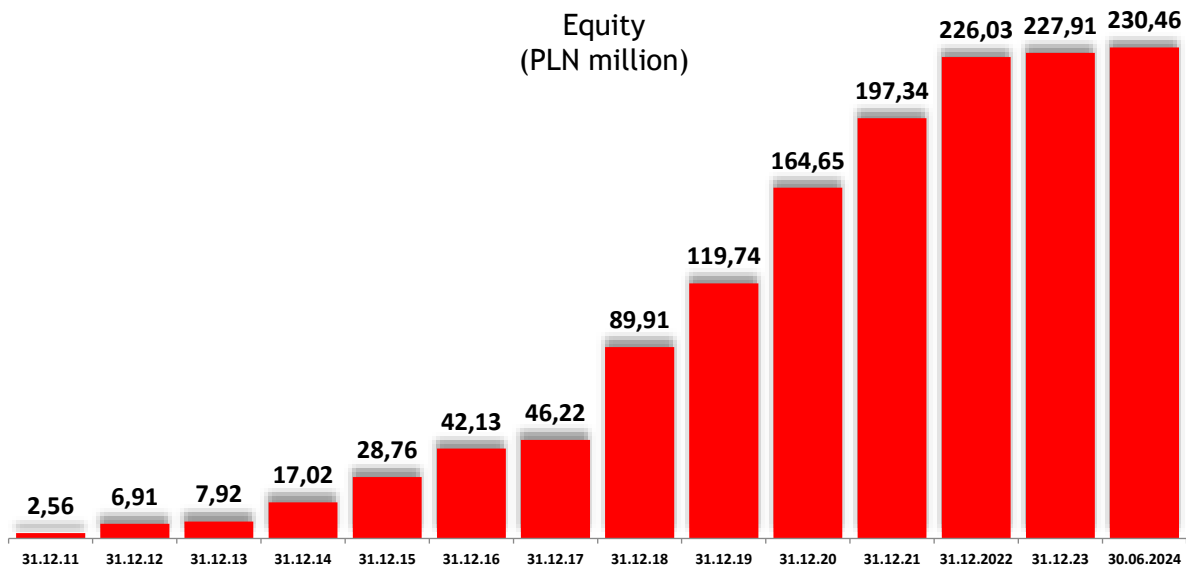
earlier, due to 11 bit studios S.A.'s share of profit earned by Fool's Theory Sp. z o.o. in the six months to 30 June 2024) and PLN 1,258,964. In the case of Starward Industries S.A., the value of shares fell by 23.82% as a result of the depreciation of the company's stock on the NewConnect market.

As at the end of June 2024, 11 bit studios S.A.'s current assets were PLN 56,767,325, down 15.19% on the end of the comparative period, when they amounted to PLN 66,935,181. Just like at the end of 2023, cash and cash equivalents were the largest item, with a value of PLN 42,866,878 as at 30 June 2024, up 14.14% relative to 31 December 2023. This means that cash and cash equivalents accounted for 15.45% of the Company's total assets as at the reporting date. Six months earlier, their share was 14.54%. The value of current financial assets dropped sharply, to PLN 40,899, from the impressive PLN 16,830,492 at the end of 2023. They comprised only employee loans, while as at 31 December 2023 they also included bank deposits with maturities of more than three months.

Trade and other receivables of PLN 10,820,690 were also a material component of the Company's current assets as at the reporting date, representing 3.90% of total assets. As at the end of 2023, they amounted to PLN 10,741,528 (4.16% of total assets). The item included a part of the payment due to 11 bit studios S.A. under the agreement with Microsoft

Corporation signed in the second quarter of 2023. A considerable item, representing 0.73% of total

assets, was income tax receivable of PLN 2,034,508, compared with PLN 804,451 as at 31 December 2023.



The most significant item of the Company's equity and liabilities was statutory reserve funds, which reached PLN 178,071,407 as at the end of June 2024, i.e. 64.19% of total equity and liabilities. Six months earlier, it was PLN 172,043,090 (66.60% of total equity and liabilities). The increase in the statutory reserve funds was due partly to the allocation of the Company's net profit for 2023. The decision to transfer the entire profit for 2023 (PLN 525,609) to statutory reserve funds was made by the shareholders at the General Meeting held on 6 June 2023. The statutory reserve funds were also increased by PLN 5,710,793 transferred from the released capital reserve that had been created a few years earlier to fund employee loans for the purchase of shares under the 2017–2019 Incentive Scheme. Another major item under 11 bit studios S.A.'s equity and liabilities as at the end of June 2024 (PLN 34,391,552 vs PLN 36,229,989 as at the end of 2023) was the share-based payment reserve, created, among other things, in connection with the 2021–2025 Incentive Scheme. As at the reporting date, it accounted for 12.40% of the Company's total equity and liabilities. The share premium account remained unchanged at PLN 18,232,710. As at 30 June 2024, it accounted for 6.57% of total equity and liabilities, compared with 7.06% six months earlier.

As at 30 June 2024, the Company's total liabilities amounted to PLN 46,934,492, compared with PLN 31,263,115 as at the end of December 2023. They rose by 50.13%, and their share in total equity and

liabilities grew to 16.92% from 12.10% at the end of 2023. As at the end of June 2024, the Company's non-current liabilities stood at PLN 5,923,308 relative to PLN 6,558,820 six months before. Their main component (PLN 4,515,000) was borrowings under a PLN 12,600,000 investment credit facility contracted by the Company with PKO BP S.A. at the end of 2018 to finance the purchase of the property at ul. Brzeska 2 in Warsaw. As at 30 June 2024, the Company's current liabilities stood at PLN 41,011,184 relative to PLN 24,704,296 at the end of 2023. They rose by 66.01%, and their share in total equity and liabilities grew to 14.78% from 9.56% six months earlier. The higher amount of current liabilities was attributable to an increase in liabilities under contracts with customers (up from PLN 13,355,194 as at 31 December 2023 to PLN 24,350,286), comprising advance payments received by the Company from its trading partners (mainly Microsoft Corporation) towards future sales of the Company's products (games). The amount also included liabilities towards gamers who opted for buying *Frostpunk 2* in the pre-order period, which opened in March 2024. A significant item under the Company's current liabilities as at the end of June 2024 (PLN 4,474,333) was royalties payable to third-party developers in connection with publishing services, as well as trade payables, which rose to PLN 3,498,676, from PLN 2,918,000 six months before. The amount comprised payments relating to the Company's day-to-day operations.

INTERIM STATEMENT OF CASH FLOWS

	1 Jan – 30 Jun 2024 <i>(unaudited)</i>	1 Jan – 30 Jun 2023 <i>(unaudited)</i>
Cash flows from operating activities		
Profit for period	(477,805)	4,013,206
Adjustments:		
Depreciation and amortisation	2,917,748	2,312,095
Income tax expense recognised in profit or loss	605,874	750,873
Remeasurement of intangible assets	-	41,582
Costs of the 2021–2025 Incentive Scheme	3,872,356	1,420,887
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss	387,393	(5,004,614)
Share of (profit)/loss of associate	(4,672,195)	(79,017)
Net interest income	(597,100)	(1,322,541)
Foreign exchange losses on cash	1,508,324	-
Other adjustments	421,399	(119,571)
Changes in working capital:		
Change in trade and other receivables	(79,162)	(11,407,583)
Change in withholding tax receivables	(836,023)	-
Change in inventories	(45,800)	-
Change in other assets	80,323	129,359
Change in trade and other payables	1,826,211	(132,740)
Change in contract liabilities	10,995,092	12,721,652
Change in provisions	4,945,744	604,181
Cash provided by operating activities	20,852,378	3,927,771
Income tax paid	(1,148,921)	(1,001,809)
Net cash from operating activities	19,703,457	2,925,962
Cash flows from investing activities		
Loans to employees	577,329	509,763
Proceeds from interest on bank deposits with maturities of more than 3 months	595,919	-
Proceeds on maturity of bank deposits with maturities of more than 3 months	16,000,000	19,726,347
Purchase of financial assets	-	(7,751,897)
New bank deposits placed with maturities of more than 3 months	-	(32,000,000)
Proceeds from redemption of financial assets	-	49,000,000
Payment for acquisition of non-current financial assets (Starward Industries S.A. shares)	-	(215)
Payments for property, plant and equipment and intangible assets	(29,219,524)	(26,806,903)
Net cash from investing activities	(12,046,275)	2,677,095
Cash flows from financing activities		
Proceeds from issue of shares	-	3,830,746
Proceeds/(repayments) under credit facility	(630,000)	(735,000)
Payment of interest on credit facility	(207,953)	(332,913)
Net cash from financing activities	(837,953)	2,762,833
Increase in cash and cash equivalents	6,819,228	8,365,890
Effect of exchange rate fluctuations on cash held	(1,508,324)	-
Cash at beginning of reporting period	37,555,974	30,585,991
CASH AT END OF REPORTING PERIOD	42,866,878	38,951,881

In the six months ended 30 June 2023, the Company generated cash flows from operating activities of PLN 20,852,378, 430.90% more than in the comparative period. This surge was mainly driven by a significant increase of PLN 10,955,092 in contract

liabilities. The balance of provisions also grew, by PLN 4,945,744. Other significant items included depreciation and amortisation (PLN 2,917,748), effect of the 2021–2025 Incentive Scheme (PLN 3,872,356), 11 bit studios S.A.'s share of profit earned by Fool's

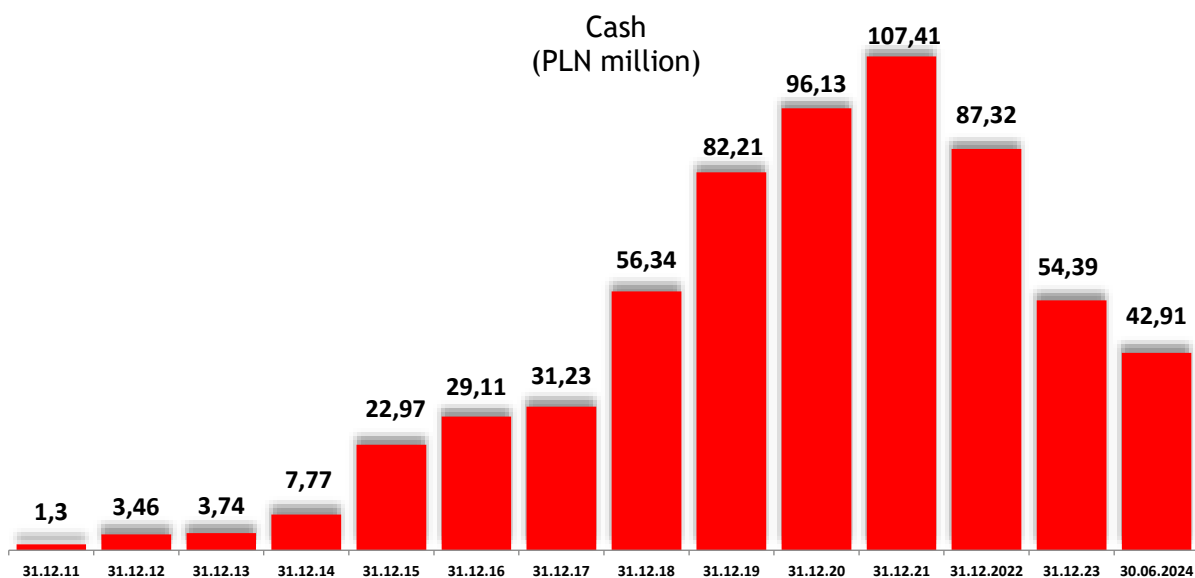
Theory Sp. z o.o. (an associate), which amounted to PLN 5,251,499, and a decrease in withholding tax receivables (PLN 836,023). As a result, net of income tax paid (PLN 1,148,921), net cash provided by operating activities in the six months ended 30 June 2024 reached PLN 19,703,457, compared with PLN 2,925,962 a year earlier, which means a rise of 573.40%.

In the first six months of 2024, the Company reported negative cash flows from investing activities of PLN 12,046,275. In the comparative period, cash flows from investing activities were positive, at PLN 2,677,095. The largest investing cash outflows in the reporting period comprised payments for property, plant and equipment and intangible assets (primarily related to the production of games in the proprietary and publishing portfolios). In the six months ended 30 June 2024, cash spent for these purposes totalled PLN 29,219,524, up 9.00% year on year, from PLN 26,806,903 as at the end of June 2023. An item with a positive effect on cash generated from operating

activities (PLN 16,000,000) in the six months ended 30 June 2024 was proceeds on maturity of bank deposits with maturities of more than 3 months. As at the end of June 2024, 11 bit studios S.A. no longer used such instruments to manage its surplus cash.

Cash flows from financing activities in the six months ended 30 June 2024 included payments related to the servicing of the 10-year investment credit facility contracted from PKO BP S.A. in late 2018 to purchase the property at ul. Brzeska 2 in Warsaw. In the first six months of 2024, 11 bit studios S.A. spent PLN 630,000 (PLN 735,000 a year earlier) on repayment of the principal, with additional PLN 207,953 spent on interest payments (PLN 332,913 a year earlier). In the six months to 30 June 2024, net cash flows from financing activities were negative, at PLN - 837,953. In the comparative period, they were positive, at PLN 2,762,833.

As at 30 June 2024, the Company held cash and cash equivalents of PLN 42,866,878 vs PLN 38,951,881 as at 30 June 2023, an increase of 10.05% year on year.



BANK AND NON-BANK BORROWINGS IN THE SIX MONTHS ENDED 30 JUNE 2024

In the reporting period, 11 bit studios S.A. did not enter into any new credit facility agreements.

Since 9 April 2018, the Company has used a 10-year investment credit facility from PKO BP S.A. contracted to finance a part of the purchase price for the office building at ul. Brzeska 2 in Warsaw (the Company's current headquarters). For full details, see **Note 2.13**.

In addition, on 26 June 2023, the Company signed a PLN 20,000,000 multi-purpose credit facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A. to finance its day-to-day operations. The agreement expires on 25 June 2025. The interest rate was set at 1M WIBOR/1M EUROIBOR plus bank margin of 1.3pp (per annum, with interest charged only on the amounts drawn). As at the date of issue

of this Directors' Report, the Company did not make any drawdowns under the facility.

LOANS ADVANCED IN THE SIX MONTHS ENDED 30 JUNE 2024

In the reporting period, the Company entered into seven loan agreements with its employees and independent contractors, totalling PLN 56,000. The loans are to be used to finance the borrowers' own needs. As at 30 June 2024, the total amount

outstanding under this type of loans, including loans advanced in previous periods, was PLN 40,899 (inclusive of interest).

SURETIES AND GUARANTEES PROVIDED IN THE SIX MONTHS ENDED 30 JUNE 2024 AND OTHER MATERIAL OFF-BALANCE-SHEET ITEMS

In the reporting period, 11 bit studios S.A. did not issue any new sureties or guarantees.

On 5 June 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 5 June 2023. In accordance with an annex signed on 4 June 2024, the surety for up to PLN 5,250,000 is valid until 4 June 2028. It was granted on arm's length terms.

For information on other off-balance sheet items related to 11 bit studios S.A.'s publishing activities, see **Note 4.2**.

CURRENT ECONOMIC AND FINANCIAL CONDITION OF THE COMPANY AND ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

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

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

DESCRIPTION AND ASSESSMENT OF FACTORS AND NON-RECURRING EVENTS WITH A BEARING ON THE COMPANY'S RESULTS IN THE SIX MONTHS ENDED 30 JUNE 2024

In the reporting period, there were no events of a non-recurring nature with a bearing on the results of the Company's operations.



III.

DEVELOPMENT AND PROSPECTS OF 11 BIT STUDIOS S.A.

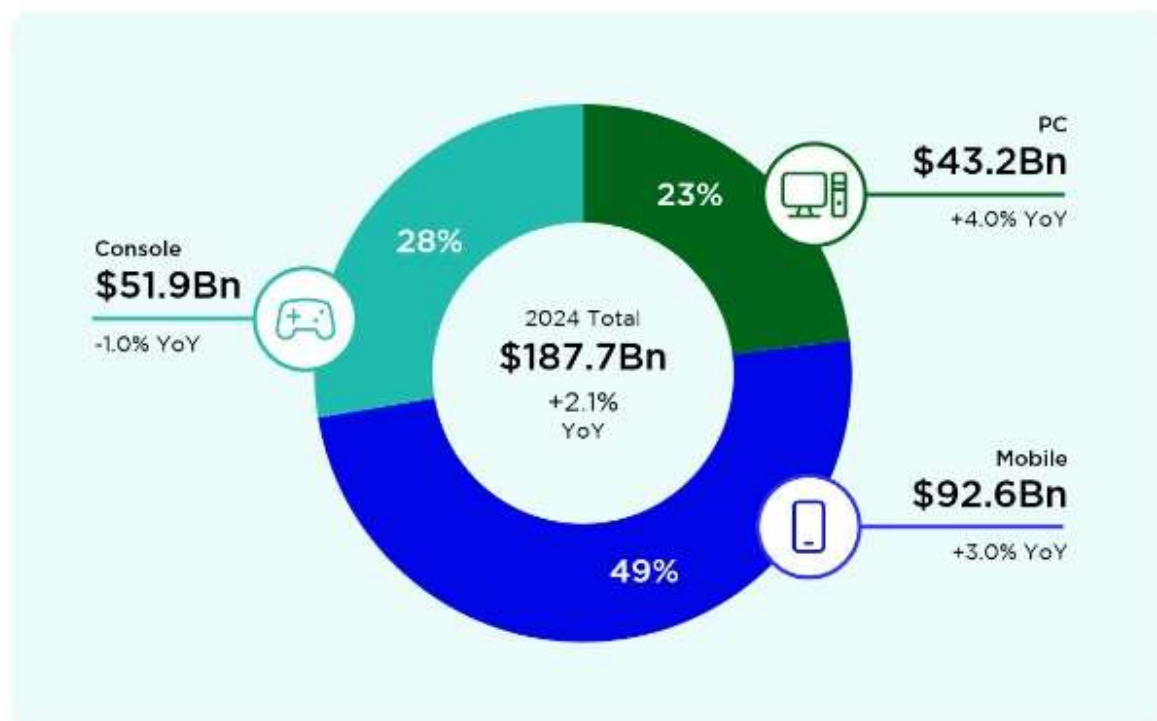
DESCRIPTION OF THE MARKET IN WHICH THE COMPANY OPERATES

11 bit studios S.A. operates within the dynamic landscape of the global computer games market. For a number of years now, computer games have been the fastest growing segment of the entertainment industry, the value of the gaming market being already greater than that of the film and music markets. In 2023, according to the estimates of Newzoo, a Dutch provider of games analytics, the global computer games market was valued at USD 184.0 billion, an increase of 0.6% compared with the previous year, when it was worth USD 182.9 billion. This rebound followed a brief contraction in 2022, when the market saw a 5.1% decline from an unusually high base in 2021, a year when game sales, particularly in mobile gaming, surged due to pandemic-related lockdowns. Initially, Newzoo had projected a more optimistic growth for 2023, estimating that spending on games would reach USD 187.7 billion, up 2.6% from 2022. However, the actual figures were lower, likely affected by global economic slowdowns and high inflation, which dampened consumer spending power in entertainment, including computer games.

Based on Newzoo’s projections for subsequent years, the gaming industry is definitely set to return to the long-term trajectory of growth, and the underperformance in 2022 should be viewed as a ‘deviation from the norm’. According to the experts, computer game enthusiasts will spend USD 205.4 billion on games in 2026, 11.6% more than in 2023. This means that the growth dynamics will return to the stable, single-digit annual growth rates last seen before the COVID-19 pandemic, with growth largely driven by the rapidly expanding global gamer population. According to Newzoo, approximately 3.3 billion people worldwide engaged in gaming in 2023. This is a significant rise from the 2.88 billion gamers in 2020 and slightly over 3.06 billion in 2021. By 2026, the number of gamers is projected to reach 3.675 billion, translating into a compound annual growth rate (CAGR) of 3.7% in the period from 2021 to 2026. Of these, nearly 2.8 billion will be mobile gamers, with PC and console gamers accounting for 867 million and 625 million, respectively.

2024 Games revenues

Per segment



Source: Newzoo, Global Games Market report, July 2024.

Consistent with preceding years, the mobile games segment is expected to maintain its standing as the largest segment of the computer games market in

2024, with a 49% share. According to insights from Newzoo analysts, its value can reach USD 92.6 billion, a 3% growth compared with 2023. This is slightly

faster than the overall gaming market, which is expected to expand by 2.1% in 2024. It is worth noting that 2024 will mark the first year of growth for the mobile gaming segment after two years of decline. The downturn in 2022 and 2023 was largely due to people having less free time, which they had spent on casual mobile games during the pandemic. Once COVID-19 restrictions were lifted, they shifted away from this pastime in favour of outdoor activities. Another major factor significantly shaping the trajectory of the mobile gaming segment pertains to regulatory adjustments implemented by Apple and Google. These changes pose challenges for mobile game developers, imposing restrictions that affect game availability on distribution platforms, monetisation strategies, and promotional efforts.

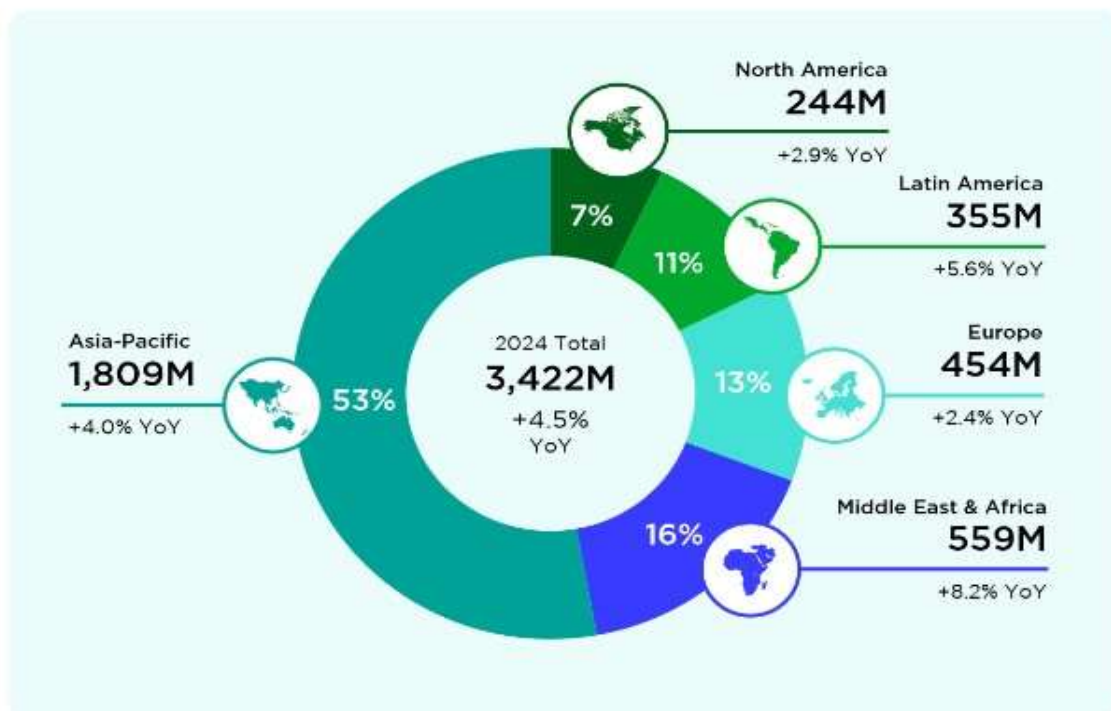
Console games will continue to be the second-largest segment of the global gaming market in 2024, according to Newzoo. This year, fans are expected to spend USD 51.9 billion on games on Sony, Microsoft, and Nintendo platforms. However,

this impressive sum represents a 1% decrease compared with 2023. Despite the decline, the console gaming segment will still make up 28% of the global market, slightly down from 29% in 2023. The contraction is primarily due to a predicted drop in major console game releases this year, following a particularly active 2023. Additionally, game developers are increasingly choosing to launch their games on multiple platforms, including PC, rather than exclusively for consoles. As a result, PC owners no longer need to buy a console to play their favourite or highly anticipated games.

These trends are giving a boost to the PC gaming segment. Newzoo forecasts it will grow by 4% this year, reaching a record value of USD 43.2 billion. The segment is also expected to benefit from a surge in mid-tier and lower-priced game releases, not typically associated with consoles, as well as the enduring popularity of titles like *League of Legends*, *Fortnite*, and *Counter-Strike*, which offer engaging online play and can capture players' attention for hours on end.

2024 Global players

Per region



Source: Newzoo, Global Games Market report, July 2024.

According to Newzoo, the Asia-Pacific region, led by China, which outranked the US several years ago, is set to remain the world's largest gaming market in 2024 in terms of player numbers. The region is

expected to account for 1.809 billion gaming enthusiasts, a 4% increase from 2023, driven primarily by growth in Southeast Asia. Mature gaming markets, represented by China and Japan

FINANCIAL CONDITION OF 11 BIT STUDIOS S.A.

according to Newzoo classification, are expected to remain stable.

The second most important market, with a 16% share and the fastest growth in terms of gamer numbers, will be the Middle East and Africa. This region will see 559 million gamers spending on computer games this year, an 8.2% increase from 2023, according to Newzoo estimates.

Growth in other geographical markets will be much lower. In Europe, the number of gamers is expected

to rise by 2.4% year on year, to 454 million in 2024, giving our continent a 13% share of the global market. Meanwhile, Latin America is set to see a faster growth rate of 5.6%, reaching 355 million gamers. In the mature North American market, 244 million people will play computer games in 2024, a 2.9% increase from the previous year.

GROWTH PROSPECTS

11 bit studios S.A. is a producer of cross-platform computer games sold worldwide, mainly through specialised online platforms, with Steam in the lead. In the six months ended 30 June 2024, export sales accounted for 97.10% of the Company's total revenue (91.98% the year before).

The long-term objective of 11 bit studios S.A. is to grow at a rate significantly faster than the overall computer gaming market (for a description and forecasts for the global market, see pp. 73–75 of this Report), which has been the fastest growing segment of the entertainment industry for a number of years. The success of *This War of Mine* and *Frostpunk* consolidated the Company's position as one of the leading developers in the indie (independent) segment of the gaming industry. From the date of release to the end of June 2024, revenue from *This War of Mine* and its paid DLCs for all devices exceeded PLN 140 million. Sale of products based on IP related to *Frostpunk* brought over PLN 230 million in revenue (in more than five years after the release of the game for PCs). This aligns with the Company's strategy to transition from producing indie titles to developing larger games, which are more costly but offer a greater commercial potential.

In the near term, through the third quarter of 2024, 11 bit studios S.A.'s financial performance will be determined chiefly by future sales of *Frostpunk* and paid DLCs offered for this title as part of the Season Pass. Since its PC debut in April 2018, the game has enjoyed strong fan interest, which, supported by ongoing marketing and promotional efforts, has translated into solid revenue. The *Frostpunk* brand is also being developed in other formats.

The board game version of *Frostpunk*, prepared by Glass Cannon Unplugged, was released in the first quarter of 2023. Over the next few quarters, fans can look forward to its mobile version, being developed by China's NetEase. In addition, a series of novels and short stories set in the *Frostpunk* universe is in the works. The project is supervised by Jacek Dukaj, a

science fiction writer, one of the most popular in Poland and well known worldwide. The book's publication is scheduled for 25 September 2024.

Revenue in the coming months will also be generated from sales of other titles in the back catalogue, such as *This War of Mine*. Nearly ten years from its release and with very limited marketing activities on the part of 11 bit studios S.A., this game continues to attract computer game fans thanks to its unique theme (war seen through the eyes of civilians).

As in previous quarters and years, an important source of the Company's revenue and profits in subsequent periods will be the productions from the publishing portfolio, notably *Moonlighter* and *Children of Morta*. However, as in the case of proprietary games, revenue from this source is expected to decline gradually despite the efforts undertaken by the Company, owing to natural ageing of the products. A greater impact on the publishing division's performance in 2024 will likely come from the monetisation of newer titles, such as *The Invincible* (launched in November 2024), *The Thaumaturge* (March 2024), *INDIKA* (May 2024) and *Creatures of Ava* (7 August 2024).

In the longer term (over the next few years), 11 bit studios S.A.'s financial performance will be largely driven by the releases of upcoming games from the proprietary portfolio, *Frostpunk 2* and *The Alters*. *Frostpunk 2* is set to launch on PC on 20 September 2024, with *The Alters* following a few weeks later on PC, Xbox X/S, and PS5, though its exact release date has yet to be confirmed. The third in-house game, code-named *Project 8*, is expected to debut in 2025. The combined production budget for these three proprietary games exceeds PLN 160 million. To compare, the production budget of *Frostpunk* (PC version) was below PLN 10 million. The teams behind these titles consist of more than 80 (*Frostpunk 2*) and approximately 50 (*The Alters* and *Project 8*) members and are expanded as needed. This is in line with the Company's medium-term strategy for the next few years, which is to have three in-house

development teams of comparable size, each consisting of approximately 60–80 people. Given that each game takes about four to five years to produce, this employment structure will enable 11 bit studios S.A. to release one proprietary title every few quarters.

In the coming quarters and years, the publishing division is expected to significantly contribute to the Company's performance. As at the reporting date, 11 bit studios S.A.'s publishing slate included two projects. The first was *Creatures of Ava* (previously code-named *Ava*), produced by the Spanish studios Inverge and Chibig. Its versions for PC and Xbox Series X/S were released on 7 August 2024. The second, code-named *Botin*, is under development by Digital Sun, the Spain-based studio behind the production of *Moonlighter*. The total budget of these two projects (for 11 bit studios S.A.) is around PLN 20 million. To compare, the Company had invested slightly over PLN 2 million in each of *Moonlighter* and *Children of Morta*. As at the reporting date, the Company's total liabilities under publishing agreements stood at: EUR 1,876,404, USD 465,579 and PLN 671,679.

11 bit studios S.A. aims to further expand its publishing portfolio to implement its medium-term (a few years') strategy of releasing three to four third-party developed games each year. To achieve this goal, the Company intends to sign at least several new publishing agreements in the next few quarters, where its total capital exposure may potentially reach dozens of millions of złoty.

A significant factor that could impact future performance is the acquisitions considered by the Company, designed to expand and bolster the capabilities and market position of 11 bit studios S.A. In 2022, the Company successfully executed two such deals, acquiring a 40% interest in Fool 'S Theory Sp. z o.o. and 5.99% of shares in Starward Industries S.A.

As at the date of issue of this Report, the Company is engaged in tentative discussions regarding prospective equity partnerships with selected entities. Potential transactions will preferably be financed with internally generated funds. However, the Company does not exclude other acquisition financing models.

EXTERNAL AND INTERNAL DRIVERS OF THE COMPANY'S GROWTH

11 bit studios S.A. operates on international markets. Therefore, its strategy and financial results are influenced not only by local factors but also by global economic and political developments, including macroeconomic conditions, tax regulations, and the legal environment. For a detailed discussion of major external and internal factors that may adversely affect the Company's operations, see the risk section (pp. 53–59 of this Report).

The ongoing technological advancements and market shifts within the computer gaming industry are crucial for the Company, impacting the production, distribution and sales of games. The most notable changes include the growing sales through digital rather than traditional retail channels and the rapid expansion of the mobile gaming segment. The Company is also closely monitoring developments in game streaming, a market being shaped by major IT hardware manufacturers and tech companies. Additionally, another factor with a potentially strong impact on 11

bit studios S.A.'s growth is increasing competition among digital distribution platforms, as it leads to reduced sales commissions for developers and publishers, a trend favourable to 11 bit studios S.A.

Among the internal factors crucial for the growth of 11 bit studios S.A., it is important to highlight the diversification of business activities and revenue sources. In addition to the production of games, since 2015 the Company has also been engaged in their publishing (the publishing division). Year over year, the publishing activities are expected to contribute increasingly to the Company's financial performance. In the game development area, in the six months to 30 June 2024 the Company continued to build three teams, which will enable it to ultimately own multiple product lines (brands – IP). With three development teams and several product lines, 11 bit studios S.A. will be able to optimise and better utilise its production resources and stabilise its performance.

FEASIBILITY OF INVESTMENT PLANS

As at 30 June 2024, cash in hand and at banks (cash and cash equivalents) totalled PLN 42,866,878. As at the end of 2023, the cash balance was PLN 37,555,974. In addition, the Company had PLN 10,820,690 in (mainly trade) receivables (end of 2023:

PLN 10,741,528) and PLN 2,034,508 in income tax receivables (PLN 804,451 six months earlier). The total value of 11 bit studios S.A.'s current assets as at 30 June 2024 was PLN 56,767,325 (end of 2023: PLN 66,935,181).

Liabilities (current and non-current) totalled PLN 46,934,492 as at 30 June 2024 (PLN 31,263,116 six months earlier). The largest item of the Company's liabilities was liabilities towards customers (PLN 24,350,286), comprising advance payments received from business partners in respect of future sales of games, including pre-orders of *Frostpunk 2*. Another material item (PLN 5,775,000) as at 30 June 2024 was debt under the credit facility contracted with PKO BP at the end of 2018 to purchase the property at ul. Brzeska 2 in Warsaw, which has been home to the Company's headquarters since March 2020. The debt is regularly repaid. As at the end of 2023, the

amount outstanding under the facility was PLN 6,405,000.

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

MANAGEMENT BOARD'S REPRESENTATION

We hereby represent that this half-year report of 11 bit studios S.A. for the six months ended 30 June 2024 comprises: the letter from the President of the Management Board, financial highlights, financial statements, and Directors' Report on the operations of 11 bit studios S.A. for the six months ended 30 June 2024.

We represent that, to the best of our knowledge, the financial statements and the comparative financial

data have been prepared in accordance with the applicable International Financial Reporting Standards (IFRSs) as endorsed by the European Union, and that they give a clear, true and fair view of the Company's assets, financial position and financial results, and that the Directors' Report on the Company's operations for the six months ended 30 June 2024 gives a fair view of the Company's development, achievements and position, and describes the key risks and threats.

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

- The audit firm which audited the financial statements of 11 bit studios S.A. for the six months ended 30 June 2024 was appointed in accordance with applicable laws, including regulations governing the selection of an audit firm and the relevant selection procedure;
- The audit firm and members of the audit team met the conditions required to prepare an impartial and independent audit report on full-year financial statements in accordance with

applicable laws, professional standards and rules of ethics;

- 11 bit studios S.A. complied with applicable laws and regulations concerning the required rotation of audit firms and lead statutory auditors, as well as the mandatory grace periods;
- 11 bit studios S.A. has a policy in place for the selection of an audit firm and for the provision of additional non-audit services to the Company by the audit firm, its associate or member of its network, including services conditionally exempted from the prohibition of providing non-audit services by the audit firm.

Signed by:



Przemysław Marszał
President of
the Management Board



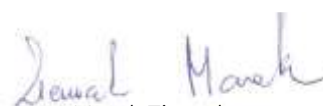
Grzegorz Miechowski
Member of
the Management Board



Michał Drozdowski
Member of
the Management Board



Paweł Feldman
Member of
the Management



Marek Ziemak
Member of
the Management Board



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