



spyrosoft

CONSOLIDATED ANNUAL STATEMENTS OF
SPYROSOFT S.A. GROUP OF COMPANIES

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019

Wroclaw, 12 June 2020

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I. MANAGEMENT BOARD LETTER

Wroclaw, 12 June 2020

Dear Shareholders,

We are pleased to present you with the annual statements of the Spyrosoft S.A. Group of Companies.

The year 2019 was a period of intensive development of the company, and this can be demonstrated by the increase in the number of our colleagues - from 194 in 2018 to 424 at the end of 2019. Along with the number of employees, the number of supported projects and customers increased - mainly in foreign markets.

The intensive growth of the organisation resulted in the optimisation of its internal structure so that it would better serve our business objectives. The most important structural changes include: creating separate business units for specific industries, creating the role of CTO, who is responsible for the technological development of the organisation, as well as strengthening sales and marketing departments.

The past year abounded in significant events such as moving to new offices in all our Polish locations - Wroclaw, Krakow and Bialystok, as well as the opening of new subsidiaries in Zagreb and Detroit. In addition, in 2019, we obtained ISO 9001 and ISO 27001 certificates, which confirm the high-quality standards we adhere to in the organisation.

The current COVID-19 pandemic negatively affects many market sectors, which has also experienced by some of our customers. Nevertheless, Spyrosoft S.A. is still acquiring new clients, and the diversification of their portfolio means that any changes caused by coronavirus do not significantly affect the company's results.

Despite the difficult economic situation of the markets in which we operate, we hope that 2020 will be a good year for the company. Spyrosoft S.A. Group of Companies continues to grow steadily, acquiring new projects and recruiting new employees. Our long-term relationships with our customers provide a good basis for continuing cooperation.

President of the Management Board of Spyrosoft S.A.

Konrad Weiske



II. BASIC INFORMATION ABOUT THE ISSUER

| | SPYROSOFT SPÓŁKA AKCYJNA |
|-------------------|--|
| Address | Pl. Nowy Targ 28, 50-141 Wrocław |
| Registration data | KRS 0000616387 District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register Share Capital: PLN 104,866.60 |
| Contact us | Tel. +48 500 104 042 www.spyro-soft.com office@spyro-soft.com |
| Management Board | Konrad Weiske - President of the Management Board Wojciech Bodnaruś - Member of the Management Board Sebastian Łękawa - Member of the Management Board Sławomir Podolski - Member of the Management Board |

III. BASIC INFORMATION ABOUT THE ISSUER'S ACTIVITIES

1. CHARACTERISTICS OF THE ISSUER'S ACTIVITIES

Spyrosoft is a company founded in 2016 in Wrocław, operating in the IT industry and dealing with software development. As part of the services provided, Spyrosoft offers comprehensive software development solutions - from embedded solutions to high-level systems based on public clouds. Spyrosoft offers comprehensive project management, within which company specialists manage projects and related requirements, create architecture, as well as write and develop the programming layer.

Spyrosoft provides programming services tailored to the needs and requirements of the customer. The company supports customers from the initial creation of product concepts and choosing technologies, through developing the architecture of the solution and its implementation, to maintenance and development works. Spyrosoft works mainly with customers from the following industries: finance, automotive, industry 4.0, telemedicine, HR and education, and geospatial services.

2. SPYROSOFT GROUP'S OFFER

Spyrosoft Group of Companies offers the following services:

- **Business and Product Design** - designing digital products and services, prototyping and testing them
- **Technological Consulting** – technological audits, estimation of project costs, development of digital strategies, automation of software development processes, as well as consultancy in the use of public clouds
- **Enterprise Software** – software development in the areas of backend and frontend, mobile applications, data architecture
- **Embedded Software** – development of devices and software for their automation, creating communication solutions, applications for embedded devices
- **Artificial Intelligence and Machine Learning** – using AI and ML technologies in the designed digital solutions together with consultations regarding their functioning
- **Cloud Solutions** – migration to the cloud, cost optimisation and delivery of software in the cloud
- **Optimisation** – automation of software development, delivery and testing
- **Managed Services** – audits and acquisitions of IT systems, support and maintenance of operating systems, management and maintenance of servers, infrastructure optimisation, data security.

Dedicated services provided by the Spyrosoft Group of Companies are offered to the following industries:

► Automotive

As part of services for the automotive industry, Spyrosoft offers the production of embedded software as well as its integration and validation in accordance with the requirements of the A-Spice standards applicable within the industry. The offer for the automotive industry also includes the design and implementation of processes related to Functional Safety.

► Financial Services

Spyrosoft designs systems that comprehensively support loan processes and debt management systems in financial institutions. The Groups offer also includes the design of solutions in the area of digital banking and for the fintech sector. In addition, Spyrosoft offers the production of software supporting the processing and analysis of financial data.

► Industry 4.0

The Spyrosoft Group offer for enterprises from the industrial sector focuses on the automation and communication of industrial devices, as well as the provision of enterprise system solutions that allow the exchange of data between devices and the support of industrial equipment fleet management processes.

► Geospatial Services

Spyrosoft creates software for the comprehensive processing of spatial data. It offers solutions in the field of spatial data storage and its intelligent analysis. It also designs enterprise systems that enable the use and management of geospatial information.

► HR and Education

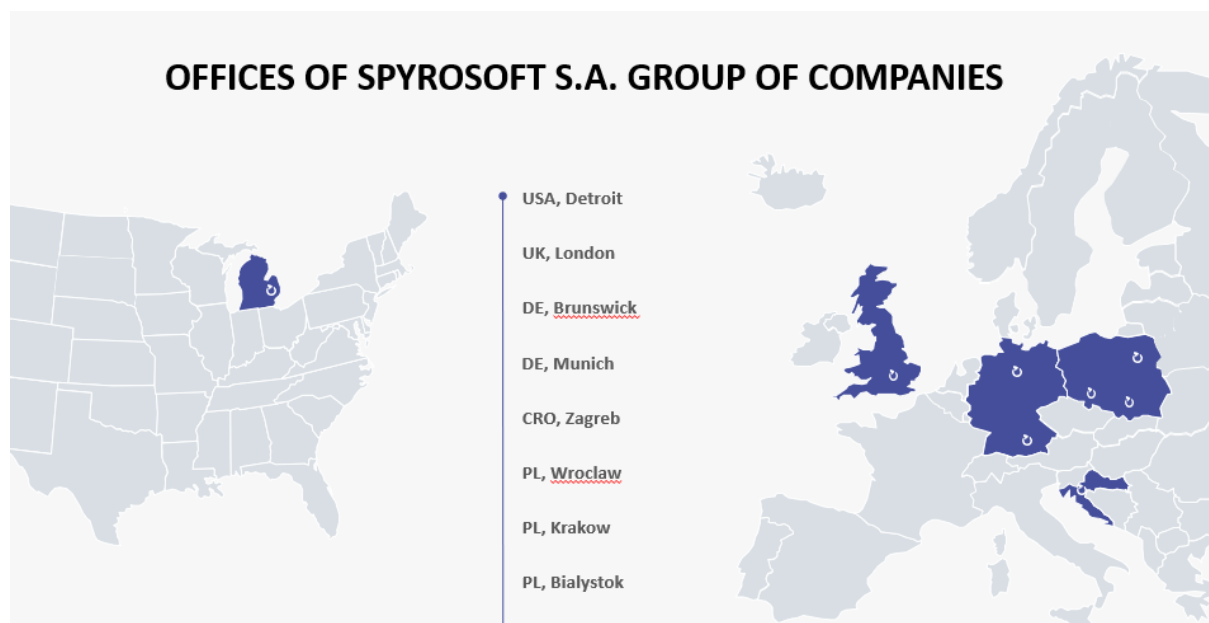
Spyrosoft provides solutions that automate processes related to human resource management. The Group's offer includes the design of temporary work systems, systems for managing remuneration and benefits, as well as educational systems.

► Healthcare & Life Sciences

Spyrosoft Group provides embedded software for medical devices, designs their communication and implements advanced algorithms to support accurate diagnostics performed by medical devices. In addition, it offers the design of enterprise systems - supporting the management of a medical enterprise, patient care or monitoring the operation of medical devices.

3. GEOGRAPHICAL COVERAGE OF SPYROSOFT GROUP

Spyrosoft Group conducts international activities, with particular emphasis on the United Kingdom, Germany and the USA. Thus, in addition to its presence in three Polish locations (Wrocław, Krakow and Białystok), the Group also has offices outside Poland, ensuring its services are available to international customers.



IV. SELECTED FINANCIAL DATA

| Selected financial data | Balance as at 31/12/2019 | Balance as at 31/12/2018 | Balance as at 31/12/2019 | Balance as at 31/12/2018 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | PLN | | EUR | |
| EQUITY | 8,312,752.55 | 3,265,864.44 | 1,952,037.70 | 759,503.36 |
| Share capital | 102,976.60 | 101,890.00 | 24,181.43 | 23,695.35 |
| Liabilities and provisions for liabilities | 17,059,809.20 | 8,810,250.55 | 4,006,060.63 | 2,048,895.48 |
| Long-term liabilities | 1,330,124.44 | 0.00 | 312,345.76 | 0.00 |
| Short-term liabilities | 14,724,888.12 | 8,539,786.88 | 3,457,764.03 | 1,985,996.95 |
| Total assets | 27,597,780.40 | 13,180,270.05 | 6,480,634.12 | 3,065,179.08 |
| Long-term receivables | 889,039.46 | 0.00 | 208,768.22 | 0.00 |
| Short-term receivables | 17,200,212.42 | 9,507,820.01 | 4,039,030.74 | 2,211,120.93 |
| Cash and other cash assets | 4,145,894.70 | 2,420,318.09 | 973,557.52 | 562,864.67 |

| Selected financial data | period from 01/01/2019 to 31/12/2019 | period from 01/01/2018 to 31/12/2018 | period from 01/01/2019 to 31/12/2019 | period from 01/01/2018 to 31/12/2018 |
|---|--|--|--|--|
| | PLN | | EUR | |
| Net revenues from sale of products, goods and materials | 71,495,148.80 | 31,871,148.12 | 16,619,821.66 | 7,469,391.86 |
| Profit (loss) on sales | 7,681,630.13 | 4,641,995.48 | 1,785,678.12 | 1,087,908.20 |
| Depreciation | 732,907.95 | 155,340.77 | 170,372.39 | 36,406.00 |
| Operating profit (loss) | 7,490,669.96 | 4,651,909.34 | 1,741,287.36 | 1,090,231.63 |
| Gross profit (loss) | 7,589,399.29 | 4,701,942.17 | 1,764,238.06 | 1,101,957.43 |
| Net profit (loss) | 4,901,236.41 | 2,822,889.77 | 1,139,345.49 | 661,578.61 |
| Net cash flow from operating activities | 4,773,849.43 | -13,544.44 | 1,109,733.00 | -3,174.30 |
| Net cash flow from investment activities | -1,488,033.88 | -637,460.71 | -345,909.59 | -149,396.68 |
| Net cash flow from financing activities | -1,560,238.94 | 2,564,693.08 | -362,694.44 | 601,067.07 |
| Total net cash flow | 1,725,576.61 | 1,913,687.93 | 401,128.97 | 448,496.08 |
| Number of shares (In units) | 1,029,766 | 1,029,766 | 1,029,766 | 1,029,766 |
| Profit (loss) per ordinary share | 4.76 | 2.74 | 1.11 | 0.64 |
| Book value per share | 8.07 | 3.17 | 1.88 | 0.74 |

| Conversion of foreign currency exchange rates | 2019 | 2018 |
|---|--------|--------|
| Euro exchange rate as at the balance sheet date (31/12) | 4.2585 | 4.3000 |
| Average euro exchange rate from 01/01 to 31/12 | 4.3018 | 4.2669 |

V. SELECTED FINANCIAL DATA OF THE ISSUER'S SUBSIDIARIES NOT COVERED BY CONSOLIDATION

Not applicable.

VI. ANNUAL FINANCIAL STATEMENTS

1. INTRODUCTION TO THE FINANCIAL STATEMENTS

1.1. Basic information about the parent company

Company Name: SPYROSOFT S.A.

Registered office: Lower Silesian province, district of Wrocław, municipality of Wrocław, city of Wrocław

Address: Pl. Nowy Targ 28, 50-141 Wrocław

Main scope of activity of the entity: SOFTWARE RELATED ACTIVITIES

Tax Identification NIP: 8943078149

KRS number: 0000616387

1.2. List of subsidiaries, jointly controlled entities and affiliates whose data is included in the consolidated financial statements

| Name of the entity, registered office | Business object | Share held by the parent company, a shareholder in a jointly controlled entity or a significant investor in the share capital (fund) of those entities (%) | Share in the total number of votes (%) | Names (company names) and registered offices of subordinated entities with involvement in the capital of an excluded entity |
|--|-----------------------------|--|--|---|
| SPYROSOFT SOLUTIONS S.A., WROCŁAW | SOFTWARE RELATED ACTIVITIES | 50.00% | 50.00% | JEDNOSTKA DOMINUJĄCA SPYROSOFT S.A. IS DIRECTLY RELATED TO THE SUBSIDIARY SPYROSOFT SOLUTIONS S.A. |
| SPYROSOFT LIMITED, UNITED KINGDOM | SOFTWARE RELATED ACTIVITIES | 72.00% | 72.00% | PARENT ENTITY SPYROSOFT S.A. IS DIRECTLY RELATED TO THE SUBSIDIARY SPYROSOFT LIMITED |
| GOD NEARSHORE SE EUROPEAN COMPANY, GERMANY | SOFTWARE RELATED ACTIVITIES | 33.00% | 33.00% | PARENT ENTITY SPYROSOFT S.A. IS DIRECTLY RELATED TO THE SUBSIDIARY GOD NEARSHORE SE EUROPEAN COMPANY |

1.3. Information on the criteria used by the parent to cover subsidiaries in the consolidated financial statements; this information may not be disclosed if the parent controls the entity by means of holding directly or indirectly a majority of the total number of votes in the decision making body of another (subsidiary) entity, also under agreements with other voting persons exercising their voting rights in accordance with the will of the parent and if the share in the total number of votes is equal to the share in the share capital (fund)

Not applicable.

1.4. List of entities other than subordinated entities with an indication of their names (company names) and registered offices in which the subordinated entities have equity interests

| Name and registered office of the entity in which the subordinated entities have equity interests | Names (company names) and registered offices of subordinated entities with involvement in the capital of an entity other than subordinated entities | The amount of the share capital (fund) of those entities, the amount of the approved financial result of those entities for the last financial year (this data may be omitted if the entity's balance sheet is not published) | Share in the share capital (fund) and net financial result for the last financial year (%) | Share in the total number of votes (%) |
|---|---|---|--|--|
| | | | | |

1.5. List of subordinated entities excluded from the consolidated financial statements

| Name of the entity, registered office | Legal basis and justification for exclusion | Share held by the parent company, a shareholder in a jointly controlled entity or a significant investor in the share capital (fund) of those entities (%) | Names (company names) and registered offices of subordinated entities with involvement in the capital of an excluded entity |
|--|---|--|---|
| SPYROSOFT SOLUTIONS D.O.O., CROATIA | IRRELEVANT ENTITY | 50.00% | SPYROSOFT SOLUTIONS S.A. |
| SPYROSOFT SOLUTIONS LLC, UNITED STATES | IRRELEVANT ENTITY | 50.00% | SPYROSOFT SOLUTIONS S.A. |
| SPYROSOFT SOLUTIONS GMBH, GERMANY | IRRELEVANT ENTITY | 50.00% | SPYROSOFT SOLUTIONS S.A. |

1.6. Statement of duration of affiliates, if limited

Not applicable.

1.7. Indication of the period covered by the consolidated financial statements

2019-01-01...2019-12-31

1.8. Indication that the financial statements of entities included in the consolidated financial statements contain aggregate data if the affiliates include internal organisational entities that prepare separate financial statements:

The statements do not contain aggregate data.

1.9. Going concern assumption

The statements have been prepared assuming continuation of operations.
There are no circumstances indicating a threat to continuing operations.

1.10. List of entities for which financial statements are prepared after the merger of companies

Not applicable.

1.11. Accounting principles (policies).

1.11.1. Description of the adopted accounting principles (policy) applicable to the preparation of the consolidated financial statements, to the extent that the Act allows the entity the right to choose, including:

Shares in subordinated entities and in other entities, both long-term and short-term, are valued at purchase price taking into account possible impairment. It is assumed that the outflow of a long-term investment component is measured successively at the prices of those components that the entity acquired the earliest (FIFO). The write-downs are conducted in the case of permanent loss of value of the investment, which occurs when there is a high probability that the investments will not bring in a significant part or in whole

the anticipated economic benefits. Financial liabilities are measured as at the date of creation at nominal value, and after initial recognition at adjusted purchase price. Short-term liabilities are measured at the value requiring payment due to insignificant discount effects. Cash assets include assets in the form of domestic currency, foreign currencies and foreign exchange. Cash assets also include accrued interest on financial assets. Financial assets payable or due within 3 months of their receipt, issue, purchase or opening (deposits) are classified as cash for the needs of the cash flow statement.

1.11.2. Rules for grouping economic operations

As part of the separate financial statements, the subordinated entities and the parent group business operations using model chart of accounts according to their type and nature, both in assets and liabilities and in the profit and loss account so that the financial statement prepared on this basis complies with the applicable provisions of the Accounting Act. The consolidated statements present assets and liabilities and the consolidated profit and loss account in such a way that items of uniform type and nature are also grouped.

1.11.3. Methods of valuation of assets and liabilities (including depreciation)

Tangible fixed assets and intangible assets (including costs of completed development works) are valued at the purchase price or production cost less depreciation or amortisation write-downs, as well as write-downs due to permanent loss of value. The company applies annual depreciation rates set individually for each fixed asset and intangible assets based on the expected useful life. Currently used assets are depreciated using rates ranging from 14% to 50%. The correctness of the adopted periods and depreciation rates is subject to periodic verification. Fixed assets and intangible assets with an initial value higher than PLN 0.5 k are included in the register of fixed assets and depreciated on a straight-line basis from the month following the month of commissioning. Assets with a lower value are also recognized in the fixed assets register and depreciated once. Receivables are measured at the amount of payment required, in line with the prudent valuation principle and disclosed at net value (less impairment write-downs). The value of receivables is subject to revaluation taking into account the degree of probability of their payment by making a write-down. An entity makes prepayments if they relate to future reporting periods, unless their amount is immaterial for the financial statements, then the amount of the costs is charged to costs on the date of purchase of the good or service. Provisions for liabilities are measured at justified, reliably estimated value. The provisions are created for certain or highly probable future liabilities, the amount of which can be reliably estimated, and in particular the losses from business operations in progress, including guarantees granted, sureties, lending operations, effects of pending court proceedings,

1.11.4. Performing depreciation

The principles of depreciation for property, plant and equipment and intangible assets are described in the section on valuation of assets and liabilities. Goodwill from consolidation created in accordance with Article 60 of the Accounting Act is depreciated over a period of 5 years.

1.11.5. Rules for determining the financial result.

The net financial result consists of the result of operating activities, including other operating income and expenses, result of financial operations, obligatory encumbrances of financial result due to income tax, the taxpayer of which is the entity, and payments equivalent thereto, based on separate provisions. The operating result is the difference between net revenues from the sale of products, goods and materials, including subsidies, discounts, rebates and other increases or decreases, excluding tax on goods and services and other taxes directly related to turnover, and other operating revenues and the value of sold products, goods and materials valued at the production or purchase costs or purchase prices, increased by the total general management costs incurred since the beginning of the financial year, costs of sales of products, goods and materials, and other operating costs. The result of financial operations is the difference between financial revenues, in particular from dividends (shares in profits), interest, profits from the sale and revaluation of investments other than listed in Article 28 paragraph 1 point 1a, surplus of positive exchange rate differences over negative, and financial costs, in particular due to interest, losses due to disposal and

revaluation of investments other than those listed in Article 28 paragraph 1 point 1a, surplus of negative exchange rate differences over positive ones, with the exception of interest, commissions, positive and negative exchange rate differences referred to in Article 28 paragraph 4 and paragraph 8 point 2.

1.11.6. Rules for preparation of the financial statements

The financial statements of subsidiaries are generally prepared for the same reporting period as the parent company's statements. Only in the case of the consolidated financial statements for the current financial year, the subsidiary Spyrosoft Solutions S.A. is covered by the consolidation for a shorter period, i.e. from 22 March 2018, i.e. from the date of registration of the company. The consolidated financial statements are prepared using consistent accounting policies, based on uniform accounting policies used for transactions and economic events of a similar nature, and in the event of differences, in order to eliminate any discrepancies in the accounting policies used, consolidation adjustments are made.

1.11.7. Other

Method for preparation of consolidated financial statements

The consolidated financial statements have been prepared under the provisions of the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047, as amended) and the Regulation of the Minister of Finance of 25 September 2009 on detailed rules for entities other than banks, insurance and reinsurance companies in consolidated financial statements of groups of companies (Journal of Laws of 2009, No. 152, item 1223, as amended).

1.12. Changes in accounting principles (policy) made with effect from the first day of the financial year, in particular, the principles for grouping business operations, methods of valuation of assets and liabilities, making depreciation write-downs, determining the financial result and preparing separate financial statements and the consolidated financial statements, together with the reasons for them

The accounting principles applied have not changed compared to the previous year.

1.13. Presentation of the criteria used to exclude subsidiaries from the consolidated financial statements

A single subsidiary is considered immaterial if the value of its balance sheet total does not constitute more than 5% of the consolidated balance sheet total before the exclusions or the value of its turnover does not constitute more than 5% of the consolidated turnover before the exclusions whichever of those two values/consolidated revenues or consolidated balance sheet total/is lower.

At the same time, the balance sheet total of all subsidiaries deemed immaterial may not exceed 5% of the consolidated balance sheet total prior to the exclusions or the sum of turnover of all entities deemed immaterial may not exceed 5% of consolidated turnover before the exclusions, whichever of those two values is lower/consolidated revenues or consolidated balance sheet total/. A single affiliate is considered immaterial if the effect of any valuation using the equity method does not constitute more than 5% of the consolidated balance sheet total. At the same time, the impact of any valuation using the equity method of all affiliates deemed immaterial may not exceed 5% of the consolidated balance sheet total.

1.14. Detailed information resulting from the needs or specificity of the entity

Not applicable.

2. BALANCE SHEET

Balance sheet based on Appendix No. 1 to the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351) for entities other than banks, insurance and reinsurance companies.

| Number | Description | Balance as at 31/12/2019 | Balance as at 31/12/2018 |
|-----------|---|--------------------------|--------------------------|
| | Assets | 27,597,780.40 | 13,180,270.05 |
| A | Fixed assets | 5,818,459.21 | 1,158,994.94 |
| A.I | + Intangible assets | 139,142.83 | 50,524.51 |
| A.I.1 | + Research and development expenses | - | - |
| A.I.2 | + Goodwill | - | - |
| A.I.3 | + Other intangible assets | 139,142.83 | 50,524.51 |
| A.I.4 | + Advances for intangible assets | - | - |
| A.II | +Goodwill of subsidiaries | - | - |
| A.II.1. | + Goodwill - subsidiaries | - | - |
| A.II.2 | +Goodwill - affiliates | - | - |
| A.III | + Tangible fixed assets | 3,711,015.62 | 758,148.91 |
| A.III.1 | +Fixed assets | 3,703,668.12 | 758,148.91 |
| A.III.1.A | + land (including right of perpetual usufruct) | - | - |
| A.III.1.B | + buildings, premises, rights to premises, civil and water engineering structures | 128,235.00 | 23,360.00 |
| A.III.1.C | + technical equipment and machines | 1,595,040.85 | 675,706.82 |
| A.III.1.D | +means of transport | - | - |
| A.III.1.E | + other fixed assets | 1,980,392.27 | 59,082.09 |
| A.III.2 | +Fixed assets in progress | - | - |
| A.III.3 | +Advances for fixed assets in progress | 7,347.50 | - |
| A.IV | +Long-term receivables | 889,039.46 | - |
| A.IV.1 | + From affiliates | - | - |
| A.IV.2 | +From other entities in which the entity is engaged in capital | - | - |
| A.IV.3 | + From other entities | 889,039.46 | - |
| A.V | +Long-term investments | 719,859.06 | 293,271.70 |
| A.V.1 | + Real Estate | - | - |
| A.V.2 | + Intangible assets | - | - |
| A.V.3 | + Long-term financial assets | 26,194.10 | 293,271.70 |
| A.V.3.A | +in subsidiaries, jointly controlled entities not measured using the full consolidation method or the proportional method | 26,194.10 | 25,422.62 |
| A.V.3.A.1 | +shares or stocks | 26,194.10 | 25,422.62 |
| A.V.3.A.2 | +/- other securities | - | - |
| A.V.3.A.3 | +/- borrowings granted | - | - |
| A.V.3.A.4 | +/- other long-term financial assets | - | - |
| A.V.3.B | +in subsidiaries, jointly controlled entities and affiliates accounted for using the equity method | 693,664.96 | 267,849.08 |
| A.V.3.B.1 | +shares or stocks | 693,664.96 | 267,849.08 |
| A.V.3.B.2 | +/- other securities | - | - |
| A.V.3.B.3 | +/- borrowings granted | - | - |

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

| | | | |
|------------|---|---------------|---------------|
| A.V.3.B.4 | +/- other long-term financial assets | - | - |
| A.V.3.C | + in other entities in which the entity is engaged in capital | - | - |
| A.V.3.C.1 | +/- shares or stocks | - | - |
| A.V.3.C.2 | +/- other securities | - | - |
| A.V.3.C.3 | +/- borrowings granted | - | - |
| A.V.3.C.4 | +/- other long-term financial assets | - | - |
| A.V.3.D | + in other companies | - | - |
| A.V.3.D.1 | +/- shares or stocks | - | - |
| A.V.3.D.2 | +/- other securities | - | - |
| A.V.3.D.3 | +/- borrowings granted | - | - |
| A.V.3.D.4 | +/- other long-term financial assets | - | - |
| A.V.4 | + Other long-term investments | - | - |
| A.VI | +Long-term prepayments and accruals | 359,402.24 | 57,049.82 |
| A.VI.1 | Assets for deferred income tax | 152,777.98 | 57,049.82 |
| A.VI.2 | + Other prepayments and accruals | 206,624.26 | - |
| B | Current assets | 21,779,321.19 | 12,021,275.11 |
| B.I | +Inventories | 114,247.31 | 26,803.02 |
| B.I.1 | + Materials | - | - |
| B.I.2 | +Semi-finished goods and products in progress | - | - |
| B.I.3 | +Finished products | - | - |
| B.I.4 | + Goods | 70,619.79 | 26,618.75 |
| B.I.5 | + Advanced payments for supplies and services | 43,627.52 | 184.27 |
| B.II | + Short-term receivables | 17,200,212.42 | 9,507,820.01 |
| B.II.1 | Receivables from affiliates | 555.20 | 1,028,779.42 |
| B.II.1.A | + receivables for supplies and services, with maturity of: | 555.20 | 1,027,252.19 |
| B.II.1.A.1 | +/- up to 12 months | 555.20 | 1,027,252.19 |
| B.II.1.A.2 | +/- more than 12 months | - | - |
| B.II.1.B | +other | - | 1,527.23 |
| B.II.2 | +Receivables from other entities in which the entity is engaged in capital | - | - |
| B.II.2.A | + receivables for supplies and services, with maturity of: | - | - |
| B.II.2.A.1 | +/- up to 12 months | - | - |
| B.II.2.A.2 | +/- more than 12 months | - | - |
| B.II.2.B | +other | - | - |
| B.II.3 | +Receivables from other entities | 17,199,657.22 | 8,479,040.59 |
| B.II.3.A | + receivables for supplies and services, with maturity of: | 14,931,139.35 | 7,636,085.60 |
| B.II.3.A.1 | +/- up to 12 months | 14,931,139.35 | 7,636,085.60 |
| B.II.3.A.2 | +/- more than 12 months | - | - |
| B.II.3.B | +for taxes, subsidies, customs, social and health insurance and other public levies | 2,227,233.20 | 679,598.29 |
| B.II.3.C | +other | 41,284.67 | 163,356.70 |
| B.II.3.D | +claimed at court | - | - |
| B.III | + Short-term investment | 4,328,360.99 | 2,425,371.39 |

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

| | | | |
|-------------|---|---------------|---------------|
| B.III.1 | +Short-term financial assets | 4,328,360.99 | 2,425,371.39 |
| B.III.1.A | +in subsidiaries and jointly controlled entities | 182,466.29 | 5,053.30 |
| B.III.1.A.1 | +shares or stocks | - | - |
| B.III.1.A.2 | + other securities | - | - |
| B.III.1.A.3 | + borrowings granted | 182,466.29 | 5,053.30 |
| B.III.1.A.4 | + other short-term financial assets | - | - |
| B.III.1.B | +in affiliates | - | - |
| B.III.1.B.1 | +shares or stocks | - | - |
| B.III.1.B.2 | + other securities | - | - |
| B.III.1.B.3 | + borrowings granted | - | - |
| B.III.1.B.4 | + other short-term financial assets | - | - |
| B.III.1.C | + in other companies | - | - |
| B.III.1.C.1 | +shares or stocks | - | - |
| B.III.1.C.2 | + other securities | - | - |
| B.III.1.C.3 | + borrowings granted | - | - |
| B.III.1.C.4 | + other short-term financial assets | - | - |
| B.III.1.D | + cash and others cash assets | 4,145,894.70 | 2,420,318.09 |
| B.III.1.D.1 | + cash in hand and at bank | 4,145,894.70 | 2,420,318.09 |
| B.III.1.D.2 | + other cash | - | - |
| B.III.1.D.3 | + other cash equivalents | - | - |
| B.III.2 | +Other short-term investment | - | - |
| B.IV | +Short-term prepayments | 136,500.47 | 61,280.69 |
| C | Called up share capital | - | - |
| D | Own shares (stock) | - | - |
| | Liabilities | 27,597,780.40 | 13,180,270.05 |
| A | equity (own fund) | 8,312,752.55 | 3,265,864.44 |
| A.I | +Share capital (statutory fund) | 102,976.60 | 101,890.00 |
| A.II | +Supplementary capital (fund), including: | 3,300,766.72 | - |
| A.II.1. | + surplus of the sale/issue value over the nominal value of shares (stocks) | 107,573.40 | - |
| A.III | +Capital (fund) from revaluation, including: | - | - |
| A.III.1 | + due to the revaluation of the fair value | - | - |
| A.IV | +Other reserve capital (funds), including: | 1,890.00 | - |
| A.IV.1 | + created according to the agreement (articles of association) of the Company | - | - |
| A.V | +FX differences from conversion | 35,101.70 | - |
| A.VI | +Profit (loss) from previous years | - 29,218.88 | 341,084.67 |
| A.VII | + Net profit (loss) | 4,901,236.41 | 2,822,889.77 |
| A.VIII | +Deductions from net profit during the financial year (negative value) | - | - |
| B | Minority capitals | 2,225,218.65 | 1,104,155.06 |
| C | Negative goodwill of subsidiaries | - | - |
| C.I | +Negative value - subsidiaries | - | - |
| C.II | +Negative value - jointly controlled entities | - | - |
| D | Liabilities and provisions for liabilities | 17,059,809.20 | 8,810,250.55 |
| D.I | + Provisions for liabilities | 777,180.79 | 270,463.67 |
| D.I.1 | +Provision for deferred income tax | 452,668.08 | 139,787.32 |

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

| | | | |
|-------------|---|---------------|--------------|
| D.I.2 | +Provision for pensions and similar | 227,324.34 | - |
| D.I.2.A | +/- long-term | - | - |
| D.I.2.B | +/- short-term | 227,324.34 | - |
| D.I.3 | +Other provisions | 97,188.37 | 130,676.35 |
| D.I.3.A | +/- long-term | - | - |
| D.I.3.B | +/- short-term | 97,188.37 | 130,676.35 |
| D.II | +Long-term liabilities | 1,330,124.44 | - |
| D.II.1 | +Towards affiliates | - | - |
| D.II.2 | +Towards other entities in which the entity is engaged in capital | - | - |
| D.II.3 | +Towards other entities | 1,330,124.44 | - |
| D.II.3.A | +loans and borrowings | - | - |
| D.II.3.B | + from issuance of debt securities | - | - |
| D.II.3.C | +other financial liabilities | 1,267,044.98 | - |
| D.II.3.D | +bill of exchange obligations | - | - |
| D.II.3.E | +other | 63,079.46 | - |
| D.III | +Short-term liabilities | 14,724,888.12 | 8,539,786.88 |
| D.III.1 | +Liabilities towards affiliates | 156,315.68 | 4,228.38 |
| D.III.1.A | +for supplies and services, with maturity of: | 152,087.30 | - |
| D.III.1.A.1 | +/- up to 12 months | 152,087.30 | - |
| D.III.1.A.2 | +/- more than 12 months | - | - |
| D.III.1.B | +other | 4,228.38 | 4,228.38 |
| D.III.2 | +Liabilities towards other entities in which the entity is engaged in capital | - | - |
| D.III.2.A | +for supplies and services, with maturity of: | - | - |
| D.III.2.A.1 | +/- up to 12 months | - | - |
| D.III.2.A.2 | +/- more than 12 months | - | - |
| D.III.2.B | +other | - | - |
| D.III.3 | +Liabilities towards other entities | 14,568,572.44 | 8,535,558.50 |
| D.III.3.A | +loans and borrowings | 3,400,727.97 | 4,162,390.20 |
| D.III.3.B | + from issuance of debt securities | - | - |
| D.III.3.C | +other financial liabilities | 2,250,524.64 | - |
| D.III.3.D | +for supplies and services, with maturity of: | 5,725,689.33 | 3,217,398.90 |
| D.III.3.D.1 | +/- up to 12 months | 5,725,689.33 | 3,217,398.90 |
| D.III.3.D.2 | +/- more than 12 months | - | - |
| D.III.3.E | +payments received on delivery and services | - | - |
| D.III.3.F | +bill of exchange obligations | - | - |
| D.III.3.G | +for taxes, customs, social and health insurance and other public-law fees | 2,508,287.96 | 737,684.56 |
| D.III.3.H | +/- for wages and salaries | 663,705.39 | 386,956.16 |
| D.III.3.I | +other | 19,637.15 | 31,128.68 |
| D.III.4 | +Special funds | - | - |
| D.IV | + Prepayments and accruals | 227,615.85 | - |
| D.IV.1 | +Negative goodwill | - | - |
| D.IV.2 | + Other prepayments and accruals | 227,615.85 | - |
| D.IV.2.A | +/- long-term | - | - |
| D.IV.2.B | +/- short-term | 227,615.85 | - |

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

3. PROFIT AND LOSS ACCOUNT

Income statement in a multiple-step variant based on Appendix 1 to the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351) for entities other than banks, insurance and reinsurance companies.

| Number | Description | For the period 01/01/2019-31/12/2019 | For the period 01.01.2018-31.12.2018 |
|----------|--|---|---|
| A | Net revenues from sale of products, goods and materials, including: | 71,495,148.80 | 31,871,148.12 |
| | - from affiliates not covered by the full consolidation method | - | 6,193,915.89 |
| A.I | Revenues from sale of other products and services | 71,270,752.49 | 31,802,243.11 |
| A.II | Revenues from sale of goods and materials | 224,396.31 | 68,905.01 |
| B | Costs of sold products, goods and materials, including: | 49,703,036.23 | 23,284,311.06 |
| | - to affiliates | - | - |
| B.I | Manufacturing cost of sold products | 49,675,716.71 | 23,215,672.99 |
| B.II | value of goods and materials sold | 27,319.52 | 68,638.07 |
| C | Gross profit (loss) on sales (A-B) | 21,792,112.57 | 8,586,837.06 |
| D | Selling costs | - | - |
| E | General administrative costs | 14,110,482.44 | 3,944,841.58 |
| F | Profit (loss) on sales (C-D-E) | 7,681,630.13 | 4,641,995.48 |
| G | Other operating income | 167,437.80 | 45,122.92 |
| G.I | Profit from the rotation of non-financial fixed assets | 1,249.12 | 21,161.12 |
| G.II | Subsidies | - | - |
| G.III | Revaluation of non-financial assets | - | - |
| G.IV | Other operating income | 166,188.68 | 23,961.80 |
| H | Other operating expenses | 358,397.97 | 37,601.88 |
| H.I | Loss from the rotation of non-financial fixed assets | 36,889.53 | - |
| H.II | Revaluation of non-financial assets | - | - |
| H.III | Other operating costs | 321,508.44 | 35,209.06 |
| I | Operating profit (loss) (F+G-H) | 7,490,669.96 | 4,651,909.34 |
| J | Financial incomes | 9,756.38 | 17,832.86 |
| J.I | +Dividends and shares in profits, including: | - | - |
| J.I.A | +from affiliates, including: | - | - |
| | - in which the entity is engaged in capital | - | - |
| J.I.B | + from other entities, including: | - | - |
| | - in which the entity is engaged in capital | - | - |
| J.II | +Interest, including: | 6,639.36 | 0.08 |
| | - from affiliates | 3,609.55 | - |
| J.III | + Profit from the rotation of financial assets including: | - | - |
| | - in affiliates | - | - |
| J.IV | Revaluation of financial assets | - | - |
| J.V | Other | 3,117.02 | 17,832.78 |

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

| | | | |
|----------|--|---------------------|---------------------|
| C | Financial costs | 455,696.73 | 157,697.31 |
| K.I | +Interest, including: | 173,960.32 | 94,029.04 |
| | - for affiliates | - | - |
| K.II | +Loss from the expenditure on financial assets including: | - | - |
| | - in affiliates | - | - |
| K.III | Revaluation of financial assets | - | - |
| K.IV | Other | 281,736.41 | 63,668.27 |
| L | Profit (loss) on the sale of all or part of shares in subsidiaries | - | - |
| M | Profit (loss) on business activities (I + J - K +/- L) | 7,044,729.61 | 4,512,044.89 |
| N | Goodwill write down | - | - |
| N.I | Goodwill - subsidiaries | - | - |
| N.II | Goodwill write-down - jointly controlled entities | - | - |
| O | Write-down of negative goodwill | 118,853.80 | - |
| O.I | Write-down of negative goodwill - subsidiaries | 118,853.80 | - |
| O.II | Write-down of negative goodwill - jointly controlled entities | - | - |
| P | Profit (loss) on shares or stocks in subsidiaries measured using the equity method | 425,815.88 | 189,897.28 |
| R | Gross profit (loss) (M - N + O +/- P) | 7,589,399.29 | 4,701,942.17 |
| S | Income tax | 1,567,233.40 | 824,897.34 |
| Y | Other obligatory profit decreases (increase in loss) | - | - |
| U | Minority gains (losses) | 1,120,929.48 | 1,054,155.06 |
| W | Net profit (loss) (R - S - T +/- U) | 4,901,236.41 | 2,822,889.77 |

4. STATEMENT OF CHANGES IN EQUITY (OWN FUND)

Statement of changes in equity (own fund) based on Appendix No. 1 to the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351) for entities other than banks, insurance and reinsurance companies.

| Number | Description | For the period 01/01/2019- 31/12/2019 | For the period 01/01/2018- 31/12/2018 |
|------------|--|---|---|
| I | Equity (own fund) at the beginning of the period (BO) | 3,265,864.44 | 441,084.67 |
| I.a | - error adjustments | - | - |
| II | Equity (own fund) at the beginning of the period (BO), after error corrections | 3,265,864.44 | 441,084.67 |
| II.a | share capital (fund) at the beginning of the period | 101,890.00 | 100,000.00 |
| II.a.1 | +Changes in share capital (fund) | 1,086.60 | 1,890.00 |
| II.a.1.1 | +increase (due to) | 1,086.60 | 1,890.00 |
| II.a.1.1.a | +/- shares issues | 1,086.60 | 1,890.00 |
| II.a.1.2 | -decrease (due to) | - | - |
| II.a.1.2.a | +/- redemption of shares | - | - |
| II.a.2 | +Share capital (fund) at the end of the period | 102,976.00 | 101,890.00 |
| II.b | reserve capital (fund) at the beginning of the period | 555,394.20 | - |
| II.b.1 | +Changes in supplementary capital (fund) | 3,799,527.58 | - |
| II.b.1.1 | +increase (due to) | 3,799,527.58 | 555,394.20 |
| II.b.1.1.a | +/- share issue above face value | 107,573.40 | - |
| II.b.1.1.b | - profit (statutory) distribution | - | - |
| II.b.1.1.c | +/- profit distribution (above the statutory minimum value) | 2,637,799.12 | 555,394.20 |
| II.b.1.2 | -decrease (due to) | - | - |
| II.b.1.2.a | +/- loss coverage | - | - |
| II.b.2 | +Reserve capital at the end of the period | 3,300,766.72 | 555,394.20 |
| II.c | capital (fund) from revaluation at beginning of the period | - | - |
| II.c.1 | + Changes in revaluation of capital (fund) - changes in adopted accounting principles (policy) | - | - |
| II.c.1.1 | +increase (due to) | - | - |
| II.c.1.2 | -decrease (due to) | - | - |
| II.c.1.2.a | +/- disposal of fixed assets | - | - |
| II.c.2 | +Capital (fund) from revaluation end of the period | - | - |
| II.d | Other provisions at the beginning of the period | - | - |
| II.d.1 | +Changes in other capital (funds) | 1,890.00 | - |
| II.d.1.1 | +increase (due to) | 1,890.00 | - |
| II.d.1.2 | -decrease (due to) | - | - |
| II.d.2 | +Other provisions at the end of the period | 1,890.00 | - |
| II.e | FX differences from conversion | - | - |
| II.f | Profit (loss) brought forward at beginning of the period | 2,608,580.24 | 341,084.67 |
| II.f.1 | +Profit brought forward at beginning of the period | 2,822,889.77 | 555,394.20 |
| II.f.1.1 | +/- error corrections | - | - |
| II.f.1.2 | +/- amendments to the accepted accounting principles (policy) | - | - |

| | | | |
|------------|--|---------------------|---------------------|
| II.f.2 | +Profit brought forward at beginning of the period, after adjustments | 2,822,889.77 | 555,394.20 |
| II.f.2.1 | +increase (due to) | - | - |
| II.f.2.1.a | +/- distribution of profit from previous years | - | - |
| II.f.2.2 | -decrease (due to) | 2,637,799.12 | 555,394.20 |
| II.f.3 | +Profit brought forward at the end of the period | 185,090.65 | - |
| II.f.4 | +Loss brought forward at beginning of the period | - 214,309.53 | - 214,309.53 |
| II.f.4.1 | +/- error corrections | - | - |
| II.f.4.2 | +/- amendments to the accepted accounting principles (policy) | - | - |
| II.f.5 | +Loss brought forward at beginning of the period, after adjustments | - 214,309.53 | - 214,309.53 |
| II.f.5.1 | +increase (due to) | - | - |
| II.f.5.1.a | +/- transfer of losses from previous years to be covered | - | - |
| II.f.5.2 | -decrease (due to) | - | - |
| II.f.6 | +Loss brought forward at the end of the period | - 214,309.53 | - 214,309.53 |
| II.f.7 | +Profit (loss) brought forward at the end of the period | - 29,218.88 | - 214,309.53 |
| II.g | Net profit/loss | 4,901,236.41 | 2,822,889.77 |
| II.g.1 | +net profit | 4,901,236.41 | 2,822,889.77 |
| II.g.2 | -net loss | - | - |
| II.g.3 | -write-downs from profit | - | - |
| III | Equity (own fund) at the end of the period (Closing Balance) | 8,312,752.55 | 3,265,864.44 |
| IV | Equity (own fund), including the proposed profit distribution (loss coverage) | 8,312,752.55 | - |

5. CASH FLOW STATEMENT

Cash flow statement (indirect method) based on Appendix 1 to the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351) for entities other than banks, insurance and reinsurance companies.

| Number | Description | For the period 01/01/2019- 31/12/2019 | For the period 01/01/2018- 31/12/2018 |
|----------|--|---|---|
| A | Cash flows from operating activities | - | - |
| A.I | Net profit (loss) | 4,901,236.41 | 2,822,889.77 |
| A.II | Total adjustments | - 127,386.98 | - 2,836,434.21 |
| A.II.1. | +Minority gains (losses) | 1,120,929.48 | 1,054,155.06 |
| A.II.2 | +Profit (loss) on shares (stocks) in entities measured using the equity method | - 425,815.88 | - 189,897.28 |
| A.II.3 | + Depreciation | 732,907.95 | 155,340.77 |
| A.II.4 | +Goodwill write-downs | - | - |
| A.II.5 | +Write-down of negative goodwill | - 118,853.80 | - |
| A.II.6 | +Profits (losses) on exchange differences | 35,101.70 | - |
| A.II.7 | +Interest and shares in profits (dividends) | 345,704.23 | 94,027.00 |
| A.II.8 | +Profit (loss) from investing activities | 35,640.41 | - 21,161.12 |
| A.II.9 | +Change in provisions | 506,717.12 | 228,785.50 |
| A.II.10 | +Change in inventories | - 87,444.29 | 3,699.75 |
| A.II.11 | +Change in receivables | - 7,692,392.41 | - 7,020,454.34 |

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

| | | | |
|------------|--|----------------|--------------|
| A.II.12 | +Change in short-term liabilities, excluding loans and borrowings | 6,251,624.33 | 2,934,193.79 |
| A.II.13 | +Change in prepayments and accruals | - 149,956.35 | - 75,123.34 |
| A.II.14 | + Other adjustments from operating activities | - 681,549.47 | - |
| A.III | +Net cash flows from operating activities (I+/-II) | 4,773,849.43 | - 13,544.44 |
| B | Cash flows from investment activities | - | - |
| B.I | Income | 2,093,498.58 | 145,834.83 |
| B.I.1 | +Sale of intangible assets and tangible fixed assets | 2,093,498.58 | 95,834.83 |
| B.I.2 | +Sale of investment in real estate and intangible assets | - | - |
| B.I.3 | +From financial assets including: | - | - |
| B.I.3.A | +in entities measured using the equity method | - | - |
| B.I.3.B | + in other companies | - | - |
| B.I.3.B.1 | +/- sale of financial assets | - | - |
| B.I.3.B.2 | +/- dividends and shares in profits | - | - |
| B.I.3.B.3 | +/- repayment of granted long-term borrowings | - | - |
| B.I.3.B.4 | +/- interests | - | - |
| B.I.3.B.5 | +/- other income from financial assets | - | - |
| B.I.4 | +Other investment revenues | - | 50,000.00 |
| B.II | Expenses | 3,581,532.46 | 783,295.54 |
| B.II.1 | +Purchase of intangible assets and tangible fixed assets | 1,923,300.59 | 758,122.92 |
| B.II.2 | +Investment in real estate and intangible assets | - | - |
| B.II.3 | +for long-term financial assets, including: | 203,607.09 | 25,172.62 |
| B.II.3.A | +in entities measured using the equity method | - | - |
| B.II.3.B | + in other companies | 203,607.09 | 25,172.62 |
| B.II.3.B.1 | +/- acquisition of financial assets | 26,194.10 | 25,172.62 |
| B.II.3.B.2 | +/- long-term borrowings granted | 177,412.99 | - |
| B.II.4 | +Dividends and other shares in profits paid to minority shareholders | - | - |
| B.II.5 | +Other investment expenses | 1,454,624.78 | - |
| B.III | +Net cash flows from investment activities (I-II) | - 1,488,033.88 | - 637,460.71 |
| C | Cash flows from financial activities | - | - |
| C.I | Income | 133,781.81 | 2,618,738.08 |
| C.I.1 | Net proceeds from issue of shares (issue of stock) and other capital instruments and capital contributions | 110,550.00 | 1,890.00 |
| C.I.2 | +Loans and borrowings | 23,231.81 | 2,616,848.08 |
| C.I.3 | +Issue of debt securities | - | - |
| C.I.4 | +Other financial revenues | - | - |
| C.II | Expenses | 1,694,020.75 | 54,045.00 |
| C.II.1 | +Acquisition of own shares (stocks) | - | - |
| C.II.2 | +Dividends and other distributions to shareholders | - | - |
| C.II.3 | +Expenses related to profit distribution other than payments to shareholders | - | - |
| C.II.4 | +Repayment of loans and borrowings | 952,673.00 | - |
| C.II.5 | +Redemption of debt securities | - | - |

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

| | | | |
|----------|---|---------------------|---------------------|
| C.II.6 | +For other financial liabilities | - | - |
| C.II.7 | +Payment of liabilities under financial lease contracts | 395,643.52 | - |
| C.II.8 | +Interest | 141,547.66 | 54,045.00 |
| C.II.9 | +Other financial expenses | 204,156.57 | - |
| C.III | +Net cash flows from financial activities (I-II) | - 1,560,238.94 | 2,564,693.08 |
| D | Total net cash flows (A.III+/-B.III+/-C.III) | 1,725,576.61 | 1,913,687.93 |
| E | Balance sheet change in cash, including: | 1,725,576.61 | 1,913,687.93 |
| | - change in cash due to exchange rate differences | - | - |
| F | Cash and cash equivalents at beginning of the period | 2,420,318.09 | 506,630.16 |
| G | Cash at end of period (F+/-D), including: | 4,145,894.70 | 2,420,318.09 |
| | - of limited disposability | - | - |

6. NOTES

SPYROSOFT S.A CAPITAL GROUP
Plac Teatralny 8
50-051 Wrocław

NOTES

Consolidated financial statements for the period from 01/01/2019 to 31/12/2019

TABLE 1 Change in intangible assets

| Specification | Research and development expenses | Goodwill | Other intangible assets | Advances for intangible assets | Total |
|-------------------------|-----------------------------------|----------|-------------------------|--------------------------------|------------|
| GROSS VALUE | | | | | |
| OB 01/01/2019 | 0.00 | 0.00 | 68,884.50 | 0.00 | 68,884.50 |
| Increases, including: | 0.00 | 0.00 | 181,435.77 | 0.00 | 181,435.77 |
| - purchase | 0.00 | 0.00 | 181,435.77 | 0.00 | 181,435.77 |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 0.00 | 0.00 | 250,320.27 | 0.00 | 250,320.27 |
| AMORTISATION | | | | | |
| OB 01/01/2019 | 0.00 | 0.00 | 18,359.99 | 0.00 | 18,359.99 |
| Increases, including: | 0.00 | 0.00 | 92,817.45 | 0.00 | 92,817.45 |
| - depreciation | 0.00 | 0.00 | 92,817.45 | 0.00 | 92,817.45 |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 0.00 | 0.00 | 111,177.44 | 0.00 | 111,177.44 |
| REVALUATION WRITE-DOWNS | | | | | |
| OB 01/01/2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NET VALUE | | | | | |
| OB 01/01/2019 | 0.00 | 0.00 | 50,524.51 | 0.00 | 50,524.51 |
| CB 31/12/2019 | 0.00 | 0.00 | 139,142.83 | 0.00 | 139,142.83 |

Table 2 Change in fixed assets

| Specification | Land, including right of perpetual usufruct of land | Buildings, premises, civil and water engineering structures | Technical equipment and machines | Means of transport | Other fixed assets | Total |
|-----------------------|---|---|----------------------------------|--------------------|--------------------|--------------|
| GROSS VALUE | | | | | | |
| OB 01/01/2019 | 0.00 | 27,563.85 | 818,065.74 | 0.00 | 79,304.82 | 924,934.41 |
| Increases, including: | 0.00 | 111,857.27 | 1,387,226.53 | 0.00 | 2,123,975.28 | 3,623,059.08 |
| - from purchase | 0.00 | 111,857.27 | 1,387,226.53 | 0.00 | 2,123,975.28 | 3,623,059.08 |
| Decreases, including: | 0.00 | 0.00 | 90,926.80 | 0.00 | 27,022.35 | 117,949.15 |
| - sales | | | 90,926.80 | | 27,022.35 | 117,949.15 |
| CB 31/12/2019 | 0.00 | 139,421.12 | 2,114,365.47 | 0.00 | 2,176,257.75 | 4,430,044.34 |

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| Specification | Land, including right of perpetual usufruct of land | Buildings, premises, civil and water engineering structures | Technical equipment and machines | Means of transport | Other fixed assets | Total |
|--------------------------------|---|---|----------------------------------|--------------------|--------------------|--------------|
| AMORTISATION | | | | | | |
| OB 01/01/2019 | 0.00 | 4,203.85 | 142,358.92 | 0.00 | 20,222.73 | 166,785.50 |
| Increases, including: | 0.00 | 6,982.27 | 405,019.50 | 0.00 | 186,779.36 | 598,781.12 |
| - depreciation | 0.00 | 6,982.27 | 405,019.50 | 0.00 | 186,779.36 | 598,781.12 |
| Decreases, including: | 0.00 | 0.00 | 27,183.78 | 0.00 | 12,006.62 | 39,190.40 |
| - sales | | 0.00 | 27,183.78 | | 12,006.62 | 39,190.40 |
| CB 31/12/2019 | 0.00 | 11,186.12 | 520,194.64 | 0.00 | 194,995.47 | 726,376.22 |
| REVALUATION WRITE-DOWNS | | | | | | |
| OB 01/01/2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NET VALUE | | | | | | |
| OB 01/01/2019 | 0.00 | 23,360.00 | 675,706.82 | 0.00 | 59,082.09 | 758,148.91 |
| CB 31/12/2019 | 0.00 | 128,235.00 | 1,594,170.84 | 0.00 | 1,981,262.28 | 3,703,668.12 |

Table 3 Goodwill or negative goodwill

As at the balance sheet date, there is no goodwill from consolidation or negative goodwill from consolidation.

Table 4 Ownership structure of fixed assets - at net value

| Specification | OB 01/01/2019 | CB 31/12/2019 |
|--|---------------|---------------|
| Own fixed assets | 758,148.91 | 1,389,952.99 |
| Fixed assets used on the basis of lease, tenancy and other contracts, including lease contracts | 0.00 | 2,313,715.13 |
| Total fixed assets in balance sheet records | 758,148.91 | 3,703,668.12 |
| Value of non-depreciated or non-amortised items of fixed assets used under rental, lease and other contracts, including leasing contracts; | - | - |

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Table 5 Change in long-term financial assets - in affiliates

| Specification | Stocks and shares | Other securities | Borrowings granted | Other | Total |
|--------------------------|-------------------|------------------|--------------------|-------|------------|
| GROSS VALUE | | | | | |
| OB 01/01/2019 | 103,374.42 | 0.00 | 0.00 | 0.00 | 103,374.42 |
| Increases, of which: | 26,194.10 | 0.00 | 0.00 | 0.00 | 26,194.10 |
| - consolidation coverage | 26,194.10 | 0.00 | 0.00 | 0.00 | 26,194.10 |
| Decreases, of which: | 25,422.62 | 0.00 | 0.00 | 0.00 | 25,422.62 |
| - sales | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| - consolidation coverage | 25,422.62 | 0.00 | 0.00 | 0.00 | 25,422.62 |
| CB 31/12/2019 | 104,145.90 | 0.00 | 0.00 | 0.00 | 104,145.90 |
| REVALUATION WRITE-DOWNS | | | | | |
| OB 01/01/2019 | 189,897.28 | 0.00 | 0.00 | 0.00 | 189,897.28 |
| Increases | 425,815.88 | 0.00 | 0.00 | 0.00 | 425,815.88 |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 615,713.16 | 0.00 | 0.00 | 0.00 | 615,713.16 |
| NET VALUE | | | | | |
| OB 01/01/2019 | 293,271.70 | 0.00 | 0.00 | 0.00 | 293,271.70 |
| CB 31/12/2019 | 719,859.06 | 0.00 | 0.00 | 0.00 | 719,859.06 |

Table 6 Shares in subsidiaries, jointly controlled entities, affiliates and other entities as at 31/12/2019

| Company Name, legal form and registered office | Gross value | Impact of equity valuation | Balance sheet date | Share in capital (%) | Share in votes (%) |
|--|-------------|----------------------------|--------------------|----------------------|--------------------|
| SUBSIDIARIES | | | | | |
| Spyrosoft Solutions LLC | 9,042.14 | 0.00 | 9,042.14 | 50.00% | 50.00% |
| Spyrosoft Solutions doo | 15,074.50 | 0.00 | 15,074.50 | 50.00% | 50.00% |
| Spyrosoft Solutions GmbH | 2,077.46 | 0.00 | 2,077.46 | 50.00% | 50.00% |
| AFFILIATES | | | | | |
| GOD Nearshore GmbH, Germany | 77,951.80 | 615,713.16 | 693,664.96 | 33.00% | 33.00% |
| TOTAL | 104,145.90 | 615,713.16 | 719,859.06 | | |

Table 7 Change of the write downs concerning the receivables amount

| Updated assets items | Long-term receivables | Short-term receivables | | | Total |
|----------------------|-----------------------|---------------------------|------------------|-------|-------|
| | | for supplies and services | claimed at court | other | |
| OB 01/01/2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Use | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Solution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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Table 8 Short-term prepayments and accruals (assets)

| Specification | OB 01/01/2019 | Increases | Decreases | CB 31/12/2019 |
|-----------------------------------|---------------|------------|------------|---------------|
| - property and personal insurance | 7,824.50 | 11,965.20 | 10,298.39 | 9,491.31 |
| - servers, electronic licenses | 20,165.28 | 240,736.19 | 147,453.74 | 113,447.73 |
| - other services | 29,698.67 | 2,278.41 | 25,871.45 | 6,105.63 |
| - costs at the turn of the year | 3,592.24 | 67,917.57 | 64,054.01 | 7,455.80 |
| Total | 61,280.69 | 322,897.37 | 247,677.59 | 136,500.47 |

Table 9 Number and nominal value of subscribed shares

| Serial number | number of shares | nominal value | total value of the series |
|---------------|------------------|---------------|---------------------------|
| Series A | 10,000 | 10.00 | PLN 100,000.00 |
| Series B | 189 | 10.00 | PLN 1,890.00 |
| Series C | 10,866 | 0.10 | PLN 1,086.60 |
| Total | 21,055 | xxxx | PLN 102,976.60 |

Table 10 Changes in provisions for pensions and similar benefits

| Specification | For jubilee awards | For retirement bonuses | For leaves | For other purposes | Total |
|----------------------------|--------------------|------------------------|------------|--------------------|------------|
| LONG-TERM - not applicable | | | | | |
| SHORT-TERM | | | | | |
| OB 01/01/2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increases | 0.00 | 0.00 | 227,324.34 | 0.00 | 227,324.34 |
| Use | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Solution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers from long-term | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 0.00 | 0.00 | 227,324.34 | 0.00 | 227,324.34 |

Table 11 Changes in other provisions

| Specification | For costs | For the expected losses | For restructuring | For other purposes | Total |
|----------------------------|------------|-------------------------|-------------------|--------------------|------------|
| LONG-TERM - not applicable | | | | | |
| SHORT-TERM | | | | | |
| OB 01/01/2019 | 130,676.35 | 0.00 | 0.00 | 0.00 | 130,676.35 |
| Increases | 197,070.72 | 0.00 | 0.00 | 0.00 | 197,070.72 |
| Use | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Solution | 230,558.70 | 0.00 | 0.00 | 0.00 | 230,558.70 |
| Transfers from long-term | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 97,188.37 | 0.00 | 0.00 | 0.00 | 97,188.37 |

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Table 12 Breakdown of long-term liabilities according to balance sheet items by contractual repayment period

| Timeframe | Loans and borrowings | Due to the issue of debt securities | Other financial liabilities | Other | Total |
|-----------------------------------|----------------------|-------------------------------------|-----------------------------|-----------|--------------|
| TOWARDS AFFILIATES - do not occur | | | | | |
| TOWARDS NON-RELATED ENTITIES | | | | | |
| up to 1 year | 0.00 | 0.00 | 884,829.51 | 0.00 | 884,829.51 |
| more than 1 year to 3 years | 0.00 | 0.00 | 1,267,044.98 | 0.00 | 1,267,044.98 |
| over 3 years to 5 years | 0.00 | 0.00 | 0.00 | 63,079.46 | 63,079.46 |
| more than 5 years | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CB 31/12/2019 | 0.00 | 0.00 | 2,151,874.49 | 63,079.46 | 2,214,953.95 |

Table 13 List of liabilities secured on assets

There are no liabilities secured on the Company's assets.

Table 14 List of contingent liabilities, including guarantees and sureties granted by the entity, including bills of exchange

There are no contingent liabilities.

Table 15 Material and territorial structure of revenues from the sale of products, services, goods and materials

| | Revenue from domestic sales | Revenues from sales to other EU countries | Revenue from export sales | Total |
|---|-----------------------------|---|---------------------------|---------------|
| Revenues from sales of products in the current reporting period | 0.00 | | | |
| Revenues from sales of services in the current reporting period | 71,270,752.49 | | | |
| Proceeds from the sale of services, including | 19,727,652.39 | 50,444,022.42 | 1,099,077.68 | 71,270,752.49 |
| - programming services | 17,630,739.03 | 50,444,022.42 | 1,099,077.68 | 69,173,839.13 |
| - office sublease | 388,500.20 | 0.00 | 0.00 | 388,500.20 |
| - other, re-invoicing | 1,708,413.16 | 0.00 | 0.00 | 1,708,413.16 |
| Revenues from sales of goods in the current reporting period | 224,396.31 | | | |
| Revenues from sale of goods, including | 1,034.28 | 223,362.03 | 0.00 | 224,396.31 |
| - hardware | 1,034.28 | 223,362.03 | 0.00 | 224,396.31 |
| Revenues from sale of products, services, goods and materials in total: | 19,728,686.67 | 50,667,384.45 | 1,099,077.68 | 71,495,148.80 |

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Table 16 Costs by type

| Specification | In the period from 01/01/2019 to 31/12/2019 | In the period from 01/01/2018 to 31/12/2018 |
|---|--|---|
| - depreciation | 691,598.57 | 155,340.77 |
| - consumption of materials and energy | 703,882.64 | 376,880.43 |
| - external services | 47,791,359.25 | 21,255,007.36 |
| - taxes and fees | 155,811.34 | 61,973.58 |
| - wages and salaries | 9,541,778.22 | 3,684,038.56 |
| - social security and other payments | 2,897,010.94 | 980,727.70 |
| - other costs by type | 2,282,486.23 | 701,891.46 |
| Total | 64,063,927.19 | 27,215,859.86 |
| - change in products | -277,728.04 | -55,345.29 |
| - cost of manufacture of products for the entity's own needs (negative value) | 0.00 | 0.00 |
| - cost of sales (negative value) | 0.00 | 0.00 |
| - general and administrative costs (negative value) | -14,110,482.44 | -3,944,841.58 |
| - manufacturing cost of sold products | -49,675,716.71 | -23,215,672.99 |

Table 17 Expenditures for non-financial fixed assets incurred in the last year and planned for the next year.

| Specification | Incurred | Planned |
|--|---------------------|-------------------|
| 1. Intangible assets | 181,435.77 | 30,000.00 |
| 2. Fixed assets, | 3,623,059.08 | 830,000.00 |
| - including of environmental protection | 0.00 | 0.00 |
| 3. Fixed assets in progress, | 0.00 | 0.00 |
| - including of environmental protection | 0.00 | 0.00 |
| 4. Investments in real estate and rights | 26,194.10 | 50,000.00 |
| Total | 3,830,688.95 | 910,000.00 |

Table 18 Exchange rates adopted for the valuation of balance sheet items denominated in foreign currencies

| Currency | Exchange rate | |
|----------|---------------|-------------|
| | Assets | Liabilities |
| EUR | 4.2585 | 4.2585 |
| USD | 3.7977 | 3.7977 |
| GBP | 4.9971 | 4.9971 |

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Table 19 List of companies in which the entity holds at least 20% of shares in the share capital or in the total number of votes in the Company's governing body;

| Company name | Registered office of the entity | Percentage of shares held | Equity | Net profit (loss) for the current financial year |
|--------------------------|---------------------------------|---------------------------|------------|--|
| Spyrosoft Solutions LLC | United States | 50.00% | 0.00 | 0.00 |
| Spyrosoft Solutions doo | Croatia | 50.00% | 11,509.45 | 58,482.36 |
| Spyrosoft Solutions GmbH | Germany | 50.00% | 106,462.50 | 0.00 |
| GOD Nearshore GmbH | Germany | 33.00% | 0.00 | 1,290,351.15 |

Table 20 Sales to affiliates by type

| Specification | Total revenues for the current reporting period | Total revenues for the previous reporting period |
|----------------------|---|--|
| - sales of products | 0.00 | 0.00 |
| - sales of services | 0.00 | 6,193,915.89 |
| - sales of goods | 0.00 | 0.00 |
| - sales of materials | 0.00 | 0.00 |
| Total | 0.00 | 6,193,915.89 |

Table 21 Information on transactions with affiliates

| Company name | Receivables | Liabilities | Revenues | Costs |
|-----------------------------|------------------|-------------|-------------------------------|-------|
| | as at 31/12/2019 | | from 01/01/2019 to 31/12/2019 | |
| Spyrosoft Solutions LLC | - | - | - | - |
| Spyrosoft Solutions DOO | 182,466.29 | 152,087.30 | 3,609.55 | - |
| GOD Nearshore GmbH, Germany | 555.20 | 4,228.38 | - | - |

Table 22 Information on significant transactions with affiliates concluded by the entity under other than market terms.

In the financial year, as in the previous year, there were no transactions between affiliates that would be concluded under the terms other than market terms.

Table 23 Explanation of the structure of the cash in the cash flow statement

| Specification | Balance as at 31/12/2019 | Balance as at 31/12/2018 |
|--------------------------------|--------------------------|--------------------------|
| Cash in hand | 5,525.68 | 3,122.22 |
| On bank accounts (PLN) | 501,770.40 | 330,924.71 |
| - including on the VAT account | 0.00 | 0.00 |
| On foreign currency accounts | 3,638,598.62 | 2,084,276.26 |
| Term deposits | 0.00 | 0.00 |
| Checks confirmed | 0.00 | 0.00 |
| Cash in transit | 0.00 | 1,994.90 |
| Total | 4,145,894.70 | 2,420,318.09 |

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In the cash flow statement, the balance-sheet change in current liabilities was adjusted for a change in financial liabilities due to leasing in the amount of PLN 884,829.51 and short-term liabilities due to bank loans with the value of PLN 952,673.00 and other titles for the amount of PLN 1,320.40. Other adjustments are presented in the statement of changes in long-term receivables related to deposits paid in respect of operating activities in the amount of PLN 889,039.46 and long-term liabilities under deposits received in the amount of PLN 63,079.46. Other adjustments also present changes in current assets and liabilities regarding the full consolidation of Spyrosoft Ltd, for a total of PLN 144,410.53

Table 24 Information on average employment, (in full-time equivalent), divided into professional groups

| Specification | In the period from 01/01/2019 to 31/12/2019 | In the period from 01/01/2018 to 31/12/2018 |
|----------------------|--|--|
| White-collar workers | 80.33 | 36.91 |
| Total | 80.33 | 36.91 |

Table 25 Remuneration, including remuneration from profit, paid or due to persons who are members of the management and supervisory bodies

| Specification | In the period from 01/01/2019 to 31/12/2019 | In the period from 01/01/2017 to 31/12/2017 |
|-------------------|--|--|
| Management Board | 276,218.44 | 0.00 |
| Supervisory Board | 0.00 | 0.00 |
| Total | 276,218.44 | 0.00 |

Table 26 Remuneration of the statutory auditor or company authorized to audit financial statements, paid or due for the financial year

| Specification | Amount |
|--|-----------|
| - mandatory audit of the annual financial statements of group entities | 38,000.00 |
| - audit of the consolidated financial statements | 10,000.00 |

Table 27 Information on material events concerning previous years, recognized in the financial statements for the financial year, including the type of error made and the amount of the correction

In the current financial year, the effects of the resolution of the General Meeting of Shareholders of 19 April 2018 regarding the approval of the financial statements for 2017, including the distribution of the financial result and its transfer to supplementary capital, were recognised in the parent's accounting books. As a result of not recognising this resolution in 2018, the value of supplementary capital in the financial statements as at 31/12/2018 was underestimated by PLN 555,394.20 while presenting the result from previous years in the amount of PLN 341,084.67 while the correct value of this balance sheet item is - PLN 214,309.53. In these financial statements, comparative information in the balance sheet and in the statement of changes in equity has been presented in the correct values.

Table 28 Information on material events that occurred after the balance sheet date and not included in the financial statements;

After the balance sheet date there were no other events that should be taken into account in the financial statements.

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Table 29 Presentation of changes in the accounting principles (policy) made in the financial year,

In the financial year covered by these financial statements, the company did not change its accounting principles compared to the previous financial year.

Table 30 Other material information having a material impact on the assessment of the property and financial standing and financial result of the entity

After the first signals about the spread of the coronavirus, the Group of Companies introduced immediate preventive measures, consisting first of all in the recommendation of quarantine and remote work for people returning from delegations or foreign holidays and the improvement of hygiene standards in offices, followed by a remote work order for all employees and co-workers and the abandonment of all business trips and personal business contacts. Spyrosoft Group of Companies has the appropriate infrastructure to perform home-office work while maintaining data security.

Faced with an expected economic downturn, the Management Boards of Group companies made immediate budget adjustments that resulted in a radical reduction in general and administrative expenses in all areas. As a result, the Company secured protection in the event of a sharp decrease in revenues related to a possible suspension of cooperation with the customers served. The Group of Companies constantly monitors the business situation in connection with the epidemic and as at the date of these financial statements, it does not note a negative impact on its operations. Analysing individual areas of group activity does not indicate a decrease in revenues, but carefully anticipates their stable growth. The supported customer base is stable, despite remote work and even with limited business contacts, it is possible to win new business partners for cooperations.

The Group of Companies is not aware of any reported illnesses in its team, nor did it find any absenteeism. No reduction of employment or reduction of employees' salaries and wages is planned, due to the epidemic situation.

The Group of Companies' liquidity and financial situation is stable: the majority of customers do not have any arrears in payment of receivables from companies from the Group, thanks to which those companies also pay their liabilities in a timely manner.

Table 31 Other information

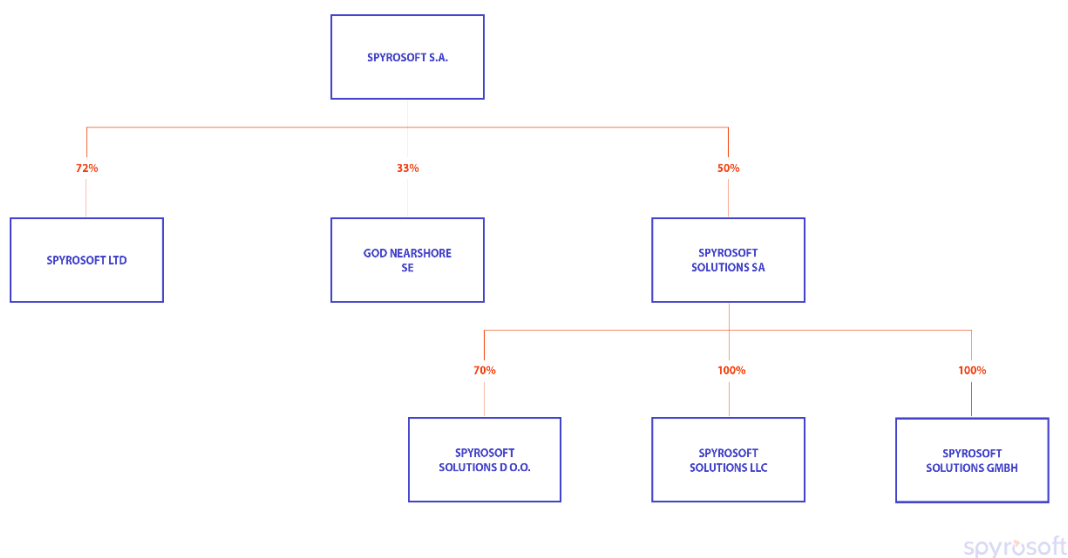
The additional information is complete from the point of view of the Accounting Act, and the tables and information that it does not contain relate to issues that have not occurred in the company.

VII. REPORT OF THE MANAGEMENT BOARD ON THE OPERATIONS

1. BASIC INFORMATION ABOUT THE GROUP OF COMPANIES

Spyrosoft S.A. Group of Companies hereinafter referred to as the Group of Companies or the Spyrosoft Group of Companies.

The chart below presents the diagram of Spyrosoft Group of Companies as at 31/12/2019:



As at 31 December 2019, Spyrosoft SA was the parent of three subsidiaries subject to consolidation: Spyrosoft Solutions S.A., GOD Nearshore SE and Spyrosoft Ltd.

Basic data on entities of Spyrosoft Group of Companies:

| Company: | Spyrosoft S.A. |
|-------------------|----------------------------------|
| Legal form | Joint-stock company |
| Registered office | Wroclaw |
| Address | Pl. Nowy Targ 28, 50-141 Wroclaw |
| Share capital | PLN 104,866.60 |
| Business object | software development |

| Company: | Spyrosoft Solutions S.A. |
|--|--|
| Legal form | Joint-stock company |
| Registered office | Wroclaw |
| Address | Pl. Nowy Targ 28, 50-141 Wroclaw |
| Share capital | PLN 100.000 |
| Business object | embedded software mainly for product companies from the automotive and telecommunications industries |
| Share of Spyrosoft SA in the share capital | 50% |
| Share of Spyrosoft SA in the total number of votes | 50% |

| Company: | GOD Nearshore SE Europejska Spółka Akcyjna Branch in Poland |
|--|--|
| Legal form | Branch of foreign entrepreneur |
| Registered office | Wroclaw |
| Address | Pl. Nowy Targ 28, 50-141 Wroclaw |
| Share capital | - |
| Business object | providing software and IT services for the automotive industry |
| Share of Spyrosoft SA in the share capital | 33% |
| Share of Spyrosoft SA in the total number of votes | 33% |

| Company: | Spyrosoft Ltd |
|--|---|
| Legal form | Limited liability company |
| Registered office | London |
| Address | 71-75 Shelton Street, Covent Garden, London, WC2H 9JQ, United Kingdom |
| Share capital | 100 £ |
| Business object | creating software for customers from the United Kingdom |
| Share of Spyrosoft SA in the share capital | 72% |
| Share of Spyrosoft SA in the total number of votes | 72% |

Employment in the Group of Companies as at 31/12/2019:

| Form of employment | Number of employees | Number of full-time jobs |
|--|---------------------|--------------------------|
| Employment contract | 92 | 91.4 |
| Contract for specific work, contract of mandate and others | 11 | ---- |

2. BASIC INFORMATION ON THE ACTIVITIES OF THE GROUP OF COMPANIES

Spyrosoft is a company founded in 2016 in Wrocław, operating in the IT industry and dealing with software development. Spyrosoft Group of Companies was established with the establishment of the GOD Nearshore SE joint venture in 2017, while in 2018 it expanded to include Spyrosoft Solutions SA. As part of the services provided, GK Spyrosoft offers comprehensive software development solutions - from embedded solutions to high-level systems based on public clouds. Spyrosoft offers comprehensive project management, within which company specialists manage projects and related requirements, create architecture, as well as write and develop the programming layer.

Spyrosoft provides programming services tailored to the needs and requirements of the customer. The company supports customers from the initial creation of product concepts and choosing technologies, through developing the architecture of the solution and its implementation, to maintenance and development works. Spyrosoft works mainly with customers from the following industries: finance, automotive, industry 4.0, medicine, HR, geospatial services.

Spyrosoft offers the following services:

- Business and Product Design,
- Technology Consulting,
- Enterprise software,
- Embedded Software,
- AI & ML,
- Cloud,
- Optimisation,
- Managed Services.

3. COMMENTARY ON THE CURRENT AND EXPECTED FINANCIAL STANDING OF THE GROUP OF COMPANIES

Spyrosoft Group of Companies achieved revenues of PLN 71.5 m in 2019, which means an increase by 124% (PLN 39.6 m) compared to the previous year. The increase in sales results mainly from the expansion of the portfolio of serviced customers and the increase in the value of existing ones.

The cost of products and services sold was PLN 49.7 m, an increase of 26.4 m (113%) compared to 2018.

In 2019, the Group of Companies generated gross profit on sales in the amount of PLN 21.8 m. It was higher than the previous year's profit by 154%. The gross margin on sales was 30.5%, i.e. increased by 3.5 pp yoy.

The year 2019 brought a two-and-a-half-fold increase in general and administrative expenses to PLN 14.1 m.

Profit on sales increased by 65% y/y to PLN 7.7 m. The sales margin was 10.7% and was lower compared to the previous year by 3.8 pp.

Operating profit increased in 2019 by 61% compared to 2018 to the level of PLN 7.5 m. Operating margin reached 10.5% and was 4.1 pp lower than in the previous year.

Spyrosoft Group of Companies generated a net profit of PLN 4.9 m in 2019, which was higher by PLN 2 m than in 2018. The net margin reached 6.9%, thus it was by 2 pp lower than the net margin in the previous year.

The balance sheet total as at 31/12/2019 amounted to PLN 27.6 m and was PLN 14.4 m higher compared to 31/12/2018. Short-term receivables increased by PLN 7.7 m (81%) yoy PLN 17.2 m, while current liabilities increased by PLN 6.2 m compared to the previous period to PLN 14.7 m.

Equity as at 31/12/2019 reached PLN 8.3 m and was PLN 5 m (155%) higher than equity as at 31/12/2018.

In 2020, the Group plans to increase revenues to a level exceeding PLN 80.0 m net, maintaining the current profitability.

With a view to securing financial liquidity, on 19/03/2019, Spyrosoft SA concluded a factoring agreement with a commitment limit of PLN 4,000,000, bearing interest at the base rate plus the factor's margin. In addition, the Company signed on 29/11/2019 addendum to the bank loan agreement, extending the bank's commitment in the amount of PLN 2,500,000 for 12 months, interest according to the following the formula: WIBOR 1M + bank margin. On 24/01/2019, Spyrosoft Solutions SA concluded a factoring agreement with a commitment limit of EUR 400,000, bearing interest at the base rate plus the factor's margin. Pursuant to the addendum to the agreement of 10/02/2020, the agreement was extended until 30/11/2020 and the factoring limit increased to EUR 800,000.

4. EVENTS SIGNIFICANTLY AFFECTING THE OPERATIONS OF THE GROUP OF COMPANIES THAT OCCURRED IN THE FINANCIAL YEAR AND ALSO AFTER ITS END, UNTIL THE DATE OF APPROVAL OF THE FINANCIAL STATEMENTS

In 2019, Spyrosoft Group of Companies achieved a further increase in terms of revenues, number of employees, and the size of the Group of Companies.

Developing sales in foreign markets, in the first quarter of 2019, Spyrosoft Group of Companies set up Spyrosoft Solutions d.o.o. companies. in Zagreb (Croatia) and Spyrosoft Solutions LLC in Detroit (USA), which allows wider reach to offer services related to embedded software and facilitates access to customers from the automotive industry.

In 2020, Spyrosoft Solutions S.A. company belonging to the Group of Companies opened a branch in Munich - Spyrosoft Solutions GmbH. Spyrosoft S.A. Group of Companies thereby increased its availability for customers on the German market, with particular emphasis on the automotive and industrial sectors, which are important sectors for sales development.

In January 2020, a new company - Unravel, was established in Spyrosoft S.A. Group of Companies.

All Polish branches of the Group companies (Wrocław, Krakow and Białystok) moved to new offices, which significantly improved the comfort of work. In the first quarter of 2020, Spyrosoft S.A. set up a new office in Warsaw, thereby increasing access to international corporate customers.

In order to better use their competences, the Group structure was reorganised by introducing departments (business units) dedicated to selected industries: Automotive, Employee Experience and Education, Financial Services, Geospatial Services, Industry 4.0.

28 February 2020 Spyrosoft S.A. made its debut on the NewConnect market, directing its investment offer to the company's employees and affiliates. Along with the debut, the availability and transparency of information about the financial condition of Spyrosoft SA and the Group of Companies increased, which is an additional value for current and future customers.

In January 2020, Spyrosoft SA began work creating an internal ERP system to improve the daily work of a complex organisation, which is Spyrosoft Group. In the first phase, the system will include the following modules: Allocation, Competence, Payroll, Document Circulation and Working Time Reporting. The implementation of most modules is planned for the beginning of 2021. The Company does not exclude the possibility of the commercialisation of selected system modules after the completion of works.

5. EXPECTED DEVELOPMENT OF THE GROUP OF COMPANIES

In 2020, the Group of Companies intends to continue its activities aimed at increasing turnover and size of companies by acquiring new customers on the Polish and foreign markets, with particular emphasis on customers located in the United Kingdom and Germany, as well as diversifying operations by seeking customers from other industries. At the same time, due to the deteriorated economic situation related to the epidemic, the Company performs development tasks with extreme caution, maintaining increased cost discipline.

6. IMPORTANT ACHIEVEMENTS IN THE AREA OF RESEARCH AND DEVELOPMENT

None.

7. PURCHASE OF OWN SHARES, IN PARTICULAR THE PURPOSE OF THEIR PURCHASE, NUMBER AND NOMINAL VALUE WITH AN INDICATION OF WHAT PART OF THE SHARE CAPITAL THEY REPRESENT, THE PURCHASE PRICE AND THE SELLING PRICE OF THOSE SHARES IN THE EVENT OF THEIR SALE

In 2019, as well as until the date of approval of the financial statements for 2019, the companies of the Group of Companies did not acquire their own shares.

8. DESCRIPTION OF THE BASIC RISKS AND THREATS FOR THE GROUP OF COMPANIES

Risk related to the possibility of losing persons in key positions and members of the management team

The knowledge and experience of the management and key employees have a significant impact on the operations and results of the Group companies. Their loss could result in the deterioration of the quality of services, loss of customers, and, consequently, a reduction in the planned results of Spyrosoft.

In order to minimise the risk, the Group is expanding the group of middle management, it also builds employee loyalty into the brand. This includes the offer of shares, dedicated to its employees and affiliates, ended with the debut on the stock market on 28/02/2020. The Company also has an experienced recruitment department responsible for contact with the labour market and acquiring cooperation partners on an ongoing basis.

Risk related to the quality of services rendered

The service nature of the Group's operations generates the risk of making human errors - mainly programming errors, resulting from insufficient competence of employees or simple mistakes. Their effect may be a delay in the implementation of services, unsatisfactory quality of their performance or an increase in costs as a result of the need to remedy the errors.

The Group ensures a constantly high level of services through a precise, multi-stage recruitment process including technical verification, which results in full knowledge of each employees' competences, as well as an individual training system guaranteeing the improvement of their qualifications and skills. The risk of programming errors is limited by the elementary role of testers in the software development process. An additional element reducing the risk is insurance covering losses due to employee errors.

Risk of failure to implement budget plans

The guarantee of achieving the expected levels of profitability is acting in accordance with the adopted budget assumptions and the ability to react immediately to changes in the market environment.

Many years of experience in the management industry combined with a flat organisational structure enables the correct reading of market signals and an appropriate response. With effective support for management reporting, the Group constantly monitors the implementation of budget plans and is able to adapt them to changes in the environment.

Competition risk

The Group of Companies operates in a market with a very high level of competition, without the dominance of large players and consolidation processes. Competition usually includes fragmented entities of local importance. Therefore, there is a risk of not gaining new customers as well as a price struggle in the face of a downturn.

Comprehensive customer service as well as diversification in the scope of services offered and industries served along with the high quality of services rendered allows Spyrosoft to stand out on the market. Brand building reduces the risk of competition, and a very good price-quality ratio allows the maintenance of a highly competitive position in Western markets.

IT security risk

The specificity of the Group's operations is particularly associated with the risk related to the security of IT systems and data stored in the Group's resources, as well as with cloud environments.

The risk of loss of security of IT infrastructure and systems is reduced by the introduction and implementation of a number of policies aimed at guaranteeing protection against undesirable effects. The Company constantly monitors modern security technologies, implementing solutions to reduce risk. In addition, Spyrosoft implements the requirements of ISO/IEC 27001 in the field of IT risk reduction.

Risk of short-term contracts

A characteristic feature of the programming industry is the short-term nature of some customer contracts and orders, often not exceeding 3-6 months.

The Group focuses on providing the highest quality of services offered to ensure customer loyalty and long-term revenues, as well as striving to win contracts that guarantee long-term revenues.

Risk of insolvency of business partners (credit risk)

Spyrosoft Group of Companies offers customers standard deferred payment for services provided.

In order to reduce credit risk, receivables are monitored on an ongoing basis, while liquidity is secured by cash on accounts and financial liabilities incurred, as described in Section 3.

Risk related to changes in exchange rates

The Group generates the vast majority of costs in PLN, while revenues are generated largely in foreign currencies, mainly EUR and GBP. Therefore, the Group is exposed to the risk of changes in exchange rates, in particular strengthening of the zloty may cause deterioration of its financial results.

The Group of Companies does not use instruments hedging against exchange rate fluctuations, as a hedge against currency risk, it diversifies revenues in individual currencies.

Risk related to legal and tax regulations and their interpretation

The employees, partners and advisers of the Group of Companies regularly analyse the legal environment of the companies' operations, immediately creating solutions to valid legal and tax regulations and interpretations.

9. ADDITIONAL INFORMATION

All significant events of the financial year are described in other sections of the statements.

10. INFORMATION REGARDING THE COVID-19 EPIDEMIC

The Management Board of Spyrosoft hereby imparts information about the current situation associated with the COVID-19 epidemic and its possible impact on the results of Spyrosoft Group of Companies.

After the first signals about the spread of the coronavirus, the Group of Companies introduced immediate preventive measures, consisting first of all in the recommendation of quarantine and remote work for people returning from delegations or foreign holidays and the improvement of hygiene standards in offices, followed by a remote work order for all employees and co-workers and the abandonment of all business trips and personal business contacts. Spyrosoft Group of Companies has the appropriate infrastructure to perform home-office work while maintaining data security.

Faced with an expected economic downturn, the Management Boards of Group companies made immediate budget adjustments that resulted in a radical reduction in general and administrative expenses in all areas. As a result, the Company secured protection in the event of a sharp decrease in revenues related to a possible suspension of cooperation with the customers served. The Group of Companies constantly monitors the business situation in connection with the epidemic and as at the date of these financial statements, it does not note a negative impact on its operations. Analysing individual areas of group activity does not indicate a decrease in revenues, but carefully anticipates their stable growth. The supported customer base is stable, despite remote work and even with limited business contacts, it is possible to win new business partners for cooperations.

The Group of Companies is not aware of any reported illnesses in its team, nor did it find any absenteeism. No reduction of employment or reduction of employees' salaries and wages is planned, due to the epidemic situation.

The Group of Companies' liquidity and financial situation is stable: the majority of customers do not have any arrears in payment of receivables from companies from the Group, thanks to which those companies also pay their liabilities in a timely manner.

Wroclaw, 12/06/2020

Konrad Weiske – President of the Management Board

Wojciech Bodnaruś - Member of the Management Board

Sebastian Łękawa - Member of the Management Board

Sławomir Podolski - Member of the Management Board

VIII. STATEMENTS OF THE MANAGEMENT BOARD

Statements of the management board of Spyrosoft S.A. regarding the entity authorized to audit the financial statements

The Management Board of Spyrosoft S.A. represents that the entity authorised to audit financial statements, which audits the Company's annual financial statements for the period from 01/01/2019 to 31/12/2019, has been selected in accordance with legal regulations, and that this entity and the auditors auditing these statements met the conditions for expressing an impartial and independent opinion on the audit, in accordance with the relevant provisions of national law.

Wojciech Bodnaruś - Member of the
Management Board



Statement of the management board of Spyrosoft S.A. on the reliability of the preparation of the financial statements for the period from 01/01/2019 to 31/12/2019.

The Management Board of Spyrosoft S.A. represents that, to the best of its knowledge, the annual financial statements for the period from 01/01/2019 to 31/12/2019 and comparable data have been prepared in accordance with the provisions applicable to the Company, and that the data contained in the financial statements reflect in a true, reliable and clear property and financial situation of the Company and its financial result, and that the report on the Company's operations provides a true picture of the Company's situation, including a description of the basic threats and risks related to the business activity.

Wojciech Bodnaruś - Member of the
Management Board



IX. STATUTORY AUDITOR'S OPINION AND REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS



**INDEPENDENT AUDITOR'S ANNUAL FINANCIAL CONSOLIDATED STATEMENTS
AUDIT REPORT**

For the General Assembly and the Supervisory Board of SPYROSOFT Spółka Akcyjna Spyrosoft S.A.

Warsaw, 9.06.2020

POLAUDIT Sp. z o.o., ul. J. Ficowskiego 15, 01-747 Warsaw

Tel. 22 633-87-80, Tel.: 22 633 87 39, Fax: 22 633-39-91,

Email: polaudit@polaudit.pl www.polaudit.pl

NIP 118-00-80-945, KRS 0000020996

Entity authorized to audit financial statements no 552



Annual Financial Consolidated Statements Audit Report

Opinion

We have audited the annual consolidated financial statements of the group, in which the parent company is SPYROSOFT Spółka Akcyjna ("the Parent") ("the Group") with its registered office in Wrocław, which includes introduction to the consolidated financial statements, consolidated balance sheet prepared as at 31 December 2019, and the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement for the financial year from 01 January to 31 December 2019, and notes ("consolidated financial statements").

In our opinion, the attached consolidated financial statements:

- present a reliable and clear picture of the consolidated property and financial situation of the Group as at 31/12/2019 and its consolidated financial result and consolidated cash flows for the financial year from 01 January 2019 to 31 December 2019, in accordance with the applicable provisions of the Act of 29 September 1994 on accounting (consolidated text "the Accounting Act - Journal of Laws of 2019, item 351, as amended) and the adopted accounting principles (policy);
- consistent, in terms of their form and content, with the applicable laws and the Parent's Articles of Association

Grounds for the opinion

Our audit was conducted in accordance with the National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution of the National Council of Statutory Auditors No. 3430/52a/2019 of 21 March 2019 on national auditing standards and other documents, as amended ("KSB") and in accordance with the Act of 11 May 2017 on statutory auditors, auditing firms and public supervision ("Act on Statutory Auditors" - Journal of Laws of 2019, item 1421, as amended). Our liability, in accordance with those standards, is further described in the section of our report entitled the *Auditors' Responsibility for auditing the consolidated financial statements*.

We are independent of the Group's Companies, in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants ("the IFAC Code") adopted by the resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019. on the professional ethics of statutory auditors and other ethical requirements that apply to the audit of financial statements in Poland. We have fulfilled our other ethical obligations in accordance with those requirements and the IFAC Code. During the audit, the key statutory auditor and the audit firm were independent of the Company, in accordance with the independence requirements set out in the Act on Statutory Auditors.

We believe that the audit evidence we have obtained is adequate and appropriate to provide the basis for our opinion.

Key Audit Matters

Key audit matters are matters that, in our professional judgment, were the most significant when auditing the consolidated financial statements for the current reporting period. These include the most significant assessed risks of material misstatement, including the assessed types of risks of material misstatement due to fraud. We have addressed those matters in the context of our audit of the financial statements as a whole and in forming our opinion, and have summarized our response to those risks, and in those cases where we deemed appropriate, we have presented the most important observations related to those risks. We shall not express a separate opinion on those matters.



| Key issue of the audit | Auditor's procedures applied to key audit matters |
|---|---|
| <p><u>Revenues</u></p> <p>In the consolidated financial statements for the year ended 31 December 2019, the Group discloses Revenues from sale of products, services, goods and materials in the amount of PLN 71.5 m.</p> <p>This is a material issue for the consolidated financial statements.</p> <p>Valuation analysis was a key issue of the audit due to the value of the balance disclosed in the consolidated financial statements. Additional risk areas are occurrence, rights and obligations, classification and understanding and accuracy and pricing.</p> | <p>Our auditing procedures included in particular:</p> <ul style="list-style-type: none"> ✓ analysis of revenue estimation and correctness of recognition in periods ✓ understanding and assessing internal control procedures and recognizing data in the financial statements ✓ understanding of the company's business strategies ✓ analysis of mutual transactions between the Group's entities, ✓ consolidation exclusions analysis <p>The assessments and analyzes carried out as part of the audit described above provided us with sufficient and appropriate evidence of the audit described.</p> |
| <p><u>Short-term receivables</u></p> <p>The value disclosed in the consolidated financial statements as at 31/12/2019 is PLN 17.2 m.</p> <p>Valuation analysis was a key issue of the audit due to the value of the balance disclosed in the financial statements. Additional risk areas are occurrence, rights and obligations, and accuracy and presentation.</p> | <p>Our auditing procedures included in particular:</p> <ul style="list-style-type: none"> ✓ analysis of the correctness and adequacy of the valuation methods used, including the creation of revaluation write-downs and their amount ✓ understanding and assessing internal control procedures and recognizing estimates in the consolidated financial statements ✓ analysis of mutual transactions between the Group's entities, ✓ consolidation exclusions analysis <p>The assessments and analyzes carried out as part of the audit described above provided us with sufficient and appropriate evidence of the audit described.</p> |



Other Issues

In the consolidated financial statements prepared as at 31/12/2019 and the report on the Group's operations for 2019, the Management Board of the Parent Company informed about the risk related to the impact of the SARS-CoV-2 coronavirus pandemic on the Company's operations.

Responsibility of the Management Board and Supervisory Board of the Parent Company for the consolidated financial statements

The Management Board of the Parent Company is responsible for preparing the consolidated financial statements that present a reliable and clear picture of the property and financial situation and the financial result of the Group in accordance with the provisions of the Accounting Act, the accepted accounting principles (policy) and the legal regulations and the articles of association applicable to the Parent Company, as well as internal control, which the Management Board deems necessary to enable the preparation of consolidated financial statements without any significant misstatement caused by fraud or error.

When preparing the consolidated financial statements, the Management Board of the Parent is responsible for assessing the Group's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and adopting the principle of going concern as an accounting basis, except when the Parent's Management Board intends either to liquidate the Group or to cease operations or there is no real alternative to liquidation or discontinuation of operations.

The Management Board of the Parent Company and members of the Parent Company Supervisory Board are obligated to ensure that the financial statements meet the requirements provided for in the Accounting Act. Members of the Parent Company's Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for auditing the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements, as a whole, do not contain any material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable assurance is a high level of certainty, but it does not guarantee that an audit conducted in accordance with the NAS always detects the existing significant misstatement. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that, individually or in aggregate, they could influence the users' economic decisions taken on the basis of those consolidated financial statements.

The scope of the audit does not include assurance as to the future profitability of the Group or the effectiveness or efficiency of conducting its affairs by the Parent's Management Board currently or in the future.

During an audit consistent with NCSA, we apply professional judgment and maintain professional skepticism, as well as:

- we identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, draft and conduct audit procedures that address those risks, and obtain audit evidence that is sufficient and adequate to provide a basis for our opinion. The risk of not recognizing a significant misstatement due to fraud is greater than that resulting from the error, as the fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;
- we gain an understanding of the internal control appropriate to the audit to draft audit procedures that are appropriate under the given circumstances, but not to provide an opinion on the effectiveness of the Group's internal control;
- we assess the appropriateness of the accounting principles (policy) applied and the reasonableness of accounting estimates and related recognitions made by the Parent's Management Board;
- we draw a conclusion on the appropriateness of the principle of going concern applied by the Parent's Management Board as an accounting basis and, based on the audit evidence obtained, whether there is significant uncertainty related to events or conditions that may significantly cast in doubt the Group's ability to continue as a going concern. If we conclude that there is a significant uncertainty, we are required to draw attention, in our auditor's report, to related recognitions in the consolidated financial statements or, if such recognitions are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our statutory auditor's report, however future events or conditions may cause the Group to cease its operations;
- we assess the overall presentation, structure and content of the consolidated financial statements, including recognitions, and whether the consolidated financial statements present the underlying transactions and events in a manner that ensures a fair presentation;
- we obtain sufficient relevant audit evidence regarding the financial information of entities or business operations within the Group in order to provide an opinion on the consolidated financial statements. We are responsible for managing, supervising and conducting the Group audit and we are solely responsible for our audit opinion.

We make a statement to the Parent Company's Supervisory Board that we have complied with the relevant ethical requirements regarding independence and that we will inform them of all relationships and other matters that could reasonably be considered to pose a threat to our independence, and, where applicable, we inform about the safeguards applied.

Among the matters referred to the Parent Company's Supervisory Board, we have determined those matters which were the most significant when auditing the consolidated financial statements for the current reporting period, and therefore we considered them to be key audit matters. We describe those matters in our auditor's report, unless laws or regulations prohibit their public disclosure or when, in exceptional circumstances, we determine that the matter should not be included in our report because it would reasonably be expected that the negative consequences would outweigh the benefits of such information for the public interest.



Other information, including report on operations

Other information consists of a report on the Group's operations for the financial year ended 31 December 2019 ("Report on the Group's Operations")

Responsibility of the Management Board and Supervisory Board of the Parent Company

The Management Board of the Parent Company is responsible for preparing the Report on Operations in accordance with the law.

The Management Board of the Parent Company and members of the Parent Company Supervisory Board are obligated to ensure that the Report on the Group Operations meets the requirements provided for in the Accounting Act.

Responsibility of the Statutory Auditor

Our opinion on the audit of the consolidated financial statements does not include the Report on Operations. In connection with the audit of the consolidated financial statements, it is our responsibility to read the Report on Operations and to consider whether it is not materially inconsistent with the consolidated financial statements or our knowledge gained during the audit, or includes other material misstatements. If, based on the works performed, we find significant misstatements in the Report on Operations, we are required to inform you about it in our audit report. Our duty, in accordance with the requirements of the Act on statutory auditors, is also to issue an opinion on whether the report on the operations has been prepared in accordance with the regulations and whether it is consistent with the information contained in the consolidated financial statements.

Opinion on the Report on Operations

In our opinion, based on the works executed during the audit, the Report on the Group's Operations:

- was drawn up in accordance with Article 49 of the Accounting Act;
- is consistent with the information contained in the consolidated financial statements.

In addition, in the light of knowledge about Group and its surroundings obtained during our audit, we represent that we have not identified significant misstatements in the Report on the Group Operations.

Report on other legal and regulatory requirements

Information on the parent company's failure to comply with the obligations set out in Article 69 of the Accounting Act

Until the date of completion of the audit, the Parent Company failed to comply with Article 69 of the Accounting Act, the obligation to submit consolidated financial statements of the group of companies for the financial year ended 31/12/2018 and the report of an independent auditor on the audit of those financial statements in the National Court Register.

Until the end of the audit, the financial statements of GOD Nearshore S.E. European Joint Stock Company for the financial year ended 31/12/2017 and for the financial year ended 31/12/2018 (entity subject to consolidation) were not published.

Statement on services provided that are not the financial statements auditing

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5 paragraph 1 of the EU Regulation and Article 136 of the Act on Statutory Auditors.

Selection of an audit company

We were selected to audit the Group's consolidated financial statements for the years 2019 and 2020 by the resolution of the Parent Company's Supervisory Board of 02/12/2019.

The key statutory auditor responsible for the audit, which resulted in this report of the independent statutory auditor, is Małgorzata Zawadzka.

Acting on behalf of Polaudit Sp. z o.o. with its registered office in 01-747 Warsaw, ul. J. Ficowskiego 15, entered on the list of auditing firms under number 552, on behalf of which the key statutory auditor audited the consolidated financial statements:

Małgorzata Zawadzka

Statutory Auditor, registration number 10265

Date of the audit report 09/06/2020

Spyrosoft S.A. Group of Companies statements for 2019 were prepared in accordance with the current legal status based on the Alternative Trading System Regulations of the Management Board of the Warsaw Stock Exchange and Appendix No. 3 Reg. ASO - "Current and periodic information provided in the Alternative Trading System on the NewConnect market".

X. INFORMATION ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

| ITEM | RULE | YES/ NO/ NOT APPLICABLE | COMMENT |
|------|--|--|--|
| 1. | The Company should follow a transparent and effective information policy using both traditional methods and modern technologies providing for speed, security and wide access to information. The Company, using the widest possible extent of those methods, should ensure appropriate communication with investors and analysts, enable broadcasting of the general meeting using the Internet, record them and make them available to public at its Internet website. | YES Excluding broadcast and making the meeting public | The Issuer operates a corporate website at spyrosoft.com In the opinion of the Management Board, the costs associated with the technical support of transmission and registration of the GSM image are disproportionate to the potential benefits |
| 2. | The Company should ensure effective access to information necessary to assess the Company's situation and prospects, as well as its functioning. | YES | |
| 3. | The Company operates a corporate website and publishes the following thereon: 3.1. basic information about the Company and its activities (home page), | YES | The Issuer operates a corporate website at spyrosoft.com, where the information required in Section 3 is available. |
| | 3.2. description of the issuer's activity with an indication of the type of activity from which the Issuer obtains the most revenues, | YES | |
| | 3.3. description of the market on which the Issuer operates, together with the issuer's position on this market, | YES | |
| | 3.4. professional CVs of members of the company's governing bodies, | YES | |
| | 3.5. information learned by the management board on the basis of a statement by a member of the supervisory board, about the relationship of the member of the supervisory board with a shareholder holding shares representing not less than 5% of the total number of votes at the general meeting of the company, | YES | |
| | 3.6. corporate documents of the company, | YES | |
| | 3.7. an outline of the company's strategic plans, | YES | |

| | | | |
|--|---|-----|--|
| | 3.8. published forecasts of financial results for the current financial year, together with the assumptions for those forecasts (if the issuer publishes such), | NO | The Company did not publish financial forecasts. |
| | 3.9. the Issuer's shareholding structure, with an indication of the main shareholders and shares in free trade, | YES | |
| | 3.10. data and contact to the person who is responsible in the Company for investor relations and contacts with the media, | YES | |
| | 3.11. Deleted. | | |
| | 3.12. published current and periodic statements, | YES | |
| | 3.13. calendar of planned publication dates of periodic financial statements, dates of general meetings, as well as meetings with investors and analysts, as well as press conferences, | YES | |
| | 3.14. information on corporate events, such as dividend payment and other events resulting in the acquisition or limitation of rights on the part of a shareholder, taking into account the dates and principles of conducting those operations. This information should be published within a time limit enabling investors to make investment decisions, | YES | |
| | 3.15. Deleted. | | |
| | 3.16. shareholders' questions regarding matters on the agenda, asked before and during the general meeting, along with answers to the questions asked, | YES | |
| | 3.17. information on the reasons for canceling the general meeting, changing the date or agenda, including grounds therefor, | YES | |
| | 3.18. information about the break in the general meeting and the reasons for ordering the break, | YES | |
| | 3.19. information about the entity with which the company has signed a contract for the provision of services of the Authorized Adviser with an indication of the name, website address, telephone numbers and email address of the Adviser, | YES | |
| | 3.20. Information about the entity that acts as the market maker for the issuer's shares, | YES | |
| | 3.21. an information document (issue prospectus) of the company, published during the last 12 months, | YES | |
| | 3.22. Deleted. | | |

| | | | |
|-----|---|-----|---|
| | 3.23. The information contained on the website should be posted in a way that allows easy access to thereto. The Issuer should update the information on the website. In the event that new, relevant information appears or if there is a significant change in information on the website, the update should be carried out immediately. | YES | |
| 4. | The Company operates a corporate website, at the Issuer's choice, in Polish or English. Current and periodic reports should be published on the website in at least the same language in which they are published, in accordance with the regulations applicable to the Issuer. | YES | Available at spyro-soft.com in the investor relations tab |
| 5. | The Company should conduct an information policy with particular regard to the needs of individual investors. To this end, the Company, in addition to its corporate website, should use the individual investor relations section on the website www.GPWInfoStrefa.pl . | YES | |
| 6. | The Issuer should maintain ongoing contacts with representatives of the Authorized Adviser to enable it to properly perform its duties towards the Issuer. The Company should appoint a person responsible for contacts with the Authorized Adviser. | YES | |
| 7. | In the case that an event occurs in the Company which, in the Issuer's opinion, is material to the performance of its duties by the Authorized Adviser, the Issuer shall immediately notify the Authorized Adviser of this fact. | YES | |
| 8. | The Issuer should provide the Authorized Adviser with access to all documents and information necessary to perform the duties of the Authorized Adviser. | YES | |
| 9. | The Issuer provides in the annual report: 9.1. information on the total remuneration of all members of the management board and the supervisory board, | YES | |
| | 9.2. information on the remuneration of the Authorized Adviser received from the Issuer for providing services to the Issuer in all respects. | YES | |
| 10. | Members of the management board and the supervisory board should participate in the general meeting in a composition enabling them to provide substantive answers to questions asked during the general meeting. | YES | |
| 11. | At least twice a year, the Issuer, in cooperation with an Authorized Adviser, should organize a publicly | NO | The Issuer intends to organize public meetings as needed, taking into |

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| | available meeting with investors, analysts and the media. | | account their cost and the needs of stakeholders |
| 12. | A resolution of the general meeting regarding the issue of shares with pre-emptive rights should specify the issue price or the mechanism for its determination, or require a body authorized to set them before the pre-emptive date, within a time-limit allowing an investment decision. | YES | |
| 13. | Resolutions of the general meeting should ensure that the necessary time interval is maintained between decisions resulting in specific corporate events and the dates on which the rights of shareholders arising from these corporate events are determined. | YES | |
| 13a. | In the event that the Issuer's management board receives from a shareholder holding at least half of the share capital or at least half of the total votes in the company, information about its convening an extraordinary general meeting in the manner specified in Article 399 §3 of the Commercial Companies Code, the Issuer's management board shall immediately act, to which it is required in connection with the organisation and conduct of the general meeting. This rule also applies if the registration court authorizes the shareholders to convene an extraordinary general meeting pursuant to Article 400 §3 of the Commercial Companies Code. | YES | |
| 14. | The dividend record date and dividend payment date should be set so that the time between them is as short as possible, and in each case not longer than 15 business days. Setting a longer period between those dates requires detailed justification. | YES | |
| 15. | A resolution of the general meeting regarding conditional dividend payment may only contain such conditions that shall be fulfilled before determining the right to dividend. | YES | |
| 16. | <p>The Issuer publishes monthly reports within 14 days of the end of the month. The monthly report should contain at least:</p> <ul style="list-style-type: none"> information on the occurrence of trends and events in the Issuer's market environment which, in the Issuer's opinion, may have significant effects on the financial condition and financial results of the issuer in the future, summary of all information published by the Issuer in the current reports in the period covered by the statements, information on the implementation of the issue objectives, if such implementation, even in part, | NO | The Issuer informs about current events in the Company through current reports and by posting information on the Company's website at spyro-soft.com |

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| | <p>occurred during the period covered by the statements,</p> <ul style="list-style-type: none"> investor calendar, including events to take place in the coming month that relate to the Issuer and are relevant to the interests of investors, in particular the date of publication of periodic reports, planned general meetings, opening of subscriptions, meetings with investors or analysts, and the expected date of publication of the analytical report. | | |
| 16a. | <p>If the Issuer breaches the disclosure obligation set out in Appendix 3 to the Alternative Trading System Rules ("Current and Periodic Information Provided in the Alternative Trading System on the NewConnect Market"), the shall be obliged to immediately publish, in a manner appropriate for submitting current reports on the NewConnect Market, information explaining the situation.</p> | YES | |
| 17. | Deleted. | | |