spyrosoft

Wrocław, 24th September 2024

Semi-annual report of the Management Board on the activities of the Spyrosoft S.A. Capital Group and Spyrosoft S.A. for the 1st half of 2024

TABLE OF CONTENTS

1. SELECTED FINANCIAL DATA

Financial data of the Spyrosoft Capital Group and Spyrosoft S.A. have been converted into EUR and presented in the table below according to the following principles:

- for assets and liabilities items – at the average exchange rate specified by the National Bank of Poland as at 30.06.2024 – 4,3130 PLN/EUR, as at 31.12.2023 – 4,3480 PLN/EUR

- for statement of comprehensive income items and cash flow statement items – at the arithmetic average of average exchange rates published by the National Bank of Poland [...] as of every last day of month during the period from 1.01.2024 to 30.06.2024 – 4,3109 PLN/EUR, from 1.01.2023 to 30.06.2023 – 4,6130 PLN/EUR

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 (in thousand)	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023	YOY change
	PLN		EUR		
Net revenue from sales of products, goods and materials	211 785	205 004	49 128	44 440	3%
Profit (loss) from operating activity	16 679	15 276	3 869	3 311	9%
EBITDA*	22 760	20 496	5 280	4 443	11%
Gross profit (loss)	15 597	13 040	3 618	2 827	20%
Net profit (loss)	11 997	7 660	2 783	1 661	57%
Net inflows from operational activities	26 768	11 128	6 209	2 412	141%
Net inflows from investment activities	(3 708)	(9 887)	(860)	(2 143)	-62%
Net inflows from financial activities	(23 122)	2 766	(5 364)	600	-936%
Net inflows – total	(62)	4 007	(14)	869	-102%

* EBITDA calculated as operating profit increased by depreciation

STANDALONE DATA

Selected financial data (in thousand)	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023	YOY change
	PLN		EUR		
Net revenue from sales of products, goods and materials	99 244	105 475	23 022	22 865	-6%
Profit (loss) from operating activity	3 147	4 918	730	1 066	-36%
EBITDA*	4 875	6 459	1 131	1 400	-25%
Gross profit (loss)	2 599	5 123	603	1 111	-49%
Net profit (loss)	5 894	4 225	1 367	916	39%
Net inflows from operational activities	8 516	3 688	1 975	799	131%

Net inflows from investment activities	-4 423	-7 894	-1 026	-1 711	-44%
Net inflows from financial activities	-13 201	5 401	-3 062	1 171	-344%
Net inflows – total	-9 109	1 194	-2 113	259	-863%

* EBITDA calculated as operating profit increased by depreciation

2. 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 Wroclaw. 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 16 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
- Codibly S.A. based in Kraków,
- Repoweric Sp. z o.o., based in Warsaw.

as well as other entities not subject to 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, which allows for increasing the availability of services offered to foreign clients.

3. GENERAL CHARACTERISTICS OF THE ACTIVITIES OF THE COMPANY & THE CAPITAL 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 client 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, media and entertainment, medicine, HR, education, geospatial, and robotics. Thanks to their 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 the selection of the IT solutions suited to the 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 and Chemical Industry**

Spyrosoft provides comprehensive services related to the design and implementation of software for autonomous robots, using the latest available technologies (artificial intelligence, computer vision, digital twins, etc.) to increase productivity and reduce operating costs for businesses.

- **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**

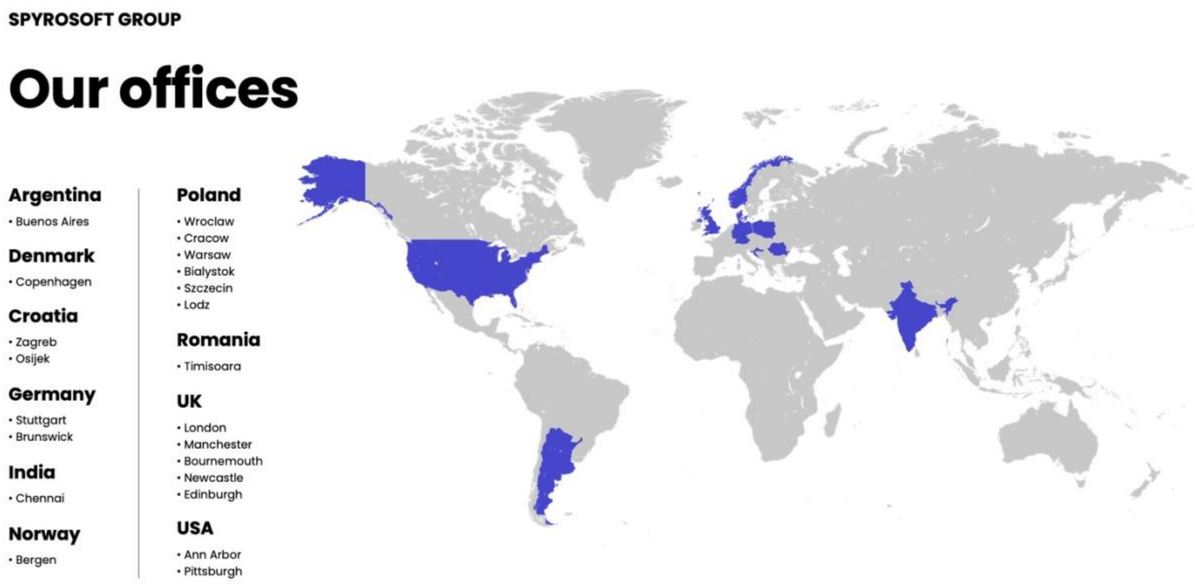
Spyrosoft provides solutions that automate processes related to human resource management. The Group's offer includes the design of temporary work systems, systems for managing remuneration and benefits, as well as educational systems.

- **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.

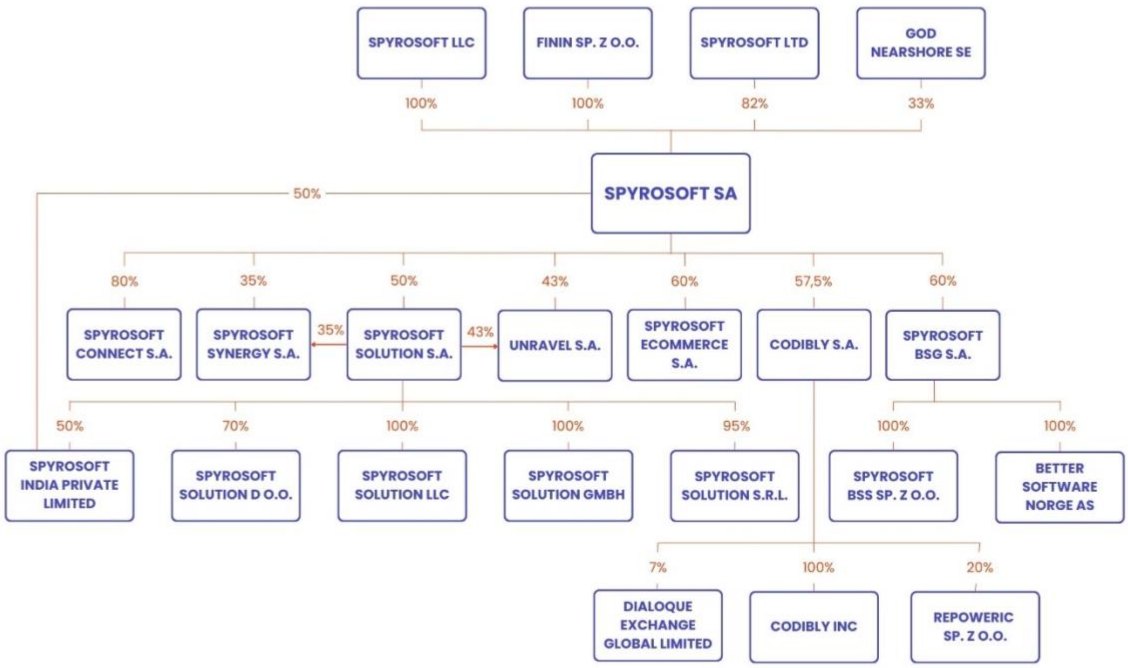
Spyrosoft Group conducts international activities, with particular emphasis on the United Kingdom, Germany, Scandinavia, and the USA.

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 clients.



4. STRUCTURE OF THE CAPITAL GROUP OF THE ISSUER

As at 30.06.2024, the structure of the Spyrosoft Capital Group is as follows:



As at 30.06.2024, 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	50,00%	direct
Spyrosoft LTD	UK	81,97%	direct
GOD Nearshore SE	Germany	33,00%	direct
Unravel S.A.	Poland	64,50%	43% direct and 21,5% indirect
Spyrosoft Synergy S.A.	Poland	52,50%	35% direct and 17,5% indirect
Spyrosoft Solutions d.o.o.	Croatia	35,00%	indirect
Spyrosoft Solutions LLC	USA	50,00%	indirect
Spyrosoft Solutions GmbH	Germany	50,00%	indirect
Spyrosoft LLC	USA	100,00%	direct
Spyrosoft eCommerce S.A.	Poland	60,00%	direct
Spyrosoft Solutions S.R.L.	Romania	47,50%	indirect
Spyrosoft Connect S.A.	Poland	80,00%	direct
Better Software Group S.A.	Poland	60,00%	direct
Better Software Services Sp. z o.o.	Poland	60,00%	indirect
Better Software Norge AS	Norway	60,00%	indirect

Codibly S.A.	Poland	57,50%	direct
Codibly Inc	USA	57,50%	indirect
Dialogue Exchange Global	UK	4,05%	indirect
Repoweric sp. z o.o.	Poland	11,50%	indirect
Spyrosoft India Private Limited	India	75,00%	50% direct and 50% indirect
Finin Sp. z o.o.	Poland	100,00%	direct

Subject to the acquisition of the majority stake in Codibly S.A. and an insignificant change in the shareholding in the subsidiary Spyrosoft LTD from 83.30% to 81.97% of the share capital, resulting from the acquisition of shares by the management staff, no other changes occurred in the organization of the Spyrosoft Capital Group in the first half of 2024.

As at 30.06.2024, 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
Spyrosoft Connect S.A.	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
Codibly S.A.	subsidiary	full consolidation
Codibly Inc	subsidiary	excluded from consolidation due to irrelevance
Dialogue Exchange Global	other	excluded from consolidation due to lack of control
Repoweric sp. z o.o.	associate	consolidation by means of equity

Spyrosoft India Private Limited	subsidiary	unit has not yet begun operations
Finin Sp. z o.o.	subsidiary	excluded from consolidation due to irrelevance

All entities, except for Finin Sp. z o.o., run software related activities. Finin Sp. z o.o. operates in the field of accounting services and tax advisory.

5. BRIEF DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD COVERED BY THE REPORT, WITH A LIST OF MAJOR RELATED EVENTS

In the first half of the current year, the Spyrosoft Group acquired a total of 64 new clients, who joined all the companies within the Group. In total, in the first half of 2024, the Group served 220 clients, representing an 18% increase compared to the same period in the previous year.

The Group maintained a diversified revenue structure, both geographically and across industries. In terms of geographic directions, a particular increase in revenues was achieved from the DACH region. Its share increased by 9% year-on-year, amounting to PLN 75.9 million at the end of the first half of 2024, which accounted for 36% of the Group's total revenues. Other leading markets remain the United Kingdom (26%), Poland (13%), the United States (13%), and Scandinavia (7%). In the first half of 2024, 87% of the Group's revenues came from foreign contracts. The revenue structure in terms of industries served by the Spyrosoft Group remained at a similar level.

In the first half of 2024, the Group achieved a 3% revenue growth, despite the strong Polish zloty during this period and the continued slowdown in the IT industry.

At the same time, the Group achieved increases in financial results, both at the operational and net levels. This was influenced, among other things, by keeping general management costs under control, as well as a reduction in the so-called "bench," i.e., the cost of maintaining employees without assigned projects, which dropped to below 4% in the second quarter of 2024, compared to 6% for the entire first half of 2024.

On June 28, 2024, the Spyrosoft Group finalized the acquisition of Codibly, a company specializing in renewable energy and electromobility, acquiring 57.5% of its shares. The merger will allow Spyrosoft to expand its service portfolio into new promising areas driven by global investments in electromobility and decarbonization. In the first half of 2024, Codibly recorded revenues of PLN 14.7 million, EBITDA of PLN 0.5 million, and a net profit of PLN 2.2 million (the consolidation of Codibly's results by the Spyrosoft Group will commence from the third quarter of this year). As of the end of June 2024, Codibly's team consisted of 82 people.

The number of employees and collaborators at the end of June this year amounted to 1,457 people (excluding the Codibly team), a decrease of 2.8% compared to the first quarter of 2024. This change in employment mainly affected individuals with skills not aligned with current market needs. At the same time, the Group is actively recruiting employees with skills that are in demand. An example is the development of a team specializing in AI and the team in the United Kingdom (London and Manchester), in connection with the execution of a 3-year contract with the BBC. The first significant revenues from the contract with the British broadcaster will be reflected in the Group's revenues in the third quarter of 2024.

The Management Board maintains its long-term objectives and continues to implement the adopted Strategy for 2022-2026, despite the weaker market conditions in the industry.

6. OVERVIEW OF THE FINANCIAL RESULTS FOR THE FIRST HALF OF 2024

Capital Group's main sales markets for the first half of 2024:

Country	Revenue share
DACH	36%
UK	26%
USA	13%
Poland	13%
Scandinavia	7%
Other	5%

Capital Group's revenue structure of individual units for the first half of 2024:

Business Unit	Revenue share
Automotive	27%
Financial Services	11%
Geospatial	11%
Media & Entertainment	11%
Industry 4.0 & Manufacturing	8%
HR Tech & Edu Tech	9%
Connectivity & Industry Automation	7%
Robotics	6%
Legal Tech	5%
Healthcare & Life Science	3%
Retail	2%

The share of revenues from the 10 largest clients in the total revenues of the Capital Group in the first half of 2023 amounted to 47%.

In the first two quarters of 2024, the share of revenues from the following customers exceeded 10% of the total sales revenues of the Capital Group:

Entity	Revenue share
Magna Electronics Europe GmbH & Co. OHG	18%

This entity is not related to the Issuer or the Issuer's management personnel.

Commentary on the consolidated financial results achieved by the Spyrosoft Capital Group in the first half of 2024.

The consolidated revenues of the Spyrosoft S.A. Capital Group in the first half of 2024 amounted to approximately PLN 212 million, 3% more than in the same period of the previous year. The revenue growth is the result of increased sales to existing clients and the gradual acquisition of new entities for service.

The consolidated cost of goods sold and services of the Spyrosoft S.A. Capital Group in the first half of 2024 amounted to approximately PLN 146 million, 4% higher compared to the previous year. The faster rate of cost growth compared to revenues was primarily influenced by the size of the so-called "bench," which accounted for nearly 6% of direct costs. In the second quarter of this year, the cost of employees without assigned projects significantly decreased (to below 4%) and showed a downward trend.

Gross profit from sales reached PLN 66 million, which is 1.6% better compared to the first half of 2023. The gross margin on sales amounted to 31.2%, representing a year-on-year decrease of 0.5 percentage points. The faster growth in costs relative to revenues was primarily influenced by unfavorable exchange rate changes for exporters compared to the first half of 2023.

The consolidated general management costs of the Spyrosoft S.A. Capital Group in the first half of 2024 amounted to approximately PLN 49 million, which was 1% higher than the general management costs of the Group in the first half of 2023. The lower rate of growth in general management costs compared to the increase in revenues in the first half of this year, as in the first quarter of 2024, is primarily related to cost optimization in the areas of recruitment, employer branding, and administration, while increases continue to affect IT and additionally the quality management area.

The consolidated operating profit for the period covered by this report increased by 9% year-on-year to approximately PLN 16.7 million. The operating margin reached 7.9%, representing an increase of 0.4 percentage points compared to the first half of the previous fiscal year.

Financial costs in the first half of 2024 were lower than in the comparable period of the previous year, among other reasons, by PLN 0.9 million due to a decrease in the excess of negative exchange rate differences over positive ones.

The net profit of the parent company of the Spyrosoft S.A. Capital Group in the first half of 2024 amounted to PLN 12 million, representing a 57% year-on-year increase. The net margin reached 5.7%, which was 2 percentage points higher than in the same period in 2023. A significant factor contributing to the increase in the net margin was the income tax refunds in the group's companies related to the application of the R&D tax relief for previous years.

The balance sheet total as of June 30, 2024, amounted to PLN 203.8 million, which was 14% higher compared to the data from June 30, 2023. The increase in assets was influenced, among other things, by an increase in cash to PLN 44.6 million. Trade receivables grew by 24% year-on-year to PLN 76 million. During the same period, short-term liabilities increased by 6% year-on-year to PLN 69.8 million, including trade liabilities of PLN 28 million.

The Group's equity as of June 30, 2024, increased by 34% compared to the data as of June 30, 2023, amounting to PLN 128 million.

Commentary on the standalone financial results achieved in the first half of 2024

Spyrosoft S.A. achieved revenues of PLN 99 million in the first half of 2024, which is 6% lower compared to the previous year. The decline in revenues is mainly due to unfavorable exchange rate changes for exporters compared to the first half of 2023, as well as the lack of sales growth.

The cost of goods sold and services in the first half of 2024 amounted to approximately PLN 67 million, a decrease of 5% compared to the same period in 2023.

The company achieved a gross profit from sales of PLN 32 million, which was 9% lower compared to the gross profit from sales in the previous year. The gross sales margin was 32.3%, marking a decrease of 1 percentage point year-on-year.

In the first six months of 2024, general management costs decreased by 4% year-on-year to PLN 29 million. Despite the slower rate of decline in general management costs compared to the decrease in revenues, it is important to note the savings in the areas of human resource management costs (management costs within the linear structure) and administration. However, the value of marketing costs increased.

Operating profit in the first half of 2024 decreased by 36% compared to the same period of the previous year, reaching PLN 3.1 million. The operating margin reached 3.2%, which was 1.5 percentage points lower year-on-year.

Net profit amounted to PLN 5.9 million, representing a 39% increase compared to the previous year. The result was positively influenced by the R&D tax relief for previous years. The net margin reached 5.9%, which was 1.9 percentage points higher compared to the same period in the previous year.

The balance sheet total as of June 30, 2024, amounted to PLN 96.5 million, which was PLN 5.8 million (6%) lower than the total as of June 30, 2023. Short-term receivables decreased by PLN 1 million year-on-year to PLN 49.4 million. Meanwhile, short-term liabilities decreased by 24% compared to the previous period, amounting to PLN 37.9 million, while trade liabilities did not change significantly (+3% year-on-year). Long-term liabilities, on the other hand, decreased by 22%.

Equity reached PLN 54.6 million, 12% higher compared to the data as of June 30, 2023.

7. LIST OF FACTORS AND EVENTS, INCLUDING THOSE OF UNUSUAL NATURE, HAVING A SIGNIFICANT IMPACT ON THE CONDENSED FINANCIAL INFORMATION

The factors with a significant impact on the financial information primarily include those mentioned in point 5 of this report:

- The acquisition of the majority stake in Codibly S.A.

8. FINANCIAL RESULT FORECASTS

The Company did not publish forecasts for 2024.

9. THE ISSUER'S SHAREHOLDING STRUCTURE

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

Shareholder	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
Konrad Weiske	335 975	30,78%	335 975	30,78%
Dorota Łękawa	274 407	25,14%	274 407	25,14%
Wioletta Bodnaruś	273 300	25,04%	273 300	25,04%
Pozostali	207 778	19,04%	207 778	19,04%
TOTAL	**1 091 460**	**100,00 %**	**1 091 460**	**100,00 %**

The structure has not changed since the publication of the previous periodic report.

10. INFORMATION ON SHAREHOLDINGS AND SHARE RIGHTS OF ISSUER'S MANAGEMENT AND SUPERVISORY PERSONNEL

As at the date of the report:

- Konrad Weiske, the President of the Management Board, holds 335,975 shares of the Company with a nominal value of PLN 33,597.50, constituting 30.78% 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 <0,01% of all Company shares, entitling to <0,01% 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 274,407 shares of the Company with a nominal value of PLN 27,440.70, constituting 25.14% of all shares in the Company, entitling to 25,14% of votes at the General Meeting of Shareholders of the Company.

- Łękawa Foundation – whose beneficiaries are Sebastian Łękawa, serving as a Member of the Management Board, and his spouse, Dorota Łękawa – holds 1,000 shares of the Company with a nominal value of PLN 100, representing 0.1% of all the Company's shares, entitling them to 0.1% of the votes at the Company's General Meeting.

- Wioletta Bodnaruś, wife of Mr. Wojciech Bodnaruś, Member of the Management Board, holds 273,300 shares of the Company with a nominal value of PLN 27,330, constituting 25.04% of all shares in the Company, entitling to 25.04% of votes at the General Meeting of Shareholders of the Company.

- Bodnaruś Foundation – whose beneficiaries are Wojciech Bodnaruś, serving as a Member of the Management Board, and his spouse, Wioletta Bodnaruś – holds 1,000 shares of the Company with a nominal value of PLN 100, representing 0.1% of all the Company's shares, entitling them to 0.1% of the votes at the Company's General Meeting.

- 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 112 shares of the Company with a nominal value of PLN 11.20, constituting <0,01% of all shares of the Company, entitling to <0,01% of votes at the General Meeting of Shareholders of the Company.

- Member of the Supervisory Board Andrew Radcliffe holds directly 22,348 Company shares with a nominal value of PLN 2,234.80 and indirectly 190 Company shares with a nominal value of PLN 11.90, 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.

Other management and supervisory personnel do not hold the Company's shares.

Since the publication of the previous periodic report and the annual report, there have been no changes in the direct shareholdings of the Company among the management and supervisory personnel. However, in report no. 14/2024, the Company informed about a transaction involving an entity closely related to a supervising person.

11. COURT PROCEEDINGS

In the period covered by the report, i.e. in the first half of 2024, no significant proceedings were initiated against the Parent Company or its subsidiaries, and no significant proceedings regarding liabilities or receivables were pending.

12. TRANSACTIONS WITH AFFILIATED ENTITIES

In the first half of 2024, no transactions with affiliated entities were concluded on terms other than market conditions both in the Company and in the Capital Group.

13. SURETIES AND GUARANTEES

In the first half of 2024, neither the Company nor the Capital Group provided any significant loan or credit guarantees, nor did they issue any significant guarantees.

As of June 30, 2024, the total value of guarantees and warranties provided by companies within the Capital Group is not significant and amounts to PLN 2,594 thousand.

14. FACTORS EXPECTED TO IMPACT RESULTS FOR AT LEAST THE NEXT QUARTER, AS ASSESSED BY THE ISSUER

The issuer identifies the following factors that may affect its development and financial performance:

External factors:
• Macroeconomic and political situation in the markets where the Capital Group operates, particularly related to the occurrence of a global economic crisis;
• Increased acquisition potential, offering an opportunity to acquire new entities into the Group;
• Increased availability of specialists in the market.

Internal factors:
• Further expansion of the Group into new markets and the recruitment of software engineers at a pace dependent on more challenging market conditions;
• Slowing wage growth in the face of market conditions;
• Reduced employee turnover.

15. DESCRIPTION OF MAIN RISKS AND THREATS

The SpyroSoft S.A. Capital Group identifies the following as the most significant risk factors, based on the likelihood of their occurrence and the anticipated scale of their negative impact: the risk associated with the loss of managerial staff, the loss or failure to acquire qualified employees, the risk of losing key clients, the risk of a slowdown in growth, and IT security risks.

Risk related to the loss of managerial staff and the loss or failure to acquire qualified employees
The Group's operational activities rely on a broad team of specialists – programmers, designers, and testers. The Group is exposed to the risk of losing, failing to acquire, or delayed acquisition of appropriate human resources. Additionally, the Group's operations and growth prospects are largely dependent on the knowledge, experience, and qualifications of key employees and collaborators, especially members of the Management Board. Key managerial members within the Group, including members of the Management Board of the parent company, possess extensive knowledge of the Group's operations and the market environment in which it operates. In Poland, there is significant competition in acquiring qualified personnel, including key management staff, which may increase labor costs and hinder the ability to hire and motivate qualified employees. The Group indicates that it may not be able to prevent the departure of key managers, business partners, or clients due to the above factors. The Group may also not be able to replace them with individuals of similar competence and experience in a timely manner. As the Group offers its clients services related to the comprehensive implementation of IT projects, including the development of IT software, work on individual IT projects depends on the complexity of the solution and the service. These projects can last several months. Project teams are formed for the duration of each IT project. Consequently, in the event of a sudden demand for a particular type of IT project, the Group may not be able to accept and execute all potential orders or promptly recruit new employees to increase the number of ongoing projects. The Group has identified such situations in the past, but they were not significant in the scope

of its operations. However, the occurrence of such a situation could negatively impact the Group's reputation and ability to attract new clients in the future. Trust in the Group is one of the key factors determining clients' interest in maintaining long-term relationships. Factors that may affect the loss of client trust include poor quality and untimeliness of services. With a sharp increase in orders and a shortage of qualified staff, the Group may encounter limitations in meeting its obligations on time and with quality. For this reason, the Group's HR policy includes increasing the proportion of highly experienced employees. The Group strives to recruit as many employees as possible with several years of industry experience who can independently and effectively lead teams of developers. As a result, the majority of the Group's workforce consists of employees with at least several years of industry experience. Additionally, the Group faces significant competition in the labor market from prestigious international holdings offering high salaries. Limited access to human resources may reduce the Group's growth potential and limit projected cash flows. Furthermore, there is a risk related to project execution if one of the key technical team members is unable to participate in work for some time. Delays in delivering and implementing solutions may expose the Group to additional costs associated with contractual penalties or compensation. The Group seeks to mitigate this risk by continuously monitoring the labor market and adapting to prevailing trends, including in terms of offered wages. Payroll reports are prepared for this purpose, and non-wage expectations of employees are regularly monitored and analyzed for market trends. The Group also undertakes several initiatives to enhance employee and collaborator satisfaction. The benefits package includes elements such as co-financing for private healthcare and sports activities, a training budget, and group insurance. Additionally, in 2022, the Group introduced a motivation program that provides for the allocation of warrants to employees who are key to the Group. Despite these measures, the Group cannot fully exclude the risk of losing qualified employees, 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. This, in turn, may have a significant negative impact on its financial situation, growth prospects, results, or market share price. As of the date of approval of the consolidated financial statements for publication, the Group assesses the probability of this risk occurring as low, as the Group believes that the number of employees and collaborators ensures continuity of operations even in the event of a deterioration of the employers' position in the IT sector labor market. Additionally, changes in the labor market, combined with an economic downturn, are reducing the turnover of specialists in the industry. The Group assesses the significance of this risk factor 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). In order to employ the best specialists and retain them in the market, the Group anticipates an increase in employee and collaborator costs in the current and subsequent financial years. Salaries and external service costs have constituted a significant portion of all operational costs for years. The Group is therefore particularly vulnerable to the risk of rising wage costs. Maintaining an appropriate, specialized workforce and sustaining cooperation with a team of highly qualified external specialists is essential for ensuring the quality of services provided, which in turn impacts sales levels and directly affects the Group's financial results. Additionally, the risk of rising costs is also linked to potential changes in legal regulations, particularly those related to the taxation of civil law contracts, personal income tax, and corporate income tax, as well as the standardization of healthcare contributions and their calculation methods for entrepreneurs, which may lead to increased wage expectations from the Group's employees and collaborators. A sharp increase in salary costs, with stagnant or slightly increasing revenues, will negatively impact the Group's financial situation, growth prospects, results, or the market price of SpyroSoft S.A.'s shares. At the same time, the Group must consistently offer competitive wage levels in the labor market to maintain the ability to quickly and efficiently attract new human capital. Additional factors that may increase wage pressure include international, prestigious holdings offering high salaries, which pose significant competition for the Group in the labor market. Moreover, the demand for IT services and the consolidation of smaller entities by leaders in the IT industry contribute to wage growth. As of the date of approval of the consolidated financial statements for publication, the Group assesses the likelihood of this risk occurring as low. While salary levels remain the primary motivator for potential changes in employers, the significance of the brand and the projects undertaken by the Group partially mitigate the extent of this risk. Additionally, the declining trend in wage growth in the industry, despite high inflation last year, further reduces this risk. 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 has been described in the section "General Outline of Operations." The main goals of the Group include, among others, concentrating its activities in industries where the Group has specialization and the highest level of knowledge, such as: finance, GIS, media & entertainment, employer experience, education, IoT & Industry 4.0, expansion into foreign markets, increasing sales for currently serviced entities, as well as acquiring new clients and attracting, developing, and retaining talented employees. However, due to events beyond the Group's control, particularly legal, economic, or social in nature, the Group may encounter difficulties in achieving its goals and fulfilling its strategy or may fail to implement it entirely. It cannot be ruled out that, as a result of changes in the external environment, the Group will need to adjust or change its goals and strategy. A similar situation may occur if the costs of implementing the strategy exceed planned expenditures, for example: due to the need to collaborate with additional individuals, economic changes causing significant increases in operational costs, or sudden failures and events resulting in the need to acquire new equipment. These situations could negatively impact the Group's strategy implementation and result in achieving fewer benefits than initially anticipated. Further obstacles in implementing the Company's strategy may arise from circumstances such as a lack of interest in the Group's services from high-potential revenue business clients, particularly from entities operating in highly developed markets such as the DACH countries, the United Kingdom, or the USA, low client satisfaction with services provided by the Group, insufficient adaptation of services to client needs, lack of portfolio expansion, or failure to increase market share in selected countries. The occurrence of even one of the above factors could lead to difficulties in executing the Group's strategy, which in turn could have a significant negative impact on the Group's financial situation, growth prospects, results, or the market price of SpyroSoft S.A. shares. Difficulties in executing the Company's strategy could also result from legislative changes and challenges related to changes in economic policy regarding the funding of innovative companies, including those in the technology sector, as a result of which the Company may be forced to change the structure of its business financing, potentially delaying the completion of subsequent projects. Given the above, there is a risk that the Company's strategy will not be fully implemented or will be achieved to a lesser extent than expected, with significant delays or unsatisfactory results. If the Company encounters unexpected barriers during the execution of the developed strategy, it may be forced to change, abandon, or develop a new strategy, which could negatively impact its financial results. As of the date of approval of the consolidated financial statements for publication, the Group assesses the likelihood of this risk as moderate, as despite a business environment characterized by much weaker conditions in 2023, the Group demonstrated high flexibility in its approach to plans and assumptions. Therefore, the Group assesses the significance of this risk factor as moderate.

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

The Group undertakes complex IT projects, including providing comprehensive software development services. Software creation and software testing is a complex, multi-stage process, dependent not only on human factors and the completion of successive stages of work but also on technical factors and sufficient funding. Moreover, these processes require the greatest expenditure at the beginning, while revenues from their execution are earned by the Group in subsequent periods. Often, the start of the next production or testing phase is only possible after the previous phase is completed. Therefore, there is a risk of delays at a given production or testing stage, which may further delay the completion of the entire IT project. As a result, a prolonged process of software or application development or testing may negatively impact the Group's financial situation. Excessive delays in completing work may also result in the client's withdrawal from the contract, which would negatively affect the Group's operational activities and financial results. Failure to meet the planned production schedule may delay the completion of a project, which could negatively impact the level of remuneration received for the execution of the IT project, ongoing cooperation with the client, and the Group's achievement of expected financial results. The majority of projects executed by the Group are settled based on a T&M (Time & Materials) model, where a fixed price for the project is agreed upon during contract negotiations, along with a detailed scope and schedule. As a result, such situations have occurred sporadically in the past and have not significantly affected the Group's operations or financial results. As of the date of approval of the consolidated financial statements for publication, the Group assesses the likelihood of this risk as low, as it has extensive industry experience, enabling effective work planning while accounting for potential difficulties. Therefore, the Group assesses the significance of this risk factor as low.

Risk of deterioration of the Group's image

The Group's business development depends on future demand for its services. The Group can support the growth in demand for its services through marketing and branding activities. The most important indicator of the quality of services offered by the Group is market opinion. As of the date of approval of the consolidated financial statements for publication, the Group is unaware of any negative information published about it on any industry portals online. However, the Group identifies the risk associated with exposure to actions by unfair competition, manifesting through attempts to damage the Group's reputation by disseminating false information about its operations across various channels. Any negative opinions about the Group's activities could adversely affect the future demand for its services and, consequently, its financial flows. Additionally, the Group's position as a good employer could suffer, limiting access to qualified personnel and increasing wage costs. The risk of image deterioration may be primarily related to untimely or inaccurate execution of projects entrusted to the Group, hardware and system failures, or human factors. As of the date of approval of the consolidated financial statements for publication, the Group assesses the likelihood of this risk as low because it takes care of its image and implements its brand communication strategy with the help of internal activities and cooperating PR and IR agencies. Therefore, the Group assesses the significance of this risk factor as low.

Risk of losing key clients

The Group continuously undertakes actions aimed at diversifying the structure of its service recipients in line with the adopted development strategy. The Group's client portfolio is highly diversified, with the most significant client accounting for no more than 20% of total revenues. Moreover, the majority of orders and services provided based on these contracts (over 90% by value) are recurring. The nature of the services provided by the Group to its clients involves relatively long contract termination periods (from 3 to 6 months). Additionally, the relatively high demand for professional software development services makes the Management Board believe that the Group is not exposed to significant risk due to a lack of customers. However, it cannot be ruled out that, as a result of factors beyond the Group's control, such as financial problems experienced by a particular client, especially due to a worsening global economic situation, the number of potential customers may decrease, and the Group may be unable to acquire new contracts for a period longer than a month. As of the date of approval of the consolidated financial statements for publication, the Group assesses the likelihood of this risk as moderate, since it has historically executed primarily long-term contracts and demonstrated a high level of flexibility in responding to client expectations. However, considering the economic downturn and potential difficulties faced by existing clients, the Group assesses the significance of this risk factor as moderate.

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 clients may not meet their financial obligations due to the Group in accordance with the signed agreements. The situation described 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 situation described may concern one of the Group's key clients, which would require the 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 clients means 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 year 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 client, 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

In recent years, the Group has experienced dynamic growth; however, maintaining this trend and growth rate requires a significant increase in sales. This is only possible through team expansion and, at a certain point, by investing in marketing activities aimed at promoting the Group and its products to potential clients. At the same time, recruiting qualified sales representatives in the markets where the Group operates, as well as in target markets, is a time-consuming process that generates high costs. Consequently, and in light of macroeconomic conditions, particularly the high level of inflation and economic slowdown, the Group may not develop at the expected pace in the near future. As of the date of approval of the consolidated financial statements for publication, the Group assesses the likelihood of this risk as moderate because it has demonstrated flexibility in achieving its budgetary goals and has an efficient sales team supported by a range of tools that facilitate active market participation. However, the Group has no control over the macroeconomic situation. Therefore, the Group assesses the significance of this risk factor as moderate.

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 client 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 clients. In addition, any actual or perceived failure or unsatisfactory client response to service may adversely affect client 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 clients, 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 client 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 client 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 client 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 is changes in exchange rates. In particular, this applies 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. In 2021, revenue in foreign currencies amounted to 85% of all revenue. In 2022, however, it was already 88% of all revenue, while in 2023 it was 85%. 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 clients, 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 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. In addition, since 2024, the Group has been taking measures to hedge against currency fluctuations in the form of financial instrument transactions to hedge currency risk – forward transactions. 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 risk described. 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 well as has implemented financial instruments to hedge currency risk. 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 achieved financial results. 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 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 clients. The key aspects related to IT activities are the ability to effectively complete projects, cost optimization (with particular emphasis on human resource cost management), client 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 Asian countries, 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 clients 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 the 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 in 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 markets. 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 client 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 clients. 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 client 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 client 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.

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.

16. PRINCIPLES OF PREPARING FINANCIAL STATEMENTS

The consolidated interim condensed financial information of the Group has been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS"), approved by the European Union, effective for annual periods beginning on 1.01.2024.
In the preparation of these consolidated interim condensed financial statements, the same accounting principles and calculation methods were applied as in the preparation of the consolidated financial statements for 2023, no changes in comparative data or corrections of errors were made.

17. 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 the first half of 2024 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 the first half of 2024, 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, 23.09.2024

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