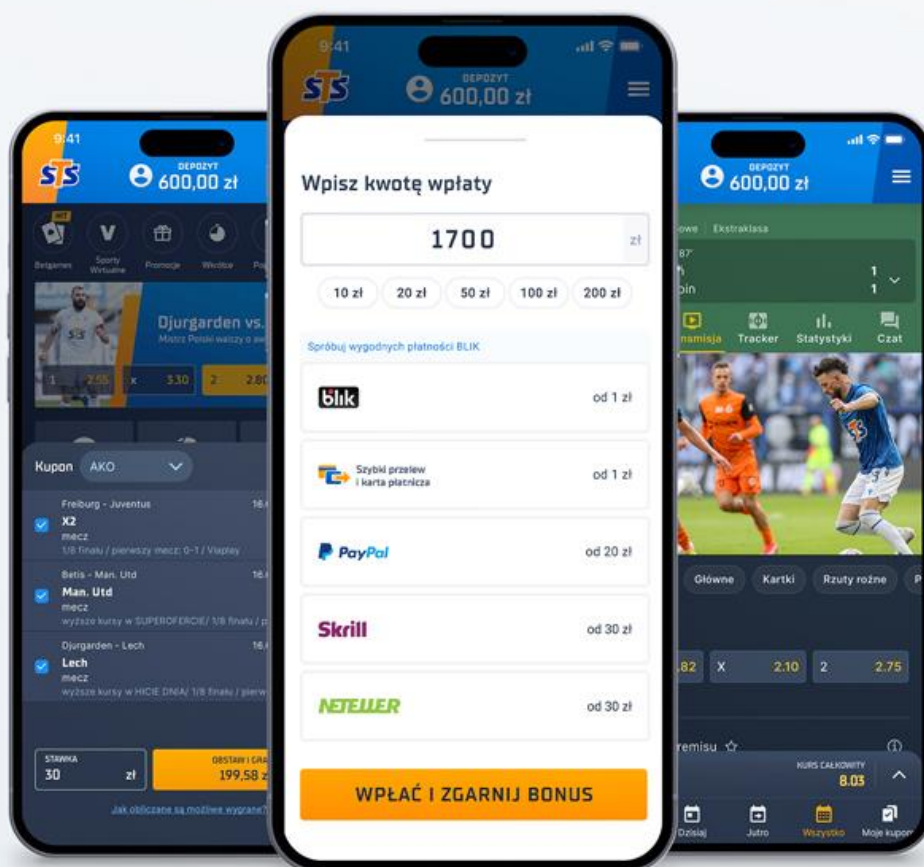




Report of the Management Board on the activities of STS Holding S.A. Group of Companies

for the period from 1 January to 31 December 2022

It includes the report on the operations of STS Holding S.A.



1. Letter of the President of the Management Board to the Shareholders

Dear Shareholders,

For the STS Group, that is the group of companies headed by STS Holding S.A., 2022 was record-breaking in many respects. Our operating and financial ratios are at historical highs. A very good year for the Group is behind us, although the macroeconomic and geopolitical environment remains extremely unfavourable. High inflation, rising interest rates, declining economic activity, decreasing disposable income of the society, unstable prices of raw materials and the war in Ukraine make it impossible to predict the condition of the Polish economy and the entities operating on it. The whole of 2022 was full of uncertainty, which affected consumers and businesses. This year, many of the risks from 2022 will continue to affect our reality.

Summing up the last year, it should be emphasised that the STS Group, despite the deteriorating sentiment in the Polish, European and global economy, achieved two basic goals. It increased the NGR – i.e. the value of bets placed by the customers decreased by the winnings paid and gaming tax – by over 15%, eventually reaching PLN 663 million in 2022, which means increase by 17% year-on-year. In addition, adjusted EBITDA had a higher year-on-year growth rate than NGR. It reached the level of PLN 273 million, which is an increase of over 26% compared to the result from 2021. The EBITDA margin in 2022 was 41.2%, compared to 38.2% the year before. Thus, it increased by 3 percentage points. It is extremely important to us that we have implemented the plan with regard to which we have committed ourselves to our Shareholders.

The value of amounts staked by the customers of the STS Group in 2022 amounted to PLN 4.679 billion, compared to PLN 4.492 billion in the previous year. The number of active users amounted to 783 thousand in 2022 and 693 thousand in 2021. In 2022, the Group recorded 439 thousand new registrations (370 thousand in 2021), and the number of customers who made their first deposit amounted to 317 thousand (249 thousand in 2021). This means that all operating ratios are at historically high levels.

Consolidated revenue amounted to PLN 579 million in 2022, compared to PLN 498 million a year earlier. This represents a year-on-year increase of over 16%. The net profit attributable to the shareholders of the parent company amounted to PLN 169 million, and in 2021 it amounted to PLN 131 million. This represents a year-on-year increase by almost 29%.

Operating and financial data for last year clearly show that the Polish market is in a growth phase, despite the extremely difficult macroeconomic environment - the war in Ukraine, high inflation and economic stagnation. Therefore, we intend to use this potential as fully as possible and continue to strengthen our leading position in the country.



For this purpose, since the beginning of this year, we have been focusing our activity exclusively on Poland. Our goal for the difficult year 2023 is greater efficiency of operations and a number of implemented savings. We are reorganising its operations, focusing on Poland and phasing out its activities under licenses in the UK and Estonia. In addition, the new agreement with PZPN for the use of the results of sports events organised by PZPN and Ekstraklasa will also enable further savings. As a result of additional changes in the work of our teams, we count on further cost efficiencies.

With all those factors combined, we expect that this year we will improve our results both at the level of NGR and adjusted EBITDA, which again should have a higher growth dynamics than NGR. The total amount of savings should reach tens of millions of Polish zlotys per year. Furthermore, the organic growth of our business should also have a positive impact on the operating and financial results achieved by the Group.

In 2023 - due to the typical calendar of sports events - we are expecting more even quarterly results and an even distribution of costs between reporting periods. At the same time, usually the most important time for us will be the autumn round together with football games at the national and international level. The challenge for us this year is to maintain and activate a very large customer base acquired in the fourth quarter of 2022 during the World Cup in Qatar. In Q4 2022, the number of active customers of the STS Group was 542 thousand, compared to 386 thousand in Q4 2021. The number of registrations in Q4 2022 was 202,000, compared to 87,000 a year earlier. The number of customers making the first deposit in Q4 2021 amounted to 154 thousand, compared to 60 thousand a year earlier.

We set ambitious goals for the current year. We are implementing savings that will increase our profitability and we are getting ready for another major sports event - EURO 2024 in Germany. We will continue to develop our product, technology and teams of specialists in various fields, which determine the competitiveness of the STS Group in a market constantly entered by new economic players.



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2. Introduction



2.1. Details of the Parent Entity

Name:	STS Holding S.A.
Legal form:	spółka akcyjna [joint-stock company]
Registered office:	Katowice, ul. Porcelanowa 8
Country of registration:	Poland
KRS (National Court Register Number):	0000898108
Body keeping the register:	District Court for Katowice - Wschód in Katowice, 8th Commercial Division of the National Court Register
REGON (Polish Business Registry Number):	388903879
NIP (Tax Identification Number):	527-29-56-761

STS Holding S.A. (hereinafter also the "Company") is the parent company of the STS Holding S.A. Group of Companies (hereinafter also referred to as the "Group", "STS Group" or "Group of Companies"). 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 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 Holding sp. z o.o. (former: Juroszek Investments sp. z o.o.) and MJ Investments sp. z o.o.

On 10 September 2021, the Extraordinary General Meeting of the Company adopted Resolution no. 3 on increasing the Company's share capital by way of issuing series B shares for the existing shareholders of the Company, establishing the preemptive right, 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 B shares to trading on the regulated market kept by the Warsaw Stock Exchange. 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 sec. 2 point 1 of the Code of Commercial Companies and Partnerships, 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.

On 21 October 2021, the Extraordinary General Meeting of the company adopted Resolution No. 5 on increasing the Company's share capital by issuing 140,000 series C shares with a nominal value of PLN 1.00 per share and an issue price of PLN 1.00. 70,000 shares were offered for subscription pursuant to Art. 431 sec. 2 point 1 of the Code of Commercial Companies and Partnerships by way of private subscription to Zdzisław Kostrubała for a cash contribution of PLN 70,000. 70,000 shares were offered for subscription pursuant to Art. 431 sec. 2 point 1 of the Code of Commercial Companies and Partnerships by way of private subscription to Marcin Walczysko for a cash contribution of PLN 70,000.

On 21 October 2021, the Company's Extraordinary General Meeting adopted a resolution no. 6 on amending the Company's Articles of Association and authorising the Management Board to increase the share capital within the authorised capital, with the possibility for the Management Board to exclude pre-emptive rights to shares issued within the authorised capital, in whole or in part, upon consent of the Supervisory Board, in order to implement an incentive program for key employees of the Company's group of

companies. The Management Board of the Company has been authorised to increase the share capital of the Company by issuing new series D ordinary bearer shares in the number of not more than 714,000 with a nominal value of PLN 1.00 each and with a total nominal value of not more than PLN 714,000.00. On 5 May 2022, the Management Board of the Company adopted Resolution No. 3 on increasing the Company's share capital by issuing 144,960 series D shares

with a nominal value of PLN 1.00 per share and an issue price of PLN 1.00. The shares were offered for subscription pursuant to Art. 431 sec. 2 point 1 of the Code of Commercial Companies and Partnerships by way of private subscription to over a dozen key managers of the STS Group.

By virtue of the actual control over the STS Group, the ultimate beneficiary is Mr Mateusz Juroszek.

2.2. 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.

3. Operations of the STS Group



3.1. Description of the operations of STS Holding S.A. and the STS Holding S.A. Group

STS Group - one of the largest bookmakers in Central Europe and the market leader in Poland - 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 has modern betting outlets, which are located in every major city in Poland - there are approx. 400 of them in total throughout the country. The Group has over 1,200 employees.

The Group operates also in the Czech Republic (Betsys) and Malta. The group remains focused on Poland. The company 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.

The STS Group - through its subsidiaries STS S.A. - has offered sports betting, online casino, Virtual Sports, BetGames and a wide range of eSports as part of the license in the United Kingdom and Estonia. 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.

3.2. Strategy and development prospects of STS Holding S.A. and of the Group

The Group's strategy is based on its ability to acquire and retain customers, geographical expansion, maintaining technologically sound and innovative infrastructure and continuous introduction of new products and services:

Market leader position in Poland

The Group is the largest player in the sports betting industry in Poland. Due to development of the portfolio of products and services and a scalable proprietary platform, the Company is ideally positioned to acquire new customers, the number of which grows due to organic growth of the market and the migration of players away from the grey economy.

A leading player in the market in terms of customer satisfaction and innovation

Thanks to its own innovative technology platform, the Group provides its players with the best-in-class experience. STS S.A has a high level of customer satisfaction – NPS (Net Promoter Score) in 2022 reached the level of as high as 43. The Group plans to follow and set trends with its product and technological offering, which will positively affect engagement and loyalty of players

Platform of choice engaging sports fans

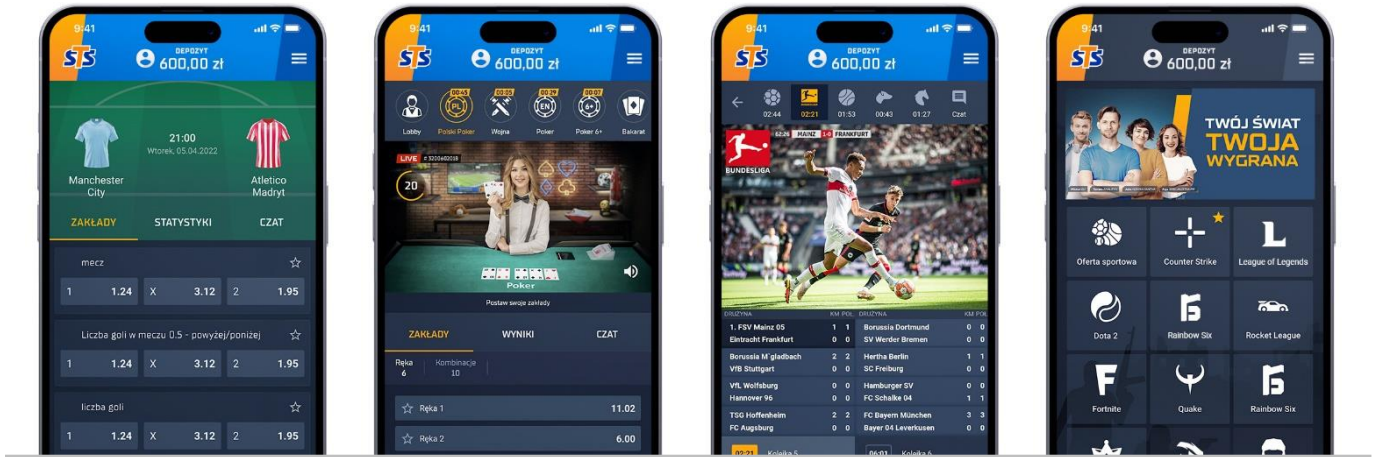
The Group intends to maintain its status as the bookmaker of choice for sports fans in Poland. The Group will continue to leverage proven marketing and sponsorship capabilities to increase STS brand awareness. The goal of the Company is to become a one-stop provider of sports entertainment with high level of player engagement

Expansion to selected international markets as well as mergers and acquisitions

The Group intends to consider attractive options for foreign expansion and focus on markets insufficiently served in terms of innovation or advancement of product offering, i.e. areas in which the Group stands out from the competition. As part of this selective approach, it is possible that the Group will enter new markets, acquire an entity from the technology industry or will commercialise Betsys' system as a B2B product in countries in which the Group does not intend to operate in the future.

3.3. Product portfolio of the STS Holding S.A. Group

The Group has a diversified portfolio, and in some cases it is an exclusive operator to offer selected services:



Sports betting

Bets on over 70 different sports disciplines, over 300 thousand in-play (live) events per year and over 1.5 million pre-match events.

BetGames

Proprietary live dealer games with exclusive odds allowing customers to bet on poker, war games and baccarat, along with a real-time exchange rate offer published on the game's website.

Virtual Sports

Betting on the results of virtual sports such as football, basketball, horse racing and dog racing. The results of the games are determined by the Random Number Generation (RNG) software.

Esport

Electronic sports are games between players in video games, often in the form of organised leagues and tournaments (incl. Counter Strike, League of Legends, Dota 2, StarCraft 2 or Fortnite). Electronic sports enable the Group to enter new markets and acquire new customers (in particular Millennials and Generation Z), who are generally less interested in traditional sports. The Group was the first bookmaker in Poland to introduce a betting offer for esports games, and it also has dedicated channels in social media for esports fans. A separate team of the Group's specialists is responsible for product support for esports.

Key features of the platform



Betsys betting system

The Group's platform was created for the needs of the Polish market and adapted to the preferences of local customers. Betsys allows the Group to provide customers with best-in-class products and user experience (UX), including access to over 70 different sports disciplines, over 300 thousand in-play (live) events per year and over 1.5 million pre-match events.

STSpay

Since 2017, the fast payment system STSpay has been in operation cooperating with the largest banks in the country. It allows players to make fast payouts (average payout time from request is 9 minutes) on winnings around the clock. STSpay enables the Group's customers to use many fund deposit methods, including Skrill, Neteller, PayPal, Blik, PayU and debit/credit cards.

BetBooster

An AI-driven automated sports insight feed, and a 24/7 virtual sports offering, available both in online and retail channels. In Poland, the Group has an exclusive agreement with the supplier of the system.

Bet Builder

A product that enables creating a personalised prematch bet that consists of multiple selections. Bet Builder allows the customers to create their own original bets. They can add 2 to 10 events from a selected match to create a bet with Bet Builder. For example, with Bet Builder, a player can create a bet on the result of the first half of the match, the number of goals and goals of the selected player. The customer wins if they correctly bet on all selected events.

STS TV

The Group, thanks to contracts for media rights, broadcasts nearly 5,000 sports events every month on STS TV, including football, tennis, volleyball, basketball and other sports.

Gaming chat and community

Development of the user community through a unique and proprietary chat platform and forum that allows players to interact, discuss and share their bets or opinions. By September 2021, approximately 100,000 customer entries had been recorded in the Group's forum and chat, about 1.3 million bets have been shared and there are about 160 thousand active chats.

3.4. Research and development

For many years, the group has been continuously implementing the "mobile-first" strategy based on the proprietary bookmaker system. It is constantly developing its own technology platform to meet customer needs and set market trends. The Group's investments in the product portfolio and technological solutions in 2022 amounted to PLN 49.1 million (PLN 20 million are IT costs included in the Consolidated Financial Statements, while PLN 29.1 million are costs that the Group capitalised in 2022). Furthermore, in 2020, STS S.A. took control of Betsys s.r.o., the Czech technology company, in which it currently holds 74% of shares. Betsys is the main provider of IT solutions for the bookmaker in Poland, both for online and retail channels. In total, the Group's product and platform development team consists of about 160 highly qualified specialists, including approximately 85 programmers, 55 other employees in technology and platform development, and 20 people dealing with business intelligence and business analytics.

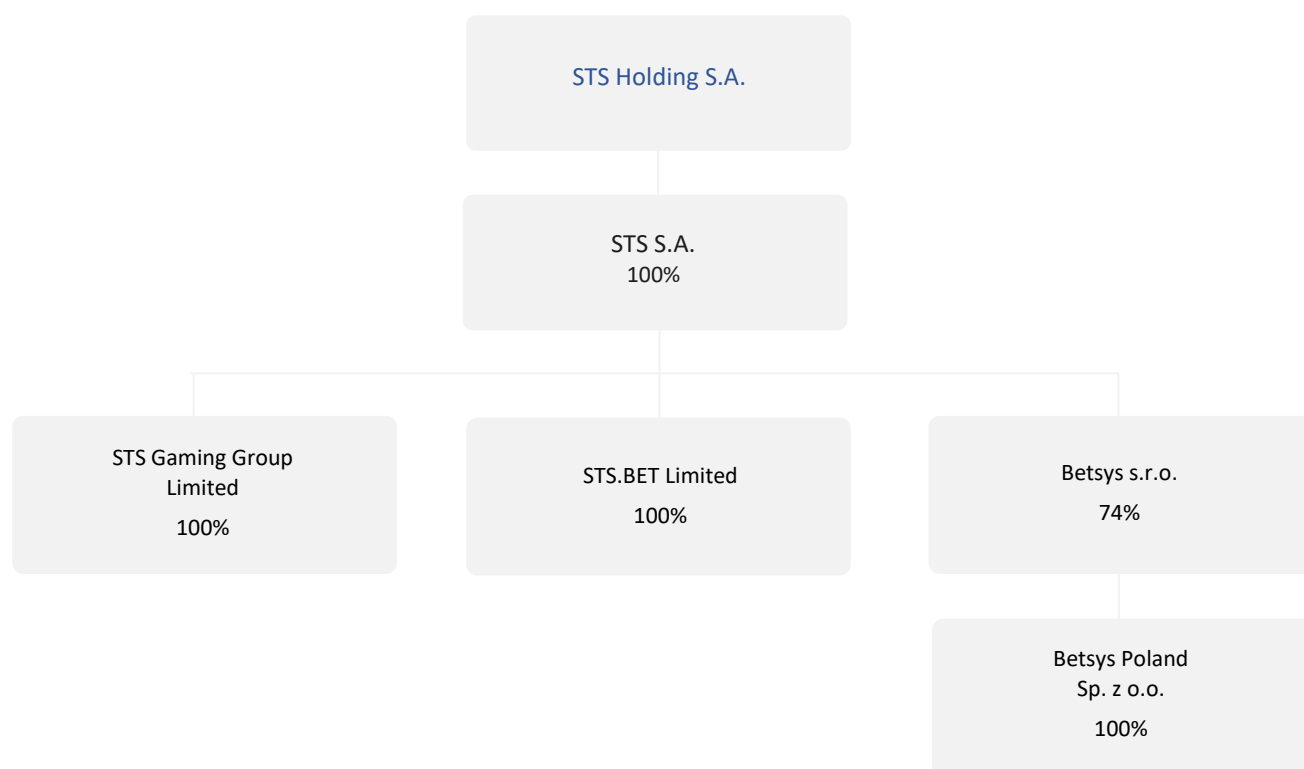
3.5. Basic information about STS Holding S.A. and the STS Holding S.A. Group

The structure of subsidiaries of STS HOLDING S.A. as on 31 December 2022 is presented in the diagram and chart below:

Name	Registered office	Registration data	Scope of business operations	Share capital (in PLN)	Percentage share in capital	Percentage share in voting rights
STS Spółka Akcyjna	Katowice, ul. Porcelanowa 8	National Court Register (KRS): 0000829716	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 68747	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): 0000693519	Programming services	5,000	74%	74%

The date of acquisition of shares in STS Gaming Group Ltd. by STS S.A. is 24 August 2020. The date of acquisition of shares in Betsys s.r.o. and Betsys Poland sp. z o.o. by STS S.A. is 31 August 2020. The companies from the Group's structure are fully consolidated.

The date of acquisition of shares in STS BET Ltd. by STS S.A. is 14 July 2021.



3.6. Share capital and shareholding structure

The share capital of STS HOLDING S.A. as on 31 December 2022 amounted to PLN 156,534,958 and was divided into 156,534,958 shares.

Shares	Date of General Meeting	Number of shares (pcs.)	Issue price (PLN)	Nominal price	Date of registration in the National Court Register
Series A	10/03/2021	100,000	1	1	30/04/2021
Series B	10/09/2021	156,149,998	19.18	1	04/11/2021
Series C	21/10/2021	140,000	1	1	29/11/2021
Series D	05.05.2022	144,960	1	1	01/06/2022

As at 31 December 2022, the shareholding structure was as follows:

Shareholders	Number of shares	% of shares in the share capital	Number of votes	% in the number of votes
Juroszek Holding sp. z o.o.	52,713,314	33.68	52,713,314	33.68
MJ Investments sp. z o.o.	39,859,376	25.46	39,859,376	25.46
Betplay Capital sp. z o.o.	17,046,786	10.89	17,046,786	10.89
Nationale-Nederlanden Powszechno Towarzystwo Emerytalne S.A.	9,375,000	5.98	9,375,000	5.98
Others	37,540,482	23.99	37,540,482	23.99
Total	156,534,958	100	156,534,958	100

On 13 July 2022, MJ Investments sp. z o.o. purchased 74,474 shares of STS Holding SA. The company informed about the event in the current report no. 18/2022 pursuant to Art. 19 MAR. As at the date of the report, MJ Investments sp. z o.o. is holding 39,859,376 shares of STS Holding S.A.

3.7. Changes in the capital structure and structure of subsidiaries in 2022

Capital increase in STS BET Limited

On 27 July 2022, a capital increase was registered in a Maltese subsidiary, STS BET Limited. The share capital was increased by EUR 1,721,767.00 - from EUR 3,716,097.00 (3,716,097 ordinary shares of EUR 1 each) to EUR 5,437,864.00 (5,437,864 ordinary shares of EUR 1 each). The new shares were acquired by the existing shareholder, STS S.A. Under the agreement of 10 May 2022, the liability under the increased capital was covered by receivables under loans from STS BET Limited in the amount of EUR 1,540,000.00 and PLN 850,000.00, which, converted at the exchange rate on the agreement date, i.e., PLN 4.6763 = EUR 1.00, gives the amount of EUR 1,721,767.00. The amount of debt covered only the principal amounts of loans granted without interest. The total debt of STS S.A. to STS BET Limited, cleared by the acquisition of shares in the increased capital, is EUR 1,721,767.00.

Acquisition of shares in STS Holding S.A. by MJ Investments sp. z o.o.

On 13 July 2022, MJ Investments sp. z o.o. acquired 74,474 shares in STS Holding S.A. The company informed about the event in the current report no. 18/2022 pursuant to Art. 19 MAR. As at the date of the report, MJ Investments sp. z o.o. is holding 39,859,376 shares of STS Holding S.A.

Adoption of a resolution on the adoption of an incentive programme for key personnel of the Group

On 29 October 2021, the Extraordinary General Meeting of the Company adopted the resolution no. 4 on the adoption of an incentive scheme for key employees and associates of the Group.

The fair value of the options is measured at the date of grant, whereby non-market vesting conditions (achievement of a financial performance target) are not taken into account in estimating the fair value of the share options.

The cost of remuneration and the increase in equity is recognised based on the best available estimate of the number of options that will vest during the period. In determining the number of options that will vest, non-market vesting conditions are taken into account.

On 21 October 2021, the Company's Extraordinary General Meeting adopted a resolution no. 6 on amending the Company's Articles of Association and authorising the Management Board to increase the share capital within the authorised capital, with the possibility for the Management Board to exclude pre-emptive rights to shares issued within the authorised capital, in whole or in part, upon consent of the Supervisory Board, in order to implement an incentive program for key employees of the Company's group of companies. The Management Board of the Company has been authorised to increase the share capital of the Company by issuing new series D ordinary bearer shares in the number of not more than 714,000 with a nominal value of PLN 1.00 each and with a total nominal value of not more than PLN 714,000.00. On 5 May 2022, the Management Board of the Company adopted Resolution No. 3 on increasing the Company's share capital by issuing 144,960 series D shares with a nominal value of PLN 1.00 per share and an issue price of PLN 1.00. The shares were offered for subscription pursuant to Art. 431 sec. 2 point 1 of the Code of Commercial Companies and Partnerships by way of private subscription to over a dozen key managers of the STS Group.

Share capital increase in STS Holding S.A.

On 21 October 2021, the Company's Extraordinary General Meeting adopted a resolution no. 6 on amending the Company's Articles of Association and authorising the Management Board to increase the share capital within the authorised capital, with the possibility for the Management Board to exclude pre-emptive rights to shares issued within the authorised capital, in whole or in part, upon consent of the Supervisory Board, in order to implement an incentive program for key employees of the Company's group of companies. The Management Board of the Company has been authorised to increase the share capital of the Company by issuing new series D ordinary bearer shares in the number of not more than 714,000 with a nominal value of PLN 1.00 each and with a total nominal value of not more than PLN 714,000.00. On 5 May 2022, the Management Board of the Company adopted Resolution No. 3 on increasing the Company's share capital by issuing 144,960 series D shares with a nominal value of PLN 1.00 per share and an issue price of PLN 1.00. The shares were offered for subscription pursuant to Art. 431 sec. 2 point 1 of the Code of Commercial Companies and Partnerships by way of private subscription to over a dozen key managers of the STS Group. The capital increase was registered by the Registry Court on 1 June 2022.

3.8. Dividend Policy of STS Holding S.A.

In the medium-term, the Company'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 Company's financial capabilities, market conditions and current investment needs, to achieve a dividend company status. In the event that the Group plans to undertake material M&A, the Company reserves the right to reduce the payout ratio or suspend the dividend payment. .

The Company will ensure STS S.A.'s payment of advances on expected dividends 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.

STS Holding S.A. did not pay any dividends in 2021. In the consolidated statement of changes in equity, the Group presents the payment of dividends in the amount of PLN 119 million with regard to the payment of dividends by the subsidiary STS S.A. for the previous owners of the Company.

On 22 June 2022, during the Ordinary General Meeting of Shareholders, a resolution was adopted on the payment of dividends and profit distribution of STS Holding S.A. The General Meeting decided to allocate the net profit achieved by the Company in the amount of PLN 58,096,100.09 to: 1) payment of a dividend to the shareholders in the amount of PLN 57,917,934.46, which means that a dividend of PLN 0.37 per share is due; 2) supplementary capital of the Company in the amount of PLN 178,165.63. At the same time, the Ordinary General Meeting of the Company has resolved to set the dividend day on 16 August 2022, and the dividend payment date by 26 August 2022. On 26 August 2022, STS Holding S.A. paid its shareholders a dividend from the profit for 2021 in the amount of PLN 0.37 per share, i.e. a total of approximately PLN 57.9 million.

Additionally, on 20 September 2022, the Management Board STS Holding S.A. 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 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 date is 31 October 2022.

This means that in 2022, our shareholders received a total of approx. PLN 100,182,373.12 in the form of dividends and interim dividends.

3.9. Employment

As on 31 December 2022, employment in the Group of Companies was as follows:

Specification	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Manual workers	3	3
Office workers	1,198	1,255
Total number of employees	1,201	1,258

Turnover:

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

3.10. Revenue sources

The main source of revenue of the Group of Companies in 2022 was revenue from bets, which accounted for nearly 99.97% of the STS Group's revenue from sales.

The STS Group generates the vast majority of revenue on the Polish market, which is of key importance to the Group. The Company has no material customers and suppliers that would generate at least 10% of the Group's consolidated revenue.

3.11. Cooperation with customers and suppliers

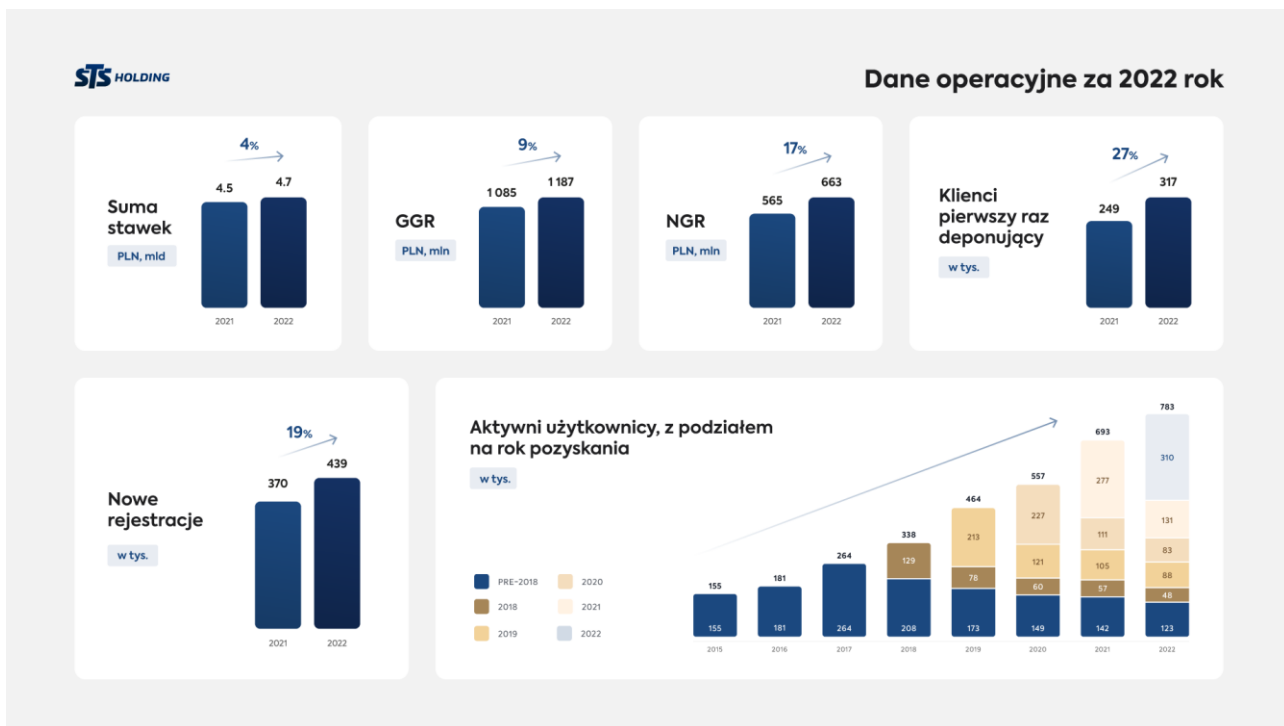
Customers

The STS Group is one of the largest bookmakers in Central Europe and a leader in Poland. Its services are used by approx. 1.6 million people throughout Europe.

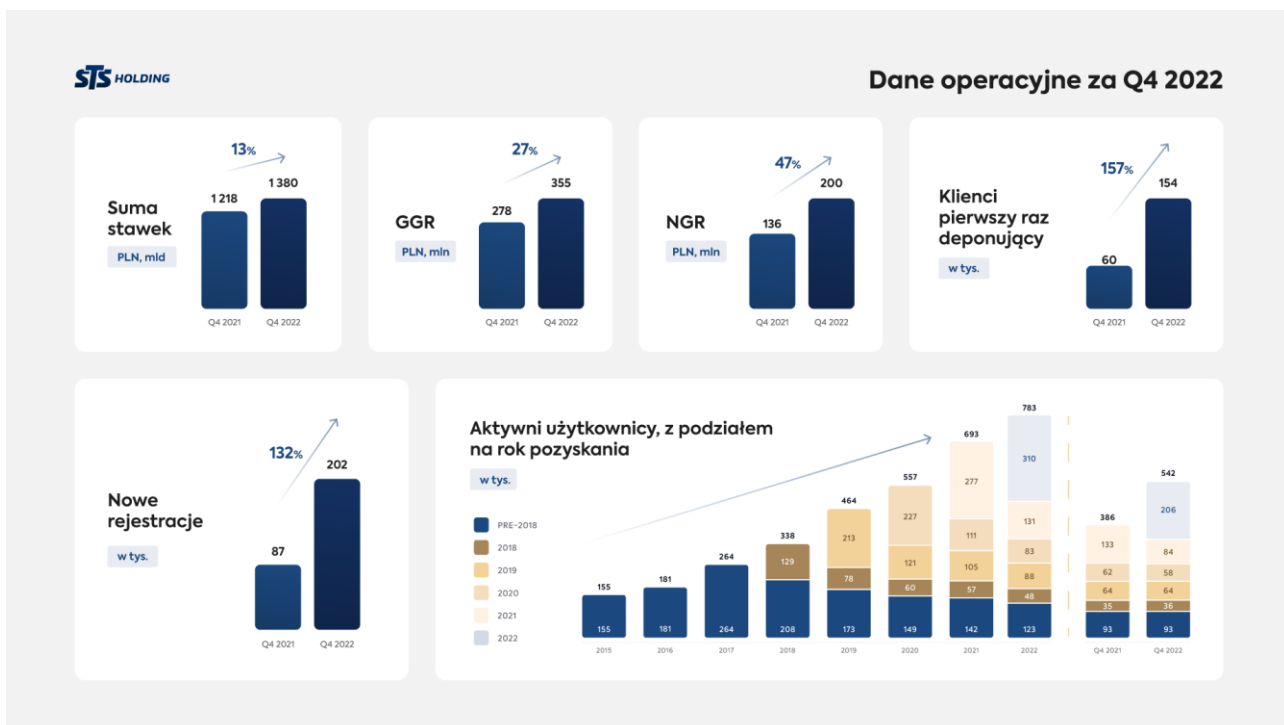
In 2022, the STS Group generated NGR, i.e. the value of bets placed by customers decreased by the winnings paid and gaming tax - at the level of over PLN 663 million, compared to PLN 565 million a year before. This represents a year-on-year increase by 17%.

From January to December 2022, the value of amounts staked by the customers of the STS Group amounted to PLN 4.679 billion, compared to PLN 4.492 billion in the previous year. This represents a year-on-year increase by 4%.

In 2022, the number of active users amounted to 783 thousand in 2022 and 693 thousand in 2021. In 2022, the Group recorded 439 thousand new registrations (370 thousand in 2021), and the number of customers who made their first deposit amounted to 317 thousand (249 thousand in 2021). All operational data is at historical highs.



In Q4 2022 alone, the Group generated the historically highest NGR on a quarterly basis; it amounted to PLN 200 million, compared to PLN 136 million in the previous year. The value of amounts staked by the customers of the STS Group in Q4 2022 amounted to PLN 1.38 billion, compared to PLN 1.218 billion in the previous year. In Q4 2022, the number of active customers was 542 thousand, compared to 386 thousand in Q4 2021. The number of registrations in Q4 2022 was 202,000, compared to 87,000 a year earlier. The number of customers making the first deposit in Q4 2021 amounted to 154 thousand, compared to 60 thousand a year earlier.



Suppliers

The group's operations are based primarily on its own bookmaker system, which is owned by the Group. The BetSys system is supplemented with a variety of integrated modules, including trading, risk, content, and a privileged information access management system. In addition, the Group's technology team is responsible for front-end development of the Group's technology platform. The Group also integrates external tools into its platform, including external odds providers, video streaming services, statistics data providers and AI-driven customer relationship management (CRM) tools.

The supplementary services include the STSpay payment system created by the Group, which enables players to make fast payouts (average payout time from request is 9 minutes) on winnings around the clock. STSpay enables STS S.A. to connect with major Polish banks via API (application programming interface), which fully automates the process of processing and withdrawing funds. STSpay enables the Group's customers to use many fund deposit methods, including Skrill, Neteller, PayPal, Blik, PayU and debit/credit cards.

On international markets, the Group (brand STSBet) uses the services of TGLab, a Lithuanian company developing software for the operation of bookmakers and other gaming services.

Agreements with key external service providers of the Group:

- Sportradar AG agreements for the provision of services related to the transmission of online sports events and the provision of the NovoPrime service, i.e. a platform for the operation of sports betting, the provision of betting terminals and the use of virtual sports products.
- Agreement with TV Zaidimai Ltd for the provision of a package of services related to the BetGames product.
- Agreement with PZPN and Ekstraklasa S.A. concerning the right to use results of games.
- Agreement with UAB TG LAB for the provision of programming and IT services.
- Agreement with Perform Media Channels for the provision of video and data analysis services by Perform.

The STS Group coordinates purchases and orders for services, which enables the selection of optimal variants and solutions. Orders are placed by people responsible for individual spheres of activity, however, coordination and price negotiations are carried out at the level of the entire Group, not operating companies. The policy pursued by the STS Group assumes the selection of suppliers and materials based on a bidding process. The main criteria for the selection of bids are quality, price, as well as terms and conditions of delivery.

3.12. Key contracts

On 16 November 2022, STS S.A. - a subsidiary of STS Holding S.A. - concluded a package of agreements extending cooperation with the Polish Football Association ("PZPN"). Pursuant to those agreements, STS S.A. obtained the right to use the results of football matches, e.g. Ekstraklasa, I liga and 2 liga and the Polish Cup, as well as other marketing services. In return, STS S.A. is obliged to pay to PZPN the amount based on the coefficient agreed by both parties. The fee will be settled each time after the end of the quarterly reporting period. The new terms of cooperation came into force on 1 January 2023 and they comprehensively regulate the rules of cooperation between STS S.A. and PZPN.

3.13. Transactions with related parties

Related party transactions concluded in 2022 were of a market nature. The description of related party transactions is presented in Note 42 to the consolidated financial statements of the STS Holding S.A. Group of Companies from 1 January to 31 December 2022.

3.14. Loans, liabilities, sureties

On 29 August 2022, the Company informed about the seizure of cash receivables from the bank account of the subsidiary STS S.A. for the amount of PLN 9.2 million. The seizure was carried out as a result of the final conclusion of the criminal proceedings against the former client of STS S.A. and the implementation of the decision on securing property and blocking bank accounts. As on the date of approval of the consolidated financial statements, the enforcement of the funds covered by the seizure has not been completed, and STS S.A. itself will take all legal measures available to the Company in the enforcement proceedings at this stage in order to protect the funds covered by the seizure.

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, 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.

On 14 June 2022, STS S.A. signed an overdraft agreement with mBank S.A. 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. 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.

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. - BI) 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 Betplay Capital Sp. z o.o. 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.

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.

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 is going 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. At the present stage, 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.

3.15. Agreements between shareholders

As on the date of publication of the report, i.e. 22 March 2023, STS Holding S.A. is controlled by Mateusz Juroszek and Zbigniew Juroszek, who act in concert within the meaning of Article 87 sec. 1 point 5 of the Public Offering Act. Mr Mateusz Juroszek holds, indirectly through MJ Investments sp. z o.o., 39,859,376 shares, i.e., 25.46% of shares. Mr Zbigniew Juroszek holds, indirectly through Juroszek Holding sp. z o.o., 52,713,314 shares, i.e., 33.68 % of the Issuer's shares. Betplay Capital sp. z o.o. (controlled by Mateusz Juroszek (50% of shares) and Zbigniew Juroszek (45% of shares)) holds 17,046,786 shares, i.e. 10.89% of the Company's shares. The ultimate beneficiary is Mr Mateusz Juroszek.

3.16. Cooperation or collaboration agreements

The STS Holding S.A. Group of Companies did not conclude any cooperation or collaboration agreements in 2022.

3.17. Financial forecasts

The STS Holding S.A. Group of Companies did not inform about financial forecasts for 2022 and the following years.

3.18. Feasibility assessment of investment plans

The Group did not have any liabilities due to loans and borrowings as on 31 December 2022, and the granted credit lines were not disbursed. What is more, the generated cash flows enable current operations, including technology investments. What is more, as on the balance sheet date of 31 December 2022, the STS Group had over PLN 223 million as free funds and equivalents.

3.19. Court proceedings

As on the date of publication of these statements, there are no other significant proceedings pending before any court, arbitration tribunal or public administration body, the subject of which are the Group's liabilities and receivables and which could materially affect the Group's financial condition or profitability, other than those described below. In the period covered by the report, no other proceedings were pending that could have had or had a significant impact on the financial situation or profitability of the Group. To the best knowledge of the Company, the initiation of such proceedings is not expected.

Proceedings or claims considered significant by the Group are those with a value in excess of PLN 2,000,000.00, or otherwise crucial for the Group's operations, in particular in connection with the potential consequences of the permits held by the Group or potentially affecting the Group's reputation.

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 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 using 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 did 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.

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 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.

3.20. Other additional information:

In 2022, the STS Holding S.A. Group of Companies:

- did not record any achievements in the field of research and development,
- did not purchase own shares (stocks),
- did not create and did not have branches (plants),
- did not use financial instruments, hedging instruments with regard to the risk of: price changes, credit risk, significant disruptions to cash flows and loss of financial liquidity,

Unusual factors and events:

In the period from 1 January to 31 December 2022, there were no factors or unusual events affecting the operating result for the period.

Changes in the basic principles of managing the Group of Companies:

In 2022, there were no changes in the management principles of the Group of Companies.

3.21. Events after the balance sheet date

According to the current report No. 1/2023, 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. 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.

3.22. Factors important for the development of STS Holding S.A. and the STS Holding S.A. Group

The most important factors for development in 2022 include:

External factors:

Macroeconomic situation

In 2022, we observed weakening economic activity in Poland. Ultimately, GDP growth in 2022 amounted to 4.9% year-on-year, compared to 6.8% in 2021. Furthermore, we were dealing with rising inflation, with the average annual value of 14.4% last year, compared to 5.1% in 2021. Consumer prices grew at the fastest rate since 1997. Interest rates, following a series of increases, were maintained by the Monetary Policy Council at the level of 6.75% at the end of 2022. According to the monthly readings of Statistics Poland, unemployment oscillated between 5.1% and 5.9% over the last year. Last year - due to high inflation - despite the increase in wages, the disposable income of Poles decreased.

The company looks at macroeconomic indicators, analysing what impact they may have on a business and consumer behavior. Over the last year and in Q1 2023, we do not see the impact of a weaker macro environment on our operations. Our customer base has grown significantly compared to 2021, and their activity has also increased. Therefore, we do not currently see a negative impact of

the environment on the results generated by the Group. Due to the war in Ukraine, unstable energy prices and inflation, we cannot rule out that such an effect will eventually occur.

Growth in the use and penetration of mobile devices

As the Group is a market disruptor adopting an innovative, mobile-first strategy, the results of its operations are influenced by the growth in mobile penetration and the general trend to consume online content on mobile rather than traditional desktop devices.

The strong growth in the penetration of increasingly sophisticated mobile devices with increased capacity to process data and ever-improving screen quality has a significant impact on the volume of mobile service market. Mobile connectivity continues to improve with the evolution of faster networks that further stimulate growth in mobile service market. This is strongly supported by a general shift of the economy to e-commerce, i.e. Customers switching to online channels also in the gaming market, attracting new customers that, for example, have no access to STS S.A.'s retail shops. According to Central Statistical Office data, in 2020 more than 17.6 million people in Poland aged 16-74 (60.9% of the population) have made purchases over the Internet in the past 12 months. Internet access in Poland is increasing, with 90.4% of all households in Poland having access to the Internet in 2020 (according to Statistics Poland) as compared to 80.4% in 2016.

The Group has sought to leverage these developments through the delivery of tailored product offerings through multiple mobile platforms and has enjoyed significant revenue growth through these channels. In 2020, customers using the mobile application generated 69% of the Group's revenue and this number is expected to increase going forward.

Grey gaming market development in Poland

The Group, and in particular the Group's principal operating company, i.e. STS S.A., may face difficulties competing with bookmakers and other gambling operators that are based in low-tax jurisdictions and offer their products in the so-called "grey market". These entities do not hold appropriate gambling licenses in Poland and typically do not meet stringent regulatory requirements with respect to players. As a result, such unlicensed entities, operating in the grey market, which in Poland was estimated to be worth over PLN 1 billion in 2020 based on gross gaming revenue (GGR) (according to EY's study "Szara Strefa Na Rynku Hazardowym Online w Polsce" ("The Grey Online Gambling Market in Poland")), are able to offer their services to players with more favourable betting odds or at a lower cost than the Group. For comparison, it is estimated that the regulated Polish market represents approximately PLN 2.9bn in gross gaming revenue (approximately 72% of the total market).

The Group expects that its results will depend on the effectiveness of regulatory efforts targeted at the grey market. The Group believes that it is well-positioned to gain players using services of operators in the grey market by providing best-in-class gaming services, on a mobile-first basis. Without regulatory change, the Group believes that unlicensed gaming market in Poland will continue to grow at a rapid pace, putting competitive pressure on the Group's operations.

Costs related to compliance with applicable regulations

The Group's main operating company, STS S.A., is subject to a number of domestic and EU regulations, including in particular, those stemming from the Gambling Law, which introduces restrictive regulations concerning gaming and imposes strict requirements on gambling operators. Poland's gambling regulations are considered to be among the most restrictive in Europe. The Group operates in the industry which is subject to strict regulations of a complex and extensive nature that are not harmonised at the EU level, which may hamper the Group's ability to enter new markets.

The Group must devote significant human and financial resources to the evolving regulatory environment, the introduction of new products and the assurance of compliance with applicable laws. The Group expects the compliance to increase going forward, in particular in relation to the expansion to new markets and recent regulatory trends with respect to responsible gambling and data and customer protection.

Marketing and user acquisition expenses

The growing popularity of online gambling and betting and social media has allowed operators to perform more targeted marketing and therefore substantially increase the marketing and user acquisition spend of gambling operators. To effectively attract and retain

players and to re-engage former players, the Group invests in a variety of marketing channels in combination with personalised customer promotion, complementing its product offering (such as free bets, bonuses and matching deposits). These investments and personalised promotions are intended to increase consumer awareness of the Group's products, drive engagement and customer satisfaction.

Access to real time data allows the Group to assess the efficiency of its marketing and promotion activities. In recent years, the Group has steadily increased the share of its marketing budget relative to NGR, retaining the ability to increase it temporarily while maintaining profitability, for example during major player acquisition events such as the UEFA European Championship and FIFA World Cup.

The Group expects that marketing and user acquisition expenses will remain one of its main cost categories going forward.

Product and platform development costs

The Group's implementation of a mobile-first strategy, based primarily on mobile devices, entails the need to maintain and continuously develop the Group's technology platform, in order to address market developments and customer needs. The Group is also required to spend significant resources on product development, in particular on the development and expansion of live, virtual sports, and eSports betting and BetGames offering.

The Group expects that product and platform development costs will remain among its main cost categories in the future. The Group does not capitalise product and platform development costs.

Internal factors:

Product development, innovation and customer experience

The betting and gambling industry has shown significant product innovation over the past couple of decades in order to keep up with new trends. The most important has been the shift to online, and subsequent shift to mobile. The Group continuously invests in the competitiveness of its offer and customer experience, which make players more willing to use the Group's services. For example, as the first company in Poland, it developed an offer for esports events and introduced the BetGames service. The Group intends to continue the current approach and remain an innovative operator in the markets where it operates.

Development of employees and their competences

At the end of 2022, the STS Group had 1,201 employees employed under an employment contract. The organisation saw no significant fluctuations in the number of employees, neither during the year (no seasonal work) nor compared to the previous fiscal year (2021). The STS Group is aware of the fact that training is beneficial both for employees and for the company. Employees frequently take advantage of training courses offered by the employer, which help develop their competences. They become more efficient, involved and satisfied with their workplace. The company, in turn, shapes competent staff, which also translates to financial gains. Each individual STS Group company offers slightly different training courses, which stems from the specific nature and type of work performed.

Responsibility towards the customers

The STS Group is a responsible company which regularly invests in the latest technical solutions meant to ensure the safety and comfort of its users. Activities of STS, i.e. bookmaking, are classified as gambling. For this reason, for several years now STS has been developing the Responsible Gambling concept, whose goal is to provide players with appropriate tools and knowledge to ensure that they can enjoy our services safely. A special team for managing all actions related to responsible gambling has been created within the STS Group. The Group has prepared rules and procedures for responsible gambling.

The STS Group strives to improve the effectiveness of responsible gambling, and thus further steps are being taken to bring the Group closer to fulfilment of its assumptions. STS has begun working with Neccton in the scope of the innovative Mentor tool, which will be introduced first in the British market, and then in the Polish market. As part of cooperation with the University of Economics in

Katowice, the Group is working on the implementation of an artificial intelligence tool to verify the behavior of players that may indicate addiction.

Cooperation with the University of Economics in Katowice resulted in the creation of a prototype tool based on artificial intelligence, which was passed for further development and implementation to the internal Data Science team. The cooperation was so fruitful that the Group decided to extend it with another project related to the analysis of natural language and NLP in communication both on the client-client and client-STS basis. The aim of all this is to better understand customer expectations, their moods, and pay attention to signals that may require intervention.

4. Corporate Governance



4.1. The corporate governance statement

The Management Board of STS Holding S.A. (the "Issuer") informs that the Issuer applies the principles of corporate governance resulting from the document "Code of Best Practice for WSE listed companies 2021" ("DPSN", "Best Practice"), in the wording appended to the Resolution 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange ("WSE") of 29 March 2021, which were published on the WSE website at: <https://www.gpw.pl/dobre-praktyki2021>

In accordance with EBI report 1/2023 of 20 March 2023. The Issuer has updated the information on the application of corporate governance principles in accordance with the DPSN. The Issuer fully applies most of the corporate governance principles, except for the principles described below, which were not applied or were applied to a limited extent.

1.3. In its business strategy, the company also incorporates the ESG issues, which include in particular:
1.3.1. environmental issues, including measures and risks related to climate change and sustainable development;

Company's comment: The company has not yet adopted an official document defining a comprehensive policy in the area of ESG.

1.3.2. social and employee matters, concerning, inter alia, actions taken and planned to ensure gender equality, proper working conditions, respect for employees' rights, dialogue with local communities, relations with clients.

Company's comment: The company has not yet adopted an official document defining a comprehensive policy in the area of ESG. The company undertakes a number of ESG tasks, including in particular limiting the consumption of electricity and water.

1.4. To ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company posts on its website information regarding the assumptions of its strategy, measurable goals, in particular long-term goals, planned activities and progress in their implementation, determined by means of financial and non-financial measures. Information on the strategy in the area of ESG area should, among others:

Company's comment: The company has not yet adopted an official document defining a comprehensive policy in the area of ESG. The issues considered important by the Company are those related to environmental protection, impact on the climate, as well as social aspects related to ensuring equal pay for female and male workers. In its day-to-day operation, the Company takes account of environmental factors through, inter alia, introducing energy-saving solutions. The Group is also involved in broadly understood sponsorship and charity work for external stakeholders, including sponsoring of Polish sport.

1.4.1. explain how climate change issues are taken into account in the decision-making processes of the company and the entities of the group, pointing to the resulting risks;

Company's comment: The company has not yet adopted any document defining a comprehensive policy in the area of ESG. The issues considered important by the Company are those related to environmental protection, impact on the climate, as well as social aspects related to ensuring equal pay for female and male workers. In its day-to-day operation, the Company takes account of environmental factors through, inter alia, introducing energy-saving solutions.

1.5. At least once a year, the company discloses the expenses incurred by it and its group for supporting culture, sports, charities, media, social organisations, trade unions, etc. If in the year covered by the report the company or its group incurred expenses for such purposes, the information shall include a list of such expenses.

Company's comment: The specificity of the Issuer's industry as well as the content of the agreements binding the Issuer and the entities belonging to the Issuer's Group make it impossible to publish detailed information on settlements with sponsored entities.

2.1. 2.1 The company shall have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy shall define the objectives and criteria for diversity in areas such as gender, field of study, specialist knowledge, age and professional experience, and shall indicate when and how the achievement of

these objectives shall be monitored. With respect to gender diversity of the Company's governing bodies, the condition for ensuring the diversity of the Company's governing bodies is the participation of minorities in a given body at a level of not less than 30%.

Company's comment: The Company has not set diversity targets for the composition of the Management Board and Supervisory Board, but focuses only on the quality of management. In the future, a balanced proportion of women and men in the Board of Directors will be taken into account depending on the responsibilities assigned, the availability of suitable candidates for the position, as well as the size of the Management Board and Supervisory Board. As at the date of the report, women account for 40% of the Supervisory Board's composition.

2.2. The persons making decisions on the election of members of the Management Board or the Supervisory Board of the company should ensure the comprehensiveness of these bodies by selecting persons for their composition who ensure diversity, making it possible, inter alia, to achieve the target ratio of a minimum minority shareholding set at a level of not less than 30%, in accordance with the objectives set out in the adopted diversity policy referred to in the rule 2.1.

Company's comment: The Company has not set diversity targets for the composition of the Management Board and Supervisory Board, but focuses only on the quality of management. In the future, a balanced proportion of women and men in the Board of Directors will be taken into account depending on the responsibilities assigned, the availability of suitable candidates for the position, as well as the size of the Management Board and Supervisory Board. As at the date of the report, women account for 40% of the Supervisory Board's composition.

2.7. The performance of functions by the members of the company's management board in bodies of entities outside the company's group requires the consent of the supervisory board.

Company's comment: The performance of functions in the bodies of competitors to the Company by members of the Company's Management Board requires the consent of the Supervisory Board, while the performance of functions in bodies of non-competitive entities does not require such consent in accordance with Art. 380 sec. 1 of the Code of Commercial Companies and Partnerships and Art. 380 sec. 2 of the Code of Commercial Companies and Partnerships. Moreover, the Supervisory Board appoints members of the Management Board, therefore the candidates for this function are previously verified in terms of compliance with the Company's interests.

2.11. In addition to the activities prescribed by law, the Supervisory Board shall prepare an annual report once a year and submit it to the Annual General Meeting for approval. The report referred to above shall contain at least:

2.11.5. assessment of the legitimacy of the expenditure referred to in rule 1.5;

Company's comment: The specificity of the Issuer's industry as well as the content of the agreements binding the Issuer and the entities belonging to the Issuer's Group make it impossible to publish detailed information on settlements with sponsored entities.

2.11.6. information on the extent to which the diversity policy with respect to the Management Board and Supervisory Board has been implemented, including the achievement of the objectives referred to in rule 2.1.

Company's comment: The Issuer has not set targets regarding the composition of the Management Board and Supervisory Board in terms of diversity. When selecting the composition of the Governing Bodies, the Issuer focuses primarily on ensuring appropriate quality standards, which, in the Issuer's opinion, are independent of gender.

3.1. A listed company maintains effective systems of: internal control, risk management and supervision of compliance with the law, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of activities, for which the management board is responsible.

Company's comment: In the current activity of the Group, separation of organisational units responsible for the implementation of tasks in the following systems: internal control, risk management, and internal audit was not justified due to the nature and scale of the activities of the Group. Since December 2022, the Legal&Compliance department, responsible for ensuring compliance, has been operating in the Group. As for internal control, internal audit and risk management, the Company applies systems that are based on

organisational and procedural solutions aimed at ensuring effective and efficient control as well as identification and elimination of potential risks.

3.3. A company included in the WIG20, mWIG40 or sWIG80 index shall appoint an internal auditor in charge of the internal audit function, acting in accordance with generally recognised International Standards for the Professional Practice of Internal Auditing. In other companies, where no internal auditor has been appointed to meet the above-mentioned requirements, the audit committee (or the supervisory board, if it serves as an audit committee) shall assess annually whether there is a need to appoint such a person.

Company's comment: As explained in point 3.1., in the current activity of the Company, separation of organisational units responsible for the implementation of internal audit tasks was not necessary. The company applies appropriate internal control systems that are dispersed within the structure. The company has appointed a Legal & Compliance Division whose scope of duties corresponds partly to the tasks of the internal auditor.

3.4. Remuneration of persons responsible for risk management and compliance and the head of internal audit should depend on the performance of assigned tasks, and not on the short-term performance of the company.

Company's comment: Remuneration of those responsible for compliance is based on the existing market standards. As stated in point 3.1., there is no internal audit unit in the company.

3.6. The head of internal audit shall report organisationally to the president of the management board, and functionally to the chairman of the audit committee or the chairman of the supervisory board, if the board performs the function of the audit committee.

Company's comment: As explained in point 3.1., in the current activity of the Company, separation of organisational units responsible for the implementation of internal audit tasks was not necessary.

3.7. Principles 3.4 - 3.6 are also applicable to the entities from the company's group that are significant for its operations, if they have designated persons to perform such tasks.

Company's comment: In the case of entities from the Company Group, there were no persons appointed to perform such tasks. In subsidiaries - STS S.A. and STS.Bet Limited Ltd. - a Legal & Compliance department was established.

3.10. In a company included in the WIG20, mWIG40 or sWIG80 index, at least once every five years, an independent auditor selected with the participation of the audit committee shall review the internal audit function.

Company's comment: As explained in point 3.1., in the current activity of the Company, separation of organisational units responsible for the implementation of internal audit tasks was not necessary.

4.1. A company should enable shareholders to participate in a general meeting by means of electronic communication (e-GMS), if it is justified in view of the shareholders' expectations reported to the company, and if the company is able to provide the technical infrastructure necessary to conduct such a general meeting.

Company's comment: The Issuer's Management Board decided to verify the actual level of interest in participating in the general meeting by means of electronic communication (e-GMS). In the event of a clear interest on the part of the shareholders, the Issuer will meet the market expectations in the coming years.

4.3. except that in each case one of the Supervisory Board members elected by the Entitled Shareholders shall be the chairperson of the Supervisory Board of the Company.

Company's comment: The Issuer cannot guarantee that such rule will be implemented, however, each time it will analyse the Issuer's shareholding structure and shareholders' expectations, and will decide whether it is justified to provide publicly available real-time broadcasts of the General Meeting.

4.2. Description of the main features of the internal control and risk management systems applied in the STS Holding S.A. Group of Companies in relation to the process of drawing up financial statements and consolidated financial statements

The Company does not have separate organisational units responsible for internal audit and internal control. The control mechanisms are adapted on an ongoing basis to the Company's situation and needs. In each financial year, the Company's Management Board prepares its own assessment of the effectiveness of the internal control systems. The Supervisory Board evaluates them once a year.

The Management Board of each company of the Group is responsible for the internal control system in the Company, as well as its effectiveness in the process of preparing financial statements. The Management Board is also responsible for the correct preparation of financial statements and consolidated financial statements as the approving body. Individual elements of reports and descriptive parts are prepared by the Accounting Department with the participation of the Finance Department. The Finance Department is responsible for financial analysis, controlling and budget preparation. The Accounting Department deals in particular with accounting, reporting and preparation of the Group's consolidated statements. Those tasks are assigned to the competences of individual employees. The Finance Department is managed by the Chief Financial Officer, while the Accounting Department is managed by the Chief Accountant, who reports to the Chief Financial Officer.

Among the elements of the internal control system that are applicable to the preparation of financial statements, the following should be mentioned in particular:

1. Division of duties, which at each stage of the operating cycle excludes the possibility of only one employee performing activities related to the implementation and documentation of an accounting event,
2. High qualifications and documented experience of each of the employees who are responsible for the implementation of tasks dedicated to accounting and finance departments,
3. Digitised system of accounting documentation circulation,
4. Examination of an independent statutory auditor of financial statements and consolidated financial statements, selected by the Supervisory Board of STS Holding S.A.
5. Invoices are verified in individual departments of the Company, from which the relevant costs arise (substantive control), by the Accounting Department (formal and accounting control) and by the owner of the process (acceptance of payment and confirmation of service provision). Above the cost acceptability threshold for a given process owner, set by the Company, the approval is made by the Management Board.
6. The company prepares separate financial statements and consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. The Company also applies the Accounting Policy established by the Company, which includes, among other things: the definition of the financial year and its reporting periods, specification of the manner of keeping the accounting books (corporate chart of accounts, list of accounting books, description of the data processing system), specification of a system for the protection of data and data sets, including accounting documents, books of accounts and other documents constituting the basis for making entries.
7. The company's accounting is carried out with the use of Comarch ERP XL accounting software, and access to the program data is provided to designated persons. This software is used for accounting, preparation of analyses, summaries, statements, tax returns and other reports. Each month, the data obtained with the accounting software are analysed, and then, based on those analyses, decisions are made in the risk management process.

The Company's financial reporting system is the responsibility of the Management Board, and in particular of the Member of the Management Board supervising the Group's Chief Financial Officer. The Audit Committee, within the scope of its competences, monitors the financial reporting process.

The Supervisory Board assesses the fulfillment by the Company of the disclosure obligations specified in the provisions on current and periodic information. The Audit Committee reviews quarterly, half-yearly and annual reports prior to their publication.

The Audit Committee makes a recommendation to the Supervisory Board on the report addressed to the General Meeting on the results of the assessment of the annual financial statements and also makes recommendations to ensure the integrity of the financial reporting process, if any.

4.3. Information on holders of securities with special control rights and information on any restrictions on the exercise of voting rights, such as restrictions on the exercise of voting rights by holders of a certain proportion or number of votes and restrictions on the transfer of ownership rights

The company's share capital amounts to 156,534,958.00 and is divided into:

1. 100,000 (one hundred thousand) series A registered shares numbered from A000.001 to A100.000, with a nominal value of PLN 1.00 (one Polish zloty) each. The issue price of one series A share is equal to the nominal value and amounts to PLN 1.00 (one zloty).
2. 156,149,998 (one hundred and fifty-six million, one hundred and forty-nine thousand, nine hundred and ninety-eight) series B bearer shares numbered from B000.000.001 to B156.149.998, with a nominal value of PLN 1.00 (one Polish zloty) each. The issue price of one series B share is PLN 19.1767091322446,
3. 140,000 (one hundred and forty thousand) series C registered shares numbered from C.000.000.001 to C.000.140.000, with a nominal value of PLN 1.00 (one Polish zloty) each. The issue price of one series C share is equal to the nominal value and amounts to PLN 1.00 (one zloty).
4. 144,960 (one hundred forty-four thousand nine hundred and sixty) series D registered shares numbered from D.000.000.001 to D.000.144.960, with a nominal value of PLN 1.00 (one Polish zloty) each. The issue price of one series D share is equal to the nominal value and amounts to PLN 1.00 (one Polish zloty).

The company may award shares with special rights (preference shares). Preferences of shares may relate to voting rights, the right to dividends or the division of property in the event of liquidation of the Company.

There are no preference shares in the company, however, it should be noted that pursuant to Art. 15 sec. 3 of the Articles of Association, from the date of admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange, MJ Investments sp. z o.o. (National Court Register (KRS): 0000468879), Betplay Capital sp. z o.o. (National Court Register (KRS): 0000470826), Juroszek Holding sp. z o.o. (National Court Register (KRS): 0000514007), or their legal successors (all of them jointly) ("Entitled Shareholders") are entitled to elect Supervisory Board members in the following number (personal entitlement):

1. as long as the Entitled Shareholders hold (jointly) more than 40% of the total number of votes in the Company, they are entitled to elect the following number of the members of the Supervisory Board:
 - 3 (three) members of the Supervisory Board (including the Chairman of the Supervisory Board) if the Supervisory Board consists of 5 (five) members;
 - 4 (four) members of the Supervisory Board (including the Chairman of the Supervisory Board of the Company), if the Supervisory Board consists of 6 (six) or 7 (seven) members,
 - 5 (five) members of the Supervisory Board (including the Chairman of the Supervisory Board) if the Supervisory Board consists of 8 (eight) members;
2. as long as the Entitled Shareholders hold (jointly) more than 33 % but not more than 40% of the total number of votes in the Company, they are entitled to elect the following number of the members of the Supervisory Board:

- 2 (two) members of the Supervisory Board (including the Chairman of the Supervisory Board) if the Supervisory Board consists of 5 (five) members;
 - 3 (three) members of the Supervisory Board (including the Chairman of the Supervisory Board of the Company), if the Supervisory Board consists of 6 (six) or 7 (seven) members;
 - 4 (four) members of the Supervisory Board (including the Chairman of the Supervisory Board) if the Supervisory Board consists of 8 (eight) members;
3. as long as the Entitled Shareholders hold (jointly) more than 20 % but not more than 33% of the total number of votes in the Company, they are entitled to elect 2 (two) members of the Supervisory Board.
 4. as long as the Entitled Shareholders hold (jointly) more than 10 % but not more than 20% of the total number of votes in the Company, they are entitled to elect 1 (one) member of the Supervisory Board.

The Company's shareholders have the right to dispose of the Shares through their sale (transfer of ownership) and other forms of disposal, including the establishment of a pledge, a right of use or a lease over the Shares. Disposal of registered shares requires the consent of the Company, which, pursuant to Article 337 sec. 3 of the Code of Commercial Companies and Partnerships, should be granted by the Management Board in writing.

4.4. Principles of appointing and recalling executives and their rights, in particular the right to decide on the issue or buyout of shares

According to the Articles of Association, the Management Board of STS Holding S.A. consists of one or more members, including the president of the Management Board, who are appointed and recalled by the Supervisory Board for a joint three-year term of office, subject to Art. 22 section 2 of the Articles of Association. The first Management Board of the Company is appointed by the Founder of the Company upon the establishment of the Company. In accordance with Art. 22 sec. 2 of the Articles of Association, from the date of admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.], the Entitled Shareholders have the right to appoint the President of the Management Board of the Company (personal right), as long as the Entitled Shareholders hold (in total) at least 33% (thirty-three percent) of the total number of voting rights in the Company. Personal rights to appoint or recall the President of the Management Board referred to above shall be exercised by the shareholder through a written declaration delivered to the Company. To the declaration, the shareholder shall attach a certificate of deposit confirming the number of shares held by the shareholder on the date of exercising their personal right.

In accordance with the Articles of Association, the Management Board of the Company is authorised to increase the share capital of the Company by issuing new series D ordinary bearer shares in the number of not more than 714,000 (say: seven hundred and fourteen thousand) with a nominal value of PLN 1.00 each and with a total nominal value of not more than PLN 714,000.00 (seven hundred and fourteen thousand Polish zloty) (authorised capital) ("New Shares").

Within the limits of the authorised capital, based on the authorisation, the Management Board is entitled to make one or several subsequent increases of the Company's share capital. The authorisation of the Management Board to increase the share capital as part of the authorised capital expires three years after the Registry Court of the proper venue for the Company registers the relevant amendment to the Company's Articles of Association, i.e. the amendment made under the resolution no. 6 of the General Meeting of the Company of 21 October 2021.

Within the authorised capital, the Management Board may issue New Shares only for cash contributions. As part of each increase of the Company's share capital within the limits of the authorised capital, the Management Board may, in the interest of the Company, with the prior consent of the Supervisory Board expressed in the form of a resolution, deprive the shareholders of the right to pre-empt the New Shares in whole or in part.

The Management Board is authorised to decide on all matters related to the increase of the share capital within the authorised capital, and in particular the Management Board is authorised to:

1. determine the number of New Shares issued as part of each share capital increase within the limits of the authorised capital,
2. determine the issue price of the New Shares and the date(s) on which the New Shares will be included in the dividend,
3. establish the detailed rules, dates and conditions for the issue of the New Shares and the method of proposing the acquisition of the New Shares,
4. take all actions to dematerialise the New Shares and register the New Shares, in particular in the depository of securities kept by the National Depository for Securities [Krajowy Depozyt Papierów Wartościowych S.A.], which also includes the conclusion of agreements with the National Depository for Securities for the registration of the New Shares, take all actions with regard to applying for the admission and introduction of the New Shares to trading on the regulated market operated by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.],
5. specify the detailed terms of subscription and allotment of the New Shares, including the date of opening and closing of the subscription for New Shares, and establish the rules for the subscription and allotment of the New Shares; however, should the Management Board decide to deprive the shareholders of their subscription rights to the New Shares, this will require the consent of the Supervisory Board.

Determination by the Company's Management Board of the number of shares issued as part of each share capital increase within the limits of the authorised capital and the determination of the issue price of the New Shares does not require the consent of the Supervisory Board. The resolution of the Management Board adopted within the scope of the statutory authorization replaces the resolution of the General Meeting on increasing the share capital. The authorisation of the Management Board to increase the share capital within the limits of the authorised capital does not violate the right of the General Meeting to ordinary increase of the share capital during the period when the Management Board exercises such authorisation.

4.5. Description of the rules for amending the Company's Articles of Association

Pursuant to Art. 13 sec. 1 point 9) of the Articles of Association of STS Holding S.A., the powers of the General Meeting include making changes to the Company's Articles of Association. An amendment to the Articles of Association requires a resolution of the General Meeting and an entry in the register of the National Court Register. Amendments to the Articles of Association shall be effective upon entry in the register.

4.6. The method of operation of the General Meeting and its fundamental powers as well as a description of the shareholders' rights and the manner of their exercise, in particular the rules resulting from the regulations of the General Meeting, if such regulations have been adopted, unless the information in this respect results directly from the provisions of law

The rules governing the operation of the General Meeting are regulated in the company's Articles of Association and in the Regulations of the General Meeting. Both documents are available on the website of STS Holding S.A. in the corporate documents tab.

The General Meeting is convened and it debates on the basis of the mandatory provisions of law and the provisions of the Articles of Association and the Regulations, taking into account the Code of Best Practice for WSE listed companies applied by the Company. The General Meeting can be convened as Ordinary General Meeting or Extraordinary General Meeting. General Meeting shall be held in the Company's registered office or in Warsaw.

Members of the Management Board and members of the Supervisory Board of the Company may participate in the General Meeting. The Management Board has the right to admit experts selected by the Management Board and other persons whose presence is required for the proper conduct of the General Meeting. Media representatives have the right to attend the General Meeting, unless the Management Board or the Chairman of the General Meeting decides otherwise for important reasons.

The General Meeting shall be convened by the Management Board. The Extraordinary General Meeting shall be convened by the Management Board on its own initiative or at a written request of the Supervisory Board or at a written request of a shareholder or shareholders representing at least 1/20 (one twentieth) of the share capital. The right to convene an Extraordinary General Meeting is also vested with the Company's shareholders representing at least one-half of the Company's share capital or at least one-half of the total number of votes in the Company.

The General Meeting is opened by the Chairman or Vice-Chairman of the Supervisory Board. Should these persons be absent, the General Meeting is opened by the President of the Management Board or a person appointed by the Management Board. Then, the Chairman of the General Meeting is elected from among those entitled to participate in the General Meeting. In the case referred to in Art. 11 sec. 5 of the Articles of Association, the shareholders convening the Extraordinary General Meeting shall appoint the Chairman of the General Meeting. Each of the shareholders or shareholders' proxies has the right to propose candidates for the Chairman of the General Meeting.

Shareholders may participate in the General Meeting and exercise their voting rights in person or through their proxies. The power of attorney to participate in the General Meeting should be granted in writing. From the date of admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange, the power of attorney to participate in the General Meeting of a public company should be granted in writing or in electronic form. A power of attorney granted in an electronic form does not require a qualified electronic signature.

The competences of the General Meeting, apart from the matters specified in legal regulations and other provisions of the Articles of Association, include:

1. review and approval of the Management Board's report on the Company's operations and financial statements for the previous financial year,
2. review and approval of the Management Board's report on the operations of the Company's group and the consolidated financial statements of the Company's group for the previous financial year,
3. appointment and recalling of the Supervisory Board members, subject to the provisions of Art. 15 sec. 3 of the Articles of Association
4. discharging members of the Management Board and Supervisory Board from the performance of their duties,
5. increasing and reducing the share capital,
6. adopting resolutions on the distribution of profits or coverage of losses,
7. creation and liquidation of reserves,
8. determination of the rules of remuneration for the Supervisory Board members;
9. making changes to the Company's Articles of Association,
10. consideration of matters brought by the Supervisory Board and the Management Board, as well as by shareholders,

11. adopting resolutions on the dissolution and liquidation of the Company or its merger, division or transformation,
12. selection of liquidators,
13. issue of convertible bonds and bonds with priority rights and issue of subscription warrants,
14. decision on claims for redress of damage caused upon establishment of the Company or in the course of management or supervision,
15. sale and lease of the undertaking or an organised part thereof and establishing a limited material right on them,
16. specifying the date according to which the list of shareholders entitled to dividend for the financial year shall be determined (dividend date), as well as the dividend payment date.

The purchase and sale by the Company of real estate, perpetual usufruct right or a share in real estate or perpetual usufruct right does not require the consent of the General Meeting.

Resolutions of the General Meeting are adopted by an absolute majority of votes, irrespective of the number of shares represented at the General Meeting, unless the provisions of the Code of Commercial Companies and Partnerships or other applicable laws and regulations provide for a different manner of adopting resolutions.

4.7. Composition and changes thereto over the last financial year as well as description of the activities of management and supervisory bodies and their committees

Management Board

The Company's Management Board shall be composed of 1 (one) or more members, including the President of the Management Board, appointed and dismissed by the Supervisory Board for a joint three-year term of office, subject to Art. 22 sec. 2 of the Articles of Association. The first Management Board of the Company is appointed by the Founder of the Company upon the establishment of the Company. From the date of admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.], the Entitled Shareholders have the right to appoint the President of the Management Board of the Company (personal right), as long as the Entitled Shareholders hold (in total) at least 33% (thirty-three percent) of the total number of voting rights in the Company. Personal rights to appoint or recall the President of the Management Board referred to above shall be exercised by the shareholder through a written declaration delivered to the Company. To the declaration, the shareholder shall attach a certificate of deposit confirming the number of shares held by the shareholder on the date of exercising their personal right.

The Management Board manages the Company's affairs and represents the Company towards third parties. Each member of the Management Board shall be entitled to independent representation of the Company. Any and all matters related to the management of the Company which are not reserved by law or the Articles of Association as the powers of the General Meeting or the Supervisory Board shall be the powers of the Management Board. Resolutions of the Management Board shall be passed by an absolute majority of votes. In the case of an equal number of votes, the casting vote is held by the President of the Management Board.

At the same time - pursuant to Art. 380 (1) of the Code of Commercial Companies and Partnerships - the Management Board of the Company is obliged to regularly inform the members of the Supervisory Board about the current situation of the Company and related companies within the limits of its knowledge and the provision of the indicated legal basis.

The right of the Company's Supervisory Board to receive such information has not been excluded or limited in any way in the Company's Articles of Association, in order to ensure transparency of the Company's operations and far-reaching protection of the interests of minority shareholders.

Composition of the Management Board:

1. Mateusz Juroszek - President of the Management Board
2. Zdzisław Kostrubała – Member of the Management Board,
3. Marcin Walczysko – Member of the Management Board

Supervisory Board

The Supervisory Board exercises permanent supervision over the Company's activities in respect of all the aspects of its business. The members of the Supervisory Board exercise their rights and duties personally. In order to perform its duties, the Supervisory Board may inspect all documents of the Company, request reports and explanations from the Management Board and employees, and review the assets and liabilities of the Company.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board, and in their absence, by the Vice-Chairman of the Supervisory Board. At the request of the Management Board, the meeting of the Supervisory Board should take place no later than 14 (fourteen) days from the date of submitting the request to the Chairman of the Supervisory Board or the Vice-Chairman of the Supervisory Board. The meeting of the Supervisory Board should be convened at least three times in a financial year.

The Supervisory Board consists of at least 3 members appointed for a three-year joint term. From the date of admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange, the Supervisory Board of the Company is composed of 5 to 8 members.

The number of members of the Supervisory Board is determined by the General Meeting, with the reservation that the Supervisory Board shall be entitled to act, exercise its rights and perform its duties and adopt resolutions, provided that the total number of its members is not less than 3 members or - from the date of admission of the Company's shares to trading on a regulated market maintained by the Warsaw Stock Exchange S.A. - not less than 5 members.

Members of the Supervisory Board shall be appointed and dismissed by the General Meeting of Shareholders, subject to Art. 15 sec. 3 of the Articles of Association. From the date of admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange, MJ Investments sp. z o.o. (National Court Register (KRS): 0000468879), Betplay Capital sp. z o.o. (National Court Register (KRS): 0000470826), Juroszek Holding sp. z o.o. (National Court Register (KRS): 0000514007), or their legal successors (all of them jointly) have the right to elect members of the Supervisory Board on the terms and in the number specified in the Articles of Association, and described on page 39.

The Supervisory Board shall adopt resolutions by an absolute majority of votes of the Supervisory Board members present at the meeting, and in the event of an equal number of votes, the casting vote belongs to the Chairman of the Supervisory Board. For the resolutions of the Supervisory Board to be valid, all members of the Supervisory Board must be invited and at least 1/2 (one-half) of the members of the Supervisory Board must be present. Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by casting their votes in writing through another member of the Supervisory Board. Casting a vote in writing must not apply to matters introduced to the agenda during the meeting of the Supervisory Board. Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board also by using means of remote communication. A resolution is valid if all members of the Supervisory Board have been informed of the contents of the draft resolution.

At the same time - pursuant to Art. 380 (1) of the Code of Commercial Companies and Partnerships - the Management Board of the Company is obliged to regularly inform the members of the Supervisory Board about the current situation of the Company and related companies within the limits of its knowledge and the provision of the indicated legal basis.

The right of the Company's Supervisory Board to receive such information has not been excluded or limited in any way in the Company's Articles of Association, in order to ensure transparency of the Company's operations and far-reaching protection of the interests of minority shareholders.

In addition to the matters specified in legal regulations and other provisions of the Articles of Association, the competences of the Supervisory Board include:

1. (a) assessing the Management Board's report on the Company's activities and the Company's financial statements, as well as assessing the Management Board's report on the activities of the Company's group of companies and the consolidated financial statements of the Company's group of companies for the previous financial year, both with regard to their compliance with the books and documents and with the actual state of affairs, and examining the Management Board's interim and annual reports, motions for the distribution of profits and coverage of losses, and submitting a written report on the results of the examination to the General Meeting,
2. submitting an annual written report to the General Meeting on the results of the assessment referred to in item 1) above,
3. providing opinions on motions submitted by the Management Board to the General Meeting for consideration, 4) concluding and terminating employment contracts with members of the Company's Management Board, with such contracts being signed on behalf of the Supervisory Board by the Chairman of the Supervisory Board or a Vice-Chairman of the Supervisory Board authorised by the Supervisory Board, or another authorised member of the Supervisory Board,
4. appointing an auditor to audit the Company's financial statements and consolidated financial statements of the Company's group,
5. determining the amount of and rules for remunerating members of the Management Board,
6. expressing consent for the Company to pay an advance on the expected dividend,
7. approving the Regulations of the Management Board,
8. expressing consent to the purchase and sale by the Company of real estate, perpetual usufruct right or a share in real estate or perpetual usufruct right,
9. suspending individual or all members of the Management Board for important reasons and to delegate members of the Supervisory Board, for a period of no longer than three months, to temporarily perform the duties of members of the Management Board who have been recalled, have resigned or who, for other reasons, are incapable of performing their duties,
10. adopting of the Regulations of the Supervisory Board.

Composition of the Supervisory Board:

1. Maciej Fijak - Chairman of the Supervisory Board
2. Zbigniew Juroszek – Vice-Chairman of the Supervisory Board, Member of the Audit Committee
3. Milena Olszewska-Miszuris - Member of the Supervisory Board, Chairwoman of the Audit Committee
4. Elżbieta Spyra - Member of the Supervisory Board, Member of the Audit Committee
5. Krzysztof Krawczyk - Member of the Supervisory Board

Audit Committee

The tasks of the Audit Committee include in particular:

1. monitoring the financial reporting process, the effectiveness of internal supervision systems and risk management systems and internal audit, including financial reporting and the performance of financial audit activities,
2. controlling and monitoring the independence of the statutory auditor and the auditing firm,
3. informing the Supervisory Board about the results of the audit and explaining how the audit contributed to the reliability of financial reporting in the Company, as well as what the role of the audit committee played in the audit process,
4. assessing the auditor's independence and approving the auditor to provide permitted non-audit services to the Company,
5. developing a policy for selecting an auditing firm to conduct the audit,
6. determining the procedure for the selection of an auditing firm by the public interest entity,
7. submitting recommendations aimed at ensuring reliability of the financial reporting process in the Company.

The Audit Committee may request the Management Board to submit specific information in the accounting, finance, internal control, internal audit or risk management area, which is necessary to perform the functions of the Audit Committee. The Committee should be informed on the manner of recognition of material or non-standard transactions if different recognition methods may be used.

The Audit Committee may, if it deems necessary, to invite to the Audit Committee meetings, in particular, the members of the Management Board of the Company, employees of the Company, other persons hired by the Company, the statutory auditor, as well as the representatives of the auditing firm of the Company.]

Composition of the Audit Committee

The Audit Committee consists of the following persons:

1. Milena Olszewska – Miszuris - Chairperson of the Committee
2. Zbigniew Eugeniusz Juroszek
3. Elżbieta Spyra

Ms Milena Olszewska-Miszuris meets the criteria for independence within the meaning of the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision and in accordance with the Code of Best Practice for WSE listed companies 2021. Ms Milena Olszewska-Miszuris has knowledge and skills in accounting or auditing financial statements.

Ms Milena Olszewska-Miszuris meets the criteria for independence in accordance with the Code of Best Practice for WSE listed companies 2021 and also within the meaning of the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision.

Mr Zbigniew Juroszek has knowledge and skills in the gambling industry.

Additional information on the knowledge and skills of the Audit Committee members is provided in the Non-Financial Report and on the Company's website.

The value of remuneration, awards and benefits of members of the Management Board and the Supervisory Board

Remuneration of the Members of the Management Board of STS Holding S.A. from 1 January to 31 December 2022.

Full name	Fixed remuneration	Variable remuneration	Additional benefits	Share-based remuneration	Remuneration in subsidiaries	The proportion between fixed and variable remuneration
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Mateusz Juroszek	0.00	0.00	0.00	0.00	0.00	-
Zdzisław Kostrubała	0.00	0.00	0.00	0.00	0.00	-
Marcin Walczysko	0.00	0.00	0.00	0.00	0.00	-

Remuneration of the Members of the Management Board of STS S.A. and other subsidiaries from 1 January to 30 December 2022.

Full name	Fixed remuneration	Variable remuneration	Additional benefits	Remuneration in subsidiaries	The proportion between fixed and variable remuneration
Mateusz Juroszek	321,939.55	0.00	1,586.75	0.00	100%
Zdzisław Kostrubała	391,516.04	0.00	11,794.03	0.00	100%
Marcin Walczysko	144,892.56	0.00	10,986, 29	232,392.00	100%

Remuneration of the Members of the Supervisory Board of STS Holding S.A. from 1 January to 31 December 2022.

Full name	Fixed remuneration	Additional benefits
Maciej Fijak	96 000.00	0.00
Zbigniew Juroszek	66,503, 70	0.00
Milena Olszewska-Miszuris	96 000.00	0.00
Elżbieta Spyra	66 000.00	0.00
Krzysztof Krawczyk	0.00	0.00

Remuneration of the Members of the Supervisory Board of STS S.A. from 1 January to 31 December 2022.

Full name	Fixed remuneration	Additional benefits
Zbigniew Juroszek	0.00	0.00
Mateusz Bromboszcz	29,290,00	0.00
Urszula Juroszek	0.00	0.00
Maciej Fijak	0.00	0.00

In addition, information on the value of remuneration, awards or benefits, including those resulting from incentive or bonus programs based on the issuer's capital is presented in Notes 44 and 43 to the consolidated financial statements of the STS Holding S.A. Group of Companies from 1 January to 31 December 2022.

4.8. Number of Audit Committee meetings

From January to December 2022, the meetings of the Audit Committee were held on the following dates: 05.01.2022, 01.02.2022, 21.02.2022, 19.04.2022, 27.04.2022, 14.07.2022, 31.08.2022, 28.10.2022, 18.11.2022, 19.12.2022. From January to December 2022, the meetings of the Supervisory Board were held on 15.03.2022 as well as 27.04.2022, 13.09.2022, 21.12.2022.

4.9. Policy and procedure for selecting a statutory auditor and providing other services

At STS Holding S.A., there is a policy for selecting a statutory auditor/auditing firm to audit the Company's financial statements, as well as a policy for the provision of other services.

Auditor selection policy

Pursuant to the Auditor Selection Policy, the leading functions in the process of obtaining offers from the statutory auditor/auditing firm regarding the audit of financial statements are performed by the Member of the Management Board supervising the chief financial officer of the Company's group or the Member of the Management Board as the chief financial officer ("Chief Financial Officer"). The leading function in the scope of designing tasks in the Company that are aimed to select a statutory auditor/auditing firm for to audit financial statements is played by the Audit Committee, a permanent consulting and advisory body of the Supervisory Board, established in order to increase the effectiveness of the Supervisory Board's supervisory activities with regard to checking the correctness of financial reporting, financial results, effectiveness of the internal control system, including internal audit and risk management system, as well as submitting recommendations to the Supervisory Board regarding the selection of a statutory auditor/auditing firm, after carrying out established selection procedures ("Audit Committee"). To fulfill their duties, the Audit Committee and the Chief Financial Officer may use the support of the Company's corporate structures.

The Chief Financial Officer is responsible for obtaining offers from the statutory auditor/audit firms regarding the audit of financial statements, which are the basis for the Audit Committee's recommendation regarding the selection by the Supervisory Board of a statutory auditor/auditing firm to audit financial statements in the Company. Conclusions and recommendations as well as the recommendation of the Audit Committee are the basis for the Supervisory Board to select (by resolution) a statutory auditor/auditing firm. The entity responsible for the preparation and implementation of the procedure for selecting a statutory auditor/auditing firm is the Chief Financial Officer.

The selection of the statutory auditor/auditing firm to audit the financial statements of the Company, in accordance with the provisions of the Company's Articles of Association, falls within the competence of the Supervisory Board. Given the fact that the Supervisory Board is not the body approving the financial statements of the Company, the Management Board, while fulfilling the statutory obligation under Art. 133 of the Act on statutory auditors, immediately informs the Polish Financial Supervision Authority ("KNF") of that fact.

The company evaluates the bids submitted by statutory auditors/auditing firms in accordance with the criteria set out in the tender documentation on the basis of transparent and non-discriminatory selection criteria and prepares a report containing the conclusions of the selection procedure, approved by the Audit Committee. The Company does not limit the possibility of presenting an offer to auditing firms and in no way excludes audit firms that received less than 15% of their total remuneration for audits from public interest entities in Poland in the previous calendar year from participation in the selection procedure, nor does it exclude the possibility of entrusting the audit of financial statements of more than one audit firm. The company is free to define the selection procedure and may negotiate directly with the auditing firms concerned during the selection procedure. The introduction of any clauses in the contracts concluded by the Company with third parties that limit the possibility of selecting a statutory auditor/auditing firm for the purposes of conducting the Company's audit is prohibited and invalid in the procedure of selecting statutory auditors/auditing firms. The company is obliged to notify directly and immediately the competent authorities of any attempts by third parties to impose such a contractual clause or otherwise improperly influence the decision of the Supervisory Board - as to the

selection of the statutory auditor/auditing firm. When making decisions and selecting statutory auditors/auditing firms, the Company may take into account the possibility of conducting an audit and issuing an opinion by a statutory auditor/audit firm, other than the statutory auditor/auditing firm of the Company's Group, if it is justified by the implementation of the principles set out in this Policy.

Where the total remuneration received from the Company for each of the last three consecutive financial years amounts to more than 15% of the total remuneration received by the statutory auditor/auditing firm or, where applicable, the statutory auditor of the Group, conducting the audit in each of these financial years, the relevant statutory auditor or the audit firm concerned, or the Group's statutory auditor, where applicable, shall disclose this fact to the Audit Committee and discuss with it the threats to their independence and the safeguards applied to mitigate those threats. The Audit Committee considers whether the audit engagement should be subject to a quality assurance review by another statutory auditor/auditing firm prior to issuing the audit report. Where the remuneration received from the Company still exceeds 15% of the total remuneration received by such statutory auditor, such auditing firm or, where applicable, the Group's statutory auditor, the Audit Committee shall decide, based on objective reasons, whether the statutory auditor, the auditing firm or the statutory auditor of the group, such entity or group of entities may continue to perform the audit for an additional period which may not exceed two years in any event.

The maximum period of uninterrupted duration of the Company's audit engagements (the first engagement including any renewed engagements) by the same audit firm or its related company or any member of the network operating in the European Union countries to which the audit firm belongs, may not exceed 10 years. After the maximum duration of the engagement referred to in sec. 1, neither the statutory auditor/auditing firm nor, where applicable, any of the members of their networks operating in the European Union countries shall undertake the audit of the Company within the next four years. The key statutory auditor may not audit the Company for a period longer than 5 years. Re-audit of the Company by the key statutory auditor may take place not earlier than after at least 3 years from the date of completion of the last audit of the Company.

Basic criteria for evaluating offers of auditing firms:

- The amount of remuneration for the audit of the financial statements of the Company and its subsidiaries.
- The number of statutory auditors employed by the auditing firm, their professional qualifications, knowledge of foreign languages, in particular with regard to the statutory auditor who is to perform the function of the key statutory auditor.
- Availability of qualified specialists in the field of specific issues in financial statements, such as the valuation of actuarial provisions, valuation of derivative instruments, analysis of tax issues and other issues specified by the Audit Committee.
- The previous experience of the statutory auditor/auditing firm - expressed in revenue obtained over the past 3 years from the audit of public interest entities, as well as the number of conducted audits of public interest entities.
- Experience in auditing financial statements of public companies listed on the regulated (primary) market of the Warsaw Stock Exchange
- Appropriate insurance policy, covering the scope of liability for damage incurred due to improper performance of the contract for the audit of the Company's reports.
- The geographical scope of the operation, including: the possibility of auditing the financial statements of consolidated entities located outside Poland.
- Industry specialization and experience in auditing reports of entities with a profile of activity similar to that of the Company.
- Possibility of establishing permanent, effective cooperation between the statutory auditor/auditing firm and the Management Board of the Company.
- Ensuring that the audit is conducted in accordance with the International Standards on Auditing and other standards specified by the Audit Committee.
- The results of control inspections of the statutory auditor/auditing firm carried out by supervisory authorities in the current year and in the last three years preceding the year in which the bid was submitted.
- Possibility to conduct the audit within the time limits specified by the Company.
- Expected nature, scope and frequency of contacts with the Audit Committee, Supervisory Board and the Management Board of the Company.

The Audit Committee may establish additional selection criteria.

In the event that the audit firm loses its authorisation to audit the financial statements or other factors occur that make it impossible to conduct the audit, resulting in the need to withdraw from the contract, the Company together with the Audit Committee will immediately start the procedure for selecting a new audit firm.

Policy for the provision of other services

The policy for the provision of other services sets out the rules for outsourcing additional services to statutory auditors/auditing firms, in addition to auditing financial statements, ensuring the minimization of financial and operational risks and compliance with legal requirements, and the continuous improvement of the quality of financial reporting, as well as honesty, independence, objectivity, accountability and reliability of statutory auditors/auditing firms performing tasks in the company STS Holding S.A.

The policy for the provision of other services regulates the prohibition of providing non-audit services, which have been exhaustively listed in Art. 2 of the Policy, and also lists permitted non-audit services that, in accordance with the assumptions of the Policy for the provision of other services, are not prohibited services. The provisions of the policy also include regulations regarding restrictions to the amount of remuneration of a statutory auditor/auditing firm related to the provision of services other than an audit of financial statements.

If the statutory auditor/auditing firm provides, for a period of at least three consecutive financial years, to the Company, its parent entity or entities controlled by it, non-audit services other than the services referred to in Art. 2 of the Policy, the total remuneration for of such services is limited to a maximum of 70% of the average remuneration paid in the last three financial years for the audit of the Company and, where applicable, of its parent company, its controlled entities and the consolidated financial statements of that group of companies. Non-audit services, other than those mentioned above, that are required to be provided in accordance with EU provisions or national legislation shall be excluded.

4.10. List of key policies, other than those regarding the selection of an expert and the provision of other services

Sports betting regulations

Work and payroll regulations

Anti-corruption policy

AML Policy

Anti-mobbing policy

Personal data protection policies

Information security policy

Responsible gambling concept

4.11. Risk management

In each financial year, the Company's Management Board prepares its own assessment of the effectiveness of the risk management systems.

As part of monitoring risk management systems, the tasks of the Audit Committee include in particular: 1) monitoring the financial reporting process, the effectiveness of internal control systems and risk management systems as well as internal audit, including in the scope of financial reporting and performing financial audit activities, 2) controlling and monitoring the independence of the statutory auditor and the auditing firm, 3) informing the Supervisory Board about the results of the audit and explaining how the audit contributed to the reliability of financial reporting in the Company, as well as about the role of the audit committee in the audit process, 4) assessing the independence of the statutory auditor and consenting to the provision of permitted non-audit services by the auditor, 5) developing a policy for selecting an auditing firm to conduct the audit, 6) defining the procedure for selecting an auditing firm by a public interest entity, 7) submitting recommendations to ensure the reliability of the financial reporting process in the Company.

In addition to the matters specified in legal regulations and other provisions of the Articles of Association, the competences of the Supervisory Board include: 1) assessing the Management Board's report on the Company's activities and the Company's financial statements, as well as assessing the Management Board's report on the activities of the Company's group of companies and the consolidated financial statements of the Company's group of companies for the previous financial year, both with regard to their compliance with the books and documents and with the actual state of affairs, and examining the Management Board's interim and annual reports, motions for the distribution of profits and coverage of losses, and submitting a written report on the results of the examination to the General Meeting, 2) submitting an annual written report to the General Meeting on the results of the assessment referred to in item 1) above, 3) providing opinions on motions submitted by the Management Board to the General Meeting for consideration, 4) concluding and terminating employment contracts with members of the Company's Management Board, with such contracts being signed on behalf of the Supervisory Board by the Chairman of the Supervisory Board or a Vice-Chairman of the Supervisory Board authorised by the Supervisory Board, or another authorised member of the Supervisory Board, 5) appointing an auditor to audit the Company's financial statements and consolidated financial statements of the Company's group, 6) determining the amount of and rules for remunerating members of the Management Board, 7) giving consent for the Company to pay an advance on the expected dividend 8) approving the Regulations of the Management Board, and 9) giving consent to the Company's acquisition or disposal of real properties, a perpetual usufruct right or interest in a real property or a perpetual usufruct right, 10) suspending individual or all members of the Management Board for important reasons and to delegate members of the Supervisory Board, for a period of no longer than three months, to temporarily perform the duties of members of the Management Board who have been recalled, have resigned or who, for other reasons, are incapable of performing their duties, 11) adopting of the Regulations of the Supervisory Board.

At the same time - pursuant to Art. 380 (1) of the Code of Commercial Companies and Partnerships - the Management Board of the Company is obliged to regularly inform the members of the Supervisory Board about the current situation of the Company and related companies within the limits of its knowledge and the provision of the indicated legal basis.

The right of the Company's Supervisory Board to receive such information has not been excluded or limited in any way in the Company's Articles of Association, in order to ensure transparency of the Company's operations and far-reaching protection of the interests of minority shareholders.

The Company maintains risk management and supervisory systems appropriate to the size of the Company and the nature and scale of its operations. The Company does not have a separate organisational unit responsible for risk management.

The Management Board is responsible for implementing and maintaining an effective risk management system.

The Company's key risk areas include: (i) liquidity risk; (ii) personal data protection risk; (iii) risk of business downtime and IT system failure; (iv) regulatory risk; (v) competition risk; (vi) AML related risk; (vii) risk of failure to execute the Company's strategy. The risk areas above are regulated by the Group's internal procedures, including the procedure on counteracting money laundering and terrorist financing, personal data protection procedures and policies and other internally applicable procedures and policies.

As part of its internal risk management system, the Company conducts an ongoing assessment of the level of risk associated with the factors listed above. The level of liquidity risk is examined as part of internal management reporting based on the observation of standard liquidity measures. As the other key risks associated with the Company's operations are of a nature that is difficult to measure, the risk management system in relation to these factors significantly relies on the internal incident reporting system.

4.12. Any contracts signed by and between the Issuer and its executives, providing for compensation in the event of their resignation or dismissal from the position held without valid reason or when their recall or dismissal takes place due to the merger of the issuer by acquisition.

The Company has no contracts signed with its executives providing for compensation in the event of their resignation or dismissal from the position held without valid reason or when their recall or dismissal takes place due to the merger of the issuer by acquisition.

4.13. Risk factors

Risks relating to the betting and gambling industry:

Risk relating to the regulatory environment of the gambling industry in Poland

The Group's main operating company, i.e. STS S.A., is subject to numerous regulations under national and EU laws, including in particular those under the Gambling Act of 19 November 2009 (Dz.U. /Journal of Laws/ of 2020, item 2094, as amended) (the "Gambling Law"). The Gambling Law imposes restrictive gambling regulations and strict requirements on gambling entities, the violation of which carries severe penalties. Poland's gambling regulations are considered to be among the most restrictive in Europe.

The only forms of online gambling currently permitted in Poland for private sector operators are betting and promotional lotteries. Conducting either of these requires obtaining a prior permit. All other forms of online gambling are subject to state monopoly and can only be held by a state-owned company i.e. Totalizator Sportowy sp. z o.o.

The Gambling Law is intended to comprehensively regulate all aspects of the gambling sector. In particular, it sets out the types of gambling games and bets subject to regulation, the manner of offering particular types of gambling and the related restrictions, the requirements and procedures for obtaining concessions and permits by gambling operators to conduct operations in the area of providing gambling services, the fees applicable to gambling operators, gambling tax rates and administrative penalties for violations of the law. In addition to administrative fines, criminal penalties are also provided for gambling violations.

For example, STS S.A. is obliged to prevent minors from participating in the offered gambling games. A significant or repeated failure to respect the rules and principles of the prohibition of underage gambling is likely to have a significant impact on the Group's image and reputation and may entail the non-compliance with applicable legal and regulatory provisions.

Non-compliance with the relevant provisions of the Gambling Law or the terms of the licenses obtained by STS S.A. may result in the imposition of penalties, sanctions or ultimately the revocation or refusal to renew the licenses. The costs of ensuring compliance of our operations may be significant as a result of any changes thereto or the imposition of additional regulatory requirements.

Accordingly, failure to comply with relevant regulations or permit conditions could have a material adverse effect on the Group's revenues, business, results of operations, financial condition and prospects.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to the Group's non-compliance with Anti-Money Laundering regulations

The industry in which the Group operates is exposed to an increased risk of prohibited money laundering activities and therefore there is a risk that the Group's products may be used for those purposes by its customers, employees or third parties. Such actions of customers, employees or third parties may expose the Group to liability in relation to non-compliance with the relevant anti-money laundering or anti-terrorist financing regulations.

For example, pursuant to the Polish Act of March 1, 2018, on the Prevention of Money Laundering and Financing of Terrorism (the "AML Act"), the activities of the Group's principal operating company, i.e. STS S.A., are subject to money laundering regulations and anti-corruption laws. Ensuring the compliance of STS S.A.'s operations with these regulations may require the Group to incur additional costs, limit the Group's ability to conduct business or subject the Group to civil or criminal actions or proceedings. In 2010, the Group introduced and implemented comprehensive anti-money laundering (AML) procedures and compliance systems, which have been further updated in line with the updated AML regulations. Additionally, STS.BET Limited, as an entity holding a license to organise gambling in the United Kingdom and Estonia, is also subject to regulations on preventing money laundering and terrorist financing and is subject to supervision by the relevant authorities in the countries in which it operates.

Non-compliance with the applicable regulations relating to the prevention, detection, and/or reporting of money laundering or terrorist financing activities could expose the Group to a risk of direct losses, as well as a risk of the members of the Group being subject to civil, administrative or criminal sanctions and losing the confidence of its customers, all of which could have a material adverse effect on the Group's reputation, international brand expansion efforts, commercial relationships, and ability to attract and retain employees and customers, which may have an impact on the Group's operations, financial performance and prospects. It should be underlined that the current regulations are often not clear and the bookmaking industry in Poland faces challenges with their interpretation in a manner appropriate to its activity.

The tightening of anti-money laundering regulations may also adversely affect the speed and convenience with which customers can access the Group's products and services, which may also have a detrimental effect on the Group's revenue, operations, results, financial position and prospects.

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.

Risk relating to the complex and non-harmonised regulation of the gambling industry in Europe

The Group operates in an industry subject to strict regulation of a complex and extensive nature that is not harmonised at EU level. The cross-border provision of gambling services in the EU constitutes an economic activity that falls within the scope of the fundamental freedoms set out in the Treaty on the Functioning of the European Union ("TFEU"). In particular, inter alia, Article 56 TFEU prohibits restrictions on the freedom to provide services to service recipients in other EU countries. However, there is no requirement for mutual recognition of gambling licenses or authorizations granted by the authorities of EU countries. In addition, the European Court of Justice has recognised the competence of Member States to determine policies on betting on bookmaking or other games of chance and to restrict gambling activities when this is necessary to protect public interest objectives such as the protection of minors, the fight against gambling addiction and the prevention of crime and fraud. However, the restrictions imposed should be consistent with the EU Treaties, i.e. the justification, proportionality and necessity of the measure must be demonstrated.

The lack of harmonization of regulations in the gambling industry, as outlined above, particularly affects the Group, e.g. in connection with expansion into international markets.

Regulation of the gambling industry is also of interest to national legislatures due to the level of risk generated by the industry, which in turn causes legal regulations to be very restrictive and often subject to administrative discretion. The regulatory environment for the gambling industry, including online betting, is constantly evolving and often does not reflect technological progress (including new products) and the transition of the gambling market to an online business model. Individual regulations and rules for the organisation of gambling, including online sports betting, vary from jurisdiction to jurisdiction (from liberal legal systems permitting commercial operators to legal systems imposing state monopolies or significant restrictions on certain activities). In some jurisdictions there are no laws directly applicable to online gambling activities, while in other jurisdictions the mere organising, offering or advertising of online gambling and betting may be illegal and give rise to criminal liability or financial penalties. Many countries have conflicting regulations, interpretations, differing or inconsistent practices or policies of public authorities in enforcing applicable laws. In addition, many of the laws regulating the gambling industry in various European countries are relatively recent, may be subject to change and competent authorities may change their interpretations of the laws.

An example of significant regulatory changes in the countries in which the Group operates is the ban on accepting credit card payments by gambling operators, which was introduced in the UK in April 2020. In addition, from October 2021, a ban on autoplay, i.e. the ability for a player to repeatedly play a slot machine game without performing additional actions, is planned to be introduced in the UK.

The complex regulatory environment requires the Group to incur significant resources to ensure compliance with relevant regulations. In addition, any adverse changes to betting or other gambling regulations, interpretations of those regulations, regulations and licensing and authorisation requirements by the relevant regulatory authorities or the revocation of a license or operating license could have a material and adverse effect on the Group's ability to operate, generate revenue in certain countries or expand its product offering or enable the availability of services in those countries. Changes to existing regulations may include the introduction of significant tax burdens, requirements to provide collateral or other financial guarantees, restrictions on product offerings, liquidity requirements, requirements to obtain licenses or permits or limits on the number of entities that may obtain licenses or permits, restrictions on permitted marketing activities or restrictions on third party service providers for betting operators or other online gambling activities. The imposition of some or all of these measures in certain countries may render it commercially unviable or impractical for the Group to provide its betting and gambling services in those countries, may reduce its revenues in those countries and may cause the Group to limit the scope of its services in those countries, withdraw completely from certain countries or decide not to enter new markets, which could result in financial losses due to the need to block access to customers located in certain countries.

The Group continuously monitors the regulatory environment of its business to decide whether to allow customers in a particular country access to one or more of its products and whether to engage in different types of marketing and customer contact activities, taking into account various factors, including current regulatory developments. There is a significant risk that the Group will not accurately assess the likelihood that one or more countries will take action that is unfavourable to the Group or decide to introduce legislation that is unfavourable to the Group, or its customers or suppliers. Any such action or activities could result in the illegality of the Group's operations and those of its customers or suppliers. Failure to comply with relevant laws, regulations or licensing or permitting requirements may result in penalties, sanctions or ultimately the suspension, revocation or non-renewal of relevant licenses or permits, and may affect licenses or permits issued in other countries. In addition, the compliance costs associated with these changing and increasingly complex laws, regulations and licensing or permitting requirements could be significant. Failure to comply with relevant laws, regulations and licensing or permitting requirements could have an additional material adverse effect on the Group's revenues, business, results of operations, financial condition and prospects.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to potential reduction of the Group's revenue and profits and constraint of the Group's growth due to increased competition

The Group competes with a large number of betting operators, whether in betting shops (i.e. stationary betting shops) or in the Internet, as well as with providers of other gambling products.

The Group's competitors in Poland include mainly licensed bookmakers. The Group's competitors on foreign markets include large local and multinational gambling operators. The Company's most important market is Poland, where the Group was the largest operator at the end of 2021 (in terms of turnover, based on Ministry of Finance data for 2021). Even though the Group has a dominant position on the Polish market, it faces continuous competition from both established market players and new entrants to the market.

The gambling industry is a competitive market and competitors have numerous opportunities to increase their market share due to the changing regulatory environment despite the Group's established position on the Polish market, particularly if they are more established in foreign markets. The betting companies compete mainly by expanding their product offerings in the form of introducing services with growth potential, such as live betting, virtual sports, eSports or other forms of betting, such as simulated card games, introduced by STS S.A. in 2019 (BetGames). (BetGames). If the Group is unable to expand or provide attractive product offerings to its customers, it may lose market share to its competitors, which would have a negative impact on the Group's ability to generate revenue.

The Group, and in particular the Group's principal operating company, i.e. STS S.A., may face difficulties competing with bookmakers and other gambling operators that are based in low-tax jurisdictions and offer their products in the so-called "grey market". These entities do not hold appropriate gambling licenses in Poland and typically do not meet stringent regulatory requirements with respect to players. As a result, such unlicensed entities, operating in the grey market, which in Poland was estimated to be worth over PLN 1 billion in 2020 based on gross gaming revenue (GGR) (according to EY's study "Szara Strefa Na Rynku Hazardowym Online w Polsce" ("The Grey Online Gambling Market in Poland")), are able to offer their services to players with more favourable betting odds or at a lower cost than the Group.

The failure of the relevant gambling regulators to implement effective regulations necessary to enforce the prohibitions on providing bookmaker betting or other unlicensed gambling may affect the success of the Group's operations in specific jurisdictions, including Poland. The Group also cannot rule out the possibility that the Group's competitors will introduce products similar to or better than the Group's products or that their development activities or investments will not achieve better results than the Group's development activities or investments, which may have an adverse impact on the Group's operations, earnings, prospects and results of operations.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to the potential deterrence of third party suppliers from entering into business with the Group due to uncertainty of to the legality of or adverse public sentiment towards the Group's operations

Suppliers' willingness to provide services to the Group may be affected by their assessment of the legality of providing services to the Group or by the need to make changes to their business to enable them to lawfully provide services to the Group. Suppliers may also be reluctant to provide services to the Group due to their negative view of the betting or other gambling industry, possible negative sentiment towards the industry and due to political or social pressure brought on them. Adverse changes in law or regulation of enforcement policies in any jurisdiction may make the provision of key services to the Group unlawful or problematic in certain jurisdictions. The unwillingness or inability of service providers to provide services to the Group could have a material adverse effect on the approvals received by Group companies and affect the Group's ability to generate revenue from offering its products and services to customers.

For example, from 2016 to 2020, the Group's main operating company, STS S.A., was unable to open a bank account in one of the largest Polish banks due to the fact that the internal policy of such bank prohibited cooperation with companies providing gaming services. Although the internal policy of the aforementioned bank was changed, the Group cannot rule out the possibility that similar policies may be introduced in the future.

In addition to legal or regulatory reasons, certain third party service providers may be reluctant to provide services to the Group due to concerns regarding public or political sentiment towards the betting and gambling industry.

Certain service providers may also determine that an association with the Group could result, directly or indirectly, in adverse consequences for their business and so they may be unwilling to provide their services to the Group and/or prohibit or restrict the Group's customers from using such third party service provider's technology or services or maintaining commercial relations with the Group which may have a material adverse effect on the Group's revenue. In addition, the Group may experience or be subject to an increased scrutiny or supervision of service providers in certain sectors, such as financial services, which may result in a necessity to incur additional costs or cause the Group to resign from providing certain services.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to potential revocation of the Group's companies licenses or lack of extension thereof

The Group conducts activities that are highly regulated. Licenses or permits are usually required to provide sports betting or gambling products in the jurisdictions in which the Group operates. Currently, STS S.A. operates based on 13 decisions issued by the Ministry of Finance (1 decision concerning online betting services and 12 concerning retail betting services (stationary betting shops)), which may be subject to changes from time to time, for example in relation to a change of location of betting shops (stationary betting shops). In the UK and Estonia the Group's services are available based on licenses, issued by the relevant authorities in those countries, held by STS.BET Limited.

Regulations in each of the countries in which the Group operates stipulate, among other things, various conditions concerning the organisation of services, marketing, employees, and products offered. Furthermore, the introduction of new products may result in a necessity to obtain new licenses or to widen the scope of current licenses and to make the relevant adjustments to conducted operations. The Group makes all reasonable efforts to comply with the terms and conditions of its licenses and to renew licenses that are due to expire. Any failure to comply with any applicable regulations or the terms and conditions of its licenses, or any unfavorable changes of law may lead to the Group losing one or more of its licenses or to an inability to renew its licenses.

In addition, the Group's operating companies may not be able to comply with all the requirements, conditions and rules that are necessary to obtain the authorizations or extend their scope to new products. Loss of the existing permits or failure to obtain new ones may have a material adverse impact on the Group's operations, financial performance and development outlook. In addition, violation of applicable regulations may result in administrative or criminal sanctions against the Group companies or their managers.

Certain of the Group's licenses may be granted for fixed periods of time, after which renewal of the license may be required. For example, in accordance with the Polish Gambling Act, a license concerning the provision of betting services in Poland is granted for a period of 6 years and may be extended for an additional 6-year period. Licenses also typically include a right of revocation for the regulator or grantor in certain circumstances. Licenses also have conditions attached to them, some of which may be onerous for the Group to comply with. A failure to win new licenses, the loss of an existing license, or a material adverse change to the terms of a license would significantly adversely impact the Group's financial performance and growth plans.

The Group's operating companies, including STS S.A., may not be able to obtain new licenses in the countries in which it intends to operate or renew its existing permits if they expire or are revoked, on terms acceptable to the Group. In addition, the Group may lose its licenses or violate their terms. Similarly, the Group's business partners in different countries may violate the terms of their authorizations, which could result in the loss or material adverse change in the Group's authorizations.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to the restrictions on advertising of gambling services

Extensive restrictions apply to the marketing of betting or other gambling services in some countries in which the Group operates. In those countries where such restrictions apply, the Group is forced to limit its marketing activities according to relevant applicable laws.

For example, in Poland, the advertising of betting or other gambling services is restricted (unless explicitly allowed in the Gambling Law). Advertising definition in the Gambling Law covers a broad spectrum of activities, including displaying the trademarks or other

distinctive marks of gambling operators, as well as the names and graphic symbols of the entities operating in the field of betting and other gambling games and displaying any information regarding where such games or other services are held and how to participate in them. The advertising and promotion restrictions under the Gambling Law also apply to the advertising and promotion of any goods or services whose name, trademark, graphical shape or packaging make use of a resemblance to or are equivalent to the designation of gambling games or gambling operators. In Poland, the advertising of betting became possible in April 2017, although with several restrictions. Only licensed operators, such as STS S.A., are allowed to advertise, and the contents of advertisements are highly regulated. Among other things, the advertisements may not associate betting with relaxation or leisure, financial success, or sexual attraction and are permitted as long as they do not link the placing or participation in betting to physical or intellectual performance.

The rules on advertising of gambling, described above, may reduce the Group's potential to attract new customers, launch new products, implement a common marketing strategy or expand its market share in a given market. In addition, the Group's advertisements may breach the relevant applicable restrictions and the Group may face criminal or civil proceedings as a result or may lead to the loss of licenses. A failure to adhere to the relevant regulations in this area or an inability to market the Group's products effectively due to the need to adhere to such regulations could have a significant adverse effect on the Group's revenue, business, results, financial position and prospects.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to negative effects of the reputation of the betting and other gambling services industry

The Group's revenue is dependent on both the number of customers using its services and the average amount of money that each customer spends on a given game. The number of the Group's customers is in turn directly related to the reputation of betting and other gambling services and the general public's perception of betting and other gambling services in the countries in which the Group operates. Public sentiment towards the betting and other gaming services industry can vary considerably. Despite the Group's attempts to improve the image of betting and other gaming services industry in Poland, it is often labelled as a less socially desirable type of entertainment. Significant increases in anti-betting and anti-gaming views may occur from time to time causing significant negative effect to the betting and other gaming services industry as a whole. In particular, adverse changes in the perception of the betting and other gaming services industry by the general public may lead to a decrease in demand for betting and other gaming services industry or increased regulatory restrictions which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Negative shifts in the perception of online betting and other gaming services industry by the public, politicians, lobbyists or others could affect introduced or planned changes in laws or regulations in particular countries. In particular, some jurisdictions may abandon or postpone planned legalization or liberalization of online betting and other gaming services industry, thereby limiting the number of jurisdictions into which the Group could launch operations. In addition, betting social impact, is an increasingly important subject of public debate, and related social pressure may result in the introduction of more restrictive regulatory measures concerning, among others, responsible gambling, advertising, the availability of payment methods or scope of services which could be offered to customers. Increased regulation may restrict the Group's scope of operations and increase its compliance costs and therefore have an adverse impact on the Group's business, financial condition, results of operations or prospects.

The betting and other gaming services industry is at times exposed to negative publicity, including compulsive gambling, gambling by minors and gambling online. Publicity about problem gambling, gambling by minors and other problems, even if not directly or indirectly connected with the Group or its products, may adversely impact the Group's reputation and the willingness of the public to participate in betting and other gaming services industry or a particular form of betting and gaming. A material reduction in the number of customers willing to participate in betting and other gaming services industry as a direct or indirect result of such events could have a material adverse impact on the Group's revenues and the Group's business, financial condition, results of operations or prospects.

A negative social and political perception of the gaming industry and related legal or internal requirements of the institutional investors such as investment policies prohibiting investing in companies in the Group's industry may decrease the investors demand

for the Company's shares. In addition, the Group cannot exclude that certain investors will not invest in the Company's shares as a result of ethical or reputational concerns, or that some investors may implement any such prohibitions, or in the future. All of the above may have an adverse impact on the Group's reputation and the price of the Company's shares.

In addition, responsible gambling initiatives aimed at, among others, promoting awareness of possible risks associated with gambling, may require the Group to incur additional costs related to the implementation of the industry best practices or to cease to offer certain products, in the event they are considered harmful to customers. Based on the UK's operations experience, and in light of requirements imposed on gambling companies by the Polish Gambling Act, the Group has adopted industry best practices with respect to responsible gambling, including inter alia, time or amount limits or quota limits and the possibility of self-exclusion by the players. In addition, already in 2022, it concluded an agreement with the University of Economics in Katowice and implemented the Mentor tool, which will facilitate further development of competences in this area. However, it cannot be excluded that such initiatives are ineffective, result in customer complaints or negative media coverage having a detrimental impact on the Group's business.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to compliance with the personal data regulations

The Group's business depends on obtaining and processing the personal data of a large number of customers. The Group processes personal customer data (including name, address, age, bank details and gaming history) and therefore must comply with strict data protection and privacy laws in Poland, the EU and other jurisdictions, in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC ("GDPR"). The GDPR introduced new compliance obligations applicable to the Group's business, resulting in expenses related to the implementation of the GDPR and an adjustment in the Group's business practices. In addition, the GDPR stipulates increased financial penalties for non-compliance (including possible fines of up to four percent of global annual revenue for the preceding financial year or EUR 20 million (whichever is higher) for the most serious violations.

Any failure or perceived violation by the Group companies to comply with their posted privacy policies, their privacy-related requirements to customers or other third parties, or any other legal requirements relating to privacy, data protection, or information security may result in governmental investigations or supervisory actions, claims or public statements against the Group by data protection entities, consumer advocacy groups or others state entities. It may involve liability of a substantial nature, cause the customers to lose trust in the Group's services or otherwise materially, adversely affect reputation and business of the Group.

Furthermore, the costs of compliance with, and other burdens imposed by the laws, regulations, and policies that are applicable to the Group may limit the adoption and use of, and reduce the overall demand for, the Group's services. Additionally, if third parties cooperating with the Group violate applicable laws, regulations, or agreements, such violations may put the Group's customer data at risk.

Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to the Group's business, industry or operations, may lead to increased scrutiny of technology companies, including the Group, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase the Group's costs and risks. Each of these factors would have a material adverse effect on the Group's operations, financial performance and prospects.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to alleged or actual anti-competitive behavior or practices negatively impacting consumers or competition

The Group's activities may come under increased scrutiny by competition and consumer protection authorities and the Group's companies may be subject to civil claims for damage in relation to alleged or actual violations of competition and consumer protection law. A claim for compensation may be pursued by way of an action brought independently or after a decision has been issued by public authorities, for example the President of the Office of Competition and Consumer Protection ("President of UOKiK").

The President of UOKiK is empowered under the Polish Act of 16 February 2007 on Competition and Consumer Protection (consolidated text: Dz.U. /Journal of Laws/ of 2020, item 1076, as amended) to initiate administrative proceedings concerning the protection of competition or the protection of consumers, including abusive clauses in standard agreements with consumers or abuse of a dominant position.

Actions taken by regulatory agencies such as the President of UOKiK, even if without grounds, typically are very expensive to defend, require significant management time and may involve negative media coverage. If the proceedings before the President of UOKiK were to conclude with a decision adverse to the Group or if the Group were to enter into a settlement arrangement, the Group may be subject to fines or other sanctions. Remedying violations may also require the Group to change its business practices. In the event of the Group's commitment to take or omit to take certain actions to cease the breach or remedy its effects, the Group may be required to implement substantial changes to its business practices in order to implement the commitments. The President of UOKiK has the power to impose fines of up to 10% of the turnover of the company concerned in the last financial year for breach of competition rules or for breach of consumer protection rules. Any adverse determinations could also result in significant negative publicity or reputational harm of the Group, and could complicate new or developing antitrust or other investigations relating to consumer protection. Fines imposed by the President of UOKiK, any adverse decisions proceedings, the need to introduce changes to the way in which the Group can operate, or negative publicity generated therefrom, may have a material adverse effect on the Group's business, financial condition and results of operations.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to potential changes in taxation of betting services and other products offered by the Group

The Group is subject to taxation and/or levies in each of the countries in which it operates. The taxation and levies imposed upon the Group have changed over time and may also change in the future.

Poland, which is the main market of the Group's operations, is a jurisdiction with one of the highest gaming taxation regimes in the EU. As a rule, 12% tax is imposed on amounts staked for bets concerning the results of sports and other events (excluding sporting events involving animals). Moreover, gaming operators whose registered seat or main office is in Poland are subject to corporate income tax.

An increase of taxation on international markets on which the Group operates or imposition of new taxes may decrease the amount of money customers want to spend on the Group's products. It may also lead to increased competition from online betting and gaming organisers that do not comply with local regulations and therefore will not be affected by changes in taxation. An increase in state public levies or a significant change in their terms of application could have a significant adverse effect on the Group's revenue, business, results, financial position and prospects.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk related to the war in Ukraine

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 financial statements, the Management Board 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 realised, the development of the situation will be monitored on an ongoing basis.

In the Group's opinion, the probability of risk materialisation is difficult to estimate as on the date of approval of the report.

Risks relating to the Group's operations

Risk relating to the Group's reliance on IT infrastructure, networks and systems and new technologies which may fail or be subject to disruptions

The integrity, reliability and operational performance of the IT infrastructure of the Group is critical to its operations. Such infrastructure, networks, systems and technologies are used to operate the Group's services, process payments and manage and secure its business and data.

Focus on the strategy based on mobile devices results in the Group's dependence on mobile platform providers such as Apple (iOS), Google (Android) and Huawei, who may limit STS mobile application availability on their platforms. For example, STS's mobile application is not available in Google Play store and can only be downloaded from the STS website.

The IT infrastructure of the Group may be damaged or interrupted by increased usage, human error, unauthorised access, natural hazards or disasters or similarly disruptive events. Any failure of the IT infrastructure of the Group or the telecommunications and/or other third party infrastructure on which such infrastructure relies could lead to significant costs and disruptions that could reduce revenue, harm the business reputation and have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

The Group's operations are highly dependent on the IT network and infrastructure that connects the sale points where the Group's products are offered and the headquarters where the operations are conducted, which enables the Group to access information on its operations in real time. IT solutions are of key importance for online services offered by the Group's operating companies, including STS S.A. Any failure, errors, deficiency or other malfunction of the Group's IT infrastructure, networks and systems may have an adverse effect on the quality or availability of services provided by the Group, its competitiveness, business, operating results and financial condition. Depending on the duration of any such event, the Group's revenues may be adversely impacted by such failure and the perception of the Group's brand or reputation may deteriorate.

In addition, if the Group's information systems do not provide accurate information, even for a short period of time, to the Group's management, the ability to manage Group's business, in particular bookmaking odds, could be disrupted and the Group's business, operating results and financial condition could be materially and adversely affected.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to potential vulnerability of the Group's IT systems to cyber attacks or other threats

The operating platforms used by the Group are reliant on technologies and network systems to securely handle transactions and user information over the internet, which may be vulnerable to system intrusions, unauthorised access or manipulation.

As the web users responsible for cybercrime use increasingly technologically advanced ways to commit fraud or cause disruption, the Group's security and network systems may be subjected to various attacks. Computer malware, viruses, hacking, phishing and similar attacks have become more prevalent in the industry. Two of the more common security issues affecting the gaming industry are "denial of service" and "phishing" attacks.

While the Group employs intrusion detection and prevention measures, there is no assurance that such intrusions or attacks or other unauthorised access or manipulation of the software will or can be prevented in the future and any occurrences may cause a delay in or an interruption of operations of the Group. Infringement or interference in the Group's technological platform operations may occur without warning, resulting in a negative assessment of the Group's products, services or sites by the Group's customers. If the Group's efforts to combat these attacks or other forms of cyber-crime are unsuccessful, the Group's reputation and product offerings could be materially adversely affected with a consequent impact on its ability to generate revenue.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to potential disruption to the Group's activity due to crime and fraud

Like many operators in the betting and gaming industry, the Group faces challenges caused by crime and fraud in the countries in which it conducts its business. The betting and gaming industry is subject to various risks as a result of criminal activity, including organised crime, fraud, robbery, petty crime and theft.

These events may result in negative media coverage regarding the Group's operations or may disrupt the Group's operations, and could therefore materially adversely affect the Group's business, financial condition, results of operations or prospects.

The examples of fraud of an internal nature the Group may face include, among others, incorrect odds being published for a short period, sufficient for an employee to place a bet thanks to such odds, the transfer of funds going to a bank account belonging to an employee, crediting bonuses to an employee when the conditions for awarding them have not been met, unauthorised use of the Group's know-how within the industry, as well as breaches of data security and unauthorised use of customer data.

The examples of fraud of an external nature the Group may face include, among others, creating multiple accounts using borrowed or stolen identities to bypass verification thresholds or security checks, use of so called "mule" or "smurf" accounts i.e. alternative accounts created by the same person, requests by customers for a "chargeback", that is a card transaction complaint, unauthorised use of the payment methods offered by third parties, use of the Group's services from a prohibited jurisdiction, inappropriate use of bonuses, player collusion, exploiting errors or hacking games, arbitrage betting, low odds betting patterns or fixed matches. The Group incidentally faced such incidents in the past, however, they were not of a significant scale.

While the Group has systems in place to protect against fraudulent play and other inappropriate activities by customers and employees, the Group cannot guarantee full efficiency of these systems in all cases. Improving or remediating existing procedures or systems may require the Group to make unanticipated additional investments in its systems and processes. If the Group suffers any fraudulent activities, the Group's business, performance, prospects, value, financial condition, and results of operations could be adversely affected.

All frauds and cheating have the potential to interfere with customers' use of the Group's products. If the Group fails to detect fraud and cheating, including fraudulent use of third party funds and the use of bots, the Group could lose the confidence of its customers. In addition, all negative media coverage related to such schemes could lead to customers becoming dissatisfied with the Group's products and services. The Group could also face action from third parties affected by fraud or cheating, where for instance fraudulent use of third party funds has occurred as a result of account takeovers by an unauthorised user. The occurrence of any of such events could result in reputational damage to the Group and it could materially adversely affect its revenue and could require significant capital expenditure to counteract.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to the impact of the schedules of sporting events on the Group's revenue and the potential volatility of the Group's revenue

As the bets offered by the Group are mainly related to sporting events, its business and financial results are partially related to schedules and results of such events. The major sporting events occurs seasonally (such as the Ekstraklasa, the Premier League, the UEFA Champions League, and the NBA) or at regular but infrequent intervals (such as the FIFA World Cup and the UEFA European Championship).

The Group observes an increased number of bets during such major sports events, which may influence the volatility of the financial performance of the Group between the reporting periods. Factors such as weather conditions, terrorist acts, wars and outbreaks of pestilence and infectious diseases such as COVID-19 may also result in cancellation or changes in the planned schedules of sporting events, which may adversely impact the Group's business, financial condition and results of operations. Cancellation, disruption to, or postponement of the live broadcasting of sporting events, for example, due to contractual disputes between the broadcasters, technological or communication problems, or other events could decrease the customers' interest in betting related to a given event and have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to the Group's dependence on its key personnel

The Group's success depends to a significant extent upon the experience and work of a limited number of the Group's key senior management and personnel, especially the members of the management board of STS S.A., bookmakers, local managers and product development specialists. The Group's President of the Management Board and key shareholder, Mateusz Juroszek, is a key person in the Group's development and is responsible for such areas as product development, finance, marketing, sportsbook and technology. Zdzisław Kostrubała is the gambling law expert and actively participated in the work on the Gambling Act and regular discussions with the regulators, and is responsible for the Group's legal and compliance issues. Marcin Walczysko is an executive with experience gained with the largest gaming industry players and is responsible for the Group's retail operations (nationwide network of betting shops).

It cannot be ruled out that the Group will not be able to retain its key personnel. The risk management and product portfolio are the most crucial areas in which the Group is dependent on the key employees, who significantly contribute to the success of the Group. Due to the specifics of the betting industry and the ongoing digitalization, the Group is dependent on highly skilled and technically trained employees, whose high competences and knowledge translate into the development of new technologies and creation of innovative products. Competition for employees, particularly software developers, engineers and project managers with desirable skill sets is high, and the Group devotes significant resources to identifying, hiring, training, successfully integrating and retaining of its employees.

Factors critical to retaining the Group's present staff and attracting and motivating new highly qualified personnel include the Group's ability to provide these individuals with competitive compensation arrangements. The loss (whether temporary or permanent) of the services of any director, member of the senior management team or other key personnel like bookmakers, could have a material adverse effect on the business, financial condition or results of operations of the Group.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to material losses with respect to betting and other gaming services outcomes and individual events

A bookmaker's odds are determined so as to provide the bookmaker with a stable level of profits based on a large number of bets and betting events, which ensures the Group's performance and margin over the long term. However, the Group's financial performance and the margin achieved can reach high level of variation depending on the results of individual events and on a day-by-day basis.

The Group has, from time to time, experienced significant losses with respect to individual events or betting outcomes related to the so-called unlikely winners. Single high winnings may also affect the Group's results on a short-term basis. For example, in May 2021, one of the clients made 3 identical bets with a stake of PLN 300 and winnings of over PLN 300 thousand each. In addition, longer periods without unexpected results in the events most frequently chosen by customers (for example, a longer period of victories by favored teams) may clearly affect the Group's net margin in such period, i.e. the value of winnings paid out may be greater than the value of bets accepted on such events.

Although the Group has systems and controls in place which seek to reduce the risk of periodic losses, there can be no assurance that these systems and controls will effectively reduce this risk. The volatility of financial results and potential losses caused by single-events could have a material adverse effect on the Group's cash flows, the comparability of the Group's results on a short-term basis and therefore have a material adverse effect on its business, financial condition and results of operations.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to the necessity for the Group to introduce new, attractive products and high quality technologies addressing the newest industry trends

Sports betting is the main product offered by the Group. In order to attract and retain customers, the Group regularly introduces and expands betting opportunities for its customers through the expansion of its live betting, betting on virtual sports events, eSports betting and BetGames offering. The Group's online business relies on access to the newest and most developed technologies, including the Group's proprietary betting platform and mobile application. Any failure to develop new technologies, systems or products, or to increase the effectiveness of existing systems may have an adverse effect on the quality of services provided by the Group, its competitiveness, business, operating results and financial condition. In addition, the Group may be unable to access such technologies, for example, if they are developed by the Group's competitors.

Ineffective implementation of the new systems and technologies by the Group, which could cause its business disruptions and be more expensive, time-consuming, disruptive and resource-intensive or decrease the overall quality of the customer experience.

All of the above could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to the Group's dependence on third parties for some of its services, in particular dependence on the organisers of sports events

The Group relies to varying degrees on a number of third party vendors, service providers as well as strategic partners to efficiently operate the business, offer its products and meet the expectations of customers.

In particular, certain key elements of the Group's services are operated by third parties the Group does not control and whose replacement would take significant time or may be impossible. The Group expects this dependency to continue in terms of some services. For example, pursuant to the Polish Gambling Law, STS S.A. is required to obtain the consents of national organisers of sports events to use their results for betting. The law does not indicate on what conditions such consents should be given or whether they can be withheld. This includes the results of matches organised by the Polish Football Association (Polski Związek Piłki Nożnej) or Ekstraklasa, the country's primary football competition, and other popular sport competitions that have significant importance for the Group, in particular due to the Group's marketing activities being focused on football. Therefore, STS S.A. has had to enter into agreements with Polish organisers of sports events for the use of the events' results for sports betting on terms and conditions which are not always favorable to it, and sometimes they require the Group to share a certain amount of total revenues with the entity granting such consent. Such provisions are included in the agreement with the Polish Football Association and Ekstraklasa, which is further described under "9. Business – 9.10. Material Contracts – Agreement with PZPN and Ekstraklasa S.A. concerning the right to use results of games." The Polish Office of Competition and Consumer Protection is currently verifying whether the amount charged by the Polish Football Association and other Polish organisers of sports events can be based on the total revenue of the entity organising sports betting, regardless of whether it was generated by sports events organised by such sports organisers or by other events.

Any adverse changes in the Group's existing arrangements with these third parties, including inability to fulfill obligations in a timely manner or an inability to enter into or renew arrangements on favorable terms, if at all, could reduce the quality, revenue or availability of the Group's products. In particular, if the Polish sports organisers withhold their consent for the use of their results or the Group fails to pay the fees to the organisers of such sports events on time or to extend the relevant agreement, the Group may not be able to offer betting for games' results. There is also a risk of temporary or permanent restrictions on consents granted by certain sports organisers due to the actions of competitors aimed at limiting access to particular events on an exclusive basis.

The Group's reliance on third parties may also lead to potential disruptions and various performance problems due to a variety of reasons, such as infrastructure changes, human and software errors, as well as capacity constraints. With regard to the aforementioned intermediaries, the Group is not always able to conclusively guarantee the timeliness and reliability of the services provided. A failure or significant interruption in the Group's services could adversely affect its business, operating results and financial condition.

In the Group's opinion, the probability of the materialisation of this risk is medium.

Risk relating to the majority of the Group's revenues coming from betting

The majority of the Group revenues are generated by sports betting operations, in particular online betting.

The Group has introduced new products, and expanded its offer of live bets offering and virtual sports, as well as eSports events. Nevertheless, the Group expects that sports betting will remain its major source of revenue in the future. If sports betting becomes less popular, in particular due to generational and societal changes, the revenues and operations of the Group may be significantly adversely affected.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to the Group's dependence on the significance of the STS brand

The Group's revenues from operations depend largely on the significance of the Group's main brand, namely, the STS brand. According to the Group, the STS brand is very well recognised and trustworthy; however, any actions that may damage the STS brand, such as errors in the Group's marketing planning, the ineffective use of marketing expenditures or the loss of customers' trust, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to the Group's potential infringement of third party IP rights

The Group's success may depend on its ability to obtain trademark protection for the names or symbols under which it offers its products, or to obtain intellectual property rights protection of its proprietary technologies. There is a risk that the Group may be unable to protect its intellectual property rights, which may have a significant adverse effect on the Group and its prospects.

The Group deals with two major groups of intellectual property rights: software and trademarks. Some software was developed or adjusted to the Group's activities and is used by Group companies. It is possible that IT solutions were implemented in a particular operating company without first obtaining all of the necessary licenses. Furthermore, rights to use trademarks designed for the Group by particular operating companies may not be properly secured. There is also a risk that the Group may violate third parties' rights to trademarks and other IP rights when conducting reports on sport events, informing about their participants or presenting competitions and their results. If action is taken by a third parties against the Group as a result of its alleged infringement of IP rights, that may have a material adverse impact on the operations, financial results and prospects of the Group.

In the Group's opinion, the probability of the materialisation of this risk is low.

Risk relating to potential disruptions in payment processing

Payment of the Group's customers, especially in online services, is predominantly made by debit/credit cards or other legally allowed online payment methods. Card-issuing institutions sometimes impose restrictions on the use of cards for particular online transactions, including betting and other gaming services. The internet payments for the Group's products are processed by banks. Therefore, the Group's business will be increasingly dependent on financial institutions and other entities and organisations which ensure service payments made by and to customers. The Group's payment mechanism STSpay depends on the availability of the STS S.A. bank accounts in numerous Polish banks. Any disruptions in payment systems or negative assessment of payment process made by the Group's customers could have a material adverse effect on the Group's business, financial condition and operations.

In the Group's opinion, the probability of the materialisation of this risk is medium.

5. Selected financial data



5.1. Property and financial situation of the STS Holding S.A. group of companies (description of consolidated data)

STS Holding S.A. does not conduct operating activities, therefore it does not identify operating segments in its activities.

In the period from 1 January to 31 December 2022, the Company conducted only holding activities in relation to the company STS S.A. and as part of this activity it only obtained dividend revenue in the amount of PLN 127,371,021.00.

The data presented below is consistent with the consolidated financial statements of the STS Holding S.A. Group of Companies for the period from 1 January to 31 December 2021.

Selected data from the consolidated statement of comprehensive income:

Data	31.12.2022	31.12.2021	Change
Revenue from sales	579,217,685	497,631,476	16%
Gross profit (loss) on sales	207,243,794	170,433,072	22%
Profit before tax	231,304 961	174,279 936	33%
Profit on operating activities (EBIT)	224,569 216	179,479 093	25%
EBIT/ Sales revenue	39%	36%	
Net profit attributable to the shareholders of the parent company	168,904,850	131,337,655	29%
EBITDA	265,179,502	203,660,593	30%
Adjusted EBITDA	272,929,021	215,895,347	26%

In 2022, sales revenue in the STS Holding S.A. amounted to PLN 579 million and were slightly higher than in the previous year. In the reporting period, nearly PLN 169 million of consolidated net profit was recorded. The financial result is definitely higher than last year. It is worth noting that in 2022 the football World Cup was held, which had a significant impact on the Group's results, the effect is visible both in consolidated revenue, profits, as well as EBITDA and adjusted EBITDA.

Profitability ratios	31.12.2022	31.12.2021	Change
Operating profit margin ratio			
Profit from operational activities	38.8%	36.1%	2.7 pp
Revenue from sales			

Net profit margin ratio

Net profit	29.2%	26.4%	2.8 pp
Revenue from sales			

Return on Asset (ROA)

Net profit	47.3%	49.2%	(1.9) pp
Total assets			

Return on Equity (ROE)

Net profit	90.1%	124.6%	(34.5) pp
Equity			

Profitability ratios at the end of 2022 reached higher levels than in 2021. It should be emphasised that despite the high increase in revenue generated from the its operations, the Group paid attention to the increase in costs throughout the year, which made the profitability ratios look better than in 2021. At the same time, with the increase in the level of profitability of business activity, the higher dynamics of growth in the items of assets and equity led to a decrease in return on assets (ROA) and return on equity (ROE).

Selected data from the consolidated statement of financial position - assets

Data	31.12.2022	31.12.2021	Change
Total assets	357,138,543	266,853,085	34%
Fixed assets	113,496,666	102,993,291	10%
Current assets, including:	243,641,877	163,859,794	49%
Inventory	76 052	4 524	1581%
Trade and other receivables	19,750 675	16,404,261	20%
Cash and cash equivalents	222,931 205	146,433,170	52%
Short-term financial assets	883 945	1,017,839	(13)%

In 2022, the further accumulation of assets in the STS Group is clearly visible. Particularly important is the fact that from 31 December 2021, the level of cash has significantly increased, showing an increase by as much as 52%. The Group's cash position allows not only financing current operating activities, but also making investments, including on technology, from the Group's own funds. Thus, in times of high interest rates, the STS Group does not have to use external financing sources.

Selected data from the consolidated statement of financial position - liabilities

Data	31.12.2022	31.12.2021	Change
Equity	187,490 953	105 401,310	78%
Share capital	156,534,958	156,389,998	0.1%
Total liabilities	169,647 590	161 451,775	5%
Long-term liabilities	10,751,724	23 155,144	(54)%
Short-term liabilities	158,895,866	138,296,631	15%

From December 2021 to December 2022, there was an increase in equity by as much as 78%. In H1 2022, there was a slight increase in share capital resulting from the issue of series D shares, addressed in the incentive program to over a dozen key managers of the STS Group. Long-term liabilities decreased significantly in the reporting period, while short-term liabilities noticeably increased. The company has no material debts.

Financing structure and management of financial resources

Data	31.12.2022	31.12.2021
Total assets	357,138,543	266 853,085
Fixed assets	113,496,666	102 993,291
Equity	187,490 953	105 401,310
Total liabilities	169,647,590	161 451,775
Long-term liabilities	10,751,724	23 155,144
Short-term liabilities	158,895,866	138 296,631
Interest liabilities (lease)	28,564,859	40,004,262

The management of the financial resources of the STS Holding S.A. Group of Companies in 2022 invariably involved the effective financing of the Group's operations, including, in particular, the provision of sources of financing for the implemented projects in the scope of technology, marketing and portfolio development. For this purpose, own funds and funds from payments from customers were used, which means that the generated cash flows allowed the Group to operate on a day-to-day basis. The Group does not need external financing.

Debt ratios

Debt ratios	31.12.2022	31.12.2021
Asset coverage ratio		
$\frac{\text{Equity}}{\text{Total assets}}$	52.5%	39.5%
Debt to Equity Ratio		
$\frac{\text{Total liabilities}}{\text{Equity}}$	90.5%	153.2%
Overall debt ratio		
$\frac{\text{Total liabilities}}{\text{Total assets}}$	47.5%	60.5%
Net debt / EBITDA ratio		
$\frac{\text{Interest liabilities (loans, borrowings, lease) - cash and cash equivalents}}{\text{EBITDA}}$	-0,71	-0,49

In the opinion of the Management Board, the level of STS Group debt can be considered as safe. The equity to assets ratio is constantly growing. The Group did not have any liabilities due to loans and borrowings at the end of 2022, and the generated cash flows enable current operations of the Company, including technology investments. The Group is constantly reducing the debt to equity ratio and the total debt ratio.

Liquidity ratios

Debt ratios	31.12.2022	31.12.2021
Current Ratio		
$\frac{\text{CURRENT ASSETS}}{\text{Short-term liabilities}}$	153.3	118.5
Quick Ratio		
$\frac{\text{Current assets - Inventory}}{\text{Short-term liabilities}}$	153.3	118.5

The current liquidity ratio of the STS Group in the end of December 2022 increased significantly compared to the previous period and remains at a high and safe level.

6. Representations



6.1. Non-financial information

The Non-Financial Report of the STS Group has been prepared separately from the Management Board's Report on operations of the STS Holding S.A. Group of Companies.

6.2. Auditor

On 13 January 2022, the Company concluded an agreement with Spółka Grant Thornton Polska P.S.A. (formerly Grant Thornton Polska Sp. z o. o.), ul. Abpa Antoniego Baraniaka 88 E, 61-131 Poznań, entered into the list of auditing firms kept by the National Council of Statutory Auditors, under number 4055, for the audit of the Company's separate financial statements and the consolidated statements of the STS Holding S.A. Group of Companies for the financial year ended 31 December 2021 and for the financial year ended 31 December 2022. The auditing firm was selected by the Supervisory Board in accordance with the policy of selecting an auditing firm in force in the Company, taking account of the recommendation of the Company's Management Board of 29 December 2021.

Pursuant to the agreement of 18 June 2021 and Annex No. 1 of 18 June 2021, prior to the approval of the policy of selecting an auditing firm by the Company, the auditing company Grant Thornton Polska P.S.A. (formerly Grant Thornton Polska Sp. z o. o.) based in Poznań, provided to the STS S.A. Group (STS S.A.), in the financial year ended 31 December 2021, permitted non-audit services, i.e. services in the following scope:

- auditing historical financial information of STS S.A. for 2018, 2019 and 2020 in connection with the public offering of the Company's shares;
- auditing historical financial information of the Group of Companies in accordance with the International Financial Reporting Standards for the period from 1 January 2021 to 30 September 2021, in connection with the public offering of shares;
- issuing comfort letters and performing other agreed procedures in connection with the Company's public offering when drawing up the Offering Memorandum;
- carrying out the "tick and tie" procedure in connection with the Company's public offering when drawing up the Offering Memorandum;

The remuneration of the auditing firm for the financial year and the previous year was described in the Consolidated Financial Statements in Note 46 "Remuneration of the audit firm".

Pursuant to Art. 70 sec. 1 point 7 and Art. 71 sec. 1 point 7 of the the Regulation of the Minister of Finance of 29 March 2018 on current and interim information delivered by issuers of securities and the conditions for recognizing as equivalent the information required by the laws of a non-member state (Dz. U. /Journal of Laws/ of 2018, item 757), based on the statement made by the Supervisory Board of STS Holding S.A., the Management Board of the Company declares that the auditing firm authorised to audit the financial statements of the Company and the STS Holding S.A. Group of Companies, auditing the separate financial statements of STS Holding S.A. and the consolidated financial statements of the STS Holding S.A. Group of Companies for the year ended 31 December 2022, was selected in accordance with the provisions of law, including those concerning the selection procedure of an auditing firm.

The aforementioned auditing firm and members of the audit team performing the audit met the conditions for drawing up an impartial and independent report on the audit of the annual separate and consolidated financial statements in accordance with the applicable regulations, professional standards and professional ethics rules.

The applicable regulations related to the turnover of the auditing firm and the key statutory auditor as well as the mandatory grace periods are complied with in the Company,

The Company introduced a Policy and procedure for the selection of an auditing firm authorised to audit the financial statements of the Company and of the STS Holding S.A. Group of Companies, and the Policy for the provision of permitted non-audit services by the auditing company conducting the audit, an entity related to this auditing company or a member of the auditing firm's network.

6.3. Statement of the Management Board of STS Holding S.A. for the Consolidated Financial Statements

The Management Board of STS Holding S.A. declares that the consolidated financial statements of the STS Holding S.A. Group of Companies ("Group of Companies") and the financial statements of the parent company STS Holding S.A. for the period from 1 January to 31 December 2022 and comparable data were prepared in accordance with the applicable accounting principles (IFRS) and reflect in a true, fair and clear manner the property and financial situation of the Group of Companies and its financial result, and the annual report on the activities of the Group of Companies, containing the report on the activities of STS Holding S.A., presents a true picture of the development, achievements and condition of the Group of Companies, including a description of the main threats and risks.

6.4. Approval by the Company's Management Board of the Management Board's report on the operations of the STS Holding S.A. Group of Companies from 1 January to 31 December 2022

This Report of the Management Board on the activities of STS Holding S.A. Group of Companies from 1 January to 31 December 2022, including the report on the operations of STS Holding S.A., was prepared and approved by the Management Board of the parent company STS Holding S.A. on 21 March 2022.

Katowice, 21 March 2023:

Mateusz Juroszek

President of the Management Board of STS Holding S.A.

Marcin Walczysko

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

Zdzisław Kostrubała

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