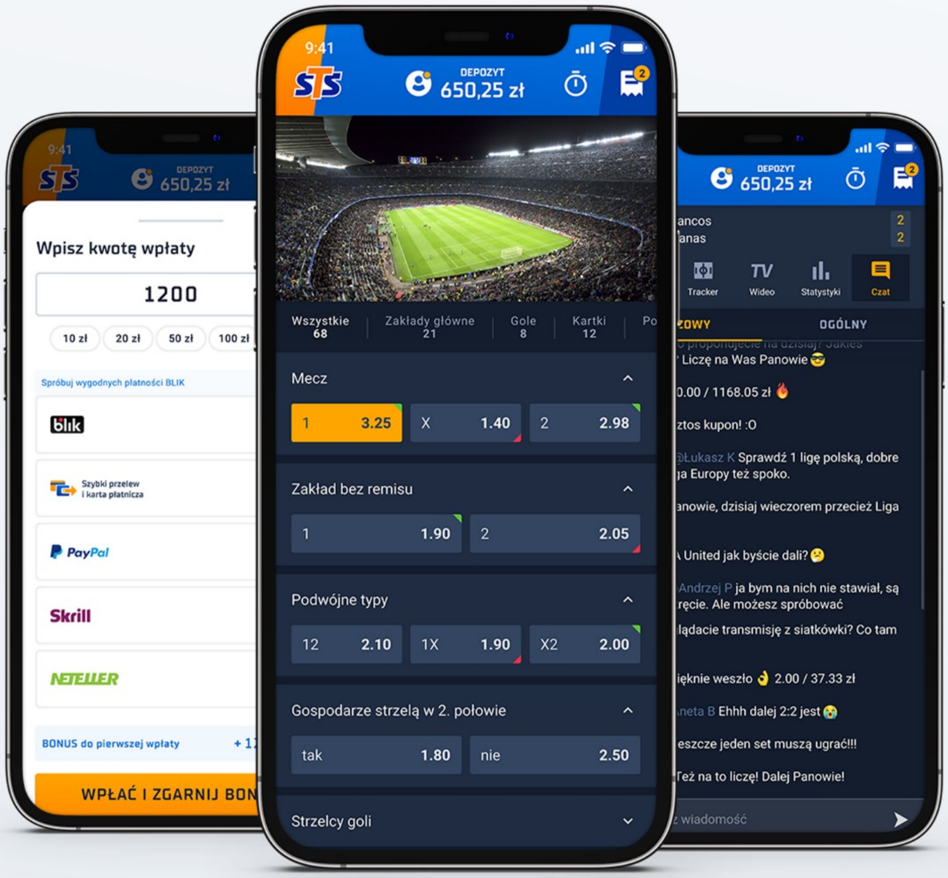
Interim summary consolidated financial statements of the STS Holding Spółka Akcyjna Group of Companies

for the period from 1 January to 31 March 2023

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

Katowice, 17 May 2023



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

1. Selected financial data converted into EUR

	PLN		EUR	
Selected financial data converted into EUR	01.01.2023-31.03.2023	01.01.2022-31.03.2022	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Betting revenue	152,831,142	142,265,308	32,513,805	30,613,124
Other revenue from sales	17,535	15,504	3,730	3,336
Operating expenses	83,112,867	79,684,417	17,681,708	17,146,759
Profit/(loss) on operating activities	70,335,038	61,414,679	14,963,310	13,215,416
Profit/(loss) before tax	71,313,248	61,856,851	15,171,418	13,310,564
Net profit / (loss) attributable to the parent entity	53,594,245	44,729,838	11,401,818	9,625,116
Net cash flows from operating activities	50,443,617	51,438,932	10,731,543	11,068,801
Net cash flows from investment activity	-7,428,481	-7,840,259	-1,580,360	- 1,687,093
Net cash flow from financial activities	-4,996,457	-4,535,733	-1,062,963	-976,014
Total net cash flows	38,018,679	39,062,940	8,088,220	8,405,694
Number of shares in thousands	156,535	156,390	156,535	156,390
Profit/(loss) per share (in PLN/EUR)	0.36	0.30	0.08	0.06
Diluted profit/(loss) per share (in PLN/EUR)	0.36	0.30	0.08	0.06
Book value per share (in PLN/EUR)	1.52	0.97	0.33	0.21
Diluted book value per share (in PLN/EUR)	1.52	0.97	0.33	0.21

	PLN		EUR	
	01.01.2023-31.03.2023	01.01.2022-31.12.2022	01.01.2023-31.03.2023	01.01.2022-31.12.2022
Total assets	452,940,024	357,138,543	96,875,206	76,150,567
Liabilities and provisions for liabilities	214,702,817	169,647,590	45,920,825	36,172,965
Long-term liabilities	66,701,920	10,751,724	14,266,265	2,292,527
Short-term liabilities	148,000,897	158,895,866	31,654,560	33,880,438
Equity	238,237,207	187,490,953	50,954,381	39,977,601
Share capital	156,534,958	156,534,958	33,479,833	33,377,035

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

The items of the interim summary consolidated statement of comprehensive income and the interim summary consolidated cash flow statement have been converted at the exchange rates being the arithmetic mean of the EUR average exchange rates announced by the National Bank of Poland, valid on the last day of each month in a given reporting period.
The rates were respectively: PLN/EUR 4.7005 from 1 January to 31 March 2023 and PLN/EUR 4.6472 from 1 January to 31 March 2022.
The items of assets and liabilities of the interim summary consolidated statement of financial position have been converted at the EUR exchange rates announced by the National Bank of Poland, applicable on the last day of the reporting period. The rates were, respectively: 4.6755 PLN/EUR as on 31 March 2023 and 4.6899 PLN/EUR as on 31 December 2022.

2. Interim summary consolidated statement of comprehensive income

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

Specification	Note	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Betting revenue	12	152,831,142	142,265,308
Revenue from sales	12	17,535	15,504
Other operating revenue	15	1,021,929	324,848
Amortisation and depreciation	14	9,331,821	5,794,612
Consumption of materials and energy	14	2,608,978	2,521,690
External services	14	44,761,154	45,217,800
Taxes and charges	14	95,746	37,539
Employee benefits	14	25,738,681	25,841,894
Other costs by type	14	576,487	270,882
Other operating expenses	15	422,701	1,506,564
Profit (loss) on operating activities		**70,335,038**	**61,414,679**
Financial revenue	16	3,158,016	1,082,053
Financial expenses	16	2,179,806	639,881
Profit (loss) before tax		**71,313,248**	**61,856,851**
Income tax	17	15,051,372	14,422,717
Net profit (loss) from continuing operations		**56,261,876**	**47,434,134**
Profit (loss) from discontinued operations		-	-
Net profit/loss		**56,261,876**	**47,434,134**
Profit (loss) attributable to the shareholders of the parent entity		53,594,245	44,729,838
Net profit (loss) attributable to non-controlling interests		2,667,631	2,704,296
Other total income		460,590	-509,057
Items not transferred to profit and loss		-	-
Items transferred to profit or loss		460,590	-509,057
- Foreign exchange differences on translation of foreign operations		460,590	-509,057
Comprehensive income		**56,722,466**	**46,925,077**
Comprehensive income attributable to:			
- shareholders of the parent entity		54,054,835	44,220,781
- non-controlling entities		2,667,631	2,704,296

Profit (loss) per share (in PLN)

Basic for the financial period			
– From continuing operations	19	0.36	0.30
– From discontinued operations	19	0.36	0.30
Diluted for the financial period			
– From continuing operations	19	0.36	0.30
– From discontinued operations	19	0.36	0.30

3. Interim summary consolidated statement of financial position

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

ASSETS	Note	31.03.2023	31.03.2022	31.12.2022
Fixed assets		**168,960,354**	**106,950,053**	**113,496,666**
Tangible fixed assets	20	36,794,083	30,843,671	34,123,764
Intangible assets	22	30,667,890	12,621,856	25,314,761
Goodwill		11,515,210	11,515,210	11,515,210
Right-of-use assets	21	79,276,718	37,882,542	27,859,176
Deferred tax assets	18	-	752,644	1,174,975
Non-current prepayments and non-current accrued income		2,401,536	2,853,879	2,818,654
Other financial assets		8,304,917	10,480,251	10,690,126
Current assets		**283,979,670**	**205,491,120**	**243,641,877**
Inventory	23	93,736	105,119	76,052
Trade and other receivables		21,809,588	19,163,889	19,750,675
Other financial assets		1,126,462	726,002	883,945
Cash and cash equivalents		260,949,884	185,496,110	222,931,205
TOTAL ASSETS		**452,940,024**	**312,441,173**	**357,138,543**

LIABILITIES	Note	31.03.2023	31.03.2022	31.12.2022
Equity		**238,237,207**	**151,093,815**	**187,490,953**
Share capital of the parent entity		**233,863,449**	**149,379,124**	**178,476,115**
Share capital	25	156,534,958	156,389,998	156,534,958
Other reserve capitals		12,657,815	5,905,334	10,864,726
Retained earnings		64,670,676	-12,916,208	11,076,431
Non-controlling shareholders' capital		**4,373,758**	**1,714,691**	**9,014,838**
Long-term liabilities		**66,701,920**	**21,429,098**	**10,751,724**
Right-of-use liabilities	21	64,975,709	20,904,220	10,272,986
Deferred income tax provisions	18	1,254,242	-	-
Provisions for pensions and similar benefits	30	471,969	524,878	478,738
Current liabilities		**148,000,897**	**139,918,260**	**158,895,866**
Liabilities due to credits and loans		-	-	-
Right-of-use liabilities	21	15,361,611	18,015,990	18,291,873
Trade liabilities		13,866,862	12,246,958	17,917,460
Current income tax liabilities		12,869,897	4,064,395	9,180,986
Other liabilities		103,352,881	103,035,982	111,188,093
Provisions for pensions and similar benefits	30	2,323,948	2,292,807	2,131,844
Other provisions	30	225,698	262,128	185,610
Total liabilities		**214,702,817**	**161,347,358**	**169,647,590**
TOTAL LIABILITIES		**452,940,024**	**312,441,173**	**357,138,543**

4. Interim summary consolidated statement of changes in equity

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

Specification	Share capital	Other reserve capitals	Retained earnings	Share capital of the parent entity's shareholders	Non-controlling shareholders' capital	Total equity
Equity as on 01.01.2023	**156,389,998**	**10,864,726**	**11,076,431**	**178,476,115**	**9,014,838**	**187,490,953**
Increase in share capital	-	191,000	-	191,000	-	191,000
Distribution of the net profit	-	-	-	-	-7,308,711	-7,308,711
Pricing of the incentive program	-	1,141,499	-	1,141,499	-	1,141,499
Other comprehensive income	-	460,590	-	460,590	-	460,590
Net profit/loss for the accounting year	-	-	53,594,245	53,594,245	2,667,631	56,261,876
Sum of capital changes	**-**	**1,793,089**	**53,594,245**	**55,387,334**	**-4,641,080**	**50,746,254**
Equity as on 31.03.2023	**156,389,998**	**12,657,815**	**64,670,676**	**233,863,449**	**4,373,758**	**238,237,207**

Specification	Share capital	Other reserve capitals	Retained earnings	Share capital of the parent entity	Non-controlling shareholders' capital	Total equity
Equity as on 01.01.2022	**156,389,998**	**3,195,596**	**-57,646,046**	**101,939,548**	**3,461,762**	**105,401,310**
Distribution of the net profit	-	-	-	-	-4,451,367	-4,451,367
Pricing of the incentive program	-	3,218,795	-	3,218,795	-	3,218,795
Other comprehensive income	-	-509,057	-	-509,057	-	-509,057
Net profit/loss for the accounting year	-	-	44,729,838	44,729,838	2,704,296	47,434,134
Sum of capital changes	**-**	**2,709,738**	**44,729,838**	**47,439,576**	**-1,747,071**	**45,692,505**
Equity as on 31.03.2022	**156,389,998**	**5,905,334**	**-12,916,208**	**149,379,124**	**1,714,691**	**151,093,815**

5. Interim summary consolidated statement of cash flows

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

Specification	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Profit (loss) before tax	71,313,248	61,856,851
Total adjustments:	-11,702,828	2,975,215
Amortisation and depreciation	9,331,821	5,794,612
Exchange gains/(losses)	460,590	-509,058
Interest and profit sharing	-7,792,053	283,517
Profit/(loss) on investment activity	-353,690	358,432
Change in provisions	225,423	76,952
Change in the balance of inventory	-17,684	-100,595
Change in the balance trade and other receivables	-1,641,795	-2,875,411
Change in short-term liabilities, excluding credits and loans	-13,056,939	-3,370,591
Other adjustments	1,141,499	3,218,796
Total: Cash from operating activities	59,610,420	64,832,066
Income tax paid	-9,166,803	-13,393,134
Net cash flow from operating activities	**50,443,617**	**51,438,932**
INVESTMENT ACTIVITIES		
Disposal of intangible and legal assets and property, plant and equipment	34,055	79,902
Disposal of financial assets	2,177,431	-
Interests	2,154,766	-
Purchase of intangible assets and tangible fixed assets	-11,794,733	-7,920,161
Net cash flows from investment activity	**-7,428,481**	**-7,840,259**
FINANCIAL ACTIVITIES		
Net inflow from insurance of shares and other equality instruments and contributions to capital	191,000	-
Credits and loans	-	-
Repayment of credits and loans	-	-
Payment of liabilities arising from financial leases	-3,785,562	-4,252,216
Interest paid	-1,352,472	-283,517
Other revenue/financial expenditure	-49,423	-
Net cash flows from financial activities	**-4,996,457**	**-4,535,733**
Change in cash and cash equivalents before the effects of exchange rate differences	-	-
Foreign exchange gains / losses on the valuation of cash, cash equivalents and overdrafts	-	-
Balance sheet change in cash:	**38,018,679**	**39,062,940**
Cash opening balance	**222,931,205**	**146,433,170**
Cash at the end of the period (F + D), including:	**260,949,884**	**185,496,110**
- of limited disposability	**103,944**	**9,332,107**

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

The change in the balance of restricted cash results from the asset write-down made in ledgers in 2022 in STS S.A., related to the blockade and security, described in Note 29. In the period from 1 January 2023 to 31 March 2023, the restricted cash item includes only funds from the account of the Company Social Benefits Fund at STS S.A.

II. ACCOUNTING PRINCIPLES AND ADDITIONAL EXPLANATORY NOTES

1. General information

Details of the Parent Entity

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

Name of the parent entity: STS Holding S.A

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

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

State of registration: Poland

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

Principal place of business: Katowice, ul. Porcelanowa 8

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

The company STS Holding S.A. was established on 10 March 2021 by Vistra Shelf Companies sp. z o.o., under the business name of Vartomil Investments Spółka Akcyjna (hereinafter: Vartomil Investments S.A.). The company was based in Warsaw, ul. Towarowa 28

and was entered in the Register of Enterprises kept by the District Court for Katowice - Wschód in Katowice, 8th Commercial Division of the National Court Register, KRS number: 0000898108.

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

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

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

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

The ultimate beneficiary is Mr Mateusz Juroszek.

Duration of the Group of Companies

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

Financial statements containing aggregate data

In the period from 1 January 2023 to 31 March 2023, the enterprise of the Parent Company did not include any internal organisational units that would prepare their separate financial statements, therefore the Parent Company did not prepare aggregate financial statements.

Description of activities of STS Holding S.A.

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

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

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

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

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

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

On 16 January 2023, the Group began limiting operations on foreign markets (licenses in Great Britain and Estonia), 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.

A concise description of significant achievements or failures

The total amounts staked (total stakes) in the Group in Q1 2023 reached the amount of PLN 1.199 million, compared to PLN 1.075 billion in Q1 2022.

In Q1 2023, the Group paid out winnings in the amount of PLN 894 million, compared to PLN 793 million in Q1 2022.

In Q1 2023, the Group recorded NGR (net game revenue) in the amount of PLN 176 million, compared to PLN 158 million in Q1 2022.

GGR (gross game revenue) in Q1 2023 was achieved by the Group at the level of PLN 306 million, compared to PLN 282 million in Q1 2022.

Periods presented

The interim summary consolidated financial statements were prepared as on 31 March 2023 and they cover a period of 3 months, i.e. from 1 January 2023 to 31 March 2023.

For the data presented in the interim summary consolidated statement of financial position and off-balance sheet items, comparable financial data as on 31 December 2022 are presented.

For the data presented in the interim summary consolidated statement of comprehensive income, interim summary consolidated statement of changes in equity and interim summary consolidated cash flow statement, comparable financial data for the period from 1 January 2022 to 31 March 2022 are presented.

Position of the Management Board regarding the forecasts

The Management Board of the Parent Company has not previously published financial forecasts.

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

As on 31 March 2023, the composition of the STS Holding S.A. Group of Companies was as follows:

STS Holding S.A. – Parent Entity

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

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

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

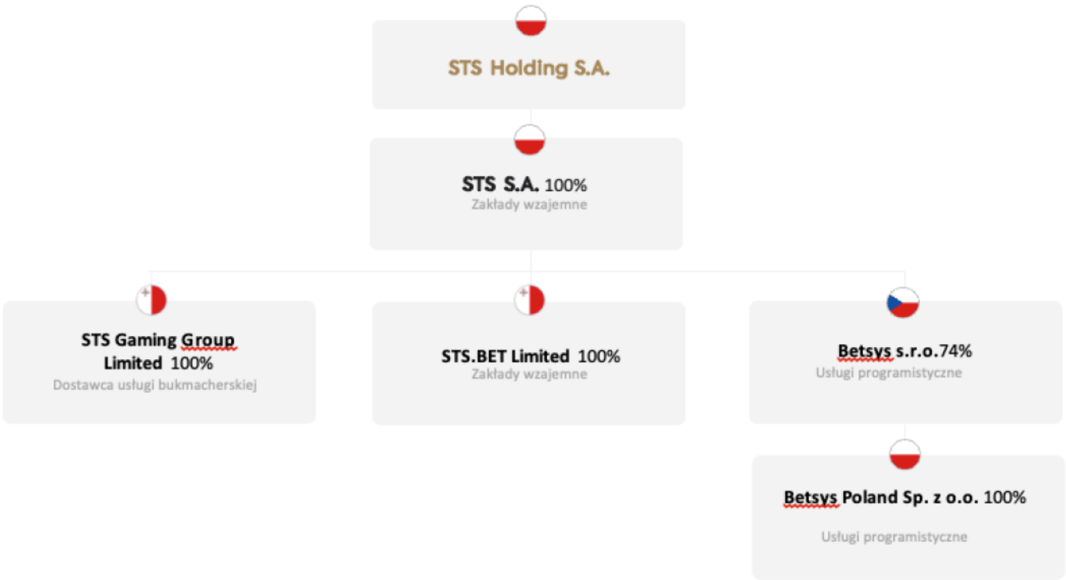
Betsys s.r.o. - a subsidiary in which STS S.A. holds 74% of shares; acquired by STS S.A. in 2020

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

There were no changes in the structure of the Group in the periods covered by these interim summary consolidated financial statements.

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

Organisation chart of the Group of Companies



The role of the Parent Company STS Holding S.A. is to hold shares in companies conducting operations, including STS S.A.

3. Subsidiaries

The interim summary consolidated financial statements for the reporting period ended 31 March 2023 cover the following subsidiaries:

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):	Parimutuel betting	4,486,000	100%	100%
STS Gaming Group Limited	Malta, Pieta, 177/179 Triq Marina	C 68747	Bookmaker service provider	48,039,452	100%	100%
STS BET Limited	Malta, Pieta, 177/179 Triq Marina	C 77195	Parimutuel betting	24,977,224	100%	100%
BetSys s. r. o.	Czech Republic, Prague, Karlin, Karolinska 650/1	ICO: 26499606	Programming services	33,540	74%	74%
Betsys Poland sp. z o.o.	Katowice, ul. Porcelanowa 8	National Court Register (KRS):	Programming services	5,000	74%	74%

4. Composition of the governing bodies of the Parent Entity

As on 31 March 2023 and as on the date of preparation of these interim summary consolidated financial statements, the Management Board of the Parent Entity consists of the following persons:

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

Mr Marcin Sylwester Walczysko *- Member of the Management Board*

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

As on 31 March 2023 and as on the date of preparation of these interim summary consolidated financial statements, the Management Board of the Parent Entity consists of the following persons:

Mr Maciej Fijak *- Chairman of the Supervisory Board*

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

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

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

Mr Krzysztof Krawczyk *- Member of the Supervisory Board*

In the period from 1 January 2023 to 31 March 2023, there were no changes in the composition of the Company's Management Board and Supervisory Board.

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

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

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

6. Significant accounting principles (policies)

Going concern assumption

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

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

Presentation of the statement of financial position

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

Presentation of the statement of comprehensive income

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

Earnings per share

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

Functional and presentational currency

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

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

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

Basis of valuation

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

The principle of preparation of the financial statements

The interim summary consolidated financial statements of the Group of Companies cover the period of 3 months ended 31 March 2023 and have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim summary consolidated financial statements do not contain all the information that is disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These interim summary consolidated financial statements should be read together with the consolidated financial statements of the Group of Companies for 2022, approved for publication on 21 March 2023.

Materiality

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

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

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

7. Judgments and estimations made

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

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

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

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

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

Changes in standards or interpretations effective and applied by the Group from 2022:

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

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

- IFRS 1: additional exemption with respect to determination of exchange differences due to consolidation;
- IFRS 9: (1) in the 10% test performed to determine whether a modification should result in removal of a liability, only fees exchanged between the debtor and the creditor should be taken into account; (2) it was clarified that fees

incurred are recognised in profit or loss if the liability is removed, and in the value of the liability is not subject to removal;

- IFRS 16: the problem of lessor's incentive in the form of assumption of fit-out costs incurred by the lessee, which raised doubts with respect to interpretation, was removed from example no. 13;
- IAS 41: the prohibition to recognise tax flows in measurement of biological assets was deleted.
- The amendments apply to annual periods commencing on or after 1 January 2022 (except for the amendment to the example in IFRS 16, which applies from the moment of publication).

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

Amendment to IAS 16 "Tangible fixed assets"
The amendment clarifies that production carried out as part of pre-use testing of a tangible asset should be recognised as (1) inventory, in accordance with IAS 2, and (2) revenue, when the asset is sold (and should not affect the value of the tangible asset). Testing of a tangible fixed asset is an element of its cost, while the cost of production is recognised in the result at the moment of recognising the income from the sale of the inventory created during testing. The amendment applies to annual periods commencing on or after 1 January 2022.
The amendment did not affect the interim summary consolidated financial statements of the Group.

Amendment to IAS 37 "Provisions, contingent liabilities and contingent assets"
The amendment clarifies that the costs of fulfilment of onerous contracts include incremental costs (e.g. labour costs) and an allocated part of other costs directly related to the cost of fulfilment, e.g. depreciation and amortisation.
The amendment applies to annual periods commencing on or after 1 January 2022.
The amendment did not affect the interim summary consolidated financial statements of the Group.

Amendment to IFRS 3 "Business combinations"
References to definitions of liabilities found in the framework and to the definition of contingent liabilities found in IAS 37 were clarified. The amendment applies to annual periods commencing on or after 1 January 2022. The amendment did not affect the interim summary consolidated financial statements of the Group.

Amendment to IFRS 16 "Leases"
In 2020, the IAS Council published simplifications for the lessees who are granted reliefs due to the COVID-19 pandemic. One of the conditions was that the reliefs would apply only to payments maturing by the end of June 2021. As a result of the amendment, this date has been postponed to June 2022. The amendment applies to annual periods commencing on or after 1 April 2021, with the possibility of earlier application.
The amendment did not affect the interim summary consolidated financial statements of the Group as the Group did not use simplification.

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

<u>Application of standards or interpretations before their effective date:</u>
No voluntary early application of a standard or an interpretation was exercised in these interim summary consolidated financial statements.

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

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

New IFRS 17 "Insurance Contracts"

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

Amendment to IAS 1 "Presentation of financial statements"

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

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

The amendments apply to annual periods commencing on or after 1 January 2023. This amendment does not affect these interim summary consolidated financial statements

Amendment to IAS 1 "Presentation of financial statements"

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

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

The Board introduced a definition of accounting estimates: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendment applies to annual periods commencing on or after 1 January 2023. This amendment does not affect these interim consolidated financial statements

Amendment to IAS 12 "Income taxes"

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

This amendment does not affect these interim consolidated financial statements

Amendment to IFRS 17 "Insurance Contracts"

The Board established transitional provisions concerning comparative information for entities which implement IFRS 17 and IFRS 9 simultaneously, with a view to reducing potential accounting mismatches stemming from differences between these standards. The amendment applies to annual periods commencing on or after 1 January 2023. The amendment has no effect on the Group's financial statements as the Group does not conclude insurance contracts.

Amendment to IFRS 16 "Leases"

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

The dates of entry into force are those resulting from the standards announced by the International Accounting Standards Board. The dates of application of the standards in the European Union may differ from the dates of application resulting from the provisions of the standards and are announced upon their approval for application by the European Union.
According to the assessment of the Parent Entity, the aforementioned new standards have no significant effect on these interim summary consolidated financial statements.

9. Consolidation policies

These interim summary consolidated financial statements include the statements of the parent entity and the statements of subsidiaries. The interim summary consolidated financial statements of the STS Holding S.A. Group of Companies have been prepared using full consolidation.

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

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

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

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

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

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

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

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

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

10. Business combinations

Subsidiary entities:

Subsidiaries are all entities with respect to which the Group:

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

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

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

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

- the assets and liabilities of the acquired entity (within the meaning of IFRS) will be recognised at their carrying amount. The carrying amount will be considered to be the value originally determined by the controlling entity and not the values resulting from the separate financial statements of the acquired entity,
- intangible assets and contingent liabilities will be recognised on the principles applied by the entity before the merger, in accordance with the applicable IFRS,

- no goodwill will be recognised, as the difference between the consideration transferred and the acquired net assets of the controlled entity will be recognised directly in equity, under "retained earnings";
- non-controlling interests will be measured in proportion to the carrying amount of the net assets of the controlled entity,
- comparative data will be restated as if the merger had taken place at the beginning of the comparative period.

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

Non-financial assets

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

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

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

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

Impairment of non-financial fixed assets

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

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

12. Revenue

12.1. Selected accounting principles

Recognition and measurement of revenue from the Group's core business, i.e. revenue from plants, are regulated by IFRS 9 Financial Instruments. Sports bets staked by the Company with a customer are derivative instruments that are recognised and measured using IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments. The amounts staked are classified as financial instruments measured at fair value through profit or loss.

Revenue from bets is recognised in the statement of comprehensive income on a net basis, i.e. amounts staked are reduced by the costs of paid out winnings and the gambling and lottery tax.

In accordance with IFRS 9, profit or loss on a financial instrument measured at fair value is recognised in profit or loss, and not separately for income and related costs.

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

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

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

Revenue from the sale of other services (mainly services related to the organisation of bookmaking) and revenue from the sale of goods and materials constitute revenue from contracts with customers within the scope of IFRS 15.

The method of recognizing this revenue from sales in the Group's interim summary consolidated financial statement, including both the value and the timing of revenue recognition, is set out in a five-step model that includes the following steps:

- identification of the customer contract:
- identification of performance obligations:
- determination of the transaction price:
- assigning the transaction price to performance obligations:
- recognition of revenue on or after the fulfilment of performance obligations:

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

12.2. Specification of sales revenue and total revenue

Specification	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Continuing operations		
Betting revenue (IFRS 9), including:	**152,831,142**	**142,265,308**
amounts staked	1,199,290,038	1,075,167,276
- value of winnings paid out	893,652,412	793,103,774
- bonuses provided to customers	22,759,076	16,175,774
- gambling and lottery tax	130,047,408	123,622,421
Revenue from sales (including services as well as goods and materials) (IFRS 15)	**17,535**	**15,504**
Total	152,848,677	142,280,812

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

13. Operating segments

13.1. Selected accounting principles

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

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

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

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

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

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

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

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

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

13.2. Operating segments – specification

Information on individual operating segments in the period from 1 January to 31 March 2023:

Specification	Retail segment	Online betting segment	Values not assigned to segments	Total
Total revenue of the segment	**27,035,482**	**126,687,220**	**79,815**	**153,802,517**
Revenue from external customers (from the sale of games and bets)	26,963,079	125,868,063	-	152,831,142
Other sales	-	-	17,535	17,535
Other operating revenue	140,492	819,157	62,280	1,021,929
Operating expenses, including:	**23,264,999**	**58,380,230**	**1,467,638**	**83,112,867**
expenses by type (except depreciation)	19,407,572	52,920,903	1,452,571	73,781,046
amortisation and depreciation	3,857,427	5,459,327	15,067	9,331,821
Other operating expenses	190,455	184,853	47,393	422,701
Segment's operating result	**3,648,117**	**68,122,137**	**-1,435,216**	**70,335,038**
Financial revenue	-	-	3,158,016	3,158,016
Financial expenses	1,314,504	203,116	662,186	2,179,806
Profit before tax	**2,333,613**	**67,919,021**	**1,060,614**	**71,313,248**
Income tax	-	15,051,372	-	15,051,372
Net profit on continuing operations	**2,333,613**	**52,867,649**	**1,060,614**	**56,261,876**
Segment assets as on 31.03.2023	**78,024,582**	**50,051,114**	**324,864,328**	**452,940,024**
Segment liabilities as on 31.03.2023	**74,733,451**	**66,375,729**	**73,593,637**	**214,702,817**

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

Specification	Retail segment	Online betting segment	Values not assigned to segments	Total
Segment's total revenue	**29,417,451**	**113,010,669**	**177,540**	**142,605,660**
Revenue from sales	29,301,634	112,963,674	-	142,265,308
Other sales	-	-	15,504	15,504
Other operating revenue	115,817	46,995	162,036	324,848
Operating expenses, including:	**24,364,698**	**51,788,074**	**3,531,645**	79,684,417
expenses by type	20,734,290	49,624,565	3,530,950	73,889,805
amortisation and depreciation	3,630,408	2,163,509	695	5,794,612
Other operating expenses	**285,324**	**996,345**	**224,895**	**1,506,564**
Segment's operating result	**4,767,429**	**60,226,250**	**-3,579,000**	**61,414,679**
Financial revenue	-	-	1,082,053	1,082,053

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

Financial expenses	273,080	33,250	333,551	639,881
Profit before tax	**4,494,349**	**60,193,000**	**-2,830,498**	**61,856,851**
Income tax	-	14,422,717	-	14,422,717
Net profit on continuing operations	**4,494,349**	**45,770,283**	**-2,830,498**	**47,434,134**
Segment assets as on 31.03.2022	**41,559,701**	**31,367,522**	**239,513,950**	**312,441,173**
Segment liabilities as on 31.03.2022	**39,208,707**	**68,584,441**	**53,554,210**	**161,347,358**

The costs of the incentive program are presented in amounts not allocated to the segment due to the adopted principle that they are costs related to STS Holding S.A.

Income tax was fully allocated to the online segment due to the predominant division of this segment in the Group's gross result.

14. Cost of operating activities

14.1. Selected accounting principles

Costs by type include:

- Amortisation and depreciation - the amount of depreciation write-offs on tangible fixed assets, assets under the right of use of fixed assets and intangible assets,
- Consumption of materials and energy - costs related to the consumption of materials and energy for the production of services) and for general economic and administrative needs in connection with the conducted operating activity, as well as low-value assets not classified as fixed assets, consumption of electricity, heat, gas, water, as well as also the costs of unintentional shortages,
- Marketing - the item includes expenses related to marketing activities, including the organisation of marketing campaigns.
- Costs of organising bookmaking services - the item includes costs related to the organisation of bookmaking services, including odd fees, streaming, online payment fees, commissions for franchise holders.
- IT costs - the item includes mainly costs related to licenses/access to IT and technological tools and services resulting from the maintenance of tools.
- Consents for the use of results - the item includes costs related to fees for consents for the use of sports results.
- Administrative costs - the item includes mainly the costs of office supplies, consulting and legal services, postal and courier services.
- Property costs – the item includes costs related to renovations and repairs (both services and materials), monitoring, equipment, cleaning.
- Utilities - the item includes costs related to the consumption of electricity, water, sewage, gas, central heating, costs of telecommunications services, TV subscriptions and maintenance.
- Third-party services - costs of work and services provided to the entity by other parties - equipment, storage, construction, repair, communications, property supervision, rental, lease, operating lease, commercial services, IT services, design services, postal and banking services (without interest on loans), TV and press advertising costs, auditing financial statements, consultancy,

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

- Taxes and fees - values - real estate tax, tax on means of transport; stamp duty, inheritance and donation tax, court and notary fees, if they do not increase the purchase price of the property and are not related to court proceedings; fees for perpetual usufruct of land, fees for environmental protection that do not constitute a criminal sanction and administrative fees,
- Remuneration (personnel costs) – the sum of remuneration in cash and in kind recognised by law as a component of remuneration; they may take the form of remuneration under an employment contract, contract of mandate, contract for specific work,
- Social insurance and other benefits (personnel costs) - costs of social insurance, health insurance, contributions to the Labour Fund and the Guaranteed Employee Benefits Fund in the part being the employer's expense, costs of contributions to the Company Social Benefits Fund, costs of holiday benefits, subsidies to employees' commuting costs, regeneration meals and other costs related to the occupational health and safety of employees, employee training, including those related to the creation of a training fund, payments and benefits to employees not included in remuneration,
- Other costs by type - other simple costs of operating activity (costs of business trips, property insurance, contributions to organisations with mandatory membership.

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

14.2. Specification of operating expenses

Specification	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Amortisation and depreciation	9,331,821	5,794,612
Personnel expenses	25,507,302	25,777,017
Marketing	18,489,207	18,966,269
Costs of organising bookmaking services	13,382,063	12,552,846
IT expenses	5,366,667	4,306,623
Consent to the use of results	2,912,926	5,397,170
Administrative expenses	1,599,805	1,567,974
Property expenses	925,074	1,314,976
Utilities	2,245,052	1,708,423
Transport costs	730,312	638,303
Other	2,622,638	1,660,204
Total	**83,112,867**	**79,684,417**

The value of personnel costs in the period from 1 January to 31 December 2023 was mainly influenced by the recognition of the incentive program settlement in the amount of PLN 1.1 million.

The increase in IT costs results from the Group's focus on the development of products and the technological platform, as well as costs resulting from the maintenance of the IT tools implemented so far.

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The decrease in the costs of consents to use the results is a derivative of the new agreement with the Polish Football Association for the use of sports results, effective from January 2023.

The decrease in the cost of assets results from lower renovation costs both at the Head Office and at the betting premises.

The increase in the utility costs is mainly due to the increase in electricity prices.

15. Other operating revenues and expenses

15.1. Selected accounting principles

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

15.2. Specification of other operating revenue

Other operating revenue	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Profit on disposal of fixed assets	34,055	79,902
Reversal of write-downs on receivables	14,865	4,509
Recognition of disputed claims	-	1,500
Return of free tokens (bonuses) - previous years	-	46,995
Compensation	51,160	120,125
Consideration for timely payments to the Tax Office	26,445	20,173
Funds taken from customers who violate terms and conditions	180,138	-
Release of provisions	381,649	-
Other revenue from previous years	197,727	-
Other	135,890	51,644
Total	**1,021,929**	**324,848**

In STS BET, in Q1 2023, the amount of PLN 180 thousand was recognised in other operating revenue for seized funds from the accounts of customers who knowingly violated the terms and conditions. The accounts of customers who do not comply with or violate the terms and conditions are closed without the possibility of reopening them. In accordance with the terms and conditions, STS BET reserves the right to confiscate the account balance.

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

15.3. Specification of other operating expenses

Other operating expenses	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Write-downs of receivables	91,841	30,750
Donations	19,475	100,000
Complaints	168,646	108,427
Costs of repairs	640	34,144
Compensation	-	1162
Penalties, fines	-	4,567
Tax not collected from the customer	928	1,254
Liquidation of fixed assets	22,054	3,166
Other - costs from previous years	113,148	1,171,452
Other operating expenses	5,969	51,642
Total	**422,701**	**1,506,564**

16. Financial revenues and expenses

16.1. Selected accounting principles

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

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

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

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

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

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

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

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

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

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

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

16.2. Specification of financial revenue

Financial revenue	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Revenues from interest, including:	**2,652,819**	**211,368**
- interest on bank deposits (including foreign ones)	2,652,819	116,368
- interest on bonds	-	95,000
Exchange differences	-	839,850
Profits from participation in investment fund units	148,150	-
Revaluation of financial assets	309,230	18,689
Commissions and fees	17,374	8,340
Other	30,443	3,806
Total	**3,158,016**	**1,082,053**

16.3. Specification of the financial expenses

Financial expenses	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Budget interest	352	20
Interest on lease contracts	1,352,472	283,517
Other interest	447	906
Exchange differences	631,463	-
Bank fees	86,619	41,861
Valuation of funds and shares	106,202	312,790
Discount	2,251	-
Other	-	787
Total	**2,179,806**	**639,881**

The reason for the increase in interest under lease agreements in the reporting period is described in Note 21.1.

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

17. Income tax

17.1. Selected accounting principles

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

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

17.2. Specification of income tax

The main components of the tax burden for the periods from 1 January 2023 to 31 March 2023 and from 1 January 2022 to 31 March 2022 are as follows:

Income tax shown in the consolidated statement of comprehensive income	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Current income tax	**12,623,853**	**14,534,237**
For the financial year	12,623,853	14,534,237
Adjustments for previous years	-	-
Change in deferred income tax	**2,427,519**	**-111,520**
Associated with the emergence and reversal of temporary differences	2,427,519	-111,520
Related to the reduction of income tax rates	-	-
Tax burden shown in net profit	**15,051,372**	**14,422,717**
Tax burden recognised in other comprehensive income	**-**	**-**

18. Income tax assets and liabilities

18.1. Selected accounting principles

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

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

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

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

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

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

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

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

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

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

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

The Group offsets the deferred income tax assets against the deferred income tax provisions only and exclusively when it holds an enforceable title to offset receivables against current income tax liabilities, and when the deferred income tax is associated with the same taxpayer and the same tax authority. Deferred tax is accrued on a quarterly basis and in the event of a significant event.

18.2. Calculation of deferred tax assets and liabilities

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

Specification	01.01.2023 – 31.03.2023	01.01.2022 – 31.12.2022
Deferred tax assets, including those created for:	**19,265,417**	**9,522,096**
obligations towards Social Insurance Institution (ZUS)	391,104	380,896
provisions for employee benefits	518,059	488,709
liability due to unpaid winnings	214,726	303,784
right-of-use liabilities	15,244,690	5,507,389
valuation of receivables	133,379	251,065
valuation of financial assets	151,220	197,273
unpaid wages	147,659	130,953
provisions	1,542,663	1,394,279
tax loss	592,007	593,830
other	329,910	273,918
Deferred tax provisions	**20,519,659**	**8,347,121**
right-of-use assets	15,024,303	5,388,274
valuation of investments in TFI units	-	14,358
differences between tax and balance sheet depreciation	450,480	172,198
adjustment of tax on games due to cashout	2,334,335	485,592
coupons staked	900,720	583,536
other	1,809,821	1,703,163
Net assets (liabilities) for deferred tax	**-1,254,242**	**1,174,975**

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

19. Earnings per share

19.1. Selected accounting principles

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

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

19.2. Calculation of earnings per share

Calculation of profit per share - assumptions	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Net profit on continuing operations	56,261,876	47,434,134
Loss on discontinued operations	-	-
Earnings per share attributable to ordinary shareholders used to calculate diluted earnings per share	56,261,876	47,434,134
The profit shown for the purpose of calculating the value of diluted earnings per share	56,261,876	47,434,134

Number of shares issued	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Weighted average number of shares shown for the purpose of calculating the value of basic earnings per share in pcs.	156,495,134	156,389,998
Earnings per share	0.36	0.30
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	156,726,574	156,922,998
Diluted earnings per share	0.36	0.30

In the period from 1 January 2023 to 31 March 2023, the diluting instruments were the rights and subscription warrants allocated under the incentive scheme entitling to acquire the Parent Entity's shares in the future. Information on the number of granted allowances can be found in Note 34.

20. Tangible fixed assets

20.1. Selected accounting principles

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

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

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

Expenditure incurred at a later date

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

Amortisation and depreciation

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

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

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

Fixed assets under construction

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

Impairment

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

In the event that a specific item of tangible fixed assets consists of separate and significant parts with different useful lives, such parts shall be treated as separate assets.

Profits and losses on the sale of a tangible asset are determined through comparison of the revenues from sale with the current value of the assets sold and are recognised as other revenue or other costs in the financial result.

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

20.2. Fixed asset movement table

Balance as on 31 March 2023:

Specification	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as on 01.01.2023	**870,922**	**19,725,054**	**41,176,215**	**5,871,225**	**8,694,020**	**1,097,077**	**77,434,513**
Increases, due to:	**154,325**	**1,439,038**	**610,241**	**203,913**	**62,983**	**3,469,397**	**5,968,449**
- acquisition of fixed assets	-	-	-	-	-	3,463,783	3,463,783
- acceptance for fixed assets	154,325	1,433,123	220,868	169,416	63,740	-	2,041,472
- entering into a financial lease agreement	-	-	406,328	-	-	-	406,328
- currency translation profit (loss)	-	5,915	11,597	34,497	-757	5,614	56,866
Decreases, due to:	-	-	**-128,595**	-	**-50,202**	**-2,041,471**	**-2,220,268**
- liquidation and sale	-	-	-128,595	-	-50,202	-	-178,797
- acceptance for fixed assets	-	-	-	-	-	-2,041,471	-2,041,471
- Foreign exchange differences on translation of foreign operations	-	-	-	-	-	-	-
Gross carrying amount as on 31.03.2023	**1,025,247**	**21,164,092**	**41,280,085**	**6,481,466**	**8,706,801**	**2,591,903**	**81,182,694**
Redemption as on 01.01.2023	-	**-2,064,197**	**-31,182,228**	**-3,096,881**	**-6,988,879**	-	**-43,332,185**
Increases, due to:	-	**-208,769**	**-2,263,813**	**-226,599**	**-88,722**	-	**-2,787,903**
- amortisation and depreciation	-	-194,290	-2,274,499	-243,537	-89,152	-	-2,801,478
- other	-	-13,543	-	-	-	-	-13,543
- currency translation profit (loss)	-	-936	10,686	16,938	430	-	27,118
Decreases, due to:	-	-	602,686	-	48,247	-	602,686
- sale and liquidation	-	-	108,494	-	48,247	-	108,494
- other		-	494,192	-	-	-	494,192
- currency translation profit (loss)	-	-	-	-	-	-	-
Redemption as on 31.03.2023	-	**-2,272,966**	**-32,843,355**	**-3,323,480**	**-7,029,354**	-	**-45,469,155**
Write-downs as on 01.01.2023	-	-	-	-	-	-30,196	-30,196
Write-downs as on 31.03.2023	-	-	-	-	-	-30,196	-30,196
Advance for tangible fixed assets under construction	-	-	-	-	-	3,374,795	3,374,795
Net carrying amount as on 31.03.2023 (before transfer)	**1,025,247**	**18,891,126**	**8,436,730**	**3,157,986**	**1,677,447**	**5,869,603**	**39,058,139**
Transfer of leased assets to right-of-use assets				**-2,264,056**			**-2,264,056**
Net carrying amount as on 31.03.2023 (after transfer)	**1,025,247**	**18,891,126**	**8,436,730**	**893,930**	**1,677,447**	**5,869,603**	**36,794,083**

As on 31 March 2023, there were no liabilities due to the purchase of property, plant and equipment.

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

Balance as on 31 Dec 2022:

Specification	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as on 01.01.2022	**870,922**	**17,640,615**	**35,005,588**	**4,328,406**	**8,673,708**	**3,884,546**	**70,403,785**
Gross value adjustment - netting	**-**	**17,712**	**1,581,704**	**191,131**	**-281,116**	**-**	**1,509,431**
Increases, due to:	-	2,111,776	8,268,235	2,379,874	975,685	8,659,201	22,394,771
- acquisition of fixed assets	-	-	-	-	-	8,655,042	8,655,042
- acceptance for fixed assets		2,099,682	7,504,996	878,948	970,923	-	11,454,549
- entering into a financial lease agreement		-	745,554	1,465,369	-	-	2,210,923
- currency translation profit (loss)	-	12,094	17,685	35,557	4,762	4,159	74,257
Decreases, due to:	-	-27,337	-2,097,608	-837,055	-955,373	-11,446,670	-15,364,043
- liquidation and sale	-	-27,337	-2,097,608	-763,800	-955,985	-	-3,844,730
- acceptance for fixed assets	-	-	-	-	-	-11,454,549	-11,454,549
- other		-	-	-58,088	-	-	-58,088
- Foreign exchange differences on translation of foreign operations		-	-	-15,167	612	7,879	-6,676
Gross carrying amount as on 31.12.2022	**870,922**	**19,725,054**	**41,176,215**	**5,871,225**	**8,694,020**	**1,097,077**	**77,434,513**
Redemption as on 01.01.2022	-	-1,327,140	-29,384,999	-2,853,816	-7,641,980	-	-41,207,935
Redemption adjustment - netting	-	695	981,612	193,655	334,859	-	1,509,431
Increases, due to:	-	-740,071	-3,976,483	-998,159	-302,272	-	-6,016,985
- amortisation and depreciation	-	-738,945	-3,960,977	-1,041,749	-300,262	-	-6,041,933
- currency translation profit (loss)	-	-1,126	-15,506	43,590	-2,010	-	24,948
Decreases, due to:	-	3,014	2,179,254	755,094	955,373	-	3,892,735
- sale and liquidation	-	3,709	2,179,254	782,532	955,373	-	3,920,868
- currency translation profit (loss)		-695	-	-27,438	-	-	-28,133
Redemption as on 31.12.2022	-	-2,064,197	-31,182,228	-3,096,881	-6,988,879	-	-43,332,185
Write-downs as on 01.01.2022	-	-	-	-	-	-34,826	-34,826
Write-downs as on 31.12.2022	-	-	-	-	-	-30,196	-30,196
Advance for tangible fixed assets under construction	-	-	-	-	-	2,482,966	2,482,966
Net carrying amount as on 31.12.2022 (before transfer)	**870,922**	**17,660,857**	**9,993,987**	**2,774,344**	**1,705,141**	**3,549,847**	**36,555,098**
Transfer of leased assets to right-of-use assets	**-**	**-**	**-**	**-2,431,334**	**-**	**-**	**-2,431,334**
Net carrying amount as on 31.12.2022 (after transfer)	**870,922**	**17,660,857**	**9,993,987**	**343,010**	**1,705,141**	**3,549,847**	**34,123,764**

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

In the period from 1 January 2023 to 31 March 2023, the Group did not capitalise the borrowing costs. There were also no significant purchase and sale transactions regarding property, plant and equipment.

On 20 February 2023, STS S.A. acquired a non-residential premises together with land with a total carrying value of PLN 1.5 million.

21. Right-of-use assets and liabilities

21.1. Selected accounting principles

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

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

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

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

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

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

Right-of-use assets

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

Lease liabilities

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

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

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

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

Marginal discount rate of the lessor used to discount cash flows resulting from new concluded lease agreements. The marginal interest rate that was used to discount cash flows resulting from new lease agreements concluded for an indefinite period was determined using the judgment of the Group's management that is based on easily observable loan rates with a payment profile similar to the lease. For this purpose, the management of the Group analysed the possible interest rates on loans for financing the purchase of premises based on the offers collected from the banks cooperating with the Group. The analysed loan offers had a payment profile similar to that of leasing. Considering the above, the Management made an assessment, setting the marginal interest rate of 7.93% from 1 January 2023; it is the marginal discount rate based on the average monthly interest rate on new contracts in PLN without renegotiated contracts, for 12 months of 2022. This change had an impact on the financial data for the period covered by these interim summary consolidated financial statements - it affected the amount of interest on leasing.

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

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

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

As on 1 January 2023, the Group's Management decided to extend the lease term for 343 premises with the lease term ending on 31 December 2023. Following the analysis, it was decided to extend the term of those agreements for another 5 years from the date of termination of the agreement, i.e. until 31 December 2028. This change had a significant impact on the financial data for the period covered by these summary consolidated financial statements. As a result of the change, there was an increase in the carrying amounts of right-of-use assets (revaluation of PLN 55.6 million), as well as in the value of lease liabilities.

Short-term contracts and low-value assets

The Group applies a practical exception to:

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

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

21.2. Right-of-use assets

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

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

Specification	31.03.2023	31.12.2022
Technical equipment and machines	662,723	635,418
Means of transport	1,601,334	1,795,916
PWUG	584,053	586,240
Leased premises	76,428,608	24,841,602
Total financial assets	**79,276,718**	**27,859,176**

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

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

21.3. Right-of-use liabilities

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

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

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

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

The data is presented in the tables below.

Specification	31.03.2023	31.12.2022
Payable within 1 year	15,361,611	18,291,873
Payable within over 1 year	64,975,709	10,272,986
Total financial liabilities	**80,337,320**	**28,564,859**

	31.03.2023		31.12.2022	
Specification	Minimum fees	Current value of the fees	Minimum fees	Current value of the fees
Within 1 year	20,331,020	15,361,611	18,790,858	18,291,873
In the period from 1 to 5 years	65,468,915	54,567,719	11,090,682	10,272,986
Over 5 years	11,160,133	10,407,990	-	-
Total minimum lease payments	**96,960,068**	**80,337,320**	**29,881,540**	**28,564,859**
Future interest expense (negative value)	-16,622,748		-1,316,681	-
Current value of the lease fees, including:	**80,337,320**	**80,337,320**	**28,564,859**	**28,564,859**
- short-term	15,361,611	15,361,611	18,291,874	18,291,874
- long-term	64,975,709	64,975,709	10,272,985	10,272,985

22. Intangible assets

22.1. Selected accounting principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22.2. Intangible asset movement table

Balance as on 31 March 2023:

Specification	IT platform to handle bookmaker transactions	Other intangible assets	Intangible assets under construction	Total
Gross carrying amount as on 01.01.2023	**31,165,946**	**2,646,599**	**286,837**	**34,099,382**
Increases, due to:	8,330,951	148,351	8,330,951	16,810,253
- acquisition	8,330,951	148,351	8,330,951	16,810,253
- other	-	-	-	-
Decreases due to	-	-	-8,330,951	-8,330,951
- adoptions of intangible assets for use	-	-	-8,330,951	-8,330,951
Gross carrying amount as on 31.03.2023	**39,496,897**	**2,794,950**	**286,837**	**42,578,684**
Redemption as on 01.01.2023	**-6,701,998**	**-2,382,804**	**-**	**-9,084,802**
Increases, due to:	-2,391,006	-58,602	-	-2,449,608
- amortisation and depreciation	-2,391,006	-58,602	-	-2,449,608
Decreases, due to:	-	-	-	-
- liquidation or sale	-	-	-	-
Redemption as on 31.03.2023	**-9,093,004**	**-2,441,406**	**-**	**-11,534,410**
- currency translation profit/(loss) on the financial statements of foreign entities	-375,869	-515	-	-376,384
Net carrying amount as on 31.03.2023	**30,028,024**	**353,029**	**286,837**	**30,667,890**

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

Balance as on 31 Dec 2022:

Specification	IT platform to handle bookmaker transactions	Other intangible assets	Intangible assets under construction	Total
Gross carrying amount as on 01.01.2022	**8 499,277**	**3,144,853**	**249,180**	**11,893,260**
Increases, due to:	22,666,719	316,254	23,027,253	46,010,226
- acquisition	22,666,719	316,254	23,027,253	46,010,226
- other	-	-	-	-
Decreases due to	-	-814,508	-22,989,596	-23,804,104
- adoptions of intangible assets for use	-	-	-22,989,596	-22,989,596
- liquidation or sale	-	-814,508	-	-814,508
Gross carrying amount as on 31.12.2022	**31,165,946**	**2,646,599**	**286,837**	**34,099,382**
Redemption as on 01.01.2022	-1,133,231	-2,971,143	-	-4,104,374
Increases, due to:	-5,568,767	-177,425	-	-5,746,192
- amortisation and depreciation	-5,568,767	-177,425	-	-5,746,192
Decreases, due to:	-	765,764	-	765,764
- liquidation or sale	-	765,764	-	765,764
Redemption as on 31.12.2022	**-6,701,998**	**-2,382,804**	-	**-9,084,802**
- currency translation profit/(loss) on the financial statements of foreign entities	300,181	-	-	300,181
Net carrying amount as on 31.12.2022	**24,764,128**	**263,796**	**286,837**	**25,314,761**

23. Inventory

23.1. Selected accounting principles

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

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

23.2. Inventory specification

Specification	31.03.2023	31.12.2022
Inventory including:		
- consumables	89,366	71,704
- deposits	4,370	4,348
Gross value	**93,736**	**76,052**
Net carrying value	**93,736**	**76,052**

Inventory was not covered by the revaluation write-down in the reporting period. Also, in the reporting period, the write-down for impairment loss on inventory was not reversed

24. Write-downs of the value of assets

Change in the balance of write-downs on the value of trade receivables due to expected credit losses:

Specification	31.03.2023	31.12.2022
Trade receivables		
Write-downs on trade receivables at the beginning of the period	**1,104,071**	**958,806**
Increases	-	145,265
Decreases	-	-
Write-downs on trade receivables at the end of the period	**1,104,071**	**1,104,071**
Other receivables		
Balance of write-downs on the value of other receivables at the beginning of the period	**1,023,919**	**1,605,636**
Increases:	91,841	758,269
Decreases:	-14,865	-1,339,985
Balance of write-downs on the value of other receivables at the end of the period	**1,100,895**	**1,023,919**

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

25. Share capital

25.1. Selected accounting principles

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

The share capital of the Group is the share capital of the Parent Entity, i.e. STS Holding S.A. The share capital both as on 31 March 2023 and 31 December 2022 was fully paid up.

25.2. Value of share capital

The share capital structure by share series as on 31 March 2023 is as follows:

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

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

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

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

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

On 10 September 2021, the Extraordinary General Meeting of the Parent Entity adopted Resolution No. 3 on increasing the Company's share capital by issuing series B shares for the existing shareholders of the Company. The share capital of the Company was increased by PLN 156,149,998.00 through the issue of 156,149,998 series B shares with a nominal value of PLN

1.00 per share and an issue price of PLN 19.1767091322446 per share. All shares were offered for subscription pursuant to Art. 431 para. 2 point 1 of the Commercial Companies Code, by way of a private subscription by the existing shareholders of STS Holding S.A. holding the company's shares as at the subscription rights date, in exchange for an in-kind contribution in the form of 112,150,000 series A and B registered shares of STS Spółka Akcyjna with its registered office in Katowice. The total value of the in-kind contribution was PLN 2,994,443,131.00. The capital increase was registered by the Registry Court on 4 November 2021.

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

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

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

On 30 May 2023, the Management Board of STS Holding S.A. adopted Resolution no. 3 on increasing the Company's share capital by way of issuing series D shares, depriving the existing shareholders of the Company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series D shares to trading on the regulated market kept by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.], in connection with the implementation of the "STS Holding S.A. Incentive Program". The share capital was increased by issuing 191,000 series D ordinary bearer shares with a par value of PLN 1.00 per share and an issue price of PLN 1.00 per share. The shares of the new issue of series D were offered to key managers of the STS Group in accordance with the terms and conditions of "STS Holding S.A. Incentive Program''. Payments for the shares were made prior to the adoption of Resolution No. 3.
In these interim consolidated financial statements, this capital has been disclosed as on 31 March 2023 under "Other capital". The capital increase was registered on 17 May 2023.

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

The share capital structure by shareholders holding more than 5% of votes at the General Meeting of Shareholders as on 17 May 2023 is as follows:

Shareholders	Number of shares	Nominal value of shares (PLN)	Participation in share capital (%)	Number of votes	Share in the total number of votes at the General Meeting of Shareholders (%)
Mateusz Juroszek and Zbigniew Juroszek, including:	109 619 476	PLN 109.619.476,00	69,94%	109 619 476	69,94%
• *Juroszek Holding sp. Z o.o.*	*52 713 314*	*PLN 52.713.314,00*	*33,63%*	*52 713 314*	*33,63%*
• *MJ Investments sp. z o.o.*	*39 859 376*	*PLN 39.859.376,00*	*25,43%*	*39 859 376*	*25,43%*
• *Betplay Capital sp. z o.o.*	*17 046 786*	*PLN 17.046.786,00*	*10,88%*	*17 046 786*	*10,88%*
Nationale Nederlanden Powszechne Towarzystwo Emerytalne S.A.	9 375 000	PLN 9.375.000,00	5,98%	9 375 000	5,98%
Others	37 731 482	PLN 37.731.482,00	24,08%	37 731 482	24,08%
Total:	**156 725 958**	**PLN 156.725.958,00**	**100,00 %**	**156 725 958**	**100,00 %**

The share capital structure by shareholders holding more than 5% of votes at the General Meeting of Shareholders as on 31 March 2023 is as follows:

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

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

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

26. Dividends

26.1. Selected accounting principles

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

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

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

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

26.2. Value of paid and declared dividends

Dividends paid by STS S.A.

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

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

In the period covered by these interim summary consolidated financial statements, STS SA did not pay any dividend.

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

Dividends paid by STS Holding S.A.

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

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

In the period covered by these interim summary consolidated financial statements, the company STS Holding S.A. did not pay any dividend.

Specification	01.01.2023-31.03.2023	01.01.2022-31.12.2022
Dividends recognised as distributions to owners per share:	-	0.37
Value in PLN	-	57,917,934
Dividends recognised as distributions to owners per share:	-	0.27
Value in PLN	-	42,264,439
	-	100,182,373

27. Guarantees and sureties granted

27.1. Selected accounting principles regarding guarantees and sureties

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

27.2. Specification of guarantees and sureties:

STS S.A. is a party to an aircraft lease agreement, with the parent company - Betplay Capital Sp. z o. o. (former Betplay International sp. z o. o.) with its seat in Katowice as the lessee and mLeasing Sp. z o.o. as the lessor. It is a tripartite agreement where STS S.A. acts as a guarantor of blank promissory notes issued by Betplay Capital Sp. z o.o. to secure the agreement and STS S.A. will be jointly and severally liable if 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 590 thousand, lease period: 5 years.

28. Contingent liabilities

28.1. Selected accounting principles for contingent liabilities

A contingent liability is:

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

28.2. Specification of contingent liabilities

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

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

On **2 September 2021**, a multi-purpose overdraft limit agreement was concluded between: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, and STS S.A. and Betplay Capital sp. z o.o. (former Betplay International sp. z o.o.) (Borrowers). On **31 May 2022,** an annex to the agreement was signed, under which the agreement was amended in terms of reduction of the credit limit to PLN 20 million, extension of the period for which the limit was granted until 31 May 2023 and release of Betplay Capital Sp. z o. o. from any obligations incurred under the Agreement.

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

As on the balance sheet date, 31 March 2023, and as on the date of these interim summary consolidated financial statements, STS S.A. has not used the credit lines granted. No material provisions of the agreement have been breached.

On **25 January 2022**, the Issuer's subsidiary, i.e. STS S.A., received the decision of GIIF on the imposition of an administrative penalty on STS S.A. in connection with the violation of certain provisions of the Act of 1 March 2018 on counteracting money laundering and financing terrorism ("AML Act"). According to the information obtained, GIIF, by decision of 14 January 2022, imposed an administrative penalty on STS S.A. in the amount of PLN 2,950,000.00. The case is described in more detail in Note 29.

29. Court cases update

According to the information disclosed by the Company in the prospectus, in March 2020, the General Inspector of Financial Information (GIIF) concluded an inspection of STS S.A.'s business with respect to compliance with the applicable obligations and noticed a number of shortcomings, in particular with respect to the obligation to monitor and report suspicious transactions or activity. STS S.A. issued objections to the findings of GIIF, in particular with respect to the relevant compliance procedures and systems of the Group. On 6 September 2021, in connection with the abovementioned inspection of GIIF, administrative proceedings were initiated against STS S.A. with respect to the imposition of a penalty for failure to comply with certain obligations under the AML Act. On 25 January 2022, the Issuer's subsidiary, i.e. STS S.A., received the decision of GIIF on the imposition of an administrative penalty on STS S.A. in connection with the violation of certain provisions of the Act of 1 March 2018 on counteracting money laundering and terrorist financing. GIIF, by the decision of 14 January 2022, imposed an administrative penalty on STS S.A. in the amount of PLN 2,950,000.00.
In the opinion of the Issuer, the imposition of an administrative penalty by GIIF and the initiation of the proceedings in question was unjustified. In particular, the explanations presented by STS S.A., submitted both as part of the control and administrative proceedings, were not taken into consideration by GIIF. In the opinion of the Issuer's Management Board, STS S.A. complied with all procedures required by law, including the verification of players, reporting and compliance with other obligations under the AML Act. Therefore, STS S.A. appealed against the decision of GIIF and to use all the means of appeal it is entitled to, including an appeal to the administrative court. In the Issuer's opinion, the administrative penalty imposed by GIIF will not have a significant impact on the financial situation of the Issuer's Group. The decision of GIIF is not final, and the penalty will be payable only from the date on which the decision to impose it becomes final.
Fines are typical administrative sanctions for non-compliance with regulatory obligations. However, one of the sanctions provided by the Polish Gambling Law for failure to comply with the obligations relating to the prevention of money laundering or terrorism financing is the withdrawal of the relevant licenses to conduct sports betting. Any sanctions imposed and/or regulatory measures applied may require the Group to expend significant capital or other resources, modify internal standards, procedures, systems or the Group's product offering, and may require the Group to modify or cease its operations, all of which could adversely affect the Group's business, performance, prospects, value, financial condition, and results of operations. In the Group's opinion, the probability of the materialisation of this risk is medium.
In January 2020, funds in the account of the company STS S.A. in the amount of PLN 9.2 million were blocked and secured in connection with different pending criminal proceedings as funds potentially derived from the illegal activity of a person who was in the past a client of the Group and was indicted for money laundering. The company STS S.A. was not a party to the criminal proceedings against that person and could not directly challenge the blocking of its funds. At the same time, STS S.A. takes all available legal steps to suspend the possible enforcement of blocked funds. In May 2021, the company STS S.A. filed a civil claim against the State Treasury for the release of the blocked and secured amounts. The relevant proceedings are pending and a ruling has yet to be issued. On 29 August 2022, as reported in current report no. 19/2022, STS S.A. was informed about the seizure of cash receivables from the bank account of the Issuer's subsidiary, i.e. STS S.A., for the amount of PLN 9.2 million. This seizure, due to the legal protection measures taken by the Company, has not yet been enforced. Out of prudence, a write-down was created in the ledgers of STS S.A. in 2022 for the full amount of the seizure.

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

30. Provisions

30.1. Selected accounting principles

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

Defined Benefit Plan

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

- provisions for unused holiday leaves,
- retirement benefits.

Provisions for unused holiday leaves

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

Retirement severance pays

The Group is obliged under the applicable regulations to pay retirement benefits and disability benefits in the amount consistent with the provisions of the Labour Code. The amount of the retirement gratuity payments results from the provisions of the Labour Code in force on the day the retirement gratuity is paid.

The Group's liability resulting from the retirement benefits is calculated by estimating the amount of the employee's future remuneration in the period in which the employee will reach the retirement age and by estimating the amount of the future retirement benefit. These benefits are discounted to the present value. The discount rate is obtained based on the market

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rate of return on Treasury bonds at the end of the reporting period. Retirement benefit liability is recognised proportionally to the expected period of service of the employee.
The calculation is performed by an authorised actuary using the projected unit credit method. Employee turnover is estimated on the basis of historical data and forecasts of the future employment level. The effects of actuarial calculations are recognised in profit or loss.

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

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

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

Specification	Provisions for retirement and pension gratuities	Provisions for unused holiday leaves
Balance as on 01.01.2022	**524,878**	**2,292,807**
Establishment/update of a provision	478,738	2,131,844
Costs of benefits paid (use of the reserve)	-	-
Provision release	-524,878	-2,292,808
Balance as on 31.12.2022, including:	**478,738**	**2,131,844**
- long-term	478,738	-
- short-term	-	2,131,844
Balance as on 01.01.2023	**478,738**	**2,131,844**
Establishment/update of a provision	471,467	2,286,614
Costs of benefits paid (use of the reserve)	-	-
Provision release	- 478,236	- 2,094,510
Balance as on 31.03.2023, including:	**471,969**	**2,323,948**
- long-term	471,969	-
- short-term	-	2,323,948

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30.3. Specification of other provisions

Information on other provisions is presented in the tables below:

Specification	31.03.2023	31.12.2022
Other, including the provision for the audit of the financial statements	**225,698**	**185,610**
- long-term	-	-
- short-term	225,698	185,610

Change in the balance of provisions:

Specification	31.03.2023	31.12.2022
Other short-term provisions	**185,610**	**185,177**
Created during the financial year	148,752	130,506
Used	-108,664	-130,073
Released	-	-
Total:	**225,698**	**185,610**

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

31. Financial instruments

31.1. Selected accounting principles

The Group recognizss a financial liability in the statement of financial position when it becomes bound by the provisions of the instrument contract. At the moment of initial recognition, the Group measures financial liabilities at fair value, i.e. most often at the transaction price. Transaction costs are included in the initial value of financial liabilities, except for liabilities measured at fair value through profit or loss.

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

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

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

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

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

Fair value of financial instruments

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

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

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

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

31.2. Specification of financial instruments

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

Item	Instrument category under IFRS 9	Carrying value 31.03.2023	Carrying value 31.12.2022	Fair value 31.03.2023	Fair value 31.12.2022
Assets					
Non-current prepayments and non-current accrued income, including:		**2,401,536**	**2,818,654**	**2,401,536**	**2,818,654**
- deposit receivables	AZK	1,640,135	1,967,399	1,640,135	1,967,399
Other long-term and short-term financial assets, including:		**9,431,379**	**11,574,071**	**9,431,379**	**11,574,071**
- investment fund participation units	AWF	2,095,856	4,162,113	2,095,856	4,162,113
- shares of a company listed on the WSE	AWF	1,126,462	883,945	1,126,462	883,945
- corporate bonds	AZK	6,209,061	6,528,013	6,209,061	6,528,013
Trade receivables	AZK	**1,432,371**	**794,515**	**1,432,371**	**794,515**
Other (short-term) receivables, including:		**20,377,217**	**18,956,160**	**20,377,217**	**18,956,160**
- tax receivables (other than financial instruments)		8,106,054	6,039,201	8,106,054	6,039,201
- other receivables	AZK	12,271,163	12,916,959	12,271,163	12,916,959
Cash and cash equivalents, including:	AZK	260,949,884	222,931,205	260,949,884	222,931,205
- deposits		219,241,359	131,228,666	219,241,359	131,228,666
Liabilities					
Right-of-use liabilities (long- and short-term)	ZZK	**80,337,320**	**28,564,859**	**80,337,320**	**28,564,859**
Other long-term liabilities		-	-	-	-

Credits and loans	ZZK	-	-	-	-
Trade liabilities	ZZK	**13,866,862**	**17,917,460**	**13,866,862**	**17,917,460**
Other liabilities, including:		**116,222,778**	**120,369,079**	**116,222,778**	**120,369,079**
- public law liabilities, including corporate income tax (other than financial instruments)		57,543,123	66,480,849	57,543,123	66,480,849
- liabilities to customers for deposits, bonuses and pending bets, including:	ZWF + ZZK	29,903,273	35,427,887	29,903,273	35,427,887
- liabilities due to pending bets	*ZWF*	3,635,462	2,355,756	3,635,462	2,355,756
- payroll liabilities		5,572,459	5,181,806	5,572,459	5,181,806
- other liabilites	ZZK	23,203,923	13,278,537	23,203,923	13,278,537

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

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

As on 31 March 2023 and on 31 December 2022, the Group did not have any financial assets measured at fair value through other comprehensive income.

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

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

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

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

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

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

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- Right-of-use liabilities - using the lessee's marginal interest rate determined on the basis of prevailing market interest rates for similar liabilities.

31.4. Fair value measurement hierarchy

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

	31.03.2023		
Specification	Level 1	Level 2	Level 3
Assets - Investment fund participation units	2,083,649	12,206	-
Liabilities- Liabilities to customers for deposits, bonuses and pending bets	-	-	3,635,462
Total	**2,083,649**	**12,206**	**3,635,462**

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

Level 1 of the fair value hierarchy comprises financial assets whose fair value is measured on the basis of prices quoted in active markets for identical assets. Level 2 of the fair value hierarchy are financial assets whose fair value is measured using valuation models where all significant inputs are observable on the market directly (as prices) or indirectly (based on prices). This category includes financial instruments for which there is no active market. Investment fund participation units are included in in this category. Input data are identified as the fund's net asset value per share (participation unit). The valuation method adopted and used by the Group is the valuation according to the official net asset value of the fund per participation unit as on the balance sheet date, as announced by the collective investment institution.
Valuation techniques and inputs used by the Group for fair value measurements classified under level 3 of the fair value hierarchy:

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

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

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

Specification	31.03.2023	31.12.2022
Liabilities for pending bets at the beginning of the year after valuation	2,355,756	1,908,250
Settlement - resolution of bets	-2,355,756	-1,908,250
Liabilities for pending bets at year-end prior to valuation	4,740,630	3,071,242
Measurement difference recognised in profit or loss (revenue from betting)	-1,105,168	-715,486
Liabilities for pending bets at year-end after valuation	**3,635,462**	**2,355,756**

32. Transactions with related entities

32.1. Selected accounting principles

The Parent Entity identified related parties in accordance with the principles of IAS 24.
All transactions with affiliated entities are carried out at arm's length. The overdue liabilities at the end of the period are interest-free and settled in cash or in a cashless manner, except for liabilities due to loans to which interest is accrued in accordance with the concluded contracts. Liabilities to related entities have not been covered by any granted or received guarantees. They are also not secured in any other forms. At the end of the reporting period, i.e. 31 March 2023, the Group had no doubtful receivables from related parties.

32.2. Disclosure

The following entities were considered related entities:

- **subsidiary entities:**
  - STS S.A.
  - STS Gaming Group Ltd
  - STS BET Ltd.
  - Betsys s.r.o.
  - Betsys Poland spółka z ograniczoną odpowiedzialnością;
- **members of the Supervisory Board:**
  - Mr Zbigniew Eugeniusz Juroszek
  - Mr Maciej Fijak
  - Ms Elżbieta Spyra
  - Ms Milena Olszewska – Miszuris
  - Mr Krzysztof Krawczyk
- **key personnel members:**
  - Mr Mateusz Zbigniew Juroszek - President of the Management Board,
  - Mr Marcin Sylwester Walczysko – Vice-President of the Management Board,
  - Mr Zdzisław Jan Kostrubała – Member of the Management Board;
- **other entities related to the persons mentioned in the points above:**
  - Stowarzyszenie Pracodawców i Pracowników firm Bukmacherskich,

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- Sport Twoją Szansą,
- Betplay Capital spółka z ograniczoną odpowiedzialnością,
- MJ Investments spółka z ograniczoną odpowiedzialnością,
- ZJ-Invest spółka z ograniczoną odpowiedzialnością,
- ATAL Construction spółka z ograniczoną odpowiedzialnością,
- ATAL Spółka Akcyjna,
- Metan Energy P. Basista Spółka Jawna
- ATAL ART Invest spółka z ograniczoną odpowiedzialnością (former: ATAL Services spółka z ograniczoną odpowiedzialnością),
- Juroszek Holding spółka z ograniczoną odpowiedzialnością (former: Juroszek Investments spółka z ograniczoną odpowiedzialnością),
- ATAL - Nowe Polesie 2 spółka z ograniczoną odpowiedzialnością w likwidacji,
- ZJ-Invest spółka z ograniczoną odpowiedzialnością spółka komandytowa,
- JP Construct spółka z ograniczoną odpowiedzialnością spółka komandytowa,
- Temisto 9 spółka z ograniczoną odpowiedzialnością,
- Juroszek Catch Me spółka jawna,
- JP Construct spółka z ograniczoną odpowiedzialnością w likwidacji,
- Juroszek Apartments spółka jawna,
- WM Advisory spółka z ograniczoną odpowiedzialnością,
- ATAL Development GmbH,
- Yestersen spółka z ograniczoną odpowiedzialnością.

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

	Sales to related entities		Purchases from related entities	
Specification	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Betplay Capital sp.z o.o.	8,595	38,393	-	486
MJ Investments sp. z o. o.	395	4,050	-	300
ZJ-Invest sp. z o.o.	-	1,721	2,192,549	-
ATAL S.A.	-	-	6,818	61
Juroszek Apartments sp. j.	-	-	-	681
Juroszek Catch Me sp. J.	681	270	-	-
Total	**9,671**	**44,434**	**2,199,367**	**1,528**

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	Receivables from related entities				Liabilities to related entities			
Specification	31.03.2023	31.03.2022	31.03.2023 over 360 days	31.03.2022 over 360 days	31.03.2023	31.03.2022	31.03.2023 over 360 days	31.03.2022 over 360 days
Betplay Capital sp. z o.o.	484	23,712	-	173	-	-	-	-
MJ Investments sp. z o.o	297	4,613	123	4,613	-	-	-	-
ZJ-Invest sp. z o.o.	-	-	-	-	5,742	3,396	-	3,396
Total	**781**	**28,325**	**123**	**4,786**	**5,742**	**3,396**	**-**	**3,396**

There were no transactions with the participation of key management personnel, except for the transaction of taking up shares in the increased share capital of the Parent Entity. The transaction is described in detail in Note 25 "Share capital".

33. Salaries of senior management and the Supervisory Board

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

Benefits paid to the Members of the Management Board:

Specification	31.03.2023	31.03.2022
Mateusz Juroszek	77,838	81,205
Zdzisław Kostrubała	93,416	95,402
Marcin Walczysko	97,694	97,736
Total	**268,948**	**274,343**

Benefits paid to the Members of the Supervisory Board:

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

Specification	31.03.2023	31.03.2022
Mr Maciej Fijak	24,000	24,000
Zbigniew Juroszek	16,500	16,500
Milena Olszewska-Miszuris	24,000	24,000
Ms Elżbieta Spyra	16,500	16,500
Total	**81,000**	**81,000**

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

Specification	31.03.2023	31.03.2022
Mateusz Bromboszcz	7,090	7,555
Total	**7,090**	**7,555**

34. Share-based payments

34.1. Selected accounting principles

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

34.2. STS Holding S.A. Incentive Scheme

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

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

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

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

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

34.3. General assumptions of the Incentive Program:

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

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

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

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

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

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Program" by the Company, the share capital of the Company was increased within the limits of the authorised capital by the amount of PLN 144,960.00, i.e. from PLN 156,389,998.00 to PLN 156,534,958.00.
The issue price of one share is PLN 1.00. The Management Board of STS Holding S.A. decided in the interest of the Company to deprive the Company's shareholders of the entire pre-emptive rights regarding all series D shares. In accordance with the requirements resulting from the Company's Articles of Association, the Supervisory Board adopted a resolution on granting consent to the exclusion of pre-emptive rights in full by the Management Board. All newly created series D shares are ordinary bearer shares and participate in the dividend starting from 1 January 2021.

On 30 May 2023, the Management Board of STS Holding S.A. adopted Resolution no. 3 on increasing the Company's share capital by way of issuing series D shares, depriving the existing shareholders of the Company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series D shares to trading on the regulated market kept by the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.], in connection with the implementation of the "STS Holding S.A. Incentive Program". The share capital was increased by issuing 191,000 series D ordinary bearer shares with a par value of PLN 1.00 per share and an issue price of PLN 1.00 per share. The shares of the new issue of series D were offered to key managers of the STS Group in accordance with the terms and conditions of "STS Holding S.A. Incentive Program". Payments for the shares were made prior to the adoption of Resolution No. 3.

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

	01.01.2023– 31.03.2023	10.03.2021– 31.03.2022
Total cost of a share-based payment settled in equity instruments - applies to the program for Members of the Management Board of STS Holding S.A.	1,141,499	-
Total cost of a share-based payment settled in cash	-	-
Total - the cost of a share-based payment	**1,141,499**	**-**

35. Employment

35.1. The average annual employment structure in the Group

Specification	01.01.2023– 31.03.2023	01.01.2022– 31.03.2022
Manual workers	3	3
White-collar employees	1,196	1,255
Total number of employees	**1,199**	**1,258**

36. Discontinued operations

There were no discontinued operations in the Group in the periods covered by these interim summary consolidated financial statements.

37. Significant events and transactions

Sports events in Q1 2023

In Q1 2023, the company achieved a positive effect primarily on operating results, resulting from the high activity of players, the number of which increased significantly after the World Cup in Qatar.m In addition, the number of sports events in Q1 and Q2 2023 is still higher than in the standard period, because of the World Cup in Qatar, which forced the concentration of matches in both the autumn 2022 and spring 2023 rounds. The company expects high player activity in the autumn of 2023, if football matches of domestic and international leagues are played.

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

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

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

The ownership status of the shares of STS Holding S.A. held by members of the Management Board and Supervisory Board as on 31 March 2023 was as follows:

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

Furthermore, on 31 March 2023, Zdzisław Kostrubała and Marcin Walczysko concluded agreements for the acquisition of shares in STS Holding S.A. in connection with the issue of new series D shares. Both Zdzisław Kostrubała and Marcin Walczysko concluded agreements for the acquisition of 30,000 series D shares each.
New series D shares were registered on 17 may 2023.

The ownership status of the shares of STS Holding S.A. held by members of the Management Board and Supervisory Board as on 17 May 2023 was as follows:

- Mateusz Juroszek (President of the Management Board) held 39,859,376 shares through a wholly-controlled company MJ Investments sp. z o.o.,
- Zbigniew Juroszek (Vice-Chairman of the Supervisory Board) held 52,713,314 shares through a wholly-controlled company Juroszek Holding sp. z o.o.
- In addition, Mateusz Juroszek and Zbigniew Juroszek jointly, through Betplay Capital sp. z o.o, in which they hold shares, owned 17,046,786 shares.
- Zdzisław Kostrubała (Member of the Management Board) held 125,920 shares,
- Marcin Walczysko (Member of the Management Board) held 125,920 shares,

39. Indication of factors that will affect the achieved results in the perspective of at least the next quarter

In Q1 2023, the company achieved a positive effect primarily on operating results, resulting from the high activity of players, the number of which increased significantly after the World Cup in Qatar. In addition, the number of sports events in Q1 and Q2 of this year is still higher than in the standard period, because of the World Cup in Qatar, which forced the concentration of matches in both the autumn 2022 and spring 2023 rounds. The company expects high player activity in the autumn of this year, if football matches of domestic and international leagues are played.

40. Events after the balance sheet date

On 17 May 2023, the capital from the issue of series D shares in the amount of PLN 191,000 was registered with the National Court Register .

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

III. INTERIM SUMMARY FINANCIAL STATEMENT OF THE PARENT ENTITY STS HOLDING S.A.

1. Interim summary statement of financial position

ASSETS	31.03.2023	31.12.2022
Fixed assets	**3,003,956,011**	**3,002,797,239**
Intangible assets	230,426	244,798
Right-of-use assets	13,543	14,238
Deferred tax assets	58,790	26,450
Other financial assets	3,003,653,252	3,002,511,753
Current assets	**91,689,155**	**90,508,674**
Trade receivables:	-	-
Other receivables:	-	-
Short-term prepayments and accruals	64,113	478
Cash and cash equivalents	91,625,042	90,508,196
TOTAL ASSETS	**3,095,645,166**	**3,093,305,913**

LIABILITIES	31.03.2023	31.12.2022
Equity	**3,095,294,333**	**3,093,017,684**
Share capital	156,534,958	156,534,958
Surplus of the issue price above the nominal value of shares	2,838,471,299	2,838,471,299
Other capitals	12,999,121	11,666,622
Write-off on net profit during the financial year	-42,264,439	-42,264,439
Retained earnings carried forward from the previous years	128,609,244	-
Net profit (loss)	944,150	128,609,244
Long-term liabilities	41,184	**13,547**
Right-of-use liabilities	11,005	11,691
Deferred tax income provision	30,179	1,856
Current liabilities	309,649	**274,682**
Right-of-use liabilities	2,723	2,709
Trade liabilities	68,702	72,204
Current income tax liabilities	62,720	52,263
Other liabilities	34,589	17,585
Provisions for pensions and similar benefits	3,437	591
Other provisions	137,478	129,330
TOTAL LIABILITIES	**3,095,645,166**	**3,093,305,913**

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

2. Interim summary statement of comprehensive income

Specification	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Revenue from holding activities	-	-
Dividend revenue	-	-
Other operating revenue	-	-
Amortisation and depreciation	15,067	695
Consumption of materials and energy	-	-
External services	152,129	202,697
Taxes and charges	34,496	-
Employee benefits	134,047	109,458
Other costs by type	-	-
Other operating expenses	-	-
Profit (loss) on operating activities	**-335,739**	**-312,850**
Financial revenue	1,499,338	836
Financial expenses	33,028	79
Profit (loss) before tax	**1,130,571**	**-312,093**
Income tax	186,421	-
Net profit (loss) from continuing operations	**944,150**	**-312,093**
Other total income	-	-
Comprehensive income	**944,150**	**-312,093**

Profit (loss) per share (in PLN)

Basic for the financial period	0.01	-
– From continuing operations	0.01	-
– From discontinued operations	-	-
Diluted for the financial period	0.01	-
– From continuing operations	0.01	-
– From discontinued operations	-	-

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

3. Interim summary statement of changes in equity

Specification	Share capital	Surplus of the issue price above the nominal value of shares	Other capitals	Retained earnings carried forward from the previous years	Write-down on net profit	Net profit (loss)	Equity
Equity as on 01.01.2023	**156,534,958**	**2,838,471,299**	**11,666,622**	**128,609,244**	**-42,264,439**	**-**	**3,093,017,684**
Increase in share capital	–	–	191,000	–	–	–	191,000
Incentive program			1,141,499	–	–	–	1,141,499
Net profit/loss for the accounting year	–	–	-	–	–	944,150	944,150
Equity as on 31.03.2023	**156,534,958**	**2,838,471,299**	**12,999,121**	**128,609,244**	**-42,264,439**	**944,150**	**3,095,294,333**

Specification	Share capital	Surplus of the issue price above the nominal value of shares	Other capitals	Retained earnings carried forward from the previous years	Write-down on net profit	Net profit (loss)	Equity
Equity as on 01.01.2022	**156,389,998**	**2,838,293,133**	**3,917,102**	**58,096,100**	**-**	**-**	**3,056,696,333**
Incentive program	–	–	3,218,796	-	–	–	3,218,796
Net profit/loss for the accounting year	–	–	–	–	–	- 312,093	- 312,093
Equity as on 31.03.2022	**156,389,998**	**2,838,293,133**	**7,135,898**	**58,096,100**	**-**	**-312,093**	**3,059,603,036**

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4. Interim summary statement of cash flows

Specification	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Profit (loss) before tax	**1,130,571**	**-312,093**
Total adjustments:	-1,374,339	-2,299,734
Amortisation and depreciation	15,067	695
Interest and profit sharing (dividend)	-1,350,267	79
Change in provisions	10,994	24,983
Change in the balance trade and other receivables	-	-799
Change in short-term liabilities, excluding credits and loans	13,502	-2,261,221
Change in payments and accruals	-63,635	-63,471
Other adjustments	-	-
Total: Cash from operating activities	-243,768	-2,611,827
Income tax paid	-179,981	-
Net cash flow from operating activities	-423,749	**-2,611,827**
INVESTMENT ACTIVITIES		
Inflows	**1,350,267**	**-**
Dividends received	-	-
Interests	1,350,267	-
Spending	**-**	**-**
Purchase of intangible assets and tangible fixed assets	-	-9,628
Net cash flows from investment activity	**1,350,267**	-9,628
FINANCIAL ACTIVITIES		
Inflows	**191,000**	**-**
Net inflow from insurance of shares and other equality instruments and contributions to capital	191,000	-
Spending	**-**	**-**
Payment of liabilities arising from financial leases	-606	-659
Interest paid	-66	-79
Net cash flows from financial activities	190,328	**-738**
Total net cash flows	**1,116,846**	**-2,622,193**
Change in cash and cash equivalents before the effects of exchange rate differences	-	-
Balance sheet change in cash:		
Cash opening balance	**90,508,196**	**64,117,743**
Cash at the end of the period (F + D), including:	**91,625,042**	**61,495,550**
- of limited disposability		

5. Selected financial data converted into EUR

Selected financial data converted into EUR	PLN 01.01.2023-31.03.2023	PLN 01.01.2022-31.03.2022	EUR 01.01.2023-31.03.2023	EUR 01.01.2022-31.03.2022
Dividend revenue		-		-
Cost of the activity	335,739	312,850	71,426	67,320
Profit/(loss) on operating activities	-335,739	-312,850	-71,426	-67,320
Profit/(loss) before tax	1,130,571	-312,093	240,521	-67,157
Net cash flows from operating activities	-423,749	-2,611,827	-90,150	-562,022
Net cash flows from investment activity	1,350,267	-9,628	287,260	-2,072
Net cash flows from financial activities	190,328	-738	40,491	-159
Total net cash flows	1,116,846	-2,622,193	237,602	-564,252
Number of shares in thousands	156,535	156,390	156,535	156,390
Profit/(loss) per share (in PLN/EUR)	0.01	-	0.00	-
Diluted profit/(loss) per share (in PLN/EUR)	0.01	-	0.00	-
Book value per share (in PLN/EUR)	19.77	19.56	4.21	4.25
Diluted book value per share (in PLN/EUR)	19.77	19.56	4.21	4.25

	PLN 31.03.2023	PLN 31.12.2022	EUR 31.03.2023	EUR 31.12.2022
Total assets	3,095,645,166	3,093,305,913	662,099,276	659,567,563
Liabilities and provisions for liabilities (excluding accruals)	350,833	288,229	75,036	61,392
Long-term liabilities	41,184	13,547	8,808	2,889
Short-term liabilities	309,649	274,682	66,228	58,569
Equity	3,095,294,333	3,093,017,684	662,024,240	659,506,171
Share capital	156,534,958	156,534,958	33,479,833	33,377,035

IV. APPROVAL FOR PUBLICATION

Until the date of preparation of these interim summary consolidated financial statements for the period from 1 January to 31 March 2023, the Management Board of the Parent Company has not learned about any events that have been not included, but should have been, in the accounting records of the reporting period. At the same time, these consolidated financial statements do not include any material events relating to previous years.

The interim summary consolidated financial statements containing the interim summary financial statements of the parent entity - STS Holding S.A., prepared for the 3-month period ended 31 March 2023 (including comparative data) were approved for publication by the Management Board of the Parent Company on 17 May 2023.

Katowice, 17 May 2023:

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

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

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

Bożena Gwiazda
Chief Accountant of the
STS Holding S.A. Group