



Report of the Management Board  
on the activities of the Spyrosoft SA Capital  
Group and Spyrosoft SA for 2022.

Wroclaw, 27th of April 2023

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## **1. PRESIDENT'S LETTER TO SHAREHOLDERS**

Dear Shareholders,

We are pleased to present to you the financial report of the Spyrosoft S.A. Capital Group for 2022.

The past year was an exceptionally good period for the development of the Spyrosoft Group, mainly due to the high demand for IT services that persists despite the war in Ukraine and the specter of the economic crisis, along with the high availability of funds for investments in digital transformation after the Covid-19 pandemic.

Favorable market conditions have resulted in a significant increase in the number of our clients and the number of implemented projects, and consequently, also in the number of our associates. In 2022, our team increased by a record number of 536 new colleagues, as a result of which the Spyrosoft Group closed the past year with 1,410 people.

Summarizing the financial results of the Spyrosoft Group for 2022 in relation to the assumptions set out in the strategy for 2022-2026, it should be emphasized that the growth plans were exceeded: the Group's organic revenues increased by 72% yoy, and the EBITDA margin by 48%.

The structure of the Spyrosoft Group's revenues by geography remains unchanged - the leading markets are the United Kingdom and the DACH region, followed by Poland, the United States and Scandinavia.

On the other hand, the structure of revenues, presented from the point of view of industries served by the Spyrosoft Group, has changed significantly compared to 2021, the main reason for which is the inclusion of revenues from Better Software Group (media industry) into the Group. In 2022, the automotive sector accounted for 26%, media - 19%, geospatial services - 17%, financial services - 12%, HR industry - 10%, industry 4.0 - 10%, medical - 2%, other - 4% in total.

In 2022, the number of Spyrosoft Group customers increased by a total of 94 companies operating in the following industries: automotive, industry 4.0, medical, finance, media, HR, robotics, retail and geospatial data. New customers were recorded in all companies belonging to the Group.

With reference to the strategy of the Spyrosoft Group for 2022-2026 published in May 2022, I would like to emphasize that last year we more than met the assumptions regarding its implementation - organic revenue growth based on the growing number of new customers, establishing new companies with a complementary portfolio of services ( Spyrosoft E-commerce), opening and developing our new development centers outside Poland (Romania, Argentina, India), investing in organizations expanding our technological competences and access to new markets (Better Software Group), as well as investing in sales and marketing activities aimed at acquiring new customers.

In November 2022, Spyrosoft Solutions S.A. signed a 3-year framework contract with Magna Electronics. The contract provides for the opening of a dedicated R&D department in Romania, which will develop software for advanced driver support systems, including ADAS (Advanced Driver Assistance Systems).

Examining the business outlook for 2023, we expect a yearly decrease in the growth rate of the Spyrosoft Group's revenues and profits. The global economic crisis, the general slowdown in GDP growth and the higher cost of money will certainly slow down the pace of digitization of enterprises.

We assume that the slowing of the pace of digitization related to the economic downturn will be gradual, and a renewed improvement will start to be visible after central banks implement the process of interest rate cuts in the countries that are the Group's main sales markets.

As a result, we will have to deal with such negative phenomena as a decrease in the growth rate of demand for IT services (however, we estimate that it will not apply to all industries equally, as exemplified by the automotive sector), a decrease in the rate of increase in rates for our clients, or an increase in the number of associates remaining without a project in a given period (until now, the percentage of these people did not exceed a few percent).

Therefore, we allow for the possibility of a decrease in the EBIT value in percentage terms, which may occur in connection with the strategy implemented by the Group to increase the acceptable 'bench' - we started the period of economic crisis with a small number of specialists waiting for a new project, so we are now considering the possibility of increasing it thus taking care of our image as an employer, trying to increase our market share and preparing for a change in the economic situation.

At the same time, we expect positive phenomena to occur - an increase in the availability of specialists on the labor market, a slowdown in the growth rate of salaries and a decrease in voluntary rotation.

In the light of the above facts, the Management Board of the Spyrosoft Group maintains the assumptions presented in the strategy for 2022-2026 and does not plan to revise them.

Konrad Weiske – President of the Management Board

## 2. SELECTED FINANCIAL DATA

Financial data of the Spyrosoft Capital Group and Spyrosoft S.A. presented below have been converted into euro according to the following rules:

- individual items of the balance sheet were converted at the exchange rate announced by the National Bank of Poland applicable as at the balance sheet date, i.e. December 31, 2022 (EUR 1 = PLN 4.6899) and as at December 31, 2021 (EUR 1 = PLN 4.5994);

- individual items of the profit and loss account and the cash flow statement were converted at the exchange rate being the arithmetic average of the average exchange rates announced by the National Bank of Poland on the last day of each month in a given reporting period, i.e. for the period from January 1 to December 31, 2022 (EUR 1 = PLN 4.6883) and for the period from 1 January to 31 December 2021 (EUR 1 = PLN 4.5775).

This report contains statements relating to the future and assessment of the future by the Issuer's management board, based on certain assumptions that are subject to risk and uncertainty. Therefore, the Group is not responsible for any decisions made on the basis of this information.

### CONSOLIDATED DATA

Selected financial data	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021	YOY change
	PLN		EUR		
Net revenue from sales of products, goods and materials	331 453	173 428	70 698	37 887	91%
Profit (loss) from operating activity	45 103	23 062	9 620	5 038	96%
EBITDA*	53 738	29 400	11 462	6 423	83%
Gross profit (loss)	43 745	22 991	9 331	5 023	90%
Net profit (loss)	26 734	14 679	5 702	3 207	82%
Net inflows from operational activities	33 236	14 458	7 089	3 158	130%
Net inflows from investment activities	-5198	-4 126	-1 109	-901	26%
Net inflows from financial activities	-10 406	-6 224	-2 220	-1360	67%
Net inflows – total	17 632	4 108	3 761	897	329%

\*EBITDA calculated as operating profit increased by depreciation

### STANDALONE DATA

Selected financial data (in thousand)	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021	YOY change
	PLN		EUR		
Net revenue from sales of products, goods and materials	177 241	116 862	37 805	25 530	52%
Profit (loss) from operating activity	16 302	14 117	3 477	3 084	15%
EBITDA*	18 804	15 906	4 011	3 475	18%

Gross profit (loss)	16 182	14 646	3 452	3 200	10%
Net profit (loss)	12 600	11 556	2 687	2 524	9%
Net inflows from operational activities	5 316	7 842	1 134	1 713	-32%
Net inflows from investment activities	-2 655	-1 702	-566	-372	56%
Net inflows from financial activities	-1 505	-3 199	-321	-699	-53%
Net inflows – total	1 156	2 940	246	642	-61%

\*EBITDA calculated as operating profit increased by depreciation

### 3. INFORMATION ABOUT THE COMPANY AND THE CAPITAL GROUP

Spyrosoft S.A. ("Company", "Issuer") is a joint-stock company with its registered office in Wrocław at pl. Nowy Targ 28, 50-141 Wrocław. The Issuer is a Polish, international technology company dealing with the production of custom software for industries that are developing dynamically, such as automotive, finance, geospatial information, as well as industry 4.0.

The Issuer creates a capital group which includes Spyrosoft S.A. as the parent entity and 14 entities subject to consolidation, operating under the name:

- Spyrosoft Solutions S.A. based in Wrocław,
- GOD Nearshore SE Europejski Spółka Akcyjna Oddział w Polsce with its registered office in Wrocław,
- Spyrosoft Ltd based in Dorset, UK,
- Unravel S.A. based in Wrocław,
- Spyrosoft Solutions d.o.o. based in Zagreb, Croatia,
- Spyrosoft Solutions GmbH with its registered office in Stuttgart, Germany,
- Spyrosoft Solutions S.R.L. based in Timisoara, Romania,
- Spyrosoft Synergy S.A. based in Szczecin,
- Spyrosoft eCommerce S.A. based in Wrocław,
- Spyrosoft Connect S.A. based in Wrocław,
- Better Software Group based in Wrocław,
- Better Soft Services based in Wrocław,
- Better Software Norge AS based in Bergen, Norway,
- Spyrosoft India Private Limited based in Chennai, India

as well as other entities not included in the consolidation.

The Spyrosoft Group operates internationally, and its clients come mainly from Great Britain, Germany, the USA and Scandinavia.

The Group, in addition to its presence in six Polish locations (Wrocław, Kraków, Warsaw, Białystok, Szczecin, Łódź), also has its offices and development centers outside Poland (Croatia, Romania, Argentina, India), which allows for increasing the availability of services offered to foreign customers.

#### 3.1. GENERAL CHARACTERISTICS OF THE ACTIVITIES OF THE COMPANY & THE GROUP

Spyrosoft is a company founded in 2016 in Wrocław, Poland, operating in the IT industry. It produces software. Spyrosoft offers comprehensive solutions in scope of the software development - from embedded solutions to high-level systems based on public clouds. Spyrosoft offers comprehensive project management in scope of



which the specialists manage projects and related requirements, design the architecture as well as write and develop the programming layer.

Spyrosoft renders programming services tailored to customer needs and individual requirements. The company supports clients from the moment of a product concept and technology selection, through the development of solution architecture and its implementation, ending with maintenance and development works. Spyrosoft cooperates mainly with clients representing the following industries: finance, automotive, industry 4.0, medicine, HR, geospatial services and robotics. Thanks to the knowledge of the industries and specific requirements, a client is provided not only with the solution itself, but also with consulting services in the scope of selection of the IT solutions suited to needs and regulations of a particular industry.

Spyrosoft Capital Group 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 optimization and delivery of software in the cloud
- **Optimization** – 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 optimization, data security
- **Cybersecurity** – consulting, penetration testing, integration of security tests with the existing software development process, defensive cybersecurity
- **Salesforce** – implementation of Sales Cloud, Commerce Cloud, Service Cloud modules, development of dedicated applications, pre- and post-implementation audits
- **HMI (Human Machine Interface)** – designing and implementing solutions for user interaction with the device
- **E-commerce platforms** – development and implementation of online stores based on Magento and Shopware platforms
- **Data and Business Intelligence** – software for data integration and processing, data warehouses, data mining, data analytics and reporting

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.

- **Media**

Spyrosoft provides dedicated, multi-platform applications and services for the integration and implementation of digital products, as well as technological consulting for the media and entertainment industry.

- **Robotics**

Spyrosoft experts provide comprehensive services related to the design and implementation of software for autonomous robots, using the latest available technologies (artificial intelligence, computer vision, public clouds, etc.)

- **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.

Spyrosoft Group conducts international activities, with particular emphasis on the United Kingdom, Germany, Scandinavia, and the USA. In addition to its presence in six Polish locations (Wrocław, Kraków, Warszawa, Białystok, Szczecin and Łódź), the Group also has offices outside Poland, ensuring its services are available to international customers.

## SPYROSOFT GROUP

# Our offices

### Argentina

- Buenos Aires

### Croatia

- Zagreb
- Osijek

### Germany

- Stuttgart
- Brunswick

### India

- Chennai

### Norway

- Bergen

### Poland

- Wrocław
- Cracow
- Warsaw
- Białystok
- Szczecin
- Łódź

### Romania

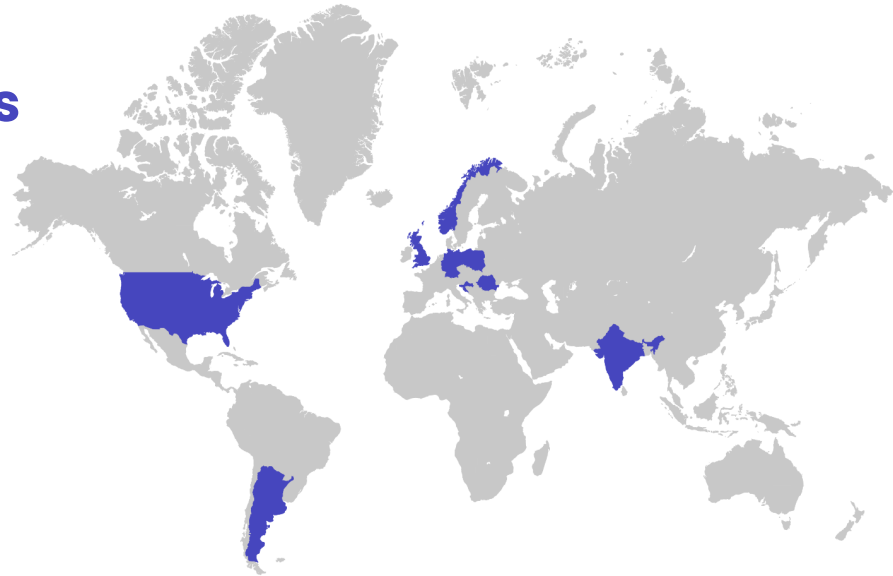
- Timisoara

### UK

- Edinburgh
- Bournemouth

### USA

- Ann Arbor
- Pittsburgh



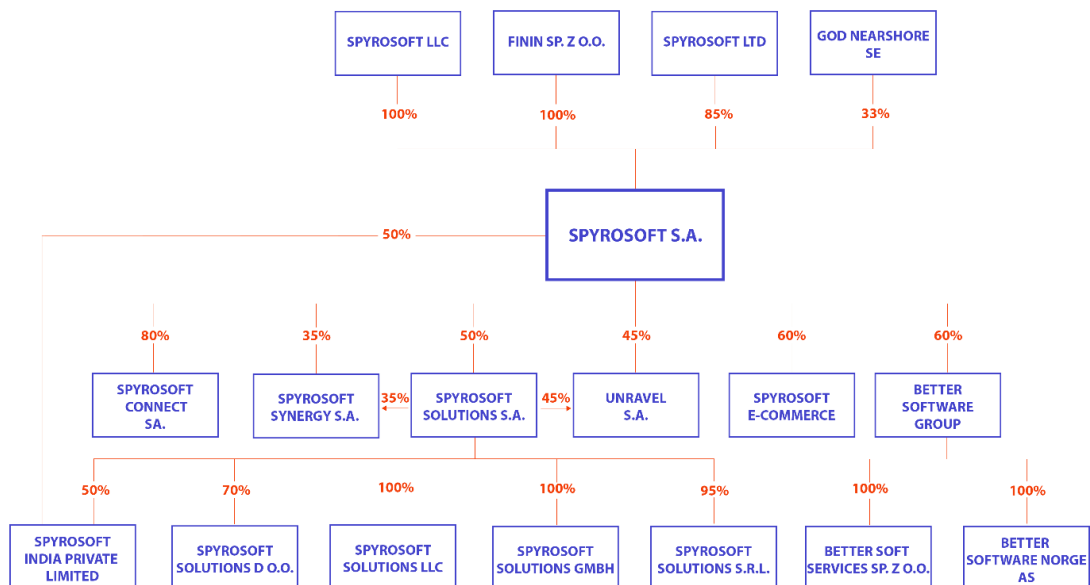
Spyrosoft Group

Shaping technology, together

www.spyro-soft.com

## 3.2. STRUCTURE OF THE CAPITAL GROUP OF THE ISSUER

As at December 31, 2022, the structure of the Spyrosoft Capital Group is as follows:



spyrosoft

As at December 31, 2022, the Spyrosoft S.A. capital group apart from the parent company, the following entities are included:

Entity	Country	Share in the capital	Relationship
Spyrosoft Solutions S.A.	Poland	50,0%	direct
Spyrosoft LTD	UK	85,0%	direct
GOD Nearshore SE	Germany	33,0%	indirect
Unravel S.A.	Poland	67,5%	45% indirect and 22,5% indirect
Spyrosoft Solutions doo	Croatia	35,0%	indirect
Spyrosoft Solutions LLC	USA	50,0%	indirect
Spyrosoft Solutions GMBH	Germany	50,0%	indirect
Spyrosoft LLC	USA	100,0%	direct
Spyrosoft Solutions S.R.L.	Romania	47,5%	indirect
Spyrosoft Ecommerce S.A.	Poland	60,0%	direct
Better Software Group S.A.	Poland	60,0%	direct
Better Soft Services Sp. z o.o.	Poland	60,0%	indirect
Better Software Norge AS	Norway	60,0%	indirect
Spyrosoft Connect S.A.	Poland	80,0%	direct
Spyrosoft Synergy S.A.	Poland	52,5%	35% direct and 17.5% indirect
Spyrosoft India Private Ltd	India	75,0%	50% direct and 25% indirect
Finin Sp. z o.o.	Poland	100%	direct

In 2022, new companies were established in the Group: Spyrosoft eCommerce S.A., Spyrosoft Connect S.A., Spyrosoft India Private Limited and were acquired: Better Software Group S.A., Better Software Services Sp. z o.o., Better Software Norge AS.

As at 31.12.2022, the degree of the parent company's relationship with other entities of the capital group and the adopted method of including the entity in consolidation is as follows:

Entity	Status	Consolidation method
Spyrosoft Solutions S.A.	subsidiary	full consolidation
Spyrosoft Ltd	subsidiary	full consolidation
GOD Nearshore SE	associate	consolidation by means of equity
Unravel S.A.	subsidiary	full consolidation
Spyrosoft Synergy S.A.	subsidiary	full consolidation
Spyrosoft Solutions d.o.o.	subsidiary	full consolidation
Spyrosoft Solutions LLC	subsidiary	excluded from consolidation due to irrelevance
Spyrosoft Solutions GmbH	subsidiary	full consolidation
Spyrosoft LLC	subsidiary	excluded from consolidation due to irrelevance
Spyrosoft eCommerce S.A.	subsidiary	full consolidation
Spyrosoft Solutions S.R.L.	subsidiary	full consolidation
Better Software Group S.A.	subsidiary	full consolidation
Better Software Services Sp. z o.o.	subsidiary	full consolidation

Better Software Norge AS	subsidiary	full consolidation
Spyrosoft India Private Limited	subsidiary	unit has not yet begun operations
Spyrosoft Connect S.A.	subsidiary	unit has not yet begun operations
Finin Sp. z o.o.	subsidiary	excluded from consolidation due to irrelevance

The persons managing and supervising the Issuer do not hold shares in the Issuer's related entities.

**Changes in the basic principles of managing the Issuer's enterprise and its Capital Group**

In the period covered by this report, there were no significant changes related to the management of the Issuer's enterprise or the Capital Group.

**Information on organizational or capital connections within the Issuer's Capital Group and specification of its main domestic and foreign investments**

Investments in subsidiaries include shares held by Spyrosoft S.A. and Spyrosoft Solutions S.A. to exercise control over their operational and financial activities and to obtain benefits from their activities. As at the balance sheet date, December 31, 2022, Spyrosoft S.A. held shares in subsidiaries as described in point 3.2.

According to the information provided in the current report No. 22/2022, on September 26, 2022, the Company's Management Board adopted a resolution to convert the Company's shares into shares in the Company's subsidiaries (the Program), while as at the date of publication of this report, the Program has not entered into force.

**Information on branches (plants) owned by the entity**

The company has no branches.

## **4. FINANCIAL DATA**

### **4.1. OVERVIEW OF THE BASIC ECONOMIC AND FINANCIAL QUANTITIES**

#### **Commentary on the standalone financial results achieved in the fiscal year 2022**

Spyrosoft S.A. generated revenues of PLN 177 million in 2022, which is 52% higher compared to the previous year. The increase in revenues results from the expansion of the scope of cooperation with existing customers and the acquisition of new ones, as well as the gradual increase in prices for customers.

The cost of products and services sold in the financial year 2022 amounted to PLN 118 million, it increased by PLN 40 million, i.e. 52% compared to 2021. Despite the growing inflation and the related wage pressure, the company managed to keep the cost growth rate at the level of the growth rate revenue.

The company achieved gross profit on sales in the amount of PLN 59 million. It was 51% higher than the gross profit on sales in the previous year. Gross margin on sales was 33.4% (decrease by 0.3% YOY).

In 2022, general and administrative expenses increased by 68% YOY to PLN 43 million. The faster increase in general and administrative expenses in relation to the rate of increase in revenues was mainly due to the increase in the costs of managing the growing production team, including the construction of management structures, as well as investment in technological development and building the employer's brand in an extremely competitive market.

Profit on sales increased YOY by 19% to PLN 16.4 million. The margin on sales amounted to 9.2% and was lower by 2.6% YOY.

In 2022, operating profit increased by 15.5% compared to 2021, to PLN 16.4 million. The operating margin reached 9.2% and was lower by 1.9% YOY.

The net profit amounted to PLN 12.6 million, which means an increase of 9% compared to the previous year. The net margin reached 7.1%, i.e. it was 1.8% lower than in the previous year.

The balance sheet total as at December 31, 2022 amounted to PLN 82.9 million and was PLN 40 million higher than the total as at December 31, 2021. The purchase of a majority stake in Better Software Group S.A. (BSG) had a significant impact on this change – long-term financial assets include shares in all subsidiaries at purchase price. Short-term receivables increased by PLN 11.4 million (38%) YOY to PLN 41.2 million. Loans granted to newly established entities from the Spyrosoft Group increased the level of short-term investments to PLN 2.8 million. Long-term liabilities increased by PLN 12 million in connection with the working capital loan taken out by the company, as well as liabilities due to the purchase of BSG shares. Meanwhile, short-term liabilities increased by PLN 13.4 million (82%) compared to the previous period to PLN 29.7 million, of which PLN 6 million are liabilities due to the above-mentioned acquisition.

Equity amounted to PLN 37.5 million and was 51% higher compared to the data as at December 31, 2021.

#### **Commentary on the consolidated financial results achieved by the Spyrosoft Capital Group in 2022**

Consolidated revenues of the Spyrosoft S.A. Capital Group in 2022 amounted to PLN 331.5 million, 91% more than a year ago. The growth rate of revenues is mainly due to the increase in employment, and thus a greater number of man-hours worked, as well as the gradual increase in sales rates. The abrupt increase in the value of revenues was influenced by the purchase in April 2022 of a majority stake in Better Software Group SA.

Consolidated cost of products and services sold by the Spyrosoft S.A. Capital Group in the financial year 2022 amounted to PLN 222 million and was higher by 96% compared to the previous year. The wage pressure contributed to an increase in the growth rate of costs in relation to revenues.

Gross profit on sales reached PLN 110 million, which is 82% better than in 2021. Gross margin on sales amounted to 33.1%, which means a decrease by 1.7%.

Consolidated general and administrative expenses of the Spyrosoft S.A. Capital Group in 2022 amounted to PLN 64 million and were 71% higher than the Group's general and administrative expenses in 2021. The largest share in this category of costs had administrative costs, management costs, including management structures at the operational level, and the cost of acquiring customers.

Consolidated operating profit for the period covered by this report increased by 96% YOY to PLN 45 million. The operating margin was 13.6%, up by 0.3% compared to the previous financial year. The high pace of business development, coupled with the budgetary discipline of the support areas, allowed for an increase in the EBIT margin despite the percentage decrease in the gross margin on sales.

Net profit of the parent company of the Spyrosoft S.A. Capital Group in 2022 amounted to PLN 26.7 million, which means an increase of 82% YOY. Net margin amounted to 8.1% and was lower by 0.4% compared to 2021.

As at December 31, 2022, the balance sheet total amounted to PLN 165.7 million and was twice as high as on December 31, 2021. Trade receivables increased by 71% YOY to PLN 67 million. In the same period, short-term liabilities increased by PLN 30 million (101% YOY) to PLN 59.5 million, including trade liabilities of PLN 25 million.

The Group's equity at the end of the financial year 2022 increased by 82% compared to the data as at December 31, 2021 and amounted to PLN 85 million.

#### 4.2. FINANCIAL RESULT FORECASTS

Spyrosoft S.A. Capital Group did not publish forecasts for the period covered by this report, and no forecasts were published for 2023.

#### 4.3. STRUCTURE OF ASSETS AND LIABILITIES OF THE CONSOLIDATED BALANCE SHEET

Analysis of the structure of assets (data in PLN thousand)	as at 31.12.2022	structure	as at 31.12.2021	structure
<b>Fixed assets</b>	<b>50 433</b>	<b>30%</b>	<b>19 122</b>	<b>23%</b>
Intangible assets	417	0%	1 758,64	2%
Tangible fixed assets	24 920	15%	14 600,50	18%
Goodwill	18 650	11%	0	0%
Stocks and shares in affiliated entities	920	1%	1 588,14	2%
Stocks and shares in subsidiary entities not subject to consolidation	159	0%	109,04	0%
Accruals	4 296	3%	489,56	1%
Deferred tax assets	0	0%	0,00	0%
Other fixed assets	1 071	1%	575,82	1%
<b>Current assets</b>	<b>115 307</b>	<b>70%</b>	<b>63 698,84</b>	<b>77%</b>
<b>Current assets other than assets held for sale</b>	<b>115 307</b>	<b>70%</b>	<b>63 698,84</b>	<b>77%</b>
Inventories	45	0%	0,00	0%
Trade receivables from related entities	8 154	5%	5 946,85	7%
Trade receivables from other entities	58 959	36%	33 341,22	40%
Receivables due to current income tax	506	0%	0,00	0%
Receivables due to taxes other than income tax	10 262	6%	5 043,13	6%
Other receivables	227	0%	49,96	0%
Short-term accruals and prepayments	2 355	1%	2 346,27	3%
Financial assets	619	0%	424,40	1%
Cash and cash equivalents	34 179	21%	16 547,02	20%
Other current assets	0	0%	0,00	0%
Fixed assets or assets held for sale	0	0%	0,00	0%
<b>Total assets</b>	<b>165 739</b>	<b>100%</b>	<b>82 820,54</b>	<b>100%</b>

In the financial year ended December 31, 2022, as in the previous year, in the structure of the Group's assets current assets prevail, constituting 70% of total assets (decrease by 7% YOY). The largest share in current assets are trade receivables (41%), including from other entities (36% of the Group's total assets).

Tangible fixed assets, which are invariably the most important item in the structure of fixed assets, account for 18% of total assets (decrease by 3% YOY). With the purchase of shares in Better Software Group S.A. goodwill appeared in the structure of fixed assets (PLN 18.6 million, 11% of total assets).

Analysis of the structure of liabilities (data in PLN thousand)	as at 31.12.2022	structure	as at 31.12.2021	structure
<b>Equity</b>	<b>85 102</b>	<b>51%</b>	<b>46 828</b>	<b>57%</b>
Equity attributable to the parent entity's shareholders	<b>64 033</b>	<b>39%</b>	<b>38 103</b>	<b>46%</b>
Share capital	109	0%	109	0%
Analysis of the structure of liabilities (data in PLN thousand)	as at 31.12.2022	structure	as at 31.12.2021	structure
<b>Equity</b>	<b>85 102</b>	<b>51%</b>	<b>46 828</b>	<b>57%</b>
Equity attributable to the parent entity's shareholders	<b>64 033</b>	<b>39%</b>	<b>38 103</b>	<b>46%</b>
Share capital	109	0%	109	0%
Capital from the surplus of issue value over nominal value of shares	108	0%	108	0%
Share-based capital	701	0%	630	1%
Exchange rate differences from valuation	156	0%	261	0%
Retained earnings	62 959	38%	36 996	45%
Equity attributable to minority shareholders	21 069	13%	8 725	11%
<b>Liabilities</b>	<b>80 638</b>	<b>49%</b>	<b>35 993</b>	<b>43%</b>
<b>Long-term liabilities</b>	<b>21 159</b>	<b>13%</b>	<b>6 369</b>	<b>8%</b>
Credits and loans	5 625	3%	0	0%
Financial liabilities due to leasing	9 125	6%	6 165	7%
Other financial liabilities	6 000	4%	0	0%
Other liabilities	0	0%	10	0%
Deferred tax reserves	410	0%	195	0%
<b>Short-term liabilities</b>	<b>59 479</b>	<b>36%</b>	<b>29 624</b>	<b>36%</b>
Short-term liabilities other than liabilities related to assets held for sale	<b>59 479</b>	<b>36%</b>	<b>29 624</b>	<b>36%</b>
Credits and loans	3 670	2%	999	1%
Financial liabilities due to leasing	6 582	4%	4 402	5%
Other financial liabilities	6 000	4%	0	0%
Trade liabilities	25 332	15%	13 150	16%
Income tax liabilities	2 690	2%	3 087	4%
Tax and other public law liabilities	6 923	4%	4 450	5%
Liabilities due to remuneration	3 873	2%	1 852	2%
Other liabilities	620	0%	338	0%
Provisions for employee benefits	1 200	1%	880	1%
Other provisions	2 126	1%	28	0%
Deferred income	462	0%	439	1%
Liabilities related to assets recognized as held for sale	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total liabilities</b>	<b>165 739</b>	<b>100%</b>	<b>82 821</b>	<b>100%</b>

Equity was the largest and growing item in the Group's liabilities. The share of equity in the structure of liabilities in the financial year ended December 31, 2022 amounted to 51% and decreased compared to the previous year by 6%. In the same period, the share of long-term liabilities increased by 5%. Despite the increase in the amount, short-term trade liabilities still account for 15% of the Group's total liabilities as at December 31, 2022.



#### **4.4. DESCRIPTION OF SIGNIFICANT OFF-BALANCE SHEET ITEMS BY SUBJECT, OBJECTIVE AND VALUE**

In the financial year ending December 31, 2022, significant off-balance sheet items concerned only sureties granted for subsidiaries. A detailed list of sureties can be found in point 6.2.

### **5. ACTIVITIES OF THE ISSUER AND THE CAPITAL GROUP IN THE REPORTING PERIOD**

#### **5.1. DEVELOPMENT STRATEGY**

In May 2022, the Spyrosoft Group published a strategy for 2022-2026, specifying its development plans for the coming years. Its main assumptions include:

- Organic growth of revenues by an average of 25-35% per year.
- EBITDA margin of 11-14%.
- Increasing the number of employees and associates in the Group to 3,000 people.
- Organic growth through acquiring new customers and cross-selling.
- Growth through acquisitions of companies with new competencies for the Group.
- Opening new R&D centers abroad, including in the Far East.

In the previous year, the Spyrosoft Group fulfilled the assumptions regarding the implementation of the strategy: organic revenue growth (based on the growing number of new customers and the development of those already present in the Group's portfolio) increased by 72% compared to 2021, the EBITDA margin amounted to PLN 43.5 million, and the number of the Group's associates at the end of 2022 reached 1,410 people. A new company with a complementary portfolio of services was established (Spyrosoft E-commerce). The Group also invested in an organization which allows to expand the scope of services offered so far and provides access to new markets (Better Software Group). Moreover, the Group opened and developed new development centers outside Poland (Romania, Argentina, India).

The Management Board of the Spyrosoft Group maintains the assumptions presented in the strategy for 2022-2026 and does not plan to revise them.

#### **5.2. EVENTS SIGNIFICANTLY AFFECTING THE OPERATIONS OF THE COMPANY AND THE CAPITAL GROUP IN THE FINANCIAL YEAR AND AFTER THE END OF THE FINANCIAL YEAR**

In March 2022, the Spyrosoft Group launched its next development center by establishing Spyrosoft Solutions SRL and opening an office in Timisoara (Romania). By doing so, the Group plans to increase the employment of developers specializing in creating software for the automotive sector.

In addition, in the first quarter of this year, the Spyrosoft Group hired its first employees in the newly opened location in Argentina, and specialists from the dynamically growing location in Krakow moved to a new, larger office (High Five).

In March 2022, Spyrosoft S.A. debuted on the main market of the Warsaw Stock Exchange, transferring its listings from the NewConnect market after two years. In this way, we have strengthened the image of the Spyrosoft brand as a stable service provider and a prestigious employer.

In the first quarter of 2022, the Spyrosoft Capital Group was expanded by the newly established Spyrosoft E-commerce company, offering the implementation of sales platforms as part of the leading Magento and Shopware technologies.

As part of the implementation of the strategy for 2022-2026, in April 2022 the Spyrosoft Capital Group was expanded by the Better Software Group, specializing in creating applications for the television and entertainment industry. This investment will help increase Spyrosoft's competences in the area of media & entertainment and expand the portfolio of clients in this sector. It is also important to enter the Scandinavian market, where we have had little presence so far, and to develop competences in the field of front-end and mobile.

In June 2022, the Spyrosoft Group initiated a five-year incentive option program addressed to key employees of the organization, holding technical and managerial positions that are key from the point of view of the Group's

development. The aim of the program is to encourage employees to implement the strategy and to be more strongly bound to the Group.

In July 2022, the Croatian company Spyrosoft Solutions d.o.o received a special award from the Minister of Economy and Sustainable Development in the category of the best new enterprise, awarded in the Zlatna Bilanca competition organized by the national financial agency FINA. Spyrosoft Solutions d.o.o's revenues in 2021 increased by 229%, and the award itself strengthened the brand's image on the Croatian labor market.

In November 2022, Spyrosoft Solutions S.A. signed a 3-year framework contract with Magna Electronics. The contract provides for the opening of a dedicated R&D department in Romania, which will develop software for advanced driver support systems, including ADAS (Advanced Driver Assistance Systems).

In January 2023, Spyrosoft Connect S.A. was established, whose offer is focused around the Salesforce platform, especially in the area of modules supporting sales processes. Thanks to the newly established company, the Group will be able to fully exploit the potential of this market segment.

### 5.3. UNUSUAL FACTORS AND EVENTS AFFECTING THE RESULT FROM OPERATIONS

In the financial year covered by this report, there were no unusual factors or events affecting the result of operations, apart from those listed in point 5.2.

### 5.4. INFORMATION ABOUT KEY PRODUCTS, GOODS OR SERVICES

A detailed description of the services provided by the Issuer is contained in section 3.1.

The Group's sales revenue in 2022 came mainly from the sale of programming services, which accounted for 99.5% of sales revenue in 2022. Other revenues were related to the sublease of the office, administration of re-invoicing of some of the costs incurred and the sale of computer hardware.

In 2022, the share in the revenues of individual units was as follows:

Business Unit	Revenue share
Automotive	26%
Media & Entertainment	19%
Geospatial	17%
Financial services	12%
HR and Education	10%
Industry 4.0	6%
Automation & Connectivity	4%
Healthcare and Life Sciences	2%
Other	4%

### 5.5. SALES MARKETS AND INFORMATION ON SOURCES OF SUPPLY

The main sales markets for the Group's services are: Great Britain, countries from the DACH region (Germany, Austria and Switzerland), Poland as well as the USA and Scandinavian countries.

The share in revenues on the main sales markets is presented in the table below:

Country	Revenue share
UK	33%
DACH	29%
Poland	15%
USA	11%
Norway	4%
Denmark	3%
Other	5%

In 2022, the main suppliers of the Group are IT specialists, subcontractors providing IT services and property managers offering office space rental and providing computer equipment.

The Group is not dependent on any of these suppliers or customers.

In 2022, the share of revenues from the following recipients exceeded 10% of the Group's total sales revenues:

Subject	Revenue share
Ordnance Survey Ltd	12%

This entity is not related to the Issuer or the Issuer's managing persons.

## 5.6. AGREEMENTS SIGNIFICANT FOR THE ACTIVITIES OF THE CAPITAL GROUP OF THE ISSUER

In 2022, the Group companies concluded a significant agreement, about which the Issuer informed in current report No. 25/2022: Issuer's subsidiaries - Spyrosoft Solutions S.A. and Spyrosoft Solutions S.R.L. concluded on November 17, 2022 for the period until February 28, 2025 a cooperation agreement with a company from the Magna International Inc. Group for the provision of IT services for software engineering of advanced driver assistance systems in the BOT (Build Operate Transfer) model.

In addition to the above and the purchase of a majority stake in Better Software Group S.A. referred to in the earlier part of the report, the companies did not conclude any significant operating or insurance contracts.

Below, the Issuer presents information on financial agreements concluded in the financial year covered by the report and after its end:

Bank	Borrower	Subject of the agreement	Date of the contract	Sum (PLN thousand)	Maturity date	Interest
ING BŚ S.A.	Spyrosoft S.A.	Working capital loan agreement	6.04.2022	10 000	31.03.2024	WIBOR 1M + margin
ING BŚ S.A.	Spyrosoft S.A. Spyrosoft Synergy SA Unravel SA	Multi-product agreement - guarantee limit and overdraft (annex)	20.12.2022	6 800	19.12.2023	WIBOR 1M + margin
ING BŚ S.A.	Spyrosoft S.A.	Multi-product agreement - credit in the bank account	20.12.2022	6 000	19.12.2023	WIBOR 1M + margin
ING BŚ S.A.	Spyrosoft Solutions S.A.	Multi-product agreement - credit in the bank account	20.12.2022	1 500	19.12.2023	WIBOR 1M + margin

Factor	Client	Subject of the agreement	Date of the agreement	Amount (in thousand)	Currency	Maturity date	Guarantees
ING Commercial Finance (Polska) S.A.	Spyrosoft Solutions S.A.	Factoring	24.01.2019	800	EUR	30.11.2023	<ul style="list-style-type: none"> <li>● assignment of receivables</li> <li>● bill of exchange</li> <li>● power of attorney to the account</li> </ul>
ING Commercial Finance (Polska) S.A.	Spyrosoft S.A.	Factoring	18.03.2019	6 000	PLN	30.11.2023	<ul style="list-style-type: none"> <li>● assignment of receivables</li> <li>● bill of exchange</li> <li>● power of attorney to the account</li> </ul>

## 5.7. TRANSACTIONS WITH RELATED PARTIES

In 2022, no transactions with related parties on terms other than market conditions were concluded neither in the Company nor in the Capital Group.

## 6. FINANCIAL ASSETS

### 6.1. CREDITS AND LOANS

In the financial year 2022, the Company and the Capital Group concluded or were in force credit agreements described in detail in point 5.6. Not one of the agreements has been terminated by either party.

Below is a list of loans granted to companies from the Capital Group in the financial year 2022:

Lender	Contract date	Amount (in thousand)	Currency	Borrower	Maturity date	Interest
SpyroSoft SA	09.02.2022 23.02.2022 31.03.2022 05.04.2022 03.06.2022 30.06.2022	1 190	PLN	Spyrosoft Synergy S.A.	31.12.2023	7%
SpyroSoft Solutions SA	17.01.2022 23.02.2022 30.06.2022 03.08.2022	1 110	PLN	Spyrosoft Synergy S.A.	31.12.2023	7%
Minority shareholder Spyrosoft Synergy S.A.	05.02.2022 05.04.2022 03.06.2022 05.08.2022	160	PLN	Spyrosoft Synergy S.A.	31.12.2023	7%
Minority shareholder Spyrosoft Synergy S.A.	05.02.2022 05.04.2022 03.06.2022 05.08.2022	160	PLN	Spyrosoft Synergy S.A.	31.12.2023	7%
Minority shareholder Spyrosoft Synergy S.A.	05.02.2022 05.04.2022 03.06.2022 05.08.2022	160	PLN	Spyrosoft Synergy S.A.	31.12.2023	7%
SpyroSoft SA	01.06.2022 01.07.2022	190,5	PLN	Spyrosoft eCommerce S.A.	30.06.2023	6%
Minority shareholder Spyrosoft eCommerce S.A.	01.06.2022 01.07.2022	127	PLN	Spyrosoft eCommerce S.A.	30.06.2023	6%
SpyroSoft SA	01.08.2022 06.09.2022 04.10.2022 27.10.2022 29.11.2022	867,5	PLN	Spyrosoft eCommerce S.A.	30.06.2023	7%
Minority shareholder Spyrosoft eCommerce S.A.	01.08.2022 06.09.2022 04.10.2022 27.10.2022	273	PLN	Spyrosoft eCommerce S.A.	30.06.2023	7%

### 6.2. SURETIES AND GUARANTEES

In the financial year covered by this report, the following guarantees were in force in the Capital Group:

Party	Issuer	Beneficiary	Guarantee amount	Currency	Due date	Subject
Spyrosoft S.A.	ING BŚ S.A.	Nowy Targ Wrocław Real Estate Sp. z o.o.	1 416 480,88	PLN	31.07.2023	bank guarantee - liabilities under the lease agreement

Spyrosoft S.A.	ING BŚ S.A.	INESITE 1 Sp. z o.o.	159 342,51	EUR	30.04.2023	bank guarantee - liabilities under the lease agreement
Spyrosoft S.A.	ING BŚ S.A.	Stena H5 Sp. z o.o.	2 466 480,00	PLN	15.08.2022	bank guarantee - liabilities under the lease agreement
Spyrosoft S.A.	ING BŚ S.A.	Stena H5 Sp. z o.o.	172 110,38	EUR	22.03.2024	bank guarantee - liabilities under the lease agreement
Spyrosoft S.A.	ING BŚ S.A.	INWEST POPULARNA s.c.	75 000,00	PLN	31.10.2022	bank guarantee - liabilities under the lease agreement
Spyrosoft S.A.	ING BŚ S.A.	Miquido Sp. z o.o. Sp. k.	120 126,12	PLN	15.03.2022	bank guarantee - liabilities under the lease agreement
Spyrosoft S.A.	ING BŚ S.A.	Miquido Sp. z o.o. Sp. k.	265 575,28	PLN	15.03.2022	bank guarantee - liabilities under the lease agreement
Spyrosoft S.A.	ING BŚ S.A.	Skanska SA	50 784,62	EUR	31.07.2023	bank guarantee - liabilities under the lease agreement
Spyrosoft S.A.	ING BŚ S.A.	Instytut Medycyny Innowacyjnej	244 436,67	PLN	31.07.2023	bank guarantee - liabilities under the lease agreement
Spyrosoft Solutions S.R.L.	ING BŚ S.A.	Vox Technology Par S.R.L	19 367,50	EUR	24.07.2023	bank guarantee - liabilities under the lease agreement
Spyrosoft Synergy S.A.	ING BŚ S.A.	Szczeciński Park Naukowo-Technologiczny Sp. z o.o.	172 090,53	PLN	06.11.2023	bank guarantee - liabilities under the lease agreement

In the financial year covered by this report, the following sureties received were valid in the Capital Group:

Party	Issuer	Beneficiary	Guarantee amount	Currency	Due date	Subject
Spyrosoft S.A.	BGK on the basis of the FGP Guarantee Line Portfolio Agreement	ING BŚ S.A.	5 280 000	PLN	19.03.2026	surety for current account loan amounting to PLN 6 million
Spyrosoft Solutions S.A.	BGK on the basis of the FGP Guarantee Line Portfolio Agreement	ING BŚ S.A.	1 360 000	PLN	19.03.2026	surety for current account loan amounting to PLN 1.5 million
Spyrosoft S.A.	BGK on the basis of the FGP Guarantee Line Portfolio Agreement	ING BŚ S.A.	8 000 000	PLN	20.06.2024	surety for working capital loan amounting to PLN 10 million

Moreover, Spyrosoft SA, Spyrosoft Synergy SA and Unravel SA are jointly and severally liable with other co-borrowers for repayment of the full amount of the multi-product line limit in the amount of PLN 6,800,000, mentioned in point 5.6.

In the financial year covered by this report, the Capital Group also had promissory note sureties for existing credit and factoring agreements.

Party	Issuer	Beneficiary	Guarantee amount	Currency	Subject
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Unravel S.A.	Spyrosoft S.A.	ING BŚ S.A.	125 000	PLN	Guarantee for a promissory note issued by Unravel S.A. (50%) to secure a PLN 250 000 credit agreement
Unravel S.A.	Spyrosoft Solutions S.A.	ING BŚ S.A.	125 000	PLN	Guarantee for a promissory note issued by Unravel S.A. (50%) to secure a PLN 250 000 credit agreement
Spyrosoft Solutions S.A.	Spyrosoft S.A.	ING Commercial Finance (Polska) S.A.	1 200 000	PLN	Guarantee for a promissory note issued by Spyrosoft Solutions S.A. to secure a EUR 800 000 factoring limit

### 6.3. DESCRIPTION OF THE STRUCTURE OF MAIN CAPITAL INVESTMENTS OR MAIN INVESTMENTS MADE WITHIN THE ISSUER'S CAPITAL GROUP IN THE GIVEN FINANCIAL YEAR

In the financial year 2022, no capital investments were made in the Company and the Capital Group.

The main capital investments of the Issuer are investments in subsidiaries: investments, contribution/founding capital and possible loans. A detailed description of the above issues can be found in points 3.2. and 6.1. of this report.

### 6.4. ASSESSMENT OF THE POSSIBILITIES OF IMPLEMENTATION OF INVESTMENT GOALS

In the opinion of the Issuer's Management Board, the structure of financing investment outlays will not change. The investments will be financed mainly with equity, possibly with the support of bank loans. In the opinion of the Management Board of Spyrosoft S.A. the available funds and creditworthiness are sufficient to implement investment plans in the next financial year.

### 6.5. FINANCIAL INSTRUMENTS

Credit risk related to the credibility of recipients is limited by partial insurance of trade receivables. In addition, in justified cases, the Company carries out the sale after making a prepayment by the counterparty.

In 2022, the Company used the possibility of hedging foreign exchange rates in the form of forward contracts, thus hedging less than 10% of its foreign exchange turnover. In addition, the Capital Group did not use hedging instruments against exchange rate volatility, instead, as part of hedging against currency risk, it sought to diversify revenues in individual currencies.

The Company monitors the risks related to the possibility of cash flow disruptions and loss of liquidity on an ongoing basis. In order to reduce credit risk, receivables are monitored on an ongoing basis, while the Company's cash and financial liabilities, described in point 5.6.

### 6.6. FINANCIAL RISK MANAGEMENT

The purpose of financial risk management is to reduce the uncertainty of the volatility of the financial environment and to secure liquidity for the conducted activity. Spyrosoft S.A. Capital Group pursues a policy of financing its operations based on its own funds and overdrafts, working capital credit, factoring and leasing, as well as the limit for bank guarantees, thanks to which it maintains a sufficient level of cash allocated for the operation and development of the Capital Group.

New entities in the Group are supported by parent entities with owner loans in the first periods of their activity.

The Company and the Capital Group do not apply hedge accounting..

### 6.7. FINANCIAL RESOURCE MANAGEMENT ASSESSMENT

Spyrosoft S.A. Capital Group pursued a policy of financing its operations based on its own funds and overdrafts, working capital loans, factoring and leasing, as well as a bank guarantee limit.

The Group cooperates effectively with several banks, thanks to which it obtains a satisfactory level of external financing, and thus the ability to maintain a sufficient level of cash intended for conducting business.

New entities in the Group are supported by parent entities with owner loans in the first periods of their activity.

In the described period, the Spyrosoft S.A. Capital Group had full capacity to meet its obligations. To the best of its knowledge, the Management Board does not anticipate any significant threats that could increase the risk of losing the ability to settle liabilities towards external service providers.

## **7. PERSPECTIVES FOR DEVELOPMENT**

### **7.1. CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S COMPANY**

The Issuer identifies the following factors that may affect its development and financial results:

#### **External factors:**

- Macroeconomic and political situation on the markets where the Capital Group operates, in particular related to the global economic crisis;
- High level of inflation in Poland and on global markets, resulting in decreasing investment profitability and a significant cooling of the economy, including a slowdown in the growth rate of demand for IT services;
- Increase in the availability of specialists on the market.

#### **Internal factors:**

- Further expansion of the Group in terms of new sales markets and acquisition of software engineers at a pace adapted to market opportunities;
- Slowdown in wage growth in the face of the market situation;
- Reduced staff turnover.

### **7.2. EXPECTED DEVELOPMENT OF THE ISSUER'S CAPITAL GROUP**

The Issuer intends to continue activities consistent with the strategy aimed at increasing turnover as well as profits and the size of the Spyrosoft S.A. Capital Group by acquiring new customers, in particular on foreign markets, not excluding further acquisitions in justified business cases. At the same time, bearing in mind the risk of the global economic crisis, the Company invariably maintains increased caution in the selection of business partners, as well as in the implementation of budget plans.

### **7.3. MAJOR ACHIEVEMENTS IN THE FIELD OF RESEARCH AND DEVELOPMENT**

In December 2020, the Company signed an agreement with the National Center for Research and Development (NCBiR) for co-financing the project entitled "Development of a high-resolution population mobility simulation system, based on geolocalized data and large, distributed data sets, for modeling and predicting the development of infectious disease pandemics, in particular SARS-CoV-2" in the amount of PLN 1,209,519.49 under the Smart Growth Operational Program 2014-2020. The total value of the project is PLN 1,848,702.21, implementation period: October 1, 2020 - July 31, 2022.

As part of the research and development project in 2021, it was possible to prepare an agent-based simulation system based on a population flow model that predicts changes in the density of human clusters over time in a given urban area. The system has been integrated with the model of propagation of infectious diseases between people and with the module of setting own population behavioral scenarios and simulations for the introduced rules and orders (e.g. scenarios of limiting mobility, closing some public institutions, the level of compliance of the society with the imposed restrictions). Currently, research and development works have been completed. The project team is currently working on the completion of an interactive visualization platform that will allow for the presentation of population flow and disease spread characteristics at given parameters.

On February 24, 2023, the National Center for Research and Development informed the Company that after analyzing the submitted final documentation, the project was considered completed in terms of content and finance.



## **8. RISK FACTORS**

### **8.1. DESCRIPTION OF MAIN RISKS AND THREATS OF THE COMPANY**

Spyrosoft S.A. Capital Group as the most important risk factors, based on the probability of their occurrence and the expected scale of their negative impact, identifies the risk related to the loss of managerial staff and the loss or failure to acquire qualified employees, the risk of an increase in remuneration costs and the risks related to IT security.

#### Risk related to the loss of managerial staff and the loss or failure to acquire qualified employees

The Group's operating activity is based on a wide team of specialists - programmers, designers and testers. Due to the fact that there is a shortage of qualified IT specialists on the Polish and foreign labor market, the Group is exposed to the risk of losing, not obtaining or delayed obtaining appropriate human resources. In addition, the Group's operations and its development prospects are largely dependent on the knowledge, experience and qualifications of key employees and associates, in particular members of the Management Board. Key members of the Group's management staff, including members of the Management Board of the parent company, have extensive knowledge of the Group's operations and the market environment in which it operates. In Poland, there is a lot of competition in the field of acquiring qualified personnel, including key managerial staff, which may increase personnel costs and make it difficult to employ and motivate qualified personnel. The Group indicates that it may not be able to prevent the departure of key managers, business partners and clients due to the above factors. The group may also not be able to replace them with people with similar competencies and experience in a timely manner. Due to the fact that the Group offers its clients services related to the comprehensive implementation of IT projects, including the preparation of IT software, work on individual IT projects depends on the complexity of the solution and the comprehensiveness of the service and may take up to several months. Teams are created for the duration of a given IT project. In view of the above, in the event of a sudden need for the implementation of one type of IT projects, the Group may not be able to accept and implement all potential orders and immediately recruit new employees in order to increase the number of implemented projects. In the past, the Group identified such situations, but they were not significant in the scale of its operations. Despite this, the occurrence of such a situation may adversely affect the Group's reputation and the possibility of acquiring new customers in the future. Trust in the Group is one of the key factors determining the interest of customers in maintaining long-term relationships. Factors that may affect the loss of customer trust include poor quality and untimely performance of services. With the rapid increase in orders and the lack of qualified staff, the Group may encounter limitations in meeting its obligations on time and in a qualitative manner. To this end, the Group's HR policy provides for increasing the share of employees with extensive experience. The Group tries to recruit as many employees as possible with several years of experience in the profession, who are able to independently and effectively manage teams of programmers, therefore, in the Group's employee structures, approx. 50% of employees have over 4 years of experience in the industry in which the Group operates, while approx. 25% of the Group's employees are people with over 2 years of experience. In addition, the Group's significant competition on the labor market are international, prestigious holding companies offering high salaries. Limiting the availability of human resources may lead to a reduction in the Group's development potential and to a reduction in projected cash flows. In addition, there is a risk related to the implementation of the projects themselves if one of the key members of the technical team is unable to participate in the work for some time. Failure to deliver and implement solutions on time may expose the Group to additional costs related to contractual penalties or damages. The Group tries to prevent the materialization of this risk by monitoring the labor market on an ongoing basis and adapting to the prevailing trends, including the remuneration offered. For this purpose, payroll reports are prepared, as well as constantly monitored employees' non-salary expectations and their analysis in terms of market trends. In addition, the Group undertakes a number of activities aimed at increasing the satisfaction of employees and associates. The package of benefits received includes, among others, such elements as: co-financing of private health care and sports activities, training budget and group insurance. Despite the actions implemented by the Group, however, it cannot fully exclude the risk of qualified employees leaving, which, combined with difficulties in recruiting replacements, will have a negative impact on the Group's operations, including ensuring the appropriate quality and scope of services, which in turn may have a significant negative impact on its financial situation, development prospects, results or market price of shares. As at the date of approval of the consolidated financial statements

for publication, the Group assesses the probability of this risk as medium, because in the Group's opinion, the number of employees and associates per the date of approval of the consolidated financial statements for publication allows for ensuring business continuity even in the event of further deterioration of the position of employers on the labor market in the IT sector. In addition, the increase in demand for employees from the IT sector is strongly correlated with the increase in demand for the Group's services, which extends the possibility of managing the risk in question in a cost-intensive manner (for example, by quickly adjusting salaries to changes in the labor market). The significance of this risk factor is assessed by the Group as high.

#### The risk of an increase in remuneration costs

The main cost items in the Group's operations are salaries and external services (mainly programming). With the aim of employing the best specialists and keeping them on the market, where demand still outweighs supply, the Group takes into account the increase in the costs of employees and associates in the current and subsequent financial years. The costs of salaries and external services have been a significant value of all operating costs of the Group for years. The Group is therefore particularly vulnerable to the risk of an increase in remuneration costs. Of key importance for the results is the maintenance of appropriate, specialized staff and maintaining cooperation with a team of highly qualified external specialists, which is an essential means to ensure the appropriate quality of services provided, which in turn will affect the sales level, having a direct impact on the Group's financial results. In addition, the said high increase in costs also results from possible changes in legal regulations, in particular those regarding the taxation of civil law contracts, personal income tax and corporate income tax, as well as unification of the amount of health insurance premium and the method of its calculation for entrepreneurs, which may increase salary expectations of the Group's employees and associates. A sharp increase in the cost of salaries with a constant or slight increase in revenues will have a negative impact on the Group's financial situation, development prospects, results or the market price of SpyroSoft S.A. shares. At the same time, the Group must constantly offer a competitive level of remuneration on the labor market in order to maintain the possibility of quickly and efficiently acquiring new human capital. Additional factors that increase the pressure on wage growth are international, prestigious holding companies offering high salaries, which are a significant competition for the Group on the labor market. In addition, the increase in salaries is influenced by the increase in demand for IT services and the process of consolidation of smaller entities by leaders in the IT industry. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as low, although the amount of remuneration remains the main motivating force for a possible change of employer, the importance of the brand and implemented projects partially mitigate the size of this risk, and the weakening trend of increasing salaries in the industry additionally lowers them. Therefore, the Group assesses the significance of this risk factor as low.

#### Risk related to failure to implement the Group's development strategy

The Group's development strategy is described in the General outline of operations section. The main goals of the Group include: concentration of activities in industries in which the Group has specialization and the highest level of knowledge, i.e.: finance, GIS, media & entertainment, employer experience, education, IOT & Industry 4.0, development on foreign markets, increasing sales for currently served entities, as well as acquiring new contractors and acquiring, development and retention of talented employees. However, due to events beyond the Group's control, especially of a legal, economic or social nature, the Group may have difficulties in achieving its goals and fulfilling its strategy, or fail to implement it at all. It cannot be ruled out that as a result of changes in the external environment, the Group will have to adapt or change its goals and strategy. A similar situation may occur if the costs of implementing the strategy exceed the planned expenditures, for example: in connection with the need to start cooperation with additional people, economic changes causing a significant increase in operating costs, or failures and sudden events resulting in the need to purchase new devices. The indicated situations may adversely affect the implementation of the strategy by the Group and result in the achievement of smaller benefits than originally assumed. Further difficulties in the implementation of the Company's strategy may be related to such circumstances as the lack of interest in the Group's products on the part of business customers with high revenue potential, with particular emphasis on entities operating in the markets of highly developed countries, such as the DACH countries, Great Britain or the USA, low customers from the services provided by the Group, insufficient adjustment of the services provided to the needs of customers, no expansion

of the portfolio, no increase in market share in selected countries. The occurrence of even one of the above factors may cause difficulties in implementing the Group's strategy, which in turn may have a significant negative impact on the Group's financial situation, development prospects, results or the market price of SpyroSoft S.A. shares. Difficulties in the implementation of the Company's strategy may also result from legislative changes and difficulties related to changing the economic policy in the area of financing innovative companies, e.g. from the technology industry, as a result of which the Company will be forced to change the structure of financing its operations, which may delay the implementation of further projects by the Company. Considering the above, there is a risk that the Company's strategy will not be implemented at all or to a lesser extent than expected, with a significant delay or with unsatisfactory results. If the Company encounters unexpected barriers during the implementation of the developed strategy, the Company may be forced to change it, withdraw from it or develop a new strategy, which may have a negative impact on its financial results. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of occurrence of this risk as low, as the Group has proven to be highly flexible in its approach to plans and assumptions. Therefore, the Group assesses the significance of this risk factor as low.

#### Risk related to delays in the production of software and the provision of services

The Group implements complex IT projects, including comprehensive software development services. Software development and software testing is a complex and multi-stage process, depending not only on the human factor and the implementation of subsequent stages of work, but also on technical factors and a sufficient level of financing. In addition, these processes require the greatest expenditure at the beginning of the process, while the revenues from their implementation are obtained by the Group in subsequent periods. Often, starting the next stage of production or testing is possible only after the completion of the previous stage. Therefore, there is a risk of delay at a given stage of production or testing, which may additionally affect the delay in the completion of the entire IT project. Therefore, a prolonged process of developing software or applications or testing may adversely affect the Group's financial situation. Excessive delays in the execution of works may also cause the client to withdraw from the concluded contract, which will have a negative impact on the Group's operating activity and its financial results. Failure to meet the assumed production schedule may delay the completion of a given project, which may have a negative impact on the level of remuneration received for the implementation of an IT project, further cooperation with a given contractor and achievement of the expected financial results by the Group. The majority of projects implemented by the Group are settled based on the T&M model, in which a fixed price for the project is agreed in advance at the stage of contract negotiations, together with a detailed scope and schedule, therefore such situations occurred sporadically in the past and had no significant impact on the Group's operations and financial results. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as low, as it has extensive experience in the industry, enabling effective planning of work, taking into account possible difficulties. Therefore, the Group assesses the significance of this risk factor as low.

#### Risk of deterioration of the Group's image

The development of the Group's operations depends on the future demand for the services it offers. The Group can support the increase in demand for its services through marketing and image-building activities. The most important indicator of the quality of services offered by the Group is the market opinion about them. As at the date of approval of the consolidated financial statements for publication, the Group has no information about negative information published about it on any of the industry portals on the Internet. However, the Group identifies the risk related to exposure to unfair competition, materializing through attempts to damage the Group's reputation as a result of providing false information on the Group's activities on various channels. Potential pejorative opinions on the Group's operations could adversely affect the future level of demand for the Group's services and the resulting cash flows. In addition, the Group's position as a good employer may suffer, which will limit the availability of qualified staff and increase salary costs. The risk of image deterioration may be associated primarily with untimely or inaccurate implementation of projects entrusted to the Group, hardware and system failures, or the human factor. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as low, because it cares about its image and

implements the assumptions of the brand communication strategy using its own activities and PR and IR agencies cooperating with the Group. Therefore, the Group assesses the significance of this risk factor as low.

#### Risk of losing key customers

The Group continuously conducts activities aimed at diversifying the structure of recipients of its services in accordance with the adopted development strategy. The portfolio of the Group's clients is highly diversified, and the share of the most important client in total revenues does not exceed several percent. In addition, most orders and services provided on their basis (over 90% in value) are permanent. The nature of the services provided by the Group to customers assumes a relatively long notice period for contracts (from 3 to 6 months). In addition, the relatively high demand for professional software development services means that, in the opinion of the Management Board, the Group is not exposed to high risk due to the lack of customers. However, it cannot be ruled out that as a result of actions beyond the Group's control, e.g. due to financial problems of a given customer, the number of potential customers will decrease, and the Group will not be able to win new contracts for more than a month. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as medium, because in the history of its operations it has mainly executed long-term contracts and has demonstrated a high level of flexibility in approaching customer expectations. However, taking into account the economic downturn and the resulting potential difficulties for existing customers, the Group assesses the significance of this risk factor as medium.

#### Risk of payment backlogs or insolvency of recipients

The Group may be exposed to a situation where one of the recipients will not be able to settle its liabilities on time. In addition, some customers may not meet their financial obligations due to the Group in accordance with the signed agreements. The described situation may have a negative impact on the Group's liquidity situation, and additionally it will make it necessary to create provisions for overdue receivables. This phenomenon will have a negative impact on the Group's financial result. Moreover, the described situation may concern one of the Group's key clients, which would require termination of the previously signed contract, and consequently a significant reduction in cash flows. Settlement of receivables for services provided by the Group is constantly monitored, and moreover, the fact of knowing the customers causes that all arrears are paid and do not require additional actions aimed at their recovery. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as low, because the Group uses settlement methods that limit the risk of long-term liabilities, and efficient supervision over receivables guarantees the highest level of effectiveness in their enforcement. Therefore, the Group assesses the significance of this risk factor as low.

#### Risk of failure of a product developed by the Group

The Group's activity, like any other production activity, is subject to the risk of manufacturing a defective product. It cannot be ruled out that in the event of certain design defects, the product developed by the Group will fail. The resulting dysfunction may be so significant that some of the activities undertaken by the Group's employees will have to be interrupted in order to eliminate the failure. There is a risk that as a result of a system failure at one of the contractors, design tasks related to the project currently being implemented for another entity will be neglected. This may lead to a delay in the implementation of a given system and expose the Group to additional delay costs. The Group has not identified such events in the past, moreover, the Company and the Group have insurance policies that cover risks specific to the IT industry, which prevents the consequences of the materialization of this risk category. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as low, because having many years of experience in the industry and cooperating with highly qualified specialists, it produces high-quality software with a low risk of failure. Therefore, the Group assesses the significance of this risk factor as low.

#### Risks related to intellectual property law

Agreements for the provision of IT services concluded by the Group contain clauses regarding the transfer of part or all of the copyright related to the implementation of a given project to the principal. The Group also allows modification of the work done by third parties. Hereby, there is a risk that the Group's product will go to entities

that may compete with the Group. Moreover, it may turn out that the Group's product will serve as the basis for creating a completely new system in another enterprise. The risk presented above is limited by the specification of the system, which includes many details regarding a specific counterparty. However, it cannot be ruled out that some entities with which the Company's clients will cooperate in the future will follow the solutions developed by the Group. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as low, as the Group implements projects with a high degree of product matching to the needs of a specific customer, with low possibility of universal application. Therefore, the Group assesses the significance of this risk factor as low.

#### Risk related to transactions with affiliated entities

Between the entities of the Group, business transactions have been concluded and will be concluded in the future, referred to as transactions with related entities. Transactions with related parties are subject to additional requirements and restrictions from the perspective of tax law, which are also characterized by a significant degree of complexity. In addition, they may be subject to examination by tax authorities, both Polish and foreign - competent for other countries in which the Group operates. In the case of each study, its criterion is the analysis of compliance of financial and non-financial parameters. Transactions with related parties should be concluded on an arm's length basis. To the best of the Group's knowledge, the prices used in intra-group settlements correspond to market prices for this type of transaction. Despite the application of internal rules for determining the terms of transactions between related parties, it cannot be ruled out that the transfer pricing documentation may be questioned by the tax authorities conducting tax inspections in the Group. If domestic or foreign tax authorities successfully challenge the tax interpretation of the economic events that have occurred, through inspections or otherwise, the effective tax rate may increase and the Group may be required to pay additional taxes, penalties and interest, as well as be exposed to legal costs defense in court disputes or concluding a settlement with the relevant tax authority. Each of the above situations may have an adverse effect on the business, operating results and financial condition of the Group. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as low, because all data and financial documentation are subject to periodic audits, so far they have not raised any objections. Therefore, the Group assesses the significance of this risk factor as low.

#### Risk of growth rate decrease

The Group has been developing dynamically in recent years, however, maintaining this trend and the level of growth requires a significant increase in the level of sales. This is possible only by enlarging the team and, from a certain moment, by making expenditures on marketing activities aimed at promoting the Group and its products among potential customers. At the same time, acquiring qualified sales representatives on the markets where the Group operates and target markets is a time-consuming process and generates high costs. In view of the above, as well as in the face of macroeconomic conditions, in particular high inflation and economic slowdown, the Group may not develop at the assumed rate in the near future. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as medium, as it has proven its flexibility in implementing the adopted budget assumptions, moreover, it has an effective sales team supported by a number of tools that facilitate active participation in the market, but at the same time it has no impact on the macroeconomic situation. Therefore, the Group assesses the significance of this risk factor as medium.

#### IT security risk

The Group, operating in the programming industry, cannot rule out all kinds of cyberattack attempts aimed at its IT systems and other operating systems. Failure of these systems may prevent the Group from operating effectively and efficiently in the scope of the services provided, as well as cause a temporary disruption or interruption in operation. Restoring the full functionality of such systems may prove impossible, time-consuming or take longer than expected, and may require significant financial outlays. In addition, the Group's technologies and operating systems may be susceptible to damage or disruption caused by, among others, malware, computer virus attacks that take advantage of vulnerabilities in the Group's IT systems, human errors, breaches of security rules, unauthorized access and other similar events. These circumstances may result in interruption of the



provision of services by the Group. In the event of the above events, the Group's customer service may be disrupted, it may also lead to leakage or other unauthorized access to personal data. Any disruptions in the provision of services by the Group may, in turn, significantly damage its reputation and cause a reduction in the trust of recipients, which in turn may significantly adversely affect its ability to attract and retain customers. In addition, any actual or perceived failure or unsatisfactory customer response to service may adversely affect customer satisfaction. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as medium, because despite the exercise of the utmost diligence and the employment of professional employees and associates in the Group, protection against professional hacker attacks and, as a consequence, possible system failures is difficult to prevent. The materialization of the risk in question may have an adverse effect on the Group's development prospects, change in business assumptions and strategy adopted by the Group, and, consequently, on the Group's operating results and financial standing. Considering the above, the Group assesses the significance of the above risk as high.

#### Risk related to the economic situation in the IT industry

The economic situation in the IT industry depends on many economic factors. The level of expenditure of enterprises on IT solutions is particularly important in this case. According to the Report Digitization of the Polish MSME Sector presenting the results of a study conducted by Home.pl, Konfederacja Lewiatan and the Polish branch of Microsoft, the level of investment of micro, small and medium-sized enterprises in solutions from the entire ICT segment (IT segment and telecommunications segment) is mainly caused by adapting the situation of the enterprise to current technical progress, and not the desire to implement modern technologies in order to achieve a competitive advantage. Enterprises relatively more often prefer to invest in fixed assets than in ICT solutions. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as medium, because the strength of technical progress generates a high level of demand for programming services, and the pace of technological progress forces companies to invest in a level that guarantees further growth of the IT industry. Additionally, the Polish market is not the Group's main sales market. Therefore, the Group assesses the significance of this risk factor as medium.

#### Short-term contracts risk

A characteristic feature of the programming industry is the short-term nature of some contracts and orders with customers, often not exceeding 3-6 months. The Group is unable to ensure that after the execution of an order received from a given client, the same client will be interested in continuing to use the Group's services. The nature of short-term contracts, typical for the IT industry, forces the Group to actively expand its customer base. In the absence of an influx of orders from new clients and termination of cooperation with existing clients, these circumstances may have a negative impact on the business, financial situation, development prospects, results of the Company or the market price of shares. The Group minimizes this risk by focusing on ensuring the highest quality of services offered in order to ensure customer loyalty and long-term revenues, as well as striving to win contracts that guarantee long-term revenues. In addition, the Group is actively expanding its customer base by increasing its involvement in foreign markets. As at the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk as medium, because practice shows that initially planned short-term contracts often turn into long-term cooperation, moreover, the Group has a chance to win long-term contracts as well. Therefore, the Group assesses the significance of this risk factor as medium.

#### Currency risk

The company incurs software development costs in the domestic currency (PLN), however, a significant part of its revenues is generated in foreign currencies. Therefore, a significant risk from the point of view of future cash flows are changes in exchange rates. This applies in particular to the following currency pairs: EUR/PLN, GBP/PLN, and USD/PLN. In addition, an upward trend in the value of revenues earned in foreign currencies is indicated. Considering the above, the Company emphasizes that currency fluctuations may decrease the value of receivables or increase the value of liabilities, resulting in exchange rate differences charging the financial result. There is a risk that in the case of large fluctuations in exchange rates, the revenues from concluded transactions may differ significantly from those assumed. In the case of the appreciation of PLN against EUR, GBP, and USD and the limited possibility of transferring the currency burden to customers, the Company is exposed to a

decrease in projected revenues in proportion to the decrease in the exchange rate of currency pairs, and consequently lower profitability. The Company does not hedge against exchange rate fluctuations, but monitors exchange rates in order to allow modifications of product prices in a situation where the exchange rate change is so large that the actual profit does not reach the expected range. In addition, in order to protect against risk materialization, the Company tries to maximize the so-called natural hedging, adjusting the currency of the invested capital to the currencies in which the income is realized. As at the date of approval of the financial statements for publication, the Company does not use financial instruments hedging currency risk. There is no certainty that the methods used by the Company to mitigate the existing currency risk through the use of selected instruments will turn out to be fully effective. As at the date of approval of the financial statements for publication, the Company did not conclude an insurance contract to protect against the materialization of the described risk. Due to the fact that as at the date of approval of the financial statements for publication, the Company is still actively developing its operations, thus it does not identify the exchange rate risk as a significant threat to the level of assumed profitability of operating activities. However, this risk may have an intensified impact along with the development of business activities, including the implementation of key projects. The Company constantly monitors the level of revenues achieved in foreign currencies, and in cases requiring it, the Company will use currency risk management instruments available on the banking market. As at the date of approval of the financial statements for publication, the Company assesses the probability of this risk as medium, because despite the lack of use of financial instruments hedging currency risk, the Company has procedures for monitoring exchange rates and maximizes the so-called natural hedging by adjusting the currency of the invested capital to the currencies in which its revenues are realized. As at the date of approval of the financial statements for publication, the described risk has not materialized in the past. However, the materialization of the risk may result in a decrease in the value of the Company's revenues, which does not threaten the Company's operations, and as a consequence may reduce the financial results achieved. Therefore, the Company assesses the significance of this risk factor as medium.

#### Risk related to the competitive environment

The market of software and IT solutions is characterized by a very dynamic development and a growing level of competitiveness. The services offered by the Company are among the innovative products, belonging to the so-called advanced technology. A number of entities operating on this market have much more experience and capital resources than the Company. Due to the high dynamics of the market, there is also a risk of the emergence of a new entity whose offer will be more innovative than the Company's offer. Obtaining a competitive advantage is possible through the implementation of innovative, unique solutions that are attractive in terms of use and economy for potential customers. The key aspects related to IT activities are the ability to effectively complete projects, cost optimization (with particular emphasis on human resource cost management), customer trust and awareness of the presence of a given company on the market. As at the date of approval of the consolidated financial statements for publication, the Group cannot exclude the risk that in the future it will not be able to respond quickly or effectively to the changing market environment in terms of project implementation time or costs of delivered technological solutions, which may lead to the loss of market position by company. The occurrence of this risk may have a negative impact on the sale of the Company's products and services and, consequently, on its financial results. Currently, due to the size of the enterprise, the range of services offered and the target group of consumers, the Company considers such enterprises as: EPAM, Luxoft, Xebia, Netguru, Intive, Unity Group and other entities involved in the production of software on commission, as direct competition due to the size of the enterprise, the range of services offered and the target group of consumers. The company also sees an indirect threat in outsourcing companies from countries that are former republics of the former USSR, offering the rental of human capital (in the remote work model or directly at the client's). There is a risk that the Company will not be able to effectively and quickly respond to the expectations of customers who may decide to use competitive solutions. In the long run, such a situation may have a negative impact on the Company's sales and financial results. In order to minimize the likelihood of materialization of this risk, the Company actively researches and monitors the software and IT solutions market in order to identify the prevailing quality and price standards for the products supplied, as well as the dates of their delivery by entities competing with the Group. As at the date of approval of the consolidated financial statements for publication,



the Group assesses the probability of this risk as medium, because, in particular, on the international arena, there is a high level of highly dispersed competition, while the Group assesses the significance of the above risk as low. As at the date of approval of the consolidated financial statements for publication, the Group sees no threat to its operations from new entities, due to the fact that the scope of the Company's services includes a comprehensive analysis of the client's environment, analysis of the development strategy, detailed design of the client's business processes, which in turn leads to offering a well-adjusted IT solution, implementation, implementation and maintenance of the system in a sufficiently short time and for remuneration appropriate to market standards. At the same time, it cannot be ruled out that a possible future change in business models by entities competing with the Group or changes in the market environment may significantly reduce the Group's market share, which in turn may have a negative impact on the Group's operations, development prospects, financial standing or results.

#### Risk related to technological changes in the IT industry

The dynamics of the market on which the Group operates makes it necessary to constantly adapt the offer to new technological requirements. The dynamics prevailing on the market of modern IT solutions forces continuous work on the modernization of products, as well as the creation of new IT solutions. The lack of sufficient design facilities may cause the aging of products, and thus weaken the Group's competitive position. It may lead to a decrease in the Group's sales and, consequently, to a decrease in the value of its financial results. The Company cannot fully exclude the risk of such significant technological changes in the software it offers that the Group's competitive position on the market will be weakened. Such a situation may occur when the products offered by the Group, as a result of the introduction of new technological solutions, significantly differ in quality from the products offered by competitors. Actions taken by the Group to counteract this risk focus on maintaining the employment of a permanent group of employees with a high level of competence in the area of technology. In addition, the Group engages additional financial resources in prospective investments regarding innovative projects and IT solutions that may determine the market advantage of a given entity in the future. The significance of the above risk is assessed by the Group as low, because the Company constantly monitors technological trends in the IT industry and, depending on the situation, implements new solutions to new standards on an ongoing basis. In addition, the Company has implemented an internal process of continuous improvement of qualifications of all employees, which allows them to master new technological solutions on an ongoing basis. Therefore, the Group assesses the significance of this risk as medium.

#### Risk related to the consolidation processes of competitive entities

Consolidation processes in the IT industry lead to the strengthening of the market position of several of the largest entities, which limits the possibilities of other enterprises operating in the market of software and IT solutions. The strongest domestic companies strive to take over smaller companies, especially from the sector of small and medium-sized enterprises, serving niche segments of the IT market. Thanks to this, the largest entities expand their competences or gain access to new groups of recipients. Considering the above, the Group points out that the described phenomenon of consolidation among competitors may contribute to the weakening of the Company's position on both the domestic and international market. This is primarily due to the fact that larger companies operating in the IT industry are, as a rule, more recognizable entities and have a longer history of activity, which can be characterized by a higher level of trust among potential contractors. In addition, as a result of consolidation processes, a greater number of entities competing with the Company may gain access to innovative technological solutions, as a result of which they will be able to provide services at a similar or higher level than the Company's. In addition, as a result of consolidation processes, competitive enterprises may gain access to new distribution channels or new customer groups, which will lead to an increase in their sales results and, as a result, to an improvement in their financial situation, which in turn will lead to strengthening their position on the market in relation to the Group. The significance of this risk factor is assessed by the Group as low. The company conducts high-quality service activities, confirmed by the trust of current and existing customers. The risk from potential, new, consolidated entities is limited as a result of continuous specialization and development of the Group within the segment in which it operates. Therefore, the Group assesses the probability of occurrence of this risk as low.

#### Credit risk

Credit risk is the risk of incurring financial losses as a result of failure by a customer or counterparty being a party to a financial instrument to fulfill its contractual obligations. Credit risk is mainly related to the collection of receivables, including loans granted. The Management Board applies a credit policy under which exposure to credit risk is monitored on an ongoing basis. Credit risk management is based on customer verification and systematic, weekly analysis of receivables. On this basis, both in the long and short term, decisions are made regarding the shape of the credit policy in a given area or in relation to a given client. The company concludes transactions only with reputable companies with good creditworthiness. Thanks to the above activities, exposure to the risk of uncollectible receivables is insignificant. In the case of loans granted to related entities, credit risk is directly related to the financial situation of these entities, which the Company has a significant impact on and constantly monitors. There is no significant concentration of credit risk in the Company, and the exposure to this risk is defined as low.

#### Liquidity risk

Financial liquidity risk is the risk of the Company's inability to repay its financial liabilities when they fall due. The Company's management monitors the risk of lack of funds, however, due to its stable financial position, this risk is insignificant. Positive financial results accumulated in supplementary capital result in financial surpluses, and low credit risk is reflected in timely repayments of receivables, thanks to which the Company is not exposed to the risk of delays in the repayment of liabilities, including the repayment of financial liabilities, i.e. loans and credits and leasing.

### **8.2. INFORMATION OF THE MANAGEMENT BOARD REGARDING THE ARMED CONFLICT IN UKRAINE**

Spyrosoft S.A. aware of the threats resulting from military operations in Ukraine, has been monitoring the situation on an ongoing basis since the start of hostilities. As a company, we identify potential risks and threats to Spyrosoft's current operations. From the initial analysis of the incoming information, it seems that the greatest threat is the uncertainty regarding the scale and timing of the conflict.

It seems that at the moment the direct threat of military operations on Polish territory is negligible. The type of business conducted by the Company is not exposed to the risk of reducing or interrupting the supply chain. A significant threat is the impact of the war on Poland's macroeconomic situation, GDP, unemployment and inflation. Inflationary pressure and the related potential increase in salaries may affect the assumed financial results.

Another risk factor related to the situation in Ukraine is undoubtedly limited or blocked access to potential employees of Ukrainian nationality. Spyrosoft S.A. implemented the 'Work from Anywhere' program as part of the new remote work policy. It enables complete freedom in choosing the place of work, which is a significant convenience for employees and a significant asset on the labor market. It is also a kind of security in the context of maintaining business continuity.

Due to the ongoing armed conflict, the company undertakes a number of activities aimed at supporting Ukraine. In addition to donating funds to charity, Spyrosoft provides assistance to employees of Ukrainian nationality and conducts information activities among employees related to increasing awareness of the events taking place in Ukraine.

### **8.3. INFORMATION OF THE MANAGEMENT BOARD REGARDING THE GROWTH OF INFLATION**

The highest level of inflation in the company's history and a record-breaking inflation level in the last 30 years of the Polish economy have an impact on the company's financial results and operations. The high level of price growth translates into wage pressure. Remuneration and external services are the main category of costs, and their increase may lead to a decrease in the Company's profitability. The Management Board closely follows

market trends and strives to cool the pressure on wage increases, among others by introducing salary ranges for individual positions. In addition, actions are taken to increase the prices of the services provided in order to maintain the profitability of the implemented projects.

Growing inflation also affects the high level of interest rates in the Polish economy, which, on the one hand, generates an increase in the level of operating costs, and on the other hand, reduces the level of investment profitability and has a significant impact on the deterioration of the economic situation in the entire economy. From the company's point of view, this may mean a much slower growth rate of the customer portfolio in relation to the adopted assumptions and its operational capabilities.

## 9. CORPORATE GOVERNANCE

### 9.1. CORPORATE GOVERNANCE PRINCIPLES APPLIED

Information on the Company's application of the corporate governance rules contained in the "Best Practices of WSE Listed Companies 2021" is available on the Company's website at: [spyro-soft.com/pl/relacje-inwestorskie](https://spyro-soft.com/pl/relacje-inwestorskie). Spyrosoft is subject to the set of corporate governance rules of the Best Practices of WSE Listed Companies 2021, set out in the attachment to the Resolution of the Stock Exchange Board No. 13/1834/2021 of March 29, 2021.

Management Board of Spyrosoft S.A. declares that in the financial year 2022 the Issuer complied with most of the corporate governance rules, except for:

1. A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular ensure adequate communication with investors and analysts, enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.

Comment: The Company complies with the rule, with the exception of broadcasting, recording, and publishing the recordings of General Meetings – in the opinion of the Management Board, the costs related to technical support for the transmission and recording of General Meetings of Shareholders are disproportionate to the potential benefits

3.8. The company maintains a corporate website and includes on them published forecasts of financial results for the current financial year, together with assumptions for these forecasts (if the issuer publishes them)

Comment: The company did not publish forecasts of financial results.

11. At least twice a year, the Issuer, in cooperation with the Authorized Adviser, should organize a public meeting with investors, analysts and the media.

Comment: The Issuer intends to organize public meetings as needed, taking into account their cost and the needs of stakeholders.

16. The issuer publishes monthly reports within 14 days of the end of the month. The monthly report should contain at least:

- 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 issuer's financial condition and financial results in the future,
- a summary of all information published by the issuer in the mode of a current report in the period covered by the report,
- information on the implementation of the issue objectives, if such implementation, at least in part, took place in the period covered by the report,
- the investor's calendar, including events to take place in the coming month that concern the issuer and are important from the point of view of investors' interests, 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.

Comment: 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](https://spyro-soft.com)

The Company does not apply the following corporate governance principles contained in the collection of "Good Practices of Companies Listed on the Warsaw Stock Exchange 2021", while indicating the reasons for not applying them:

5.2. In its business strategy, the company also takes into account the subject of ESG, in particular including:

- 1.3.1. environmental issues, including measures and risks related to climate change and sustainable development issues;

**The rule is not applied.**

*The nature of the Company's core business in the form of providing programming services (office work using computers) means that from the point of view of environmental impact, the Company's operations are office activities and activities related to the maintenance of IT infrastructure, for which the most important areas of impact are the consumption of purchased electricity and possible storage waste in the form of used equipment.*

*The Company is not subject to the obligation of non-financial ESG reporting.*

- 1.3.2. social and employee matters, concerning e.g. actions taken and planned to ensure gender equality, proper working conditions, respect for employee rights, dialogue with local communities, customer relations.

**The rule is not applied**

*The company has not developed and does not implement social and employee issues in the strategy. Nevertheless, as part of its policy, the Company applies the principles of equal treatment and non-discrimination, respect and good relations.*

- 1.4. In order to ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company publishes on its website information on the assumptions of its strategy, measurable goals, including in particular long-term goals, planned activities and progress in its implementation, determined by means of metrics, financial and non-financial. Information on the strategy in the ESG area should, among others:
- 1.5. The company has not published a formalized business strategy, nor is it subject to the obligation of non-financial reporting on ESG issues. Progress in the implementation of the business strategy, determined by means of financial and non-financial measures, is presented in periodic reports. For reasons included in the commentary to rule 1.3.1. The company does not include the ESG area in its business strategy.

**The rule is not applied**

*The company has not published a formalized business strategy, nor is it subject to the obligation of non-financial reporting on ESG issues. Progress in the implementation of the business strategy, determined by means of financial and non-financial measures, is presented in periodic reports. For reasons included in the commentary to rule 1.3.1. The company does not include the ESG area in its business strategy.*

- 1.5.1. explain how the decision-making processes in the company and its group entities take into account issues related to climate change, pointing to the resulting risks;

**The rule is not applied**

*For reasons included in the commentary to rule 1.3.1. the company does not include the ESG area in its business strategy.*

- 1.5.2. present the value of the equal pay index paid to its employees, calculated as a percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate possible inequalities in this respect, together with the presentation of the related risks and the time horizon in which it is planned to achieve equality.

**The rule is not applied**

*The Company is not subject to the obligation of non-financial ESG reporting.*

*Market principles are applied in the Company's remuneration of employees and associates. The level of remuneration depends on competence and experience, while factors such as gender do not affect the amount of remuneration, bonuses or awards.*

- 1.6. At least once a year, the company discloses expenses incurred by it and its group to support culture, sports, charity institutions, media, social organizations, trade unions, etc. If in the year covered by the report, the company or its group incurred expenses for this type of purpose, the information includes a statement of these expenses.

**The rule is not applied**

*So far, the Company has not incurred expenses of a similar nature. If such expenses occur, their summary will be disclosed in the annual report.*

- 1.7. In the case of a company included in the WIG20, mWIG40 or sWIG80 index, once a quarter, and in the case of other companies, at least once a year, the company organizes a meeting for investors, inviting in particular shareholders, analysts, industry experts and media representatives. During the meeting, the company's management board presents and comments on the adopted strategy and its implementation, financial results of the company and its group, as well as the most important events affecting the operations of the company and its group, achieved results and prospects for the future. During organized meetings, the management board of the company publicly provides answers and explanations to the questions asked.

**The rule is not applied**

*The company responds to inquiries from investors, analysts, industry experts and the media on an ongoing basis. In the event of the emergence of information relevant to the Company, the Management Board of the Company enables direct contact with interested entities. Currently, the Company does not plan to organize separate meetings dedicated to contacts with the media, investors or analysts.*

- 2.1. The company should have a diversity policy towards the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy defines the goals and criteria of diversity, e.g. in such areas as gender, field of education, specialist knowledge, age and professional experience, and also indicates the date and method of monitoring the implementation of these goals. In terms of diversity in terms of gender, the condition for ensuring the diversity of the company's governing bodies is the minority share in a given governing body at a level not lower than 30%.

**The rule is not applied**

*The company does not have a diversity policy for the management board or the supervisory board adopted by the general meeting. When selecting members for the indicated bodies, the supervisory board and the general meeting are guided by substantive criteria, such as knowledge and experience, striving to ensure diverse and comprehensive competences of their bodies, necessary for the reliable performance of their duties.*

- 2.2. Persons making decisions on the selection of members of the company's management board or supervisory board should ensure the versatility of these bodies by selecting persons to ensure diversity, enabling, among others, achieving the target ratio of the minimum share of minorities set at a level not lower than 30%, in accordance with the objectives set out in the adopted diversity policy referred to in principle 2.1.

**The rule is not applied**

*For reasons included in commentary 2.1. persons making decisions regarding the selection of members of the management board and the supervisory board are not guided by the criterion of ensuring a minimum share of minorities at a level not lower than 30%.*

- 2.11. In addition to activities resulting from the provisions of law, once a year the supervisory board prepares and submits to the ordinary general meeting for approval an annual report. The report referred to above includes at least:
- 2.11.6. information on the degree of implementation of the diversity policy in relation to the management board and the supervisory board, including the implementation of the objectives referred to in principle 2.1.

**The rule is not applied**

*The principle is not applied due to non-application of principle 2.1. and for reasons included in the commentary to this rule.*

- 3.2. The company separates in its structure units responsible for the tasks of individual systems or functions, unless it is not justified due to the size of the company or the type of its activity.

**The rule is not applied**

*Due to the nature and size of the Company's operations, it is not reasonable to distinguish separate organizational units. The Company has implemented internal systems adequate to the size of the Company and its operations.*

- 3.6. The head of the internal audit reports organizationally to the president of the management board, and functionally to the chairman of the audit committee or the chairman of the supervisory board, if the board performs the function of the audit committee.

**The rule is not applied**

*Due to the size of the company, there is no justification for appointing dedicated internal audit managers. Internal control responsibilities are reported to the management board.*

- 4.3. The company provides publicly available transmission of general meetings in real time.

**The rule is not applied**

*Taking into account the composition of the shareholding structure as well as the potential costs of possible transmission, the company does not consider real-time transmission to be justified and expected by the shareholders.*

- 4.14. The company should strive to distribute profits by paying dividends. Leaving the entire profit in the company is possible if any of the following reasons occur:
- a) the amount of this profit is minimal and, consequently, the dividend would be insignificant in relation to the value of the shares;
  - b) the company shows uncovered losses from previous years, and the profit is allocated to their reduction;
  - c) the company will justify that allocating the profit for investments will bring measurable benefits to the shareholders;
  - d) the company did not generate cash to pay dividends;



- e) the payment of the dividend would significantly increase the risk of breaching the covenants resulting from the loan agreements binding the company or the conditions of the bond issue;
- f) leaving the profit in the company is in accordance with the recommendation of the institution supervising the company due to the specific type of activity it conducts.

**The rule is not applied**

*Being in the phase of intensive development, the Company allocates all its profits to investments in further development of its activities.*

## 9.2. SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS

The shareholding structure of Spyrosoft S.A. with a detailed list of shareholders holding at least 5% of votes at the General Meeting of the Company as at the date of publication of the report is presented below:

Shareholder	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
Konrad Weiske	335 975	30,82%	335 975	30,82%
Dorota Łękawa	279 407	25,63%	279 407	25,63%
Wioletta Bodnaruś	278 300	25,53%	278 300	25,53%
Others	196 412	18,02%	196 412	18,02%
<b>TOTAL</b>	<b>1 090 094</b>	<b>100,00 %</b>	<b>1 090 094</b>	<b>100,00%</b>

None of the entities of the Spyrosoft S.A. Capital Group nor persons acting on their behalf does not hold Spyrosoft S.A.'s own shares.

### Holders of securities giving special control rights

There are no holders of the Issuer's securities giving special control rights.

### Restrictions on the exercise of voting rights

As at the date of preparation of this report, there are no restrictions regarding the exercise of voting rights attached to the Issuer's shares.

### Restrictions on the Transfer of Ownership of Securities

The Company's Articles of Association do not provide for any restrictions on the transfer of ownership of securities issued by the Company

### Rights and obligations related to shares

- Right to participate in profits (dividends)
- Pre-emptive right to subscribe for new shares in relation to the shares held (pre-emptive right)
- The right to a share in the Company's liquidation assets
- The right to sell the Shares held
- The right to bring a lawsuit for compensation for damage caused to the Company

- The right to review documents and request copies of documents referred to in Art. 505 § 1 of the CCC, in art. 540 § 1 of the CCC and in Art. 561 § 1 of the CCC
- The right to demand that a commercial company, which is a shareholder of the Company, provide information whether it remains in a dominant or dependent relationship with respect to a specific commercial company or cooperative being a shareholder of the Company, or whether such a dominant or dependent relationship has ceased
- Right to convert shares

**Acquisition of own shares, and in particular the purpose of their acquisition, number and nominal value with an indication of what part of the share capital they represent, the purchase price and the sale price of these shares in the event of their disposal**

In 2022, as well as until the date of approval of the financial statements for 2022, the company and its subsidiaries did not purchase their own shares.

#### **Information on the control system for employee share programs**

In the period covered by this report, there were no employee share programs in the Spyrosoft S.A. Capital Group.

**Information on agreements known to the company (including those concluded after the balance sheet date), which may result in future changes in the proportions of shares held by existing shareholders and bondholders**

At Spyrosoft S.A. there is one option agreement, the party to which is a partner cooperating with the Company, under which the partner has the right to purchase Spyrosoft S.A. shares in the years 2022-2024 in a total number not exceeding 0.5% of the share capital of Spyrosoft S.A., derived from the capital increase.

The company did not issue bonds.

**In the case of issuing securities in the period covered by the report - a description of the issuer's use of proceeds from the issue until the report's date of preparation**

In the period covered by the report, the Issuer issued equity securities in the form of 1,366 series H ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each. The funds from the issue were used to cover the costs of the Issuer's current operating activities.

In the period covered by the report, the Issuer did not issue any debt securities.

### **9.3. PRINCIPLES OF THE GENERAL MEETING**

Pursuant to the Articles of Association, the General Meeting is opened by the Chairman of the Supervisory Board or, in his absence, another Member of the Supervisory Board, after which the chairman of the General Meeting is elected from among the persons entitled to vote. In the absence of these persons, the General Meeting is opened by the President of the Management Board or a person appointed by the Management Board.

Detailed rules for conducting meetings and adopting resolutions by the General Meeting are set out in the Regulations of the General Meeting. The Regulations of the General Meeting may be changed by way of a resolution of the General Meeting. In the event of a change in the Regulations of the General Meeting, the changes made shall come into force at the earliest, starting from the next General Meeting.

The General Meeting may adopt resolutions only on matters included in the agenda, unless the entire share capital is represented at the General Meeting and none of those present objected to the adoption of the resolution.

The General Meeting may also adopt resolutions without being formally convened, if the entire share capital is represented and no one present objects to the holding of the General Meeting or the inclusion of particular issues on the agenda.

Voting at the General Meeting is open. A secret ballot is also ordered for elections and for motions to dismiss members of the Company's governing bodies or liquidators, to hold them accountable, in personal matters and at the request of at least one shareholder present or represented at the General Meeting.

### **Competences of the General Meeting**

Competences of the General Meeting result from both the law, in particular the Code of Commercial Companies, and the Company's Articles of Association.

Pursuant to the Commercial Companies Code and the Articles of Association, the powers of the General Meeting include in particular:

- consideration and approval of the Management Board's report on the company's activities and the financial statements for the previous financial year,
- adopting a resolution on profit distribution or loss coverage,
- granting discharge to members of the company's governing bodies for the performance of their duties,
- any provisions regarding claims for damages caused during the establishment of the Company or the exercise of the Management Board or supervision,
- disposal of the enterprise, as well as lease of the enterprise and establishment of the usufruct right on it,
- issue of bonds, reduction or redemption of share capital,
- dissolution of the Company,
- adopting the rules of procedure of the General Meeting,
- appointing and dismissing members of the Supervisory Board in the case referred to in § 10 sec. 4,
- determining the remuneration of members of the Supervisory Board,
- adopting the regulations of the Supervisory Board,
- consideration and resolution of applications submitted by the Supervisory Board or the Management Board,
- other matters provided for by the Code of Commercial Companies or these Articles of Association.

Acquisition and disposal by the Company of real estate or a share in real estate, perpetual usufruct or a share in perpetual usufruct does not require a resolution of the General Meeting.

Resolutions of the General Meeting are adopted by a 2/3 majority of votes, unless the Articles of Association or the provisions of the Code of Commercial Companies require a different majority for their adoption.

The General Meeting of the Company may also adopt a resolution on a significant change in the subject of the Company's activity. In this case, a majority of 2/3 (two-thirds) of votes is required.

Resolutions on the issue of convertible or pre-emptive bonds and subscription warrants indicated in Art. 453 § 2 of the Commercial Companies Code and on amending the Company's Articles of Association, including resolutions on increasing and decreasing the share capital, are passed by a majority of  $\frac{3}{4}$  (three quarters) of votes.

In a situation where the balance sheet drawn up by the Management Board shows a loss exceeding the sum of supplementary and reserve capitals and 1/3 (one third) of the share capital, an absolute majority of votes is sufficient to adopt a resolution to dissolve the Company.

In order to adopt a resolution on amending the Articles of Association, increasing the benefits of shareholders or reducing the rights granted personally to individual shareholders, the consent of all shareholders to whom the resolution applies is necessary.

Adoption by the General Meeting of a resolution on increasing the share capital providing for the acquisition of new shares by way of private subscription or open subscription by a designated addressee requires the presence of shareholders representing at least 1/3 (one third) of the share capital. If the General Meeting is not held due to the lack of the above quorum, another General Meeting may be convened, during which a resolution may be adopted regardless of the number of shareholders present.

#### **Rights and obligations related to the participation of shareholders in the General Meeting**

- The right to participate in the general meeting
- The right to vote at the general meeting
- The right to put particular matters on the agenda of the general meeting
- The right to appeal against resolutions of the general meeting
- The right to demand the election of the supervisory board by separate groups
- The right to obtain information about the company
- The right to view the list of shareholders entitled to participate in the general meeting, the right to request a copy of the list of shareholders against reimbursement of costs and the right to send the list of shareholders free of charge by e-mail, specifying the address to which the list should be sent (Article 407 § 11 of the Commercial Companies Code).
- The right to request copies of motions on matters included in the agenda of the general meeting
- The right to submit an application for checking the list of attendance at the general meeting by a committee selected for this purpose, composed of at least three persons
- The right to request copies of the management board's report on the company's activities and financial statements, together with a copy of the supervisory board's report and audit report
- The right to review the book of minutes and request copies of resolutions

### **9.4. MANAGING, SUPERVISING AND ADMINISTRATIVE AUTHORITIES**

#### **9.4.1. MANAGEMENT BOARD**

The Management Board consists of 1 (one) to 5 (five) Members. Members of the Management Board, with the exception of the first Management Board, are appointed and dismissed by the Supervisory Board. Members of the Management Board, in the case of a multi-person Management Board, are appointed for a joint term of office of 5 (five) years. Members of the Management Board may be reappointed for further terms of office.

The Management Board manages the Company's affairs and represents it outside. The scope of activities of the Management Board includes all matters related to the conduct of the Company's affairs, not reserved for the competence of the General Meeting or the Supervisory Board.

Each Member of the Management Board is authorized to represent the Company independently. In matters exceeding the scope of ordinary activities, a prior unanimous resolution of the Management Board is necessary, unless it is an urgent action, the omission of which could expose the Company to damage. A case exceeding the scope of ordinary activities is, in particular, incurring a liability or disposing of a right with a value exceeding PLN 1,000,000.00 (one million zlotys). The President of the Management Board manages the work of the Management Board, in particular coordinates and organizes the work of Members of the Management Board, and also convenes and chairs meetings of the Management Board.

In the agreement between the Company and a member of the Management Board, as well as in a dispute with him, the Company is represented by the Supervisory Board.

The rules of operation of the Management Board and the rules of remuneration for members of the Management Board are set out in the Regulations adopted by the Supervisory Board.

Pursuant to § 9 of the Articles of Association, a member of the Management Board may not engage in, without the consent of the Supervisory Board, competitive interests or participate in a competitive company as a partner in a civil law partnership, partnership or as a member of a body of a capital company, or participate in another competitive legal person as a member of a body. This prohibition also applies to participation in a competitive

capital company, if a management board member holds at least 10% of its shares or stocks or the right to appoint at least one management board member.

**Composition of the Management Board as at December 31, 2022 and as at the date of publication of this report:**

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

In 2022, there were no changes in the composition of the Management Board.

As at the date of the report:

- ◆ Konrad Weiske, acting as the President of the Management Board, holds 335,975 shares of the Company with a nominal value of PLN 33,597.50, constituting 30.82% of all shares in the Company, entitling to 30.82% of the total number of votes at the General Meeting of Shareholders of the Company;
- ◆ Agnieszka Weiske - wife of Mr. Konrad Weiske, acting as President of the Management Board, holds 42 Company shares with a nominal value of PLN 4.20, constituting 0.00% of all Company shares, entitling to 0.00% of the total number of votes at the General Meeting of Shareholders
- ◆ Dorota Łękawa – wife of Mr. Sebastian Łękawa, Member of the Management Board, holds 279,407 shares of the Company with a nominal value of PLN 27,940.70, constituting 25.63% of all shares in the Company, entitling to 25.63% of votes at the General Meeting of Shareholders of the Company;
- ◆ Wioletta Bodnaruś – wife of Mr. Wojciech Bodnaruś, Member of the Management Board, holds 278,300 shares of the Company with a nominal value of PLN 27,830, constituting 25.53% of all shares in the Company, entitling to 25.53% of votes at the General Meeting of Shareholders of the Company;
- ◆ Sławomir Podolski, a Member of the Management Board, holds 11,430 shares of the Company with a nominal value of PLN 1,143, constituting 1.05% of all shares in the Company, entitling to 1.05% of the total number of votes at the General Meeting of Shareholders of the Company;
- ◆ Kamila Podolska – wife of Mr. Sławomir Podolski, Member of the Management Board, holds 38 shares of the Company with a nominal value of PLN 3.80, constituting 0.00% of all shares of the Company, entitling to 0.00% of votes at the General Meeting of Shareholders of the Company.

Other managing persons do not hold the Company's shares.

**9.4.2. SUPERVISORY BOARD**

The Supervisory Board exercises constant supervision over the Company's activities in all areas of its activity.

The Supervisory Board consists of at least 5 members who will be appointed and dismissed by the General Meeting (including the Chairman and Vice-Chairman of the Supervisory Board). The number of members of the Supervisory Board for a given term of office is determined by the General Meeting. Unless otherwise agreed by the General Meeting, the number of members of the Supervisory Board is 5 (five). If the Supervisory Board is elected by voting in separate groups pursuant to Art. 385 of the Code of Commercial Companies, the number of members of the Supervisory Board is 5 (five). The term of office of the Supervisory Board lasts 3 years.

Members of the Supervisory Board are appointed for a joint term of office. The mandates of members of the Supervisory Board expire on the date of the General Meeting approving the financial statements for the last full financial year of performing the function and in other cases specified in the Code of Commercial Companies. Members of the Supervisory Board may be reappointed for further terms of office.

The Supervisory Board exercises constant supervision over the Company's activities in all areas of its activity.

Pursuant to the Articles of Association, the powers of the Supervisory Board, apart from matters specified in the Commercial Companies Code, include:

- expressing consent to the acquisition or disposal by the Company of real estate or a share in real estate or perpetual usufruct or a share in perpetual usufruct;
- selection of a certified auditor to audit the Company's financial statements; when selecting a statutory auditor, the Supervisory Board should take into account whether there are circumstances limiting his/her independence in performing tasks; the change of the statutory auditor should take place at least once every five years, whereby the change of the statutory auditor is also understood as a change of the person conducting the audit; moreover, in the long term, the Company should not use the services of the same auditing entity;
- appointing and dismissing the Management Board;
- concluding contracts with members of the Management Board;
- representing the Company in disputes with members of the Management Board;
- determining the remuneration for members of the Management Board, subject to applicable law, including the remuneration policy adopted by the General Meeting;
- suspending, for important reasons, individual or all members of the Management Board in their duties;
- appointing the committees referred to in §14 section 3 of the Statute;
- giving opinions on resolutions introduced by the Management Board to the agenda of the General Meeting;
- delegating members of the Supervisory Board to temporarily perform the duties of members of the Management Board unable to perform their functions;
- adopting the regulations of the Management Board;
- submitting motions to the Management Board of the Company to convene the General Meeting;
- convening an ordinary general meeting in the event that the Management Board fails to convene it on time;
- convening an extraordinary General Meeting, if it deems it advisable and the Management Board fails to convene the General Meeting within 2 (two) weeks from the date of submitting the relevant request by the Supervisory Board.

The Supervisory Board operates on the basis of applicable laws and the Articles of Association, which define its competences, and on the basis of the Regulations adopted by the General Meeting, defining the organization and manner of performing activities by the Supervisory Board. Meetings of the Supervisory Board are held as needed, but not less frequently than 3 (three) times a year. Meetings of the Supervisory Board are held at the Company's registered office, unless a different place is indicated in the letter convening the meeting of the Supervisory Board. Meetings of the Supervisory Board are convened by its Chairman, informing the other members at least 7 days in advance.

If the Chairman fails to convene a meeting of the Supervisory Board, despite a request from a member of the Supervisory Board, 2 (two) members are entitled to convene the meeting. The meeting of the Supervisory Board may also be held without the formal convening referred to above, if all members of the Supervisory Board consent to it and none of them objects to the agenda of the meeting. Meetings of the Supervisory Board are chaired by the Chairman of the Supervisory Board, and in his absence, by the Vice-Chairman of the Supervisory Board. In the event of the absence of the Chairman and the Vice-Chairman at the meeting, the Chairman of the meeting is elected by the Supervisory Board.

The Supervisory Board is capable of adopting resolutions if at least half of its members are present at the meeting and all members have been notified. Resolutions are adopted by a simple majority of votes cast by members of the Supervisory Board present at the meeting, unless the Articles of Association or the Regulations of the Supervisory Board provide otherwise. In the event of an equality of votes, the vote of the Chairman of the Supervisory Board is decisive.

The Supervisory Board may adopt resolutions in writing or using means of direct remote communication. A resolution is valid when all members of the Supervisory Board have been notified of the content of the draft resolution and could vote on it.

As at December 31, 2022, the composition of **the Supervisory Board** was as follows:

- Piotr Budzyński – Member of the Supervisory Board;
- Tomasz Paweł Krześniak – Member of the Supervisory Board;
- Krzysztof Kuliński – Member of the Supervisory Board;
- Andrew Radcliffe - Member of the Supervisory Board;
- Jacques Lague - Member of the Supervisory Board (since April 28, 2022)

The mandates of all current Members of the Supervisory Board expire at the latest on the date of the General Meeting approving the financial statements for the last full financial year of performing the function of a Member of the Supervisory Board and in other cases specified in the Code of Commercial Companies.

As at the date of this report:

- Member of the Supervisory Board Andrew Radcliffe holds directly 22,348 Company shares with a nominal value of PLN 2,240.70 and indirectly 59 Company shares with a nominal value of PLN 5.90, constituting a total of 2.06% of all Company shares entitling to 2.06% of the total number of votes holds the General Meeting of the Company;
- Member of the Supervisory Board Tomasz Krześniak holds 16 shares of the Company with a nominal value of PLN 1.60, constituting 0% of all shares of the Company entitling to 0% of the total number of votes held by the General Meeting of Shareholders of the Company.

The other supervising persons do not hold the Company's shares.

#### **9.4.3. AUDIT COMMITTEE**

By Resolution No. 2 of December 2, 2021, acting pursuant to Art. 128 sec. 1 of the Act on Statutory Auditors, the Supervisory Board established an Audit Committee in the Company, consisting of 3 (three) members.

The Audit Committee consists of selected members of the Supervisory Board. The function of a member of the Audit Committee is related to the mandate of a member of the Supervisory Board, which expires at the latest on the date of the General Meeting approving the financial statements for the last financial year of performing the function of a member of the Supervisory Board. If the mandate of a Member of the Supervisory Board elected to the Audit Committee expires before the end of the term of office of the entire Supervisory Board, the Supervisory Board completes the composition of the Audit Committee by selecting a new member for the period until the end of the term of office of the Supervisory Board. A member of the Audit Committee may be dismissed from the composition at any time by a resolution of the Supervisory Board.

The Audit Committee consists of 3 (three) members. As at December 31, 2022 and the date of publication of this report, the members of the Audit Committee are:

- Tomasz Krześniak – Chairman of the Audit Committee;
- Krzysztof Kuliński – Member of the Audit Committee;
- Piotr Budzyński - Member of the Audit Committee.

According to the submitted statements, all members of the Audit Committee meet the independence requirements set out in Art. 129 sec. 3 of the Act on Statutory Auditors and Good Practices of Companies Listed on the Warsaw Stock Exchange.

According to the submitted statements, a Member of the Audit Committee who meets the requirements indicated in Art. 129 sec. 5 of the Act on Statutory Auditors in terms of knowledge and skills related to the Company's industry is Tomasz Krześniak in connection with his professional career so far.



According to the submitted statements, a Member of the Audit Committee who meets the requirements indicated in Art. 129 sec. 1 of the Act on Statutory Auditors, the requirements regarding knowledge and skills in the field of accounting or auditing financial statements is Tomasz Krześniak in connection with his professional career so far.

Mr. Tomasz Paweł Krześniak has a higher education. He is a graduate of the Faculty of Law and Administration at the University of Warsaw. Since 2004 he has been a tax advisor, and since 2010 he has been a member of the District Bar Council in Warsaw.

Experience:

- 2018 - present Issuer - Member of the Supervisory Board;
- 2018 – present Spyrosoft Solutions S.A. - Member of the Supervisory Board;
- 2010 – present Krześniak&Budzyński&Stec Kancelaria Adwokatów i Radców Prawnych Sp.k. - Advocate;
- 2007 – 2010 Jacek Brydak Law Office;
- 2004 – 2007 Law Office of Prof. Witold Modzelewski;
- 2004 – 2004 AE Consult (PKF Consult);
- 2002 – 2004 National Chamber of Tax Advisers.

The tasks of the Audit Committee include, in particular, the activities listed in Art. 130 of the Act on Statutory Auditors, including:

- i) monitoring the financial reporting process;
- ii) monitoring the effectiveness of internal control and risk management systems as well as internal audit, including in the field of financial reporting; and
- iii) monitoring the performance of financial audit activities, in particular the audit carried out by the audit company, taking into account all requests and findings of the Polish Audit Oversight Agency resulting from the inspection carried out at the audit company. The rules of operation of the Audit Committee are set out in the Regulations of the Audit Committee adopted by the Supervisory Board in Resolution No. 1 of December 2, 2021.

The Audit Committee performs the statutory obligation to monitor internal control systems, risk management systems and internal audit based on the relevant internal regulations in force in the Company and based on the adopted operating framework, i.e.

- Rules of the Audit Committee specifying the composition of the Audit Committee and the scope and manner of performing the duties of the members of the Audit Committee;
- the policy and procedures for selecting an audit firm to audit separate financial statements specifying the manner and conditions for selecting an audit firm;
- the policy for the provision by the audit firm conducting the audit, by entities related to that audit firm and by a member of the audit firm's network of permitted non-audit services, specifying the scope of activities performed by the statutory auditor or auditor as part of the statutory audit of the Company.

The Audit Committee supervises the financial reporting process, the effectiveness of the internal control systems, including in the area of financial reporting, financial audit activities carried out by the audit firm, including participation in the selection of the audit firm and the assessment of its independence. A separate unit responsible for verifying the correct operation of the Company in the area of financial reporting has not been appointed for the preparation of this report.

The Audit Committee, as part of its supervision, identifies and analyzes the risk areas existing in the Company and the processes of their verification.

In 2022, the Audit Committee did not hold the 4th meeting.

#### 9.4.4. PRINCIPLES OF APPOINTMENT AND REMOVAL OF MANAGEMENT PERSONS

The rules regarding the appointment and dismissal of managing persons and their powers are regulated by the Company's Articles of Association.

The Company's Management Board is not authorized to decide on the issue or redemption of shares.

#### 9.5. REMUNERATION INFORMATION

**The value of remuneration, awards or benefits, including those resulting from incentive or bonus programs based on the issuer's capital, of managing or supervising persons or members of the issuer's administrative bodies in the issuer's enterprise**

A detailed record of the remuneration of members of the Issuer's Management Board and Supervisory Board is included in Notes 39 and 40 to the consolidated financial statements as at December 31, 2022 - Remuneration of the Management Board and Supervisory Board.

Moreover, the Management Board and the Supervisory Board did not receive remuneration from any of the subsidiaries.

**Any agreements concluded between the Company and managing persons, providing for compensation in the event of their resignation or dismissal from the position held without a valid reason, or when their dismissal or dismissal occurs due to the Issuer's merger by acquisition**

In the period covered by this report, the Spyrosoft S.A. Capital Group there were no agreements concluded between the Company and the managing persons, providing for compensation in the event of their resignation or dismissal from the position held without a valid reason, or when their dismissal or dismissal occurs due to the Issuer's merger by acquisition.

**Information on any obligations arising from pensions and benefits of a similar nature for former persons managing, supervising or former members of administrative bodies and about liabilities incurred in connection with these pensions, with an indication of the total amount for each category of the body**

Due to the age structure of employees, no provisions are created for retirement severance pay. There are also no jubilee awards or other titles requiring the creation of such provisions, in particular they do not apply to former members of management, supervisory bodies or former members of administrative bodies.

##### **Incentive Program**

Resolution of the Ordinary General Meeting of the company under the name Spyrosoft Spółka Akcyjna with its registered office in Wrocław of June 23, 2022 on the establishment of an incentive program in the Company, conditional increase of the Company's share capital with the exclusion of the pre-emptive right of the existing shareholders in full, in connection with the issue of ordinary bearer shares series G, the issue of series A registered subscription warrants, excluding the pre-emptive rights of the existing shareholders in full, an Incentive Scheme was established in the Company based on financial and non-financial criteria achieved in individual financial years, starting from the financial year ending on December 31, 2022 until the financial year ending on December 31, 2025. For the purposes of the Incentive Scheme, the Company will issue no more than 33,700 subscription warrants with the right to subscribe for no more than 33,700 series G ordinary bearer shares. Key employees and collaborators of the Company included in the list of persons participating by resolution of the Supervisory Board will be entitled to subscribe for Series A Warrants. The aim of the program is to create mechanisms motivating employees and associates of the Company to implement the Company's strategy, acting in the interest of the Company and its shareholders, and mechanisms that will ensure their stronger bond with the Company, which will result in a stable increase in the Company's value. In connection with the adoption of the programme, the Company made a conditional increase in capital by PLN 3,370.

As at the date of publication of this report, no shares under the above-mentioned program have been granted.

Similar programs have been adopted in selected subsidiaries of the Issuer.

At Spyrosoft S.A. there is also one option agreement constituting an element of the incentive plan, to which a partner cooperating with the Company is a party, under which the partner is entitled to purchase Spyrosoft S.A. shares in the years 2022-2024 in a total number not exceeding 0.5% of the share capital of Spyrosoft S.A.

#### **9.6. INFORMATION ABOUT THE AUDIT COMPANY**

##### **Description of the main features of the company's internal control and risk management systems in relation to the process of preparing financial statements and consolidated financial statements**

The Company has an internal control and risk management system that focuses on ensuring operational efficiency, reliability of financial reporting, as well as compliance of activities with the law. Due to the nature and size of the business, it is not reasonable to separate an organizational unit focused solely on internal control. The internal control and risk management system in relation to the process of preparing financial statements is implemented in accordance with the Accounting Act, International Financial Reporting Standards and other legal regulations. The annual financial statements of the parent company, as well as other entities of the Capital Group, are audited by independent statutory auditors. The Capital Group has a specialized entity responsible for accounting and preparation of financial statements (FinIn Sp. z o.o.), which is an element of the risk management system for preparing financial statements.

##### **Main assumptions for choosing an audit firm**

The policy for selecting an audit firm to conduct the audit is developed on the basis of the Act of 11 May 2017. on statutory auditors, audit firms and public oversight (Journal of Laws of 2017, item 1089). The selection of the entity authorized to audit is made by the Supervisory Board by way of a resolution, acting on the basis of the recommendation of the Audit Committee.

Guidelines for the selection of an entity authorized to conduct audits include professional qualifications, experience, scope of services offered and price.

##### **Main assumptions of the policy for the provision by the audit firm conducting the audit, by entities related to this audit firm and by a member of the audit firm's network of permitted non-audit services**

The policy for the provision by the audit company conducting the audit, by entities related to this audit company and by a member of the audit company's network of permitted non-audit services is developed on the basis of the Act of 11 May 2017. on statutory auditors, audit firms and public oversight (Journal of Laws of 2017, item 1089 as amended, consolidated text Journal of Laws 2022.1302 of 22 June 2022). The audit firm conducting statutory audits of the Company or an entity related to the audit firm, or any member of the network to which the statutory auditor or audit firm belongs, does not provide directly or indirectly to the Company or its affiliates any prohibited services other than auditing financial statements or financial audit activities. Prohibited services are not the services indicated in art. 136 sec. 2 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight - their provision is possible only to the extent unrelated to the Company's tax policy, after the Audit Committee has assessed the threats and safeguards of independence and consented to it by the Audit Committee.

##### **Information about the entity examining the consolidated financial statement**

Supervisory Board of Spyrosoft S.A. selected an audit firm to audit the financial statements of the Capital Group pursuant to a resolution of November 29, 2021. Polaudit Sp. z o. o. with its registered office in Warsaw, ul. J. Ficowskiego 15. The Supervisory Board entrusted Polaudit Sp. z o. o. audit of individual financial statements of Spyrosoft S.A. and consolidated financial statements of the Spyrosoft S.A. Capital Group. for the years 2021 and 2022. The Supervisory Board entrusted the conclusion of the audit agreement to the Issuer's management board. The relevant agreement with the entity authorized to audit financial statements was concluded on December 20, 2021.

Spyrosoft SA used the services of a selected audit company in the scope of auditing individual and consolidated financial statements of the Spyrosoft S.A. Capital Group. for the years 2019 and 2021.

Remuneration of the audit company for the financial year and the previous financial year are presented in the consolidated financial statements of the Spyrosoft S.A. Capital Group. – Note 43.

#### **9.6.1. DESCRIPTION OF THE PRINCIPLES OF CHANGING THE ARTICLES OF ASSOCIATION OF SPYROSOFT SA**

Pursuant to the Commercial Companies Code, the Company's Articles of Association may be amended by way of a resolution of the General Meeting.

### **10. OTHER INFORMATION**

#### **10.1. PRINCIPLES OF PREPARING FINANCIAL STATEMENTS**

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS"), approved by the European Union, effective for annual periods beginning on January 1, 2022.

Pursuant to §71 sec. 8 of the Regulation on current and periodic information, this report also includes the disclosures required for the Report on the activities of the Parent Company and thus the Issuer did not prepare a separate Report on the activities of the Parent Company.

#### **10.2. LEGAL PROCEEDINGS**

In the period covered by the report, i.e. in the period of 12 months of 2022, no significant proceedings were initiated against the Parent Company or its subsidiaries, and no significant proceedings regarding liabilities or receivables were pending.

#### **10.3. INFORMATION ON KEY NON-FINANCIAL PERFORMANCE INDICATORS RELATED TO THE ENTITY'S OPERATIONS**

Employment at Spyrosoft S.A. as at December 31, 2022

Form of employment	Number of employees	Number of FTEs
Contract of employment	198	194
Contract of mandate, task-specific contract, and others	9	9

Employment in the Capital Group as at December 31, 2022

Form of employment	Number of employees	Number of FTEs
Contract of employment	495	485
Contract of mandate, task-specific contract, and others	31	31

## **11. STATEMENT OF THE MANAGEMENT BOARD**

Management Board of Spyrosoft S.A. with its registered office in Wrocław, hereby declares that, to the best knowledge of the Management Board, the consolidated and standalone financial statements for 2022 and comparable data have been prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear manner the property and financial situation of the Company and the Spyrosoft Capital Group and their financial results.

Management Board of Spyrosoft S.A. declares that the Management Board's Report on the activities of the Spyrosoft Capital Group containing information on the activities of the Parent Company for 2022 contains a true picture of the development and achievements as well as the situation of the Company and the Capital Group, including a description of the main threats and risks.

Wrocław, 26.04.2023

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

## **12. INFORMATION OF THE MANAGEMENT BOARD**

Management Board of Spyrosoft S.A. pursuant to § 70 sec. 1 point 7 and § 71 sec. 1 point 7 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state, based on a statement submitted by the Supervisory Board of Spyrosoft S.A. on the selection of the audit company conducting the audit of the annual financial statements in accordance with the regulations, informs that:

- the audit firm and members of the team performing the audit met the conditions for the preparation of an impartial and independent report on the audit of the annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
- Spyrosoft S.A. complies with applicable regulations related to the rotation of the audit company and the key statutory auditor and the mandatory grace periods,
- Spyrosoft S.A. has a policy on the selection of an audit company and a policy on the provision to the issuer by the audit company, an entity related to the audit company or a member of its network, additional non-audit services, including services conditionally exempt from the ban on providing by the audit firm.

Wrocław, 26.04.2023

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