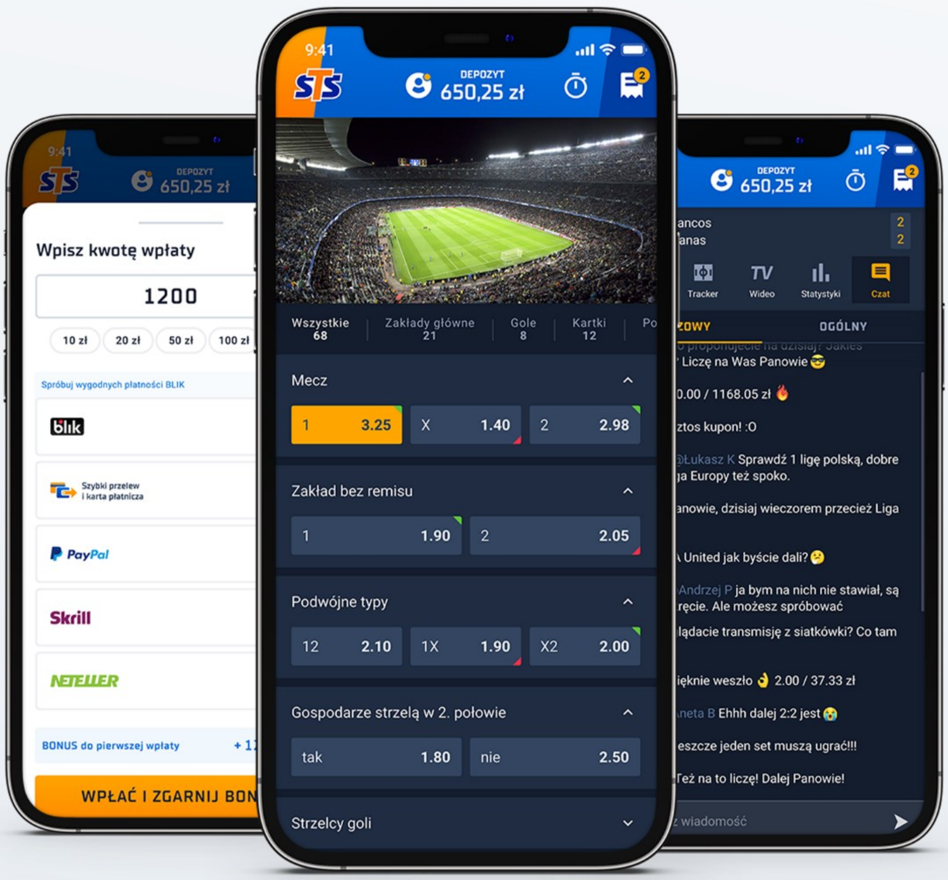
Consolidated financial statements of the Group of Companies STS Holding Spółka Akcyjna

for the period from 1 January to 31 December 2022

Prepared according to the International Financial Reporting Standards approved by the European Union

Katowice, 21 March 2023



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I. CONSOLIDATED FINANCIAL STATEMENTS OF STS HOLDING S.A. GROUP OF COMPANIES

1. Selected financial data converted into EUR

Selected financial data converted into EUR	PLN 01.01.2022-31.12.2022	PLN 01.01.2021-31.12.2021	EUR 01.01.2022-31.12.2022	EUR 01.01.2021-31.12.2021
Betting revenue	579,050,750	497,393,911	123,509,748	108,660,603
Other revenue from sales	166,935	237,565	35,607	51,898
Operating expenses	342,996,967	317,150,806	73,160,200	69,284,720
Profit/(loss) on operating activities	224,569,216	179,479,093	47,899,924	39,208,977
Profit/(loss) before tax	231,304,961	174,279,936	49,336,638	38,073,170
Net profit / (loss) attributable to the parent entity	168,904,850	131,337,655	36,026,886	28,692,005
Net cash flows from operating activities	219,397,535	148,938,914	46,796,821	32,537,174
Net cash flows from investment activity	-25,675,574	88,458,322	-5,476,521	19,324,592
Net cash flow from financial activities	-117,223,926	-139,616,337	-25,003,504	-30,500,565
Total net cash flows	76,498,035	97,780,899	16,316,796	21,361,201
Number of shares in thousands	156,535	156,390	-	-
Profit/(loss) per share (in PLN/EUR)	1.14	0.87	0.24	0.19
Diluted profit/(loss) per share (in PLN/EUR)	1.14	0.87	0.24	0.19
Book value per share (in PLN/EUR)	1.20	0.67	0.26	0.15
Diluted book value per share (in PLN/EUR)	1.20	0.67	0.26	0.15

	PLN 01.01.2022-31.12.2022	PLN 01.01.2021-31.12.2021	EUR 01.01.2022-31.12.2022	EUR 01.01.2021-31.12.2021
Total assets	357,138,543	266,853,085	76,150,567	58,019,108
Liabilities and provisions for liabilities	169,647,590	161,451,775	36,172,965	35,102,791
Long-term liabilities	10,751,724	23,155,144	2,292,527	5,034,384
Short-term liabilities	158,895,866	138,296,631	33,880,438	30,068,407
Equity	187,490,953	105,401,310	39,977,601	22,916,317
Share capital	156,534,958	156,389,998	33,377,035	34,002,261

The above financial data have been converted into EUR according to the following principles:

The items of the annual statement of comprehensive income and the annual cash flow statement have been converted at the exchange rates being the arithmetic mean of the EUR average exchange rates announced by the National Bank of Poland, valid on the last day of each month in a given reporting period.

The rates were respectively: PLN/EUR 4.6883 from 1 January to 31 December 2022 and PLN/EUR 4.5775 from 1 January to 31 December 2021.

The items of assets and liabilities of the annual statement of financial position have been converted at the EUR exchange rates announced by the National Bank of Poland, applicable on the last day of the reporting period. The rates were, respectively: 4.6899 PLN/EUR as on 31 December 2022 and 4.5994 PLN/EUR as on 31 December 2021.

2. Consolidated statement of comprehensive income

(all figures are presented in PLN, unless otherwise stated)

Specification	Note	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Betting revenue	12	579,050,750	497,393,911
Revenue from sales	12	166,935	237,565
Other operating revenue	15	2,836,960	4,022,222
Amortisation and depreciation	14	28,958,784	23,179,923
Consumption of materials and energy	14	11,026,197	10,111,189
External services	14	199,983,703	190,843,559
Taxes and charges	14	262,270	108,953
Employee benefits	14	100,884,768	90,326,176
Other costs by type	14	1,881,245	2,581,006
Other operating expenses	15	14,488,462	5,023,799
Profit (loss) on operating activities		**224,569,216**	**179,479,093**
Financial revenue	16	8,342,060	610,779
Financial expenses	16	1,606,315	5,809,936
Profit (loss) before tax		**231,304,961**	**174,279,936**
Income tax	17	52,395,668	38,494,854
Net profit (loss) from continuing operations		178,909,293	135,785,082
Profit (loss) from discontinued operations		-	-
Net profit/loss		**178,909,293**	**135,785,082**
Profit (loss) attributable to the shareholders of the parent entity		168,904,850	131,337,655
Net profit (loss) attributable to non-controlling interests		10,004,443	4,447,427
Other total income		-80,390	606 431
Items not transferred to profit and loss		-	-
Items transferred to profit or loss		-80,390	606,431
- Foreign exchange differences on translation of foreign operations		-80,390	606,431
Comprehensive income		**178,828,903**	**136,391,513**
Comprehensive income attributable to:			
- shareholders of the parent entity		168,824,460	131,944,086
- non-controlling entities		10,004,443	4,447,427

Profit (loss) per share (in PLN)

Basic for the financial period		1.14	0.87
- From continuing operations	19	1.14	0.87
- From discontinued operations	19	-	-
Diluted for the financial period		1.14	0.87
- From continuing operations	19	1.14	0.87
- From discontinued operations	19	-	-

3. Consolidated statement of financial position

(all figures are presented in PLN, unless otherwise stated)

ASSETS	Note	31.12.2022	31.12.2021
Fixed assets		**113,496,666**	**102,993,291**
Tangible fixed assets	20	34,123,764	30,550,219
Intangible assets	23	25,314,761	7,788,015
Goodwill		11,515,210	11,515,210
Right-of-use assets	21	27,859,176	38,923,797
Deferred tax assets	18	1,174,975	851,205
Non-current prepayments and non-current accrued income	26	2,818,654	2,817,999
Other financial assets	24	10,690,126	10,546,846
Current assets		**243,641,877**	**163,859,794**
Inventory	25	76,052	4,524
Trade and other receivables	27	19,750,675	16,404,261
Other financial assets	24	883,945	1,017,839
Cash and cash equivalents	28	222,931,205	146,433,170
TOTAL ASSETS		**357,138,543**	**266,853,085**

LIABILITIES	Note	31.12.2022	31.12.2021
Equity		**187,490,953**	**105,401,310**
Share capital of the parent entity		**178,476,115**	**101,939,548**
Share capital	29	156,534,958	156,389,998
Other reserve capitals	30	10,864,726	3,195,596
Retained earnings	31	11,076,431	-57,646,046
Non-controlling shareholders' capital	33	**9,014,838**	**3,461,762**
Long-term liabilities		**10,751,724**	**23,155,144**
Right-of-use liabilities	21	10,272,986	22,630,266
Deferred income tax provisions	18	-	-
Provisions for pensions and similar benefits	39	478,738	524,878
Current liabilities		**158,895,866**	**138,296,631**
Liabilities due to credits and loans		-	-
Right-of-use liabilities	21	18,291,873	17,373,996
Trade liabilities	34	17,917,460	16,236,637
Current income tax liabilities	35	9,180,986	2,923,292
Other liabilities	34	111,188,093	99,284,722
Provisions for pensions and similar benefits	39	2,131,844	2,292,807
Other provisions	39	185,610	185,177
Total liabilities		**169,647,590**	**161,451,775**
TOTAL LIABILITIES		**357,138,543**	**266,853,085**

4. Consolidated statement of changes in equity

(all figures are presented in PLN, unless otherwise stated)

Specification	Share capital	Surplus of the issue price above the nominal value of shares	Other reserve capitals	Retained earnings	Share capital of the parent entity's shareholders	Non-controlling shareholders' capital	Total equity
Equity as on 01.01.2022	**156,389,998**	**-**	**3,195,596**	**-57,646,046**	**101,939,548**	**3,461,762**	**105,401,310**
Increase in share capital	144,960	-	-	-	144,960	-	144,960
Payment of dividends	-	-		-100,182,373	-100,182,373	-4,451,367	-104,633,740
Pricing of the incentive program	-	-	7,749,520	-	7,749,520	-	7,749,520
Reorganisation of the Group of Companies STS Holding SA	-	-	-	-	-	-	-
Net profit/loss for the financial year	-	-	-	168,904,850	168,904,850	10,004,443	178,909,293
Other comprehensive income	-	-	-80,390	-	-80,390	-	-80,390
Comprehensive income	-	-	*-80,390*	*168,904,850*	*168,824,460*	*10,004,443*	*178,828,903*
Sum of capital changes	**144,960**	**-**	**7,669,130**	**68,722,477**	**76,536,567**	**5,553,076**	**82,089,643**
Equity as on 31.12.2022	**156,534,958**	**-**	**10,864,726**	**11,076,431**	**178,476,115**	**9,014,838**	**187,490,953**

Specification	Share capital	Surplus of the issue price above the nominal value of shares	Other capitals	Retained earnings	Share capital of the parent entity	Non-controlling shareholders' capital	Total equity
Equity as on 01.01.2021	**2,496,000**	**-**	**662,063**	**90,986,206**	**94,144,269**	**4,788,003**	**98,932,272**
Increase in share capital	156,389,998	-	-	-156,149,998	240,000	-	240,000
Payment of dividends	-	-	-	-119,565,172	-119,565,172	-5,773,668	-125,338,840
Pricing of the incentive program	-	-	3,917,102	-	3,917,102	-	3,917,102
Reorganisation of the Group of Companies STS Holding SA	-2,496,000	-	-1,990,000	-4 254,737	-8,740,737		-8,740,737
Net profit/loss for the accounting year	-	-	-	131,337,655	131,337,655	4,447,427	135,785,082
Other comprehensive income	-	-	606,431	-	606,431	-	606,431
Comprehensive income	-	-	*606,431*	*131,337,655*	*131,944,086*	*4,447,427*	*136 391,513*
Sum of capital changes	**153,893,998**	**-**	**2,533,533**	**-148,632,252**	**7,795,279**	**-1,326,241**	**6,469,038**
Equity as on 31.12.2021	**156,389,998**	**-**	**3,195,596**	**-57,646,046**	**101,939,548**	**3,461,762**	**105,401,310**

5. Consolidated cash flow statement

(all figures are presented in PLN, unless otherwise stated)

Specification	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Profit (loss) before tax	**231,304,961**	**174,279,936**
Total adjustments:	**34,991,099**	**18,008,868**
Amortisation and depreciation	28,958,784	23,179,923
Exchange gains/(losses)	-80,390	464,477
Interest and profit sharing	-4,626,460	890,333
Profit/(loss) on investment activity	-9,386	373,108
Change in provisions	-206,669	-272,715
Change in the balance of inventories	-71,528	48
Change in the balance trade and other receivables	-3,347,069	-7,898,860
Change in short-term liabilities, excluding credits and loans	6,624,297	-2,644,548
Other adjustments	7,749,520	3,917,102
Total: Gross cash flows from operating activities	**266,296,060**	**192,288,804**
Income tax paid	-46,898,525	-43,349,890
Net cash flow from operating activities	**219,397,535**	**148,938,914**
INVESTMENT ACTIVITIES		
Disposal of intangible and legal assets and property, plant and equipment	379,254	432,484
Disposal of financial assets	-	144,033,314
Interests	5,627,418	224,173
Dividend and profit sharing	49	
Purchase of intangible assets and tangible fixed assets	-31,682,295	-14,719,754
Expenses of financial assets	-	-41,511,895
Net cash flows from investment activity	**-25,675,574**	**88,458,322**
FINANCIAL ACTIVITIES		
Net inflow from insurance of shares and other equality instruments and contributions to capital	144,960	240,000
Credits and loans	-	1,790,503
Repayment of credits and loans	-	-8,160,345
*Dividends paid	-104,633,740	-125,338,840
Payment of liabilities arising from financial leases	-11,439,405	-6,895,375
Interest paid	-1,001,007	-902,108
Other revenue/financial expenditure	-294,734	-350,172
Net cash flows from financial activities	**-117,223,926**	**-139,616,337**
Change in cash and cash equivalents before the effects of exchange rate differences	76,498,035	97,780,899
Foreign exchange gains / losses on the valuation of cash, cash equivalents and overdrafts	-	-
Balance sheet change in cash:	**76,498,035**	**97,780,899**
Cash opening balance	**146,433,170**	**48,652,271**
Cash at the end of the period (F + D), including:	**222,931,205**	**146,433,170**
- of limited disposability	*103,944*	9,334,107

In the item "other adjustments", the valuation of the incentive program is presented, recognised in the equity of the Group.

The change in the balance of restricted cash results from the asset write-down made in ledgers in 2022, related to the blockade and security, described in Note 38. In 2022, the restricted cash item includes only funds from the account of the Company Social Benefits Fund at STS SA.

*The "dividends paid" item includes both the amount of dividends paid to shareholders by STS Holding S.A., as well as dividends paid to minority shareholders by Betsys s.r.o.

II. ACCOUNTING PRINCIPLES AND ADDITIONAL EXPLANATORY NOTES

1. General information

Details of the Parent Entity

Name of the Reporting Entity: STS Holding Spółka Akcyjna (STS Holding S.A.),

Name of the parent entity: STS Holding S.A

Seat of the entity: Katowice, ul. Porcelanowa 8 (postal code 40-246)

Legal form of the entity: Spółka Akcyjna [joint stock company]

State of registration: Poland

Registered office address of the entity: Katowice, ul. Porcelanowa 8

Principal place of business: Katowice, ul. Porcelanowa 8

Description of the nature and basic scope of activity: holding company

The company STS Holding S.A. was established on 10 March 2021 by Vistra Shelf Companies sp. z o.o., under the business name of Vartomil Investments Spółka Akcyjna (hereinafter: Vartomil Investments S.A.). The company was based in Warsaw, ul. Towarowa 28, and was entered in the Register of Enterprises kept by the District Court for Katowice - Wschód in Katowice, 8th Commercial Division of the National Court Register, KRS number: 0000898108.

The Parent Entity was assigned REGON (National Business Registry Number) 388903879 and NIP (Tax Identification Number): 527-295-67-61.

The subject of the Company's activity is any profit-oriented economic activity conducted on its own account and as an agent, in particular activities of head office and holding companies, excluding financial holding companies, as specified in PKD 70.10.Z. [Polish Classification of Activities]. The Group is the largest bookmaking company in Poland.

The first listing of the Company on the regulated market took place on 10 December 2021.

The Ultimate Parent of the company is STS Holding S.A.

The ultimate beneficiary is Mr Mateusz Juroszek.

Duration of the Group of Companies

The Parent Entity STS Holding S.A. and other entities of the Group of Companies were established for an indefinite period.

Financial statements containing aggregate data

In the period from 1 January 2022 to 31 December 2022, the Company's enterprise did not include any internal organisational units that would prepare their separate financial statements, therefore the Parent Entity did not prepare any aggregate financial statements.

Description of activities of STS Holding S.A.

The STS Group is one of the largest bookmakers in Central Europe and a leader in Poland. It was established in 1997. The portfolio of the Group includes sports betting, Virtual Sports,BetGames and a wide range of eSports.

The Group provides online services not only via the desktop website, but also through its mobile version, as well as Android and iOS dedicated applications and a network of approx. 400 retail betting shops across Poland. The Group is continuously improving its offering by, among others, providing more live bets and strengthening its leading position in the field of eSports. The bookmaker has also created its own withdrawal system – STSpay – allowing for quick transfers 24/7. The Group additionally owns Betsys – the company providing betting engine.

Thanks to effective 24/7 customer service, the Group can respond to increasing customer needs. Moreover, the company offers the opportunity to watch live sports events on the Internet, via STS TV. This service is also available to mobile users. Every month, the Company broadcasts nearly 5,000 sports events, including, among others, football, tennis, volleyball, basketball and other sports.

The bookmaker is actively involved in supporting Polish sport, being the largest private entity on the domestic sponsorship market. The Company is the official sponsor of the Polish National Football Team, the strategic sponsor of Lech Poznań, the main sponsor of Jagiellonia Białystok and the official bookmaker of Zagłębie Lubin, Widzew Łódź, Lechia Gdańsk, Polish Volleyball League and other clubs and sports associations. The Group also supports eSports.

The company STS S.A. has modern betting shops, which are located in every major city in Poland - there are approx. 400 of them in total throughout the country. The Group has approx. 1,200 employees.

The Group operates also in the Czech Republic (Betsys s.r.o.) The Group also does not rule out the interest in new directions of foreign expansion and the commercialisation of the Betsys system in order to offer it to other bookmaking operators.

On 16 January 2023, it began limiting operations on foreign markets, closing the possibility of registering accounts. The purpose of the reorganisation is to exploit, to the fullest extent possible, the potential of the Polish market, which remains the most important area of the STS Group's operations.
The operating results indicate the extremely high attractiveness of the Polish market. The Group intends to concentrate its activities in order to be able to use the development potential in Poland.

Periods presented

The annual consolidated financial statements were prepared as on 31 December 2022 and they cover a period of 12 months, i.e. from 1 January 2022 to 31 December 2022.

For the data presented in the annual consolidated statement of financial position, annual consolidated statement of comprehensive income, annual statement of changes in equity and annual cash flow statement as well as off-balance sheet items, comparable financial data as on 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 are presented.

2. Composition of the STS Holding S.A. Group of Companies

As on the balance sheet date of 31 December 2022, the composition of the STS Holding S.A. Group of Companies was as follows:

STS Holding S.A. – Parent Entity

STS S.A. - a subsidiary in which STS Holding S.A. holds 100% of shares

STS Gaming Group Limited - a subsidiary in which STS S.A. holds 100% of shares; acquired by STS S.A. in 2020

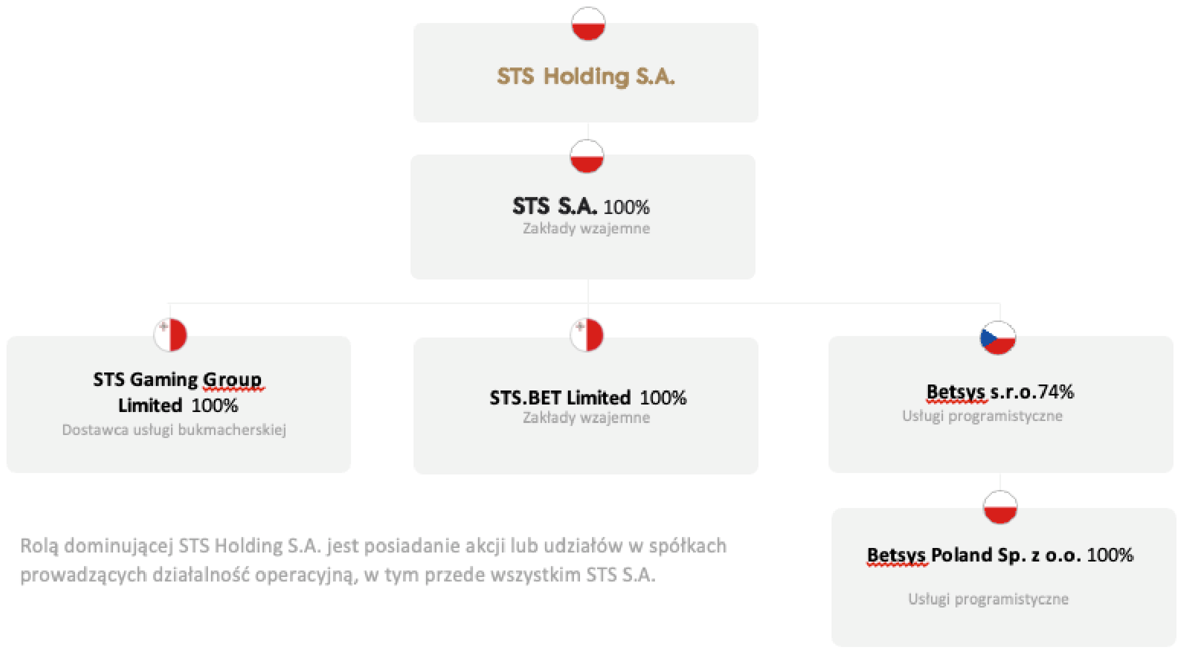
STS.BET Limited - a subsidiary in which STS S.A. holds 100% of shares; acquired by STS S.A. in 2021

Betsys s.r.o. - a subsidiary in which STS S.A. holds 74% of shares; acquired by STS S.A. in 2020

Betsys Poland sp. z o.o. - a subsidiary in which Betsys s.r.o. holds 100% of shares

In the current year, there were no changes in the structure of the Group.

Organisation chart of the Group of Companies



(all figures are presented in PLN, unless otherwise stated)

3. Subsidiaries

Consolidated financial statements for the reporting year ended 31 December 2022 cover the following subsidiaries:

Name	Registered office	Registration data	Scope of business operations	Share capital (in PLN)	Percentage share in	Percentage share in voting rights
STS Spółka Akcyjna	Katowice, ul. Porcelanowa 8	National Court Register (KRS):	Parimutuel betting	4,486,000	100%	100%
STS Gaming Group Limited	Malta, Pieta, 177/179 Triq Marina	C 68747	Bookmaker service provider	48,039,452	100%	100%
STS BET Limited	Malta, Pieta, 177/179 Triq Marina	C 77195	Parimutuel betting	24,977,224	100%	100%
BetSys s. r. o.	Czech Republic, Prague, Karlin, Karolinska 650/1	ICO: 26499606	Programming services	33,540	74%	74%
Betsys Poland sp. z o.o.	Katowice, ul. Porcelanowa 8	National Court Register (KRS):	Programming services	5,000	74%	74%

4. Composition of the governing bodies of the Parent Entity

As on 31 December 2022 and as on the date of preparation of the consolidated financial statements, the Management Board of the Parent Entity consists of the following persons:

Mateusz Zbigniew Juroszek *- President of the Management Board,*

Marcin Sylwester Walczysko *- Member of the Management Board*

Zdzisław Jan Kostrubała *– Member of the Management Board;*

As on 31 December 2022 and as on the date of preparation of the consolidated financial statements, the Supervisory Board of the Parent Entity consists of the following persons:

Maciej Fijak *- Chairman of the Supervisory Board*

Zbigniew Eugeniusz Juroszek *- Vice-Chairman of the Supervisory Board, Member of the Audit Committee*

Milena Olszewska-Miszuris *- Member of the Supervisory Board, Chair of the Audit Committee*

Elżbieta Spyra *- Member of the Supervisory Board, Member of the Audit Committee*

Krzysztof Krawczyk *- Member of the Supervisory Board*

In the period from 1 January 2022 to 31 December 2022, there were no changes in the composition of the Company's Management Board and Supervisory Board.

5. The basis for the preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, under the Regulation on IFRS (European Commission 1606/2002), hereinafter referred to as "EU IFRS".

The accounting principles (policy) adopted in these consolidated financial statements are applied on a continuous basis and are consistent with the accounting principles applied in the last annual consolidated financial statements.

6. Significant accounting principles (policies)

Going concern assumption

These consolidated statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable futures, i.e. in the period of at least 12 months after the balance sheet date.

As at the date of signing these consolidated financial statements, the Management Board of the Parent Company does not identify any facts or circumstances that would indicate a threat to the possibility to continue as a going concern over the period of 12 months after the end of the reporting period as a result of an intended or forced discontinuation or material curtailment of current activities.

Presentation of the statement of financial position

In accordance with IAS 1 "Presentation of Financial Statements", assets and liabilities are presented in the consolidated statement of financial position as current and long-term assets.

Presentation of the statement of comprehensive income

In accordance with IAS 1 "Presentation of Financial Statements", costs are presented by type in the consolidated statement of comprehensive income.

Earnings per share

Basic net earnings per share for each period is determined as the quotient of the net profit for a given period and the weighted average number of shares outstanding in that period, and includes additional issues of shares registered in the National Court Register after the balance sheet date.

Functional and presentational currency

The items included in the consolidated financial statements are measured in the currency of the primary economic environment in which the Group operates (functional currency).

The consolidated financial statements are presented in Polish zlotys (PLN), which is the functional and presentation currency of the Group.

Transactions expressed in foreign currencies are converted into the functional currency at the exchange rate applicable on the transaction date. Exchange gains and losses from the settlement of these transactions and the balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognised in the Profit and Loss Account.

Basis of valuation

The consolidated financial statements have been prepared on the basis of the historical cost principle, except for the financial instruments which are measured at fair value and with the exception of defined retirement benefit plans and incentive programs measured at fair value.

Materiality

Information is material if it can reasonably be expected that its omission, misstatement or non-transparency could influence the decisions of key users of the financial statements made on the basis of such statements.

Materiality depends on the nature or size of the information, or both. When preparing the consolidated financial statements, the Group assesses whether the information by itself or in combination with other information is material in the context of the financial statements as a whole.

The items treated as material by the Group, that is those that require additional explanations in the consolidated financial statements, are the items whose value exceeds 1% of the balance sheet total.

7. Judgments and estimations made

The preparation of the consolidated financial statements in accordance with IFRS EU requires the Management Board of the Parent Entity to make judgments, estimations and assumptions affecting the application of the adopted accounting principles and the presented values of assets, liabilities, revenues and costs, the actual values of which may differ from the estimated value.

The estimates and related assumptions are verified on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate was changed or in the current and future periods if the estimate change is made both in the current and future periods.

In particular, significant areas of uncertainty as to the estimates and the judgments made using the accounting principles that had the most significant effect on the amounts recognised in the consolidated financial statements are included in the individual notes.

8. Application of new standards, amendments to standards or interpretations

The EU IFRS include standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and approved for use within the EU.

<u>Changes in standards or interpretations effective and applied by the Group from 2022:</u>

New or amended standards and interpretations effective from 1 January 2022 and their impact on the consolidated financial statements of the Group:

Amendments to IFRS 9, examples for IFRS 16, IAS 41 under the Annual Improvements 2018 – 2020:

- IFRS 1: additional exemption with respect to determination of exchange differences due to consolidation;
- IFRS 9: (1) in the 10% test performed to determine whether a modification should result in removal of a liability, only fees exchanged between the debtor and the creditor should be taken into account; (2) it was clarified that fees incurred are recognised in profit or loss if the liability is removed, and in the value of the liability is not subject to removal;
- IFRS 16: the problem of lessor's incentive in the form of assumption of fit-out costs incurred by the lessee, which raised doubts with respect to interpretation, was removed from example no. 13;
- IAS 41: the prohibition to recognise tax flows in measurement of biological assets was deleted.
- The amendments apply to annual periods commencing on or after 1 January 2022 (except for the amendment to the example in IFRS 16, which applies from the moment of publication).

The amendments did not affect the consolidated financial statements of the Group.

Amendment to IAS 16 "Tangible fixed assets"

The amendment clarifies that production carried out as part of pre-use testing of a tangible asset should be recognised as (1) inventory, in accordance with IAS 2, and (2) revenue, when the asset is sold (and should not affect the value of the tangible asset). Testing of a tangible fixed asset is an element of its cost, while the cost of production is recognised in the result at the moment of recognising the income from the sale of the inventory created during testing. The amendment applies to annual periods commencing on or after 1 January 2022.

The amendment did not affect the consolidated financial statements of the Group.

Amendment to IAS 37 "Provisions, contingent liabilities and contingent assets"

The amendment clarifies that the costs of fulfilment of onerous contracts include incremental costs (e.g. labour costs) and an allocated part of other costs directly related to the cost of fulfilment, e.g. depreciation and amortisation.

The amendment applies to annual periods commencing on or after 1 January 2022.

The amendment did not affect the consolidated financial statements of the Group.

Amendment to IFRS 3 "Business combinations"

References to definitions of liabilities found in the framework and to the definition of contingent liabilities found in IAS 37 were clarified. The amendment applies to annual periods commencing on or after 1 January 2022. The amendment did not affect the consolidated financial statements of the Group.

Amendment to IFRS 16 "Leases"

In 2020, the IAS Council published simplifications for the lessees who are granted reliefs due to the COVID-19 pandemic. One of the conditions was that the reliefs would apply only to payments maturing by the end of June 2021. As a result of the amendment, this date has been postponed to June 2022. The amendment applies to annual periods commencing on or after 1 April 2021, with the possibility of earlier application.

The amendment did not affect the consolidated financial statements of the Group as the Group did not use simplification.

Standards and interpretations which apply to the version published by the IASB, but which have not been approved by the European Union, are indicated below, in the item concerning standards and interpretations which have not yet come into force.

<u>Application of standards or interpretations before their effective date:</u>

No voluntary early application of a standard or an interpretation was exercised in these consolidated financial statements.

<u>Published standards and interpretations which have not come into force for periods commencing on 1 January 2022 and their effects on the Group's statements:</u>

By the date of these consolidated financial statements, new or amended standards or interpretations applicable to annual periods commencing after 2022 had been published. The list also includes published amendments, standards and interpretations which have not yet been approved by the European Union.

New IFRS 17 "Insurance Contracts"

This new standard regulates the recognition, measurement, presentation and disclosures related to insurance and reinsurance contracts. This standard replaces the current IFRS 4. The standard applies to annual periods commencing on or after January 1, 2023. The Group estimates that the new standard will not affect its financial statements, as the contracts it concludes do not meet the definition of insurance contracts.

Amendment to IAS 1 "Presentation of financial statements"

The IASB clarified the rules for classification of liabilities into current or non-current liabilities, especially in two aspects:

- it was clarified that the classification depends on the rights held by the entity as at the balance sheet date,
- management's intentions with respect to accelerating or delaying the payment of the obligation are not considered.

The amendments apply to annual periods commencing on or after 1 January 2023. The Group is analysing the effects of these amendments on its financial statements.

Amendment to IAS 1 “Presentation of financial statements”

The IASB clarified which disclosures concerning the accounting policies used by the entity are material and must be presented in financial statements. The rules focus on adapting disclosures to individual circumstances of the entity. The Board warns against the use of standardised provisions copied from the IFRS and expects the basis on which financial instruments are measured will be considered a material disclosure. The amendment applies to annual periods commencing on or after 1 January 2023. The Group is still estimating the effects of the amendment on its financial statements.

Amendment to IAS 8 “Accounting policies, changes in accounting estimates and errors”

The Board introduced a definition of accounting estimates: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendment applies to annual periods commencing on or after 1 January 2023. The Group estimates that the amendment will not affect its financial statements.

Amendment to IAS 12 “Income taxes”

The Board introduced a rule stating that if a transaction results in both deductible and taxable temporary differences in the same amount, deferred tax assets and liabilities should be recognised even if the transaction does not arise from a business combination and does not affect accounting profit or loss or taxable profit or loss. This means that it is necessary to recognise deferred tax assets and liabilities e.g. when temporary differences of equal amounts occur in leasing (separate temporary difference on liability and on the right of use) or in case of restoration liabilities. The rule which states that deferred tax assets and liabilities are offset if current tax assets and liabilities are offset remained unchanged. The amendment applies to annual periods commencing on or after 1 January 2023.

The Group estimates that the amendment will not affect its financial statements.

Amendment to IFRS 17 “Insurance Contracts”

The Board established transitional provisions concerning comparative information for entities which implement IFRS 17 and IFRS 9 simultaneously, with a view to reducing potential accounting mismatches stemming from differences between these standards. The amendment applies to annual periods commencing on or after 1 January 2023. The Group estimates that the amendment will not affect its financial statements as it does not conclude insurance contracts.

Amendment to IFRS 16 "Leases"

The amendment clarifies the requirements for the valuation of a lease liability arising from a sale and leaseback transactions. Its aim is to prevent incorrect recognition of the result on the transaction in the part concerning the retained right of use, in the case when lease payments are variable and do not depend on an index or rate. The amendment applies to annual periods commencing on or after 1 January 2024. The Group is still estimating the effects of the amendment on its financial statements.

The Group intends to implement the above regulations within deadlines specified for application by standards or interpretations.

The dates of entry into force are those resulting from the standards announced by the International Accounting Standards Board. The dates of application of the standards in the European Union may differ from the dates of application resulting from the provisions of the standards and are announced upon their approval for application by the European Union.

According to the Parent’s assessment, the aforementioned new standards have no significant effect on these consolidated financial statements, and the amendments to existing standards would not have had a significant effect on these consolidated financial statements had they been applied by Companies forming the Group on the balance sheet date.

9. Consolidation policies

The consolidated financial statements include the statements of the parent entity and the statements of subsidiaries. The consolidated financial statements of the STS Holding S.A. Group of Companies were prepared using full consolidation.

When preparing the consolidated financial statements, the parent entity combines the financial statements of the parent entity and its subsidiaries by summing up individual items of assets, liabilities, equity, revenues and costs.

All transactions, balances, revenues and costs between related parties included in the consolidation are subject to consolidation exclusions.

To ensure that the financial information about the group of companies is presented in the consolidated financial statements as if it constituted a single economic entity, the following are performed:

- exclusion of the carrying amount of the Parent Entity's investments in each Subsidiary Company and the portion of subsidiaries' equity which corresponds to the Parent Entity's share,
- identification of non-controlling share in profits and losses of consolidated subsidiaries for a given reporting period,
- identification of non-controlling interest in the net assets of consolidated subsidiaries separately from the parent entity's ownership interest in those net assets.

After initial recognition, goodwill is carried at purchase price less any accumulated impairment losses. Goodwill is not amortised.

Revenue and expenses, settlements and unrealised profits on transactions between the Group's entities are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies applied by subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

As on the balance sheet date, assets and liabilities of foreign subsidiaries are translated into the Polish currency at the closing exchange rate prevailing on the balance sheet date, i.e. at the average rate established for a given currency by the National Bank of Poland.

The statement of comprehensive income of a foreign entity is translated at the average exchange rate for a given financial year, unless there are significant fluctuations in exchange rates. In the event of significant fluctuations in exchange rates, the exchange rate as on the transaction date is used for transactions included in the income statement as well as statement of income and other comprehensive income.

Foreign exchange differences resulting from the translation of the financial statements of a foreign entity are recognised in other comprehensive income and accumulated in a separate equity item until the foreign entity is sold. Upon selling of the foreign operation, the foreign exchange differences accumulated in equity are transferred to the result and recognised as an adjustment to the profit or loss on the disposal of the foreign operation.

10. Business combinations

Subsidiary entities:

Subsidiaries are all entities with respect to which the Group:

- has power over the entity,
- is exposed or has rights to variable returns,
- can use its power to affect those returns.

An acquirer recognises goodwill as at the date of acquisition and measures it, in accordance with definitions below, as the excess of:

- the aggregate of:
  - the consideration transferred measured in accordance with IFRS 3, which generally requires acquisition-date fair value,
  - the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3,
  - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over:
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

Accounting for a combination of entities under common control (point B1-B4 of Appendix B of IFRS 3 "Business Combinations") occurs when the same group of individuals will have the power to govern the financial and operating policies of the combined companies. For a combination of entities under common control, accounting principles are not provided for in the International Financial Reporting Standards (IFRS EU); therefore, pursuant to point 10 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Group has adopted the following accounting policy for merger transactions under common control:

- the assets and liabilities of the acquired entity (within the meaning of IFRS) will be recognised at their carrying amount. The carrying amount will be considered to be the value originally determined by the controlling entity and not the values resulting from the separate financial statements of the acquired entity,
- intangible assets and contingent liabilities will be recognised on the principles applied by the entity before the merger, in accordance with the applicable IFRS,
- no goodwill will be recognised, as the difference between the consideration transferred and the acquired net assets of the controlled entity will be recognised directly in equity, under "retained earnings";
- non-controlling interests will be measured in proportion to the carrying amount of the net assets of the controlled entity,
- comparative data will be restated as if the merger had taken place at the beginning of the comparative period.

11. Write-offs for impairment of non-financial assets

Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such premises are present, the Group estimates the recoverable amount of individual assets. The recoverable amount of goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet fit for use is estimated each year at the same date.

The recoverable amount of assets or cash-generating units (CGU) is defined as the higher of their net realisable value and their value in use.

The Group assesses the impairment of the carrying amount of goodwill by grouping cash-generating units so that the level of the organisation, not higher than the separate operating segment on which the assessment is performed, reflects the lowest level of the organisation at which the Group monitors goodwill for internal purposes.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss for the current period.

Impairment of non-financial fixed assets

As on each balance sheet date, the Group reviews the net value of fixed assets in order to determine whether there are any indications for the possibility of their impairment. If any such indications are found, the recoverable amount of a given asset is estimated in order to establish a potential write-down in that respect. In the event that an asset does not generate cash flows that are largely independent of the cash flows generated by other assets, the analysis is performed for the group of cash flow generating assets to which the asset belongs. With regard to intangible assets with an indefinite useful life, an impairment test is carried out annually and additionally when there are indications for a possible impairment. The recoverable amount is determined as the higher of the two values: fair value less selling costs or value in use.

The latter corresponds to the present value of the estimated future cash flows discounted using a discount rate taking into account the current market time value of money and the risk specific to a given asset. If the recoverable amount is lower than the net book value of the asset (or group of assets), the book value is reduced to the recoverable amount. Impairment loss is recognised as the cost in the period in which it occurred, except for situations in which the asset is recognised at the revaluated amount (impairment loss is then treated as a decrease in the previous revaluation). When the impairment is subsequently reversed, the net value of the asset (or group of assets) is increased to the new estimated recoverable amount, however, it cannot exceed the net value of this asset that would have been determined if the impairment had not been recognised in previous years. The reversal of the impairment is recognised in other operating income.

12. Revenue

12.1. Selected accounting principles

Recognition and measurement of revenue from the Group's core business, i.e. revenue from plants, are regulated by IFRS 9 Financial Instruments. Sports bets staked by the Company with a customer are derivative instruments that are recognised and measured using IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments. The amounts staked are classified as financial instruments measured at fair value through profit or loss.
Revenue from bets is recognised in the statement of comprehensive income on a net basis, i.e. amounts staked are reduced by the costs of paid out winnings and the gambling and lottery tax.
In accordance with IFRS 9, profit or loss on a financial instrument measured at fair value is recognised in profit or loss, and not separately for income and related costs.

In addition, the presentation of a net betting income, i.e. the value of bets made less the costs of winnings paid out and the gambling tax, is consistent with the netting provision included in paragraph 33 of IAS 1, where an exception to the general non-netting rule inclided in paragraph 32 has been provided for. Under this provision, netting is allowed if it reflects the nature of the transaction or event. The specificity of placing and settling bets is that the mere acceptance of a bet from a player is not synonymous with the performance of the service; only when a sports event occurs and the bet is settled, the bookmaker service is performed and then the revenue is recognised. The essence of the transaction leading to the application of netting is that each transaction of placing and settling a bet ends in either a profit or a loss; there is no typical separation of sales revenue and cost of sales, as is the case in other entities outside the bookmaking industry.

The amounts contributed by customers towards the bets tmade, which have not been settled by the balance sheet date, are treated as financial liabilities constituting derivative instruments. Those liabilities are recognised in the statement of financial position in other short-term liabilities and are measured at fair value based on historical data regarding settled bets and current information available to the Group.

The difference from the valuation to the fair value of liabilities arising from outstanding bets is recognised in sales revenues (value of bets placed).

Revenue from the sale of other services (mainly services related to the organisation of bookmaking) and revenue from the sale of goods and materials constitute revenue from contracts with customers within the scope of IFRS 15.
The method of recognising this revenue from sales in the Group's consolidated financial statement, including both the value and the timing of revenue recognition, is set out in a five-step model that includes the following steps:

- **identification of the customer contract:**

The Group recognises a customer contract only when all of the following criteria are met:

  - the parties to the contract have concluded a contract (in writing, orally or in accordance with other customary commercial practices) and are required to perform their obligations,
  - The Group is able to identify the rights of each party with respect to the goods or services to be transferred,
  - The Group is able to identify the terms of payment for the goods or services to be transferred,
  - the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows can be expected to change as a result of the contract), and
  - it is probable that the Group will receive consideration to which it is entitled in exchange for goods or services to be provided to the customer. When assessing whether the receipt of the consideration amount is probable, the Group takes into account only the customer's ability and intention to pay the consideration amount in a timely manner.

- **identification of performance obligations:**

At the moment of concluding the contract, the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to provide the customer with a good or service (or a bundle of goods or services) that can be separated or groups of separate goods or services, which are substantially the same and for which the transfer to the customer is of the same nature.

A good or service that is promised to a customer are separate if both of the following conditions are met: - the customer may benefit from the good or service either directly or in combination with other resources that are readily available to him (i.e. the good or service may be separate); and - the Group's promise to transfer the good or service to the customer can be identified as separate from other obligations set out in the contract (i.e. the promise to transfer the good or service is separate under the contract).

- **determination of the transaction price:**

To determine the transaction price, the Group takes into account the terms of the contract and its customary commercial practices. The transaction price shall be the amount of consideration that the Group expects to receive in exchange for the delivery of the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example VAT).

- **assigning the transaction price to performance obligations:**

The Group assigns a transaction price to each performance obligation (or to a separate good or service) in an amount that reflects the amount of consideration that the Group expects to receive in exchange for the provision of the promised goods or services to a customer.

- **recognition of revenue on or after the fulfillment of performance obligations:**

After the fulfillment (or during the fulfillment) of the performance obligation, the Group recognises as revenue an amount equal to the transaction price that has been allocated to that performance obligation.
Bets concluded in a given period but settled in the next balance sheet period are recognised in the period in which they were settled.

(all figures are presented in PLN, unless otherwise stated)

12.2. Specification of sales revenue and total revenue

Specification	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Continuing operations		
Betting revenue (IFRS 9), including:	**579,050,750**	**497,393,911**
amounts staked	4,679,158,978	4,492,410,509
- value of winnings paid out	3,492,062,111	3,407,808,798
- bonuses provided to customers	83,716,942	67,547,636
- gambling and lottery tax	524,329,175	519,660,164
Revenue from sales (including services as well as goods and materials) (IFRS 15)	166,935	237,565
Total	**579,217,685**	**497,631,476**

The value of amounts staked represents the customer contributions received for bets placed in a given reporting period, adjusted by amounts contributed by customers in the current period for bets concluded that have not been settled by the balance sheet date, as well as by amounts contributed in the previous period and settled in the current reporting period.

13. Operating segments

13.1. Selected accounting principles

The Group identifies two primary operating segments of its business. These are:

- the retail segment, and
- the online betting segment.

With respect to the aforementioned components of the Group's activities:

- there is an involvement in business activities, which means that it is possible to gain revenue and incur costs;
- results of activities are regularly reviewed by the Parent's Management Board, which uses them to make decisions on resources allocated to a given segment and in assessment of segment performance;
- separate financial information is available.

Segments are identified on the basis of the service distribution channel criterion. Both segments involve betting on the outcome of sports events. In case of the retail segment, customers conclude bets through physical presence in a sales establishment. With respect to the online segment, customers conclude bets via a website.

Poland is the geographical area for both segments. Operating segments were not combined in any way.

The Group does not identify as an operating segment its other revenue-generating activities due to their irrelevance for the overall business.

The Group distinguishes operating segments based on sales channels. The segments correspond to internal reports regularly provided to key decision makers. The Group does not present segments by geographical area.

(all figures are presented in PLN, unless otherwise stated)

13.2. Operating segments - specification

Information on individual operating segments in the period from 1 January to 31 December 2022:

Specification	Retail segment	Online betting segment	Values not assigned to segments	Total
Total revenue of the segment	**114,437,326**	**466,991,151**	**626,168**	**582,054,645**
Revenue from external customers (from the sale of games and bets)	114,276,901	464,773,849	-	579,050,750
Other sales	-	-	166,935	166,935
Other operating revenue	160,425	2,217,302	459,233	2,836,960
Operating expenses, including:	**101,541,165**	**232,144,162**	**9,311,640**	**342,996,967**
expenses by type (except depreciation)	86,768,710	218,003,251	9,266,222	314,038,183
amortisation and depreciation	14,772,455	14,140,911	45,418	28,958,784
Other operating expenses	803,734	12,836,329	848,399	14,488,462
Segment's operating result	**12,092,427**	**222,010,660**	**-9,533,871**	**224,569,216**
Financial revenue	-	1,946,054	6,396,006	8,342,060
Financial expenses	914,261	-	692,054	1,606,315
Profit before tax	**11,178,166**	**223,956,714**	**-3,829,919**	**231,304,961**
Income tax	-	52,395,668	-	52,395,668
Net profit on continuing operations	**11,178,166**	**171,561,046**	**-3,829,919**	**178,909,293**
Segment assets as on 31.12.2022	**39,630,319**	**42,448,281**	**275,059,943**	**357,138,543**
Segment liabilities as on 31.12.2022	**24,171,166**	**81,705,890**	**63,770,534**	**169,647,590**

Information on individual operating segments in the period from 1 January to 31 December 2021:

Specification	Retail segment	Online betting segment	Values not assigned to segments	Total
Total revenue of the segment	**97,913,863**	**403,035,884**	**703,951**	**501,653,698**
Revenue from sales	97,755,709	399,638,202	-	497,393,911
Other sales	-	-	237,565	237,565
Other operating revenue	158,154	3,397,682	466,386	4,022,222
Operating expenses, including:	**91,858,885**	**215,629,948**	**9,661,973**	**317,150,806**
expenses by type	*76,639,575*	*207,670,030*	*9,661,278*	*293,970,883*
amortisation and depreciation	*15,219,310*	*7,959,918*	*695*	*23,179,923*
Other operating expenses	459,172	2,666,573	1,898,054	5,023,799
Segment's operating result	**5,595,806**	**184,739,363**	**-10,856,076**	**179,479,093**
Financial revenue	-	-	610,779	610,779
Financial expenses	843,127	369,594	4,597,215	5,809,936
Profit before tax	**4,752,679**	**184,369,769**	**-14,842,512**	**174,279,936**
Income tax	-	38,494,854	-	38,494,854
Net profit on continuing operations	**4,752,679**	**145,874,915**	**-14,842,512**	**135,785,082**
Segment assets as on 31.12.2021	**41,423,903**	**25,270,120**	**200,159,062**	**266,853,085**
Segment liabilities as on 31.12.2021	**33,406,206**	**84,416,171**	**43,629,398**	**161,451,775**

The costs of the incentive program are presented in amounts not allocated to the segment due to the adopted principle that they are costs related to STS Holding S.A. Income tax was fully allocated to the online segment due to the predominant division of this segment in the Group's gross result.

14. Cost of operating activities

14.1. Selected accounting principles

Costs by type include:

- Amortisation and depreciation - the amount of depreciation write-offs on tangible fixed assets, assets under the right of use of fixed assets and intangible assets,
- Consumption of materials and energy - costs related to the consumption of materials and energy for the production of services) and for general economic and administrative needs in connection with the conducted operating activity, as well as low-value assets not classified as fixed assets, consumption of electricity, heat, gas, water, as well as also the costs of unintentional shortages,
- Marketing - the item includes expenses related to marketing activities, including the organisation of marketing campaigns.
- Costs of organising bookmaking services - the item includes costs related to the organisation of bookmaking services, including odd fees, streaming, online payment fees, commissions for franchise holders.
- IT costs - the item includes mainly costs related to licenses/access to IT and technological tools and services resulting from the maintenance of tools.
- Consents for the use of results - the item includes costs related to fees for consents for the use of sports results.
- Administrative costs - the item includes mainly the costs of office supplies, consulting and legal services, postal and courier services.
- Property costs – the item includes costs related to renovations and repairs (both services and materials), monitoring, equipment, cleaning.
- Utilities - the item includes costs related to the consumption of electricity, water, sewage, gas, central heating, costs of telecommunications services, TV subscriptions and maintenance.
- Third-party services - costs of work and services provided to the entity by other parties - equipment, storage, construction, repair, communications, property supervision, rental, lease, operating lease, commercial services, IT services, design services, postal and banking services (without interest on loans), TV and press advertising costs, auditing financial statements, consultancy,
- Taxes and fees - values - real estate tax, tax on means of transport; stamp duty, inheritance and donation tax, court and notary fees, if they do not increase the purchase price of the property and are not related to court proceedings; fees for perpetual usufruct of land, fees for environmental protection that do not constitute a criminal sanction and administrative fees,
- Remuneration (personnel costs) – the sum of remuneration in cash and in kind recognised by law as a component of remuneration; they may take the form of remuneration under an employment contract, contract of mandate, contract for specific work,
- Social insurance and other benefits (personnel costs) - costs of social insurance, health insurance, contributions to the Labour Fund and the Guaranteed Employee Benefits Fund in the part being the employer's expense, costs of contributions to the Company Social Benefits Fund, costs of holiday benefits, subsidies to employees' commuting costs, regeneration meals and other costs related to the occupational health and safety of employees, employee training, including those related to the creation of a training fund, payments and benefits to employees not included in remuneration,
- Other costs by type - other simple costs of operating activity (costs of business trips, property insurance, contributions to organisations with mandatory membership.

The Group records costs simultaneously on generic and functional accounts, however, it does not present changes in the product balance - all costs recorded on generic accounts are costs of the period and are transferred to functional accounts.

(all figures are presented in PLN, unless otherwise stated)

14.2. Specification of operating expenses

Specification	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Amortisation and depreciation	28,958,784	23,179,923
Personnel expenses	99,838,815	89,888,947
Marketing	86,122,486	69,194,938
Costs of organizing bookmaking services	53,312,660	46,310,935
IT expenses	20,010,882	29,347,167
Consent to the use of results	23,593,520	22,283,611
Administrative expenses	6,838,602	12,541,940
Property expenses	4,986,375	6,827,482
Utilities	7,663,239	6,552,294
Transport costs	3,496,018	3,509,722
Other	8,175,586	7,513,846
Total	**342,996,967**	**317,150,805**

The value of personnel costs in the period from 1 January to 31 December 2022 was mainly influenced by the recognition of the incentive program settlement in the amount of PLN 7.7 million, as well as an increase in the minimum wage and an increase in the average remuneration in the Group.

The increase in the costs of organising bookmaking services is primarily due to the increase in bookmaking costs, such as odds, streaming, statistics (the increase is due to the purchase of new services that enable the extension and improvement of the offer, higher fees for settlements based on revenue share and inflationary growth of some services contracted so far), costs of online payments, costs of commissions for franchise holders.

The decrease in administrative costs is primarily due to the costs incurred by the group in 2021 in connection with the IPO process.

From 1 January 2022, Betsys s.r.o. began to capitalise the costs related to updating the software it produces, due to the fact that those costs can be reliably estimated and the Group will achieve economic benefits related to the use of new versions of software. On this account, the value of IT costs in the current period decreased compared to the corresponding period of the previous year.

The increase in the value of marketing costs in 2022 compared to 2021 results from the intensification of marketing activities addressed to online customers, mainly in the Polish market.

15. Other operating revenues and expenses

15.1. Selected accounting principles

Other operating income and expenses include all income and costs not directly related to ordinary operating activities, but with an impact on the financial result (mainly: compensations, reversal of revaluation write-offs).

15.2. Specification of other operating revenue

Other operating revenue	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Profit on disposal of fixed assets	379,449	53,210
Reversal of write-downs on receivables	570,120	462,388
Reversal of write-downs on claims	785,760	-
Return of free tokens (bonuses) - previous years	47,412	1,662,047

(all figures are presented in PLN, unless otherwise stated)

Compensation	197,008	118,350
Revenue from contractual penalties	-	195,319
CIT 10Z adjustment for 2020	-	14,143
Consideration for timely payments to the Tax Office	90,459	94,200
Litigation claims	-	791,760
Cash seized under Internal Fraud procedure	515,688	-
Release of provisions	76,413	-
Accounts expired in previous years	114,044	-
Other	60,607	630,805
Total	**2,836,960**	**4,022,222**

In STS BET, the amount of PLN 516 thousand was recognised in other operating revenues for seized funds from the accounts of customers who knowingly violated the regulations. The acccounts of customers who do not comply with or violate the terms of the regulations are closed without the possibility of reopening them. In accordance with the regulations, STS BET reserves the right to confiscate the account balance.

In accordance with the accounting policy of the Group, free tokens - i.e. bonuses granted and closed (based on the rules of campaigns and promotions)) adjust the costs of winnings in the same period. Free tokens granted in previous years and closed in the current period are recognised in other operating income. In the period from 1 January 2022 to 31 December 2022, the amount of PLN 47 thousand free tokens granted in 2021 was recognised in other operating income. In 2021, the amount of PLN 380 thousand of free token granted in 2019 and 1.3 million of free tokens granted in 2020 were recognised in other operating income. That operation took place in December 2021.

15.3. Specification of other operating expenses

Other operating expenses	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Write-downs of receivables	814,137	1,356,012
Donations	433,596	365,398
Complaints	703,774	566,077
Costs of repairs	80,903	86,094
Compensation	-	28,523
Penalties, fines	56,061	17,399
Adjustment of right-of-use liabilities	-	319,943
Tax not collected from the customer	50 327	-
Liquidation of fixed assets	41,497	61,339
Cash write-down (attachment of receivables)	9,233,304	-
Enforcement and court costs	-	392,518
Other - costs from previous years	1,276,581	729,721
VAT adjustment for 2021	505,370	-
Writing down the value of claims	785,760	-
Other operating expenses	507,150	1,100,775
Total	**14,488,462**	**5,023,799**

In 2022, STS BET received an adjustment of VAT returns in the amount of PLN 505,000 resulting from the change of the VAT deduction ratio for 2021. This amount was included in other operating expenses.

In connection with updating the agreement with PZPN in November 2022, STS S.A. waived claims against PZPN and reversed write-downs for disputed receivables, and wrote off the value of claims in the amount of PLN 785 thousand.
In connection with the receipt of information on the attachment of the cash receivable, STS S.A. entered in its ledgers a write-down of cash in the amount of PLN 9.2 million. The case is described in further detail in Note 38.

16. Financial revenues and expenses

16.1. Selected accounting principles

Financial revenue includes mainly interest due on the funds invested by the Group, foreign exchange gains. Revenue from interest is recognised in profit or loss on an accrual basis using the effective interest rate method.

Financial expenses include, inter alia, interest due on debts and borrowing, unwinding the discount on provisions, losses due to exchange rate differences, write-downs due to impairment of financial assets.

All expenses from interest are determined based on the effective interest rate.

Foreign exchange gains and losses are shown in the net amount as financial revenue or financial expenses, depending on their total net position.

Transactions denominated in currencies other than the functional currency of a given entity included in the Group are translated into the appropriate functional currency using the exchange rate applicable on the transaction date (spot rate).

As at the balance sheet date, monetary items expressed in currencies other than the functional currency are translated into the appropriate functional currency using the appropriate exchange rate applicable at the end of the reporting period, e.g. the average exchange rate established for a given currency by the National Bank of Poland.

Non-cash items recognised at historical cost denominated in a foreign currency are recognised at the historical exchange rate as on the transaction date.

Non-cash items recorded at fair value, expressed in a foreign currency, are measured at the exchange rate on the date of establishing the fair value, i.e. the average exchange rate established for a given currency by the National Bank of Poland.

Exchange differences arising from the settlement of transactions or the translation of monetary items other than derivative instruments are recognised respectively in the item of financial revenue or expenses in the net amount, except for exchange differences capitalised in the value of assets in cases specified in the accounting principles.

Exchange differences from the valuation of derivative instruments denominated in a foreign currency are recognised in the financial result.

(all figures are presented in PLN, unless otherwise stated)

16.2. Specification of financial revenue

Financial revenue	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Revenues from interest, including:	6,378,730	342,676
- interest on bank deposits (including foreign ones)	*5,888,895*	*46,775*
- budget interest - reimbursement	*287*	*235*
- interest on loans	*255*	*34,174*
- interest on bonds	*489,293*	*261,492*
Exchange differences	1,783,057	-
Profits from participation in investment fund units	-	163,811
Revaluation of financial assets	14,330	38,102
Bond valuation	-	65,883
Discount	107,832	-
Other	58,111	307
Total	**8,342,060**	**610,779**

16.3. Specification of the financial expenses

Financial expenses	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Bank interest	31,993	99,842
Budget interest	167,349	30,634
Interest on loans	-	129,282
Interest on court judgments	-	130,354
Interest on lease contracts	858,316	890,334
Other interest	5,462	15,261
Exchange differences	-	3,226,261
Bank fees	297,314	369,594
Stock valuation	133,894	904,520
Bond valuation	83,421	-
Valuation of funds	11,840	-
Write-downs of financial assets	-	639
Other	16,727	13,215
Total	**1,606,316**	**5,809,936**

(all figures are presented in PLN, unless otherwise stated)

16.4. Disclosures of revenue, expenses, profits or losses by categories of financial instruments:

Balance as on 31 Dec 2022:

Balance as on 31 Dec 2022:	Financial assets measured at amortised cost	Financial assets measured at fair value through financial result	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through financial result	Other assets and liabilities	Total
Revenue from interest	6,378,443	-	-	-	-	6,378,443
Interest expenses	-	-	-858,316	-	135,069	-723,247
Profits/losses from investment fund units	-	-	107,832	-	-	107,832
Exchange gains/losses	-	-	-1,783,057	-	-	-1,783,057
Other gains/losses	-217,315	-	-	-	-	-217,315
Total profit/loss	**6,161,129**	**-**	**-2,533,541**	**-**	**135,069**	**3,762,657**

Balance as on 31 Dec 2021:

01.01.2021 – 31.12.2021	Financial assets measured at amortised cost	Financial assets measured at fair value through financial result	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through financial result	Other assets and liabilities	Total
Revenue from interest	295,666	-	-	-	-	295,666
Interest expenses	-	-	-1,019,616	-	-130,241	-1,149,857
Profits/losses from investment fund units	-	163,811	-	-	-	163,811
Exchange gains/losses	-	-	-686,413	-	-	-686,413
Other gains/losses	-904,520	-	-	-	-	-904,520
Total profit/loss	**-608,854**	**163,811**	**-1,706,029**	**-**	**-130,241**	**-2,281,313**

In the item "Exchange gains (losses)", a simplification was adopted by allocating all the exchange rate differences to the items of financial liabilities measured at amortised cost. In practice, some exchange rate differences should also be classified into other categories.

17. Income tax

17.1. Selected accounting principles

The obligatory income tax charges on the financial result are due to the impact of current and deferred income tax. Current tax is the amount of income tax (CIT) payable (refundable) on taxable income for a given period. The value of current tax is calculated based on the tax laws and rates in force – either legally or actually – at the reporting date.

Deferred tax results from changes in the value of identified deferred tax assets and liabilities, whereby deferred tax relating to items that have been recognised directly in equity is also recognised directly in equity. Deferred tax assets and liabilities are created for all temporary differences between the book value of assets and liabilities and their tax value. Deferred tax assets and liabilities are measured using the tax rates expected to apply when the timing differences reverse, with the current tax rates used as the basis. Deferred tax assets and liabilities are netted against each other provided there is a legally enforceable right to do so and the assets and liabilities relate to income taxes imposed by the same taxing authority on the same taxpayer or on different taxpayers who intend to settle current income tax liabilities and receivables on a net basis or realise receivables and settle liabilities simultaneously.

(all figures are presented in PLN, unless otherwise stated)

17.2. Specification of income tax

The main components of the tax burden for the periods from 1 January 2022 to 31 December 2022 and from 1 January 2021 to 31 December 2021 are as follows:

Income tax shown in the consolidated statement of comprehensive income	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Current income tax	**52,927,847**	**40,493,535**
For the financial year	51,983,086	40,491,494
Adjustments for previous years	944,761	2,041
Change in deferred income tax	**-532,179**	**-1,998,681**
Associated with the emergence and reversal of temporary differences	-532,179	-1,998,681
Related to the reduction of income tax rates	-	-
Tax burden shown in net profit	**52,395,668**	**38,494,854**
Tax burden recognised in other comprehensive income	**-**	**-**

17.3. The reconciliation of the effective tax rate

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Profit before tax	**231,304,961**	**174,279,936**
Tax at the rate of 19%	58,007,826	33,113,188
Tax at the rate of 35%	-18,322,310	-
Adjustment items relating to the current year, including:	**45,812,110**	**28,324,558**
Tax loss in the current year for which no assets were created due to deferred tax	21,952,998	25,691,681
Revenue not constituting tax revenues	1,437,181	-6,005,899
Costs not constituting tax revenue	21,477,170	8,638,776
CIT adjustment of previous years	944,761	-
Impact of the adjustment items on the current tax	8,704,301	5,381,666
Income tax	**52,395,668**	**38,494,854**
Effective tax rate	23%	22%
Tax in the statement of comprehensive income	**52,395,668**	**38,494,854**

The STS Holding S.A. Group does not create a deferred tax asset in relation to the tax losses presented below, incurred by the subsidiaries Betsys Poland Sp. z o.o. and STS BET Ltd. Due to the fact that STS BET show negative financial results from the commencement of their activity, there is a possibility that the generated tax losses will not be used in the future.

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Losses of companies located in Poland	74,037	83,109
Losses of companies located in Malta	81,495,473	59,910,378
Unused tax losses from previous years for which no deferred tax asset was created - cumulative amounts	**81,569,509**	**59,993,487**
Potential tax advantage (19% rate)	14,067	15,791
Potential tax advantage (35% rate)	28,523,415	20,968,632
Total potential tax advantage	**28,537,482**	**20,984,423**

18. Income tax assets and liabilities

18.1. Selected accounting principles

For the purposes of reporting, deferred tax is calculated using the balance sheet liability method in relation to temporary differences existing at the balance sheet date between the tax value of assets and liabilities and their balance sheet value reported in the financial statements.

Deferred tax results from changes in the value of identified deferred tax assets and liabilities, whereby deferred tax relating to items that have been recognised directly in equity is also recognised directly in equity. Deferred tax assets and liabilities are created for all temporary differences between the book value of assets and liabilities and their tax value. Deferred tax assets and liabilities are measured using the tax rates expected to apply when the timing differences reverse, with the current tax rates used as the basis. Deferred tax assets and liabilities are netted against each other provided there is a legally enforceable right to do so and the assets and liabilities relate to income taxes imposed by the same taxing authority on the same taxpayer or on different taxpayers who intend to settle current income tax liabilities and receivables on a net basis or realise receivables and settle liabilities simultaneously.

The deferred tax assets are recognised in relation to all negative transitory differences and unused tax credits and unused tax losses carried forward to subsequent years, in such an amount that it is probable that taxable profit will be earned that will allow to use the above mentioned differences, assets and losses,

- save for cases when the assets resulting from the deferred tax with regard to negative transitory differences are generated as a result of the initial recognition of an asset or a liability for the transaction which neither constitutes a business combination nor, upon its conclusion, influences the gross financial result or the revenue to be taxed or tax loss; and
- in the event of negative transitory differences resulting from investments in subsidiaries or associated entities and shares in joint ventures, an asset resulting from the deferred tax is stated in the balance sheet only in an amount for which it is probable that the aforementioned transitory differences will be reversed in the foreseeable future and a taxable profit will be obtained allowing for the deduction of the negative transitory differences.

Deferred income tax provision is established in relation to all positive temporary differences:

- except for situations when a deferred tax provision arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on gross financial result, taxable income or tax loss
- , and in relation to positive temporary differences arising from investments in subsidiaries or associated companies or from interests in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

The carrying amount of a deferred income tax asset is verified as at each balance sheet date and is reduced in proportion to the extent in which it is no longer probable to achieve of taxable income sufficient for a partial or full realisation of the deferred income tax assets. The non-stated differed income tax asset is subject to revaluation as of each balance sheet date and is stated up to the amount reflecting the likelihood of achieving future taxable income that will enable the recovery of this asset.

Deferred tax assets and provisions and deferred tax provisions are measured using the tax rates that are expected to apply in the period when the asset is to be utilised or the liability is settled, based on the tax rates (and tax laws) in force at the balance sheet date or those that are certain to be effective as at the balance-sheet date in the future.

Deferred tax assets are established for negative timing differences, or outstanding tax losses or unused tax credits that can be carried forward. Deferred tax assets are recognised only when it is probable that a taxable profit that will make it possible to realise them will be available in future periods. The fulfilment of this condition is verified at each reporting period end date.

Income tax relating to items recognised outside profit or loss is stated outside profit or loss: in other comprehensive income in relation to the items recognised in other comprehensive income or directly in equity referring to items recognised directly in equity.

(all figures are presented in PLN, unless otherwise stated)

The Group offsets the deferred income tax assets against the deferred income tax provisions only and exclusively when it holds an enforceable title to offset receivables against current income tax liabilities, and when the deferred income tax is associated with the same taxpayer and the same tax authority.

Deferred tax is accrued on a quarterly basis and in the event of a significant event.

18.2. Calculation of deferred tax assets and liabilities

Deferred tax assets and liabilities have been recognised with respect to the following assets and liabilities:

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Deferred tax assets, including those created for:	**9,522,096**	**8,414,052**
obligations towards Social Insurance Institution (ZUS)	380,896	354,706
provisions for employee benefits	488,709	535,253
liability due to unpaid winnings	303,784	198,383
right-of-use liabilities	5,507,389	5,388,907
valuation of receivables	251,065	304,861
Valuation of financial assets	197,273	-
unpaid wages	130,953	108,414
other	273,918	225,792
provisions	1,394,279	1,142,405
tax loss	593,830	155,331
Deferred tax provisions	**8,347,121**	**7,562,847**
right-of-use assets	5,388,274	5,195,554
valuation of investments in TFI units	14,358	16,608
differences between tax and balance sheet depreciation	172,198	144,275
other	1,703,163	1,729,348
adjustment of the costs of tax on games due to cashout for 2018	485,592	-
coupons staked	583,536	477,062
Net assets (liabilities) for deferred tax	**1,174,975**	**851,205**

19. Earnings per share

19.1. Selected accounting principles

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (after deducting interest on redeemable preferred shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effect of dilutive options and dilutive redeemable preferred stock convertible into common stock)

(all figures are presented in PLN, unless otherwise stated)

19.2. Calculation of earnings per share

Calculation of profit per share - assumptions	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Net profit on continuing operations	178,909,293	135,785,082
Loss on discontinued operations	-	-
Earnings per share attributable to ordinary shareholders used to calculate diluted earnings per share	178,909,293	135,785,082
The profit shown for the purpose of calculating the value of diluted earnings per share	178,909,293	135,785,082

Number of shares issued	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Weighted average number of shares shown for the purpose of calculating the value of basic earnings per share in pcs.	156,485,314	156,277,231
Earnings per share	1.14	0.87
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	156,632,218	156,277,231
Diluted earnings per share	1.14	0.87

The increase in the Company's share capital by issuing shares is described in note 29.2.

In the period from 1 January to 31 December 2022, the diluting instruments were the rights and subscription warrants allocated under the incentive scheme entitling to acquire the Parent Entity's shares in the future.

Information on the number of granted allowances can be found in Note 44.

20. Tangible fixed assets

20.1. Selected accounting principles

Components of tangible fixed assets are recognised in the books at the purchase price or production cost less depreciation and impairment write-downs.

Production cost of a fixed asset and fixed assets under construction includes all costs incurred during the construction, assembly, adaptation and improvement of the asset incurred until the acceptance of the asset for use (or until the balance sheet date, if the component has not yet been put into use). The production cost also includes, when required, a preliminary estimate of the costs of dismantling and removal of tangible fixed assets and restoration to their original condition.

Borrowing costs related to the purchase or production of certain assets increase the purchase price or the production cost of such assets.

Expenditure incurred at a later date

The subsequent costs of the replaced parts of tangible fixed assets, which can be reliably estimated and it is probable that the Group will achieve economic benefits related to the replaced tangible fixed assets, are subject to capitalisation. The carrying amount of the removed tangible fixed assets shall be derecognised. Expenditure incurred in connection with the current maintenance of tangible fixed assets is recognised in profit or loss for the current period at the moment it is incurred.

Amortisation and depreciation

Tangible fixed assets, or their significant and separate components, are depreciated on a straight-line basis over their useful life, taking into account the net selling price of the remaining tangible fixed asset (residual value) anticipated at liquidation. Land is not depreciated. The Group assumes the following useful lives for each category of tangible fixed assets:

(all figures are presented in PLN, unless otherwise stated)

- Buildings and structures: 25 - 50 years
- Plant and machinery: 2 - 10 years, including:
  - Computers and phones: 3 years
  - TVs and monitors: 5 years
  - Air conditioners: 10 years
  - Cars: 4 years
- Other tangible fixed assets: 2 - 15 years

The correctness of the applied useful lives, depreciation methods and residual value of tangible fixed assets (unless it is insignificant) is verified by the Group every year and adjusted in justified cases.

Fixed assets under construction

As on the balance sheet date, fixed assets under construction are valued at the amount of all costs directly related to their purchase or production, less impairment write-offs. Revaluation write-downs are made in the event of a decision to partially or completely discontinue incurring expenses on their creation. As a result of the cessation of the cause of the impairment of fixed asset under construction, the previously made write-down is corrected.

Impairment

If a fixed asset is no longer controlled by the entity due to its planned liquidation or if it does not bring the expected economic effects, as well as in the case of a change in technology, a permanent impairment occurs. In such a case, a revaluation write-off is made. The head of a given unit decides about the amount of the write-off. The net value of a fixed asset covered by the write-off may not be higher than the net selling price of this fixed asset. In the absence of information as to the sale price, the valuation at fair value should be applied. If the reason for which the impairment write-off was made ceases to exist, the original value of the fixed asset is restored.

20.2. Fixed asset movement table

Balance as on 31 Dec 2022:

Specification (as on 31 December 2022)	Land	Buildings and structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as on 01.01.2022	**870,922**	**17,640,615**	**35,005,588**	**4,328,406**	**8,673,708**	**3,884,546**	**70,403,785**
Gross value adjustment - netting	**-**	**17,712**	**1,581,704**	**191,131**	**-281,116**	**-**	**1,509,431**
Increases, due to:	-	2,111,776	8,268,235	2,379,874	975,685	8,659,201	22,394,771
- acquisition of fixed assets	-	-	-	-	-	8,655,042	8,655,042
- acceptance for fixed assets		2,099,682	7,504,996	878,948	970,923	-	11,454,549
- entering into a financial lease agreement		-	745,554	1,465,369	-	-	2,210,923
- currency translation profit (loss)	-	12,094	17,685	35,557	4,762	4,159	74,257
Decreases, due to:	-	-27,337	-2,097,608	-837,055	-955,373	-11,446,670	-15,364,043
- liquidation and sale	-	-27,337	-2,097,608	-763,800	-955,985	-	-3,844,730
- acceptance for fixed assets	-	-	-	-	-	-11,454,549	-11,454,549
- other		-	-	-58,088	-	-	-58,088
- Foreign exchange differences on translation of foreign operations		-	-	-15,167	612	7,879	-6,676
Gross carrying amount as on 31.12.2022	**870,922**	**19,725,054**	**41,176,215**	**5,871,225**	**8,694,020**	**1,097,077**	**77,434,513**
Redemption as on 01.01.2022	-	-1,327,140	-29,384,999	-2,853,816	-7,641,980	-	-41,207,935
Redemption adjustment - netting	-	695	981,612	193,655	334,859	-	1,509,431
Increases, due to:	-	-740,071	-3,976,483	-998,159	-302,272	-	-6,016,985
- amortisation and depreciation	-	-738,945	-3,960,977	-1,041,749	-300,262	-	-6,041,933

(all figures are presented in PLN, unless otherwise stated)

- currency translation profit (loss)	-	-1,126	-15,506	43,590	-2,010	-	24,948
Decreases, due to:	-	3,014	2,179,254	755,094	955,373	-	3,892,735
- sale and liquidation	-	3,709	2,179,254	782,532	955,373	-	3,920,868
- currency translation profit (loss)		-695	-	-27,438	-	-	-28,133
Redemption as on 31.12.2022	-	-2,064,197	-31,182,228	-3,096,881	-6,988,879	-	-43,332,185
Write-downs as on 01.01.2022	-	-	-	-	-	-34,826	-34,826
Write-downs as on 31.12.2022	-	-	-	-	-	-30,196	-30,196
Advance for tangible fixed assets under construction	-	-	-	-	-	2,482,966	2,482,966
Net carrying amount as on 31.12.2022 (before transfer)	**870,922**	**17,660,857**	**9,993,987**	**2,774,344**	**1,705,141**	**3,549,847**	**36,555,098**
Transfer of leased assets to right-of-use assets	-	-	-	**-2,431,334**	-	-	**-2,431,334**
Net carrying amount as on 31.12.2022 (after transfer)	**870,922**	**17,660,857**	**9,993,987**	**343,010**	**1,705,141**	**3,549,847**	**34,123,764**

As on 31 December 2022, there were no liabilities due to the purchase of property, plant and equipment.

Balance as on 31 Dec 2021:

Specification (as on 31 December 2021)	Land	Buildings and structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as on 01.01.2021	**870,922**	**10,683,766**	**31,124,629**	**3,878,167**	**7,850,157**	**5,779,553**	**60,187,195**
Increases, due to:	-	6,956,849	4,677,724	502,439	1,021,420	9,856,278	23,014,710
- acquisition of fixed assets	-	6,948,304	4,753,824	83,685	1,021,663	9,844,944	22,652,420
- other	-	-	-	403,295	-	-	403,295
- currency translation profit (loss)	-	8,545	-76,701	15,459	-243	11,335	-41,005
Decreases, due to:	-	-	-796,765	-52,200	-197,868	-11,751,286	-12,798,119
- liquidation and sale	-	-	-796,765	-52,200	-197,868	-	-1,046,833
- acceptance for fixed assets	-	-	-	-	-	-11,751,286	-11,751,286
Gross carrying amount as on 31.12.2021	**870,922**	**17,640,615**	**35,005,588**	**4,328,406**	**8,673,708**	**3,884,546**	**70,403,785**
Redemption as on 01.01.2021	-	-724,415	-27,075,282	-1,891,153	- 7,502,299	-	-37,193,450
Increases, due to:	-	-602,424	-3,071,544	-1,014,863	-311,147	-	-4,999,979
- amortisation and depreciation	-	-601,926	-2,961,709	-994,856	-310,667	-	-4,869,158
- currency translation profit (loss)	-	-498	71,180	-20,007	-480	-	50,195
Decreases, due to:	-	-	761,828	52,200	171,466	-	985,494
- liquidation and sale	-	-	761,828	52,200	171,466	-	985,494
Redemption as on 31.12.2021	-	-1,327,140	-29,384,999	-2,853,816	-7,641,980	-	-41,207,935
Write-downs as on 01.01.2021	-	-	-	-	-	-34,826	-34,826
Write-downs as on 31.12.2021	-	-	-	-	-	-	-
Advance for tangible fixed assets under construction	-	-	-	-	-	2,449,910	2,449,910
Net carrying amount as on 31.12.2021	**870,922**	**16,313 476**	**5,620,589**	**1,474,590**	**1,031,728**	**6,334,456**	**31,645,761**
Transfer of leased assets to right-of-use assets	-	**-17,017**	-	**-1,078,525**	-	-	**-1,095,542**
Net carrying amount as on 31.12.2021 after transfer	**870,922**	**16,296,458**	**5,620,589**	**396,065**	**1,031,728**	**6,334,456**	**30,550,219**

In the reporting period, there were no indications of impairment of tangible fixed assets.

In the reporting period, the Group did not activate borrowing costs.

There were also no significant purchase and sale transactions regarding property, plant and equipment.

21. Right-of-use assets and liabilities

21.1. Selected accounting principles

Under finance lease agreements, the Group uses premises for the purposes of operating betting points, technical equipment and cars. The lease contracts were concluded for 2-5 years, depending on the lease contract (24-60 monthly installments).

For each concluded contract, the Group decides whether the contract represents or includes a lease. A lease is defined as a contract or part of a contract that conveys the right to control use of an identified asset (the underlying asset) for a period of time in return for consideration. To this end, three main aspects are analysed:

- Whether the contract concerns an identified asset that is either clearly or implicitly identified in the contract at the moment the asset is made available to the Group,
- whether the Group has the right to obtain substantially all economic benefits from the use of the asset throughout its useful life to the extent specified in the contract,
- whether the Group has the right to direct the use of the identified asset throughout its useful life.

Finance lease agreements that transfer to the Group substantially all the risks and benefits of ownership of the leased asset are recognised in the balance sheet as on the lease commencement date at the lower of the following two values: fair value of the leased asset or the present value of the minimum lease payments. The lease fees are apportioned between financial expenses and the reduction of the lease liability balance in a way that makes it possible to obtain a fixed interest rate on the liability to be paid. Financial costs are recognised directly in the profit and loss account, unless they can be directly allocated to the relevant assets - then, they are capitalised in accordance with the Group's accounting principles regarding debt servicing costs. The resulting liability towards the lessor is presented in the balance sheet under finance lease liabilities.

Tangible fixed assets used under finance lease agreements are depreciated according to the principles applied to own assets. If there is no credible certainty that the Company will receive or use the ownership right after the end of the lease agreement, the assets are depreciated over the shorter of the two periods: the estimated useful life of the fixed asset or the lease period.

Lease agreements under which the lessor retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Lease payments under operating leases and subsequent lease instalments are recognised in profit or loss on a straight-line basis over the lease term.

Right-of-use assets

The right-of-use assets are initially recognised at cost, and then reduced by depreciation write-downs and possible impairment losses, as well as appropriately adjusted by recalculations of lease liabilities. The cost of the right-of-use asset comprises the amount of the original measurement of the lease liability, any lease payments made on or before the commencement date, less any lease incentives received, the initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee in connection with the dismantling and removal of the underlying asset. If, under the lease agreement, the ownership of the underlying asset is transferred to the Group, which acts as the lessee, at the end of the lease term or if the cost of the right-of-use asset takes into account the fact that the Group will exercise the call option, the Group shall depreciate the right-of-use asset starting from the commencement date until the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset starting from the commencement date of the lease until the end of the useful life of the asset or the end of the lease term, whichever is earlier.

Lease liabilities

On the commencement date of the lease, the Group measures the lease liability in the amount of the current value of the lease payments outstanding on that date. Due to the difficulty in determining the lease interest rate, the Group discounts the lease payments using the lessee's marginal interest rate. Lease payments comprise fixed payments (including substantially fixed lease payments) less any outstanding lease incentives; variable lease payments, which depend on the index or rate, the amount of the guaranteed residual value and sum of the call exercise price (if it can be stated with sufficient certainty that Group will use this option) as well as financial penalties for termination of the contract (if there is sufficient certainty that the Group will use this option). Variable lease payments that do not depend on an index or rate are recognised immediately as an expense in the period in which the event or condition causing the payment of the lease occurs. In subsequent periods, the lease liability is reduced by repayments made and increased by accrued interest.

In the event that the lease is modified, there is a change in the period or amount of substantially fixed lease payments or in a judgment regarding the exercise of the call option regarding the leased asset, and the lease liability is recalculated to reflect the changes described.

Determination of the marginal discount rate and the duration of the lease

Bookmaking outlet premises are leased under contracts concluded for a definite period and for an indefinite period, with contracts for an indefinite period prevailing. Leased premises constitute a significant part of the assets in the Group's financial statements. The management of the Group makes subjective judgments with regard to the marginal interest rate and the duration of the lease for contracts concluded for an indefinite period.

Marginal discount rate of the lessor used to discount cash flows resulting from new concluded lease agreements. The marginal interest rate that was used to discount cash flows resulting from new lease agreements concluded for an indefinite period was determined using the judgment of the Group's management that is based on easily observable loan rates with a payment profile similar to the lease. For this purpose, the management of the Group analysed the possible interest rates on loans for financing the purchase of premises based on the offers collected from the banks cooperating with the Group. The analysed loan offers had a payment profile similar to that of leasing. Given the above, the Management made a judgment by setting a marginal interest rate at 5%. That change did not have a significant impact on the financial data for the period covered by these annual consolidated financial statements.

When determining the duration of the lease for premises lease contracts for an indefinite period, the management of the Group, in accordance with IFRS 16, determines the lease term to the best of its knowledge, based on the available information. Circumstances affecting the calculation of the lease term, apart from the main contractual terms, include the possibility of extending and terminating the contract and the current practice in the Group. It is also analysed whether, in the case of contracts concluded for an indefinite period with the option to terminate the lease, there is sufficient certainty that the option wil be used by the lessee. The management of the Group concludes that it did not have sufficient certainty upon recognition of the lease to conclude whether the termination option will be exercised. The possible removal of the outlet is planned in advance, allowing a change in the estimate of the lease period. The Management considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise or not exercise the termination, renewal and redemption options, including any anticipated changes in facts and circumstances starting from the commencement of the lease to the exercise of the option.

In line with the practice used by the STS Holding S.A. Group, most of the premises lease agreements concluded for a specified term are concluded for a 5-year period. The management of the Group, making a subjective assessment, also decided to treat the lease agreements for an indefinite period as those concluded for a 5-year period.

Short-term contracts and low-value assets

The Group applies a practical exception to:

- leases concluded for a period shorter than 12 months from the commencement date of the lease,
- rental of low-value assets - rental of a warehouse.

In such case, lease payments are recognised in the costs of the period to which they relate. At the same time, no right-of-use assets or liabilities shall be recognised.

(all figures are presented in PLN, unless otherwise stated)

21.2. Right-of-use assets

The Group presents right-of-use assets in a separate reporting item.

At the end of the reporting period, the net value of the right-of-use assets was:

Specification	31.12.2022	31.12.2021
Technical equipment and machines	635,418	-
Means of transport	1,795,916	1,078,525
PWUG	586,240	595,408
Leased premises	24,841,602	37,249,864
Total financial assets	**27,859,176**	**38,923,797**

Technical equipment and machinery as well as means of transport are also a security for leasing liabilities.

In connection with the lease agreements, the Group issued promissory notes as security.

Rights to use assets related to premises, lease of technical equipment and cars, and the right of perpetual usufruct of land are presented in the table below:

Specification	Technical equipment and machines	Leased premises	Means of transport	Right of perpetual usufruct	Total
Gross carrying amount as on 01.01.2022	**-**	**92,550,753**	**3,328,554**	**621,676**	**96,500,983**
Increases	670,719	3,444,482	1,465,369	-	5,580,570
Revaluation	-	1,421,101	-	-	1,421,101
Decreases	-	-2,917,687	-2,141,998	-418	- 5,060,103
Gross carrying amount as on 31.12.2022	**670,719**	**94,498,649**	**2,651,925**	**621,258**	**98,442,551**
Redemption as on 01.01.2022	-	55,300,889	2,250,029	26,268	57,577,186
Increases due to amortisation and depreciation	35,301	17,126,609	938,432	8,750	18,109,092
Decreases	-	-2,770,451	-2,332,452	-	-5,102,903
Redemption as on 31.12.2022	35,301	69,657,047	856,009	35,018	70,583,375
Write-offs	-	-	-	-	-
Net carrying amount as on 31.12.2022	**635,418**	**24,841,602**	**1,795,916**	**586,240**	**27,859,176**

Specification	Technical equipment and machines	Leased premises	Means of transport	Right of perpetual usufruct	Total
Gross carrying amount as on 01.01.2021	**703,960**	**85,457,782**	**3,618,388**	**621,676**	**90,401,806**
Increases	-	10,447,874	69,350	-	10,517,224
decreases,	-703,960	-3,354,904	-359,184	-	-4,418,048
Gross carrying amount as on 31.12.2021	**-**	**92,550,753**	**3,328,554**	**621,676**	**96,500,983**
Redemption as on 01.01.2021	487,357	42,355,479	1,631,373	17,512	44,491,722
Increases, due to:	-	12,945,409	618,656	8,756	13,085,464
depreciation	-	16,300,312	994,856	8,756	17,303,924
Decreases	-487,357	-3,354,904	-376,200	-	-4,218,461
Redemption as on 31.12.2021	-	55,300,889	2,250,029	26,268	57,577,186
Write-offs	-	-	-	-	-
Net carrying amount as on 31.12.2021	**-**	**37,249,864**	**1,078,525**	**595,408**	**38,923,797**

(all figures are presented in PLN, unless otherwise stated)

21.3. Right-of-use liabilities

The Group uses finance lease by renting cars, technical equipment and machinery as well as commercial premises.

The Group presented lease liabilities in the following items of the consolidated financial statements:

- Long-term lease liabilities;
- Short-term lease liabilities.

The data is presented in the tables below.

Specification	31.12.2022	31.12.2021
Payable within 1 year	18,291,873	17,373,996
Payable within over 1 year	10,272,986	22,630,266
Total financial liabilities	**28,564,859**	**40,004,262**

	31.12.2022		31.12.2021	
Specification	Minimum fees	Current value of the fees	Minimum fees	Current value of the fees
Within 1 year	18,790,858	18,291,873	17,845,041	17,373,996
In the period from 1 to 5 years	11,090,682	10,272,986	24,892,038	22,630,266
Over 5 years	-	-	-	-
Total minimum lease payments	**29,881,540**	**28,564,859**	**42,737,078**	**40,004,262**
Future interest expense (negative value)	-1,316,681	-	-2,732,816	-
Current value of the lease fees, including:	**28,564,859**	**28,564,859**	**40,004,262**	**40,004,262**
- short-term	18,291,874	18,291,874	17,373,996	17,373,996
- long-term	10,272,985	10,272,985	22,630,266	22,630,266

The Group does not recognise liabilities due to short-term leases and leases with low-value underlying assets. In addition, the value of lease liabilities does not include contingent lease payments depending on factors other than an index or rate. The relevant costs were as follows:

Specification	01.01.2022 -31.12.2022	01.01.2021 -31.12.2021
Short-term lease	100,958	33,653
Low-value asset lease	-	5,923
Variable lease payments not included in lease liabilities	-	-
Total financial liabilities	**100,958**	**39,576**

22. Goodwill

22.1. Selected accounting principles

Goodwill acquired in a business combination corresponds to a payment made by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified or recognised separately.

Goodwill arising on consolidation results from the excess of the acquisition price of the entity over the fair value of identifiable assets and liabilities of the subsidiary, associate or joint venture as on the acquisition date.

If the purchase price is lower than the fair value of the identifiable acquired net assets of the entity, the difference is recognised as profit in the income statement for the period in which the acquisition took place, in accordance with the provisions of IFRS 3.

Goodwill acquired in a merger shall not be amortised. Goodwill is tested for impairment at least once a year. Any impairment of the carrying amount of goodwill is recognised immediately in the profit and loss account and is not reversed in subsequent years. The goodwill impairment test is carried out annually as on 31 December of each reporting year.

Goodwill is concentrated in the online segment with a share of 82.30% and in the retail segment with a share of 17.70% resulting from the proportion of a given segment in NGR.

22.2. Goodwill impairment test

At the end of the reporting period, an impairment test was carried out on the carrying amount of goodwill arising from the merger with Betsys s.r.o.

The forecast of the financial statements constituting the basis for the Company's valuation was carried out using the discounted future cash flow method.

Income valuation assumptions:

- Revenue and cost forecasts for the years 2023-2027 constituting the basis for the valuation were prepared by the Management Board of the Parent Entity in current prices.
- The residual value was estimated using the income capitalisation method based on a 0% cash flow growth rate. To calculate the present value of future cash flows, the forecast assumes a discount rate reflecting the weighted average cost of capital (WACC) at the level of 18.39%, with individual elements determined as follows:
  - The interest rate on risk-free securities was adopted at the level of the average three-month rate of return on 10-year treasury bonds of the Czech Republic (average yield for Q4 2022).
  - The industry risk premium defines the lowest possible rate of return acceptable to a potential market investor above the rate resulting from the interest rate of risk-free securities. The industry risk premium was estimated as the product of the long-term basic capital market risk premium and the "leveraged" Beta coefficient for the industry in which the Company operates.

    - Based on A. Damodaran's calculations, the risk premium was set at 6.97% (equity risk premium for the Czech Republic).

    - Based on own analyses and A. Damodaran's data, the value of the "leveraged" Beta coefficient was set at 1.149 (Software System and Application industry)

    - The share of debt in the financing structure at the level of 10.0% was adopted using the industry average for the European market based on A. Damodaran's calculations.
- The size premium was set at 3.60 pp, according to Financial Craft calculations.
- The forecast risk premium was set at 3 pp.

Based on the test performed, no impairment of the carrying amount of goodwill as on 31 December 2022 was identified.

23. Intangible assets

23.1. Selected accounting principles

Intangible assets are measured at the purchase price or production cost less depreciation and impairment write-downs and impairment losses.

In accordance with IFRS 3, if an intangible asset was acquired in a business combination, the purchase price of the intangible asset is based on its fair value as on the acquisition date. Each time, the Group shall assess whether a given intangible asset has a limited or unlimited useful life.

Intangible assets with a limited useful life are amortised over the useful life and tested for impairment each time when the indications implying their impairment occur. The period and method of amortisation of intangible assets with a limited useful life are verified at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of economic benefits derived from a given intangible asset result in an adjustment of the depreciation rate.

Intangible assets with an indefinite useful life and those that are not used, are verified annually for possible impairment in relation to individual assets or at the level of the cash-generating unit.

The depreciation period for individual types of intangible assets is as follows:

- acquired property rights, licenses and concessions - 2 years,
- other intangible assets - 2 years,
- value of a separate IT platform - 10 years,
- development costs are amortised using the straight-line method over their expected useful lives; in the event when it is impossible to isolate the internally generated asset, the costs of development works are recognised in the result for the period in which they were incurred.

Research costs are not subject to capitalisation and in the result they are presented as costs in the period in which they were incurred.

Development costs in accordance with IAS 38 are defined as the practical application of research findings or achievements of other knowledge in planning or designing the production of new or significantly improved materials, devices, products, technological processes, systems or services, which takes place before the start of serial production or application . They are created as a result of the application of research. It is possible to recognise expenditure and treat them as development work only when the following can be proven:

- technical feasibility and intention to complete the asset so that it can be held for sale;
- ability to use or sell the intangible asset;
- availability of funds necessary for completion and the ability to reliably determine expenditures;
- method of implementation and applicability, taking into account the existence of a market for the product.

The results resulting from derecognition of intangible asset in the statement of financial position are measured at the difference between net income from sales and the carrying amount of a given asset, and are recognised in the profit and loss account at the moment they are derecognised in the statement of financial position.

In accordance with IAS 38, the production cost includes all expenditure that is directly attributable to the activities of development, production and adaptation of an asset for use in the manner intended by the management. Such expenditures include:

- expenditure on materials and services used or consumed in the production of an intangible asset,
- costs of employee benefits resulting directly from the production of an intangible asset,
- legal title registration fees,
- amortisation of patents and licenses that are used to generate an intangible asset.

Depreciation rates are determined based on the expected economic useful life of intangible assets. Every year, the Group verifies the adopted useful lives based on current estimates.

(all figures are presented in PLN, unless otherwise stated)

The Management Board of the Parent Company assesses whether there are any indications of a possible impairment of individual assets or cash-generating units. As part of the analysis of the premises, both external factors - including, in particular, the macroeconomic environment, as well as internal factors - including strategic decisions, current financial projections and operational plans, are analysed. The occurrence of an indication of possible impairment requires estimation of the recoverable amount.

23.2. Intangible asset movement table

Balance as on 31 Dec 2022:

Specification	IT platform to handle bookmaker transactions	Other intangible assets	Intangible assets under construction	Total
Gross carrying amount as on 01.01.2022	**8,499,277**	**3,144,853**	**249,180**	**11,893,260**
Increases, due to:	22,666,719	316,254	23,027,253	46,010,226
- acquisition	22,666,719	316,254	23,027,253	46,010,226
- other	-	-	-	-
Decreases, due to:	-	-814,508	-22,989,596	-23,804,104
- adoptions of intangible assets for use	-	-	-22,989,596	-22,989,596
- liquidation or sale	-	-814,508	-	-814,508
Gross carrying amount as on 31.12.2022	**31,165,946**	**2,646,599**	**286,837**	**34,099,382**
Redemption as on 01.01.2022	-1,133,231	-2,971,143	-	-4,104,374
Increases, due to:	-5,568,767	-177,425	-	-5,746,192
- amortisation and depreciation	-5,568,767	-177,425	-	-5,746,192
Decreases, due to:	-	765,764	-	765,764
- liquidation or sale	-	765,764	-	765,764
Redemption as on 31.12.2022	**-6,701,998**	**-2,382,804**	**-**	**-9,084,802**
- currency translation profit/(loss) on the financial statements of foreign entities	-	300,181	-	300,181
Net carrying amount as on 31.12.2022	**24,463,948**	**563,976**	**286,837**	**25,314,761**

From 1 January 2022, Betsys s.r.o. began to capitalise the costs related to updating the software it produces, due to the fact that those costs can be reliably estimated and the Group will achieve economic benefits related to the use of new versions of software.

(all figures are presented in PLN, unless otherwise stated)

Balance as on 31 Dec 2021:

Specification	IT platform to handle bookmaker transactions	Other intangible assets	Intangible assets under construction	Total
Gross carrying amount as on 01.01.2021	**8, 499,277**	**3,246,315**	**-**	**11,745,542**
Increases, due to:	-	121,936	346,525	486,461
- acquisition	-	121,936	346,525	486,461
Decreases, due to:	-	-223,398	-115,345	-338,743
- adoption of intangible assets for use	-	-	-115,345	-115,345
- liquidation or sale	-	-223,398	-	-223,398
Gross carrying amount as on 31.12.2021	**8, 499,277**	**3,144,853**	**249,180**	**11,893,260**
Redemption as on 01.01.2021	-283,308	-2,940,668	-	-3,223,976
Increases, due to:	-849,923	-253,873	-	-1,103,796
- amortisation and depreciation	-849,923	-253,873	-	-1,103,796
Decreases, due to:	-	223,398	-	223,398
- liquidation or sale	-	223,398	-	223,398
Redemption as on 31.12.2021	-1,133,231	-2,971,143	-	-4,104,374
- currency translation profit/(loss) on the financial statements of foreign entities	-	-871	-	-871
Net carrying amount as on 31.12.2021	**7,365,966**	**172,839**	**249,180**	**7,788,015**

24. Other financial assets

24.1. Selected accounting principles

Classification of financial assets

Financial assets are classified into the following categories:

- measured at amortised cost
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The Group classifies a financial asset based on the Group's business model for financial asset management and the contractual cash flow characteristics of the financial asset (the so-called "SPPI"). Tinancial assets are reclassified only when the Group changes its business model in the scope of financial asset management.

Recognition and derecognition of financial assets

The Group recognises a financial asset when it becomes bound by the provisions of a financial instrument contract.

The Group ceases to recognise a financial asset when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party, thereby transferring substantially all of the risks and benefits of ownership of the financial asset.

Valuation of financial assets at the time of initial recognition

At the moment of initial recognition, the Group measures financial assets at fair value, i.e. most often at the transaction price. Transaction costs are included by the Group in the initial value of all financial assets, except for the category of financial assets measured at fair value through profit or loss. An exception to this rule are trade receivables, which the Group measures at their transaction price as defined in IFRS 15, but this does not apply to trade receivables whose maturity is longer than one year and which contain a significant financing component as defined in IFRS 15.

Financial assets held to maturity are investments with fixed or determinable payments and fixed maturities, which the Group intends and has the ability to hold until that time. Financial assets held to maturity are measured at amortised cost using the effective interest rate method.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held according to a business model whose objective is to hold financial assets to obtain the contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are only payments of principal and interest on the principal amount outstanding.

The following are classified into the category of financial assets measured at amortised cost:

- trade and other receivables being financial assets,
- granted loans and bonds that pass the SPPI test, which according to the business model are recognised as held in order to obtain cash flows,
- cash and cash equivalents.

Financial assets Measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held according to a business model that aims to both receive contractual cash flows and sell the financial assets, and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are only payments of principal on the principal amount outstanding.

As on the balance sheet date of 31 December 2021 and as on the balance sheet date of the previous year covered by these consolidated financial statements, the Group did not have any financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through financial result

A financial asset that does not meet the criteria for classification into the category of financial assets measured at amortised cost or into the category of financial assets measured at fair value through other comprehensive income is classified as financial assets measured at fair value through profit or loss.

Under IFRS 9, an irrevocable selection can also be made on initial recognition for certain (non-trading) equity investments that would otherwise be measured at fair value through profit or loss to account for subsequent changes in fair value through other comprehensive income.

In the financial year and the comparative period covered by these consolidated financial statements, the Group did not make such a choice.

The category of financial assets measured at fair value through financial result includes investment fund participation units and shares in listed companies.

Impairment of financial assets

On each balance sheet date, the Group measures a write-down for expected credit losses related to financial assets classified as those measured at amortised cost or measured at fair value through other comprehensive income.

If the credit risk associated with a given financial asset has increased significantly since initial recognition, the write-down for expected credit losses is measured at an amount equal to the expected credit losses over the life of the asset. On the other hand, if as on the balance sheet date the credit risk associated with a given financial asset has not increased significantly since initial recognition, the write-down for expected credit losses is measured at an amount equal to the expected credit losses over the period of 12 months.

(all figures are presented in PLN, unless otherwise stated)

With regard to trade receivables, the Group always measures the write-down for expected credit losses over the entire life of the receivables (i.e. until their maturity).

Write-downs and reversed write-downs due to expected credit losses in the case of trade and other receivables are recognised in other operating expenses or revenue, respectively. Write-downs and reversed write-downs due to expected credit losses in the case of other financial assets are recognised in financial expenses or revenue, respectively.

The method of assessing a significant increase in credit risk and measuring write-downs for expected credit losses, depending on the type of financial assets, is as follows:

- for individually insignificant trade and other receivables (deposits, advances, settlements with employees, and other), the Group applies a practical approach that assumes the calculation of write-downs for expected credit losses for the entire life of the instrument. The estimates of write-downs are established primarily on the basis of overdue receivable ranges as on the balance sheet date and historical losses within each of the overdue ranges.
- for other financial assets, the Group takes into account information available without undue cost or effort, most often the financial statements of issuers or contractors, ratings of specialised institutions or economic forecasts for sectors or industries to which a given financial asset is related. Moreover, each time the overdue status is taken into account.

Regardless of the individual significance level of trade and other receivables, the Group applies an individual approach to credit risk assessment and the measurement of expected credit losses for receivables from debtors in liquidation or in bankruptcy and receivables questioned by debtors.

In the above situations, a write-down for receivables may be created in the amount of up to 100% of their value, despite the lack of overdue status. Financial assets are written down in whole or in part when the Group has exhausted virtually all debt collection activities and decides that it can no longer reasonably expect them to be recovered. This usually occurs when the limitation period has expired, the bankruptcy or liquidation proceedings have been completed or the Group has information about the debtor's insolvency.

In the case of financial assets measured at amortised cost, the amounts written down for this reason reduce the previously made write-downs for expected credit losses. Assets written down for which no previous write-offs due to expected credit losses were made or for which the write-offs were not made in full, are included in other operating costs or financial costs.

24.2. Specification of other financial assets

Specification	31.12.2022	31.12.2021
Financial assets measured at fair value through financial result - investment fund participation units and shares in listed companies, including:	5,046,058	5,177,461
- classified as non-current assets	4,162,113	4,159,622
- classified as current assets	883,945	1,017,839
Financial assets measured at amortised cost - corporate bonds, including:	6,528,013	6,387,224
- classified as non-current assets	6,528,013	6,387,224
- classified as current assets	-	-
Total	**11,574,071**	**11,564,685**

(all figures are presented in PLN, unless otherwise stated)

25. Inventory

25.1. Selected accounting principles

The Group recognises inventories at purchase price or production cost or at net realisable value, whichever is lower. The purchase price or production cost of inventories include all purchase costs, processing costs and other costs incurred in bringing the inventories to their current location and condition. The achievable net value is the estimated selling price in the course of standard business activity, less the estimated costs of preparing the sale and the estimated costs necessary to make the sale.

25.2. Inventory specification

In the current year, the Group reclassified the items of equipment previously recognised in accruals to inventory. Due to the low significance of the items, comparative data were not restated. According to the new policy, the value of inventory as on 31 December 2021 would amount to PLN 70,613.

Specification	31.12.2022	31.12.2021
Inventory including:		
- consumables	71,704	-
- deposits	4,348	4,524
Gross value	**76,052**	**4,524**
Net carrying value	**76,052**	**4,524**

26. Long-term receivables and long-term prepayments

26.1. Selected accounting principles

Long-term receivables are stated and recognised in accordance with the initially invoiced amounts entailing the write-off for doubtful receivables. The write-off for receivables is estimated when the recovery of the full amount of receivables is no longer probable. Where the effect of the time value of money is material, the value of receivables is determined by discounting the projected future cash flows to their present value using the discount rate, which reflects current market assessment of the time value of money. If the discounting method is applied, the increase in the receivables due to the lapse of time is stated as finance income. Long-term receivables from guarantee deposits are discounted if the effect of the time value of money is significant.

26.2. The specification of long-term receivables and long-term prepayments

Specification	31.12.2022	31.12.2021
Deposits resulting from premises lease agreements	1,967,399	1,858,714
Permits to run bookmaking activities settled over time - long-term component	851,255	959,285
Total	**2,818,654**	**2,817,999**

(all figures are presented in PLN, unless otherwise stated)

27. Trade and other receivables

27.1. Selected accounting principles

Upon initial recognition, receivables are recognised at fair value, and then at amortised cost using the effective interest rate method, less impairment write-offs.

Short-term receivables, which are part of current assets, include all trade receivables, regardless of the contractual payment date, and that part of other receivables that is due within 12 months from the balance sheet date, excluding those receivables that meet the conditions for crediting to financial assets.

All items of trade receivables are financial instruments and are included in the group of "financial assets measured at amortised cost"

Trade receivables are measured by the Group at their transaction price as defined in IFRS 15, but this does not apply to trade receivables whose maturity is longer than one year and which contain a significant financing component as defined in IFRS 15.

27.2. Specification of trade receivables

Specification	31.12.2022	31.12.2021
Trade receivables	**7,94,515**	**1,604,779**
- related entities	-	-
- other entities	7,94,515	1,604,779
Write-downs for expected losses	**1, 104,071**	**958,806**
- related entities	-	-
- other entities	1,104,071	958,806
Total, gross trade receivables	**1,898,586**	**2,563,585**

27.3. Change in the balance of write-downs on the value of related and other receivables:

Specification	31.12.2022	31.12.2021
Trade receivables		
Write-downs on trade receivables at the beginning of the period	**958,806**	**912,073**
Increases	145,265	46,733
Decreases	-	-
Write-downs on trade receivables at the end of the period	**1,104,071**	**958,806**
Other receivables:		
Balance of write-downs on the value of other receivables at the beginning of the period	**1,605,636**	**745,713**
Increases:	758,269	1,324,873
Decreases:	-1,339,985	-464,950
Balance of write-downs on the value of other receivables at the end of the period	**1,023,919**	**1,605,636**

27.4. Specification of other receivables

Specification	31.12.2022	31.12.2021
Other receivables, including those due to:		
- taxes	*6,039,201*	*5,122,147*
- settlements with employees	*415,034*	*386,591*

(all figures are presented in PLN, unless otherwise stated)

- deposit	*-*	*23,025*
- loans	*-*	*8,826*
- settlements with payment providers	*172,832*	*6,871*
- advance payments	*-*	*248,145*
- cash blockade	6,008,115	6,008,115
– other	1,605,628	48,149
Total, other net receivables	**14,240,810**	**11,851,869**

In the blocking of cash item, the Group recognises the security of funds in STS S.A. in accordance with the decision of the District Prosecutor's Office in Ostrów Wielkopolski of 11 August 2021. This matter is described in more detail in Note 38. Other receivables include a VAT receivable in STS BET, in accordance with the calculation of the VAT deduction proportion ratio for 2022.

27.5. Specification of deferred expenditure:

Specification	31.12.2022	31.12.2021
deferred operating expenses	1,043,106	788,787
business permits	425,286	390,809
property insurance	145,207	116,289
transport insurance	59,513	53,625
deferred costs	2,911,301	1,375,486
other (sum of irrelevant items)	130,937	222,618
Total	**4,715,350**	**2,947,614**

28. Cash and cash equivalents

28.1. Selected accounting principles

Cash and cash equivalents include cash in hand and cash in bank accounts as well as short-term bank deposits (maturity of up to three months) with high liquidity (mainly overnight deposits), where the risk of impairment is insignificant. Cash and cash equivalents are classified as financial assets measured at amortised cost.

Cash equivalents are short-term, highly liquid investments, easily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Cash equivalents include deposits, promissory notes, checks and bonds. Cash and cash equivalents do not include short-term bank overdrafts and short-term investments in shares. Cash and cash equivalents are recognised at nominal value.

Cash and cash equivalents expressed in foreign currencies as on the balance sheet date are valued at the average exchange rate of the National Bank of Poland. The outflow of cash in foreign currencies is carried out using the FIFO method. Foreign exchange differences arising from the valuation of cash denominated in foreign currencies as on the balance sheet date are recognised as follows: positive exchange differences are classified as financial revenue, negative exchange differences are classified as financial expenses.

Restricted cash is classified by the Group as cash accumulated on the account of the Company Social Benefits Fund and cash constituting collateral for contingent liabilities.

(all figures are presented in PLN, unless otherwise stated)

28.2. Specification of cash and cash equivalents

Specification	31.12.2022	31.12.2021
Cash in hand	4,378,708	3,270,124
Cash at bank, including:	74,292,184	107,526,107
- restricted cash	*103,944*	*9,334,107*
Deposits	131,228,666	31,931,873
Cash in transit	13,031,647	3,705,066
Total	**222,931,205**	**146,433,170**

28.3. Cash and cash equivalents by currency:

Specification	31.12.2022	31.12.2021
PLN	198,289,244	128,007,002
EUR	16,271,635	8,428,895
GBP	1,740,327	1,098,094
CZK	6,122,762	8,686,579
USD	19,904	19,065
CHF	23,840	22,242
CAD	463,494	171,294
Total	**222,931,205**	**146,433,170**

Cash at bank earns interest at variable rates based on the interest rate on overnight bank deposits. Short-term deposits are provided for periods of various lengths depending on the Group’s current demand for cash, and bear interest at applicable interest rates. The fair value of cash is equal to the carrying amount.

The Group's exposure to interest rate risk and the sensitivity analysis for financial assets and liabilities are presented in Note 39.

28.4. Write-downs for cash and cash equivalents

The company made a write-down on cash in the amount of PLN 9.2 million, which was blocked and secured on the bank account of STS SA. The court case is described in detail in Note 38.

29. Share capital

29.1. Selected accounting principles

Share capital is shown in the nominal value of shares issued in accordance with the Articles of Association and registered in the National Court Register (KRS). The basic principle of making any changes to the share capital is to obtain an extract from the court register confirming the changes, their registration and the current amount of the share capital.

The share capital of the Group is the share capital of the Parent Entity, i.e. STS Holding S.A. The share capital both as on 31 December 2022 and 31 December 2021 was fully paid up.

(all figures are presented in PLN, unless otherwise stated)

29.2. Value of share capital

The share capital structure by share series as on 31 December 2022 is as follows:

Series/issue of shares	Type of share preference	Type of restriction of rights to shares	Number of shares	Unit value	Value of series / issue at nominal value	Form of capital contributions
A	None	None	100,000	1	100,000.00	Cash
B	None	None	156,149,998	1	156,149,998.00	In-kind contribution
C	None	None	140,000	1	140,000.00	Cash
D	None	None	144,960	1	144,960	Cash
Total	**x**	**x**	**156,534,958**	**x**	**156,534,958.00**	**x**

The share capital structure by share series as on 31 December 2021 is as follows:

Series/issue of shares	Type of share preference	Type of restriction of rights to shares	Number of shares	Unit value	Value of series / issue at nominal value	Form of capital contributions
A	None	None	100,000	1	100,000.00	Cash
B	None	None	156,149,998	1	156,149,998.00	In-kind contribution
C	None	None	140,000	1	140,000.00	Cash
Total	**x**	**x**	**156,389,998**	**x**	**156,389,998.00**	**x**

The company STS Holding SA was established on 10 March 2021 by Vistra Shelf Companies sp. z o.o., , under the business name of Vartomil Investments Spółka Akcyjna (hereinafter: Vartomil Investments S.A.). The company was based in Warsaw, ul. Towarowa 28, and was entered in the Register of Enterprises kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register under KRS number: 0000898108.

On 10 June 2021, the company's shares were acquired by the following companies: Betplay Capital sp. z o.o. (former: Betplay International sp. z o.o.), Juroszek Investments sp. z o.o. and MJ Investments sp. z o.o.

On 10 September 2021, the Extraordinary General Meeting of the Parent Entity adopted Resolution No. 3 on increasing the Company's share capital by issuing series B shares for the existing shareholders of the Company. The share capital of the Company was increased by PLN 156,149,998.00 through the issue of 156,149,998 series B shares with a nominal value of PLN 1.00 per share and an issue price of PLN 19.1767091322446 per share. All shares were offered for subscription pursuant to Art. 431 para. 2 point 1 of the Commercial Companies Code, by way of a private subscription by the existing shareholders of STS Holding S.A. holding the company's shares as at the subscription rights date, in exchange for an in-kind contribution in the form of 112,150,000 series A and B registered shares of STS Spółka Akcyjna with its registered office in Katowice. The total value of the in-kind contribution was PLN 2,994,443,131.00.

The capital increase was registered by the Registry Court on 4 November 2021.

On 21 October 2021, the Extraordinary General Meeting of STS Holding S.A. adopted Resolution no. 5 on increasing the Company's share capital by way of issuing series C shares, depriving the existing shareholders of the company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series C shares to trading on the regulated market kept by the Warsaw Stock Exchange. The Company's share capital was increased by PLN 140,000.00 through the issue of 140,000 series C ordinary registered shares. The shares were acquired by Mr Zdzisław Kostrubała (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00, and Mr Marcin Walczysko (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00.

On 23 November 2021, the Polish Financial Supervision Authority approved the Offering Memorandum of STS Holding S.A. The process of offering and allocating series A and B shares to investors was completed on 8 December 2021. Series A, B and C shares have been listed on the Warsaw Stock Exchange since 10 December 2021 under the STH symbol (ISIN: PLSTSHL00012).

(all figures are presented in PLN, unless otherwise stated)

On 5 May 2022, the Management Board of STS Holding S.A. adopted Resolution no. 3 on increasing the Company's share capital by way of issuing series D shares, depriving the existing shareholders of the Company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series D shares to trading on the regulated market kept by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.], in connection with the implementation of the "STS Holding S.A. Incentive Program". The share capital was increased by issuing 144,960 series D ordinary bearer shares with a par value of PLN 1.00 per share and an issue price of PLN 1.00 per share. The shares of the new issue of series D were offered to key managers of the STS Group in accordance with the terms and conditions of the Regulation of "STS Holding S.A. Incentive Program". Payments for the shares were made prior to the adoption of Resolution No. 3. The share capital increase was registered by the Registry Court on 1 June 2022.

The share capital structure by shareholders holding more than 5% of votes at the General Meeting of Shareholders as on 21 March 2023 is as follows:

Shareholders	Number of shares	Nominal value of shares (PLN)	Participation in share capital (%)	Number of votes	Share in the total number of votes at the General Meeting of Shareholders (%)
Mateusz Juroszek and Zbigniew Juroszek, including:	109,619,476	PLN 109,619,476.00	70.03%	109,619,476	70.03%
• *Juroszek Holding sp. Z o.o.*	*52,713,314*	*PLN 52,713,314.00*	*33.68%*	*52,713,314*	*33.68%*
• *MJ Investments sp. z o.o.*	*39,859,376*	*PLN 39,859,376.00*	*25.46%*	*39,859,376*	*25.46%*
• *Betplay Capital sp. z o.o.*	*17,046,786*	*PLN 17,046,786.00*	*10.89%*	*17,046,786*	*10.89%*
Nationale Nederlanden Powszechne Towarzystwo Emerytalne S.A.	9,375,000	PLN 9,375,000.00	5.98%	9,375,000	5.98%
Others	37,540,482	PLN 37,540,482.00	23.99%	37,540,482	23.99%
Total:	**156,534,958**	**PLN 156,534,958.00**	**100.00 %**	**156,534,958**	**100.00 %**

The share capital structure by shareholders holding more than 5% of votes at the General Meeting of Shareholders as on 31 December 2022 is as follows:

Shareholders	Number of shares	Nominal value of shares (PLN)	Participation in share capital (%)	Number of votes	Share in the total number of votes at the General Meeting of Shareholders (%)
Mateusz Juroszek and Zbigniew Juroszek, including:	109,619,476	PLN 109,619,476.00	70.03%	109,619,476	70.03%
• *Juroszek Holding sp. Z o.o.*	*52,713,314*	*PLN 52,713,314.00*	*33.68%*	*52,713,314*	*33.68%*
• *MJ Investments sp. z o.o.*	*39,859,376*	*PLN 39,859,376.00*	*25.46%*	*39,859,376*	*25.46%*
• *Betplay Capital sp. z o.o.*	*17,046,786*	*PLN 17,046,786.00*	*10.89%*	*17,046,786*	*10.89%*
Nationale Nederlanden Powszechne Towarzystwo Emerytalne S.A.	9,375,000	PLN 9,375,000.00	5.98%	9,375,000	5.98%
Others	37,540,482	PLN 37,540,482.00	23.99%	37,540,482	23.99%
Total:	**156,534,958**	**PLN 156,534,958.00**	**100.00 %**	**156,534,958**	**100.00 %**

On 14 November 2022, the Parent Entity received a notification from Norges Bank about the reduction of its share below the threshold of 5% of the total number of votes at the General Meeting of Shareholders.

(all figures are presented in PLN, unless otherwise stated)

On 13 July 2022, MJ Investments sp. z o.o. acquired 74,474 shares in STS Holding S.A.

Shareholders	Number of shares	Nominal value of shares (PLN)	Participation in share capital (%)	Number of votes	Share in the total number of votes at the General Meeting of Shareholders (%)
Mateusz Juroszek and Zbigniew Juroszek, including:	109,375,000	PLN 109,375,000.00	69.94%	109,375,000	69.94%
• *Juroszek Holding sp. Z o.o.*	*52,628,313*	*PLN 52,628,313.00*	*33.65%*	*52,628,313*	*33.65%*
• *MJ Investments sp. z o.o.*	*39,699,901*	*PLN 39,699,901.00*	*25.39%*	*39,699,901*	*25.39%*
• *Betplay Capital sp. z o.o.*	*17,046,786*	*PLN 17,046,786.00*	*10.90%*	*17,046,786*	*10.90%*
Norges Bank	10,145,400	PLN 10,145,400.00	6.49%	10,145,400	6.49%
Nationale Nederlanden Powszechne Towarzystwo Emerytalne S.A.	9,375,000	PLN 9,375,000.00	5.99%	9,375,000	5.99%
Others	27,494,598	PLN 27,494,598.00	17.58%	27,494,598	17.58%
Total:	**156,389,998**	**PLN 156,389,998.00**	**100.00 %**	**156,389,998**	**100.00 %**

The share capital structure by shareholders holding more than 5% of votes at the General Meeting of Shareholders as on 31 December 2021 is as follows:

30. Other reserve capitals

30.1. Selected accounting principles

Other reserve capitals include amounts relating to:

- share-based payments resulting from the incentive program for the management staff,
- exchange differences from translation of statements of foreign companies in the consolidation process.

30.2. The value of other reserve capital

The amount of the incentive program was PLN 11,666,622 as on 31 December 2022 and PLN 3,917,102 as on 31 December 2021.

Translation differences amounted to PLN -801,896 as on 31 December 2022 and PLN -721,506 as on 31 December 2021.

30.3. Foreign exchange differences from the translation of subsidiaries

This item includes exchange differences from the conversion of the subsidiaries included in the consolidation that have a functional currency other than Polish zloty. The Group converts the above-mentioned data according to the following procedures:

- assets and liabilities are translated at the exchange rate as on the balance sheet date:
  - for the EUR currency it was 4.6899 as on 31.12.2022 and 4.5994 as on 31.12.2021,
  - for the CZK currency it was 0.1942 as on 31.12.2022 and 0.1850 as on 31.12.2021,
- revenue and costs are translated at the weighted average exchange rate for the period.
  - for the EUR currency it was 4.6883 as on 31.12.2022 and 4.5775 as on 31.12.2021,
  - for the CZK currency it was 0.1910 as on 31.12.2022 and 0.1785 as on 31.12.2021,

The amount of exchange differences recognised in the statement of comprehensive income, except for differences arising from financial instruments measured at fair value through the statement of comprehensive income in accordance with IFRS 9, in the statement of comprehensive income for the period from 1 January 2022 to 31 December 2022 amounted to - PLN 80,390.

31. Retained earnings

31.1. Selected accounting principles

Retained earnings also include changes in the payment of dividends to shareholders of the Parent Entity, as well as supplementary capital recognised in the separate financial statements of the Parent Entity, resulting from the transfer of the part of result to supplementary capital.

31.2. Value of retained earnings

As on 31 December 2022, the value of retained earnings attributable to the shareholders of the Parent Entity amounted to PLN 11,076,431, of which:

- the retained profit of the Group for the current year attributable to the shareholders of the Parent amounted to PLN 168,904,850;
- advance payment of dividend to shareholders of the parent entity for 2022 amounted to PLN -42,264,439,
- the retained result of the previous years of the Group attributable to the shareholders of the Parent Entity amounted to PLN -115,563,980.

32. Dividends

32.1. Selected accounting principles

In the medium-term, the Parent Entity's intention is to distribute 100% of the net profit of the Company for the relevant financial year as dividends. It is the Company's intention, provided that the financial capabilities, market conditions and current investment needs permit, to achieve a dividend company status. In the event that the Group plans to undertake material M&A, the Parent Entity reserves the right to reduce the payout ratio or suspend the dividend payment. .

The Company will ensure payment of advances on expected dividends by its subsidiary STS S.A. in order to accelerate the distribution of profits to the Company's shareholders. An advance on account of a dividend may constitute no more than a half of the profit made from the end of the previous financial year, disclosed in the audited financial statements, increased by reserve capitals established from profit at the disposal of the Management Board for the payment of advances and decreased by uncovered losses and own shares.

In submitting proposed dividend payments, the Management Board will take into account in particular the relevant laws and regulations, the liquidity and capital requirements necessary for the Company's business growth and absorption of potential losses resulting from the materialisation of unexpected stress scenarios, such as a sharp decline in the GDP growth or adverse currency or interest rate fluctuations.

However, the Management Board may review the dividend policy from time to time and any future dividends will be paid subject to the Annual General Meeting's decision, taking into account several factors concerning the Company, including its prospects, expected future net profits, cash requirements, financial standing, level of liquidity ratios, business expansion and growth plans, as well as the relevant laws and regulations to make such decision and the amount that may be distributed to shareholders in accordance with law. Additionally, the approval of dividends and their amounts to be paid is always a decision of the shareholders at the Annual General Meeting, who are not bound by any dividend recommendation of the Management Board.

(all figures are presented in PLN, unless otherwise stated)

32.2. Value of paid and declared dividends

Dividends paid by STS S.A.

On 25 May 2022, the Ordinary General Meeting of STS S.A. adopted Resolution No. 3 on the distribution of the net profit of STS S.A. for 2021 in the amount of PLN 153,325,065.11 less the advance payment for dividends in the amount of PLN 67,454,043.94 paid to the Shareholder of STS Holding S.A. The remaining amount of PLN 85,871,021.17 will be paid to the Shareholder as a dividend on 27 June 2022.

The Management Board of STS S.A., acting pursuant to the consent of the Supervisory Board of STS S.A. granted under the resolution of the Supervisory Board of STS S.A.decided to make an advance payment for the dividend for the financial year of 2022 to the sole shareholder of the Company, i.e. STS Holding S.A. The amount of the advance payment was PLN 41,500,000.00. The advance was paid on 20 December 2022.

Dividends paid by STS Holding S.A.

In accordance with the resolution of 22 June 2022, adopted by the Ordinary General Meeting of Shareholders of STS Holding S.A. regarding the payment of dividends and distribution of the Company's profit, the General Meeting of Shareholders allocated the Company's net profit for 2021 in the amount of PLN 57,917,934.46 for the payment of dividends for shareholders of the Company, which means that the dividend amount was PLN 0.37 per share. The dividend record date has been set at 16 August 2022 and the dividend was paid on 26 August 2022.

On 20 September 2022, the Supervisory Board of STS Holding S.A., acting under Art. 349 sec. 1 of the Commercial Companies Code and Partnerships and Art. 26 sec. 4 of the Company's Articles of Association, adopted a resolution on granting consent to the payment of an advance on the expected dividend for 2022. Therefore, on 20 September 2022, the Management Board decided to pay the advance for the expected dividend for 2022 and determined that the advance payment for the dividend will amount to PLN 42,264,438.66, i.e. not more than half of the Company's profit earned from the end of the previous financial year, recognised in the financial statements as on 30 June 2022 and audited by a statutory auditor. The advance payment covered 156,534,958 shares of the Company. The advance payment per 1 share amounted to PLN 0.27. The date of establishing the list of shareholders entitled to the advance payment: 24 October 2022. The advance payment for the dividend was made on 31 October 2022.

Specification	BZ	BO
Dividends recognised as distributions to owners per share:	0.37	-
Value in PLN	57,917,934	125,338,840
Dividends recognised as distributions to owners per share:	0.27	-
Value in PLN	42,264,439	-
	100,182,373	**125,338,840**

33. Capital attributable to non-controlling interests

33.1. Selected accounting principles

Shares held by non-controlling shareholders include shares in the company included in the consolidation in accordance with IFRS 3 that do not belong to the Group. Equity belonging to non-controlling shareholders is determined as the value of the net assets of the related entity, attributable to the shareholders from outside the group of companies on the date of acquisition. That value is decreased/increased by the increase/decrease in equity attributable to the value of shares belonging to non-controlling shareholders from the date of acquisition.

Non-controlling interests are recognised at the attributable fair value of net assets. In subsequent periods, results attributable to non-controlling interests are attributed to the owners of the parent entity and non-controlling interests, even if the non-controlling interests become negative as a result. Subsidiaries sold in the financial year are subject to consolidation from the beginning of the financial year to the date of sale. Financial results of entities acquired during the year are recognised in the financial statements from the date on which they are acquired.

(all figures are presented in PLN, unless otherwise stated)

Capital attributable to non-controlling interests concerning Betsys s.r.o., in which the Group holds a 74% share.

Specification	31.12.2022	31.12.2021
Opening balance	3,461,762	4 788,003
Share in the net result	10,004,443	4,447,427
Other	-4,451,367	-5 773,668
Total	**9,014,838**	**3,461,762**

Information on non-controlling interests and summarised financial information (Betsys s.r.o.):

Specification	31.12.2022	31.12.2021
Non-controlling interest (%)	26%	26%
Non-controlling interest at the end of the reporting period	9,014,838	3,461,762
Financial result attributable to non-controlling interests	10,004,443	4,447,427
CURRENT ASSETS	27,513,154	20,922,221
Fixed assets	20,845,454	257,300
Short-term liabilities	9,011,332	3,736,784
Long-term liabilities	86,834	-
Revenue from sales	65,595,539	48,539,006
Financial result	**10,004,443**	**4,447,427**

34. Trade liabilities and other liabilities

34.1. Selected accounting policies for trade and other liabilities

Trade and other liabilities are initially recognised at fair value, and then at amortised cost using the effective interest rate, except for short-term financial liabilities, which are recognised at the amount due.

In the case of trade liabilities (excluding liabilities to customers due to deposits, bonuses and bets) and other short-term liabilities included in the category measured at amortised cost, the Group applies a simplification consisting in their subsequent valuation in the amount payable due to the insignificant discount effect.

Due to the change in the presentation of CIT liabilities - they are shown in note 35 - in notes 34.3-34.7, the comparable data for 2021 did not include the income tax liability.

Other liabilities are included in current liabilities, unless their maturity is longer than 12 months from the balance sheet date.

They are initially recognised at fair value and then measured at amortised cost using the effective interest rate method.

34.2. Specification of trade liabilities

Specification	31.12.2022	31.12.2021
Trade liabilities, including:		
liabilities towards related entities	-	-
liabilities towards other entities	17,917,460	16,236,637
Total	**17,917,460**	**16,236,637**

(all figures are presented in PLN, unless otherwise stated)

34.3. Specification of other liabilities

Specification	31.12.2022	31.12.2021
Liabilities for other taxes, customs duties, social security and others, except for corporate income tax, including:	**57,299,863**	**56,950,820**
- gambling and lottery tax	49,760,712	45,965,530
- personal income tax	3,224,472	2,928,986
- public law settlements	4,301,235	3,904,607
- tax on goods and services (VAT)	8,193	3,684,479
- other	5,251	467,219
Payroll liabilities to employees, including:	**5,181,806**	**4,683,056**
- under an employment contract	4,475,056	4,096,650
- under the contract of mandate	640,425	516,388
- other	66,325	70,018
Other liabilities, including:	**46,257,077**	**35,651,852**
Deposits	23,421,401	16,651,638
Bonuses	12,006,486	12,402,110
Provisions for future expenses	10,014,007	5,994,519
Employee Capital Plans (PPK)	142,885	119,997
Settlements with employees	115,423	88,555
Insurance	18,905	64,491
Other	537,970	330,554
Pending bets	**2,355,756**	**1,908,250**
Special funds	93,591	90,731
Total:	**111,188,033**	**99,284,722**

34.4. Age structure of trade and other short-term liabilities:

Specification	31.12.2022	31.12.2021
not overdue	128,364,526	115,332,631
overdue, including:	741,027	188,728
from 1 month to 3 months	224,961	22,705
from 3 months to 1 year	448,350	164,291
Over 1 year	67,716	1,732
Total	**129,105,553**	**115,521,359**

(all figures are presented in PLN, unless otherwise stated)

34.5. Currency structure of trade and other short-term liabilities:

Specification	31.12.2022	31.12.2021
PLN	112,089,541	99,876,677
EUR	7,970,622	7,847,775
CZK	8,950,712	3,731,145
USD	53,552	1,936,459
GBP	41,126	1,674,916
Other	-	454,387
Total	**129,105,553**	**115,521,359**

34.6. Maturity dates of trade and other short-term liabilities as on 31 December 2022:

Specification	up to 1 month	from 1 month up to 3 months	from 3 months up to 1 year	Over 1 year	Total
Trade liabilities	17,176,433	224,961	448,350	67,716	17,917,460
Public law liabilities	66,480,848				66,480,848
Payroll liabilities	5,181,806				5,181,806
Other liabilities	39,525,439				39,525,439
Total	**128,364,526**	**224,961**	**448,350**	**67,716**	**129,105,553**

34.7. Maturity dates of trade and other short-term liabilities as on 31 December 2021:

Specification	up to 1 month	from 1 month to 3 months	over 3 months up to 1 year	Over 1 year	Total
Trade liabilities	15,859,181	22,705	164,291	1,732	16,047,909
Public law liabilities	56,950,820	-	-	-	56,950,820
Payroll liabilities	4,683,056	-	-	-	4,683,056
Other liabilities	37,839,574	-	-	-	37,839,574
Total	**115,332,631**	**22,705**	**164,291**	**1,732**	**115,521,359**

35. Current income tax liabilities

35.1. Specification:

Specification	31.12.2022	31.12.2021
Corporate income tax	9,180,986	2,923,292
Total:	**9,180,986**	**2,923,292**

36. Guarantees and sureties granted

36.1. Selected accounting principles regarding guarantees and sureties

Financial guarantees are contracts that establish the fulfilment of obligations under the guarantee in the form of payment of amounts corresponding to the losses incurred by the beneficiary as a result of the debtor's failure to repay the debt within the required period.

36.2. Specification of guarantees and sureties:

STS S.A. is a party to an aircraft lease agreement, with the parent company - Betplay Capital Sp. z o. o. (former Betplay International sp. z o. o.) with its seat in Katowice as the lessee and mLeasing Sp. z o.o. as the lessor. It is a tripartite agreement where STS S.A. acts as a guarantor of blank promissory notes issued by Betplay Capital Sp. z o.o. to secure the agreement and STS S.A. will be jointly and severally liable if BI ceases to make lease payments under the contract with conditional assumption of rights and responsibilities. The total value of the leased assets is PLN 37 million, the monthly lease payment is PLN 520 thousand, lease period: 5 years.

37. Contingent liabilities

37.1. Selected accounting principles for contingent liabilities

A contingent liability is:

- a possible obligation that may arise as a result of past events, the fulfilment of which will be confirmed only at the time of the occurrence or non-occurrence of one or more future events that are beyond the Group's control,
- a present obligation that arises from past events but is not recognised in the consolidated financial statements because the amount of the obligation cannot be measured reliably or it is not probable that an outflow of funds will be required to settle the obligation.

37.2. Specification of contingent liabilities

On **14 June 2022**, STS S.A. signed an overdraft agreement for the amount not exceeding PLN 20 million. The final payment of the balance must be made by 30 May 2023.

The repayment of the Bank's receivables is secured by a blank promissory note issued by the borrower with a promissory note declaration of 14 June 2022.

On **2 September 2021**, a multi-purpose overdraft limit agreement was concluded between: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, and STS S.A. and Betplay Capital sp. z o.o. (former Betplay International sp. z o.o.) (Borrowers).

On **31 May 2022,** an annex to the agreement was signed, under which the agreement was amended in terms of reduction of the credit limit to PLN 20 million, extension of the period for which the limit was granted until 31 May 2023 and release of Betplay Capital Sp. z o. o. from any obligations incurred under the Agreement.

The loan repayment is secured by a blank promissory note issued by the Company STS S.A., along with a promissory note declaration, and a civil law surety of: Zbigniew Juroszek to the amount of PLN 30 million and Mateusz Juroszek to the amount of PLN 30 million.

As on the balance sheet date, 31 December 2022, and as on the date of these consolidated financial statements, STS S.A. has not used the credit lines granted.

On **25 January 2022**, the Issuer's subsidiary, i.e. STS S.A., received the decision of GIIF on the imposition of an administrative penalty on STS S.A. in connection with the violation of certain provisions of the Act of 1 March 2018 on counteracting money laundering and financing terrorism (“AML Act”). According to the information obtained, GIIF, by decision of 14 January 2022, imposed an administrative penalty on STS S.A. in the amount of PLN 2,950,000.00. The case is described in more detail in Note 38.

38. Court cases update

According to the information disclosed by the Company in the prospectus, in March 2020, the General Inspector of Financial Information (GIIF) concluded an inspection of STS S.A.'s business with respect to compliance with the applicable obligations and noticed a number of shortcomings, in particular with respect to the obligation to monitor and report suspicious transactions or activity. STS S.A. issued objections to the findings of GIIF, in particular with respect to the relevant compliance procedures and systems of the Group. On 6 September 2021, in connection with the abovementioned inspection of GIIF, administrative proceedings were initiated against STS S.A. with respect to the imposition of a penalty for failure to comply with certain obligations under the AML Act. On 25 January 2022, the Issuer's subsidiary, i.e. STS S.A., received the decision of GIIF on the imposition of an administrative penalty on STS S.A. in connection with the violation of certain provisions of the Act of 1 March 2018 on counteracting money laundering and terrorist financing. GIIF, by the decision of 14 January 2022, imposed an administrative penalty on STS S.A. in the amount of PLN 2,950,000.00.
In the opinion of the Issuer, the imposition of an administrative penalty by GIIF and the initiation of the proceedings in question was unjustified. In particular, the explanations presented by STS S.A., submitted both as part of the control and administrative proceedings, were not taken into consideration by GIIF. In the opinion of the Issuer's Management Board, STS S.A. complied with all procedures required by law, including the verification of players, reporting and compliance with other obligations under the AML Act. Therefore, STS S.A. appealed against the decision of GIIF and to use all the means of appeal it is entitled to, including an appeal to the administrative court. In the Issuer's opinion, the administrative penalty imposed by GIIF will not have a significant impact on the financial situation of the Issuer's Group. The decision of GIIF is not final, and the penalty will be payable only from the date on which the decision to impose it becomes final.
Fines are typical administrative sanctions for non-compliance with regulatory obligations. However, one of the sanctions provided by the Polish Gambling Law for failure to comply with the obligations relating to the prevention of money laundering or terrorism financing is the withdrawal of the relevant licenses to conduct sports betting. Any sanctions imposed and/or regulatory measures applied may require the Group to expend significant capital or other resources, modify internal standards, procedures, systems or the Group's product offering, and may require the Group to modify or cease its operations, all of which could adversely affect the Group's business, performance, prospects, value, financial condition, and results of operations. In the Group's opinion, the probability of the materialisation of this risk is medium.

In January 2020, funds in the account of the company STS S.A. in the amount of PLN 9.2 million were blocked and secured in connection with different pending criminal proceedings as funds potentially derived from the illegal activity of a person who was in the past a client of the Group and was indicted for money laundering. The company STS S.A. was not a party to the criminal proceedings against that person and could not directly challenge the blocking of its funds. At the same time, STS S.A. takes all available legal steps to suspend the possible enforcement of blocked funds. In May 2021, the company STS S.A. filed a civil claim against the State Treasury for the release of the blocked and secured amounts. The relevant proceedings are pending and a ruling has yet to be issued. On 29 August 2022, as reported in current report no. 19/2022, STS S.A. was informed about the seizure of cash receivables from the bank account of the Issuer's subsidiary, i.e. STS S.A., for the amount of PLN 9.2 million. This seizure, due to the legal protection measures taken by the Company, has not yet been enforced. Out of prudence, a write-down was created in the ledgers of STS S.A. for the full amount of the seizure.

By the decision of the District Prosecutor's Office in Ostrów Wielkopolski of 11 August 2021, the funds in one of STS S.A.'s bank accounts were blocked up to the amount of: PLN 6,008,115.09 in connection with the suspicion of committing a money laundering offence by one of the customers of STS S.A. staking amounts with STS S.A. The decision was implemented by blocking the funds accumulated on the account of STS S.A. at mBank S.A. (pursuant to Art. 86 sec. 10 in conjunction with sections 9 and 11 of the Act on counteracting money laundering and terrorist financing). The blockade was established for a period of 6 months, i.e. until 11 February 2022. The complaint of STS S.A. against the above-mentioned blockade was dismissed on 8 November 2021 by the Regional Court in Kalisz. The blockade of the account was then changed by the order of the District Prosecutor's Office in Ostrów Wielkopolski of 3 November 2021, which established security on the property of the suspect threatened to forfeit it to the State Treasury, of the financial benefit resulting from the crime or return to the victim of the financial benefit that the perpetrator obtained from the committed crime, through the seizure of property in the form of funds from the crime and accumulated on the above-mentioned a bank account kept for STS S.A. STS S.A. is neither a direct nor an indirect perpetrator of the act being the subject of the proceedings, and therefore, according to the Management Board, taking such strict actions by the Public Prosecutor's Office in relation to STS S.A. is disproportionate and pointless. At the moment, it is difficult to determine the chances of STS to release the above-mentioned secured amount, as STS S.A. is not a party to the criminal proceedings under which the blockade was established and then the property was secured. As on the date of issuing the Report, the District Court in Kalisz has not yet considered a complaint of STS S.A. against the Prosecutor's Office's decision concerning the security. Apart from the aforementioned appeal, until the customer's criminal case is legally resolved, STS S.A. is not entitled to any additional legal remedies allowing questioning of the Prosecutor's Office's decision concerning the security.

39. Provisions

39.1. Selected accounting principles

Provision is recognised when the Group has a present, legal or constructive obligation arising from past events, which can be reliably measured and it is probable that meeting of the obligation will result in an outflow of economic benefits. When the effect of the time value of money is material, provisions are estimated by discounting the expected future cash flows based on a pre-tax rate that reflects current market estimates of changes in the time value of money and, if appropriate, the risk associated with a given component of liabilities.

Defined Benefit Plan
Liabilities and provisions for employee benefits disclosed in the statement of financial position include the following titles:

- provisions for unused holiday leaves,
- retirement benefits.

Provisions for unused holiday leaves
The Group creates a provision for the costs of accumulated paid absences, which it will have to incur as a result of the entitlement not used by the employees, if such entitlement had accrued as on the balance sheet date. The provision for unused holidays is a short-term provision and is not discounted.

Retirement severance pays
The Group is obliged under the applicable regulations to pay retirement benefits and disability benefits in the amount consistent with the provisions of the Labour Code. The amount of the retirement gratuity payments results from the provisions of the Labour Code in force on the day the retirement gratuity is paid.
The Group's liability resulting from the retirement benefits is calculated by estimating the amount of the employee's future remuneration in the period in which the employee will reach the retirement age and by estimating the amount of the future retirement benefit. These benefits are discounted to the present value. The discount rate is obtained based on the market rate of return on Treasury bonds at the end of the reporting period. Retirement benefit liability is recognised proportionally to the expected period of service of the employee.
The calculation is performed by an authorised actuary using the projected unit credit method. Employee turnover is estimated on the basis of historical data and forecasts of the future employment level. The effects of actuarial calculations are recognised in profit or loss.

Valuation of provisions
Provisions are made at the amount representing the most reliable estimate of the expenditure required to fulfil the present obligation at the end of the reporting period.

Provisions for retirement benefits and the costs of unused leaves were estimated on the basis of the available personnel and financial and accounting information. Provisions for the costs of unused leaves are calculated at the end of the financial year on the basis of the actual number of days of unused leaves in the current period and increased by the number of days of unused leaves from previous periods. The number of days obtained in this way is multiplied by the average remuneration for individual employees. Provisions for unused holidays are calculated at the end of each year, i.e. the adjustment of the provisions for actually incurred costs of used leaves is made at the end of each year.

(all figures are presented in PLN, unless otherwise stated)

39.2. Specification of the provision for retirement pensions and similar benefits

Specification	Provisions for retirement and pension gratuities	Provisions for unused holiday leaves
Balance as on 1 Jan 2021	**434,501**	**1,844,310**
Establishment/update of a provision	524,878	2,292,807
Costs of benefits paid (use of the reserve)	-	-
Provision release	-434,501	-1,844,310
Balance as on 31 Dec 2021, including:	**524,878**	**2,292,807**
- long-term	524,878	-
- short-term	-	2,292,807
Balance as on 01.01.2022	**524,878**	**2,292,807**
Establishment/update of a provision	478,738	2,131,844
Costs of benefits paid (use of the reserve)	-	-
Provision release	-524,878	-2,292,808
Balance as on 31.12.2022, including:	**478,738**	**2,131,844**
- long-term	478,738	-
- short-term	-	2,131,844

39.3. Specification of other provisions

Information on other provisions is presented in the tables below:

Specification	31.12.2022	31.12.2021
Other, including the provision for the audit of the financial statements	**185,610**	**185,177**
- long-term	-	-
- short-term	185,610	185,177

Change in the balance of provisions:

Specification	31.12.2022	31.12.2021
Other short-term provisions	**185,177**	**55,474**
Created during the financial year	130,506	348,757
Used	-130,073	-43,050
Released	-	-176,004
Total:	**185,610**	**185,177**

The Group is not obliged to create a provision for decommissioning, recultivation and environmental repair.

40. Financial instruments

40.1. Selected accounting principles

The Group recognises a financial liability in the statement of financial position when it becomes bound by the provisions of the instrument contract.

At the moment of initial recognition, the Group measures financial liabilities at fair value, i.e. most often at the transaction price. Transaction costs are included in the initial value of financial liabilities, except for liabilities measured at fair value through profit or loss.

The subsequent measurement of financial liabilities depends on their classification into one of the following categories:

- liabilities measured at amortised cost (using the effective interest rate method), or
- financial liabilities measured at fair value through financial result,

Financial liabilities that meet the definition of liabilities held-for-trading are classified as financial liabilities measured at fair value through profit or loss. In accordance with IFRS 9, financial assets or financial liabilities are held for trading if:

- they were acquired or contracted mainly for the purpose of sale or repurchase in the near term,
- upon initial recognition, they are part of a portfolio of specific financial instruments that are managed together and for which there is evidence of the actual current mode of generating short-term profits, or
- they are a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The category of financial liabilities measured at fair value through profit or loss includes liabilities to customers due to deposits made, bonuses granted and amounts staked and outstanding as on the balance sheet date.

Fair value of financial instruments

Below are the details of fair values of financial instruments for which it is possible to estimate:

- Cash and cash equivalents, short-term bank deposits and short-term bank loans. The carrying amount of such instruments is close to their fair value due to the quick maturity of these instruments.
- Trade receivables, other receivables, trade payables. The carrying amount of such instruments is close to their fair value due to their short-term nature.
- Received borrowings and bank credits. The carrying amount of such instruments is close to their fair value due to the variable interest rate based on market rates.

Interest rate swap financial instruments (hereinafter referred to as IRS) are initially recognised at fair value adjusted by transaction costs, and then at fair value on each balance sheet date, with the effect of the valuation recognised in the income statement on an ongoing basis.

The fair value of financial instruments for which there is no active market shall be estimated using appropriate valuation techniques. When selecting the appropriate methods and assumptions, the Group uses professional judgment.

In the case of the valuation of participation instruments in investment funds, the Group uses the valuations of fund management companies.

(all figures are presented in PLN, unless otherwise stated)

40.2. Specification of financial instruments

The allocation of financial assets and financial liabilities to the categories of financial instruments listed in IFRS 9 is as follows:

Item	Instrument category under IFRS 9	Carrying value 31.12.2022	Carrying value 31.12.2021	Fair value 31.12.2022	Fair value 31.12.2021
Assets					
Non-current prepayments and non-current accrued income, including:		**2,818,654**	**2,817,999**	**2,818,654**	**2,817,999**
- deposit receivables	AZK	1,967,399	1,858,713	1,967,399	1,858,713
Other long-term and short-term financial assets, including:		**11,574,071**	**11,564,685**	**11,574,071**	**11,564,685**
- investment fund participation units	AWF	4,162,113	4,159,622	4,162,113	4,159,622
- shares of a company listed on the WSE	AWF	883,945	1,017,839	883,945	1,017,839
- corporate bonds	AZK	6,528,013	6,387,224	6,528,013	6,387,224
Trade receivables	AZK	**794,515**	**1,604,779**	**794,515**	**1,604,779**
Other (short-term) receivables, including:		**18,956,160**	**14,799,482**	**18,956,160**	**14,799,482**
- tax receivables (other than financial instruments)		6,039,201	5,122,147	6,039,201	5,122,147
- other receivables	AZK	12,916,959	9,677,335	12,916,959	9,677,335
Cash and cash equivalents, including:	AZK	222,931,205	146,433,170	222,931,205	146,433,170
- deposits		131,228,666	31,616,873	131,228,666	31,616,873
Liabilities					
Right-of-use liabilities (long- and short-term)	ZZK	**28,564,859**	**40,004,262**	**28,564,859**	**40,004,262**
Other long-term liabilities		-	-	-	-
Credits and loans	ZZK	-	-	-	-
Trade liabilities	ZZK	**17,917,460**	**16,236,637**	**17,917,460**	**16,236,637**
Other liabilities, including:		**120,369,079**	**102,208,014**	**120,369,079**	**102,208,014**
- public law liabilities, including corporate income tax (other than financial instruments)		66,480,849	59,874,124	66,480,849	59,874,124
- liabilities to customers for deposits, bonuses and pending bets, including:	ZWF + ZZK	35,427,887	30,961,998	35,427,887	30,961,998
- liabilities due to pending bets	*ZWF*	2,355,756	*1,908,250*	2,355,756	*1,908,250*
- payroll liabilities		5,181,806	4,683,056	5,181,806	4,683,056
- other liabilities	ZZK	13,278,537	6,688,836	13,278,537	6,688,836

(all figures are presented in PLN, unless otherwise stated)

Financial instrument categories under IFRS 9 (key to symbols):

- AZK - financial assets measured at amortised cost,
- AWF - financial assets measured at fair value through financial result,
- ZZK - Financial liabilities measured at amortised cost,
- ZWF - financial liabilities measured at fair value through financial result.

As on 31 December 2022 and on 31 December 2021, the Group did not have any financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss include only items that are compulsorily classified in this category in accordance with IFRS 9.

Only the financial liabilities that meet the definition of liabilities held-for-trading according to IFRS 9 are classified as financial liabilities measured at fair value through profit or loss.

The Group has not designated hedged items or financial assets or liabilities as hedging items and does not apply hedge accounting.

40.3. Comparison of fair values with the values on the reporting date

In the opinion of the Management Board of the Parent Entity, the fair value of financial assets and liabilities does not differ materially from the values disclosed in the statement of financial position.
The rationale for this statement for each type of asset and liability is presented below.

- Cash and cash equivalents (including short-term bank deposits) - the value as on the reporting date is close to the fair value due to their immediate maturity or short-term maturity, and variable interest rates.
- Trade receivables, other receivables, trade payables and other liabilities - the value as on the reporting date is close to the fair value due to the short payment terms and, in the case of receivables, due to the recognised write-downs for expected credit losses.
- Long-term receivables - the value as on the reporting date is close to fair value - this item is relatively immaterial for the entire report, so the difference between the fair value and the book value would also be immaterial.
- Investment fund participation units - valuation in the statement of financial position at fair value based on the valuation of investment fund companies.
- Bonds - fair value assessment based on listing,
- Right-of-use liabilities - using the lessee's marginal interest rate determined on the basis of prevailing market interest rates for similar liabilities.

40.4. Fair value measurement hierarchy

In the consolidated finacial statements, at the end of each financial year, investment fund participation units and liabilities to customers due to deposits, bonuses and pending bets were measured at fair value at the end of each financial year. Disclosures about the fair value measurement hierarchy that reflect the significance of the input data used in the measurement of fair value are included in the tables below.

	31.12.2022		
Specification	Level 1	Level 2	Level 3
Assets - Investment fund participation units	2,017,792	2,144,321	-
Liabilities- Liabilities to customers for deposits, bonuses and pending bets			2,355,756
Total	**2,017,792**	**2,144,321**	**2,355,756**

(all figures are presented in PLN, unless otherwise stated)

	31.12.2021		
Specification	Level 1	Level 2	Level 3
Assets - Investment fund participation units	2,127,982	2,031,640	-
Liabilities- Liabilities to customers for deposits, bonuses and pending bets			1,908,250
Total	**2,127,982**	**2,031,640**	**1,908,250**

Level 1 of the fair value hierarchy comprises financial assets whose fair value is measured on the basis of prices quoted in active markets for identical assets. Level 2 of the fair value hierarchy are financial assets whose fair value is measured using valuation models where all significant inputs are observable on the market directly (as prices) or indirectly (based on prices). This category includes financial instruments for which there is no active market. Investment fund participation units are included in in this category. Input data are identified as the fund's net asset value per share (participation unit). The valuation method adopted and used by the Group is the valuation according to the official net asset value of the fund per participation unit as on the balance sheet date, as announced by the collective investment institution.

Valuation techniques and inputs used by the Group for fair value measurements classified under level 3 of the fair value hierarchy:

- in the case of amounts due to customers for deposits made and bonuses granted to customers, the estimated fair value is the nominal value of deposits made by customers and bonuses granted to customers;
- in the case of bets pending as on the balance sheet date, the estimated fair value is the value adjusted by the expected margin of the Group based on the data from the last three years and relevant information available as on the reporting date.

Liabilities for pending bets are valued at the end of each financial year. The valuation effect is recognised in sales revenue (revenue from betting).

Changes in the value of pending bets and the amounts resulting from the valuation recognised in profit or loss in individual years are as follows:

Specification	31.12.2022	31.12.2021
Liabilities for pending bets at the beginning of the year after valuation	1,908,250	1,176,482
Settlement - resolution of bets	-1,908,250	- 1,176,482
Liabilities for pending bets at year-end prior to valuation	3,071,242	2,510,855
Measurement difference recognised in profit or loss (revenue from betting)	-715,486	-602,605
Liabilities for pending bets at year-end after valuation	**2,355,756**	**1,908,250**

40.5. Credit risk

Credit risk arises in the case of cash and cash equivalents, contractual cash flows from debt investments measured at amortised cost and at fair value through profit or loss and deposits with banks and financial institutions, as well as credit exposure to retail customers, including unsettled receivables.

The carrying amounts of financial assets correspond to the maximum exposure to credit risk. The Group is exposed to credit risk arising from its operating activities, mainly from trade receivables.

The Group concludes transactions with related entities, therefore the credit risk in this respect is limited due to the possibility of exercising control over subsidiaries and the ease of obtaining information about their financial situation.

The age structure and the amount of write-downs due to expected credit losses for long-term receivables, trade receivables and other receivables (financial assets) on individual balance sheet days are presented in the tables below.

(all figures are presented in PLN, unless otherwise stated)

Long-term receivables:

	31.12.2022		31.12.2021	
Specification	Gross value	Write-downs for expected credit losses	Gross value	Write-downs for expected credit losses
Not due	1,967,399	-	1,858,713	-
Overdue from 0-90 days	-	-	-	-
Overdue from 91-180 days	-	-	-	-
Overdue from 181-365 days	-	-	-	-
Overdue over one year	8,100	8,100	17,526	17,526
Total	**1,975,499**	**8,100**	**1,876,239**	**17,526**
Total, net value	**1,967,399**		**1,858,713**	

All recognised allowances relate to long-term (until the assets' maturity date) expected credit losses.

Trade receivables:

	31.12.2022		31.12.2021	
Specification	Gross value	Write-downs for expected credit losses	Gross value	Write-downs for expected credit losses
Not due	591,427		1,408,921	-
Overdue from 0-90 days	33,950		27,031	-
Overdue from 91-180 days	-		32,613	-
Overdue from 181-365 days	169,138		136,215	-
Overdue over one year	1,104,071	1,104,071	958,806	958,806
Total	**1,898,586**	**1,104,071**	**2,563,585**	**958,806**
Total, net value	**794,515**		**1,604,779**	**-**

All recognised allowances relate to long-term (until the assets' maturity date) expected credit losses.

Other receivables and short-term prepayments:

	31.12.2022		31.12.2021	
Specification	Gross value	Write-downs for expected credit losses	Gross value	Write-downs for expected credit losses
Not due	18,368,294	-	14,077,875	-
Overdue from 0-90 days	415,034	-	386,591	-
Overdue from 91-180 days	172,832	-	334,417	-
Overdue from 181-365 days	299,464	299,464	288,060	287,461
Overdue over one year	724,455	724,455	1,318,175	1,318,175
Total	**19,980,079**	**1,023,919**	**16,405,118**	**1,605,636**
Total, net value	**18,956,160**		**14,799,482**	

All recognised allowances relate to long-term (until the assets' maturity date) expected credit losses.

(all figures are presented in PLN, unless otherwise stated)

With respect to the Group's other financial assets, such as cash and cash equivalents, the Group's credit risk arises from other party's inability to make payment. The maximum exposure to this risk is equal to the carrying amount of these instruments.

The Group has no significant concentrations of credit risk due to the insignificant value of receivables.

In respect of bonds held and cash and cash equivalents, in the Group's opinion, it was not necessary to create allowances for expected credit losses.

The Parent Company has no material concentrations of credit risk. As on the balance sheet date, cash is deposited at mBank, with which the subsidiary has been cooperating for many years. This bank has a good reputation, which minimises the level of credit risk, and the possible amount of write-down would be insignificant for these consolidated financial statements. From 2022, the Company has also been using the services of Bank Millenium S.A.

Alior bonds - 16 units - value PLN 6.5 million, recognised in financial assets held to maturity; redemption on December 29, 2025; floating interest rate, 2.7% margin, 6-month WIBOR base rate. Due to the good reputation and financial situation of Alior, there was no need to make revaluation write-downs.

Changes in write-downs for expected credit losses for receivables are presented in notes 26 and 27.

40.6. Interest rate risk

At the end of the reporting period, the structure of interest-bearing financial instruments is as follows:

Financial instruments with a fixed interest rate	31.12.2022	31.12.2021
Financial assets (deposits)	131,228,666	-
Financial liabilities		-
Total	**131,228,666**	**-**

Financial instruments with a variable interest rate	31.12.2022	31.12.2021
Financial assets (corporate bonds)	6,528,013	6,387,224
Financial assets (deposits)	-	31,616,873
Financial liabilities (right-of-use liabilities)	28,564,859	40,004,262
Total	**-22,036,846**	**-2,000,165**

40.7. Interest rate risk sensitivity analysis

As on 31 December 2022, the deposits held by the Group bore a fixed interest rate.

For 2022, an increase (decrease) of 1% in the average annual interest rate would increase (decrease) the profit before tax by PLN 50.9 thousand (for 2021, respectively, by PLN 65.6 thousand). These changes would not have a direct impact on the Group's equity. The analysis is based on the assumption that other variables remain constant.

40.8. Foreign exchange risk

The Group is exposed to foreign exchange risk from commercial transactions. That risk arises from sales and purchases by the companies in currencies other than the functional currency (PLN).

The Group's exposure to foreign exchange risk has been presented for EUR currency, transactions in other currencies were omitted due to low materiality.

(all figures are presented in PLN, unless otherwise stated)

The Group's exposure to currency risk at the EUR exchange rate at the end of the reporting period is as follows:

Item	31.12.2022	31.12.2021
Long-term receivables		-
Other long-term and short-term financial assets (investment fund participation units and bonds)		-
Trade receivables:	258,986	1,315,500
Other receivables (short-term)	5,856,870	5,355,451
Cash and cash equivalents	16,271,634	8,428,895
Liabilities from loans and borrowings	-	-
Trade liabilities and other liabilities	-9,747,748	-7,847,775
Right-of-use liabilities	-1,241,935	-1,692,002
Gross exposure	**11,397,807**	**5,560,069**
Change in gross exposure value in case of a 1% change in EUR exchange rate	113,978	55,601

40.9. Currency risk sensitivity analysis

A 1 percent change in the value of EUR against PLN would result in a change in profit before tax in 2022 by PLN 113.9 thousand (PLN 55,6 thousand in 2021).

That change would have no direct impact on the Group's equity. The impact of a change in the exchange rate of other currencies - mainly CZK would be insignificant due to their small share in the structure of assets and liabilities. The above analysis is based on the assumption that other variables, in particular interest rates, will remain at the constant level.

40.10. Liquidity risk

Liquidity risk is defined in such a way that the Group will not be able to meet its financial obligations with cash or other financial assets. The objective of the Group's liquidity management is to ensure that it has sufficient capacity to meet its required obligations, both in normal and unforeseen circumstances.

The Group continuously monitors its liquidity position for any deviations from assumed plans, and the availability of external sources of financing, the amount of which significantly exceeds the expected short-term demand, mitigates the liquidity risk.

To protect itself against the risk of losing liquidity, STS S.A., on behalf of the Group, signed agreements for credit lines described in note 37.

The tables below present the maturity dates of liabilities (including public law liabilities) on individual balance sheet days.

Maturity dates of liabilities as on 31 December 2022

Specification	Value as on the reporting date	Contractual cash flows	Up to 1 year	from 1 to 5 years	After more than 5 years
Right-of-use liabilities	28,564,859	28,564,859	18,291,873	10,272,986	
Trade liabilities	17,917,460	17,917,460	17,917,460	-	-
Other liabilities	111,188,093	111,188,093	111,188,093	-	-
Current income tax liabilities	9,180,986	9,180,986	9,180,986	-	-
Total	**166,851,398**	**166,851,398**	**156,578,412**	**10,272,986**	**-**

(all figures are presented in PLN, unless otherwise stated)

Maturity dates of liabilities as on 31 December 2021

Specification	Value as on the reporting date	Contractual cash flows	Up to 1 year	from 1 to 5 years	After more than 5 years
Right-of-use liabilities	40,004,262	40,004,262	17,373,996	22,630,266	-
Trade liabilities	16,236,637	16,236,637	16,236,637	-	-
Other liabilities	99,284,722	99,284,722	99,284,722	-	-
Current income tax liabilities	2,923,292	2,923,292	2,923,292	-	-
Total	**158,448,913**	**158,448,913**	**135,818,647**	**22,630,266**	**-**

41. Explanations to the cash flow statement

41.1. Selected accounting principles

The entity prepares a cash flow statement in accordance with the requirements of IAS 7 and presents it as an integral part of the financial statements for each period for which the financial statements are prepared. The cash flow statement presents information on cash flows during the period, broken down into operating, investing and financing activities. The Company prepares the cash flow statement using the average method.

41.2. Change in liabilities

Specification	31.12.2022	31.12.2021
Balance sheet change in short-term liabilities	13,584,193	6,307,531
Change in the balance of right-of-use liabilities	-7,691,413	-9,314,026
Other	731,517	361,947
Total	**6,624,297**	**-2,644,548**

41.3. Other adjustments

Specification	31.12.2022	31.12.2021
Received subsidies - reimbursement of salary costs	-	-
Pricing of the incentive program	7,749,520	3,917,102
Other - share acquisition adjustment	-	-
Total	**7,749,520**	**3,917,102**

42. Transactions with related entities

42.1. Selected accounting principles

The Parent Entity identified related parties in accordance with the principles of IAS 24.
All transactions with affiliated entities are carried out at arm's length. The overdue liabilities at the end of the period are interest-free and settled in cash or in a cashless manner, except for liabilities due to loans to which interest is accrued in accordance with the concluded contracts. Liabilities to related entities have not been covered by any granted or received guarantees. They are also not secured in any other forms. At the end of the financial period, i.e. 31 December 2022, the Group had no doubtful debts from related parties.

42.2. Disclosure

The following entities were considered related entities:

- **subsidiary entities:**
    - STS S.A.
    - STS Gaming Group Ltd
    - STS BET Ltd.
    - Betsys s.r.o.
    - Betsys Poland spółka z ograniczoną odpowiedzialnością;
- **members of the Supervisory Board:**
    - Zbigniew Eugeniusz Juroszek
    - Maciej Fijak
    - Elżbieta Spyra
    - Milena Olszewska – Miszuris
    - Krzysztof Krawczyk
- **key personnel members:**
    - Mateusz Zbigniew Juroszek - President of the Management Board,
    - Marcin Sylwester Walczysko – Vice-President of the Management Board,
    - Zdzisław Jan Kostrubała – Member of the Management Board;
- **other entities related to the persons mentioned in the points above:**
    - Stowarzyszenie Pracodawców i Pracowników firm Bukmacherskich,
    - Sport Twoją Szansą,
    - Betplay Capital spółka z ograniczoną odpowiedzialnością,
    - MJ Investments spółka z ograniczoną odpowiedzialnością,
    - ZJ-Invest spółka z ograniczoną odpowiedzialnością,
    - ATAL Construction spółka z ograniczoną odpowiedzialnością,
    - ATAL Spółka Akcyjna,
    - Metan Energy P. Basista Spółka Jawna,
    - ATAL ART Invest spółka z ograniczoną odpowiedzialnością (former: ATAL Services spółka z ograniczoną odpowiedzialnością),
    - Juroszek Holding spółka z ograniczoną odpowiedzialnością (former: Juroszek Investments spółka z ograniczoną odpowiedzialnością),
    - ATAL - Nowe Polesie 2 spółka z ograniczoną odpowiedzialnością w likwidacji,
    - ZJ-Invest spółka z ograniczoną odpowiedzialnością spółka komandytowa,
    - JP Construct spółka z ograniczoną odpowiedzialnością spółka komandytowa,
    - Temisto 9 spółka z ograniczoną odpowiedzialnością,
    - Juroszek Catch Me spółka jawna,
    - JP Construct spółka z ograniczoną odpowiedzialnością w likwidacji,
    - Juroszek Apartments spółka jawna,
    - WM Advisory spółka z ograniczoną odpowiedzialnością,
    - ATAL Development GmbH,
    - Yestersen spółka z ograniczoną odpowiedzialnością.

Transactions between the Parent Entity and its subsidiaries falling within the scope of these consolidated financial statements have been eliminated in the course of consolidation and are not shown in this note. Data on transactions with other related entities and information on unsettled balances are presented in the table:

(all figures are presented in PLN, unless otherwise stated)

	Sales to related entities		Purchases from related entities	
Specification	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Betplay Capital sp.z o.o.	64,121	8,928	-	-
MJ Investments sp. z o. o.	11,000	19,663	-	12,300
ZJ-Invest sp. z o.o.	3,070	-	1,173,897	696,610
ATAL S.A.	-	71	23,614	554,181
Juroszek Apartments sp. j.	2,724	3,351	-	-
Juroszek Catch Me sp. J.	270	-	-	-
Total	**81,185**	**32,012**	**1,197,511**	**1,263,091**

	Receivables from related entities				Liabilities to related entities			
Specification	31.12.2022	31.12.2021	31.12.2022 over 360 days	31.12.2021 over 360 days	31.12.2022	31.12.2021	31.12.2022 over 360 days	31.12.2021 over 360 days
Betplay Capital sp. z o.o.	1,502	170	782	-	-	-	-	-
MJ Investments sp. z o.o	246	-	246	-	-	-	-	-
Juroszek Apartments spółka jawna	279	-	-	-	-	-	-	-
Total	**2,028**	**170**	**1,028**		-	-	-	-

There were no transactions with the participation of key management personnel, except for the transaction of taking up shares in the increased share capital of the Parent Entity. The transaction is described in detail in Note 29 "Share capital".

43. Salaries of senior management and the Supervisory Board

Data regarding salaries of Members of the Management Board and Supervisory Board who have been identified as key management personnel in accordance with IAS 24 is presented below.
There were no long-term or post-employment benefits, and no benefits due to termination of employment.

In the period from 1 January 2022 to 31 December 2022, there were share-based payments to two members of the Parent Entity's Management Board.

Benefits paid to the Members of the Management Board

Specification	31.12.2022	31.12.2021
Mateusz Juroszek	323,527	289,553
Zdzisław Kostrubała	403,310	250,562
Marcin Walczysko	388,270	347,918
Total	**1,115,107**	**888,033**

Incentive program

Specification	31.12.2022	31.12.2021
Incentive program	-	3,598,000
Total	-	**3,598,000**

(all figures are presented in PLN, unless otherwise stated)

Benefits paid to the Members of the Supervisory Board

Remuneration of the Members of the Supervisory Board STS Holding S.A.

Specification	31.12.2022	31.12.2021
Maciej Fijak	96,000	5,677
Zbigniew Juroszek	66,504	3,903
Milena Olszewska-Miszuris	96,000	5,677
Elżbieta Spyra	66,000	3,903
Total	**324,504**	**19,160**

Remuneration of the Members of the Supervisory Board STS S.A.

Specification	31.12.2022	31.12.2021
Mateusz Bromboszcz	29,290	27,340
Total	**29,290**	**27,340**

44. Share-based payments

44.1. Selected accounting principles

All share-based payment transactions are recognised in the financial statements using fair value measurement. The cost is recognised upon receipt of the goods or performance and use of the service (this also applies to transactions where part or all of the goods and services received cannot be identified).

44.2. STS Holding S.A. Incentive Scheme

The STS Holding incentive program was adopted on the basis of two resolutions:

- Resolution No. 5 of the Extraordinary General Meeting of STS Holding SA (hereinafter: the "Company") of 21 October 2021 on the increase of the Company's share capital by issuing series C shares, depriving the existing shareholders of the Company of all pre-emptive rights. Pursuant to this resolution, the share capital of the Company was increased by the amount of PLN 140,000.00 through the issue of 140,000 ordinary registered series C shares with a nominal value of PLN 1.00 each, and with an issue price of PLN 1.00 per share. These shares were offered for private subscription by Mr Zdzisław Kostrubała (member of the Management Board) in the number of 70,000 series C shares in exchange for a cash contribution of PLN 70,000.00, and Mr Marcin Walczysko (member of the Management Board) in the number of 70,000 shares series C in exchange for a cash contribution of PLN 70,000.00. The capital increase was registered by the Registry Court on 29 November 2021. The Extraordinary General Meeting, having read the written opinion of the Management Board of the Company justifying the reasons for depriving the Company's shareholders of the pre-emptive rights and the proposed issue price for series C shares, decided in the interest of the Company to deprive the Company's shareholders of the entire pre-emptive rights regarding all series C shares;

The rights to purchase 1 share of the Company at the price of PLN 1 were acquired on 21 October 2021. The purchased shares are subject to transferability restriction for a period of 12 months from the allotment date (Lock-up period). The allowance does not include the so-called vesting conditions that relate to the vesting period. The number of granted allowances is 140,000; in this case, there was a new issue of the underlying assets. The allowances valued in this part of the report are shares that are purchased immediately on the grant date and therefore have been valued based on their market price.

- Resolution No. 4 of the Extraordinary General Meeting of STS Holding SA of 29 October 2021 on the introduction of an incentive program for key employees and associates of the STS Holding S.A. Group. The incentive program was established to introduce mechanisms in the Company that increase the value of the Company and its group of companies, and to further enable participation of key employees and associates in the expected increase in the value of the Group and to ensure their permanent bond with the Group. The incentive program will be implemented based on the Company's financial results achieved in individual financial years, starting from the financial year ending on 31 December 2021, to the financial year ending on 31 December 2023. In order to enable the implementation of the Incentive Program, it was decided to authorise the Management Board to use the authorisation to increase the share capital as part of the authorised capital established in accordance with the conditions set out in the Articles of Association amended by Resolution No. 6 of the Extraordinary General Meeting of STS Holding SA of 21 October 2021 for the purpose of issuing shares in accordance with the provisions of the Regulations.

As part the the Incentive Program, the Management Board will be authorised to issue no more than 714,000 series D bearer shares of the Company.

44.3. General assumptions of the Incentive Program:

The purpose of the Incentive Program is to link the interests of the Program participants with the achievement of long-term business goals and the implementation of the Group's strategy, as well as to maintain an employment relationship with the Participants who have a key influence on the shaping and implementation of the Group's strategy. With regard to the Program participants being the Members of the Management Board, the Incentive Program implements the goals of the Company's remuneration policy by constantly linking the interests of the Management Board members with the long-term goals and strategy of the Group to enable participation of the Management Board members in the growth of the Company's value. The Incentive Program will be implemented in the years 2022-2024 and it covers the implementation of goals for the financial years ended 31 December 2021, 2022 and 2023. The Management Board has defined the list of participants who received or will receive a letter regarding participation in the Program and the maximum number of Bonus Shares that a given Participant may receive under the Incentive Program. Each Participant must sign a Letter of participation in the Program.

The Management Board of the Company defined the EBITDA Target for the given performance period. The fulfilment of the EBITDA Target will be verified within two weeks from the publication of the Company's Annual Report for a given Performance Period. Within two weeks of the publication of the Company's Annual Report for a given Performance Period, each participant will receive a Notification from the Management Board confirming the level of fulfilment of the targets for the given performance period and the total number of bonus shares to which a given participant is conditionally entitled. Each participant will pay the issue price for one premium share equal to the nominal value of the Company's shares. The Management Board will adopt a resolution on the increase of the Company's share capital and the allocation of the Bonus Shares immediately after receiving the confirmation of payment of the Issue Price from each of the Participants. The period of restriction of the transferability of the Bonus Shares shall be 12 months from a given Allotment Date ("Lock-Up Period").

The valued allowances are shares that are purchased immediately on the grant date and therefore have been valued based on their market price. The invitation to the program was sent on 21 December 2021. Letters about joining the program were signed by program participants in the period from 21 December to 30 December 2021. The grant date was the same for the three annual tranches.

The numerical method of approximating the solutions of differential equations, known as the finite difference method, was used to estimate the value of the allowances. The adopted valuation method is commonly used in the valuation of derivative instruments and it is in line with IFRS 2. It is a development of the Black-Scholes-Merton model.

On 5 May 2022, the Management Board of the Parent Entity adopted Resolution no. 3 on increasing the Company's share capital by way of issuing series D shares, depriving the existing shareholders of the Company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series D shares to trading on the regulated market kept by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.]. In connection with the launch of the "STS Holding S.A. Incentive Program" by the Company, the share capital of the Company was increased within the limits of the authorised capital by the amount of PLN 144,960.00, i.e. from PLN 156,389,998.00 to PLN 156,534,958.00.

(all figures are presented in PLN, unless otherwise stated)

The issue price of one share is PLN 1.00. The Management Board of STS Holding S.A. decided in the interest of the Company to deprive the Company's shareholders of the entire pre-emptive rights regarding all series D shares. In accordance with the requirements resulting from the Company's Articles of Association, the Supervisory Board adopted a resolution on granting consent to the exclusion of pre-emptive rights in full by the Management Board. All newly created series D shares are ordinary bearer shares and participate in the dividend starting from 1 January 2021.

Underlying asset prices as on the valuation date:

Date	Underlying asset price
21.12.2021	23.90
22.12.2021	24.10
23.12.2021	24.20
27.12.2021	23.50
28.12.2021	23.90
30.12.2021	23.50

The table below specifies the value of asset volatility and the risk-free interest rate for each allowance:

Allowance	Interest rate	Volatility of asset prices
U-2021-12-21-T2021	1.60%	38%
U-2021-12-21-T2022	2.60%	36%
U-2021-12-21-T2023	2.90%	37%
U-2021-12-22-T2021	1.60%	38%
U-2021-12-22-T2022	2.60%	36%
U-2021-12-22-T2023	2.90%	37%
U-2021-12-23-T2021	1.60%	38%
U-2021-12-23-T2022	2.60%	36%
U-2021-12-23-T2023	3.30%	37%
U-2021-12-27-T2021	1.60%	38%
U-2021-12-27-T2022	2.60%	36%
U-2021-12-27-T2023	3.30%	37%
U-2021-12-28-T2021	1.60%	38%
U-2021-12-28-T2022	2.80%	36%
U-2021-12-28-T2023	3.30%	37%
U-2021-12-30-T2021	1.50%	38%
U-2021-12-30-T2022	3.00%	36%
U-2021-12-30-T2023	3.30%	37%

As on the valuation date of the incentive scheme, the shares of STS Holding S.A. had a very short trading history. Therefore, volatility calibrations were made on the basis of historical quotations of similar companies indicated by the Entity as those meeting the requirements of IFRS 2. The companies used for this purpose are Flutter Entertainment (FLTR), Entain (ENT), Kindred Group (KIND). The unit makes a reservation that these are not companies with the same profile as STS Holding S.A. and they have been indicated only for the purpose of calibrating the volatility of shares. The calibration period was each time adjusted to the expected maturity of a given allowance.
The parameters were calibrated in accordance with the commonly used mathematics and financial statistics methodology.

(all figures are presented in PLN, unless otherwise stated)

The expenses recognised as employee benefits related to the granted rights to acquire the Company's shares are presented in the table below:

	01.01.2022– 31.12.2022	10.03.2021– 31.12.2021
Total cost of a share-based payment settled in equity instruments - applies to the program for Members of the Management Board of STS Holding S.A.	7,749,520	3,917,102
Total cost of a share-based payment settled in cash	-	-
Total - the cost of a share-based payment	**7,749,520**	**3,917,102**

The table below shows the balance and the weighted average share price as on the balance sheet date:

2022	Number of shares	Weighted average price
Balance as on 31.12.2022	382,000	21.53801
options exercisable at the end of the period	181,000	22.01923

2021	Number of shares	Weighted average price
Balance as on 31.12.2021	673,000	22.72278
options exercisable at the end of the period	291,000	24.27804

The valued allowances are shares that are purchased immediately on the grant date and therefore have been valued based on their market price. The valuation was based on the assumptions adopted by the Company:

For allowance U-2021-10-21 - valuation date 21 October 2021; the price of the underlying asset on that date is: 26.70.

The fair value of individual allowances in PLN is presented in the table below:

Incentive program	date of valuation	fair value (A)	number of allow-ances (B)	liability value (A * B)
U-2021-12-21-T2021	21.12.2021	22.91	31,000	710,210.00
U-2021-12-21-T2022	21.12.2021	21.96	35,000	768,600.00
U-2021-12-21-T2023	21.12.2021	21.04	39,000	820,560.00
U-2021-12-22-T2021	22.12.2021	23.11	69,000	1,594,590.00
U-2021-12-22-T2022	22.12.2021	22.16	88,000	1,950,080.00
U-2021-12-22-T2023	22.12.2021	21.24	97,000	2,060,280.00
U-2021-12-23-T2021	23.12.2021	23.21	15,000	348,150.00
U-2021-12-23-T2022	23.12.2021	22.26	18,000	400,680.00
U-2021-12-23-T2023	23.12.2021	21.36	21,000	448,560.00
U-2021-12-27-T2021	27.12.2021	22.51	17,000	382,670.00
U-2021-12-27-T2022	27.12.2021	21.56	19,000	409,640.00
U-2021-12-27-T2023	27.12.2021	20.66	21,000	433,860.00
U-2021-12-28-T2021	28.12.2021	22.91	9,000	206,190.00
U-2021-12-28-T2022	28.12.2021	21.96	9,000	197,640.00
U-2021-12-28-T2023	28.12.2021	21.06	9,000	189,540.00
U-2021-12-30-T2021	30.12.2021	22.51	10,000	225,100.00
U-2021-12-30-T2022	30.12.2021	21.57	12,000	258,840.00
U-2021-12-30-T2023	30.12.2021	20.66	14,000	289,240.00
Total			**533,000**	**11,694,430**

(all figures are presented in PLN, unless otherwise stated)

Series C shares				
U-2021-10-21	21.10.2021	25.7	140,000	3,598,000.00
TOTAL				**15,292,430**

45. Employment

45.1. The average annual employment structure in the Group

Specification	01.01.2022– 31.12.2022	01.01.2021– 31.12.2021
Manual workers	3	3
White-collar employees	1,198	1,255
Total number of employees	**1,201**	**1,258**

45.2. Employee rotation:

Specification	01.01.2022– 31.12.2022	01.01.2021– 31.12.2021
Number of employees hired	269	332
Number of employees terminated	326	325
Difference	**-57**	**7**

46. Remuneration of the auditing company

The entity conducting the audit of the consolidated financial statements for the year ended 31 December 2022 was Grant Thornton Polska P.S.A. (former Grant Thornton Polska sp. z o.o.), ul. Abpa Antoniego Baraniaka 88 E, 61-131 Poznań, entered on the list of auditing companies kept by the National Council of Statutory Auditors with number 4055.

The table below presents the remuneration of the entity authorised to audit financial statements, paid or due for the year ended 31 December 2022 and 31 December 2021, broken down by type of services:

Specification	01.01.2022– 31.12.2022	01.01.2021– 31.12.2021
Audit of the annual separate financial statements of STS Holding S.A.	51,845	25,830
Audit of the annual separate financial statements of STS S.A.	68,880	43,050
Audit of the Group's consolidated financial statements	94,772	73,800
Audit of the interim financial statements of STS Holding S.A.	23,370	-
Audit of the interim financial statements of STS S.A.	66,420	-
Review of the Group's interim consolidated statements	49,200	-
Evaluation of the 2022/2021 remuneration report	7,073	6,150
Other	-	485,563
Total, including:	**361,560**	**634,393**
- due as of the balance sheet date	173,134	86,000
- paid as on the balance sheet date	188,426	548,393

(all figures are presented in PLN, unless otherwise stated)

47. Capital management

The main goal of capital management in the STS Holding S.A. Group is maintaining the structure of equity and liabilities which will ensure the development and security of the Group's operations and at the same time enable it to obtain dividends expected by the shareholders.

There were no changes in the goals, rules and processes in the capital management area of the Group in the period ended 31 December 2022.

The purpose of capital risk management is to ensure continuation of operations in such a form and scope that it is possible to ensure return on investment for shareholders, ensure benefits for other interested parties, as well as maintain an optimal capital structure in order to reduce its cost. In order to maintain or adjust the capital structure, the Group may change the amount of dividends to be paid to shareholders, issue new shares, increase debt or sell assets to reduce debt.

The Group monitors its capital position using a leverage ratio, which is the ratio of net debt (total liabilities excluding provisions less cash and cash equivalents) to the equity. Net debt is calculated as the sum of liabilities (including right-of-use, trade and other liabilities) less cash and cash equivalents. The total value of capital is equity recognised in the statement of financial position and net debt.

The structure of net debt, equity and the leverage ratio is as follows:

Specification	01.01.2022– 31.12.2022	01.01.2021– 31.12.2021
Liabilities due to credits and loans	-	-
Right-of-use liabilities	28,564,859	40,004,262
Trade liabilities	17,917,460	16,236,637
Other liabilities	120,369,079	102,208,014
Less cash and cash equivalents	-222,931,205	-146,433,170
Net Financial Debt	**-56,079,807**	**12,015,743**
Equity	**187,490,953**	**105,401,310**
Equity and net debt	**131,411,146**	**117,417,053**
Leverage ratio	**-29.91%**	**11.40%**

The financial performance and financial position of the Group so far have enabled the Group to avoid taking bank loans.

48. Business combinations

In the reporting period, i.e. in the period from 1 January 2022 to 31 December 2022, no business combinations took place.

Business combinations in the period from 1 January 2021 to 31 December 2021:

- Merger through the acquisition of entities under common control of STS BET Ltd.

On 14 July 2021, STS S.A. purchased from Betplay Capital sp. z o.o. (former: Betplay International Sp. z o.o.) 100% of the shares in a Maltese company, STS BET Ltd, for the price resulting from the nominal value of the shares (1 million shares at EUR 1.00 each), i.e. EUR 1,000,000.00. The sale price was paid in cash. The company STS.BET Ltd has been providing bookmaking services on the European market under its own license in the UK and Estonia since April 2019. These licenses entitle STS.BET Ltd to offer sports betting, casino games as well as games based on random number generators (RNG).

The main reason for STS S.A. purchasing the shares in STS.BET Ltd was to organise the Group's structures by bringing together companies operating on the bookmaking market within one Group of Companies.

Due to the fact that the seller of the shares was a company which is also a co-owner of STS S.A., and Mr Mateusz Juroszek is the controlling person before and after the merger with STS BET Ltd, the acquisition under joint control took place. Therefore, to account for this acquisition, the accounting policy for mergers under common control presented in point II a (i) was applied. In accordance with the adopted policy, the relevant items of assets, liabilities and revenues and costs of STS BET Ltd were summed up by making appropriate exclusions of balances and mutual transactions as well as elimination of share capital, assuming that the acquiree had been controlled by the Group from previous years, and comparative data was restated.

- Merger through the acquisition of entities under common control of STS Holding S.A. and STS S.A.

On 10 September 2021, the Extraordinary General Meeting of the Parent Company adopted Resolution No. 3 on increasing the share capital by issuing series B shares for the existing shareholders of the Company. The share capital of the Company was increased by PLN 156,149,998.00 through the issue of 156,149,998 series B shares with a nominal value of PLN 1.00 per share and an issue price of PLN 19.1767091322446 per share. All shares were offered for subscription pursuant to Art. 431 para. 2 point 1 of the Commercial Companies Code, by way of a private subscription by the existing shareholders of STS Holding S.A. holding the company's shares as at the subscription rights date, in exchange for an in-kind contribution in the form of 112,150,000 series A and B registered shares of STS Spółka Akcyjna with its registered office in Katowice. The total value of the in-kind contribution was PLN 2,994,443,131.00. To account for this acquisition, the pooling of interests method was used, based on the reference in IAS 8 to the local standards regulating this type of acquisition, i.e. the Accounting Act, due to the fact that Mr Mateusz Juroszek is the person exercising control before and after the merger.

The capital increase in STS Holding S.A. was registered by the Registry Court on 4 November 2021.

49. Tax settlements

Regulations on gambling and lottery tax, tax goods and services tax, corporate and personal income tax or social security contributions are subject to modifications, as a result of which there is often no reference to established regulations or legal precedents. Also, applicable regulations include ambiguities that cause differences in opinions as to the legal interpretation of tax regulations both between government bodies and between companies and government bodies. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to control by bodies that are authorised to impose high fines, any additional tax liabilities resulting from the control must be paid together with high interest. Due to these phenomena, the tax risk in Poland is higher than usual tax risk in the countries with more developed tax regimes.

50. Significant events and transactions

Sports events in 2022

In the third and fourth quarter of 2022, the company achieved a positive effect primarily on operating results, resulting from the World Cup in Qatar and the participation of the Polish national team in it. The event has positively translated into the acquisition of new users, among other things, as was the case with major sports events in 2020, 2018 and 2016.

The impact of the war in Ukraine on the Group's operations

The Group's operations are and may be affected in the future by the armed conflict that has been lasting for over a year between Russia and Ukraine. The war may have serious consequences for the Polish economy.
Currently, it is difficult to precisely estimate the impact of the war in Ukraine on the Group's operations, however, as at the date of approval of these consolidated financial statements, the Management Board of the Parent Entity has not identified any circumstances that would pose a threat to the Group continuing as going concern. Due to the complexity of the situation and the possibility of many scenarios being realises, the development of the situation is monitored on an ongoing basis.

51. The list of the status of the issuer's shares held by the issuer's managing and supervising persons

The ownership status of the shares of STS Holding S.A. held by members of the Management Board and Supervisory Board as on 31 December 2022 was as follows:

- Mateusz Juroszek (President of the Management Board) held 39,784,902 shares through a wholly-controlled company MJ Investments sp. z o.o.,
- Zbigniew Juroszek (Vice-Chairman of the Supervisory Board) held 52,713,314 shares through a wholly-controlled company Juroszek Holding sp. z o.o.
- In addition, Mateusz Juroszek and Zbigniew Juroszek jointly, through Betplay Capital sp. z o.o, in which they hold shares, owned 17,046,786 shares,
- Zdzisław Kostrubała (Member of the Management Board) held 95,920 shares,
- Marcin Walczysko (Member of the Management Board) held 95,920 shares.

The ownership status of the shares of STS Holding S.A. held by members of the Management Board and Supervisory Board as on 21 March 2023 was as follows:

- Mateusz Juroszek (President of the Management Board) held 39,859,376 shares through a wholly-controlled company MJ Investments sp. z o.o.,
- Zbigniew Juroszek (Vice-Chairman of the Supervisory Board) held 52,713,314 shares through a wholly-controlled company Juroszek Holding sp. z o.o.
- In addition, Mateusz Juroszek and Zbigniew Juroszek jointly, through Betplay Capital sp. z o.o, in which they hold shares, owned 17,046,786 shares,
- Zdzisław Kostrubała (Member of the Management Board) held 95,920 shares,
- Marcin Walczysko (Member of the Management Board) held 95,920 shares.

52. Events after the balance sheet date

According to the information provided in the current report No. 1/2023 of 16 January 2023, STS S.A. is reorganising its operational activities. The result is the concentration of STS S.A.'s activity in Poland based on the existing portfolio of services. Thus, STS S.A. limits the operating activities carried out by subsidiaries under licenses held in Great Britain and Estonia, closing the possibility of registering accounts from 16 January 2023.
The purpose of the reorganisation is to exploit, to the fullest extent possible, the potential of the Polish market, which remains the most important area of the STS Group's operations.
As a result of those activities, the separate financial statements of STS S.A. included write-downs on financial assets - shares in STS Gaming Group Ltd and STS.BET Ltd, as well as loans in STS.BET Ltd for the total amount of PLN 44.8 million. These write-downs have no impact on these consolidated statements.
The operating results achieved by STS S.A. in 2022 indicate the extremely high attractiveness of the Polish market. The company intends to concentrate its activities in order to be able to use the development potential in Poland.

(all figures are presented in PLN, unless otherwise stated)

53. Approval for publication

The consolidated financial statements drawn up for the period from 1 January 2022 to 31 December 2022 (including comparative data) were approved for publication by the Management Board of the Parent Entity on 21 March 2023.

Until the date of preparation of these consolidated financial statements for the period from 1 January to 31 December 2022, the Management Board of the Parent Company has not learned about any events that have been not included, but should have been, in the accounting records of the reporting period. At the same time, these consolidated financial statements do not include any material events relating to previous years.

Katowice, 21 March 2023:

Mateusz Juroszek President of the Management Board of STS Holding S.A.	Zdzisław Kostrubała Member of the Management Board of STS Holding S.A.

Marcin Walczysko
Member of the Management Board of STS Holding S.A.

Bożena Gwiazda
Chief Accountant of the Group