Annual Report 2023

span

SPAN ANNUAL REPORT 2023

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1. Introduction

1.1. Statement by Nikola Dujmović, President of the Management Board

Modern developed societies are increasingly relying on digital technologies. This was especially so under the pressure of the pandemic, when the need for information and communication solutions increased day by day. Each segment of our industry grew little by little. There was a lack of professionals, especially developers, but there was plenty of work for everyone. Until, suddenly, almost over the night, the IT industry became saturated.

Projects were slowing down. IT companies of all sizes started to lay off workers. Analysts were thinking of definitions of this phenomenon that occurred suddenly, caused by external factors, though without any evident announcement. Digital budget saturation might be the best description I have heard. When the pressure of the pandemic subsided and the threat of a global conflict increased, many felt fed up with that "digital" growth and wanted to get a break from that fast and almost forced digital revolution of the last couple of years.

A year of challenges and a year of new opportunities

Everybody is clear that the need for digital solutions will not cease to exist and will almost certainly grow, but the question is how to determine the realistic needs and priorities in these new circumstances. Our customers did not cancel or stop or shut down projects. They wanted some time off, different priorities, lower budgets, only in this year.

While big "classic" projects slowed down, two new giants of the IT industry – artificial intelligence and cyber security – started to appear around the corner.

The frequency of cyber attacks, their scope and the damage they cause are increasing and becoming a question of national, social and economic stability. Both current wars, in Ukraine and Israel, are waged both in the traditional battlefield and cyberspace at the same time. Cyber war is literally global and has not spared the area of Croatia either.

At the same time, artificial intelligence, a branch of the digital economy that has been developed for seventy odd years, has been speedily transitioning from labs and academic community to the traditional economy. Artificial intelligence increases productivity, replacing people in demanding and boring tasks. Particularly rapid acceleration came with the commercialization of generative models that create a new value.

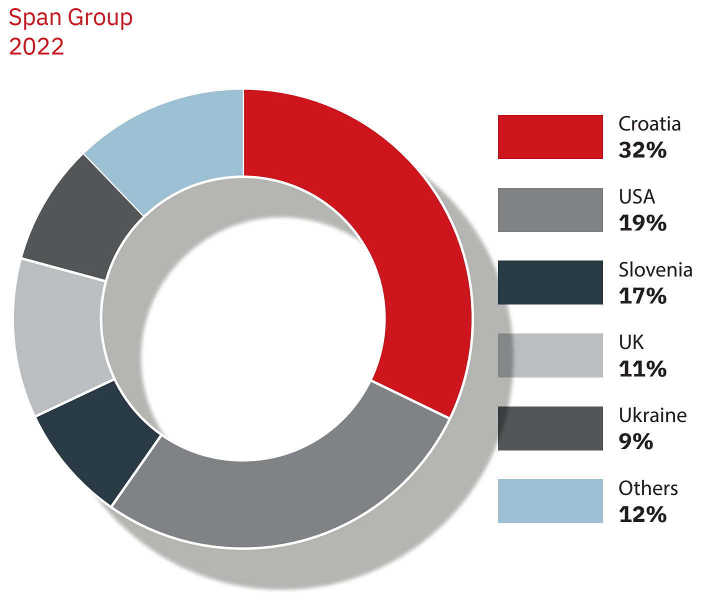
We have made ourselves ready for this new order in the IT industry excellently. Our affiliated company Bonsai.tech has been developing solutions for our international customers with AI tools for years, thus we are ready for new opportunities in this market. We have been developing a cyber security team for years and we have readily countered cyber attacks that are growing day by day.

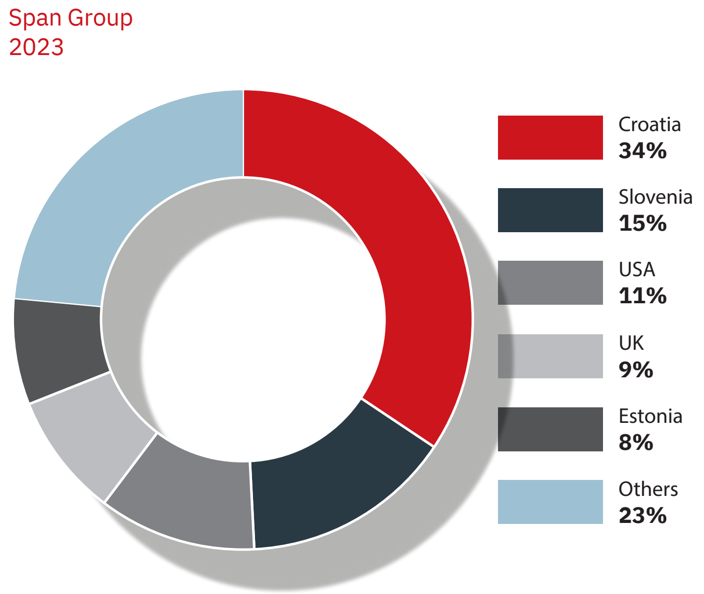
1.2. About Span

We were established on 23 March 1993, as a limited liability company. Under the decision of the company's Assembly, we became a joint stock company on 13 December 2019. Our main activities include the provision of services of software asset management and licensing, infrastructure services of design and maintenance of information systems, work in Cloud and cyber security, management of information technology and technical support service centers, as well as the development of software and business solutions.

During the 30 years of operation, we have developed from an IT system integrator in Croatia, to a group that today operates on the international market. We are focused on our long-term relationships with customers and we cooperate with leading global and regional corporations. As a leading expert in Microsoft technologies and leading regional Microsoft partner, we are continuously working on improving the knowledge of our employees with the aim of providing higher quality solutions to our customers.

In the past years, we have recorded a continuing growth of revenues with two thirds of our revenues being generated in the international market.





As an IT service provider, we successfully monitor and respond to trends in the digital transformation of the operation, and with our work and company values, we try to be an example of the responsible and sustainable operation in Croatia.

1.2.1. Span in numbers

1993
company established

58,700+
proactively monitored devices

375
successfully completed projects in 2023

24/7
availability of Span support

202,000+
resolved tickets in 2023

99.96%
incidents resolved in terms of SLA*

34 years
average age of employees

72.95%
of employees with university or college degree

400+
employees with professional certification

* Service Level Agreement

1.2.2. History and development

We started our journey in 1993 as a license provider and system integrator. Focused on Microsoft technologies, we became the first certified provider of Microsoft solutions in 1996, only to become a Microsoft Certified Solution Provider Partner in 1999. A year later, a Hungarian system integrator, Synergon, joined our ownership structure.

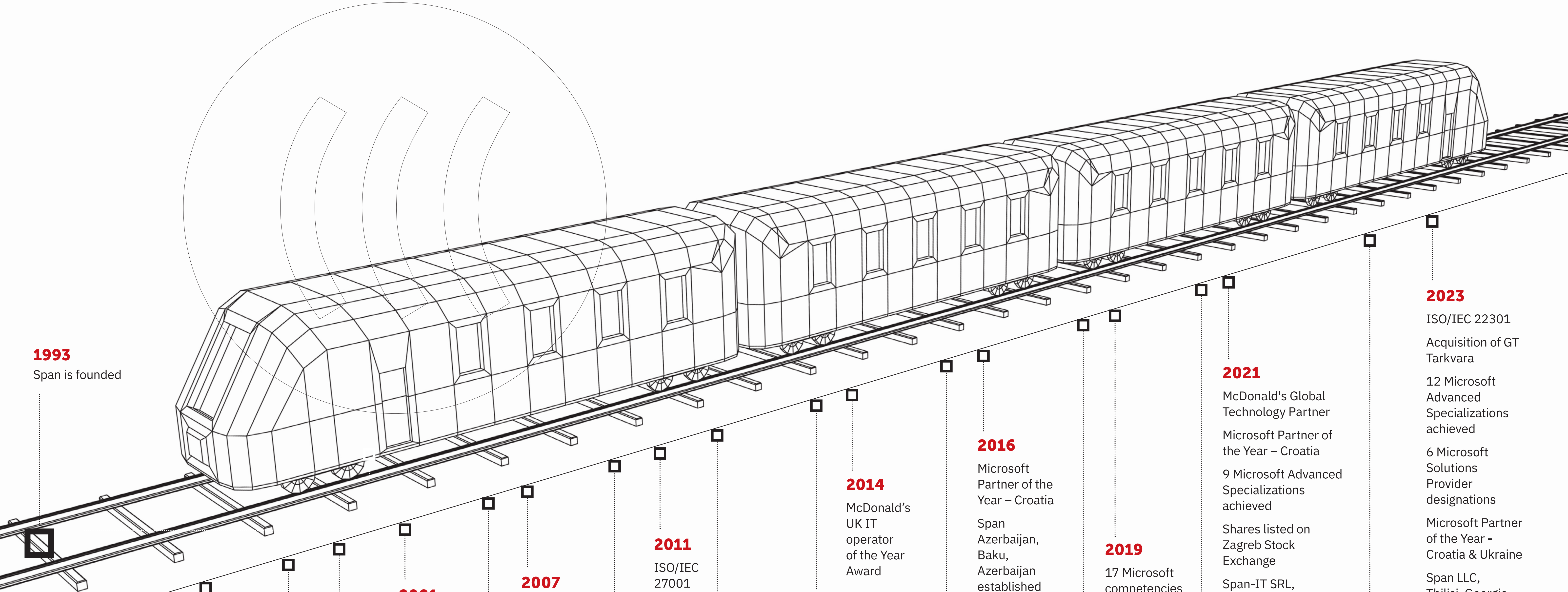
The 1996 to 2001 period saw a significant transformation in the operation. Having obtained the status of the first Gold Microsoft Partner in Croatia and the leading Microsoft Partner in the Croatian market in 2001, we started providing technical support to customers, and this branch of operation, which we have developed continuously, is our largest division in terms of numbers today. At that time, we started offering consultancy services and designing business solutions for our customers.

In the years that followed, we expanded to international markets. We opened offices in Great Britain, Slovenia, the United States, Azerbaijan, Germany, Ukraine, Switzerland, Moldova and finally, Georgia in 2023.

The new goal that we set and achieved was listing our shares on the regulated Zagreb Stock Exchange market, becoming a joint stock company in 2019, and listing our shares on the Zagreb Stock Exchange in September 2021. By doing so, we started a new development phase of operation oriented to an accelerated organic growth in the existing markets and an opportunity to continue to expand in international markets.

Only six months after the Initial Public Offering, our share was included in the CROBEX® and CROBEXtr® indices, whereas in March 2023, it joined the 10 most liquid shares, being listed in the CROBEX10® and CROBEX10tr® indices. In the same year, the largest provider of stock indices on the global level, MSCI, enlisted our share in the MSCI Frontier Market Small Cap Index, which gives it additional visibility with global investors.

We continue to further focus on cloud and cyber security, and in addition to Microsoft as our main partner, we continue to operate with Google, Amazon and other renowned partners. In continuation of the business development plan, in September 2022 we opened Span Cyber Security Center d.o.o., with a view to providing education, training and consultancy services to the business community in Croatia and the region. We also acquired GT Tarkvara, the Estonian leading Microsoft partner, and thus confirmed the strategic direction to further growth and expansion to new markets.



1993
Span is founded

1995
First Microsoft Certified System Engineer employed

1996
First Croatian Microsoft Certified Solution Provider

Organization of Microsoft Systems & Development Conference

In-house installation of Exchange 4.0 – email exchange system

1998
Span launches Microsoft CTEC education center

1999
Microsoft Certified Solution Provider Partner

2000
Span partners with Hungarian system integrator Synergon

First Microsoft Enterprise Agreement in Croatia

2001
First Croatian Microsoft Gold Partner

2006
ISO 9001

2007
Span management buy out

2009
Span IT, London, United Kingdom established

Span d.o.o., Ljubljana, Slovenia established

2011
ISO/IEC 27001

2012
ISO/IEC 20000

2013
Microsoft Partner of the Year – Croatia

Span USA, INC., Chicago, IL established

2014
McDonald’s UK IT operator of the Year Award

2015
European Business Award

Infocumulus joins Span Group

Start of Span Development Academy

2016
Microsoft Partner of the Year – Croatia

Span Azerbaijan, Baku, Azerbaijan established

2018
TOV Span, Kyiv, Ukraine established

2019
17 Microsoft competencies achieved, 16 Gold

2020
AWS and Google Cloud Services partner

TOV Span awarded best Microsoft LSP partner in Ukraine

Microsoft Partner of the Year – Croatia

2021
McDonald's Global Technology Partner

Microsoft Partner of the Year – Croatia

9 Microsoft Advanced Specializations achieved

Shares listed on Zagreb Stock Exchange

Span-IT SRL, Chișinău, Moldova established

ISO/IEC 14001

ISO/IEC 50001

2022
Span Cyber Security Center established

12 Microsoft Advanced Specializations achieved

Acquisition of Ekobit

Microsoft Partner of the Year – Ukraine

GRIT Award for UN Sustainable Development Goal 8.

2023
ISO/IEC 22301

Acquisition of GT Tarkvara

12 Microsoft Advanced Specializations achieved

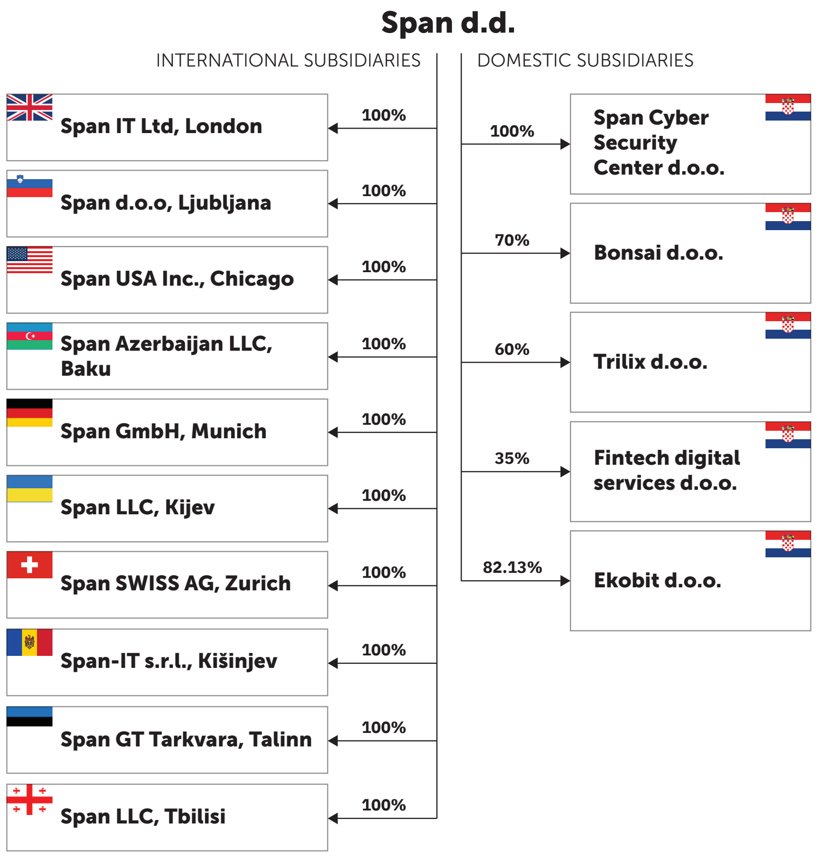
6 Microsoft Solutions Provider designations

Microsoft Partner of the Year - Croatia & Ukraine

Span LLC, Tbilisi, Georgia established

1.2.3. Organizational structure of the Group[1]

On 31 December 2023, Span d.d. (Span or Company) had business shares in the following companies:



1.2.4. Corporate Governance

Span is a joint stock company whose shares are listed on the regulated Zagreb Stock Exchange market and which applies the Corporate Governance Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA), which is available online on the sites of the Zagreb Stock Exchange and HANFA (Corporate Governance Code). A Statement on the application of the Corporate Governance Code is a constituent part of the Annual Report of the Span Group.

Span's internal rules and management procedures, based on the fundamental principles of corporate governance, particularly the principles of impartiality, transparency, equity, and accountability, ensure more efficient operations and timely and objective communication of all key business activities and results the company achieved to the public. At the same time, they enable equal treatment of all shareholders, thus strengthening the trust of all stakeholders, including employees, partners, customers and other interested parties.

[1] Span Group ("Group") consists of Span d.d. ("Company") and its subsidiaries

1.2.4.1. Statement of the application of the Corporate Governance Code

Pursuant to Article 272.p, in relation to Article 250.a of the Companies Act (Official Gazette no. 111/1993, 34/1999, 121/1999, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 111/2012,125/2011, 68/2013, 110/2015, 40/2019, 34/2022, 114/2022, 18/2023, 130/2023 hereinafter: "the Act") and Article 22 of the Accounting Act (Official Gazette no. 78/2015, 134/2015, 120/2016, 116/2018, 42/2020, 47/2020, 114/2022, 82/2023), the Management of the company Span d.d., Zagreb, Koturaška cesta 47, Company ID:19680551758 (hereinafter: "Span" or "Company") hereby issues the following

STATEMENT OF THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

I Span shares have been listed on the Zagreb Stock Exchange on 21 September 2021, and Span applies the Corporate Governance Code of the Zagreb Stock Exchange (ZSE) and the Croatian Financial Services Supervisory Agency (CFSSA) publicly available at the website of the ZSE (www.zse.hr) and the CFSSA (www.hanfa.hr).

II Span hereby confirms that it operates in line with the good corporate governance practices and predominantly in compliance with the recommendations in the Code, and publishes all information required by positive regulations.

Span shall present detailed explanations of departures from individual recommendations and additional adjustments in the Annual Compliance Questionnaire for Issuers of Shares and the Corporate Governance Practice Questionnaire for Issuers of Shares which, as defined in the Ordinance on the data concerning corporate governance, the issuers are required to deliver to the Croatian Financial Services Supervision Agency and on the form, deadlines, and manner of their submission (OG 59/2020, 12/2023), submit them for 2023 to the Croatian Financial Services Supervision Agency (CFSSA) not later than 30 April of the current calendar year and publish them on the websites of the Company and the Zagreb Stock Exchange.

III Controlling and Internal Audit, supervised by the Audit Committee, are in charge of internal control and risk management systems with regard to the financial reporting system.

In line with the Audit Act (OG 127/17, 27/2024), in addition to the tasks defined in the Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and all relevant regulations, the Audit Committee shall monitor the financial reporting process and deliver recommendations and suggestions for securing the integrity thereof, as well as monitor the effectiveness of the Company's internal quality control and risk management systems, including the effectiveness of procedures for approving and disclosing transactions among Management and Supervisory Board members and the Company, as well as internal audit, without breaching its independence.

Internal Audit's key goals are providing senior management and the Supervisory Board with guarantees and information that will help to achieve the organization's goals, including the evaluation of the effectiveness of risk management activities. Controlling reports to the Management Board of the Company, and Internal Audit to the Audit Committee of the Supervisory Board, and the Management Board.

Internal Audit prepares a report once the audit has been completed, and this report contains the following:

- list of the audits carried out
- assessment of the adequacy and efficiency of internal controls and recommendations for improvements
- unlawfulness and irregularities determined during the audit, and recommendations and proposed measures to address them
- activities undertaken in relation to the previously issued recommendations.

Reports are delivered to the Management Board and Audit Committee.

During 2023, Span continued to maintain and continuously improve the existing six management systems certified by ISO standards. Special attention was directed towards information security management and IT services, as well as towards the ethical aspects of management in accordance with ISO 37001 standard. During 2023, the Risk management methodology was improved and the application for monitoring business objectives and risk management was completed. Moreover, at the beginning of 2023, the business continuity management system was certified (BCMS) in accordance with ISO 22301 standard. This has ensured a higher level of reliability of Span's business processes and services it offers to its customers, and thus a higher level of trust.

IV Ten significant Span shareholders as at 29/12/2023 are as follows:

No.	Name	Number of shares	Percentage (%)
1	DUJMOVIĆ NIKOLA	701,072	35.769
2	PONGRAC MARIJAN	112,198	5.7244
3	BANEK ZVONIMIR	107,995	5.5099
4	RAIFFEISENBANK AUSTRIA D.D./ RAIFFEISEN VOLUNTARY PENSION FUND	101,111	5.1587
5	ERSTE & STEIERMARKISCHE BANK D.D./ PBZ CO OMF - CATEGORY B	65,200	3.3265
6	PRIVREDNA BANKA ZAGREB D.D./THE BANK OF NEW YORK AS CUSTODIAN	50,525	2.5778
7	BOČKAL DAMIR	46,516	2.3733
8	PRIVREDNA BANKA ZAGREB D.D./ GENERALI JUGOVZHODNA EVROPA, DELNISKI	43,810	2.2352
9	PODRAVSKA BANKA D.D./OMNIBUS ACCOUNT FOR M21 - NATURAL PERSONS	36,253	1.8496
10	ERSTE & STEIERMARKISCHE BANK D.D./ PBZ CO OMF - CATEGORY A	26,128	1.3331

Span does not have holders of securities with special control rights or holders of securities with limited voting rights with a certain percentage or number of votes, time restrictions for exercising the right to vote or cases where, in cooperation with the company, the financial rights from securities are separated from holding those securities. Span does not have special rules on appointing or revoking members of the Management Board or the Supervisory Board, amending the Articles of Association or special rules on the powers of the members of the Management Board or the Supervisory Board. Provisions of the Companies Act and the Articles of Association, available on Span's website (www.span.eu), apply to all of the cited relations.

V. The operation and competences of the General Assembly and the way of exercising and realizing the rights of shareholders are defined in the Companies Act and the Articles of Association of the Company. Calls and proposed decisions, as well as the decisions adopted, are published in line with the provisions of the Companies Act, provisions of the Capital Market Act, and Rules of the Zagreb Stock Exchange. Each share ensures the right to 1 vote.

VI. In 2023, the Management Board consisted of 5 members, with a maximum 5-year term. Once their term expires, Management Board members and President may

be reappointed for an infinite number of terms. The Management Board is responsible for managing the affairs of the Company, assuming a duty of care and conscientiousness, in line with the Companies Act, the Articles of Association and Rules of Procedure of the Management Board.

In 2023, the Supervisory Board had 4 members. The President of the Supervisory Board, Jasmin Kotur, and the Member Zvonimir Banek resigned from their positions at the Supervisory Board, and at the meeting of the General Assembly of the Company that took place on 14 June 2023 Ivana Šoljan and Mirjana Marinković were elected as the new Members of the Supervisory Board. The two were elected for a period from the adoption of the decision of the General Assembly to the expiry of terms of office of the other members of the Supervisory Board of the Company, i.e. by 30 September 2024.

The right to appoint and recall the fifth member of the Supervisory Board is given to Span employees, who elected Barbara Gradečak on 29 December 2023 as the representative of employees in the Supervisory Board with a four year term. Supervisory Board members have a maximum 4-year term. Powers of the Supervisory Board are defined by the provisions of the Companies Act, the Articles of Association of the Company, and the Rules of Procedure of the Supervisory Board.

Within its competence, the Supervisory Board adopts decisions, assessments, opinions, gives consent to the decisions of the Management Board in line with the Rules of Procedure, the law, or the Articles of Association, gives orders to auditors and together with the Management Board, defines which proposed decisions are to be adopted by the General Assembly.

The Management Board and the Supervisory Board usually hold meetings or adopt decisions without holding a meeting, via correspondence, in line with the provisions of the Rules of Procedure, the law, and the Articles of Association.

The Supervisory Board, acting in line with the provisions of the law, the Corporate Governance Code and the Rules of Procedure of the Supervisory Board, formed two committees, the Audit Committee and the Nomination and Remuneration Committee. Description of the jobs and competences of the Audit Committee and the Nomination and Remuneration Committee is available on Span's website (www.span.eu).

VII. The Management Board of Span has adopted the Policy on Diversity and Inclusion (hereinafter: Policy) on 18 December 2023 and signed the Diversity Charter of the Croatian Business Council for Sustainable Development. The policy is based on diversity, inclusivity and emphasizing the importance of fairness in ensuring equality of opportunity. It includes principles of individual uniqueness, practical adaptation, individual responsibility of each individual, a positive approach to diversity, openness and transparency, zero tolerance for discrimination, harassment or violence, equal opportunities and inclusive leadership, described in more detail in the Policy. The foundation of the Policy lies in the legal framework prescribed by the Anti-Discrimination Act. By adopting this Policy, the Management Board has committed to implementing the above-mentioned principles to create a positive and inclusive organizational culture. Due to the fact that the policy was adopted in December of 2023, the manner in which the Policy is implemented and the results during the reporting period will be published as part of the Annual Report for 2024.

VIII. In line with the provisions of Article 250 (4) and Article 272.p of the Act, this Statement represents a separate section and integral part of the annual report on the financial position and business performance of the Company for the business year 2023.

Span d.d.

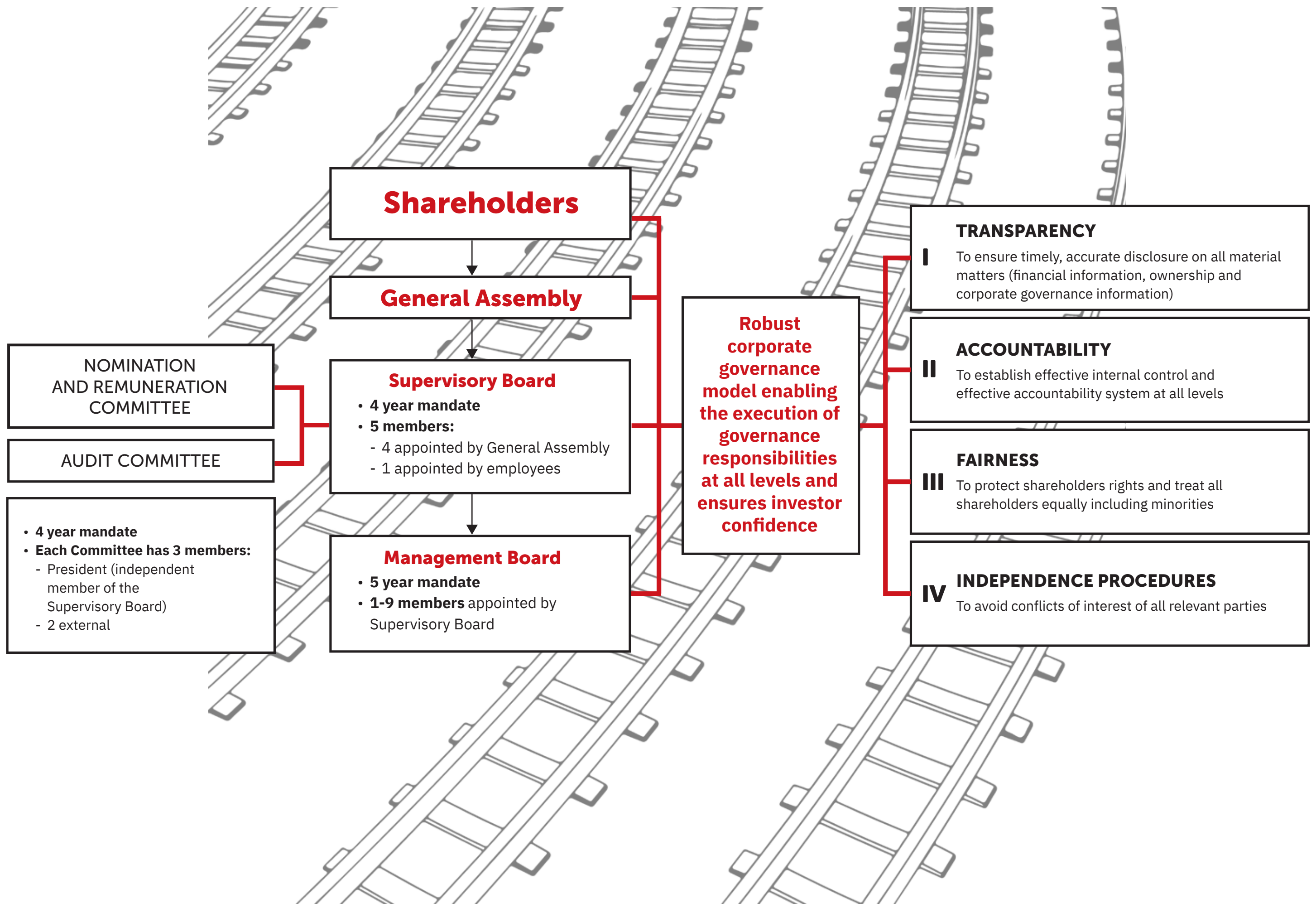
1.2.4.2. Corporate Governance Code - Compliance Questionnaire for 2022

Applying the best practices of corporate governance, we ensure unbiased, transparent and responsible decision-making in our operations. In line with the requirements of the Corporate Governance Code, in 2023 we have published a Compliance Questionnaire for 2022.[2]

1.2.4.3. Corporate Governance Structure

The three fundamental bodies of Span are as follows:

1. **Management Board**
2. **Supervisory Board**
3. **General Assembly**



[2] The Questionnaire on Management Practices was also submitted to HANFA in the time period prescribed by relevant provisions of law

1.2.4.3.1. Management Board

The Management Board of the Company is responsible for the strategic management and long-term performance of the whole Span Group. It is obliged to act only on behalf of Span and its shareholders at all times, taking care of the interests of the employees and the wider community, with a view to increasing Span value. Members of the Management Board manage the affairs of the Company together, as well as independently as per individual areas of business as specified in more detail in the Rules of Procedure for the Management Board. Irrespective of the division of competences, all members of the Management Board are responsible for the overall management of the affairs of the Company. The Management Board manages its affairs in compliance with the applicable laws and by-laws, the Articles of the Association of the Company and the Rules of Procedure for the Management Board.

The Rules of Procedure for the Management Board regulates tasks, responsibility, organization, way of operation and decision-making of the Company Management Board, as part of the corporate management process, especially:

a) Tasks and responsibilities of the Management Board;
b) Organization and manner of operation and decision-making of the Management Board;
c) Fields of work that members of the Management Board manage on their own;
d) Authorizations and restrictions in managing the affairs of the Company;
e) Preparing and convening meetings of the Management Board;
f) Work at meetings and decision-making process;
g) Record and conclusions, acts and archives;
h) Rules for preventing conflict of interest;
i) Cooperation with and relation to the Supervisory Board;
j) Other issues of significance for the work of the Management Board.

The division of labor and competences of the members of the Management Board is elaborated in more detail in the Appendix of the Rules of Procedure.

The Management Board of Span consisted of 5 members in 2023. The number of the members of the Management Board is determined by a decision of the Supervisory Board. The Management Board is appointed for a term of office of not more than 5 years, with a possibility for reappointment, without restriction of the number of terms.

The Management Board members in 2023 were:

1. **Nikola Dujmović - President**
2. **Marijan Pongrac - Member**
3. **Dragan Marković - Member**
4. **Antonija Kapović – Member**
5. **Saša Kramar - Member**

Term of office of the Management Board members:

Name and last name	Start of the term	Expiry of the term
Nikola Dujmović	16.12.2019	16.12.2024
Marijan Pongrac	16.12.2019	16.12.2024
Dragan Marković	16.12.2019	16.12.2024
Antonija Kapović	16.12.2019	31.12.2023*
Saša Kramar	23.01.2020	16.12.2024

* Antonija Kapović resigned from the position of Member of the Management Board on 31 December 2023.

During 2023, 14 meetings of the Management Board took place, with the membership attendance of 96%. The Members Nikola Dujmović, Antonija Kapović, Marijan Pongrac and Saša Kramar attended 14 meetings, and Dragan Marković attended 12 meetings.

The Management Board evaluated its effectiveness and the individual members' effectiveness, and communicated its conclusions to the Supervisory Board.

Nikola Dujmović, President of the Management Board

Nikola is a co-founder and has been the company's Director since its foundation. An engineer by trade, he sees the possibilities for improvement and growth in everything he does, with an exceptionally rare talent to recognize or anticipate upcoming global tech trends. Nikola's business philosophy is simple – trust in what you do and follow the social responsibility concept, provide support and try to give the community more than you have received from it. From the start, Nikola saw the importance of investing in people and their skills. That is why today Span's employees have a chance to expand their knowledge by working with state-of-the-art tech, using that knowledge to efficiently solve their clients' business challenges. Nikola is also responsible for Span's expansion far beyond Croatian borders and he was the force behind Span's partnership with Microsoft, making us the company's leading partner in the region. Everything from design and development of strategically important projects, corporate security, quality and compliance with legal matters and office administration falls under Nikola's direct jurisdiction. Thanks to his efforts and vision, Span is today one of the leading Croatian IT companies and one of the top Croatian exporters of software and services. With 35 years of rich experience, Nikola is also a member of the Management Boards of Span Cyber Security Center, and affiliated companies Trilix and Bonsai. He graduated from the Faculty of Electrical Engineering and Computing, University of Zagreb in 2002.

Marijan Pongrac, Member of the Management Board, 23 years in Span

Marijan is the Member of the Management Board for technology. He is a certified Microsoft IT expert, a system engineer and trainer. In Span, he is in charge of all Span's technology projects, from infrastructure to software, overseeing every phase of projects, from development to support. Marijan started his career in Span as a System Engineer and Architect, quickly becoming a Business Unit Manager. He has forged his team of three into an expert crew of 460 professionals, and that is something he cites as one of his greatest achievements. Marijan's work on creating a top-level IT team, ensuring its growth and development, and spreading its influence and knowledge is something that has cemented Span's reputation as a trusted and competent company. For more than two decades, Marijan has led teams that design innovative solutions for clients with their knowledge and work with state-of-the-art technologies. With Marijan at the helm, Span teams design diverse technical solutions, manage software and infrastructure projects and organize follow-up and support services. Marijan's business path started in 1992 in the family business, Skok, where he was the company Director until 1996. In the same year, he was employed as a system engineer in the Croatian public television (HRT), where he worked until 2001, when he came to Span. He graduated from the Faculty of Transport and Traffic Sciences, University of Zagreb in 1997.

Dragan Marković, Member of the Management Board, 8 years in Span

As the Management Board Member in charge of operations management, Dragan supervises the work of the Financial, Controlling, Accounting, and Internal IT departments. Relationships with assorted financial institutions, creditors, and investors also fall inside his area of responsibilities, as well as all the mergers and acquisitions Span is involved in. After Antonija Kapović's resignation, he has taken over her duties until the end of the mandate of this composition of the Management Board. Dragan started his career path as an IT manager at Expandia Invest and went on to develop his rich 28-years-long working experience at managing positions in the companies Iskon, Verso Mrežne Tehnologije, Hrvatski Telekom, King-ICT, and Proficio. He graduated from the Faculty of Electrical Engineering and Computing, University of Zagreb in 1998.

Antonija Kapović, Member of the Management Board, 14 years in Span

Until her resignation that became effective on 31 December 2023, Antonija was the Member of the Management Board in charge of human resources. The main purpose of HR at Span is attracting, developing, motivating, and finally, retaining the best IT experts. Under her leadership, Span implemented a unique performance management system, leading to significant increase of employees' engagement and satisfaction. Together with her team, she initiated Span Academy, a successful summer internship program intended for promising students of technical and information sciences, and Span Management Academy, a program intended for the development of future managers. Antonija started her career in HR back in 2001 at Belupo and went on to acquire experience in Microsoft Croatia, S&T Croatia, and in Atento in her 23 years of work. She graduated from the Faculty of Philosophy at the University of Zagreb in 2000, Psychology major, and completed her MSc studies of organizational behavior at the Birkbeck University in London in 2015.

Saša Kramar, Member of the Management Board, 4 years in Span

As the Member of the Management Board for Marketing, Sales and Business Development, Saša is responsible for Span's international business development, managing a full portfolio of marketing and sales activities. Together with his team, he is strengthening relationships with our current and future clients, suppliers and partners. Besides overseeing these activities in Croatia, he also supervises Slovenia, Ukraine, Moldavia and Azerbaijan, Estonia and Georgia, with a constant focus on expanding to new international markets. During his first year in Span, we have already seen him restructure our Sales and Marketing departments with great success. His immense experience in organizing these corporate branches as well as managing business development and strategic growth help transform Span into a truly international company. During his 34-years-long productive career, Saša has worked on managing positions in technology and telecommunication companies. He started his career at the Apple Center NOVEL in 1990 and moved to Iskon Internet in 2016. In the same year, he became the member of the Management of Hrvatski Telekom and performed that function until January 2020, at the same time performing the function of the President of the Supervisory Board of Combis since 2016, and the Member of the Supervisory Board of Crnogorski Telekom since 2017. He studied at the Faculty of Electrical Engineering and Computing, University of Zagreb, only to continue to improve his knowledge in Croatia and abroad.

1.2.4.3.2. Supervisory Board

The Supervisory Board of Span consisted of 4 members by 14 June 2023:

1. **Jasmin Kotur, President of the Supervisory Board;**
2. **Aron Paulić, Vice President of the Supervisory Board;**
3. **Ante Mandić, Member of the Supervisory Board;**
4. **Zvonimir Banek, Member of the Supervisory Board.**

The President of the Supervisory Board, Jasmin Kotur, and the Member Zvonimir Banek resigned from their positions at the Supervisory Board, and the General Assembly of the Company that took place on 14 June 2023 elected Ivana Šoljan and Mirjana Marinković as the new Members of the Supervisory Board. The two were elected for a period from the adoption of the decision of the General Assembly to the expiry of terms of office of the other members of the Supervisory Board of the Company, i.e. by 30 September 2024.

After the meeting of the General Assembly of 14 June 2023 where the new members of the Supervisory Board were appointed, a constitutive meeting of the Supervisory Board of Span was held and Ante Mandić was unanimously appointed the new President of the Supervisory Board, so as of 14 June 2023 the Supervisory Board of Span consisted of four members:

1. **Ante Mandić, President of the Supervisory Board;**
2. **Aron Paulić, Vice President of the Supervisory Board;**
3. **Ivana Šoljan, Member of the Supervisory Board;**
4. **Mirjana Marinković, Member of the Supervisory Board.**

Employees of the Company have the right to appoint and recall the fifth member of the Supervisory Board. The employees have, in free and direct elections held based on the provisions of the Labor Law, for the employees' representative in the Supervisory Board of the Company, elected Mrs. **Barbara Gradečak** as the employees' representative with the term of office of 4 years, starting on 29 December 2023.

Ante Mandić

Ante is the President of the Supervisory Board. He started his career in 1978 in the army where, after initial activities directed to performing commanding duties, he continued to develop as a lecturer at the military academy, and then as a researcher and military advisor abroad. He left the army in 1991 and in the same year founded a company, IN2 for the development and implementation of software and provision of related services. By 2018, IN2 developed into a Group of 12 regional companies with more than 630 employees, and in the same year, it was sold to the Canadian group, Constellation Software. Today, Ante is the majority owner of INsig2 and advisor for business development. He is an active participant of the Croatian IT community, and through his career, he has performed the functions of the president of associations within the Croatian Employers' Association and the Croatian Chamber of Economy. The President of the Republic of Croatia decorated him with the Order of Danica Hrvatska in 2014 for his contribution to the development of the Croatian economy. He was also declared the Manager of the Year in 1999 and 2021, and the Entrepreneur of the Year in 2014 and 2018. He graduated from the Technical Military Academy in Zagreb in 1978, acquiring the title Bachelor of Science in Nuclear Physics, i.e. an expert for nuclear weapons. He obtained a Master's Degree in 1985 in the area of computer simulation.

Aron Paulić

Aron is the Vice President of the Supervisory Board and President of the Nomination and Remuneration Committee. He is responsible for the recruitment of candidates and the supervision of the process of nomination for the Supervisory Board and the Management Board so as to ensure transparency and decency. Moreover, he considers proposals for the remuneration of the members of the Management Board and supervises the amounts and the structure of remuneration of the senior management and employees as a whole. He started his career as a developer and has worked on system development and the sale of advanced solutions. He has spent the biggest part of his career in managerial positions in the media industry. He has been an active creator of the Croatian information industry for 30 years, a publisher of IT magazines, books and digital publications, an author of numerous articles and interviews, and an organizer of fairs, conferences and seminars. He has collaborated with more than 800 associates in his career, many of whom form the backbone of the local IT industry today. He started his career in 1991 at AC NOVEL, where he worked on software development and sale positions. In 1993 he co-founded the media company BUG and has been its director since then. He graduated from the then Faculty of Electrical Engineering of the University of Zagreb in 1991, now the Faculty of Electrical Engineering and Computing.

Ivana Šoljan

Ivana Šoljan graduated with a degree in theater directing and radio broadcasting and business communication. She also completed MSc studies in communication. One of the first entrepreneurs in Croatia with the experience in launching, funding and selling projects in media, tourism and telecommunication industry, she also boasts great experience in management since she has held executive positions in a couple of managerial teams (IN2, Jupiter Adria, Hrvatski telekom, Iskon, Europapress Holding, Z3 tv, etc.) as the Executive Director and Member of the Management Board, where she was mostly responsible for sales, marketing and business development. She also has great general management experience. Together with Ivica Mudrinić, she is the co-founder of Foundation Luka (Zaklada Luka), a charity that finances university tuition fees for talented female students lacking financial resources. Ivana is the Director and a Member of the Management Board in Backstage consulting d.o.o., Include d.o.o., and Nest 01 d.o.o. and the founder and Director of the Hub385 coworking area.

Mirjana Marinković

Mirjana is the Director of Sapientia Nova d.o.o. Zagreb, and of a series of project companies where she develops entrepreneurial ideas. She graduated from the Faculty of Economics, the University of Zagreb, in 1998. She went on to acquire formal education at the postgraduate studies in Accounting, Finance and Auditing major. In 2008, Mirjana was awarded the annual award Prof. dr. sc. Ferdo Spajić by the professional organization Croatian Association of Accountants and Financial Professionals (Hrvatska zajednica računovođa i financijskih djelatnika). She is certified as a professional TQ trainer. Her 25-year professional career has been connected to investment funds and the companies Expandia Invest and CAIB Invest since its very beginning, along with the leasing industry in Croatia, for which she organizes and manages the regional education program called Leasing Academy. She took part in important restructuring projects in Croatia, including the position of the Finance Director/Procurator at Hypo Alpe Adria Bank in the period from 2011 to 2012, and the Group Consolidation Manager in the project for restructuring Agrokor Group. She is specialized primarily for launching businesses, risk management, consolidation, IFRS/IAS standards and entrepreneurial activity. Mirjana has been a member of the Supervisory Board of Span d.d. since 14 June 2023.

Barbara Gradečak

Barbara Barbara acquired the Senior Economist for Internal and Foreign Trade title at the Faculty of Economics in Zagreb in 2006. She started her career in Amadeus M.A.J., and since 2010, she has worked in Span. She is assigned with payroll, incoming invoice booking, calculation of VAT and preparation of final accounts for other members of Span Group. She was actively involved in key activities of Span's operation, such as going public on the Zagreb Stock Exchange and implementation of the ESOP (Employee Stock Ownership Plan), which confirmed her expertise and professionalism. At the end of 2023, she was elected the representative of employees in the Supervisory Board of Span, which is also a recognition of her dedication to the improvement of the Company's operation.

Independent Members account for 80% of the Members of the Supervisory Board.

- The Supervisory Board held 6 meetings where it adopted the Business plan for 2023, amendments to the Rules of Procedure for the Management Board and the Rules of Procedure for the Supervisory Board and adopted the Business plan for 2023. The Supervisory Board adopted the Annual plan for internal audit and Plan of the selected auditor of Span Group for 2023, reviewed and determined the Annual Financial Statements compiled by the Management Board, and the decision on the distribution of profits, auditor's report composed by the audit company Deloitte d.o.o. and Remuneration Reports of the Management Board and the Supervisory Board. Based on the recommendation of the Audit Committee, the Supervisory Board proposed to the Assembly to appoint Deloitte d.o.o. as the auditor of Span Group for 2023. The cooperation between the Supervisory Board and the Management Board was assessed positively.
- At the meetings, the attendance of members was recorded at 96%. All the members of the Supervisory Board were present at all meetings, except for Aron Paulić, who attended 5 out of 6 meetings.
- The Supervisory Board decided by correspondence 5 (five) times in 2023, when it decided on the approval of contracts with associated entities, approved payment of bonuses to the Management Board based on the established goals and criteria for 2022, and approved the Questionnaire on Management Practices and Compliance Questionaire for issuers.
- The Supervisory Board gave its approval for the **Risk Appetite Statement** for Span, adopted by the Management Board.
- The Supervisory Board carried out self-evaluation of the profiles and competences of the members of the Supervisory Board and members of its committees where all the circumstances referred to in Article 41 of the Code were evaluated. The self-evaluation was conducted by the Deputy President of the Supervisory Board without engaging an external auditor. The Supervisory Board determined that its composition and profile, as well as the composition and profile of its committees, correspond to the needs and activities of the Company. Based on a recommendation from the evaluation of the prior period, two new female members were appointed at the positions of member employees of Span who had resigned, and together with the female representative of employees in the Supervisory

Board, women now accounted for 60% of the total number of members. Consequently, with the number of female members in the Supervisory Board, which consists of a total of six members, the percentage of women was 50% and the level of women's representation was evaluated as above average. Having conducted the evaluation, the Supervisory Board established that all the members of the Supervisory Board and its committees possess knowledge, abilities and professional experience required for decision-making in all the issues that were on the agenda at the meetings of the Supervisory Board and its committees. Administrative support when preparing meetings of the Supervisory Board is provided by the Secretary of the Company in an effective and timely manner.
- The Supervisory Board of the Company was informed by the Management Board in a proper, timely and transparent manner about all crucial issues concerning the operation of the Company and companies dependent on it, which are important for the existence of the Company.
- No other payments, apart from the fee for their work in the Supervisory Board, were made to the Members of the Supervisory Board in 2023.

The Supervisory Board of Span founded the Audit Committee and the Nomination and Remuneration Committee

1.2.4.3.2.1. Audit Committee

Audit Committee performed tasks in line with the Audit Act, the Regulation (EU) 537/2014, other positive regulations and the Rules of Procedures of the Audit Committee.

The Rules of Procedure of the Audit Committee of Span are available at the Company websites: Rules of Procedure of the Audit Committee.

In 2023, the Audit Committee acted in the following composition:

- **Ante Mandić - President**
- **Nataša Zelenika - Member**
- **Tomislav Skorin - Member**

Nataša Zelenika

Nataša graduated from the Faculty of Economics and Business in Zagreb. She started her career in 1999 as an auditor at EY Croatia, the position she left in 2008. Then, she occupied the position of the Finance and Accounting Manager at PBZ Croatia d.d., where she was in charge of the finance and accounting of the company and the fund. In 2010, she continued her path in the finance of Agrokor d.d. where she mostly worked on coordination and resolution of taxation issues on the level of the holding company, while cooperating closely with external consultants. Since 2017, she has been the owner and Director of a consultancy company, which provides consulting services in the area of finance and accounting, as well as functions of external accounting to various customers. She has been a member of the Audit Committee of Span since its establishment.

Tomislav Skorin

Tomislav graduated from the Faculty of Economics and Business in Zagreb in 2001. He started his career in the same year as an auditor for Deloitte & Touche in Zagreb. Later, he worked as an Audit Supervisor for Confida revizija, a company in Zagreb. Tomislav continued his career as a Senior Controller at Iskon Internet only to become the CFO and the member of the Management of Tvornica plinskih turbina d.o.o. in Karlovac, and finally the member of the Management of the Croatian Mint until November of 2023. Tomislav is an experienced CFO with a proven track record in the industry of production and audit and consultancy services. He is exceptionally committed to long-term prosperity and professional goals of the company, he believes in open communication and consistently achieves and overcomes the agreed goals, frequently in very demanding circumstances.

During 2023, the Audit Committee held 4 (four) meetings where the recorded attendance of its members was 100%. During the meetings, the Committee considered and adopted the annual plan for audit and the report and the annual plan for internal audit for 2023.

The Code of the Zagreb Stock Exchange stipulates that the Management Board, upon prior agreement of the Supervisory Board, has to adopt a policy that determines the nature and scope of risk the company must and is willing to take in order to achieve all long-term strategic goals ("tendency to take risks"). The Audit Committee gave a recommendation on the adoption of a Risk Appetite Statement, adopted by the Management Board of Span, which the Supervisory Board gave consent to.

The Audit Committee considered and gave recommendations to the Supervisory Board to adopt the annual financial statements and consolidated annual financial statements of Span Group, along with a report on the condition of the Company and affiliates, with the reports of the authorized auditor, Deloitte d.o.o. for 2022. The Audit Committee gave recommendation to the Supervisory Board to adopt a submitted proposed Decision on appointing the auditor for 2023, appointing Deloitte d.o.o. as the auditor of the Group for 2023, and refer it to the General Assembly for decision-making, where the proposal was adopted.

The Audit Committee evaluated the effectiveness of risk management and the internal control system, procedures for approval and announcement of transactions between members of the Management Board or the Supervisory Board and the Company (or persons related to any party) and effectiveness of the procedure for reporting irregularities and its application.

The Audit Committee regularly presented its conclusions and recommendations to the Supervisory Board.

1.2.4.3.2.2. Nomination and Remuneration Committee

Nomination and Remuneration Committee performed tasks specified in the Decision of the Supervisory Board on establishment of the Nomination and Remuneration Committee and provisions of the Rules of Procedure of the Committee, which are available at the websites of the Company: Rules of Procedure of the Nomination and Remuneration Committee.

In 2023, the Committee worked with the following composition:

- **Aron Paulić - President**
- **Hana Horak - Member**
- **Lucia Ana Tomić - Member**

The Committee held 4 (four) meetings, which were attended by all the members.

Hana Horak

Prof. Hana Horak, PhD is a tenured Professor at the Faculty of Economics and Business, University of Zagreb, and head of a Jean Monnet Chair. She teaches Commercial Law and Company Law, European Company Law, EU Internal Market Law, Corporate Management and International Commerce Law. She is also the Head of the postgraduate specialist program "Legal and Economic Framework of Business in the European Union." Since 2011, she has been the Chair of the Program Committee of the International Conference on European Company Law and Corporate Governance. She is the founder and Editor-in-Chief of the scientific magazine INTEREULAWEAST – Journal for International and European Law, Economics and Market Integrations. She has been a member of the European Law institute /ELI/ for years, and actively participates in ELI SIG Business and Financial Law as a member of the project team on the project "Corporate Sustainability, Financial Accounting and Share Capital ." Since 2020, she has been a member of the Advisory Board of the Croatian Hub, the European Law Institute. In 2022, she was elected a member of the Supervisory Board of the Croatian Academy of Legal Sciences. She is the President of ICC Croatia Commission on Corporate Responsibility and Anti-corruption. In 2023, within an education by the ESG Academy of the Croatian Chamber of Commerce, she gave a series of lectures on the legal framework of corporate governance in the area of sustainability and implementation of ESG factors. Moreover, she provided education for the Croatian Banking Association and lectures within ESG workshops of Privredna banka Zagreb and ASB Sisak. In 2023, she published a paper titled "Directors, information, remuneration and risk management // European company case law," 2 (2023), 2; 149-161. doi: DOI: 10.5771/2752-177X-2023-2-149 (Horak, Hana; Tomić, Lucia)", and as a project associate, she took part in the preparation of ELI Guidance on Company Capital and Financial Accounting for Corporate Sustainability // ELI Guidance on Company Capital and Financial Accounting for Corporate Sustainability. Vienna, Austria: European law Institute - ELI, 2023. 68. She participated in the conference "Companies at a Crossroad – a Way Forward," organized by the Department of Corporate and Financial Law of the Faculty of Law in Rijeka, and co-organized by the Jean Monnet Inter-University Center of Excellence in Opatija, with a lecture entitled "Critical review of the EU Proposal for Corporate Sustainability Due Diligence Directive." As a speaker and moderator, she took part in the conference "Enhancing Integrity and Compliance in Operation – ESG Standards as an Instrument for the Prevention of Corruption," organized by ICC Croatia and Croatian Chamber of Commerce. She has been a member of Span's Nomination and Remuneration Committee since its establishment.

Lucia Ana Tomić

Lucia boasts more than twenty years of experience working in the area of legal affairs and human resources. Working in a law office, in the banking and insurance sector, she specialized in the area of financial crime, prevention of money laundering and fraud and data protection. Currently, she is leading the Sector for Conformity, Regulatory Affairs and Procurement at Wiener Insurance, Vienna Insurance Group d.d. She has been appointed a member of the Nomination and Remuneration Committee in Span. Lucia has acquired degrees at the Faculty of Law in Zagreb and the Faculty of Economics, where she continued her

[3] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4339435

education and acquired an MBA degree in the area of management and international mergers and acquisitions. In 2023, she took part in various conferences as a speaker (Leader events, Money Motion, European Company Law Association...) and gave lectures in universities in the region as a visiting lecturer. She is a full-time lecturer on Social Criteria and Governance at the ESG Academy. An author of a series of scientific articles in the HR area concerning remuneration and assessment of eligibility of members of management boards, her latest paper was published in 2023 under the title "Directors, information, remuneration and risk management // European company case law," 2 (2023), 2; 149-161. doi: DOI: 10.5771/2752-177X-2023-2-149 (Horak, Hana; Tomić, Lucia). She is the Vice President of the ICC Commission on Corporate Social Responsibility and a licensed Coach at the European Mentoring and Coach Council.

The Nomination and Remuneration Committee determined the proposed goals of the Company for 2023, and key performance indicators (KPI) in order to determine the annual bonus for the Management Board, which was referred to the Supervisory Board and adopted, and also determined fulfillment of goals in order to determine the amount of the annual bonus for the Management Board for the previous year. It supervised the amount and structure of remuneration for the senior management and employees as a whole and gave a positive assessment and recommendations to the Management Board concerning the latter's policies. It also assessed the composition, size, membership and quality of work of the Supervisory Board. It determined the proposal of the Remuneration Report of the Management Board and Supervisory Board for 2022. At an emergency meeting, the Committee gave its positive opinion for the proposal of new members of the Supervisory Board of the company and recommended to the Supervisory Board to adopt the submitted proposal and refer it to the General Assembly for adoption, by which the target percentage of female members of the Supervisory Board of at least 40% of positions in supervisory boards was met, in line with the provisions of the Directive improving gender balance among directors of listed companies proposed by the European Commission in 2012. The Nomination and Remuneration Committee notified the Supervisory Board on a regular basis on recommendations adopted at its meetings and submitted annual reports on their work to the Supervisory Board.

Internal audit

Internal audit that was nominated in Span within good corporate governance practice is performed in line with the internationally recognized audit standards concerning internal audit, the code of professional ethics of internal auditors and rules of action of the internal audit. The internal audit affairs are performed in line with:

a) Strategic Plan:

The Strategic Plan for internal audit is adopted for a three-year (five-year) period by the Company, is based on risk assessment and is adjusted every year.

b) Annual Plan:

The Annual Plan for internal audit is produced by the Company based on the strategic plan and it must encompass:

- Areas of operation that are a priority given the risk assessment,
- List of planned audits,
- Order of internal audits

c) Individual Audit Plan

The strategic plan, the annual plan, and the individual internal audit plan are proposed by the person responsible for managing internal audit, and are adopted by the Audit Committee.

Within the annual plan of internal audit for 2023, the following areas of work and scope of implementation, as well as documents analyzed and reviewed within the audit, were identified and audited: GDPR – personal data management and protection, human resources, accounting and finance area, service area – Cloud, Security and SOC, and audit of the information system in the area of information system security and risk management.

1.2.4.3.3. General Assembly

The General Assembly decides on issues specified by the Company Act and the Articles of the Association of the Company. The Articles of the Association of the Company, available at the websites at the following link: the Articles of the Association of the Company, prescribe the manner of work of the General Assembly, its authorizations, rights of shareholders and manner of their realization. The General Assembly can adopt valid decisions if it is attended by shareholders, in person or through an attorney-in-fact, whose shares make more than a half of the share capital of the Company. The right to participate in the General Assembly is ensured to shareholders who have the share of the Company registered at their securities account in the computer system of the Central Depository and Clearing Company, and have reported their participation at the General Assembly in advance. An invitation to the General Assembly regulates the conditions for applying for participation at the General Assembly in more detail.

The regular General Assembly of the Company was held on 14 June 2023. The Assembly was chaired by Stjepan Lović, Attorney at Law. The Assembly was attended by shareholders and their representatives who held a total of 1,370,326 (one million three hundred seventy thousand three hundred twenty-six) shares, which entitle to 1,370,326 (one million three hundred seventy thousand three hundred twenty-six) votes or **70.52%** (seventy point fifty-two percent) out of the total number of votes, or **69.91%** (sixty-nine point ninety-one percent) of the share capital of the Company. In accordance with the published agenda, the Assembly made the following decisions:

- Payment of dividend in the amount of HRK 10 (ten kuna)/ EUR 1.33 (one Euro and thirty-three cents), per share to the shareholders of the Company, proportionally to the number of shares they hold, and net profit for the business year 2022 that was left after the payment of dividend shall remain in the retained (undistributed) profit of the company;
- Discharge was given to Members of the Management Board and the Supervisory Board of the Company;
- The share capital and the nominal amount of shares were adjusted to EUR as the official currency in the Republic of Croatia in a manner that the share capital was increased to EUR 3,920,000.00 (three million nine hundred twenty thousand EUR), and the nominal amount of the share was increased to EUR 2.00 (two EUR);
- The Articles of the Association of the Company were amended in line with the adjustment of the share capital and nominal amount of the share to EUR, and provisions of the Articles of the Association of the Company concerning the General Assembly were complemented;
- Revised Remuneration Report of the Management Board and the Supervisory Board during the business year 2022 was approved;
- Remuneration for the Supervisory Board was specified;
- New members of the Supervisory Board, Ivana Šoljan and Mirjana Marinković, were elected;
- Deloitte Limited Liability Company for audit services was appointed as the auditor of the operation of the Company and Span Group in the business year 2023.

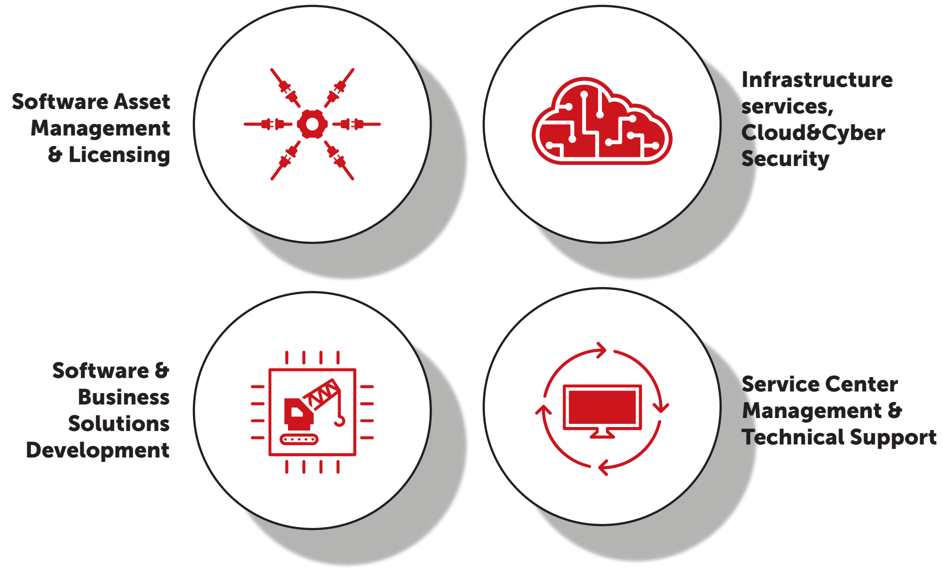
All Decisions from the General Assembly meetings, as well as records thereof have been published in line with the legal regulations and are available at the websites of the Company.

1.3. Overview of operation

1.3.1. Description of the operation and main activities

Our business model is directed to providing a full service, with a possibility to adjust solutions to the business needs of an individual client.

Our business activities are divided into four business segments:



1) Software Asset Management and Licensing[4]

The first step in the business relationship with a customer is licensing. This business segment includes the sales of program licenses and assistance to customers concerning the selection of the most appropriate program licenses for their operation and taking care of the timely renewal of the licenses purchased. During this phase, the overall business operation of a customer is analyzed with the purpose of identifying the actual needs for adequate software and optimizing its operation. In this way, we strive to achieve savings for the customer and reduce IT risks they are exposed to as early as with the very contracting of the procurement of software, and we become the customer's long-term consultant when the management of their software assets is involved. Our software asset management service unites expertise and the most sophisticated technology so that we can simplify licensing, ensure compliance, automate governance and optimize software use expenses for our customers.

[4] https://www.span.eu/en/solutions-services/software-asset-management-sam-licensing/

To provide software asset management services, we use modern technological tools and standards, and we are a certified partner of Snow, one of the leading suppliers of IT tools for the management of licenses and software assets.

When it comes to sales of licenses, the most important supplier of the Group is Microsoft, and we have been a part of their partner network since the establishment. As a Microsoft Solutions Partner, we have become their hub of expertise for communication solutions, solutions for security, and Azure platform as well as advanced business applications.

Microsoft Azure usluge **Microsoft Dynamics** **Microsoft Power Platform** **Microsoft 365**

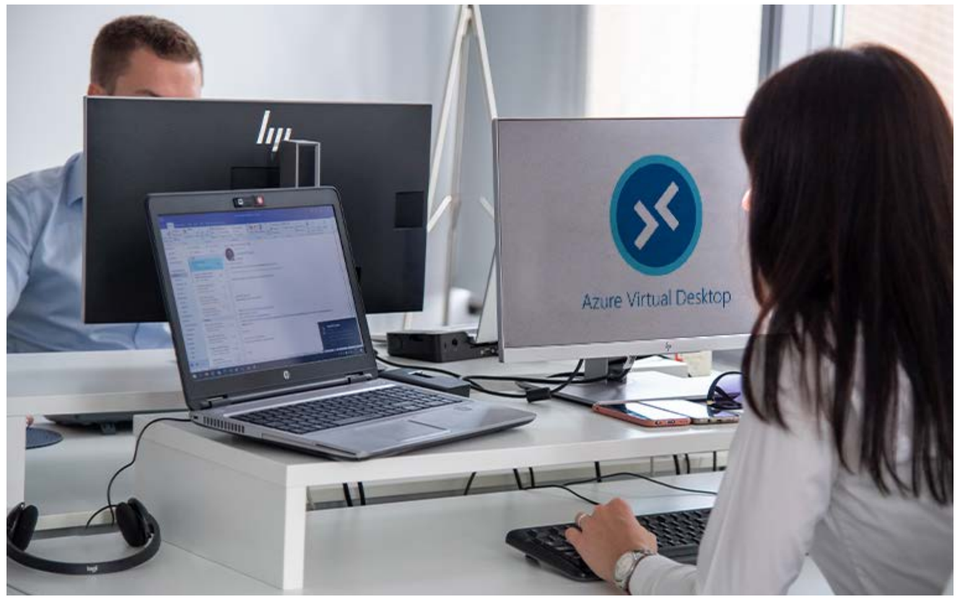
We are their leading partner with a permit to provide licensing services (LSP) and Cloud services (CSP) in the EU/EFTA region, Ukraine, Azerbaijan, Belarus and the CIS region. With our Microsoft Solutions Provider status in 5 areas, we continuously prove our success in innovation and implementation of Microsoft solutions. Our wide portfolio of suppliers is a result of our added value approach and cooperation with leading software producers which guarantee successful meeting of all user requirements for licensing.

2) Infrastructure Services, Cloud & Cyber Security[5]

Infrastructure services include the design and development of information systems according to the business needs of a customer, with an emphasis on **Cloud&Cyber Security**. To that end, we use advanced and innovative solutions and software tools of global leaders in the IT sector. Projects of development of information systems can be of different duration, from one-year to multi-year projects, and we design and develop them according to specific business needs and standards of the customer (tailor-made solutions).

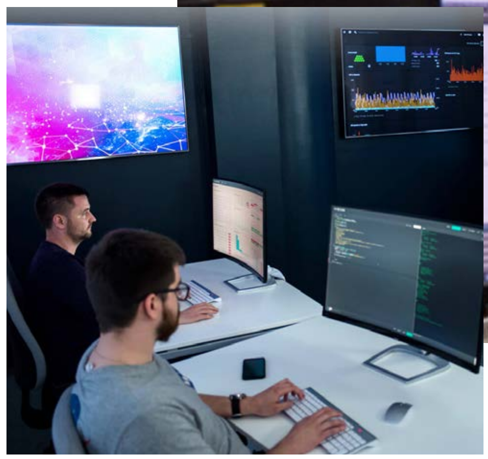
The idea is to develop an IT system adjusted to the customer, which will support their current operation and business growth to the optimum, so this process includes a detailed analysis of the existing business processes of the customer.

When Cloud services are involved, we have ensured complete solutions to our customers, from the service for the assessment of the preparedness of the customer, preparation and enabling the transition of the customer to the Cloud platform, to the management of Cloud itself. By multicloud environment services (use of more than one Cloud platform of different suppliers in the same environment), we ensure the supervision of the Cloud environment, optimization of expenses and safety of the IT system.



We are a certified partner of leading platforms of Cloud operations in the world - Microsoft Azure, Amazon Web Services and Google Cloud Partner, and these companies are our most significant suppliers in the segment of the infrastructure services and Cloud.

[5] https://www.span.eu/en/solutions-services/cloud-services/



This segment of the operation also includes taking care of the security of the IT systems[6] which we strive to make resilient to cyber threats or attacks. In the world of continuous threat evolution, increasing mobility and digitalization, you need around-the-clock vigilance, alertness and agility. Our Security Operations Center (SOC) is a full-service solution that protects your company from a wide range of cyber threats, **24 hours a day**, **365 days a year**. Our security analysts use advanced technologies, their extensive experience, and insight into the most recent threat intelligence knowledge to rapidly and effectively identify and prioritize all key events.

Our professional certifications also prove our competences in this segment:

[6] https://www.span.eu/en/solutions-services/security-services/

Our goal is to convey knowledge and empower the business community to respond as efficiently as possible to the ever-present and increasingly sophisticated cyber threats, which are one of the greatest risks for the operation. We want to achieve this through the **Span Cyber Security Center** which we opened in September 2022. The Center offers education, training and consultancy services intended for employees in the public and private sector, and the program is tailored to specific needs of the participants or a company, and includes active participation in real-life situations where professional hackers simulate real attacks on their business systems.

3) Service Center Management and Technical Support[7]

This segment of the operation involves services of complete supervision and management of the IT environment which we provide to customers depending on the contracted level of service. We ensure the complete availability of service, **24 hours a day**, **7 days a week**, **and 365 days a year**, independent on whether the systems were designed, developed and put into operation by us or the respective customer. Even though contracting these services usually follows after we implement or integrate certain technological solutions for the customer in their own IT environment, we also provide them independently of the previous integration of technology in the customer's environment, especially in cases when a customer has a need for specific know-how, better availability of professional IT support or additional resources capable to perform high-risk large-scale operating actions. Span IT support service is organized in a manner adequate to the standards (ISO 20000, ISO 27001, ISO 9001, ISO 50001, ISO 14001, ISO 37001 i ISO 22301) and the best practice in industry (Information Technology Infrastructure Library – "ITIL").

4) Software and Business Solutions Development[8]

This business segment includes the development of our own IT solutions, or software platforms, software solutions, software products, and Microsoft business solutions.

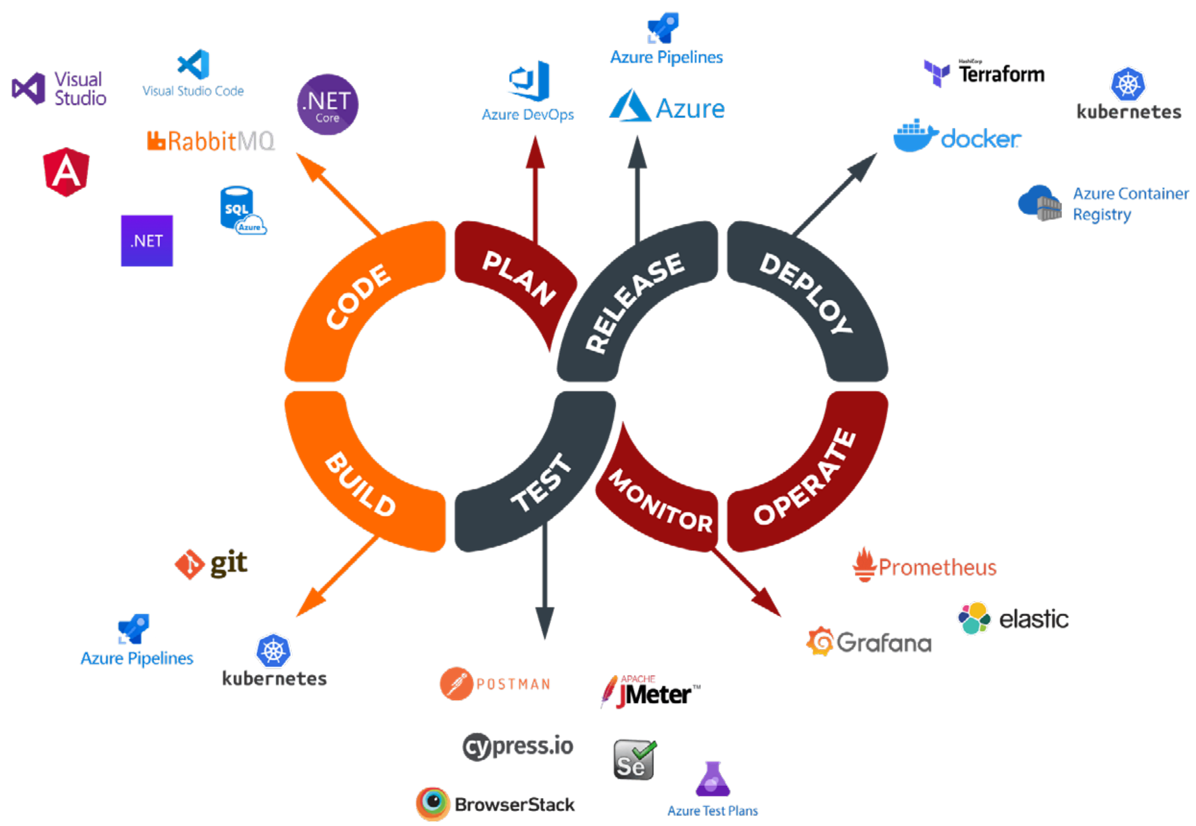
The development of software platforms implies the development of digital platforms of high performance, ready for global scaling that we base on the solutions of Cloud operation and micro service architecture.

[7] https://www.span.eu/en/solutions-services/24x7-support-services/
[8] https://www.span.eu/en/solutions-services/business-solutions-development/

The development of software solutions concerns the development of specific software solutions according to the customer's requirements in the area of different technologies. We have developed the so-called "Data Segregation Framework," a specific solution based on Blockchain technology and intended for a transparent and secure monitoring of the access to confidential data and the so-called "RAM," a comprehensive solution for the real time monitoring of the used hardware and licensed resources.

The development of software products implies the production of our own software solutions among which: Span Resolution,[9] a flexible solution for IT service management, "Personal Data Protector (PDP),"[10] a comprehensive solution for collection and harmonization with the requirements of the General Data Protection Regulation 2016/679 (GDPR) and "Domain Name System C&A,"[11] an intelligent security solution that helps in the protection from and analysis of cyber attacks, stand out. We use the most sophisticated technologies and the most advanced tools in order to support the development of optimal software solutions.

Our deep understanding of our clients' business needs enables us to always offer the right IT solutions, utilizing cutting-edge technologies and the most advanced tools to support the development of optimal software solutions.



[9] https://www.span.eu/en/solutions-services/business-solutions-development/span-products-solutions/itsm-solution-span-resolution/
[10] https://www.span.eu/en/solutions-services/business-solutions-development/span-products-solutions/personal-data-protector-pdp/
[11] https://www.span.eu/en/solutions-services/business-solutions-development/span-products-solutions/dns-ca/

1.3.2. Main markets

We divide the main markets in:

- **Key International Clients**
- **Domestic markets** (include markets in the Republic of Croatia and the Republic of Slovenia)
- **Fast-growing markets** (include markets in countries of East Europe and Central Asia).

1.3.3. Industry trends

Stagnation and recession were primary market indicators in 2023 that led to a budget reduction for IT projects and generally more cautious investments. The reason for that was the war in Ukraine to a great extent, and in late 2023, we witnessed the start of a new war – in Israel. Despite all those factors, the business did not stop. Investments and projects that were slowed down or skipped in 2023 are expected to be gradually relaunched so the IT industry is projected to see a positive shift in 2024. The digitalization of operation is necessary for the survival of any company. Stopping this development can seriously harm the endurance of the business.

Cyber security is still the focus of all companies which have become aware of the fact that the development of technology entails the development of cyber crime as well. Attacks are ever more frequent and sophisticated. According to research conducted by Cybersecurity Ventures, costs of cyber attacks over years are expected to grow exponentially, which means that in 2025, we can expect that USD 10.5 trillion[12] will be spent on them.

A term that increasingly appears together with cyber security is cyber resilience. Continuing monitoring of the resilience of the company is of great importance in order to ensure the continuity of operation. Research says that one in two companies[13] was a victim of a successful cyber attack in the past three years.

Artificial intelligence can help cyber security experts through the automation of anomaly monitoring. Artificial intelligence collects, summarizes and analyzes large amounts of data, making experts' job easier. They can direct their expertise to giving context to situations and specific actions. It is well known that the world lacks several million cyber experts and this is the way to partially resolve it. A key thing for the implementation of AI in organizations will be the preparation of a secure environment. For instance, it is necessary to integrate Microsoft Copilot in the existing system, but the existing system has not been made in a way to ensure confidentiality and the protection of data against AI tools. Cyber experts will have to assess the environment, identify things that require adjustment and ensure the protection and confidentiality of data in the cloud.

"Cloud and cyber security still remain the main technology trends in 2024, and are now joined by artificial intelligence. Artificial intelligence will permeate every segment of operation and technology with a view of automation. It will be a key point for more than a half projects in IT, and AI-related projects will be granted additional budgets," says Marijan Pongrac, Member of the Management Board of Span in charge of technology."

[12] 2023 Cybersecurity Almanac: 100 Facts, Figures, Predictions, And Statistics (cybersecurityventures.com)
[13] Human Risk Review 2023 | SoSafe (sosafe-awareness.com)

It is predicted that the investments of companies in cloud in 2024 will exceed USD 1 trillion for the first time[14].

One of the greatest values of cloud is that it is easily accessible and enables the selection of a wide range of services in IaaS, PaaS and SaaS service models. With cloud, companies can focus on business operation and goal achievement, and entrust technical details of implementation and maintenance of complex services to dedicated experts.

"Cloud is no longer a tool to save time and money; rather, it enables innovation, agility, and greater success of a company. Therefore, it is not surprising that an increase of 9%[15] in the number of companies that will implement multicloud in 2024 can be expected.", emphasizes Marijan Pongrac, Member of the Management Board responsible for technology.

Encryption, authentication and disaster recovery will be increasingly demanded services in the cloud due to ever more frequent cyber threats. Cloud, inter alia, has a great role in ensuring the availability of AI to the public. AI models use great amounts of data the processing of which requires great computer power. Most companies do not have available resources to launch such programs, but when AI is accessed as a service available through a platform in the cloud, everybody can use the benefits of the new technologies.

In order to increase cyber resilience, the European Union has adopted **Directive NIS2**. It wants to achieve a high EU-wide common level of cyber security. Concerning the 2016 NIS Directive, Directive NIS2 significantly increases the field of application to a large number of companies and organizations that have not been covered so far. EU Member States have a deadline by 17 October 2024 to draft and adopt local laws to transpose the provisions of the Directive into their national legislations. The Directive NIS2 will also be important for international companies doing business with the EU Member States.

For the above reasons, a high demand for management and harmonization services is expected in order to ensure readiness for the application of the Directive NIS2. Span also anticipated this and in the past period, it invested in enhanced employment of cyber security experts so that it can provide high quality services to customers in their complying with the Directive NIS2.

1.3.4. Impact of the NIS2 Directive on the business community

NIS2 Directive was adopted as an update of the 2016 NIS Directive to increase the total level of cybersecurity in the European Union. NIS2 Directive will relate to key service operators and digital service providers, though in a much wider scope - it includes ten mandatory cybersecurity measures, such as incident handling, supply chain security, access control, asset management, education, and assessing the effectiveness of measures. The wish is to prevent cyber attacks in supply chains, which have become increasingly common in recent years, and increase the level of cybersecurity at the European Union level.

[14] Cloud Adoption and Opportunities Will Continue to Expand Leading to a $1 Trillion Market in 2024, According to IDC | Business Wire
[15] The 10 Biggest Cloud Computing Trends In 2024 Everyone Must Be Ready For Now (forbes.com)

To apply the new Directive, it is crucial that each EU Member State enacts its law **no later than by 17 October 2024**.[16]

In order to be as prepared as possible for the NIS2 Directive, companies will have to change their existing policies and security practice. Therefore, before the final deadline for law amendments, it is important to assess risks and carry out the necessary training for raising cybersecurity awareness, and verify the effectiveness of security measures the company is currently implementing. The introduction of the Directive led to holding an education for the users, named **NIS2 Directive in practice**. During the education, the users had the opportunity to get even more familiar with the Directive. They learnt what the timeframes for the introduction and application are, got explanations of specifics related to the key and important entities and were introduced with the role of the National CERT.

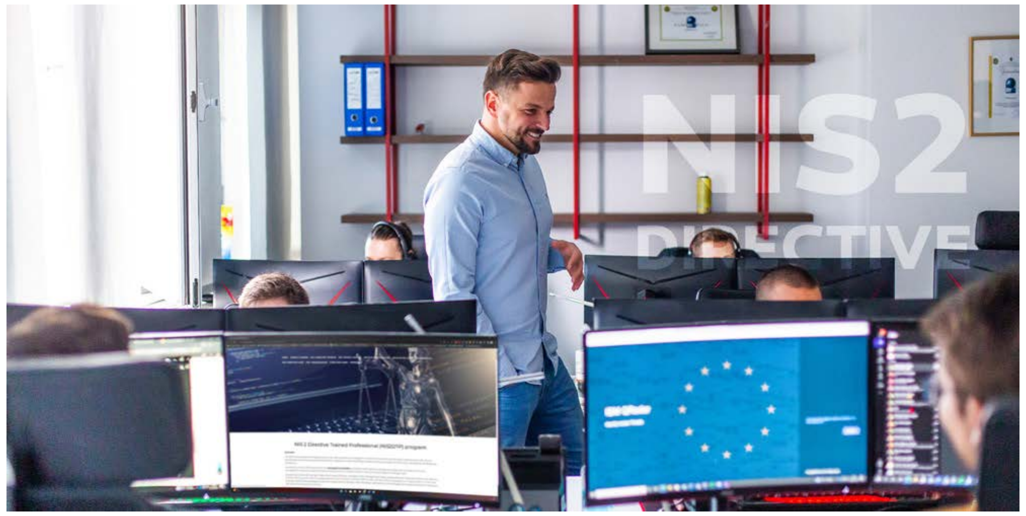
The readiness of cyber experts, their expertise and know-how is what will contribute to the implementation and enforcement of the Directive in every company to a great extent. In Croatia, the share of ICT experts among employees is below the EU average. The need for such personnel is great and over time, it will continue to increase, which is why Croatia should strengthen its capacities in the area of the education of ICT experts, especially those related to the cybersecurity area.

These are the highlights from the recently published Digital Decade, the first report of the European Commission on the technological development in Europe. The highlights from the report have special weight when we take into account the ever increasing number of cyber attacks, posing a great risk for the survival of a large number of companies, as well as for the whole economy and society, if adequate protection and experts do not exist.

Span employs more than 200 cybersecurity specialists who protect large systems and re-solve real cyber challenges on a daily basis. Their expertise will be available to companies in need of assistance concerning the implementation of the NIS2 Directive. Furthermore, Span Cyber Security Center continuously carries out training customized for all the employees from

[16] Croatian Cyber Security Act (Official Gazette No. 14/2024) entered into force on 15 February 2024 (https://www.span.eu/en/insights/cyber-security-act-application-of-the-nis2-directive-in-croatia/)

the private and public sectors. Their goal is to create defense abilities on the level of the whole organization by means of providing adequate training of all employee profiles, which does not only include the education of the employees dedicated to cybersecurity, but also the ICT employees and all other employees in the organization, including the leading employees and the top-level management.



The need for education in the area of cybersecurity is indispensable, which is confirmed by data. This way, by raising awareness and increasing knowledge, it is possible to improve the level of cybersecurity in both the company and one's private life.

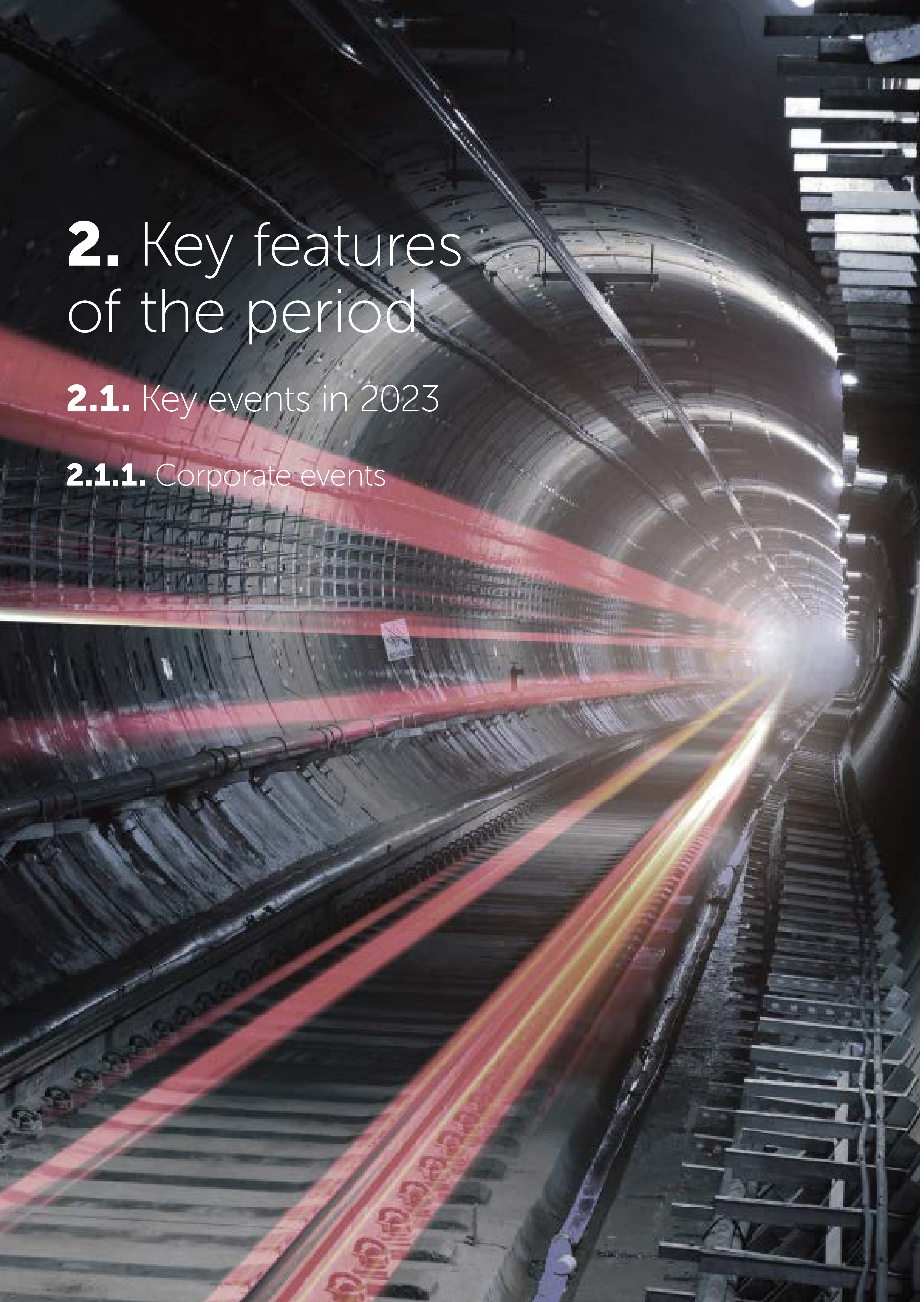
1.3.5. The Group Business Strategy

The business strategy of the Group is growth based on new technologies, solutions and markets.

We design, perform and maintain safe information systems of high availability, directed at a significant increase of productivity of our customers. Operating management services ensure 24x7 data integrity and overall cyber security.

We base business systems and solutions on platforms of leading global providers of Cloud technologies – Microsoft, Amazon and Google. We boast experience and expertise by which we ensure scalability, reliability, and cyber security of our solutions. To additionally increase the productivity of our users, we implement artificial intelligence systems integrated in personal productivity tools.

We pay special attention to responsible and sustainable operation, corporate management, environmental impact and the wellbeing of the society and our employees.



2. Key features of the period

2.1. Key events in 2023

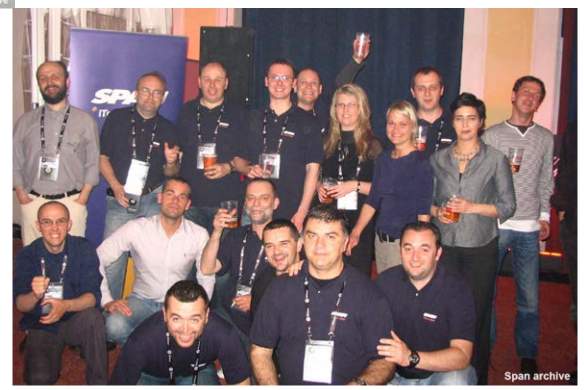
2.1.1. Corporate events

2.1.1.1. 30 years of Span

In Span, we started to write our history in 1993, when it was officially established as a limited liability company. The exact date when the Agreement on the Establishment of the Company was signed was 23 March 1993, and Span's small software shop was opened in Tesla St. in Zagreb in June of the same year. Back then, Nikola Dujmović had a vision that Span should follow the path of software, not hardware. That vision and faith in success, together with arduous work and sacrifice, have taken Span to what it is today – a leading Croatian IT company with more than 850 employees that offers high quality services and solutions to global and regional customers.

Span entered a new developmental phase of operations in 2021, and went public on the Zagreb Stock Exchange as the first domestic IT company in the past 18 years.

There is no organization that has existed in the market for 30 years and has not experienced a series of memorable events, tense moments, tectonic upheavals, and crucial crossroads, and Span is not an exception. Our 30th birthday was a perfect occasion to look back, summarize impressions and launch the shooting of a documentary film about the 30 years of Span.



Thus, "**Random Acc3ss Mem0ry**" was gradually created through recollecting and talking about various themes and moments that have rendered Span as the company it is today, and have made Span employees people that can really take pride in what they have created in these thirty years. A story of what Span means to Span employees. A story about people, our most important resource, and the unique Span atmosphere that makes our company such a pleasant workplace. That is a success story that has been worked on for thirty years.

We celebrated our birthday twice. First time, we invited our customers and partners to join us in celebrating this jubilee birthday in September, and then all Span employees from the whole Group gathered and celebrated in December.

2.1.1.2. Acquisitions, establishments and dissolutions of companies

2.1.1.2.1. The acquisition of GT Tarkvara, Estonia's largest Microsoft partner

On 31 March 2023, we signed an agreement on the acquisition of 100% share in GT Tarkvara, Tallinn, Estonia. The estimated value of the transaction amounted to EUR 11,377,457.00 with a part of the purchase and sale price that depends on the operating results of GT Tarkvara in 2023 and 2024 being subject to adjustment. GT Tarkvara is a leading Estonian company for licensing and managing software assets with more than 25 years of experience.

Our latest acquisition was realized only a year after the acquisition of the domestic software company Ekobit. The acquisition of GT Tarkvara confirms our strategic course to further growth and expansion to new markets. The Baltic and Scandinavian countries are extremely digitally advanced and show a growing need for additional expertise in the area of Cloud and Cyber Security, where we are internationally recognizable.

"With this acquisition, Span has entered the market of Estonia, one of the most digitally developed countries in Europe. The expertise and market position of GT Tarkvara, in combination with our advanced cloud and cyber security services, are a perfect foundation for further growth and development of Span's operation in that part of Europe," said Nikola Dujmović, the founder and President of the Management Board of Span.

"Span and GT Tarkvara are leading Microsoft partners which have joined their long-term know-how and experience within this takeover. I am happy that our existing customers will now have access to advanced cloud and cyber security services based on Span's long-term experience in operation with large, global companies," said Taivo Remmelgas, the owner and member of the Management Board of GT Tarkvara.

GT Tarkvara is a reliable partner to the largest companies in the software industry, like Microsoft, Adobe, Veritas, Citrix, Symantec, VMWare, and others. It has recorded a continuing revenue growth over years, and is focused on projects related to **digital transformation, cloud and cyber security**. In addition to the private sector, they are also strongly positioned in the public and educational sector.

2.1.1.2.2. Establishing a Span company with the registered office in Georgia

On 8 September 2023, the LEPL National Agency of Public Registry issued a decision on the registration of the incorporation of the company under the name Span Limited Liability Company, Tbilisi, Vake District, Nikoloz Kipshidze Street, N12B, Apartment 51, Georgia, ID: 405645734. The founder and sole member of the company is Span d.d.

Markets of Eastern Europe and Central Asia are our strategic focus, which we additionally confirm by establishing this company, alongside our already existing affiliated companies in Ukraine, Moldova, and Azerbaijan.

Back when TOV Span in Ukraine was established, we received Microsoft Licensing Solution Provider status for Georgia and Moldova. After registering the company in Moldova, we wanted to start registration in Georgia as well, but the COVID-19 pandemic, the Russian aggression against Ukraine and threats to Georgia required special caution.

During the year, we have made quality contacts and secured everything necessary to enter the Georgian market. At the same time, Microsoft is consolidating LSP partners in many markets, including Georgia, so this is the optimal moment to enter the market as an experienced medium-sized partner on a global scale.

2.1.1.2.3. Decision of the Swiss AG Board of Directors on the dissolution of the company

Span Swiss AG, with the registered office in Zug, Switzerland, was established in 2019 and is 100% owned by Span d.d. The company has been inactive since its foundation, as the planned business activities did not even begin due to the coronavirus pandemic. To end the long period of non-operation and in line with the provisions of Swiss legislation, Board of Directors of Span Swiss AG made a decision on the dissolution of the company on 13 November 2023.

2.1.1.3. Changes in the Supervisory Board

The resignation of Jasmin Kotur and Zvonimir Banek took effect on 27 April 2023. At the inaugural meeting of the Supervisory Board held on that same day, Mr. Ante Mandić was appointed as the new President of the Supervisory Board by unanimous decision.

The meeting of the Supervisory Board was held after the meeting of the General Assembly of the Company that took place on 14th June 2023, where Ivana Šoljan and Mirjana Marinković[17] were elected members of the Company's Supervisory Board.

When submitting proposals for new members of the Supervisory Board, it was the intention of the Company to comply with the provisions of the Code of Corporate Governance of the Zagreb Stock Exchange d.o.o. and the Croatian Financial Services Supervisory Agency on the independence of Supervisory Board members and the composition of the Supervisory Board, which includes members of different genders, ages, profiles and experiences.

[17] The Members of the Company's Supervisory Board are elected for the period from the adoption of the Decision of the General Assembly until the expiry of the term of other members of the Company's Supervisory Board, i.e. 30 September 2024

2.1.1.4. General Assembly of Span d.d.

Invitation to the General Assembly of Span d.d. was announced on 3 May 2023. Based on the provisions of the Capital Market Act and Rules of the Zagreb Stock Exchange, a regular meeting of the General Assembly of the Company was held on 14 June 2023.

The full contents of the decisions is available on the following link: General Assembly of Span d.d.

2.1.1.5. Decision on the utilization of profit and payment of dividend

The meeting of the Supervisory Board of the Company was held on 28 April 2023, during which the Management Board proposed adopting a Decision on the utilization of profits and payment of dividend in the amount of HRK 10.00 / EUR 1.33 per share. The dividend was paid to shareholders of the Company who were registered as shareholders of the Company in the Central Depository and Clearing Company (SKDD) on 20 June 2023 (record date). The date from which the share of the Company will be traded without dividend payment right is 19 June 2023 (ex date). The claim for dividend payment was due on 3 July 2023 (payment date) in line with the proposal, and dividend was paid from the Company's profit realized in 2022[18].

2.1.1.6. Implementation of the registration of share capital adjustment

Based on the Decision of the General Assembly of the Company of 14 June 2023, in line with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22, 88/22) the Commercial Court in Zagreb on 29 September implemented and on 30 September 2023 published the registration of the share capital adjustment in line with the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23). The Company's share capital was adjusted to the Euro and was increased from EUR 2,601,367.04 by the amount of EUR 1,318,632.96 to EUR 3,920,000.00, with the increase of the individual nominal amount of common shares with the stock symbol SPAN-R-A from EUR 1.33 by EUR 0.67 to EUR 2.00. Accordingly, the Articles of Association of the Company have been also amended.

2.1.1.7. ESOP – allocation of additional shares

Pursuant to Article 474 of the Capital Market Act, on 12 October 2023, the Company released 4,178 own shares, in line with the terms and conditions announced in the Prospectus regarding the public offering and listing of shares on the regulated market, which refers to the allocation of Additional Shares that the Issuer will allocate to an individual Employee in accordance with the **ESOP program**. Prior to the said release, Span d.d. owned 20,076 own shares, representing 1.0243% of the share capital, and after the release, it owns a total of 15,898 shares, representing 0.8111% of the share capital.

[18] In the business year that ended on 31 December 2022, Span Group made net consolidated profit in the amount of HRK 50,536,506.14, and net profit of Span d.d. was HRK 41,944,428.10

2.1.1.8. Resignation of a Member of the Management Board of Span d.d.

Member of the Management Board of the Company Antonija Kapović, submitted her resignation on 15 December 2023. The resignation was submitted for personal reasons and became effective on 31 December 2023. Antonija Kapović's duties will be taken over by a Member of the Management Board, Dragan Marković, until the expiry of the mandate of this composition of the Management Board.

2.1.1.9. Employees' representative in the Supervisory Board of Span d.d. elected

Pursuant to Article 164, paragraph 3 of the Labour Act (NN 93/14, 127/17, 98/19, 151/22, 64/23), the employees of the Company, voting in free and direct elections for the employees' representative in the Supervisory Board of the Company, elected Mrs. Barbara Gradečak as the employees' representative with the term of office of 4 years, starting on 29 December 2023.

2.1.1.10. Acquisitions and disposals of own shares

On 31 December 2022, the share capital of the Company consisted of 1,960,000 shares with the nominal value of HRK 10, and the Company held 20,029 own shares.

Acquisitions and disposals of own shares over the year:

Date	Corporate event	Purpose	Number of shares	Number of shares after corporate event	% of share capital before corporate event	% of share capital after corporate event
30 March 2023	Disposal of own shares	Share Buy-Back Program	6,415	13,614	1.0219%	0.6946%
6 April 2023	Disposal of own shares	Share Buy-Back Program	70	13,544	0.6946%	0.6910%
28 April 2023	Acquisition of own shares	Share Buy-Back Program	3.411	16,955	0.6910%	0.8651%
21 June 2023	Disposal of own shares	Share Buy-Back Program	4.615	12,340	0.8651%	0.6296%
3 July 2023	Acquisition of own shares	Share Buy-Back Program	2.911	15,251	0.6296%	0.7781%
4 August 2023	Acquisition of own shares	Share Buy-Back Program	100	15,351	0.7781%	0.7832%
8 August 2023	Acquisition of own shares	Share Buy-Back Program	4.419	19,770	0.7832%	1.0087%
9 August 2023	Acquisition of own shares	Share Buy-Back Program	60	19,830	1.0087%	1.0117%
10 August 2023	Acquisition of own shares	Share Buy-Back Program	500	20,330	1.0117%	1.0372%
14 September 2023	Disposal of own shares	Share Buy-Back Program	254	20,076	1.0372%	1.0243%
12 October 2023	Disposal of own shares	ESOP - allocation of additional shares	4.178	15,898	1.0243%	0.8111%
13 December 2023	Disposal of own shares	Share Buy-Back Program	225	15,673	0.8111%	0.7996%
As of 31 December 2023				**15,673**		**0.7996%**

After the noted acquisitions and disposals, on 31 December 2023, the Company held 15,673 shares, which was 0.7996% of the share capital of the Company[19].

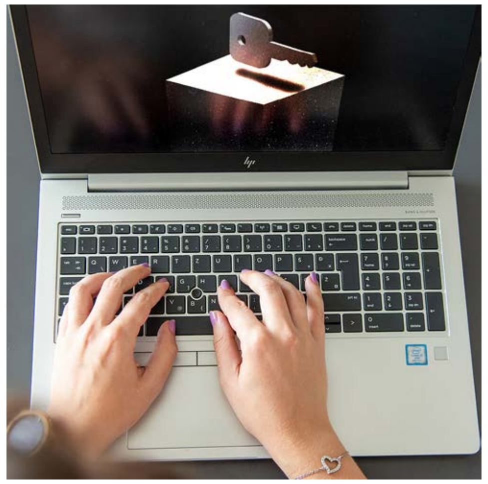
[19] The share capital of the Company amounts to EUR 3,920,000.00 and is divided into 1,960,000 shares with the nominal value of EUR 2, under the security code SPANR-A and the ISIN code HRSPANRA0007 (https://eho.zse.hr/obavijesti-izdavatelja/view/51651)

2.1.2. Business events and achievements

2.1.2.1. Software Asset Management and Licensing

Span is a leading Microsoft partner for the provision of licensing, technical support and consultancy services. Licensing and software asset management services are based on a set of procedures and best practice, which are instrumental in cost optimization and licence managing. Analysing the overall operation of users, we identify the actual needs for adequate software and optimize its use. In this way, we strive to make savings and reduce IT risks, and become a long-term consultant of users when it comes to their software asset management.

During 2023, by hiring new employees, we further enhanced our teams for technical support related to delivery and license management, and software asset management. Most projects and the renewal of user contracts in 2023 continued the trend of the transition of users to cloud. Optimizations were made for the existing cloud users in accordance with the needs of the business.



Span's Software Asset Management services are not dependent on a vendor, and special expertise is connected to Microsoft solutions. Late last year, Microsoft made a significant shift towards AI-based solutions and issued a product, Copilot for M365, which generated great interest among users. We accompanied it by offering a whole portfolio of services that will enable users the preparation of the environment and optimum application. As of this year, SAP optimization and negotiations for licensing the new service are available in our portfolio. In that area, we also established a new partnership with Voquz Labs. We are continuing to develop the existing portfolio of services and license selling.

2.1.2.2. Infrastructure Services, Cloud & Cyber Security

In the Infrastructure Services, Cloud & Cyber Security segment, we provide users with complete solutions, which include the design and development of information systems, taking care of security and cloud services.

The Solution Consulting Services (SCS) department gathers experts who possess specific knowledge and skills in the areas of project management, architecture of solutions and solution engineering. Our focus is on providing top-level services in shaping, planning, adopting and implementing projects related to Modern Workplace and Modern Desktop solutions, SAP Basis and on-premises technology.

During 2023, we continued to provide solutions of excellent quality to our customers. We expanded our team and improved internal processes and services that will be available in 2024. The Project Management Department grew by 34% in 2023, and to be able to ensure our colleagues the simplest possible onboarding and monitoring of their development, we developed a new onboarding system and released it in the internal Learning Management System. The Project Management Department manages projects on the level of the whole Span Group, which is confirmed by the percentage of implemented projects, more than 60%, under the competence of the Project Management Department.

Most projects implemented in 2023 related to migration or consolidation of data from on-premises services to cloud. The scope of those projects included work in several countries, ensuring compliance, security and efficiency, and reducing costs, complexity and potential risks. We also started to prepare for the implementation of Microsoft AI solutions for customers, such as Microsoft Copilot, Unified Endpoint Management and Data Governance.

The Cloud Services department deals with providing support to users when it comes to adopting, migration and production of solutions based on public, private and hybrid cloud, using IaaS and PaaS service models. In 2023, within the department, we formed two new teams – Cloud Security and Private and Hybrid Cloud.

The Cloud Security Team was established at the very start of the year so as to enhance security competences in the area of cloud security. Services provided by the department include analysis and production of reports on the current status of the user environment in cloud in terms of security, and implementation of security solutions specializing in protection of data, applications and identity in cloud. The Private and Hybrid Cloud Team is assigned with implementation of solutions primarily intended for data and application hosting in the customer's data center, but supporting all the characteristics and features of solutions in the cloud. Thus, we geared up for a trend where corporations do not exclusively use private data centers, or exclusively public clouds, but rather hybrid solutions that provide flexibility.

Projects based on the Microsoft Azure platform were most prevalent in 2023. We continuously monitor technological development in order to be able to offer our customers the best services that are in line with the best practice at any time. In addition, we continued to invest resources in AWS and Google Cloud Platform. The most significant project we implemented and which did not involve the Microsoft platform related to analysis and migration of the existing on-premises environment into Google Cloud Platform, using IaaS and PaaS solutions.

As in the prior year, we continued to make analysis and plans for the migration of existing on-premises environments into cloud, so we launched such a project for a large regional bank. A positive trend of the increasing use of public cloud as well as the platform for migration of existing and development of new applications was recorded with Croatian banks. Thus, during 2023, we started a cooperation on migration projects for two banks in Croatia, and we are continuously working with the third one on the implementation of new business solutions based on technology in the public cloud.

The Cyber Security department focuses on creating, designing and delivering security solutions. With already available Span services such as the Security Operations Centre (SOC), solutions in the area of offensive, defensive, and proactive cybersecurity were introduced. In 2023, we presented two new services in the market, "Threat Hunting" and "Red Teaming". Threat Hunting is a repetitive and proactive protection measure that detects threats from the environment, and Red Teaming is an offensive service whose goal is to perceive and report studied user's weaknesses.

Due to the increase in workload, we continued to employ cyber security experts this year as well. We noticed an increased demand in the market in the areas of risk management and compliance. During the year, our Red Team intensively provided its services in the regional and international markets, which resulted in an increased number of customers, and thus a 45% increase in the number of reported incidents. We are continuously working on improving our security operations center, which has been recognized by customers, whose numbers continue to grow, and our wish is to standardize and automatize SOC services.

During the year, we took part in resolving a series of security incidents and are proud of the fact that all those incidents were resolved without major consequences for the operation of our customers. We are also proud of the conducted PEN tests with local and international customers, where we showed a high level of expertise and set high standards for their implementation.

Moreover, our Information Security Team assisted customers during the whole year in improving the level of security and compliance. We placed a special focus on preparing for the implementation of the incoming NIS2 Directive and DORA regulation.

2.1.2.3. Software & Business Solutions Development

This business segment includes the development of own IT solutions, i.e. software platforms, software solutions, software products and Microsoft business solutions.

The Software Solutions (S2) department deals with the development of software solutions for customers, and development of software products and business platforms. A decrease in market demand for software development services was felt in 2023. For example, the hitherto stable and active Scandinavian market reduced investments in new products and solutions and turned to savings, which consequently led to decreasing demands from that market.

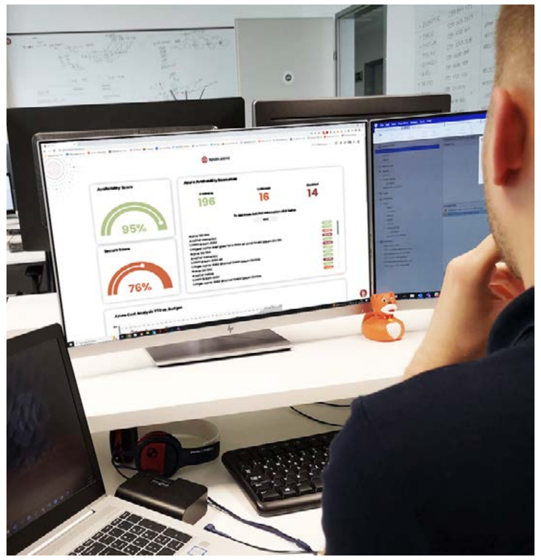
Partners selling technological solutions in those countries show nervousness due to slowing growth and reduced need for new digital solutions. The existing solutions are amortized and there is more support for already delivered solutions than the production of new ones.

In 2023, we reinforced the Software Solutions department with Data Processing and Identity management teams and solutions. There are two crucial reasons for that – every user portal requires authentication, and identity is the first level. For that reason, we want to approach digital identity and authorization by means of a specialized team. In addition,

business cooperation with Ekobit, a company we acquired in 2022, is becoming more and more intense through cooperating on projects and learning programs.

We develop applications in Microsoft technologies: C#.NET, with Angular as a frontend. On-premise installations are almost completely overshadowed by deployments in Azure, as well as by intensive use of Azure as a development platform. We also launched the DevSecOps process through cooperation with MEND and procurement of licenses that have enabled us to implement security testing in the existing DevOps processes by means of an automated process. Moreover, we are also working on the development of competences for the implementation of mobile applications using React Native technology, which enables concurrent development for iOS and Android mobile platforms using the same source code. Furthermore, we started development in containerization environments, which provide us with a simulated environment that is the same for all engineers.

The projects we implemented in 2023 mostly related to foreign customers, but some of them were also related to the improvement of Span's operation. Thus, for example, the Asset Management Tool that was developed for the largest world's restaurant chain reached installation in 99.25% restaurants, or, more precisely, in 41,400 restaurants in 93 markets. In the same restaurant chain, a solution for the collaboration of employees was developed and installed in the United States and most European countries. Within the Data Platform program, we developed two portals, CustomerVoice and Data Platform Portal, in a large restaurant chain for coffee and beverages. Both portals are used to collect the experience of users with a view to improving operation.



One of the projects that certainly marked last year was PassSport, a startup which enabled us to develop new skills for the implementation of mobile applications, as well as new modern architecture for their development.

We upgraded the existing solution span.zone with a new product, Licence Zone, which ensured the replacement of the existing Cloudmore portal and better monitoring of the needs of customers and licenses they use. Replacement will be completed next year, and the goal is achieving savings and opening multicloud sales of licenses (AWS and Google Cloud license).

In 2023, restructuring was carried out in **Ekobit** by means of introducing team and team leaders. A Quality Assurance team (software testing) was also formed, and all those who carry out tests were unified, so that they would have equal guidelines for technology and career development. Besides, the Business Analyst roles were separated from the classical development role, and this was implemented on an analysis project for a large international customer.

As this is the first split into teams, it is important that team leaders take responsibility and manage them. A continuous development of technical and soft skills is crucial, as is goal setting and valuing team members – all this in line with career path. The manner of work was reshaped during 2023 from agency to project type, and even though at first sight it might seem simple, it requires a change in the attitude and way of work of all employees.

As Ekobit has been relying on Span to a greater extent, as required, we are joining team resources to ensure the delivery of certain services or solutions on an excellent level. Therefore, Ekobit's premises in Zagreb Tower were cancelled, and teams were joined at the premises of Span. Significant savings have thus been made, and the hybrid model of work allows for the maximum utilization of the existing premises. In addition, we are organizing meetups in four cities – Zagreb, Varaždin, Osijek and Rijeka, in joint cooperation, all this with the purpose of connecting with the local community.

One of the projects in 2023 that is worth emphasizing is the development of BDX as an anonymization solution. Although the project started as the development of BDX as a product, it was concluded that instead of a generic BDX solution, a solution that adjusts to the specific needs of the customer is a better direction. With this approach, BDX maximized its profitability.

In 2023, Ekobit retained its large customers and, together with Span teams, worked on diverse products such as span.zone and Licence Zone, as well as the PassSport platform.

In the future, we strive to consolidate resources, turn to more profitable models of work, and develop domain knowledge in Ekobit. We believe domain knowledge will be crucial for providing added value on the labor market in the long run. Simple items will be assisted by AI, and domain knowledge will be required for the description and understanding of the issues, which is what the company is preparing for.

The Enterprise Business Solutions department develops solutions on the Microsoft Business Applications platform with the focus on Microsoft Dynamics 365 and Microsoft Power platforms. At the start of 2023, our Delivery Department, which saw strong development during 2022 and is key in the solution development and delivery, was divided into three teams. The newly renamed Business Applications Department now consists of Functional Consultants, Data and Development team.

During 2023, Microsoft continued to strongly invest in and develop the Business Applications Platform, constantly improving it with new functionalities. The greatest emphasis was on functionalities and application of AI in specific business processes. With omnipresent AI, the greatest development focus was in the domain of omnichannel communication, integrated Teams telephony and real-time marketing automation.

Based on our large experience and capacity to provide services, this year we became the holders of the Microsoft Business Application Partner status, which confirms the expertise in the delivery of solutions through Dynamics 365 and Power platform. Projects we implemented in 2023 only confirm that. Thus, we continued to implement the CRM and Marketing Automation System for a global pharmaceutical company in several markets. We also produced a tablet application on the Power Platform for the creation and administration of customer's orders. The application itself is deeply integrated with several systems, including the ERP and CRM systems.

We successfully started projects with one of the leading car companies, where we implemented a system for the management of car pools and leasing. Moreover, one of the

leading Croatian hotel chains and a leader in tourist accommodation generally selected Span for the implementation of the CRM system for data unification on customers and management of all guest relations including the loyalty platform, processes and automation of marketing communication. In the same year, we continued to implement the CRM system for the contact center of an insurance company in Croatia, and launched a CRM project in a leading production company in the energy sector.

2.1.2.4. Service Center Management and Technical Support

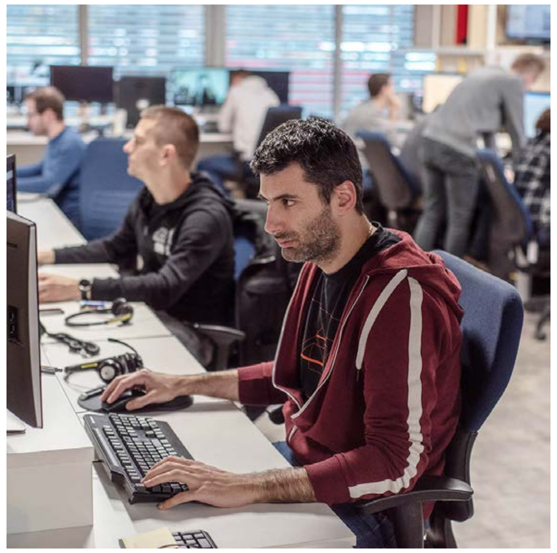
The Service Center Management and Technical Support segment achieved significant success in 2023, following the latest technology trends. Our goal is to continuously provide superior customer support by means of implementing the latest technology solutions while focusing on the latest Microsoft technologies, including the Azure cloud platform and related services.

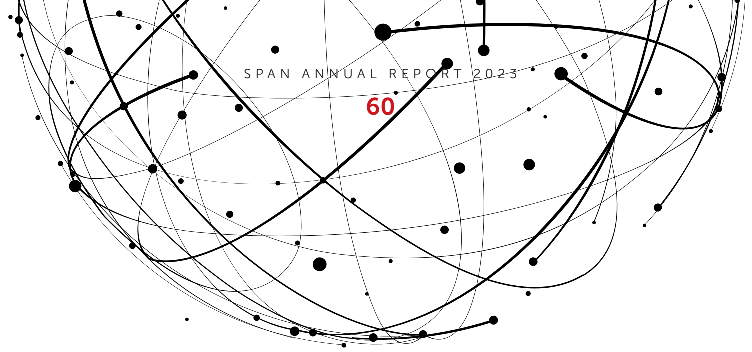
In 2023, we successfully resolved more than 202,000 customer incidents, providing fast and effective response to our customers. This result confirmed our team's commitment to providing superior services. In addition, we got an exceptionally high score from our customers – the average satisfaction score was 4.95 out of 5. This score is the result of the analysis of 2,220 responses to randomly sent polls which we carried out in order to continuously improve the quality of our support.

Dominating technologies in our business segment arose from the operation of the Microsoft Azure ecosystem, even though competencies for all cloud service providers are acquired within Span support. Cloud technologies provided a stable infrastructure and optimization tools to our many customers, and in 2023, we focused on security and optimization challenges as well as projects for our users.

The internal integration of AI tools within the Service Center Management and Technical Support enabled the optimization of internal processes, which will be a major focus in the following year. Those tools provided us a deeper insight in the performance of the system and identification of potential problems before they impact customer experience.

In 2023, we accomplished excellent results in resolving customer requests, achieving high customer satisfaction scores. The focus on employees and certification additionally enhanced our department and improved the quality of our services.





2.1.2.5. International operations

Slovenia

Span Slovenia has operated for almost 10 years, and in 2023, we achieved growth in all business segments, with Solution Consulting services ranking at the first place. This segment plays a crucial role in ensuring a stable growth and helps establish independence from fluctuations in licensing services. Due to a higher amount of work in the areas of Solution Consulting and sales support, in 2023, we employed four new colleagues.

We are continuously monitoring changes in the preferences of our customers and market trends. A growth in demand for services related to security – especially in the areas of Endpoint Detection and Response (EDR) and eXtended Detection and Response (XDR) is noticeable. The increased focus on security solutions confirms the growth of awareness regarding risks brought about by cyber attacks, and of how much investment in cyber security will be important for the future of any business. Along with cyber security, artificial intelligence (AI) is also witnessing a growing trend. Business entities from various sectors are showing increasing interest in the use of AI technologies with the purpose of improving the operational effectiveness, decision-making processes and the overall results.

A series of implemented projects in 2023 related to the implementation of the Azure Landing Zone, the purpose of which was to establish solid foundations for the implementation of the Azure solutions. In this way, we have significantly improved our cloud service portfolio, enabling our customers effective, secure and adjusted solutions.

In 2023, we recorded a zero employee turnover rate, proving a high level of satisfaction within our team. This success shows our commitment to developing a positive and team environment at work that values the growth and progress of every individual. Satisfied employees do not only contribute to a stable and experienced team, but maintain our constant effort in encouraging the personal and professional development of each of them.

Ukraine

The population and economy of Ukraine in 2023 adjusted to life and work in war conditions. The trend of the relocation of operations to safer areas was still present, which created conditions for new employment. A part of the Ukrainian population returned from forced migrations, and commercial, production and agricultural companies expanded alternative export routes. The companies dealing with service activities expanded their operations to neighboring markets. All this resulted in a positive impact on the Ukrainian GDP.

The aforementioned factors also positively influenced the IT industry. Increased investments into cloud and information security were also observed. It was in the area of information security that we implemented numerous projects in 2023, and some of them were implementation of solutions like Microsoft Entra, Defender, Purview, Intune, Azure Monitor, Backup, Site Recovery and Azure Networking Services.

Microsoft remained the leading technology provider in the cloud for Ukrainian customers via the Azure platform, and we offered implementation services. Owing to the increased demand for IT services, our number of employees increased by 30%. The increase of the number of employees was followed by the increase of the number of new customers.

We received **Microsoft Partner of the Year 2023** award for the second year in a row as confirmation of our effort and delivery of superior solutions to our customers.

Azerbaijan

The market development strategy in Azerbaijan is directed at adjusting the portfolio of products and services to the growing needs of customers in that market. Coordinated marketing activities increased the awareness of the Span brand and enhanced our position between competitors and customers, with the main focus on the financial sector (FSI), telecommunications (TelCo) and fast-moving consumer goods (FMCG).

A large number of companies in Azerbaijan are undergoing the process of digital transformation, which consequently leads to an even greater demand for services in the area of cloud and security, software asset management, and infrastructure services. Piracy is still present, but a significant progress in the legalization of the use of software has been achieved. For that reason, an increased need for services in the Software Asset Management segment is expected in the following years. The number of projects in the public sector in Azerbaijan is further increasing. The goal is to increase productivity, transparency and security of public entities.

We continue to invest in the knowledge of our experts so that we can continue to provide services and solutions at an excellent level, with the focus on cloud and cyber security. The number of our projects is on the rise, and in 2023 we are especially proud of the first penetration test conducted with a customer in the finance sector and a project of the implementation of Microsoft 365 licenses, with the continuation of consulting services provision for customers in the FMCG industry.

Moldova

Span's affiliated company in Moldova has operated for two years and in that period we have been committed to our positioning in the market and appealing to new customers. In 2023, most of our customers came from the public and financial sectors, and when we speak of the size of our customers, most often, they were large companies.

Cloud and cyber security, infrastructure services and services of the Security and Operations Center (SOC) are often demanded in our market. The projects we want to emphasize relate to the banking sector. For one of the largest banks in the market, we conducted the Microsoft Exchange ActiveSync protocol, which ensures communication between mobile devices and servers with the purpose of synchronizing emails, calendars, contacts, and alike. We implemented infrastructure IT Audit and migration of Teams to cloud. Moreover, for another bank, we are preparing one of the largest Microsoft Enterprise contracts, which will cover all customer devices and servers, along with Azure subscriptions.

We are happy with the achievements and cooperations we have had in the past two years. Our customers recognize the expertise we boast and they see us not only as a provider of solutions, but as a long-term partner.

Estonia

GT Tarkvara is a leading Estonian licensing and software asset management company with more than 25 years of experience. In addition, we are the main provider of Microsoft services and solutions to the Estonian Government. In 2023, we became a member of Span Group, by which we have significantly expanded business opportunities in the Baltic and Scandinavian markets and increased the service portfolio. This business move has also reinforced the partnership relation with Microsoft, which means an access to new technologies, partnership offers and new business opportunities.

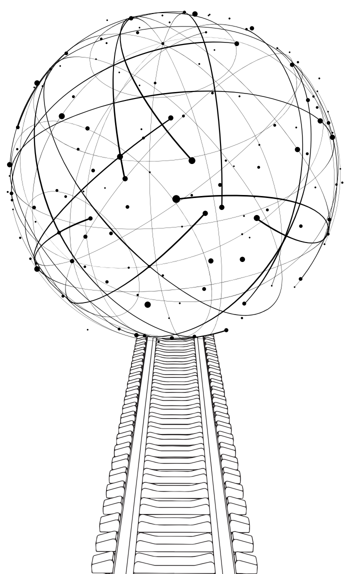
We are established in the market in the Software Asset Management and Licensing segment, and now we also offer services in the area of cyber security and AI solutions and business applications.

Remote and hybrid work are the new normal. The coronavirus pandemic speeded up the process of digital transformation, which is why it is not surprising that a high demand for cyber security solutions, penetration testing and cyber resilience is noticeable. Along with this, data management and data analysis are high on the priority list of customers. In 2023, we realized long-term business cooperation in the public sectors of the Czech Republic, Lithuania and Estonia. We are especially proud of a project we implemented in cooperation with Microsoft, which related to ensuring a high level of cyber security regarding parliamentary elections in Estonia. Furthermore, we implemented identity and access management projects as well as system management projects for the largest operator of the electromagnetic network in Estonia.

Georgia

Span established its company in Georgia in September this year. As Georgia lacks specializing providers of IT services, we strategically positioned ourselves as experts with international experience. Interest in services and solutions in the area of cyber and information security is perceptible. Advisory services in the area of public cloud infrastructure, management of documents and automation are high on the list of needs, so we are actively researching opportunities for the provision of those services.

Despite the fact that in 2023 we had operated in this market for only three months, we implemented projects we take special pride in. We implemented Dynatrace infrastructure assessment for the largest bank in Georgia, and a pilot project within which we are presenting Microsoft security products is under way. In this way we are proving our commitment to improving cyber security measures in the region, and the initial engagement in the market laid strong foundations for a future growth.



2.1.3. Awards, recognitions and achievements

2.1.3.1. Awards, recognitions and achievements related to the share

2.1.3.1.1. Listing into CROBEX10® and CROBEX10tr®

Based on the data on share trading from 1 September 2022 to 28 February 2023, our share was included among the 10 most liquid shares on the Zagreb Stock Exchange. Those results enabled our share the entry within the **CROBEX10®** and **CROBEX10tr®** indices.

More than 660,000 Span's shares worth EUR 22 million have been traded in a year and a half. A growth of the share of almost 113% was recorded, and the number of shareholders increased to more than 1,700 from the initial 1,200[20].

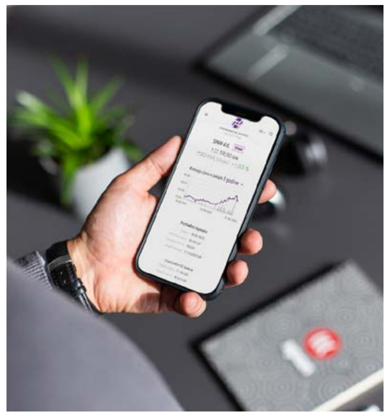
"I am proud that we managed to enter CROBEX10® and CROBEX10tr® in such a short time. The liquidity of Span's share was one of the main goals in the IPO. We are happy that we continue to be interesting to investors, that interest does not wane, and this is confirmed with the datum that our share is traded almost on a daily basis," said Nikola Dujmović, the founder and President of the Management Board of Span.

Movement of the Span share price in the period 1.9.2022 – 28.2.2023

[20] On 31 December 2023, the number of Span's shareholders is greater than 2,000

2.1.3.1.2. Enlisting in the Frontier Markets Small Cap Index[21]

The largest global provider of share indices, MSCI, published its regular revision of the Frontier Market Index in August of 2023 and enlisted our share in the **MSCI Frontier Market Small Cap Index**. The index analyzes shares from 28 countries,[22] and now, along with ours, it boasts 12 shares from the Croatian market. The shares included in this index receive increased visibility and become the focus of global investors.[23] In the observed period of 2023, 466,700 shares were traded, and the turnover made with the share was EUR 25,301,207.10.



2.1.3.1.3. Zagreb Stock Exchange award for the stock with the highest increase in trading volume

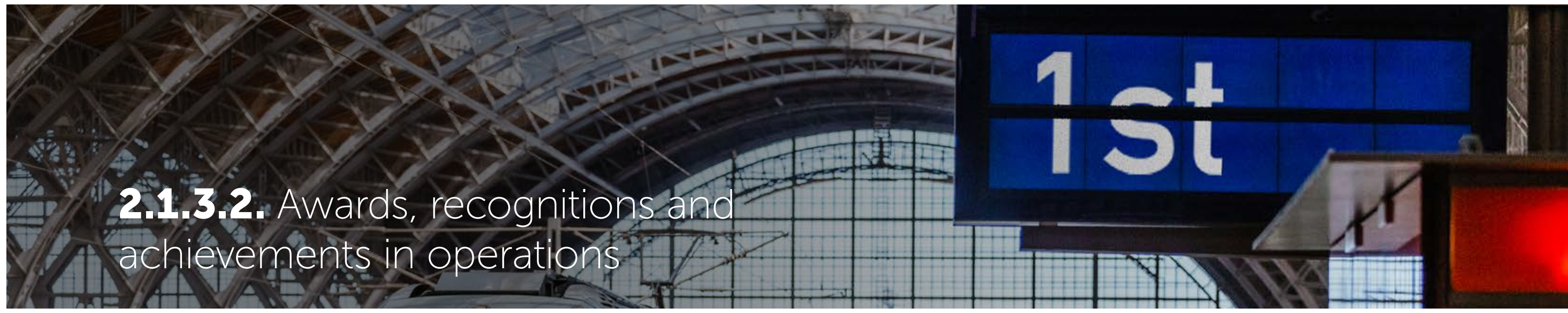
Zagreb Stock Exchange Awards were presented for the twelfth year in a row. In selecting the best performers, the Awards Committee considered objective and statistical criteria, as well as the overall contribution to the education and development of the domestic capital market. **The award for the stock with the highest increase in trading volume** compared to the previous year was won by Span.

In the 11 months of 2023, 561,371 shares of Span were traded, marking **a 70 percent increase compared to the same period last year**. The total value of transactions amounted to almost EUR 30 million.

[21] https://www.msci.com/eqb/fm/MSCI_Aug23_FM_SC_PublicList.pdf
[22] https://www.msci.com/documents/10199/0348be0f-4cf8-478c-be64-ff2e545a9b36
[23] https://icam.hr/blog/veliki-uspjeh-top-hrvatskih-kompanija/

Let's recall that we have already been honored by the Zagreb Stock Exchange, back in 2021. At that time, we received an award for our contribution to the capital market for the successful completion of the IPO and the positive impact it had on the overall capital market in Croatia.

"I am proud that Span's stock is performing well. From the beginning, our goal has been to increase the trading activity of our stock, and this award in the category of stocks with the highest increase in trading volume confirms that we are succeeding in that. I am pleased that the interest in our stock remains strong, and that we continue to be attractive to investors. We will continue to develop quality and transparent relationships with all our shareholders, who now number more than two thousand," said Nikola Dujmović, President of the Management Board of Span.



2.1.3.2. Awards, recognitions and achievements in operations

2.1.3.2.1. Microsoft Partner of the Year 2023 in Croatia and Ukraine

At the end of June, we were awarded as Microsoft Partner of the Year 2023 for Croatia and Ukraine. This award honors the best partners for demonstrating excellence in their work and delivering solutions based on Microsoft technologies.

Microsoft's Partner of the Year is granted to companies that have successfully conceived, developed and implemented solutions using Microsoft technologies. The award is bestowed in several categories, and winners are selected among more than 4,200 nominated companies from more than 100 countries worldwide. We have been awarded for providing superb services and solutions in Croatia and Ukraine.

"This recognition is the result of our long-term relationship based on mutual trust and the quality work of our experts who always find the best way to improve the business of our users. There are more than 850 employees in Span today, and the desire for knowledge and constant improvement is our greatest strength," said Nikola Dujmović, President of the Management Board of Span.

"Congratulations to the winners and finalists of the 2023 Microsoft Partner of the Year Awards!" said Nicole Dezen, Chief Partner Officer and Corporate Vice President of Global Partner Solutions at Microsoft. "Innovative new Microsoft Cloud technology solutions and services that positively impacted the digital transformation of their users are this year's winners."

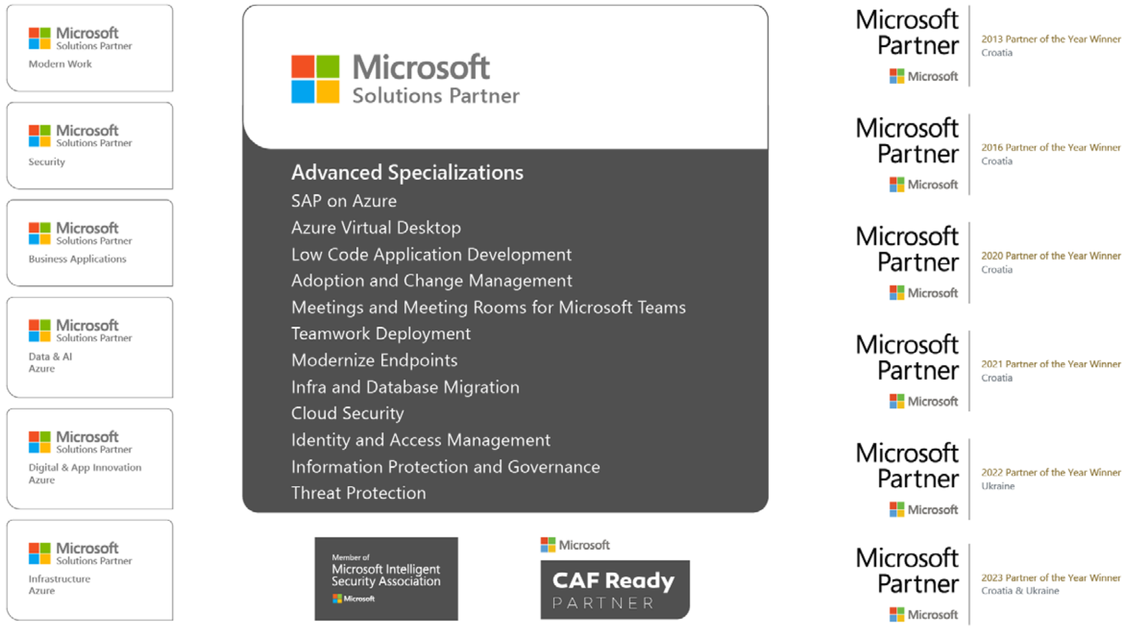
2.1.3.2.2. Span becomes the holder of all six Microsoft Solution Partner Statuses

We have become the holders of **all 6 Microsoft Solution Partner Statuses**. Microsoft has categorized areas where his partners can prove great experience and abilities in providing services, and those areas are Business Applications, Data and AI, Digital and App Innovation, Infrastructure, Security, and Modern Work. The sixth Partner Solution Status that has complemented our collection relates to the area of Business Applications with the focus on the delivery of solutions through **Dynamics 365 and Power platforms**.

"Our path to this achievement was marked with investing in the knowledge and skills of our employees, who are our greatest power. By obtaining this Microsoft Solution Partner Status we have proven once again that we are continuously working on providing the best services and solutions for our customers," said Mihaela Trbojević, Product Marketing Director of Span.

Microsoft continuously improves its partner program by introducing new, merging the existing ones and revoking individual partner programs. Advanced specializations and Solution Partner Statuses are interconnected in technological entities. Transition periods of the renewal of the existing statuses

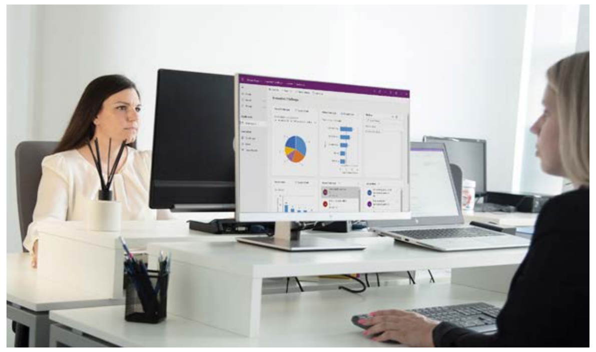
and achieving new ones result in occasional changes in the total number of advanced specializations. We continuously invest in the certification of people and preparation for audits in order to fulfill the technological plan for the next period.



2.1.3.2.3. Microsoft Advanced Specializations

Microsoft Advanced Specializations are a guarantee of excellence and are awarded to the most professional Microsoft partners. We are proud to announce that we acquired **Low Code Application Development Advanced Specialization**.

The market of tools for low code application development is growing very fast, especially in the past couple of years. Using the Microsoft low code application development platform, which includes Microsoft Power Apps and Microsoft Power Automate, we help users quickly develop adjusted and flexible low code business solutions that integrate already existing systems and data with the purpose of initiating innovations and effectiveness across organizations. The Microsoft Low Code Application Development Specialization demonstrates out tested knowledge, valuable experience and recorded success in providing support to customers who apply Microsoft Low Code solutions.



Microsoft uses advanced specializations to identify best partners who will respond to specific needs of users and we are proud to be a part of that collective. We are also proud that this specialization reflects Span's long-term commitment to achieving excellent results and justification for the trust of our customers.

2.1.3.2.4. Hewlett Packard Enterprise Gold Partner Status

We are proud to have been successfully renewing the Hewlett Packard Enterprise Gold Partner status for many years now, and 2023 is not an exception. This is new evidence of our dedication and excellence in the area of hybrid cloud with tested quality products and services of the IT infrastructure. The demonstration of our expertise in the HPE hybrid cloud portfolio and completion of the training program and certification for HPE hybrid solutions are a confirmation of the high level of knowledge of Span's experts. Thus, our focus on helping users by implementing demanding and complex HPE solutions so that they could respond faster to unpredictable business requirements got additional recognition.

2.1.3.2.5. Saviynt – Fastest transaction in 2022

In 2022, Span became a partner of reputable Saviynt, a global leader in the area of smart solutions related to identity management, and we have already won their award. In London, at the conference of Saviynt's partners and customers, we were awarded for **the Fastest Transaction in 2022**, or, for an agreement signed in the fastest way. With Saviynt tools and platform, we work on the implementation of solutions in the area of identity, access and supervision, and this award is another confirmation that Saviynt made a good decision when they gave us their trust.

2.1.3.2.6. Span CyberGRX Benchmarking

For our customers, especially international ones, the way we manage our information security is becoming ever more important given the services we provide to them. Therefore, we are receiving an increasing number of diverse inquiries where we answer questions about our business processes (employment, awarding the right to access, incident management, etc.) and technical solutions related to data protection. To minimize the number of various questionnaires with identical or very similar questions, last year, we completed a questionnaire created by CyberGRX. CyberGRX is dedicated to transforming third-party cyber risk management for companies around the world.

Span underwent an assessment by its providers through the CyberGRX digital platform in 2023 as well, and received high ratings for its information security management maturity. CyberGRX is utilized worldwide by companies that, like Span, provide services to global enterprises, to assess their business process maturity and security measures. We want our users to understand that we prioritize the security of both our data and theirs, proving that we are a dependable strategic partner. Our users can access the CyberGRX platform to see for themselves that Span is their loyal ally that genuinely values security.

2.1.3.2.7. Seventh ISO certificate

Implementation of ISO standards is an important factor for increasing competitiveness in the international market, so we are rejoiced at the fact that in its operation, Span applies as many as seven of them. Our latest certificate is for **ISO 22301**, the international standard that provides a framework for the establishment, implementation, maintenance and improvement of the business continuity management system.

ISO 22301 allows us to better manage risks and emergencies and ensures the continuation of business even in unpredictable situations – and, as we all know, unfortunate circumstances happen more often than we could have imagined a few years ago. It is a valuable tool for Span because it promotes systematic thinking and continuous improvement and strengthens relationships with stakeholders.

2.1.3.2.8. Croatia Grand Prix Security 2023

In September, we were awarded Croatia Grand Prix Security 2023 in the media promotion of security for our campaign **"SAFETY NET – bitka za sigurnost" (Battle for Security)**, which we carried out in cooperation with the Split–Dalmatia Police Administration, DUMP Association of Young Programmers, Radio Split, and Split–Dalmatia County Security Committee.

The goals of the campaign were making citizens aware of the real danger of being exposed to criminal acts in the area of cybercrime, which most often involves online and social media scams, and slowing down the negative trend of the increasing number of criminal acts in the area of cybercrime. The campaign was carried out through direct contact with citizens – especially those who are not very good at technology. It was also covered by the media on radio and TV stations, in daily newspapers, and on web portals.

2.1.3.2.9. TD Synnex Solution Days 2023

A recognition for excellent selling results in the security sector was handed to us at the TD Synnex Solution Days 2023 – Highway to cloud in Crikvenica. We provide security solutions to our customers and give recommendations for improvement measures to each customer with great attention and commitment. For all those reasons, we are grateful and proud that our effort has been recognized, and we consider this occasion another strong impetus for us to continue striding forward.

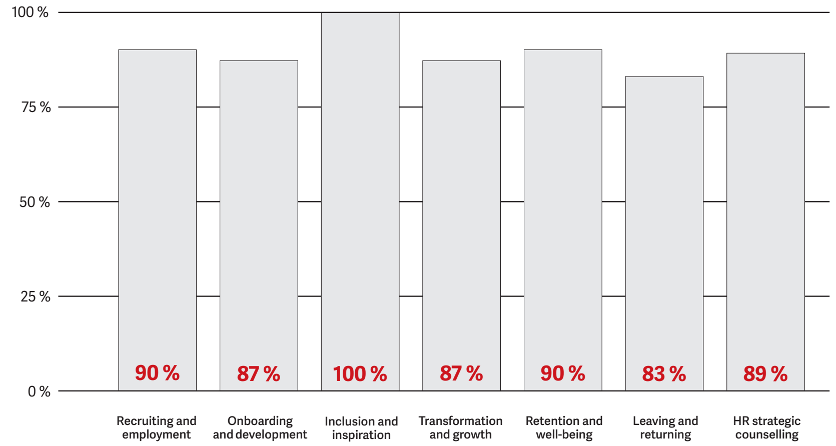
2.1.3.2.10. CEP recertification

We started 2023 with the third successful Employer Partner recertification.

With the **Certificate Employer Partner (CEP)**, the leading Croatian consultancy company, Selectio, once again acknowledged the excellent practice of Span and the high quality in the area of human resource management.

Our HR processes were evaluated in 7 categories (so-called employee life cycle steps) – from recruiting and employment, onboarding and development through inclusion and inspiration, transformation and growth, retention and well-being, including leaving and returning and HR strategic counseling.

Span's result in all categories was above 80%, and what makes us especially happy is the result of the **maximum 100%** in the part related to **inclusion and well-being** of our employees. In the year in which the recertification criteria were made significantly stricter, we achieved **a total result of 90%, which is also higher than the average** of other certified organizations by 8%.



Results on Employee life cycle steps

All this is only an indicator of the continuing effort we invest in attracting, recruiting, retaining and developing employees – in short, in the overall care for employees.

2.1.3.2.11. SAP Success Factors - contract signed

In the second quarter we officially started the implementation of the new HR system – SAP Success Factors. SAP SF Enterprise is a solution that is used by more than 9,400 organizations worldwide and brings us the best HR practice that includes process automation, a higher level of reporting, and monitoring procedures within Span Group. SAP SF has been granted the Gartner recognition of the leader in the area of cloud HR solutions for the sixth year in a row, for companies with more than 1,000 employees.

This recognition additionally confirms its value and continuous innovativeness by which it follows changes in the current dynamic market. Transition from the current software to the new one is driven by the high growth last year and the need for the improvement and optimization of processes that will continue to support Span's development. Besides, the new application will enable us to centralize existing processes and procedures and standardize them at the level of the whole Span Group.

2.1.3.2.12. Volunteering Oscar Award

Even though nobody volunteers to get an award but to help and support those in need, sometimes it is nice to see that our effort and initiatives have been recognized.

The latest recognition of our volunteering actions came in the form of the **Volunteering Oscar Award**, organized by the Volunteers' Center Zagreb, and Span won it in the Companies category.

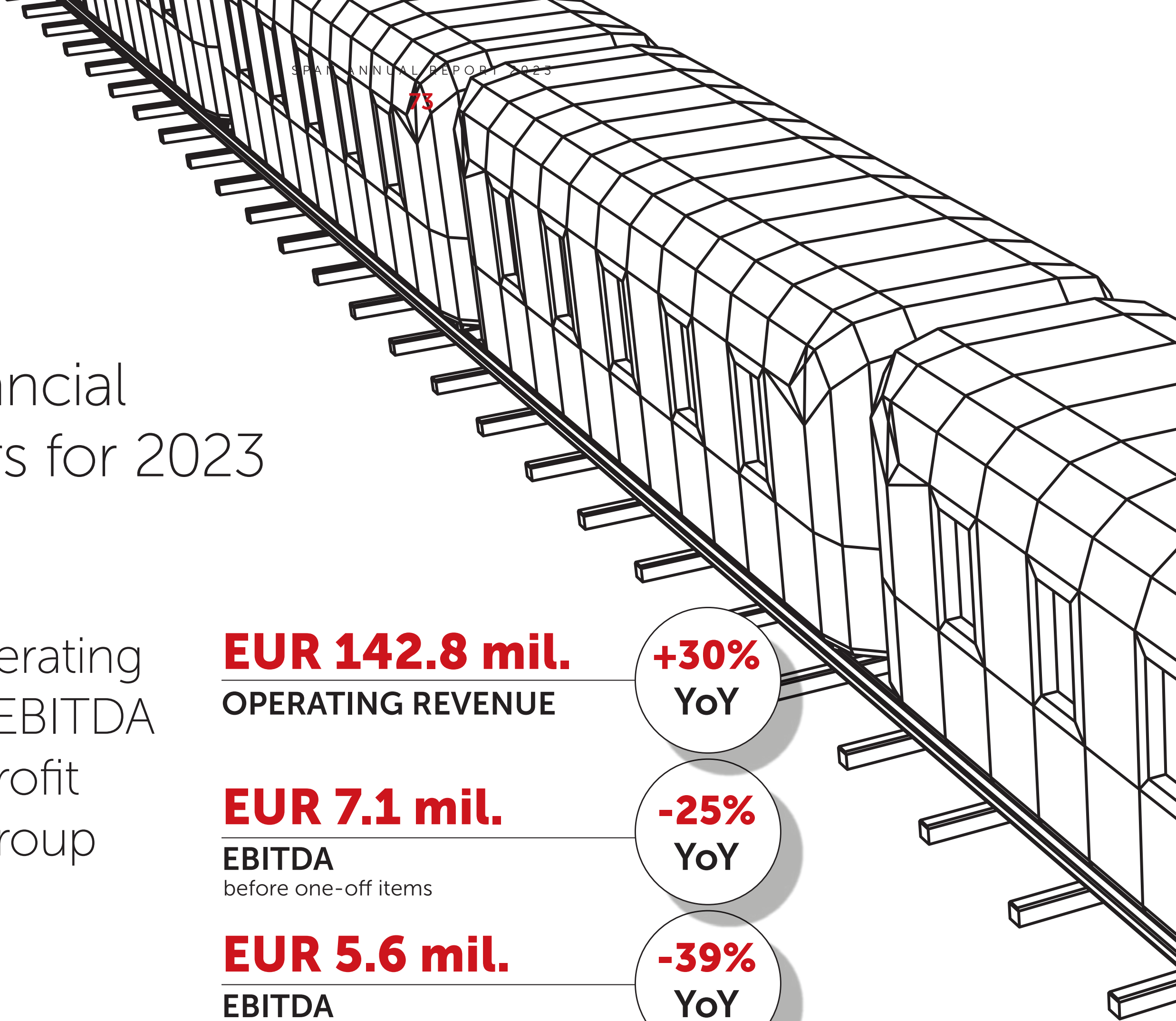
In the last two years, we have invested a lot in corporate volunteering, finalized the official Policy on Corporate Volunteering, and signed the Charter of Employee Volunteering. We have also done a big volunteering action with O2 project and volunteering projects based on our skills for associations Hrabri telefon and Nismo same.

This Volunteering Oscar has crowned our efforts, confirming that we are going in the right direction and giving us a new drive to continue giving back to the community in an even more ambitious and organized manner through numerous similar actions.

2.1.3.2.13. Span - "Health-Friendly Company"

Span has always been a company that pays special attention to the health and well-being of its employees. With that in mind, in cooperation with the Croatian Institute of Public Health, in the spring of 2023 we officially started the process of certification and acquiring the right to display the "**Health-Friendly Company**" title. This title is acquired within the framework of the "Live Healthy" National Program, which was designed and launched by the Ministry of Health and the Croatian Institute of Public Health, and it is given to companies that recognize healthy values and care about improving the health of their employees. The certification process involved organizing various lectures and workshops on topics such as nutrition, physical activity, and mental health, as well as diverse actions and initiatives in which a large number of our employees participated throughout the year.

A company that wants to acquire the "Health-Friendly Company" label must meet certain criteria assessed and set by a team of Croatian Institute of Public Health's experts, which are divided into six areas – nutrition, promotion of physical activity, protection of the health of employees at the workplace, smoking ban, alcohol consumption ban and environmental care. According to the recommendations and guidelines for earning the "Health-Friendly Company" label, last year we set specific goals in the first three areas (because the other three are implied, to a certain extent) and we're proud to report that we've successfully achieved them.



2.2. Financial indicators for 2023

2.2.1. Operating Revenue, EBITDA and Net Profit of Span Group

EUR 142.8 mil.
OPERATING REVENUE
+30% YoY

EUR 7.1 mil.
EBITDA
before one-off items
-25% YoY

EUR 5.6 mil.
EBITDA
after one-off items
-39% YoY

EUR 1.2 mil.
NET PROFIT
after one-off items
-81% YoY

2.2.2. Operating Revenue, EBITDA and Net Profit of Span d.d.

EUR 99.6 mil.
OPERATING REVENUE
+9% YoY

EUR 3.8 mil.
EBITDA
before one-off items
-52% YoY

EUR 3.3 mil.
EBITDA
after one-off items
-57% YoY

EUR 0.5 mil.
NET PROFIT
after one-off items
-92% YoY

2.2.3. Key features of the period – 2023

Profit and Loss Account – shortened

Span Group			
In thousands of EUR	**2022**	**2023**	**Δ%**
Total revenue	**115,140**	**144,331**	**25%**
Operating revenue	110,170	142,836	30%
Other revenue	4,970	1,496	-70%
Total costs	**105,854**	**138,683**	**31%**
Costs of goods and services sold	66,768	94,695	42%
Personnel expenses	25,799	32,197	25%
Other business expenses	13,288	11,791	-11%
EBITDA before one-off items	**9,533**	**7,111**	**-25%**
EBITDA one-off items	247	1,463	491%
EBITDA after one-off items	**9,285**	**5,648**	**-39%**
Depreciation and amortization	2,572	3,559	38%
EBIT	**6,714**	**2,089**	**-69%**
Net financial result	(226)	(343)	-52%
Profit/loss before taxation before one-off items	**6,734**	**3,209**	**-52%**
Profit/loss before taxation after one-off items	**6,487**	**1,746**	**-73%**
Corporate tax	(223)	499	324%
Profit/loss after taxation before one-off items	**6,958**	**2,710**	**-61%**
Profit/loss after taxation after one-off items	**6,710**	**1,246**	**-81%**

Span d.d.			
In thousands of EUR	**2022**	**2023**	**Δ%**
Total revenue	**91,740**	**100,433**	**9%**
Operating revenue	91,284	99,550	9%
Other revenue	456	883	94%
Total costs	**84,012**	**97,094**	**16%**
Costs of goods and services sold	57,351	65,618	14%
Personnel expenses	19,311	23,476	22%
Other business expenses	7,350	8,001	9%
EBITDA before one-off items	**7,898**	**3,759**	**-52%**
EBITDA one-off items	171	420	146%
EBITDA after one-off items	**7,727**	**3,339**	**-57%**
Depreciation and amortization	1,882	2,303	22%
EBIT	**5,845**	**1,036**	**-82%**
Net financial result	(705)	(371)	47%
Profit/loss before taxation before one-off items	**5,311**	**1,085**	**-80%**
Profit/loss before taxation after one-off items	**5,141**	**665**	**-87%**
Corporate tax	**(429)**	**204**	**148%**
Profit/loss after taxation before one-off items	**5,740**	**882**	**-85%**
Profit/loss after taxation after one-off items	**5,569**	**461**	**-92%**

Revenues

The total consolidated revenue increased by EUR 29,191 thousand, or 25% compared to 2022. Operating revenue increased by EUR 32,666 thousand in the observed period. The highest growth was recorded by the Software Asset Management and Licensing segment, mostly as a result of the acquisition of GT Tarkvara.

In the same period, Span d.d. recorded an increase of revenue by EUR 8,694 thousand, or 9%. The growth mostly came from the operating revenue, which increased by EUR 8,266 thousand. The strongest growth of revenue was recorded in the Software Asset Management and Licensing segment, amounting to 16%.

Operating expenses

Total consolidated operating expenses increased by EUR 32,829 thousand, or 31% compared to 2022. The greatest generator of the growth of expenses was the cost of the goods and services sold, following the revenue growth.

The increase of personnel expenses was EUR 6,398 thousand, and resulted from the higher number of employees in the segment of IT services with high added value. The average number of employees in the Group in 2023 was 834, whereas in the prior year, the average number of employees in the Group was 704. Other operating expenses of the Group decreased by EUR 1,496 thousand compared to 2022.

Total expenses of Span d.d. increased by EUR 13,082 thousand, or 16%. The highest growth resulted from the cost of goods and services sold, following the revenue growth.

The personnel expenses increased by EUR 4,165 thousand, or 22%. The average number of employees in the Company in the observed period was 626, an increase compared to the prior year when the average number of employees in the Company was 538. Most of the new employees were employed in the segment of IT services with high added value.

EBITDA

EBITDA of the Group before one-off items was EUR 7,111 thousand. One-off items of EBITDA of the Group were EUR 1,463 thousand and related to: 1) value adjustment of receivables in Span Slovenia for Studio Moderna; 2) cost of tax and surtaxes on capital gains, resulting from the Share Allocation Plan awarding employees of Ekobit, defined in the purchase and sale agreement; 3) expenses resulting from the acquisition of GT Tarkvara; 4) reserved expenses for the ESOP program for the allocation of shares to employees. According to the requirements announced in the Prospectus, Span will award every employee who keeps in their ownership one or more ESOP packages in a period of three years with 25% shares in relation to the number of shares the respective employee holds within the ESOP package. After the expiry of the first year from the date of the public announcement of the results, 5% of the total number of shares will be allocated, and 10% will be allocated upon the expiry of the second and third years each.

EBITDA of the Group after one-off items in the observed period was EUR 5,648 thousand and recorded a 39% decline compared to the same period of the prior year.

Span d.d. recorded a fall of EBITDA before one-off items of EUR 4,139 thousand, or 52%, amounting to EUR 3,759 thousand. In the observed period, Span d.d. recorded EBITDA fall after one-off items of EUR 4,388 thousand to EUR 3,339 thousand, a drop of 57%. In 2022, Span d.d. started a new investment cycle by employing experts in the segment of services with added IT value, which led to an increase of salary expenses as the main driver of the fall of EBITDA in 2023. The employment of experts in the area of Cloud and Cyber Security was a realized investment of the Company in the expected trend of growth in the following years.

Net profit

Profit after taxation before one-off items of the Group decreased by EUR 4,248 thousand, to EUR 2,710 thousand. In the observed period, profit after taxation after one-off items of the Group decreased by EUR 5,463 thousand, to EUR 1,246 thousand.

This fall was driven by the increase of depreciation and amortization reflecting 1) procurement of the necessary equipment for the work of the increased number of employees in the prior year, and 2) amortization of the long-term intangible assets (allocation of initially recognised goodwill of Ekobit and GT Tarkvara to relevant position of intangible assets in accordance with IFRS 3 Business Combinations, and internally generated intangible assets).

Cost of the corporate tax in 2023 mostly reflected the release of the deferred tax assets for both obtained tax reliefs based on the Investment Promotion Act.

Span d.d. recorded a fall of profit after taxation before one-off items by EUR 4,859 thousand, to EUR 882 thousand. Span d.d. recorded a fall of profit after taxation after one-off items by EUR 5,108 thousand, to EUR 461 thousand, caused by higher cost of depreciation and amortization and value adjustment of investment into Span Swiss AG in Switzerland in the amount of 100%, or EUR 136 thousand, and Span Germany in the amount of 100%, or EUR 110 thousand.

2.2.4. Revenues by segments

The Span Group generates revenues in the following segments:

1. **Software Asset Management and Licensing**
2. **Infrastructure Services, Cloud & Cyber Security**
3. **Service Center Management and Technical Support**
4. **Software and Business Solutions Development.**

Data on revenues by segments of the operation of the Group and Span d.d. for 2022 and 2023 is illustrated below.

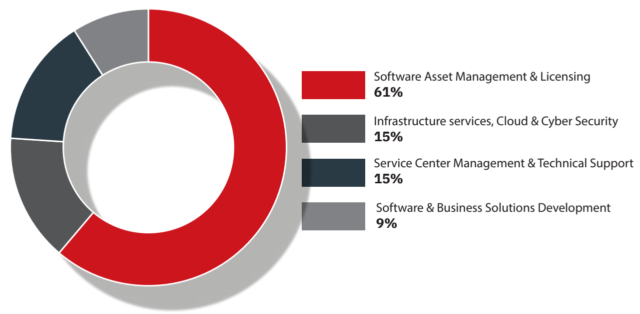
Revenues by segments

Span Group			
In thousands of EUR	**2022**	**2023**	**Δ%**
Total operating revenue	**110,170**	**142,836**	**30%**
Software Asset Management and Licensing	67,267	99,147	47%
Infrastructure Services, Cloud & Cyber Security	16,409	14,051	-14%
Service Center Management and Technical Support	16,917	19,365	14%
Software and Business Solutions Development	9,577	10,273	7%

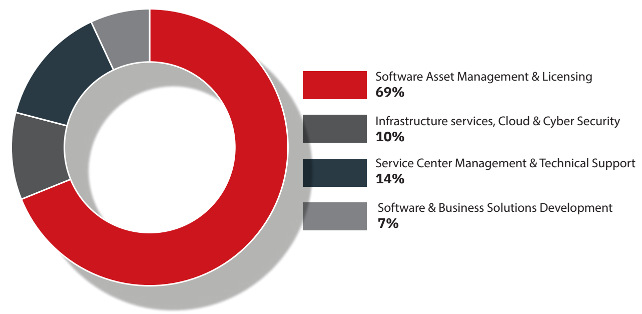
Span d.d.			
In thousands of EUR	**2022**	**2023**	**Δ%**
Total operating revenue	**91,284**	**99,550**	**9%**
Software Asset Management and Licensing	55,473	64,268	16%
Infrastructure Services, Cloud & Cyber Security	14,701	12,677	-14%
Service Center Management and Technical Support	16,262	18,357	13%
Software and Business Solutions Development	4,848	4,248	-12%

Revenues by segments

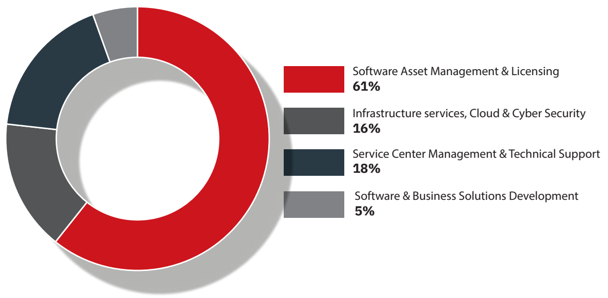
Span Group 2022



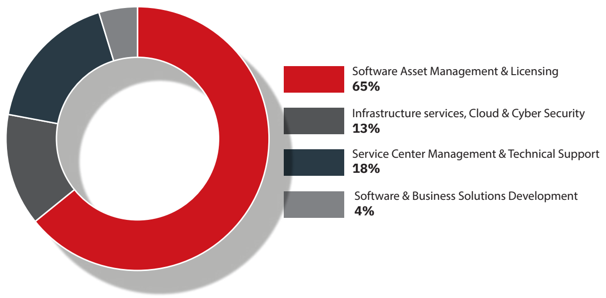
Span Group 2023



Span d.d. 2022



Span d.d. 2023



1. **Software Asset Management and Licensing** recorded a growth of revenues by 47%. The Group recorded higher revenues compared to 2022, mostly as a result of the investment in new markets in the Baltic region. The share of revenues in the total operating revenues was 69%.

2. **Infrastructure Services, Cloud & Cyber Security** were lower in the observed period by 14% compared to 2022 when the Group recorded an exceptional growth of projects in the domestic and foreign markets. Expanding operating activities in the area of Cloud and Cyber Security continued to be the focus of operation of the Group.

3. **Service Center Management and Technical Support** contributed to the continuous growth of revenues through the supervision and management of the IT environment, with the increase of revenues in this segment amounting to 14% compared to 2022.

4. **Software and Business Solutions Development** achieved the most significant growth of 7% in the observed period. The growth of this segment resulted from the focused development of own IT solutions and platforms, as well as the development of specific business solutions for individual key customers, such as CRM, automation and robotization of their business processes. The growth of this segment was additionally enhanced by the acquisition of Ekobit, whose operation is directed to development of software solutions.

2.2.5. Revenues by geographic markets

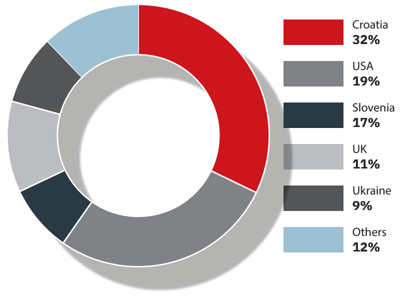
Revenues by geography show the geographic market where goods and services are invoiced. The share of revenues the Group makes in foreign markets accounts for 66% of the total revenues.

A significant growth of revenues was recorded by the markets of Croatia (EUR 12,191 thousand) and Estonia (EUR 10,911 thousand). An additional growth in segment "Other" was supported by the growth of revenues in the Baltic and Central Europe markets realized by GT Tarkvara.

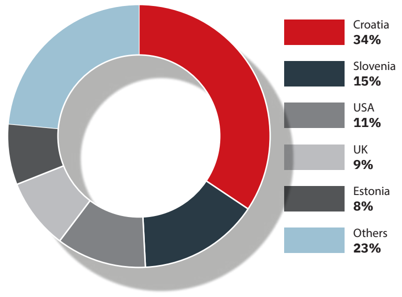
45% of revenues of Span d.d. in the observed period related to the Croatian market, which also recorded the highest growth of EUR 10,787 thousand (31%) in the observed period.

Revenues by geographic markets

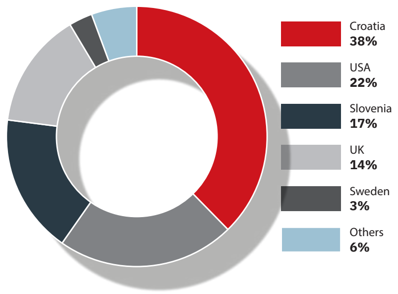
Span Group 2022



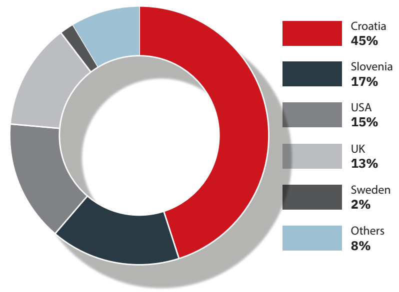
Span Group 2023



Span d.d. 2022



Span d.d. 2023



2.2.6. Balance Sheet

Assets

	Span Group		Span d.d.	
In thousands of EUR	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**
ASSETS	**55,254**	**72,261**	**46,467**	**52,984**
Fixed assets	16,616	23,927	17,489	28,870
Deferred tax assets	1,661	1,724	1,341	1,145
Current assets	15,942	29,354	11,329	15,497
Cash and cash equivalents	18,815	13,339	14,212	3,792
Prepaid expenses and accrued income	2,220	3,916	2,096	3,681
LIABILITIES	**55,254**	**72,261**	**46,467**	**52,984**
Equity and reserves	31,606	30,423	29,347	27,082
Long-term liabilities	2,907	3,509	2,319	2,995
Current liabilities	16,050	32,014	11,202	18,093
Accrued expenses and deferred revenue	4,691	6,315	3,598	4,813

The total value of the assets of the Group was higher by EUR 17,007 thousand amid the increase of long-term assets as a result of the acquisition of the 100% share of GT Tarkvara on 31 March 2023 and the increase of the current assets as a result of 1) growth of receivables; 2) growth of financial assets as a result of short-term fixed deposits in a foreign currency.

Cash and cash equivalents

A decrease in cash compared to the prior period partially resulted from the investment activities of the Group in 2023, and partially from financial activities – the payment of dividend and purchase of own shares.

Investment in assets

Span Group		
In thousands of EUR	**2022**	**2023**
Computer equipment and other equipment	1,452	958
Tangible asssets in preparation	-	4
Other intangible assets	3,335	3,218
Intangible assets in preparation	566	1,188
Right-of-use assets	1,223	961
Investment in assets total	**6,576**	**6,329**

The presentation also includes investments in assets related to Right-of-use assets and assets generated by the acquisition of the companies Ekobit in 2022 and GT Tarkvara in 2023.

Span d.d.		
In thousands of EUR	**2022**	**2023**
Computer equipment and other equipment	932	544
Tangible asssets in preparation	-	1
Other intangible assets	344	406
Intangible assets in preparation	408	1,475
Right-of-use assets	703	810
Investment in assets total	**2,387**	**3,236**

The presentation also includes investments in assets related to the increase in assets resulting from the merger of the company Infocumulus and the inclusion of the amount related to investment in Right-of-use assets.

Investments of Span Group in tangible assets are mostly related to expenses for the procurement and replacement of worn-out computers and other equipment for the work of employees. Investment in Intangible assets in preparation related to internally generated intangible assets that resulted from the continuation of the development of software available for further sale/ use. Other intangible assets relate to assets generated by the acquisition of the companies Ekobit in 2022 and GT Tarkvara in 2023, as well as investments in business premises leased by the Company.

Deferred tax assets

Deferred tax assets represent income tax return amounts which are recoverable based on future deductions of taxable profit. Deferred tax assets are recognized up to the amount of taxable revenues which are likely to be achieved. When determining future taxable profit and the amount of taxable revenues which are likely to be achieved in the future, the Group judges and creates estimates based on taxable profit from the previous years and the expected future revenues which are considered to be reasonable in existing circumstances. The Group made an assessment of the usability of tax relief for the estimate of the amount of deferred tax assets, based on the support gained from the Ministry of Economy, Entrepreneurship and Crafts. The aforementioned financial support allows Span d.d. to be exempt from paying corporate income tax from 2015 to 2025, for 50% of the amount of the tax base, up to the maximum threshold in the amount of the total investment according to the Investment Promotion Law (ZOPI).

In December 2021, Span d.d. and Bonsai d.o.o. applied for the use of a new round of support entitled Investment in expansion of the research and development capacity and capacity for delivery of IT solutions project. They received a positive decision on 25 February 2022, based on which the Company accomplished additional 50% relief of the tax rate. Thus, Span d.d. ensured that by 2025, i.e. by the utilization of the maximum threshold of the investment, it has a corporate income tax rate of 0%.

Equity and reserves

The total equity of the Group decreased by EUR 1,183 thousand. On June 30th 2023, the company transferred a dividend to the SKDD (Central Depository and Clearing Company) account, in the amount of EUR 2,584 thousand, which was paid to the shareholders on 3 July 2023.

The share capital of the Company increased from EUR 2,601 thousand by the amount of EUR 1,319 thousand, to EUR 3,920 thousand, with the increase of the individual nominal amount of regular shares from the amount of EUR 1.33 by the amount of EUR 0.67 to EUR 2.00, in line with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia.

Long-term and short-term liabilities

The total long-term liabilities increased by EUR 601 thousand. Increase of the long-term liabilities resulted from the acquisition of GT Tarkvara.

The short-term liabilities increased primarily as a result of 1) liabilities to suppliers 2) acquisition of GT Tarkvara 3) short-term liabilities to banks as a result of the withdrawal of the framework, and 4) liabilities to former owners for the purchase of own shares.

Current Assets, Current Liabilities and Working Capital	Span Group		Span d.d.	
In thousands of EUR	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**
Current assets	36,977	46,609	27,637	22,969
Current liabilities	20,741	38,329	14,801	22,906
Working capital	**16,237**	**8,280**	**12,837**	**63**
Current liquidity ratio	**1.78**	**1.22**	**1.87**	**1.00**

The current liquidity ratio points to a high ability of the Group to settle its short-term liabilities.

Net debt	Span Group		Span d.d.	
In thousands of EUR	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Short-term and long-term bank loans	937	2,107	937	2,107
Cash and cash equivalents	18,815	13,339	14,212	3,792
Net debt	**(17,879)**	**(11,232)**	**(13,276)**	**(1,685)**
Total equity	**31,606**	**30,423**	**29,347**	**27,082**
Net debt and total equity ratio	**-**	**-**	**-**	**-**

2.2.7. Cash flow

	Span Group		Span d.d.	
In thousands of EUR	2022	2023	2022	2023
Net cash from operating activities	10,746	6,009	7,760	4,324
Net cash used in investment activities	-6,214	-6,881	-6,608	-10,495
Net cash used in financial activities	-4,271	-4,605	-3,785	-4,250
Net increase / decrease in cash and cash equivalents	**261**	**-5,477**	**-2,633**	**-10,421**

The Group generated positive cash flows from business activities.

The negative cash flow from investment activities is mostly a consequence of the acquisition of GT Tarkvara and investment in tangible and intangible assets.

The negative cash flow from financial activities mostly derives from the payment of dividend, acquisition of shares, and establishing term deposit.

2.2.8. Operation of TOV Span Ukraine

An individual profit and loss statement of TOV Span for 2022 and 2023, and contribution to the consolidated results of Span Group is provided below.

In the observed period, Microsoft further enabled our users in Ukraine to use its products and services free of charge for the period from 1 January 2023 to 31 December 2023.

In 2022, other revenue reflects the consequence of the write-off of debts to Microsoft, whereas other operating expenses reflect the provision of the obtained relief to end users. The aforementioned resulted in a decline of other revenues and other operating expenses in 2023.

Revenues of TOV Span accounted for 6% of the consolidated revenues of the Span Group in the observed period of 2023.

In 2023, the contribution to consolidated EBITDA before one-off items was EUR 610 thousand, and the contribution in EBITDA before one-off items of the Group was 9%.

TOV Span standalone

In thousands of EUR	2022	2023	Δ%
Total revenue	**10,007**	**8,297**	**-17%**
Operating revenue	5,749	7,821	36%
Other revenue	4,258	476	-89%
Total costs	**10,004**	**7,618**	**-24%**
Costs of goods and services sold	4,876	5,836	20%
Personnel expenses	840	1,281	53%
Other business expenses	4,289	502	-88%
EBITDA before one-off items	**2**	**679**	**29938%**
One-off items	-	-	-
EBITDA	**2**	**679**	**29938%**
Depreciation and amortization	29	29	2%
EBIT	**(26)**	**650**	**2571%**
Net financial result	47	28	-40%
Profit/loss before taxation before one-off items	**21**	**678**	**3158%**
Profit/loss before taxation	**21**	**678**	**3158%**
Corporate tax	122	-	-100%
Profit/loss after taxation before one-off items	**(101)**	**678**	**772%**
Profit/loss after taxation	**(101)**	**678**	**772%**

Contribution of TOV Span in Span Group

	Span Group		Contribution of TOV Span in Span Group		Share of TOV Span in Span Group	
In thousands of EUR	2022	2023	2022	2023	2022	2023
Total revenue	**115,140**	**144,331**	**9,836**	**8,216**	**9%**	**6%**
Operating revenue	110,170	142,836	5,578	7,740	5%	5%
Other revenue	4,970	1,496	4,258	476	86%	32%
Total costs	**105,854**	**138,683**	**10,002**	**7,606**	**9%**	**5%**
Costs of goods and services sold	66,768	94,695	4,876	5,824	7%	6%
Personnel expenses	25,799	32,197	840	1,281	3%	4%
Other business expenses	13,288	11,791	4,287	502	32%	4%
EBITDA before one-off items	**9,533**	**7,111**	**(166)**	**610**	**-2%**	**9%**
EBITDA one-off items	247	1,463	-	-	-	-
EBITDA after one-off items	**9,285**	**5,648**	**(166)**	**610**	**-2%**	**11%**
Depreciation and amortization	2,572	3,559	29	29	1%	1%
EBIT	**6,714**	**2,089**	**(195)**	**580**	**-3%**	**28%**
Net financial result	(226)	(343)	47	28	-21%	-8%
Profit/loss before taxation before one-off items	**6,734**	**3,209**	**(148)**	**609**	**-2%**	**19%**
Profit/loss before taxation after one-off items	**6,487**	**1,746**	**(148)**	**609**	**-2%**	**35%**
Corporate tax	(223)	499	122	-	-55%	-
Profit/loss after taxation before one-off items	**6,958**	**2,710**	**(269)**	**609**	**-4%**	**22%**
Profit/loss after taxation after one-off items	**6,710**	**1,246**	**(269)**	**609**	**-4%**	**49%**

2.3. Information for shareholders

2.3.1. Share capital

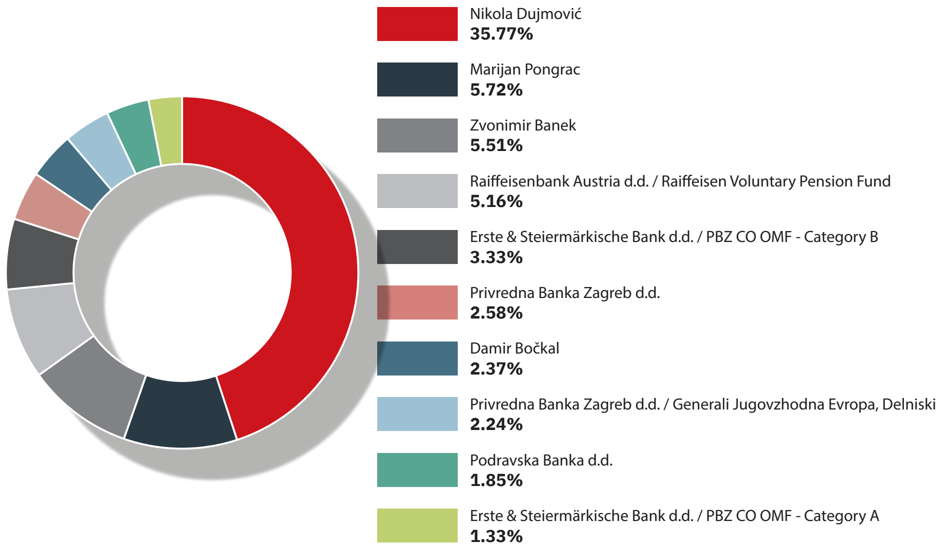
Based on the Decision of the General Assembly of the Company of 14 June 2023, in line with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22, 88/22), the Commercial Court in Zagreb on 29 September implemented and on 30 September 2023 published the registration of the share capital adjustment in line with the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23).

The Company's share capital was adjusted to the Euro and was increased from EUR 2,601,367.04 by the amount of EUR 1,318,632.96 to **EUR 3,920,000.00**, with the increase of the individual nominal amount of common shares with the stock symbol SPAN-R-A from EUR 1.33 by EUR 0.67 to **EUR 2.00**. Accordingly, the Articles of Association of the Company have been also amended.

The Company has one type of common shares that do not confer the right to a fixed return. The Company has no losses in 2023 and no carried-forward losses from previous years.

2.3.2. Ownership structure and 10 largest shareholders

On 31 December 2023, the largest individual share of 35.77% in the ownership structure was held by Nikola Dujmović, President of the Management Board. The structure of the 10 largest shareholders is as follows:



The table below shows information on the number of shares held by the Members of the Management Board and the Supervisory Board on 31 December 2023.

Management Board

Name and surname	Position	Number of shares	%
Nikola Dujmović	President of the Management Board	701,072	35.77%
Marijan Pongrac	Member of the Management Board	112,198	5.72%
Dragan Marković	Member of the Management Board	19,698	1.01%
Antonija Kapović*	Member of the Management Board	5,939	0.30%
Saša Kramar	Member of the Management Board	19,778	1.01%

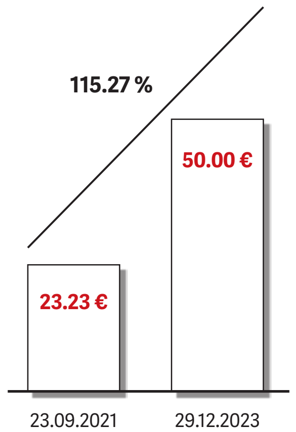
*Antonija Kapović has resigned as the Member of the Mangement Board, effective on December 31st, 2023.

Supervisory Board

Name and surname	Position	Number of shares	%
Aron Paulić	Member of the Supervisory Board	300	0.02
Barbara Gradečak	Member of the Supervisory Board	98	0.01

2.3.3. Share movements and trading volume

In 2023, the trading of the share started on 2 January with its price being EUR 35.80. The last day of trading on the Zagreb Stock Exchange was on 29 December 2023, when the price of the share amounted to EUR 50.00, which was a growth of 39.66%. Compared to the price of the share in the Initial Public Offering (HRK 175 / EUR 23.23), the price of the share had increased by 115.27%.



Increase of SPAN share price since the Initial Public Offering

The trading volume of the share in the observed period amounted to **EUR 30,790,402.30**.

2.3.4. Share Buy-Back Program

The Company adopted the Share Buy-Back Program on the meeting of the Management and the Supervisory Board of the Company that took place on **2 December 2022**. The Program is implemented with the purpose of the disposal of shares within the ESOP Program of the Company, remuneration of the members of the Management Board, the employees of the Company and affiliated companies, potential acquisition of companies, and for any other purposes that are provided for as such and allowed under the applicable legislation of the Republic of Croatia, in line with the decision of the General Assembly of the Company on 13 June 2022.

The Company plans to repurchase treasury shares on the regulated market of the Zagreb Stock Exchange, up to the maximum of 175,000 (one hundred and seventy-five thousand) shares[24] with the amount of funds allocated with the Program in the amount of HRK 87,500,000.00 (eighty-seven million five hundred thousand). The Company is not obliged at any point to purchase its own shares, acting as a purchaser depending on the market conditions. The Program started on 5 December 2022, and will end by 5 December 2024, at the latest. It depends on the market conditions and strategic decisions of the Company, and may be suspended, discontinued, or modified in any way during the Program period. This Program does not regulate the purchase of own shares through organized tender offers at the Zagreb Stock Exchange.

2.3.5. Acquisitions and disposals of own shares

In accordance with the above-mentioned Share Buy-Back Program, the Company acquired and disposed of own shares during the year.

On 31 December 2022, the Company held 20,029 shares, which represents 1.0219% of the share capital of the Company. After the above-mentioned acquisitions and disposals during the year, on 31 December of 2023, the Company held 15,673 shares, representing 0.7996% of the share capital.

Date	Corporate event	Purpose	Number of shares	Number of shares after corporate event	% of share capital before corporate event	% of share capital after corporate event
30 March 2023	Disposal of own shares	Share Buy-Back Program	6,415	13,614	1.0219%	0.6946%
6 April 2023	Disposal of own shares	Share Buy-Back Program	70	13,544	0.6946%	0.6910%
28 April 2023	Acquisition of own shares	Share Buy-Back Program	3.411	16,955	0.6910%	0.8651%
21 June 2023	Disposal of own shares	Share Buy-Back Program	4.615	12,340	0.8651%	0.6296%
3 July 2023	Acquisition of own shares	Share Buy-Back Program	2.911	15,251	0.6296%	0.7781%
4 August 2023	Acquisition of own shares	Share Buy-Back Program	100	15,351	0.7781%	0.7832%
8 August 2023	Acquisition of own shares	Share Buy-Back Program	4.419	19,770	0.7832%	1.0087%
9 August 2023	Acquisition of own shares	Share Buy-Back Program	60	19,830	1.0087%	1.0117%
10 August 2023	Acquisition of own shares	Share Buy-Back Program	500	20,330	1.0117%	1.0372%
14 September 2023	Disposal of own shares	Share Buy-Back Program	254	20,076	1.0372%	1.0243%
12 October 2023	Disposal of own shares	ESOP - allocation of additional shares	4.178	15,898	1.0243%	0.8111%
13 December 2023	Disposal of own shares	Share Buy-Back Program	225	15,673	0.8111%	0.7996%
As of 31 December 2023				**15,673**		**0.7996%**

[24] The price at which treasury shares are acquired must not be above 10% (ten percent), or below 10% (ten percent) of the average market price realised for those shares during the previous day of trading

2.3.6. Dividend Payment Policy

At the meeting of the Management Board of the Company that took place on 25 February 2022, a Dividend Payment Policy of the Company was adopted. The Policy will be implemented in line with the development plans of the Company, the capital market situation, net profit growth, revenue levels, and other relevant factors. When adopting the proposed decision on the payment and the amount of dividend, the Company will pay regard to ensuring successful regular operations, continuing growth on the markets where it already operates, as well as the growth on new markets. In the event the described conditions are met, the Company will pay the shareholders 20 to 50 percent of the consolidated profit in the form of dividend. The proposals of the Management Board and the Supervisory Board of the Company for the payment of dividend will reflect the stated position, but the final decision on the dividend payment, its amount and the method of its disbursement will be determined by a decision of the General Assembly of the Company.

According to the above-mentioned, a session of the Supervisory Board of the Company took place on 28 April 2023, where the Supervisory Board, together with the Management Board, proposed to the General Assembly the adoption of the decision on the use of profits and dividend payment in the amount of HRK 10.00 / EUR 1.33 per share. The dividend was paid to the shareholders of the Company who were registered as the Company shareholders in Central Depository and Clearing Company d.d. (SKDD), on 20 June 2023 (record date). The date from which the share of the Company was traded without the right to the dividend payment was 19 June 2023 (ex date). The claim for the dividend payment became due on 3 July 2023 (payment date). Dividend was paid from the Company profit made in 2022.[25]

2.3.7. Contracts with affiliated persons

During 2023, Span signed three contracts with Bug d.o.o., a company whose Director is the Vice President of the Supervisory Board, Aron Paulić. One contract concerned the realization of an annual media package by which Bug will provide Span with promotional activities in its issues (bug.hr, mreza.bug.hr, magazine Bug, magazine Mreza) in the amount of EUR 21,600.00, whereas the second contract related to the coverage of an annual sponsorship package in the amount of EUR 22,800.00. Both contracts were signed for a period from 1 January to 31 December 2023. The third contract was a contract on the provision of subscription services for Microsoft services through the CSP program, which Span as a Microsoft CSP (Cloud Solution Provider) partner offered to Bug d.o.o. as the customer. The annual value of the contract was EUR 1,497.36.

Prava Formula d.o.o., a company whose founder and Director is an affiliated person of the Member of the Management Board Dragan Marković, provided workshops for members of Span Management Academy and Span Learning Hub in the total amount of EUR 21,200.00. The workshops were held during 2023.

[25] In the business year that ended as at 31 December 2022, the Span Group made net consolidated profit in the amount of HRK 50,536,506.14, and net profit of Span d.d. was HRK 41,944.428.10

Span also signed a contract with Prava Formula d.o.o. on the provision of subscription services to Microsoft services through the CSP program, which Span as a Microsoft CSP (Cloud Solution Provider) partner provides to Prava Formula d.o.o as a customer. The annual value of the contract was EUR 1,141.20.

All the above contracts and affairs had been approved by the Supervisory Board.

2.4. Risks

Span has established and maintained a risk management system on the level of the Company in order to connect strategic goals and risks with the operative risks and in this way manage the operations in the best possible way.

By late 2022, the Company started the implementation of the risk management system according to ISO 31000 standard. The standard contains recommendations and good practice in the area of risk management and there is no official ISO certificate for it.

The **Risk Management Policy**[26] was defined, applying to all temporary, occasional and permanent employees of Span, depending on defined roles and responsibilities. The Policy specified competences, responsibilities and principles.

The risk assessment frequency and reference to the Risk Appetite document were defined.

[26] Created on 30 November 2022, and the current version is of 6 November 2023

It is specified that Span will accomplish its business goals offering products and services while taking taking into account:

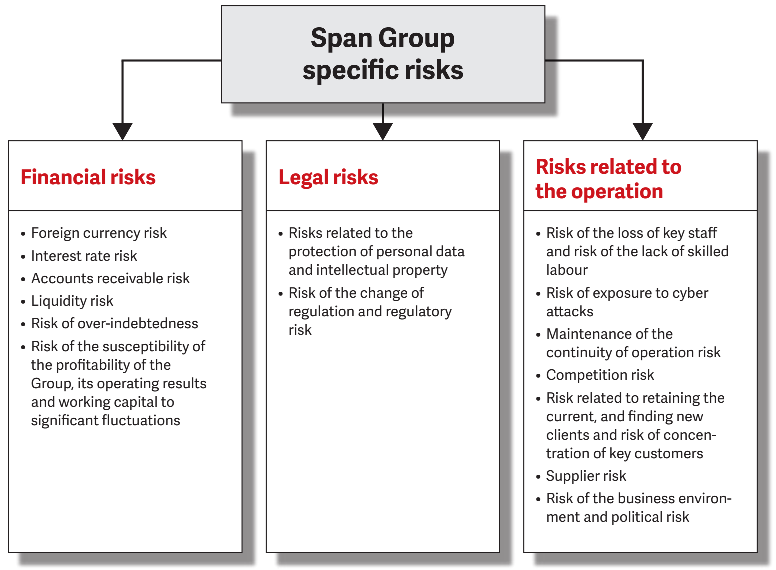
- Maintenance and respect of high ethical standards of operation and sustainability (ESG)
- Preservation of long-term financial profitability and business sustainability of Span
- Protection of interests of customers and ensuring decent treatment by providing high quality services
- Ensuring operations in full compliance with the legislation and regulatory requirements
- Maintaining the internal control system in order to preserve and maintain continuity and security of operation.

Furthermore, a document with the context of the influence of the main shareholders was created, as well as **Risk Appetite**[27], and the **Risk Management Methodology**, elaborated based on the previous Information Security Management System methodology.

A significant progress in risk management was achieved in 2023. Through activities of identification, training and education, and the systemic application of controls, the Company created an environment that encourages proactivity in facing risks.

The goal was to create a transparent risk management system suitable for risk processing in every domain of the operation of Span.

Based on the probability of occurrence and the potential reach of negative impacts of the operations, the financial condition and results of the operation of the Group, the following risks were identified:



The risks were distributed by categories depending on their nature, and they can be mutually connected. There is a possibility of the occurrence of additional risks that could influence the operations, financial condition and results of the operations of the Group, if they were realized, but they are currently not known or they are not considered key risks at the moment.

[27] On 23 March 2023, the Management Board of the Company adopted the **Risk Appetite Statement**, which defines appetites for operational, reputation and financial risks and the compliance risk in line with the strategic guidelines

2.4.1. Financial risks

Foreign currency risk

Span Group operates on an international level and is exposed to the foreign currency risk that arises from changes in the exchange rate of foreign currencies. As of January 1st, 2023, the official currency in the Republic of Croatia is euro and the official parity is 1 EUR = 7.53450 HRK. The most significant risk is the one related to the change in the exchange rate of the US dollar (USD) and the British pound (GBP). The risk is mostly present in relation to the conversion costs; USD - Euro (EUR), Ukrainian Hryvnia (UAH) – USD and GBP – Euro (EUR). Exchange rate changes between the aforementioned currencies, as well as their relationship with the euro, may have an impact on the results operations and future cash flows of Group companies. The company has concluded an agreement on derivative financial instruments for protection against exchange rate risk. More detailed the description can be found in the audit report under note 37 - Financial instruments.

Interest rate risk

The Group is exposed to interest rate risk because the Company and its subsidiaries are debited at fixed and variable interest rates. The Group manages the stated risk by maintaining an appropriate borrowing ratio with the fixed and changing interest rate. A more detailed description can be found in the Audit report under Note 37. Financial instruments.

Accounts receivable risk (credit risk)

Accounts receivable risk (credit risk) is a risk of a customer's failure to pay, i.e. default by the customer concerning the contracted liabilities, which impacts possible financial loss of the Company or the Group. To reduce the accounts receivable risk, the Group adopted a policy of operation only with creditworthy customers and obtaining collaterals securing the collection. The exposure of the Group, credit worthiness of the customers, and orderliness in meeting the contracted obligations of customers towards the Group is continuously monitored. A more detailed description can be found in the Audit report under Note 37. Financial instruments.

Liquidity risk

Liquidity means the maintenance of sufficient quantities of cash and working capital and ensuring adequate financial instruments in form of credit lines. The liquidity risk itself relates to a case where the Group cannot meet its due financial liabilities on time due to the lack of its own cash, shortage of available assets on the cash market or impossibility of crediting by financial institutions. The Management Board has responsibility for the liquidity risk management, and it has set up an appropriate framework for the liquidity risk management by which it is guided in the management of the short-term, medium term, and long-term requirements of the Group for funding and liquidity. The Group manages the liquidity risk in a manner that it maintains adequate reserves and credit lines, constantly oversees the projected and actual cash inflows and outflows and adjusts maturity of the financial assets and financial liabilities. A more detailed description can be found in the Audit report under Note 37. Financial instruments.

Risk of over-indebtedness

The risk of over-indebtedness is expressed in the too high level of debt that adversely affects the financial stability. The Group monitors its status of over-indebtedness and manages the risk of over-indebtedness through the indicators of the level of indebtedness.

Risk of the susceptibility of the profitability of the Group, its operating results and working capital to significant fluctuations

The operating results of the Group can be influenced by the fact that the operations on which the Group makes a significant part of its revenues are not contracted for the long term and thus there is no certainty that the Company will make revenues of these jobs in the long run. Customers are not obliged by volume commitment. Revenues of the Group based on license subscription are relatively stable in the short term (excluding the effects of potential foreign currency fluctuations), but in the long run, they can vary due to the pace of the IT industry and market in which the Group operates. However, low margins in relation to license subscription reduce the effects of the concerned revenues on the profitability of the Group. With a strong focus on long-term growth and investments oriented to strengthening the capacities for growth of the Group, the Group expects the profitability and the working capital to vary on quarterly and annual levels.

2.4.2. Legal risks

Risks related to the protection of personal data and intellectual property

Within their operations, the members of the Group process the personal data of participants (e.g. employees, clients, business partners and third persons, such as job candidates). Obligations concerning processing personal data differ depending on whether the members of the Group process them in the role of the controller or in the role of the processor. GDPR and the Croatian Act on the Implementation of the GDPR, i.e. national and other regulations on data protection according to the territorial application for different members of the Group, provide for regulations in accordance with which the members of the Group act in relation to personal data, and competent bodies, primarily Croatian Personal Data Protection Agency (AZOP) in Croatia, monitor the compliance with the said regulations.

The Group encounters different forms of intellectual property of its partners and customers through its operation. There is a risk posed by possible violations of the intellectual property rights specific for the operation of the Group, such as the use of the source code and IT products contrary to the terms and conditions from the license and the use of open source solutions contrary to restrictions set by the clients of the Group. A risk is also posed by potential and successful cyber attacks directed at personal data of clients. The very perception that a threat or violation of personal data has occurred, whether the danger is real or not, can significantly disturb the business reputation and make future operation of the Group difficult.

Risk of change of regulations and regulatory risk

Given that the Group does business in the global market, it is subject to the risk of change of tax regulations in a manner that would adversely affect profitability of the operations of the Group. This risk is also reflected through possible changes of tax rates as well as the subject of taxation. The presence of the Group in different jurisdictions implies different global and regional economic, political, legal, regulatory and operational risks, which instills additional complexity in the operation due to diversity of the rules applied, including regulations governing the access to and use of the Internet, data privacy and IT security, along with labor law and other issues in each jurisdiction where the Group operates. There is a risk that the Group will not be able to detect and/or prevent a breach of regulations, i.e. that the standards of control and risk management applied by the Group will not be implemented efficiently in all affiliated companies.

2.4.3. Risks related to the operation of the Company

Risk of the loss of key employees and of the lack of skilled labor

The operation of the Group largely depends on retaining the founding company, the management and experts in the area of IT technologies, and the ability of the Group to continue to attract and retain new professional employees required for a successful operation. A demand for IT experts has increased, and the labor market features a constant lack and increased turnover of IT experts on all levels of expertise. Therefore, there is a risk that the Group will not be able to respond adequately to the demanding pace of the labor market and timely engage the required additional employees or retain the existing one. The exposure to increased costs related to attempts to respond adequately to the needs for employment of skilled labor is an additional risk. To maintain the quality of IT employees it employs, the Group organizes training for advancement and obtaining professional certificates required for the performance of specific IT services, demanded by technology partners on the one hand, and customers on the other.

Owing to its proactive approach and well-conceived HR initiatives, the Group mitigated this risk with exceptional success during 2023, so the reduction of the turnover rate continued, from 10.47% in 2022 to only **8.15%,** with a further stable increase of the number of employees. That is proof that the Management and HR of the Group showed a high ability to attract qualified labor force and retain key personnel.

Risk of exposure to cyber attacks

The Group, as well as the customers of the Group, are exposed to risks of cyber attacks and security threats. In its operations with customers, the Group is obliged to maintain systemic security, provide security patches and improvements, antivirus measures of protection against a malicious code, and ensure credibility of its own employees who cooperate with the customers of the Group. IT security breaches can lead to setbacks in the provision of services and/or functioning of the system controlled by the Group and to potential endangering of reliable information. Every year, the Group increases investments in order to better protect itself against risks of exposure to cyber attacks and security threats. One of the key services the Group provides to its clients are IT solutions related to cyber attacks and threats, which means that the Group has the required expertise to take the required precautions. The Group implements extensive security training measures and training of IT security experts and at the same time continuously invests in its security capacity.

Maintenance of the continuity of operation risk

The total operation of the Group depends on the possibility for proper functioning of its own IT infrastructure and ability of the Group to protect it in case of unpredictable events (continuity of operation). Smooth functioning of its own IT systems is a prerequisite for regular operation and the foundation of trust the customers have in the Group's services. Besides, technology used by the IT infrastructure is susceptible to difficulties in functioning caused by the human factor, delays in the supply of electricity, systemic errors, telecommunication problems, natural disasters, and similar events that can cause significant obstructions in regular operation of the Group and cause violations of the assumed contractual obligations, if the Group cannot eliminate them within a reasonable time span. The Group uses the IT infrastructure of renowned global technological companies such as Microsoft Corporation, Cisco Systems, Google and others and has backups of all important data, which is not stored at one location. Furthermore, the Group also uses the IT infrastructure of third persons that it does not control, such as services of operation in Public Cloud, i.e. the operation of the Group is largely dependent on proper functioning of the infrastructure concerned and the connection with customers of the Group.

Competition risk

Markets in which the Group operates are highly competitive and are characterized by fast changes in technology and frequent introduction of new products and services. Future profitability of the Group significantly depends on the successful improvement of its solutions and implementation of new services, and on efficient interoperability between an increasing number of operative systems, applications and software solutions. There is no guarantee that the future effort of the Group to be harmonized with the current requirements of the market will be successful. Any belatedness in adopting new technologies, which would result in the lack of competition, would reflect adversely on the business results of the Group. Moreover, it is possible that competitor companies will meet the requirements for changes in the IT technologies in the future more efficiently, and in that way jeopardize the profitability of the operation of the Group. Even though the Company is among the leading companies in its industry, there is a risk that some of the current competitors could make a high financial investment and launch an attempt to take over customers or employees of the Group. Given the trends of consolidation in markets where the Group competes, some of the global competitors are also likely to try to access the market.

Risk related to retaining the current and finding new customers and risk of concentration of key customers

The operation of the Group depends on its ability to keep and expand the cooperation with the current customers through cross-selling and up-selling, and successfully attracting new customers. Growth of revenues of the Company depends on the growth of sales to the current customers through an increase of the number and types of services rendered, which makes the retaining of the existing customer base especially important. A significant category of customers of the Group, as per their share in the revenues, is made up of customers of the Microsoft licenses that are by rule renewed annually. However, customers are not obliged to renew their subscription after the expiry of the contracted duration of a license, therefore we cannot be certain that after the expiry, those same customers will renew the subscription for a license. In addition, we are exposed to the risk of the concentration of key customers. The risk is reflected in the concentration of revenue in relation to customers that belong to one business group given that a possibility cannot be ruled out that they can cease to use the services of the Group for any reason, or to continue to use them to a lower extent.

Supplier risk

Results of the Group largely depend on a possibility of sale of Microsoft program licenses and use of Microsoft solutions of operation in Cloud, which the services the Group renders to their customers are based on to a significant extent. Therefore, global acceptance of Microsoft programs and solutions in relation to operation in Cloud is a significant factor in the business model of the Group. Even though Microsoft IT solutions are widely prevalent, there is no guarantee that they will keep the current market position in the future so the risk of adjustment to fast changes in technology on the competitive market is applicable to Microsoft itself as well. The authorization of the Group for sales of Microsoft products to customers and the business requirements of the cooperation are related to the status of the provider of services of licensing that is based on a contract that is not exclusive and should be renewed on an annual basis for each geographic area where the Group sells Microsoft products. Successful cooperation of the Group with Microsoft also depends on a successful adjustment to business requirements of cooperation specified by Microsoft, which include various incentives in form of rebates, investments, marketing assets and other payments. The incentives Microsoft offers to its Microsoft LSP (Licensing Solution Provider) partners, including the Group, depend on whether a partner meets certain indicators of success such as the revenue growth in certain areas of products or services, finding new customers, acquiring certain Microsoft competencies and specializations, etc. Business requirements for cooperation are subject to annual changes, so if the Group is not able to adapt to those changes on time, this can result in a significant reduction of the received incentives and adversely affect the profit margins of the Group. The Group, a multiyear Microsoft partner with more than 30 years of successful cooperation, enjoys business trust, but there is no guarantee that the cooperation will continue equally successfully in the future. Finally, concerning Microsoft as a supplier, along with other IT companies whose products are used by the Group, one cannot rule out that the mentioned companies will offer their products and services directly at certain markets or to certain customers. Such a change of the business model of companies that can be considered suppliers of the Group could adversely impact the operation of the Group.

Risk of business environment and political risk

The risk of the business environment is determined by political, economic and social conditions in a country, and includes political, macroeconomic and economic risks. The political risk of a country includes all the risks related to a possibility for political instability, and in its extreme, includes the integrity and survival of the state. Risks of this nature are not present significantly relating to the Group, apart from the Ukranian market where Russian aggression and the war is still going on. The decline in income in Ukraine in 2023 was fully compensated at other markets and at the end of 2023 revenues in Ukraine make up 6% of the Group's revenues. Span continues with operations in Ukraine, and the individual report on the operations of TOV Span can be found in point 2.2.8. Business overview Ukraine.

3. People and community

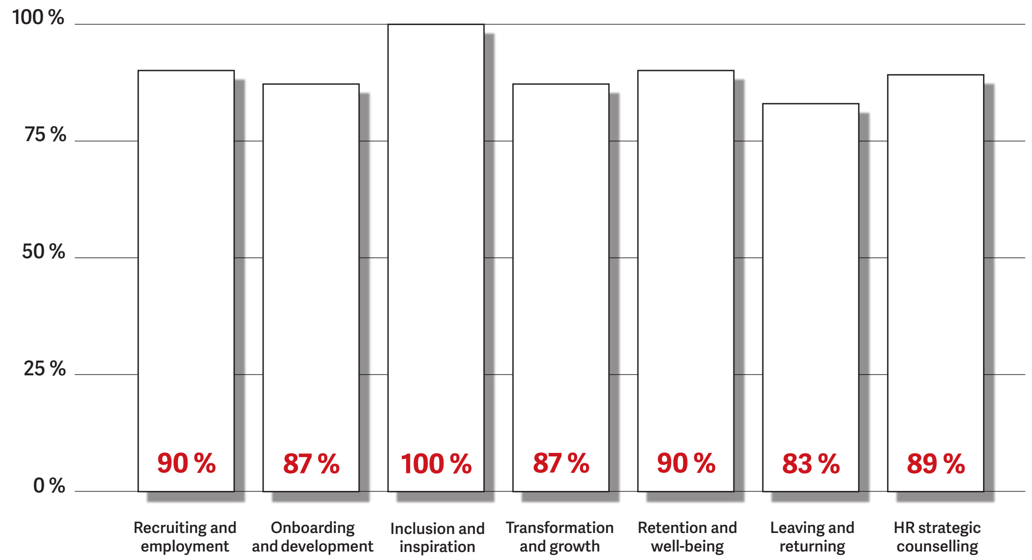
3.1. Human resource excellence

Span has been the winner of the Certificate Employer Partner (CEP) for the third year in a row. This once again acknowledged Span's excellent practice and the high quality in the area of human resource management.

In the third year of certification, our HR processes were evaluated in seven key categories, which include all parts of the employee life cycle – from attracting and employment to leaving, and possible returning.

Span's result in all categories was above 80%, and what makes us especially happy is a result of the maximum 100% in the part related to the inclusion and well-being of our employees. In the year in which recertification criteria were made significantly stricter, we achieved a total result of 90%, which was also higher than the average of other certified organizations by 8%. All this is only an indicator of the continuing effort we invest in attracting, recruiting, retaining and developing employees – in short, in the overall care of employees.

Results on Employee life cycle steps



3.2. Recruitment, development and retention of employees

3.2.1. Recruiting and employing professional employees

Successful cooperation and enhancing the relationship with the academic and IT community

Span is committed to attracting, developing and retaining superior IT experts, and the key strategy in achieving these goals lies in the successful cooperation with the academic and IT community. Through our longstanding partnership with faculties and students' associations, we show dedication to the development of talents and support educational initiatives in the IT sector.

Our cooperation includes a wide range of activities, including visiting lectures, professional workshops and practice, as well as innovative programs such as SpanIT Gym practice. Taking part in 16 visiting lectures and organizing 14 professional workshops in 2023, point to our commitment to sharing knowledge with young talents.

Our dedication to sharing knowledge is also shown in our move for establishing elective courses (so called Skills) in prestigious faculties such as the Faculty of Electrical Engineering and Computing in Zagreb and the Faculty of Organization and Informatics in Varaždin. Within these subjects, our experts participate in shaping future IT experts, providing them with relevant knowledge and skills required for fast development in the industry.

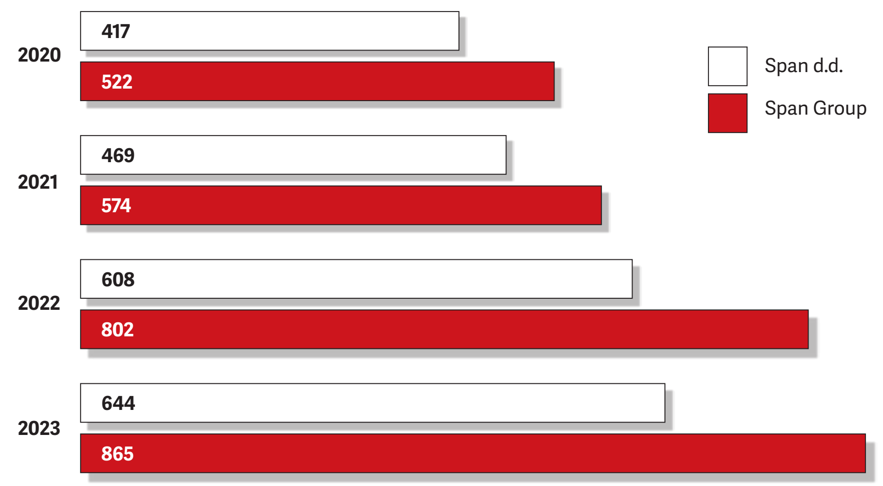
Besides, it is important to emphasize that more than 50% of students who underwent our **SpanIT Gym** professional practice in 2023 got an opportunity for employment in Span. We are drawing attention to this because it confirms our long-term commitment to creating professional employees within the organization, thus reducing dependency on external sources.

A dose of innovation is always welcome in recruitment strategy, as shown by Span's first participation and victory in the esports competition **Good Game Zagreb 2023**. During the weekend of the competition, Span attracted more than 80 new followers by means of social networks, whereas posts related to Good Game reached more than 21,000 people.

Our strategy for cooperation with the academic IT community acknowledges our dedication to the development of IT talents, accomplishing a two-way communication with potential employees, which also helps us to ensure competitive advantage and sustainability in the growing world of information technology. Furthermore, with all these activities, we are helping the academic community to create educational programs adjusted to the needs of the future.

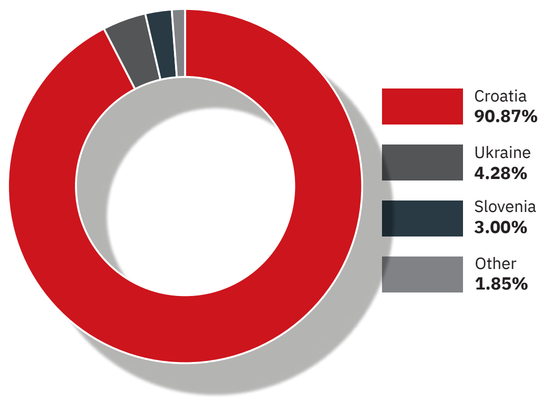
Key indicators for employees and operations of Span Group

1) Overview of employees over years

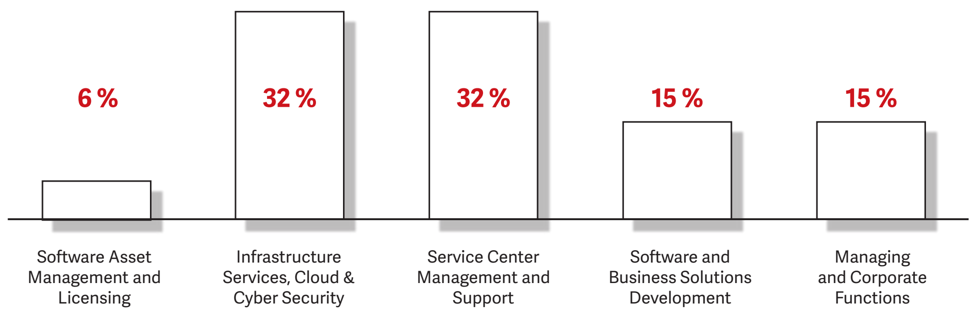


The number of employees in Span recorded a growth of **6%** compared to 2022, whereas the number of employees at the level of the whole Group increased by **8%**

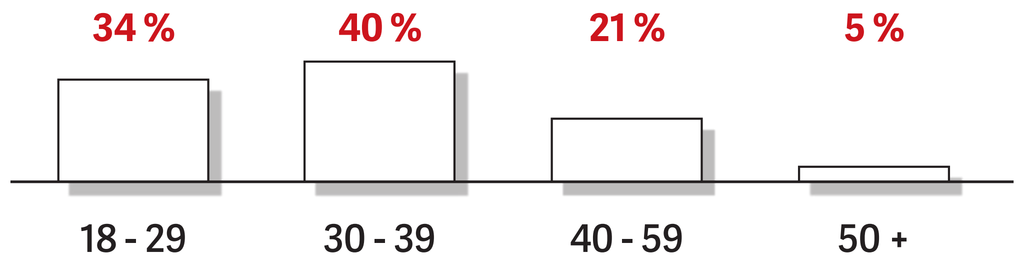
2) Share of employees by country



3) Overview of employees by business segment



4) Age structure of employees



5) Gender structure of employees of the Span Group

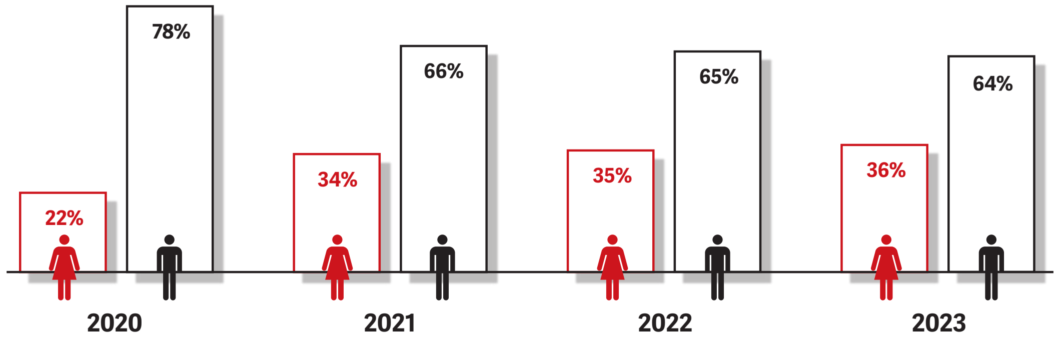
6) Average age of the Span Group

7) Average work experience

At the moment, 30% of women work in Span, which is an increase by 1% compared to the prior year. According to Eurostat data, it is also higher by 12% than the Croatian average of women employed in IT[28].

[28] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=ICT_specialists_in_employment#ICT_specialists_by_sex

Furthermore, the proportion of employed women and men in Span is better when compared to the rest of the market because, according to data from Eurostat, 18% women on average are represented in IT organizations[29].



One of Span's long-term goals is certainly increasing the share of women in IT positions.

Year by year, we are gradually accomplishing that goal, and one of the cooperations that particularly contribute to it is the one with Algebra University College. We continued this cooperation in 2023 as well, and owing to the **Work in Tech** project, 17 female attendees completed their professional practice in Span.

3.2.2. Development of technological and leadership capacities

Span Management Academy 2023

The development of managerial skills, retaining and motivating employees, promoting the culture of transfer of knowledge and excellence in leadership, and filling existing and future key positions in the organization in a faster and better way are some of the main goals we wanted to achieve with the establishment of the internal management academy. Within this nine-month structured development program, the attendees acquire skills for development of competencies in line with the strategic needs and goals of Span. This year, we successfully closed the second and launched the third generation of our Span Management Academy program. In the second generation of students, who completed the program in June, out of 27 attendees, as many as 93% assumed leadership positions, whereas a positive change in satisfaction was observed with the attendees of the Span Management Academy in the segments "relation to the organization" and "experience of perspective." In the said segments, the highest increase was also visible in the questions that examined the proactivity of

[29] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=ICT_specialists_in_employment#ICT_specialists_by_sex

employees and perception of their future in the organization. In the third year of the program, we recognized **15 new talents**, who will be ready to take new positions after this program.

Establishing an internal education system

Within the training and development of employees, in early 2023 we launched an internal education system, **Span Learning Hub** as a response to the needs of the management and employees for more education that would develop skills useful in their daily work. Training covers topics from business areas and the development of the so-called soft skills. Thus, during 2023, we conducted educations in security awareness, leading meetings, time management, project management, assertive communication and feedback, divisions overview, training for understanding and accepting differences, and by the end of the year, we recognized a need for another topic, mentoring in onboarding, and implemented it. The feedback of the attendees and managers is exceptionally positive so we are continuing with the same topics in 2024, while monitoring the needs of our employees and organization with the purpose of expanding the topics we cover. In the first year of the program, **75% of the total number of employees** of Span attended the training.

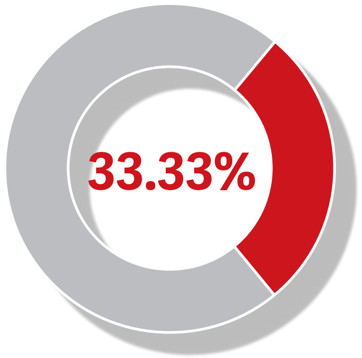
Career development and advancement

One of our strategic goals in 2023 was the improvement of technological and leadership capacities in Span, so we elaborated new career paths and positions. In cooperation with managers, responsibilities and roles were defined and solid foundations for the future development of our employees were laid.

By using this approach, we wanted to strengthen the internal cohesion and efficiency of the teams, be more transparent and provide perspective and clearer guidance for the advancement of employees that would positively influence their satisfaction and retention, and reinforce the foundations for the long-term success of the organization.

What we would like to especially point out is the **share of women in managerial positions**.

Thus, **33.33%** of managerial positions in Span are performed by women, which is an increase by 3.33% compared to 2022.

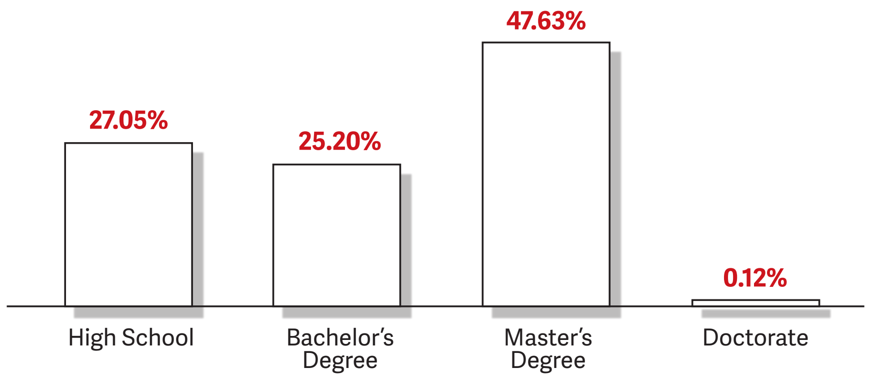


In accordance with the provisions of the Corporate Governance Code of the Zagreb Stock Exchange, guidelines of the Croatian Financial Services Supervisory Agency and EU directives on representation of women in management boards, in 2023, we added **three new female members** to the Supervisory Board. One of them was selected by election as a representative of employees, whereas the others were nominated formally.

The development of technological capacities certainly implies a **high percentage of certified employees**. In 2023, the share of certified employees of Span d.d. was **70%**. Compared to 2022, another 52 people were certified and 321 more certificates were passed.

Year	2021	2022	2023
Number of certified employees	341	397	449
Number of acquired certificates	2349	2475	2796

Employee structure of Span Group according to the degree of education



3.2.3. Retention of employees – engagement, remuneration and retention

Well-being, health and life balance

Taking into account the specifics of our job, in which life balance issues are decisive, in Span we are continuously working on creating a working experience that ensures a good work-life balance, which is key in ensuring personal well-being and satisfaction.

For that reason, last spring, in cooperation with the Croatian Institute of Public Health, we started the process of certification and acquisition of the right to display the title "**Health-Friendly Company**."

lifespan

More than 15 such initiatives were conducted within our **LifeSpan** program in 2023, where we explored various topics – from healthy diet to the importance of movement and physical exercise at the workplace, to workshops with parents and the importance of mental health. On Women's Day, an educational lecture for women on the importance of self-examination and prevention of breast cancer was organized, whereas in November, we conducted a similar initiative for men, focusing on their health. This year again Span took part in the largest business race, B2Run, and our most recognizable initiative, **Fit Happens**, saw more than 250 employees of Span Group summing up steps and taking part in raising awareness and encouraging healthy habits.

FITHAPPENS

With the aforementioned, we showed that we really are a company that continuously invests in the health and well-being of its employees, and we acquired our official recognition and certificate in early June. Span is now officially a "Health-Friendly Company," and new numerous initiatives are ahead of us.

3.3. Improvement of internal business procedures

Implementation of SAP Success Factors

To be able to successfully continue to support the future development of the organization, in late 2023, we successfully introduced **SAP SuccessFactors**, a sophisticated cloud-based solution for HRM[30]. The goal of the transition to this system was to improve our existing information system of human resource management and adjust ourselves to the best practice, with a special focus on the greater centralization of data and enhanced protection of employees' personal data.

SAP SuccessFactors

In the first phase of the implementation, we focused on the Employee Central module, offering a comprehensive solution for basic HR functions. We plan to continue this transformation by implementing a module for monitoring and managing employees' performance (Performance & Goals), and creating, monitoring and managing training and development of employees (Learning Management System). The implementation of the said modules not only reflects our commitment to improving HR processes, but contributes to creating an ever more agile and effective working environment in the long run.

Successful onboarding

One of the key steps in onboarding optimization is the implementation of the so-called **Onboarding Success** tool. This tool was conceived as a questionnaire by which superiors evaluate four key areas of employment of new employees, encompassing orientation and education, integration and cooperation, development of skills and independence and performance. The implementation of this tool enables us to systematically measure and improve the effectiveness of the process of onboarding of new employees, and leads to a faster achievement of full work performance and reduction of the time required for their integration into the team. Additionally, we recognized the importance of preparing new leaders and managers and implemented a specific onboarding program for them as well. The goal of this program is to ensure that new leaders fully understand the key aspects of their role, including processes such as employment, Performance Evaluation interviews, system of compensations and benefits and other key elements pertaining to their new function.

Safe working environment

The foundations for protection against discrimination and protection of dignity of our employees have been incorporated in Span's key internal documents – Rules of Procedure, the Whistleblower Protection Procedure and Code of Business Conduct.

[30] Human Resourse Management

To adjust internal documents and processes with the latest amendments to the Labor Act and to improve and additionally emphasize the importance of a safe working environment, we decided to adopt a specialized **Rulebook on procedures and measures for the protection of employees' dignity**. One big novelty introduced with this Rulebook was the appointment of new **Commissioners** for the protection of employees' dignity. To ensure equal, secure and unbiased environment for the employees, we decided to entrust the role of the commissioners to external law professionals, i.e. to a third, neutral party.

Our goal is to continue to promote equality, respect and understanding of employees by making these changes, and ensure a zero tolerance to any kind of discrimination, harassment and abuse at the workplace. This important step clearly shows the intention of the company to continue to positively influence the society by planning the development of specialized policies that encourage diversity, inclusivity and equality of opportunities.

3.4. Encouraging positive changes – results of the organizational climate survey

An employee satisfaction and organizational climate survey is a tool we use in order to gather information about the satisfaction of employees concerning their conditions, leadership, and working environment. We regularly collect this information, leading us to create a better and more comfortable working environment, better conditions and everything our employees need to be more satisfied and happier in Span.

The climate survey conducted this year showed the most significant increase of satisfaction in the aspects of management, image and organizational climate. The increase of satisfaction in the aspects concerning the organization and management is the confirmation of our employees' trust in Span and people leading it.

Furthermore, positive shifts compared to last year were visible concerning the issue of leaves and work-life balance. This growth made us especially happy because it shows that the effort and investment in benefits and initiatives undertaken to positively influence our employees' health and well-being really paid off.

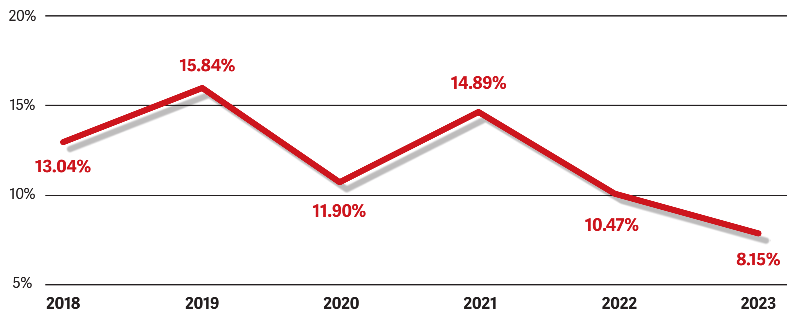
Finally, we would like to refer to the results of the survey in the area of employee **proactivity**. Proactivity is one of the key characteristics of success of both individuals and organizations. In this area, our survey results this year recorded one of the largest increases. Proactivity has a positive influence on innovation, efficiency and satisfaction of clients, it strengthens team work and organizational adaptability, which is crucial for our long-term success and competitiveness in the market.

Retention of employees in the strategic focus

Retention of expert employees and a stable turnover rate was and remained one of the key strategic HR goals in 2023.

Despite the dynamic environment marked with significant economic, social and geopolitical changes, we have recorded the lowest turnover rate for the second year in a row, both at the level of Span (**7.83%**), and at the level of the Group (**8.15%**).

Employee turnover rate of the Span Group



3.5. Brand and Communications

A new Brand and Communications department was established in the first quarter of 2023 to enable the unification of all Span's teams dealing with communications and to create a central place that takes care of the Span brand and its development.

Within the department, there are marketing communications, public relations, internal communications and digital production, which report to the Member of the Management Board responsible for Marketing and Sales concerning their plans, tasks and results. The scope of the responsibility of the department includes taking care of the Span brand and its reputation, the creation and implementation of a series of activities in the area of external and internal communications and taking care of Span's promotional activities. A digital production team also works within the department, serving as support for all communications activities in the form of producing graphic, photograph and video materials. The department also takes care of the continuous implementation of two major projects – Span TV, internal television broadcast once a month, and Spanoptic, a podcast intended for the public, released through YouTube channel.

Given the intensive expansion of the company in the past years, during 2023 we started a project of revising Span's brand strategy. Our goal is to determine what Span is today and define the strategic guidelines for the future. The project includes research of Span within all the target groups (employees, customers, investors), and according to the results of that research, we will define new brand values, personality, promise and brand essence.

4. Sustainability in Span

4.1. Corporate Social Responsibility

During 2023 as well, Span tried to contribute to corporate social responsibility through numerous cooperations, projects and activities. We continued to organize now traditional voluntary blood donation in cooperation with the **Croatian Institute for Transfusion Medicine**, in which as many as 82 Span employees took part. For the first time, we organized a voluntary blood sampling action for blood typing and informing the donors in cooperation with **Ana Rukavina Foundation**.

During 2023, our employees held three donor actions, two traditional ones for the needs of the **Mali Zmaj** association and one for the needs of the **Pediatric Clinic KBC Zagreb**.

With all the above, in 2023, we supported as many as 37 different civil society organizations, initiatives and projects through Span's socially responsible program focused on **children and youth, STEM areas, sports without institutional and organized funding**, and **green initiatives**.

Aware of the importance of integrating criteria for sustainability into operations, and additionally encouraged by new directives and regulations on reporting, in 2023, we drafted the first **Sustainability Strategy**. With this, we laid the foundations for the future assessment of risks arising from the issues of sustainability and adaptation of business processes, taking into account the environmental and social processes.

During 2023, we continued with the education initiative **ESGym**, used to introduce sustainability topics to Span's employees through various formats. This time, we introduced basic sustainability topics and notions, their differences and importance for the future of operation and the company as a whole through a series of short videos.

We also supported the campaign "**Kindle equality**," aimed at spreading awareness of the importance of combating gender biases, and a part of the project "Equality IN – Stereotypes OUT," intended to contribute to equality among male and female students.

In addition to taking care of gender equality and equal opportunities, we continued to support the **Softball Club Span**, which achieved enviable results in 2023. The club has been accomplishing good results since its establishment, it is an active member of the Zagreb and Croatian softball association and is consistently at the top of the domestic and European softball scene. This year, they triumphed at the Croatian Championship, Croatian Cup and the Zagreb Championship.

4.2. Sustainability Report for 2022

When we started working on our first Sustainability Report last year, numerous perspectives of the world in which we operate today opened to us. Those were not only challenges and risks global trends pose to us, but also opportunities to be more responsible in our work, and to develop our operation using just the opportunities this challenging world is offering us.

Our **Sustainability Report for 2022**, entitled "Securing sustainability: Protecting our digital and environmental future," contains the assessment of the influence of the organization on the economy, society and the environment. Along with internal assessments, the results of the research implemented among 270 relevant stakeholders were also the basis for this report. Accordingly, topics and influences we report about were defined.

Following the idea that influences arising from the fundamental operation are most significant, influences in the area of **cyber security, privacy and data protection, provision of reliable solutions for customers, and creating relations of trust with customers** are the most important ones for Span. In the area of cyber security, we undertook a series of activities in order to deliver quality solutions for defense against cyber threats and raise the awareness about this topic in the public. Therefore, 2022 was marked with the establishment of Span Cyber Security Center and development of advanced solutions for customers in this segment.

Areas of positive influence on employees, providing opportunities for advancement and cherishing the culture of respect and diversity turned out to be exceptionally important. Moreover, we report about responsibility in our own operations, emphasizing the issues of risk management, ethical operation, financial sustainability, responsibility in work with suppliers, taking care of our own environmental footprint, and social engagement. We place great focus on gender balance as well. In that segment, one of the goals is increasing the share of women in IT positions.

4.3. Corporate volunteering in Span

Span has taken numerous steps in the past several years so that we can elevate our corporate volunteering on an even more advanced, effective and organized level. The steps we made include the development and implementation of two types of corporate volunteering – volunteering based on skills and volunteering actions.

Two cooperations we had with the **Hrabri telefon** association in 2022 and **Nismo same** association in 2023, in the form of volunteering based on skills, laid the foundations for all future projects and cooperation of that kind. Using our expertise, know-how and technology at our disposal, we improve the work of associations and contribute to the development of the civil society in Croatia.

Together with these two projects, we also realized two volunteering actions; in cooperation with the Project O2 in March, we engaged in afforestation, and in December, in cooperation with the Volunteers' Center Zagreb and the Medveščak Home for the Elderly, we arranged the joint areas of the home. As many as **67 Span employees** participated in **632 voluntary hours** of voluntary activities.

As our voluntary initiatives began to grow in number, the need arose to make them more official. Therefore, in October, we adopted the official **Policy on Corporate Volunteering in Span**. This Policy now more clearly defines what corporate volunteering is and what it entails, so that all employees involved

in the corporate volunteering programs feel comfortable, that their rights are respected and their health and security are protected.

We also took part in the **6th National Conference on Employee Volunteering** organized by the Volunteers' Center Zagreb under the title "Contribution to the community through socially responsible business."

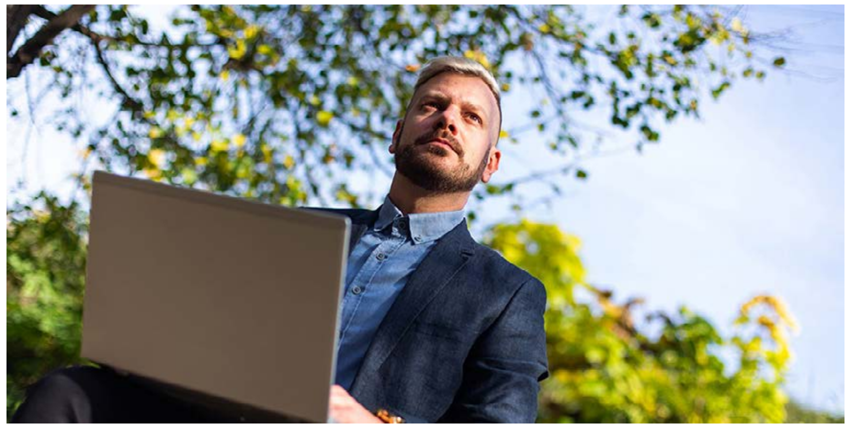
The conference also presented an initiative to sign the **Charter of Employee Volunteering**, which applies to all private and public organizations and is intended to encourage the introduction of a more systematic approach to volunteering by defining volunteering rules, creating a suitable environment for volunteering, and adopting volunteering standards. Span was also one of the signatories of the Charter in 2023.

For the end of the year, the recognition for all our effort and investment in the development of corporate volunteering came in the form of the **Volunteering Oscar** in the organization of the Volunteers' Center Zagreb, which Span won in the category of companies. This Volunteering Oscar is sort of a crown for our endeavors, an affirmation that we are moving in the right direction and a new encouragement to continue returning to the community in an even more ambitious and organized manner through numerous similar actions.

4.4. Memberships in UN Global Compact and HRPSOR

In 2023, Span became a part of the **UN Global Compact**, the world's largest initiative for sustainable development and corporate sustainability, and a member of the **Croatian Business Council for Sustainable Development** (**HR PSOR**). The inclusion of Span in the initiatives and organizations that actively promote and encourage the business sector towards accomplishing the goals of the sustainable development and achieving corporate sustainability is essential because it gives us an opportunity to contribute as a company to raising the awareness about sustainable development and encourages us to continue making improvements in this regard.

The inclusion in the membership of the Croatian Business Council for Sustainable Development opened the opportunity for us to take part in the training program "**Workplace Inclusion Champion**" (WIC), held from March to September for representatives of Croatian companies. Four female employees of Span participated in the educational program, which was co-created with organizations in Slovenia and Romania with the support of the European Commission. The goal of the program is enhancing companies in the area of inclusion, equality and diversity.



Policy on Diversity and Inclusion

In addition to acquiring new knowledge and raising the capacity of Span in topics related to inclusion, equality and diversity, the aforementioned WIC program enabled us to draft the **Policy on Diversity and Inclusion** under the mentorship of Darija Mateljak, a partner and Director in the consultancy company Hauska & Partner. For the purpose of drafting the Policy, we launched the SpanVoices program dedicated to the topics of equality, diversity and inclusion, or simply said – what it means to be yourself in Span! In order to conduct an analysis of the existing situation and needs, we carried out the Span Speaks Out survey in order to learn what Span employees think about it. All obtained data was used as the foundation for the creation of the Policy on Diversity and Inclusion and the related Action Plan.

4.5. RTL helps children

Span's cooperation with the charity association "**RTL helps children**" (RTL pomaže djeci) has now developed into a long-standing tradition. So, in 2023, we implemented two projects together.

The first project included **Ludbreško sunce**, an association for individuals with mental challenges, which has been active for almost thirty years. One of its main goals is to improve the quality of life for people with developmental difficulties while also providing assistance to their families.

What initially began as informal socializing back in 1996 when the association was founded has evolved into a day center where they now serve three meals a day to over a hundred users. Thanks to the support of "RTL pomaže djeci" and Span, the association has acquired a new professional kitchen for its day center. In addition to providing daily and half-day stay, the association regularly operates through an active office of a speech therapist and a defectologist, a small school for children with developmental difficulties, supported living arrangements, and numerous other activities.

The second project was directed at the **Day Rehabilitation Center Veruda – Pula**, which has been doing big things for little patients with motor disabilities since 2000. As part of the "Window to the World" project, we ensured the Quha ZONO instrument, which scans changes in the position of the head or the airflow from the nostrils or mouth and turns them into precise commands on the screen of the communicator, serving to control the environment and the computer / communicator. The project aims to provide support to children with severe motor difficulties so that they can communicate, read, write and control the environment with the help of the instrument. A large number of little beneficiaries of the Center Veruda – Pula are aware of their surroundings and understand everything, but they cannot adequately express themselves, and this is where assistive technology comes into play. As many as 60 users of the Center will benefit directly from this device.

4.6. Green Span

Calculation of the carbon footprint of Span d.d., continuation of cooperation with Humana Nova

We performed our activities in the area of sustainable operations through the calculation of emissions of greenhouse gasses for Span d.d. and the related offices in Zagreb, Osijek and Rijeka. The calculation was made for Scope 1 and Scope 2, and a related strategy and action plan for reducing Span's emissions were created. Furthermore, we continued our cooperation with the Humana Nova Social Cooperative, with which we carry out the collection of textile waste during the whole year.

5. Processes and technology

5.1. ISO standards

We started 2023 with six certified management systems compliant with the ISO standards:

- **ISO 9001** – Quality management system (QMS)
- **ISO/IEC 27001** – Information security management system (ISMS)
- **ISO/IEC 20000** – Service management system (SMS)
- **ISO 14001** – Environmental management system (EMS)
- **ISO 50001** – Energy management system (EnMS)
- **ISO 37001** – Anti-bribery management system (ABMS)

In January 2023, we successfully completed a control audit for our anti-bribery management system according to ISO 37001. At the beginning of March, we successfully performed external re-certification audits for ISO 9001 (Quality management system) and ISO/IEC 27001 (Information security management system). In March, we additionally certified the new business continuity system according to **ISO 22301**, which is a very important progress in supporting our key business processes. We continue to maintain the existing management systems and implement new ones.

We finished the year with **seven certificates**:

ISO 9001 (Quality management): Maintaining the strong system of quality management since 2006, we continue to support and improve our dedication to providing exceptional products/services, ensuring satisfaction of customers and continuous improvement.

ISO 27001 (Information security management): Since 2011, our practice of information security management has developed, complying with the latest standards so that we can secure integrity, reliability and availability of data. This experience will help us adjust to the NIS2 initiative in the following years, and we are developing competencies for assisting our customers in the adjustment.

ISO 20000 (Service management system): With the certificate obtained in 2012, our service management practice has consistently met the international standards, ensuring the effective delivery of services.

ISO 14001 (Environmental management) and **ISO 50001 (Energy management):** Obtained in 2021, these certifications emphasize our commitment to environmentally sustainable practice and energy effectiveness, contributing to a greener future.

ISO 37001 (Anti-bribery management): Implemented in 2022, this certification strengthens our dedication to operations in an ethical and transparent manner, preventing bribery and corruption. In line with ISO 14001 and ISO 50001, this system significantly helps us comply with the ESG initiative, one of a few strong regulatory guidelines in the next few years.

ISO 22301 (Business continuity management): We successfully implemented and certified this system in early 2023. Our business continuity management system ensures resilience to disruptions, preserving key business processes and trust of the customers.

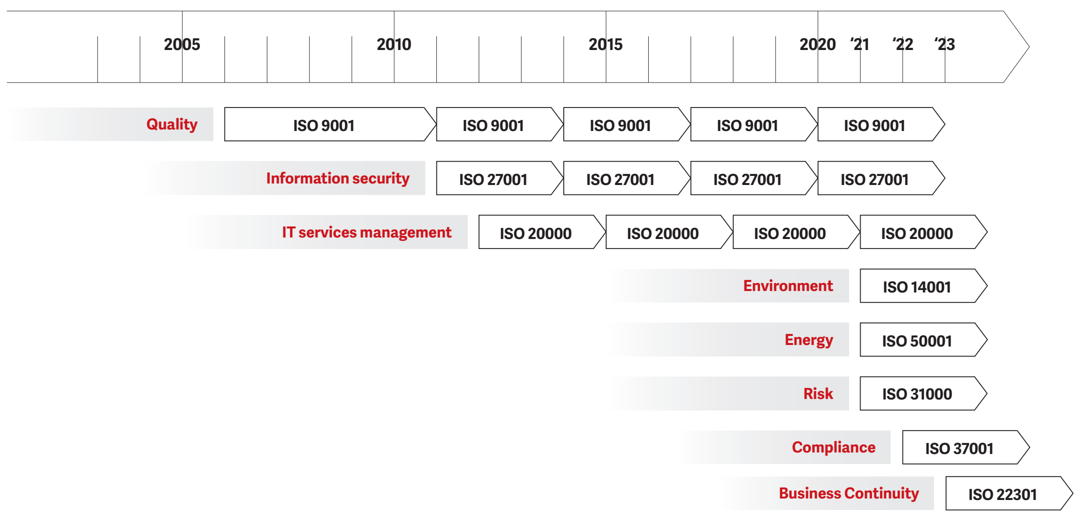
Implementation of ISO 31000 Recommendations:

During 2022 and 2023, Span d.d. implemented ISO 31000 Recommendations, improving our risk management practice. This integration ensures a proactive approach to recognition, assessment and mitigation of risks in all business functions.

By adopting these systems, we have enabled:

- Risk and opportunity management.
- Improving the quality of our products/services.
- Better organization of internal processes.
- Adequate protection of information in accordance with their sensitivity.
- Managing the environmental impact and energy efficiency.
- Compliance with best global practice.
- Independent proof of the strategic focus on the structure of our processes.

As we are always strongly committed to excellence, the proactive maintenance of our management systems reflects our orientation to continuous improvement, ensuring the highest standards of quality, security, responsibility to the environment and total operational resilience.



5.2. Partnerships

In 2023, Span realized all **six Solutions Partner for Microsoft Cloud platform statuses**, which prove our deep professional ability in the delivery of technology scenarios for all Microsoft cloud areas.

Microsoft Solutions Partner Modern Work
Microsoft Solutions Partner Security
Microsoft Solutions Partner Business Applications
Microsoft Solutions Partner Data & AI Azure
Microsoft Solutions Partner Digital & App Innovation Azure
Microsoft Solutions Partner Infrastructure Azure

Span is specifically distinguished as a Microsoft Security Solution Partner, with all four advanced specializations in the area of security in cloud. Microsoft recognized Span as a valuable partner in the market of Central and East Europe and granted it two awards **Partner of the Year for 2023, for Croatia and Ukraine**. This was the first time Span received two awards in one year. Microsoft award Partner of the Year is bestowed to companies that successfully conceived, developed and implemented solutions using Microsoft technologies. The award is granted in several categories, and the winners are selected among more than 4,200 nominated companies, from more than 100 countries worldwide. Span was awarded for the provision of superior services and solutions in Croatia and Ukraine. We continually develop our competencies in the MPN (Microsoft Partner Network) ecosystem of independent suppliers of software and service providers, integrating our solutions and portfolio of services with Microsoft, while focusing on artificial intelligence and cyber security technologies.

TD Synnex awarded Span with recognition for excellent sales results in the security sector within the "Solution Days 2023 – Highway to cloud" event. The recognition is a proof of Span's focus on solutions in the cyber security segment.

In London, at the conference of **Saviynt partners** and customers, Span was awarded for the "Fastest transaction in 2022". This award is proof that Span is oriented to providing assistance to customers in implementing solutions in the area of identity management with Saviynt tools.

Our comprehensive list of competencies is a result of continuous improvement, research and practical experience.

Microsoft Solutions Partner for six solution areas

Microsoft status for EU/EFTA/Ukraine/Azerbaijan + BS and CIS

Microsoft Certified Microsoft Cloud Services Provider

Google Cloud Partner

aws Select Consulting Partner

dynatrace Dynatrace Master Partner

Hewlett Packard Enterprise Certified Gold Partner

5.3. Code of Business Conduct

Span is one of the leading Croatian IT companies. We have devoted 30 years to software development, and service and system integration. Our work is guided by the principles and standards mentioned in the Code of Business Conduct, which we adhere to in all our interactions with customers, partners, employees and the wider public.

We have achieved our position on the market based on solid professional and ethical foundations, and are resolved to make all future business decisions in accordance with all legal requirements and moral principles. We, therefore, expect all our employees and partners to commit to honest business practices and behavior in accordance with our core values.

We are growing according to all business parameters year after year. Span Group is currently employing over 850 people and constantly increasing the number of its employees. More than 400 of our employees have been awarded one or more professional certificates.

Thus, the Code of Business Conduct is an expression of Span values that reflects the principles and policies that govern our business, and provides concrete guidelines for employee and partner behavior.

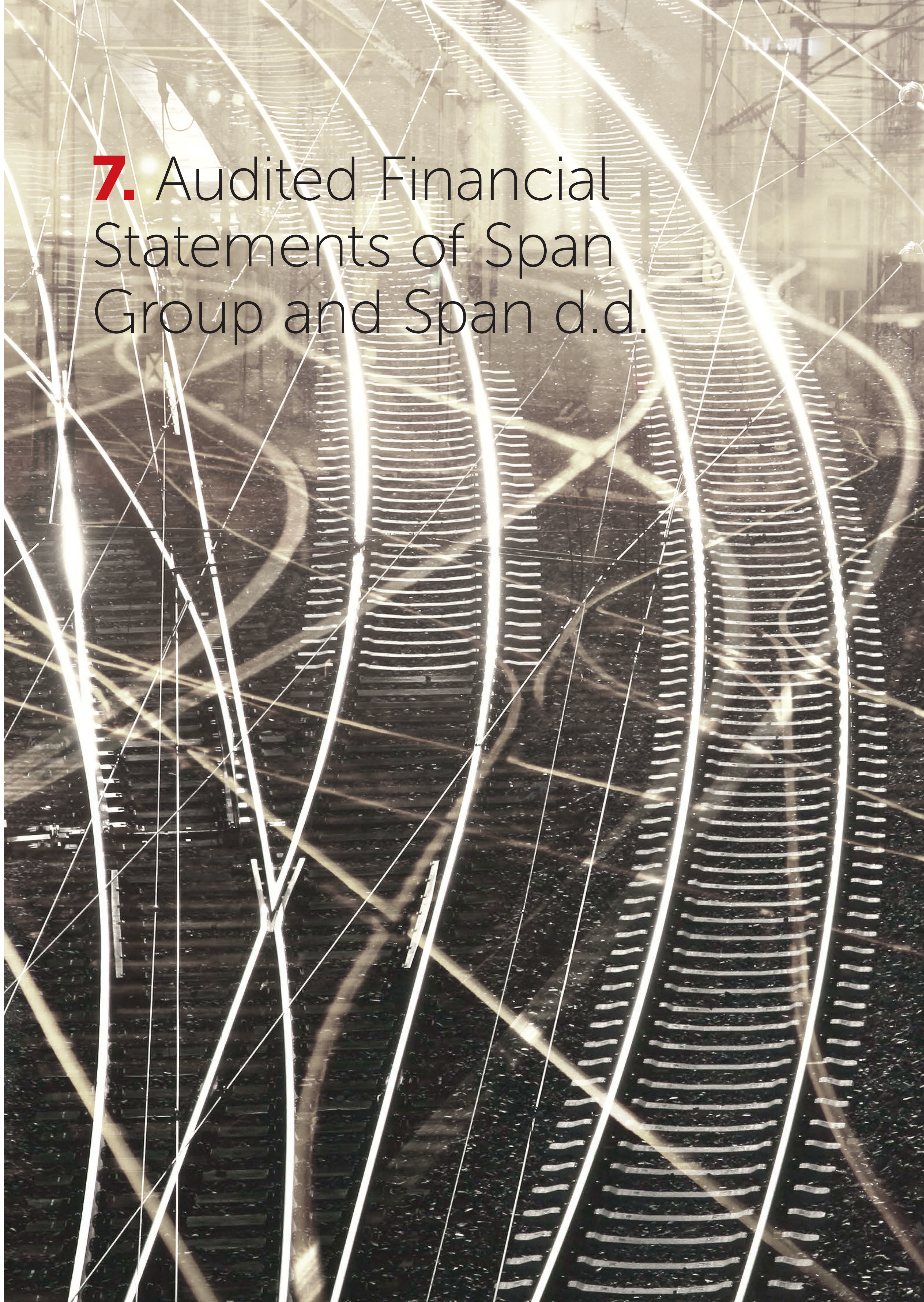
We believe that strong corporate governance requires transparency and trust of all stakeholders. Therefore, our governance principles, in addition to compliance with rules and regulations, emphasize the need for socially responsible business conduct and the application of our core values in relationships with partners, employees, and customers.

Our Code applies to Span and all its affiliated companies (Span Group), all our employees and business partners, including users, suppliers, consultants, external associates, shareholders and other business partners appropriately associated with Span in accordance with local legal requirements and regulations.

6. Statements on responsibility for compiling the report for the observed period

The financial statements of Span d.d. and Span Group for the period that ended on 31 December 2023, are shown to be fair and truthful in accordance with International Financial Reporting Standards which have been consistently applied in relation to the previous years. All materially significant transactions were accordingly recorded in the accounting records, which were the basis of the financial statements. They provide a true and complete overview of the assets and liabilities, the financial position and operations of Span d.d. and Span Group.

Nikola Dujmović
President of the Management Board, Span d.d.



7. Audited Financial Statements of Span Group and Span d.d.

SPAN d.d., Zagreb

Annual report

for the year ended 31 December 2023

This version of annual report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.

Annual Report of the Management Board

The Management Board of the company Span d.d. Zagreb ("The Company" or "Parent Company") presents the company's separate and consolidated financial statements for the year ended 31 December 2023. The consolidated financial statements shall include the financial data of the Company and its subsidiaries that make up the Span Group (the "Group").

The Management Board of the Company considers that the consolidated financial statements for the period from 1 January to 31 December 2023 have been prepared based on applicable standards and thus provide a comprehensive and truthful overview of assets and liabilities and the financial position and business operations of the Group and Company. The Annual Report of the Management Board contains a truthful overview of the development, business results and financial position of the Group and the Company, with a description of the most significant risks to which the Group and the Company are exposed.

Principal activity:

The principal activity of the Group and the Company is to provide professional services of design, construction and maintenance of information systems to medium and large users. In 30 years of business, the Company has evolved from an IT system integrator in Croatia to a Group that today operates on the global world market.

In 1996, the Company became the first Croatian certified provider of Microsoft solutions, and since 2001 the Group and the Company has been certified as a Microsoft Gold Certified Partner and is the leading Microsoft partner in the Croatian market.

Continuous investment in the development of competencies and knowledge resulted in 2023 with the status of Microsoft Solutions Partners for all six major Microsoft technology areas. In addition to Microsoft's technology, the Group and Company base their solutions on technologies of other first-class producers, and own the following accreditations and certificates:

- HPE Certified Gold Partner
- HPE Aruba Gold Partner
- Nutanix Enrolled Partner
- Cisco Premier Integrator
- Dynatrace Master Partner
- IBM Silver Business Partner and Managed Services Provider
- Symantec Partner
- SentinelOne Silver Partner
- Sophos Gold Partner
- CyberArk Authorized Partner and Managed Services Provider
- Saviynt Authorized Reseller and Managed Services Provider
- Veeam Silver Service Provider and Gold Reseller
- Veritas Registered Partner
- Palo Alto Partner Innovator
- Fortinet Select Partner
- HP Power Partner
- Kemp Authorized Partner
- Poly Partner
- AWS Select Consulting Partner
- Google Cloud Partner

Key events in 2023

On 31 March 2023, a contract was signed to purchase a 100% stake in GT Tarkvara, Tallinn, Estonia. The estimated value of the transaction is EUR 11,377,457.00, with the part of the purchase price depending on GT Tarkvara's operating results in 2023 and 2024 subject to adjustment. It is estonia's leading software asset licensing and management company.

Key events in 2023 (continued)

On 28 April 2023, meetings of the Management Board and Supervisory Board of the Company were held, at which the proposal of the Decision on the use of profit and payment of dividends in the amount of HRK 10.00 / EUR 1.33 per share was adopted. The Management Board and the Supervisory Board have proposed to the General Assembly that the dividend in the stated amount be paid to the shareholders of the Company who are on 20 June 2023, recorded as shareholders of the Company in the depository of the Central Depository and Clearing Company. (record date). The date from which the Company's share without the right to pay dividends was traded is June 19, 2023 (ex date). In accordance with the proposal, the claim for dividend payment is due on 3 July 2023 (payment date), and the dividend was paid from the company's profits realized in 2022. Based on the Decision of the General Assembly of the Company from 14 June 2023, and in accordance with the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (OG 57/22, 88/22), the Commercial Court in Zagreb conducted on 29 September 2023, and on 30 September 2023 published the registration of the adjustment of the share capital with the Companies Act (OG 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23). The share capital of the Company is aligned with the euro and has been increased from the amount of EUR 2,601,367.04 by the amount of EUR 1,318,632.96 to eur 3,920,000.00 by increasing the individual nominal amount of ordinary shares, code SPAN-R-A from the amount of EUR 1.33 for the amount of EUR 0.67 to EUR 2.00. In accordance with the above, the Statute of the Company has also been amended.

On 8 September 2023, span limited liability company was founded in Georgia, Tbilisi. The founder and only member of the company is Span d.d. Even at the founding of TOV Span in Ukraine, Span received Microsoft Licensing Solution Provider status for Georgia and Moldova. In the last few months, quality contacts have been made and everything necessary to enter the Georgian market has been ensured. At the same time Microsoft is consolidating and aggregating LSP partners in many markets, including Georgian.

Span Swiss AG, headquartered in Zug, Switzerland, was founded in 2019 and is 100% owned by Span d.d. Span Swiss AG has been inactive since its establishment because the planned business activities due to the coronavirus pandemic have not even begun. In order to break a longer period of non-operation and in accordance with the provisions of Swiss legislation, the Management Board of Span Swiss AG made a decision to shut down the company on 13 November 2023.

Antonija Kapović, Member of the Management Board of the Company, resigned on 15 December 2023. The resignation was given for personal reasons and took effect on 31 December 2023. Antonija Kapović's duties will be taken over by Board member Dragan Marković until the expiration of his mandate.

Based on Article 164, Paragraph 3 of the Labor Law (NN 93/14, 127/17, 98/19, 151/22, 64/23), free and direct elections of workers were held, during which Mrs. Barbara Gradečak was elected as the workers' representative to the Supervisory Board of the Company for a four-year term, commencing on 29 December 2023.

2024 strategy

The Group's business strategy is growth based on new technologies, solutions, and markets. We design, implement, and maintain secure, highly available information systems focused on significantly increasing the productivity of our users. Operational management services ensure 24x7 data integrity and overall cybersecurity. We base our business systems and solutions on the platforms of leading global Cloud technology providers – Microsoft, Amazon, and Google. With experience and expertise, we ensure scalability, reliability, and cybersecurity of our solutions. To further enhance the productivity of our users, we implement artificial intelligence systems integrated into personal productivity tools. We pay special attention to responsible and sustainable business practices, corporate governance, environmental impact, and the well-being of society and our employees

Research and development activities

Development expenditure generally refers to own developed intangible assets with the cooperation of several companies in the Group. The total worth of the Group's intangible assets relating to development expenditure is EUR 1,773 thousand (EUR 1,192 thousand for the Company) (Note 18). During 2023 at the Group level, a total of 4 thousand euro was activated in the position of Software Development (Company 0 thousand euro) (Note 18).

Financial instruments

The Group and Company do not use financial instruments that affect the assessment of financial position and performance. The Company and Group are primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates, as further described in the note Financial instruments (note 37).

The Company and Group's Corporate Treasury function supports operations, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company and Group.

Financial assets of the Group and Company mainly consist of receivables and cash assets in accounts, while financial liabilities predominantly refer to short-term and long-term borrowings from banks, short-term and long-term lease liabilities, and trade payables.

Information on the purchase of own shares

On 28 April 2023, the Company acquired 3,411 own of shares on the regulated market of the Zagreb Stock Exchange, and during July and August 2023 7,990 own shares, code SPAN-R-A.

As of December 31, 2023, the Company owned a total of 15,673 (2022: 20,029) of its own shares.

Company and Group branches

The company has no branches.

At the Group level, Ekobit had a branch in Varaždin, which, by the Decision of the Members of the Management Board of the Company, as of 31 January 2023, ceased operations.

Group companies

SPAN d.o.o. Ljubljana started operating in 2014, offering a wide range of products, services and solutions on the Slovenian market.

Span IT Ltd. London, started operations during 2010 as a sales representation of the Company and significantly contributed to the growth of exports of services and solutions to the UK market.

SPAN USA, Inc., began operations in early 2014, primarily as a sales rep and customer support center in the U.S.

Trilix d.o.o. maintained its position as an electronic goods processor. The consulting department provides consulting services in organization and risk management and in compliance of business processes with regulations and regulations in the field of information technologies.

During 2016, the Company opened a subsidiary Span Azerbaijan LLC in Azerbaijan through which it offers its services and knowledge in that market as well.

BonsAI d.o.o., a company specialized in the development of software solutions based on artificial intelligence, started operations in 2017, performed positively during 2023 and is 70% owned by the Company.

During 2018, the Company established two 100% owned subsidiaries Span LLC, Kiev, Ukraine and Span GmbH, Munich, Germany with the aim of expanding the markets in which it offers its services and knowledge.

During 2019, the Company opened a subsidiary SPAN SWISS AG, Switzerland. The management of Span Swiss AG made the decision to shut down the company on 13 November 2023.

During July 2021, the Company officially opened another member of the group - Span-IT s.r.l. based in Chisinau, moldovan capital.

During 2022, the Company acquired Ekobit d.o.o., one of the leading Croatian companies specialized in the development of software solutions.

Group companies (continued)

On 15 April 2022, the Commercial Court in Zagreb issued a decision on the registration of the establishment of a company under fintech digital services limited liability company for IT services.

Also, in 2022, span cybersecurity center was founded, ltd. for services and consulting that provides education and training in the field of security.

At the beginning of 2023, the Company acquired GT Tarkvara, Tallinn, Estonia. It is estonia's leading software asset licensing and management company.

On September 8, 2023, span limited liability company was founded in Georgia, Tbilisi.

Supervisory Board

1. Jasmin Kotur, member of the Supervisory Board from 13 December 2019, Chairman of the Supervisory Board from 16 December 2019 to 14 June 2023
2. Aron Paulić, member of the Supervisory Board as of 30 September 2020, Vice-Chairman of the Supervisory Board from 5 November 2021.
3. Ante Mandić, member of the Supervisory Board from 30 September 2020, Chairman of the Supervisory Board from 14 June 2023
4. Zvonimir Banek, member of the Supervisory Board from 13 December 2019 to 14 June 2023
5. Ivana Šoljan, member of the Supervisory Board from 14 June 2023
6. Mirjana Marinković, member of the Supervisory Board from 14 June 2023

On December 29, 2023 Mrs. Barbara Gradečak was elected as a representative of the employees in the Supervisory Board of the Company.

Audit Committee

1. Ante Mandić, President of the Audit Committee, appointed by the Decision of the Supervisory Board on 10 May 2021
2. Nataša Zelenika, Member of the Audit Committee, appointed by the Supervisory Board Decision on 10 May 2021
3. Tomislav Skorin, Member of the Audit Committee, appointed by the Decision of the Supervisory Board on 10 May 2021

Management

Members of the Management Board of the Company from 1 January 2023 to the date of signing these financial statements were:

1. Nikola Dujmović, president of the Management Board
2. Marijan Pongrac, member of the Management Board
3. Dragan Marković, member of the Management Board
4. Antonija Kapović, member of the Management Board until 31/12/2023
5. Saša Kramar, member of the Management Board

Management (continued)

In Zagreb, on 30 April 2024, signed by the Management Board:

Nikola Dujmović

President of the Management Board

Marijan Pongrac

Member of the Management Board

Dragan Marković

Member of the Management Board

Saša Kramar

Member of the Management Board

The Management Board is obliged to ensure that the financial statements for each financial year are prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS) to give a truthful and objective review of the financial position and the results of the business operations of SPAN d.d. ("The Company") and its subsidiaries (collectively the "Group") for each period presented.
After making enquiries , the Management Board reasonably expects the Group and the Company to have adequate resources to continue their operations for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements of the Group and the Company.

In the preparation of financial statements, the Management Board is responsible:

- to select and then consistently apply appropriate accounting policies;
- that judgments and assessments be reasonable and cautious;
- to apply relevant accounting standards; and
- that the financial statements are prepared on the going concer basis.

The Management Board is responsible for keeping proper accounting records, which will at any time reflect with resonable accuracy the financial position of the Group and the Company, as well as its compliance with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Group and the Company, and therefore for taking reasonable measures to prevent and detect embezzlement and other illegalities. The Management Board shall also be responsible for the Management Report in accordance with Articles 21 and 24, of The Accounting Act.

Signed by members of the Management Board:

For SPAN d.d.:

President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board
Nikola Dujmović	Marijan Pongrac	Dragan Marković	Saša Kramar

SPAN d.d.

Koturaška cesta 47
Zagreb
Republic of Croatia
30 April 2024

Statement on the application of the Corporate Governance Code

Pursuant to Article 272.p, in relation to Article 250.a of the Companies Act (Official Gazette no. 111/1993, 34/1999, 121/1999, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 111/2012,125/2011, 68/2013, 110/2015, 40/2019, 34/2022, 114/2022, 18/2023, 130/2023 hereinafter: "the Act") and Article 22 of the Accounting Act (Official Gazette no. 78/2015, 134/2015, 120/2016, 116/2018, 42/2020, 47/2020, 114/2022, 82/2023) the Management of the company Span d.d., Zagreb, Koturaška cesta 47, Company ID:19680551758 (hereinafter: "Span" or "Company") hereby issues the following

STATEMENT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

I. S Span shares were listed on the regulated market of the Zagreb Stock Exchange on 21 September 2021, and Span applies the Corporate Governance Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (CFSSA), which is publicly available on the Zagreb stock exchange (www.zse.hr) and HANFA (www.hanfa.hr) websites.

II. With this statement, Span confirms that it operates in accordance with good corporate governance practices and for the most part according to the recommendations of the Code and publishes all information whose publication is foreseen by positive regulations.

Span shall present detailed explanations of departures from individual recommendations and additional adjustments in the Corporate governance practice questionnaire for issuers of shares and the Corporate governance practice questionnaire for issuers of bonds for the year 2022 and, as defined in the Ordinance on the data concerning corporate governance the issuers are required to deliver to the Croatian Financial Services Supervision Agency and on the form, deadlines, and manner of their submission (OG 59/2020, 12/2023), submit them to the Croatian Financial Services Supervision Agency (CFSSA) not later than 30 June of the current year and publish them on the websites of the Company and the Zagreb Stock Exchange.

III. The internal control and risk management system in relation to the financial reporting process is carried out by the controlling and internal audit services under the supervision of the Audit Committee.

In line with the Audit Act (OG 127/17, 27/2024), in addition to the tasks prescribed by Regulation (EU) on specific requirements regarding the statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, No 537/14 and all relevant regulations, the Audit Committee shall monitor the financial reporting process and deliver recommendations and suggestions for securing the integrity thereof, as well as monitor the effectiveness of the Company's internal quality control and risk management systems, including the effectiveness of procedures for approving and disclosing transactions among Management and Supervisory Board members and the Company, as well as internal audit, without breaching its independence.

Internal Audit's key goals are providing senior management and the Supervisory Board with guarantees and information that will help the achieve organization's goals, including the evaluation of the effectiveness of risk management activities. Controlling reports to the Management Board of the Company, and Internal Audit to the Audit Committee of the Supervisory Board, and the Management Board.

Internal Audit prepares a report once the audit has been completed, and this report contains the following:

- list of audits carried out
- assessment of the adequacy and efficiency of internal controls and recommendations for improvements
- unlawfulness and irregularities determined during the audit, and recommendations and proposed measures to address them
- activities undertaken in relation to the previously issued recommendations.

Reports are delivered to the Management Board and the Audit Committee.

During 2023, Span continued to maintain and continuously improve the existing six management systems certified to ISO standards. Special attention is focused on the management of information security and IT services, as well as the ethical aspects of iso 37001 compliance management. During the year, the methodology of risk management was improved and the application for monitoring business goals and managing the resulting risks was completed. Also, at the beginning of 2023, a business continuity management system (BCMS) was certified according to the ISO 22301 standard. This ensures a higher level of reliability of Span's business processes and services that Span provides to customers, thereby increasing the level of trust.

IV. The Ten most significant Span shareholders as at 29/12/2023 in Span are:

No.	Name/Name	Number of shares	Percentage (%)
1	DUJMOVIĆ NIKOLA	701072	35.769
2	PONGRAC MARIJAN	112198	5.7244
3	BANEK ZVONIMIR	107995	5.5099
4	RAIFFEISENBANK AUSTRIA D.D./ RAIFFEISEN VOLUNTARY PENSION FUND	101111	5.1587
5	ERSTE & STEIERMARKISCHE BANK D.D./ PBZ CO OMF - CATEGORY B	65200	3.3265
6	SWIFT: PBZGHR2X	50525	2.5778
7	BOČKAL DAMIR	46516	2.3733
8	PRIVREDNA BANKA ZAGREB D.D./ GENERALI JUGOVZHODNA EVROPA. DELNISKI	43810	2.2352
9	PODRAVSKA BANKA D.D./COLLECTIVE ACCOUNT FOR M21 - NATURAL PERSONS	36253	1.8496
10	ERSTE & STEIERMARKISCHE BANK D.D./ PBZ CO OMF - CATEGORY A	26128	1.3331

Span does not have holders of securities with special control rights, nor holders of securities with voting rights limits to a certain percentage or number of votes, time limits for exercising voting rights, or cases where, in cooperation with the company, financial rights from securities are separated from the holding of those securities. Span does not have specific rules on the appointment and revocation of the appointment of members of the Management Board, i.e. the Supervisory Board, amendments to the Statute or special rules on the powers of members of the Management Board or Supervisory Board. All of these relationships are subject to the provisions of the Companies Act and the Articles of Association of the Company, which is available on the Span website (www.span.eu)

V. The manner of operation of the General Assembly and its authorization, the manner of exercising shareholder rights and how their rights are exercised are determined by the Companies Act and the Articles of Association of the Company, and the invitation and proposals for decisions, as well as the adopted decisions, are publicly published in accordance with the provisions of the Companies Act, the provisions of the Capital Market Act and the Rules of the Zagreb Stock Exchange d.d. Each share is entitled to one vote.

VI. In 2023, the board was made up of 5 members. The term of office of members of the Management Board and the President of the Management Board shall be a maximum of 5 years. After the end of the term of office, members of the Management Board and the President of the Management Board may be reappointed without limitation on the number of terms. The Management Board manages the activities of the company at its own risk, with the care of a orderly and conscientious businessman, in accordance with the Companies Act, the Statute and the Rules of Procedure of the Management Board.

In 2023, the Supervisory Board had 4 members. President of the Supervisory Board Jasmin Kotur and member Zvonimir Banek resigned from the Supervisory Board and at the session of the General Assembly of the Company, held on 14 June 2023. Ivana Šoljan and Mirjana Marinković were elected as new members of the Supervisory Board of Span. These members of the Supervisory Board were elected for a period from the decision of the General Assembly until the expiry of the term of office of the other members of the Supervisory Board of the Company, i.e. until 30 September 2024. The right to appoint and recall the fifth member of the Supervisory Board have the employees of the Company. On 29 December 2023, the workers elected their member of the Supervisory Board, Mrs. Barbara Gradečak. Supervisory Board members have a maximum 4-year term. Powers of the Supervisory Board are defined by the provisions of the Companies Act, the Articles of Association of the Company, and the Rules of Procedure of the Supervisory Board.

Within its authority, the Supervisory Board makes decisions, assessments, opinions, gives consent to decisions of the Management Board as provided for in the Rules of Procedure, law, or Articles of Association, instructs auditors, and together with the Management Board, determines proposals for decisions to be adopted by the General Assembly.

Management Board and Supervisory Board operate in formal meetings as well as decision making without formal meetings by correspondence in accordance with Rules of Procedure, law and Articles of Association.

In accordance with the law, Corporate Governance Code and the Rules of Procedure, the Supervisory Board formed two committees; the Audit Committee and the Nomination and Remuneration Committee. Description of the jobs and competences of the Audit Committee and the Nomination and Remuneration Committee is available on Span's website (www.span.eu).

VII. On 18 December 2023, the Management board of Span adopted the Diversity and Inclusion Policy (hereinafter: Politics) and acceded to the Diversity Charter of the Croatian Business Council for Sustainable Development. Span's Policy is based on diversity, inclusiveness and highlighting the importance of fairness in ensuring equality of opportunity, and includes the principles of uniqueness of each individual, practical adaptation, independent responsibility of each individual, a positive approach to diversity, openness and transparency, zero tolerance of discrimination and harassment or violence, equality of opportunity and inclusive leadership, which are detailed in the policy text. The basis of the Policy lies in the legal framework prescribed by the Anti-Discrimination Act, and with the adoption of this Policy, the Management Board has committed to implementing all the above-mentioned principles, in order to create a positive and inclusive organizational culture. Due to the adoption of the Policy in December 2023, the manner in which the Policy is implemented and the results in the reporting period will be published as part of the Annual Report for 2024.

VIII. In accordance with the provisions of Article 250a paragraph 4. and Art. 272.p. st.1, this Statement represents a separate section and integral part of the annual report on the financial position and business performance of the Company for the year 2023.

For SPAN d.d.:

President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board
Nikola Dujmović	Marijan Pongrac	Dragan Marković	Saša Kramar

SPAN d.d.

Koturaška cesta 47
Zagreb
Republic of Croatia
30 April 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SPAN d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of SPAN d.d. (the Company) and consolidated financial statements of the SPAN d.d. and its subsidiaries (the Group) which comprise the separate and the consolidated statement of financial position as at 31 December 2023, the separate and the consolidated statement of comprehensive income, the separate and the consolidated statement of changes in shareholder's equity and the separate and the consolidated statements of cash flows for the year then ended, and notes to the separate and the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This version of our audit report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

INDEPENDENT AUDITOR’S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter
Revenue recognition</th><th>How did we address key audit matter during our audit</th></tr>
<tr><td colspan="2">For accounting policies please see Significant accounting policies – note 3: Revenue recognition. Revenue from contracts with customers are disclosed in note 5 and amount to 142,836 thousand EUR (2022: 110,170 thousand EUR) for the Group and 99,550 thousand EUR (2022: 91,384 thousand EUR) for the Company.</td></tr>
<tr><td>Revenue recognition is a significant aspect of the Group's and Company’s financial statements due to the complexity of the Group's and Company’s revenue streams, the different types of licenses and services offered, and the various recognition criteria and methods applied under International financial reporting standard 15: Contract with customers (IFRS 15).

With reference to sale of different types of licenses, the Group and Company is primarily responsible for delivering purchased Microsoft licenses to customers, it is exposed to potential risk of rejection of licenses by the customer, and has the discretion to define prices and benefits from licenses to the moment of transfer of control.

The Group and Company sells hardware directly to customers in line with the contract on the sale of hardware and provision of services or individual contracts on the sale of hardware. Revenue is recognized at the point in time when the control over the equipment has been transferred to the customers, and the sale of equipment is considered a distinct delivery obligation.

Advisory services the Group and Company provides may be divided in two main service groups: services related to contracted projects with customers, and advisory services which refer to customer support based on contracted price lists.

The recognition of revenue involves significant management judgment and estimation in determining the appropriate point in time or the stage of completion for performance obligations, as well as the transaction price for each distinct performance obligation. Due to these risks, this area was established as a key audit matter.</td><td>In order to address the risks associated with the revenue recognition identified as a key audit matter, we designed audit procedures that enabled us to obtain sufficient and appropriate audit evidence for our conclusion on the matter.

Our audit procedures included, among others:
• Assessing the Group's and Company’s revenue recognition policies and their compliance with IFRS 15;

• Testing the design and implementation of internal controls related to the revenue recognition in terms of the adequacy of their recording;

• Selecting a sample of transactions for each revenue stream and performing substantive testing to determine the appropriateness of revenue recognition, considering the relevant criteria under IFRS 15;

• Evaluating management's judgments and estimates used in determining the transaction prices, distinct delivery obligations, and the point in time or stage of completion for performance obligations;

• Examining the information in the separate and consolidated financial statements to assess whether the disclosures regarding revenue from customer contracts are appropriate.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the separate and the consolidated financial statements and our auditor's report. We obtained other information before the date of the auditor's report, except for the Non-financial report prepared in accordance with the Articles 21a and 24a of the Accounting Act, which is expected to be made available to us after that date.

Our opinion on the separate and the consolidated financial statements does not cover the other information.

In connection with our audit of the separate and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in the Articles 21 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act and if Non-financial report includes the information specified in the Articles 21a and 24a of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1) Information included in the other information is, in all material respects, consistent with the attached separate and consolidated financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act.
3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Articles 22 and 24 of the Accounting Act.

Based on the knowledge and understanding of the Company and the Group and its environment, which we gained during our audit of the separate and the consolidated financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and the consolidated financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and the consolidated financial statements. Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements

Misstatements can arise from fraud or error and are considered material if individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF)

Auditor’s reasonable assurance report on the compliance of separate and consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format (“ESEF Regulation”). We conducted a reasonable assurance engagement on whether the financial statements of the Company the Group for the financial year ended 31 December 2023 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file 747800L0D5F39CX8NA43-2023-12-31-en, have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

Management is responsible for the preparation and content of the financial statements in line with the ESEF Regulation.

In addition, Management is responsible for maintaining the internal controls system that reasonably ensures the preparation of financial statements without material differences with the reporting requirements from the ESEF Regulation, whether due to fraud or error.

Furthermore, Company Management is responsible for the following:

- public reporting of financial statements presented in the annual report in valid XHTML format
- selection and use of XBRL markups in line with the requirements of the ESEF Regulation.

Those charged with governance are responsible for supervising the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor’s Responsibilities

It is our responsibility to carry out a reasonable assurance engagement and, based on the audit evidence obtained, give our conclusion on whether the financial statements have been prepared without material differences with the requirements from the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality management

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (ISQM 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF) (continued)

Procedures performed

As part of the selected procedures, we have conducted the following activities:

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of internal controls of the Company and the Group, relevant for the application of the ESEF Regulation requirements;
- We have identified and assessed the risks of material differences with the ESEF Regulation due to fraud or error;
- We have devised and designed procedures for responding to estimated risks and obtaining reasonable assurance in order to give our conclusion.

Our procedures focused on assessing whether:

- Financial statements included in the separate and the consolidated report have been prepared in valid XHTML format;
- Data included in the separate and the consolidated financial statements required by the ESEF Regulation have been marked up and meet all of the following requirements:
  - XBRL has been used for markups.
  - Core taxonomy elements stipulated in the ESEF Regulation with the closest accounting meaning were used unless an extension taxonomy element was created in line with the Annex IV of the ESEF Regulation;
  - Markups comply with the common rules on markups in line with the ESEF Regulation.

We believe the evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company and the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2023.

In addition to this conclusion, as well as the audit opinion contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company and the Group by the shareholders on General Shareholders' Meeting held on 14 June 2023 to perform audit of accompanying separate and consolidated financial statements. Our total uninterrupted Group engagement has lasted 6 years and covers the period from 1 January 2018 to 31 December 2023. Our total uninterrupted Company engagement has lasted for three years and covers the period from 1 January 2021 to 31 December 2023.

We confirm that:

- our audit opinion on the accompanying separate and consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Company on 30 April 2024 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit which we provided to the Company and its controlled undertakings and which have not been disclosed in the Annual Report.

The engagement partner on the audit resulting in this independent auditor's report is Katarina Kadunc.

Katarina Kadunc
Director and certified auditor

For signatures, please refer to the original Croatian auditor`s report, which prevails.

Deloitte d.o.o.

30 April 2024
Radnička cesta 80,
10 000 Zagreb,
Croatia

	Note	Group 2023 '000 EUR	Group 2022 '000 EUR	Company 2023 '000 EUR	Company 2022 '000 EUR
Revenue from contracts with customers	5	142,836	110,170	99,550	91,284
Other operating income	6	1,496	4,970	883	456
Costs of licenses and hardware sold	7	(90,695)	(62,280)	(60,512)	(52,192)
Raw material and supplies	8	(607)	(760)	(506)	(647)
Services costs	9	(11,037)	(10,217)	(10,406)	(9,757)
Staff costs	10	(32,197)	(25,799)	(23,476)	(19,311)
Depreciation and amortisation cost	11	(3,559)	(2,572)	(2,303)	(1,882)
Impairment losses (including reversal of impairment losses) from financial assets and contract assets	24	(1,012)	(450)	(22)	(388)
Other expenses	12	(3,135)	(6,391)	(2,173)	(1,759)
Financial expenses	13	(834)	(1,045)	(820)	(1,416)
Financial income – interest income	14	101	74	32	17
Financial income – other	14	394	788	417	736
Share of profit of associates	22	(4)	(1)	-	-
Profit before tax		**1,746**	**6,487**	**665**	**5,141**
Corporate income tax	15	(500)	223	(204)	429
Profit for current year		**1,246**	**6,710**	**461**	**5,569**
Attributable to:					
Owners of the Company		1,144	6,638	-	-
Non-controlling interests		102	72	-	-
		1,246	**6,710**	461	**5,569**
Items that can later be transferred to profit or loss:					
Exchange rate differences for recalculation of foreign parts of business		(335)	62	-	-
Other movements of comprehensive income		-	(8)	-	-
Total comprehensive income		**911**	**6,764**	**461**	**5,569**
Attributable to:					
Owners of the Company		**809**	**6,700**	**461**	**5,569**
Non-controlling interest		102	64	-	-
Earnings profit per share (euros)					
Basic (euros and cents)	16	0.59	3.43	0.24	2.88
Diluted (euros and cents)	16	0.59	3.43	0.24	2.88

The corresponding notes on pages 23 to 90 are an integral part of these financial statements.

Statement of financial position

as at 31 December 2023

	Note	Group 31/12/2023 '000 EUR	Group 31/12/2022 '000 EUR	Company 31/12/2023 '000 EUR	Company 31/12/2022 '000 EUR
Assets					
Non-current assets					
Goodwill	17	8,905	4,166	2,321	2,321
Other intangible assets	18	7,149	3,952	2,793	1,434
Property, plant and equipment	19	5,607	5,818	5,261	5,522
Right-of-use assets	20	1,792	2,209	1,309	1,509
Investments in financial assets	21	212	204	111	185
Investments in subsidiaries	21.1	-	-	16,808	6,251
Other investments accounted for using the equity method	22	262	266	266	266
Long-term trade receivables		1	1	1	1
Deferred tax assets	26	1,724	1,661	1,145	1,341
Total non-current assets		**25,651**	**18,277**	**30,014**	**18,830**
Current assets					
Inventories	23	275	490	261	485
Investments in financial assets	21	1,477	413	1,115	71
Trade and other receivables	24	31,165	17,178	17,718	12,833
Corporate income tax receivables		354	81	84	36
Cash and bank balances	33	13,339	18,815	3,792	14,212
Total current assets		**46,609**	**36,977**	**22,969**	**27,637**
Total assets		**72,261**	**55,254**	**52,984**	**46,467**
Equity and liabilities					
Equity and reserves					
Share capital	29	3,920	2,601	3,920	2,601
Capital reserves	30	9,919	10,912	9,919	10,912
Profit reserves	29	1,377	1,349	1,259	1,169
Reserves for own shares		624	157	571	104
Own shares and holdings		(624)	(157)	(571)	(104)
Revaluation reserves - Property	31	1,877	1,997	1,877	1,997
Translational reserve of foreign operations		(237)	98	-	-
Retained earnings		13,248	14,432	10,107	12,668
Equity attributable to owners of the Company		**30,103**	**31,388**	**27,082**	**29,347**
Non-controlling interests	32	320	217	-	-
Total equity		**30,423**	**31,606**	**27,082**	**29,347**
Non-current liabilities					
Trade and other payables	*28*	150	-	-	-
Borrowings	25	33	433	33	433
Deferred tax liability	26	581	647	412	438
Lease liabilities	27	947	1,144	752	765
Contractual liabilities	35	1,798	683	1,798	683
Total non-current liabilities		**3,509**	**2,907**	**2,995**	**2,319**
Current liabilities					
Trade and other payables	28	28,930	14,429	13,971	9,106
Corporate income tax liabilities	15	-	46	-	-
Lease liabilities	27	938	1,146	665	927
Borrowings	25	2,073	503	2,073	503
Contractual liabilities	35	1,899	1,243	1,899	1,243
Deferred income	34	4,489	3,374	4,298	3,021
Total current liabilities		**38,329**	**20,741**	**22,906**	**14,801**
Total Liabilities		**41,838**	**23,648**	**25,901**	**17,120**
Total equity and liabilities		**72,261**	**55,254**	**52,984**	**46,467**

The corresponding notes on pages 23 to 90 are an integral part of these financial statements.

Statement of changes in shareholder's equity

for the year ended 31 December 2023

	Group											
	Share capital	Capital reserves	Profit reserves	Reserves for own shares	Own shares	Revaluation reserves - Property	Other capital items	Translational reserve of foreign operations	Retained earnings	Owners of the parent	Non-controlling interests	Total
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Balance as at 1 January 2022	**2,601**	**10,496**	**1,095**	**135**	**(135)**	**2,118**	**(860)**	**35**	**10,075**	**25,561**	**153**	**25,714**
Profit from the year (note 16)	-	-	-	-	-	-	-	-	6,638	6,638	72	**6,710**
Changes in revaluation reserves (note 31)	-	-	-	-	-	(120)	-	-	120	-	-	-
Changes in development cost reserves	-	-	253	-	-	-	-	-	(253)	-	-	-
Merger of Infocumulus (note 36.1)	-	-	-	-	-	-	860	-	(860)	-	-	-
Repurchase of own shares/stocks	-	-	-	775	(775)	-	-	-	(775)	(775)	-	**(775)**
Allotment of own shares in accordance with IFRS 2 (note 30)	-	416	-	(753)	753	-	-	-	753	1,169	-	**1,169**
Dividend paid	-	-	-	-	-	-	-	-	(1,289)	(1,289)	-	**(1,289)**
Other allotments and payments to members/shareholders	-	-	-	-	-	-	-	-	23	23	-	**23**
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	62	-	62	(8)	**54**
Total comprehensive profit	-	-	-	-	-	-	-	**62**	**6,638**	**6,700**	**64**	**6,764**
Balance as at 31 December 2022	**2,601**	**10,912**	**1,349**	**157**	**(157)**	**1,997**	**-**	**98**	**14,432**	**31,388**	**217**	**31,606**
Other non-equity changes in capital	1,319	(1,319)	-	-	-	-	-	-	-	-	-	-
Profit for the year (note 16)	-	-	-	-	-	-	-	-	1,144	1,144	102	**1,246**
Changes in revaluation reserves (note 31)	-	-	-	-	-	(120)	-	-	120	-	-	-
Changes in reserves and development costs	-	-	29	-	-	-	-	-	(29)	-	-	-
Repurchase of own shares/stocks	-	-	-	703	(703)	-	-	-	(703)	(703)	-	**(703)**
Allotment of own shares in line with IFRS 2 (note 30)	-	326	-	(236)	236	-	-	-	236	562	-	**562**
Dividend paid	-	-	-	-	-	-	-	-	(2,584)	(2,584)	-	**(2,584)**
Other allotments and payments to members/shareholders	-	-	-	-	-	-	-	-	631	631	-	**631**
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	(335)	-	(335)	-	**(335)**
Total comprehensive income	-	-	-	-	-	-	-	**(335)**	**1,144**	**809**	**102**	**911**
Balance as at 31 December 2023	**3,920**	**9,919**	**1,377**	**624**	**(624)**	**1,877**	**-**	**(237)**	**13,248**	**30,103**	**320**	**30,423**

Statement of changes in shareholder's equity

for the year ended 31 December 2023

	Company							
	Share capital	Capital reserves	Profit reserves	Reserves for own shares	Own shares	Revaluation reserves - Property	Retained earnings	Total
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Status as of 01 January 2022	**2,601**	**10,496**	**984**	**82**	**(82)**	**2,118**	**9,406**	**25,604**
Acquisition of (a) subsidiary (note 36.1)	-	-	-	-	-	-	(931)	**(931)**
Profit for the year (note 16)	-	-	-	-	-	-	5,569	**5,569**
Changes to revaluation reserves (note 31)	-	-	-	-	-	(120)	120	-
Changes in reserves and development costs	-	-	185	-	-	-	(185)	-
Repurchase of own shares/stocks	-	-	-	775	(775)	-	(775)	**(775)**
Allotment of own shares in line with IFRS 2 (note 30)	-	416	-	(753)	753	-	753	**1,169**
Dividend paid	-	-	-	-	-	-	(1,289)	**(1,289)**
Total comprehensive princomeofit	-	-	-	-	-	-	**5,569**	**5,569**
Status as at 31 December 2022	**2,601**	**10,912**	**1,169**	**104**	**(104)**	**1,997**	**12,668**	**29,347**
Other non-equity changes in capital	1,319	(1,319)	-	-	-	-	-	-
Fiscal year profit (note 16)	-	-	-	-	-	-	461	**461**
Changes to revaluation reserves (note 31)	-	-	-	-	-	(120)	120	-
Changes in reserves and development costs	-	-	91	-	-	-	(91)	-
Repurchase of own shares/stocks	-	-	-	703	(703)	-	(703)	**(703)**
Allotment of own shares in line with IFRS 2 (note 30)	-	325	-	(236)	236	-	236	**561**
Dividend paid s	-	-	-	-	-	-	(2,584)	**(2,584)**
Total comprehensive income	-	-	-	-	-	-	**461**	**461**
Balance as at 31 December 2023	**3,920**	**9,919**	**1,259**	**571**	**(571)**	**1,877**	**10,107**	**27,082**

The corresponding notes on pages 23 to 90 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2023

		Group		Company	
		2023.	2022.	2023.	2022.
	Note	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Profit of the year before tax		1,746	6,487	665	5,141
Adjustments:					
Financial income – interest income	14	(101)	(74)	(32)	(17)
Financial expenses	13	150	140	119	110
Depreciation of property plant and equipment	11	1,049	788	804	670
Depreciation of right-of-use assets	11	1,300	1,161	976	871
Amortisation of intangible assets	11	1,210	622	523	341
Gains and losses from impairment of financial assets less reversals	24. 13	1,018	450	143	681
Gains and losses from sales and value adjustments of non-current tangible and intangible assets		(23)	(99)	(23)	(9)
Net carrying value of disposed property plant and equipment	19	12	76	2	-
Operating cash flows before movements in working capital		6,362	9,551	3,177	7,788
Decrease/(increase) in inventories		366	(221)	226	(224)
Decrease/(increase) of trade and other receivables		(12,374)	(3,095)	(3,183)	(2,848)
Increase/(Decrease) of trade and other payables		12,921	1,586	4,854	740
Increases/(Decreases) in contractual liabilities		(809)	(663)	(810)	(668)
Increases/(decreases) in deferred income		(97)	3,629	(370)	2,521
Cash from operations		6,369	10,787	3,894	7,309
Corporate income tax paid		(615)	(313)	(114)	(62)
Net cash from operating activities		5,754	10,474	3,780	7,247
Investing activities					
Interest receipts		102	-	32	-
Purchase of property, plant and equipment	19	(760)	(1,127)	(545)	(927)
Purchase of intangible assets	18	(1,603)	(957)	(1,881)	(752)
Acquisition of a subsidiary	21.1	(7,740)	(4,523)	(11,224)	(5,172)
Investment in shares of the companies with participating interest	22	-	(134)	-	(134)
Other cash expenditure from investment activities		(109)	-	(109)	-
Net cash (used in)/from investing activities		(10,110)	(6,741)	(13,727)	(6,985)
Financial activities					
Dividends paid		(2,584)	(1,290)	(2,584)	(1,290)
Interest paid		(145)	(143)	(160)	(113)
Repayment of loans and borrowings	25	(1,466)	(1,813)	(1,386)	(946)
Cash receipts from loans and loans	25	2,630	617	2,550	-
Repayment of lease liabilities		(2,789)	(1,263)	(2,125)	(915)
Net cash (used in)/from financing activities		(4,354)	(3,892)	(3,705)	(3,264)
Net increase/(decrease) in cash and cash equivalents		(8,710)	(159)	(13,652)	(3,002)
Cash acquired through the acquisition/merger of a subsidiary	36. 36.1	3,233	421	3,233	369
Cash and cash equivalents at the beginning of the year		18,815	18,553	14,212	16,845
Cash and cash equivalents at the end of the year	33	13,339	18,815	3,792	14,212

The corresponding notes on pages 23 to 90 are an integral part of these financial statements.

1. General

SPAN d.d. (hereinafter: "The Company") is a joint stock company established and registered in the Republic of Croatia. The ultimate controlling parties of the company are Nikola Dujmović, the President of the Management Board and the following members of the Management Board: Marijan Pongrac, Dragan Marković and Saša Kramar.

The amounts in these financial statements are expressed in euros and rounded to the nearest thousand. Foreign parts of the business are involved in accordance with the policies described in note 3. Due to technical limitations related to textual marking of notes in the group's and company's financial statements in accordance with the Single Electronic *Format (European single electronic format); ESEF*) the content of certain XBRL tags related to tabularly displayed disclosures is not shown identically to the accompanying financial statements.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's activities are described below.

a. SPAN d.d.

Span d.d., Zagreb. company registration number: 080192242, Company ID: 19680551758. was established under the laws and regulations of the Republic of Croatia as a limited liability company, on 23 March 1993. On 13 December 2019, the General Assembly of the company adopted the Decision on the transforming the company into a joint stock company.

Headquarters: Zagreb. Koturaška cesta 47
Management Board: Nikola Dujmović, President of the Management Board and the following members of the Management Board: Marijan Pongrac, Dragan Marković and Saša Kramar
The Company's core activities are the following: publishing and printing; manufacture of office machinery and computers; renting of office machinery and equipment, including computers; computing and related activities; business and other management consulting services.

b. Trilix d.o.o.

Company Trilix d.o.o., Zagreb. company registration number: 080621127, Company ID: 23149457295. was established according to the laws and regulations of the Republic of Croatia as a limited liability company, on 8 August 2007.

Headquarters: Zagreb, Ulica grada Vukovara 269F
Management Board: Mladen Amidžić, President of the Management Board and Nikola Dujmović, Member of the Management Board
The company's core activities are the following: IT security consultancy; business and other management consulting services; and computing and related activities.

c. BONSAI d.o.o.

Bonsai d.o.o., Zagreb. company registration number: 081100130, Company ID: 81255473305, was established according to the laws and regulations of the Republic of Croatia as a limited liability company, on 12 May 2017.

Headquarters: Zagreb. Koturaška cesta 47
Directors of the company: Slaven Mišak, director and Nikola Dujmović, director
The subject of the Company's business is the design of new media (multimedia) and computer and related activities.

1. General (continued)

d. SPAN d.o.o., Ljubljana

Span d.o.o., Ljubljana. company registration number: 359638900, was established under the laws and regulations of the Republic of Slovenia as a limited liability company, on 18 August 2009.

Headquarters: Ljubljana, Verovškova ulica 55A, Republic of Slovenia

Directors of the company: Ivan Rojec, director and Dragan Marković, director

The subject of the Company's business is the design of information systems and the provision of services from the IT solutions segment on the Slovenian market.

e. SPAN IT Ltd., London

SPAN IT Ltd., London, company registration number: 06810505, was established under the laws and regulations of the United Kingdom as a limited liability company, on 5 February 2009.

Company headquarters: London, EC3V 0EH, 6th floor. 52/54 Gracechurch street, United Kingdom

Directors of the company: Marijan Pongrac, director and Dragan Marković, director

The subject of the Company's business is the provision of services in the field of IT solutions on the UK market.

f. SPAN USA, Inc.

SPAN USA, Inc., company registration number: 68-0682850, was incorporated under the laws and regulations of the United States of America as a limited liability company, On 10 October 2012.

Headquarters: Chicago, 1415 W. 22nd Street, Tower Floor, Oakbrook, IL 60523, United States

Directors of the company: Marijan Pongrac, President of the Management Board, Mario Štula, Vice President of the Management Board.

The company's business is to provide IT services and customer support in the United States.

g. Span Azerbaijan LLC, Baku

Span Azerbaijan LLC, company registration number: 1701936521, was established under the laws and regulations of Azerbaijan as a limited liability company, on 15 April 2016.

Headquarters: Baku, House 96E, Nizami, Sabail district, Baku city, AZ1010, Azerbaijan

Director of the company: Eldar Jahangirov, director

The subject of the Company's business is consulting and services in information technologies.

h. Span LLC, Kiev

Span LLC, company registration number: 42424948, was established under the laws and regulations of Ukraine, as a limited liability company, on 30 August 2018.

Headquarters: Kiev, Ukraine

Director of the company: Oleg Avilov Mikolaevich, director

The subject of the Company's business is consulting and services in information technologies.

i. SPAN GmbH, Munich

SPAN GmbH, company registration number: 242618, was established under the laws and regulations of Germany, as a limited liability company, on 31 July 2018.

Company headquarters: Munich, Germany

Directors of the company: Dragan Marković, director and Saša Kramar, director

The subject of the Company's business is consulting and services in information technologies.

General (continued)

j. SPAN Swiss AG in liquidation from 29 November 2023

SPAN Swiss AG in liquidation, company registration number: CHE-229.766.934, was established under the laws and regulations of Switzerland, as a limited liability company, on 18 February 2019.

Company headquarters: Zug. Switzerland

Liquidator of Company: Markus Brulhart

The subject of the Company's business is consulting and services in information technologies

k. Span-IT s.r.l., Chisinau

Span-IT s.r.l., company registration number: 1021600030638. was established under the laws and regulations of Moldova. as a limited liability company, on 19 July 2021.

Headquarters: Chisinau, Moldova

Directors of the company: Saša Kramar, director, Dragan Marković, director and Serghei Smigaliov, director

The subject of the Company's business is consulting in the field of information technologies.

l. EKOBIT d.o.o.

The company EKOBIT d.o.o., Zagreb, company registration number: 080144042, Company ID: 69609657776. was established according to the laws and regulations of the Republic of Croatia as a limited liability company, on 27 November 1992.

Directors of the company: Dragan Marković, President of the Management Board and Mladen Maras, Member of the Management Board

The subject of the Company's business is the development of software solutions and computer and related activities.

m. Span Centar kibernetičke sigurnost d.o.o.

Company Span Centar kibernetičke sigurnosti d.o.o., Zagreb, company registration number: 081452193, Company ID: 88052917618, was established according to the laws and regulations of the Republic of Croatia as a limited liability company, on 21 July 2022.

Headquarters: Zagreb. Koturaška cesta 47

Directors of the company: Mihaela Trbojević, President of the Management Board, Nataša Fucijaš, Member of the Management Board, Nikola Dujmović, Member of the Management Board and Saša Kramar, Member of the Management Board

The subject of the Company's business are computer and related activities.

n. GT Tarkvara OU. Tallinn

Gt Tarkvara OU Company was founded on 4 March 2008

Company headquarters: Tallinn. Parnu mnt 141, Estonia

Directors of the company: Ahti Leppik, Taivo Remmelgas, Saša Kramar

The subject of the Company's business is the sale of computers, computer equipment and software.

o. Span LLC.Tbilisi

Span LLC, Tbilisi, Georgia was founded in September 2023.

Headquarters: Tbilisi, Georgia

Directors of the company: Tahir Alyev

The subject of the Company's business is consulting and services in information technologies.

2. Adoption of new and amended international financial reporting standards ("IFRS") and interpretations

a) First application of new amendments to the existing standards effective for the current reporting period

In the current year. the Company and the Group have implemented a number of amendments to international accounting standards published by the International Accounting Standards Board ("OMRS") and adopted in the European Union ("EU"). which are mandatory for the reporting period beginning on or after 1 January 2023.

Standard	Name
IFRS 17	New STANDARD IFRS 17 "Insurance Contracts" including amendments to IFRS 17 published in June 2020 and December 2021.
Amendments to IAS 1	Publication of accounting policies
Modifications to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction
Amendments to IAS 12	International Tax Reform - Pillar 2 Model Rules

Amendments to IAS 1 have had an impact on the financial statements in such a way that only specifics to the Group and the Company are disclosed for relevant accounting policies. while the general part of the accounting policies has no longer been disclosed. The adoption of the other amendments mentioned above did not have any significant impact on the disclosures or amounts reported in these financial statements.

b) Standards and amendments to existing standards issued by IASB and adopted in the European Union but not yet effective

At the date of approval of these financial statements. the Company has not applied the following new and revised international accounting standards issued and adopted by the EU. but are not yet in force:

Standard	Name	Effective Date
Amendments to IFRS 16	Lease liability in leaseback sales transactions	1 January 2024
Amendments to IAS 1	Classification of liabilities as short-term or long-term and long-term liabilities with contractual terms	1 January 2024

The Company and the Group do not expect the adoption of the above Standards to have a significant impact on the Company's financial statements in future periods.

2. Adoption of new and amended standards (continued)

c) New standards and amendments to existing standards issued by IASB but not yet adopted by European Union

Currently. the standards adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board. except for the following new standards and amendments to existing standards. which have not yet been adopted by the EU on the date of issue of these financial statements:

Standard	Name	Adoption status in the EU
Amendments to IAS 7 and IFRS 7	Financing agreements with suppliers (Effective date set by the IASB: 1 January 2024)	They have not yet been adopted in the EU.
Amendments to IAS 21	Inability to replace (Effective date set by the IASB: 1 January 2025)	They have not yet been adopted in the EU.
IFRS 14	Time demarcations (Effective date set by the IASB: 1 January 2016)	The European Commission has decided to postpone the process of adopting this transitional standard until the publication of its final version
Amendments to IFRS 10 and IAS 28	The sale or entry of assets between the investor and its associated entity or joint venture and further amendments (IASB postponed the date of entry into force for an indefinite period of time. with prior application permitted)	Download procedure postponed until completion of the research project on the topic of application of the share method

The Company and the Group do not expect that the adoption of the above Standards will have a significant impact on the financial statements of the Company and the Group in future periods.

3. Significant accounting policies

Accounting principle

The financial statements have been prepared in accordance with IFRS adopted by the European Union (IFRS EU) and therefore the group and the company's financial statements are in accordance with Article 4 of the Financial Regulation. Regulation (EU) on international accounting standards.

The financial statements are prepared on the principle of historical cost, with the exception of the revaluation of certain property, which are presented in revalued amounts. as explained in the accounting policies that follow. The historical cost is based mainly on the fair value of the fee given in exchange for goods or services.

The following is an overview of significant information on the accounting policies adopted for the preparation of these financial statements. These accounting policies are consistently applied for all periods included in these statements.

Changes in currency

As of 1 January 2023, Republic of Croatia entered the Euro zone and Croatian Kuna (HRK) was replaced by new currency Euro (EUR). As a result, the Company / Group has changed its presentation and functional currency for 2023 financial statements to EUR as of that date. Comparative financial information is translated by using the official conversion rate of 7,53450 HRK/EUR.

Going Concern

The Management Board has, at the time of approving the financial statements, a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis for consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December 2023.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where appropriate, adjustments were made in the subsidiaries' financial statements in order to align their accounting policies with those of other Group members. The consolidation eliminates in full intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group.

Non-controlling interests in subsidiaries are accounted for separately from the Group's ownership interest. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Valuation method is selected separately for each acquisition. Remaining non-controlling interests are initially measured at fair value. After acquisition, the carrying value of non-controlling interests is the amount of shares at initial recognition increased by the share of non-controlling interest in subsequent changes to the equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income shall be attributed to the owners of the Company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the date of acquisition, the assets acquired, and the identifiable liabilities assumed are recognised at their fair value on the date of acquisition.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the reassessment finds that the share of the Group in the fair value of the identifiable amount of the acquiree's net assets exceeds the sum of the consideration transferred, the amount of non-controlling interest, if any, and the fair value of the acquirer's previously held equity interest in the acquiree, the surplus shall be recognised immediately in profit or loss as a gain from a bargain purchase.

The consideration the Group transfers in a business combination includes a contingent consideration arrangement. The Group shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Goodwill

Goodwill is not depreciated, but is tested for impairment at least once a year. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Such impairment loss for goodwill will not be reversed in subsequent periods.

The policy used by the Group for calculating goodwill resulting from acquisition of associates is described in note 17.

Revenue Recognition

Revenue is measured based on the consideration to which the Group and Company expect to be entitled according to the customer contract, excluding amounts collected on behalf of third parties. The Group and Company recognise revenue when they transfer control of a licence, product or service to a customer.

The Group and the Company shall report revenue from the following main sources:

- sale of licences;
- sale of hardware and
- sale of service

3. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of licenses

With reference to the sale of different types of licences, revenue is primarily realised from the sale of Microsoft licences. The Group and Company are primarily responsible for delivering specific characteristics of licences to customers, they are exposed to the potential risk of rejection of licences by the customer and have the discretion to define prices and benefits from licences to the moment of transfer of control.

Licences are prepared for activation for a specific customer and are granted at a particular point in time. The Group and Company determine that the license agreement does not require, and the customer does not reasonably expect, that the Group and Company shall undertake activities that significantly affect the software. Since the licensor shall not undertake activities that significantly affect the intellectual property for which the users have rights and benefits, be they positive or negative activities that do not affect the licensor; and that the activities that might affect the intellectual property do not constitute additional performance actions in the contract, the licences thus represent the right-of-use and the Group, therefore, recognises revenue at a particular point in time. Revenue is recognised when control of the licence has been transferred, that is at the point the licences become available to the customer and the customer has gained the control over a licence. The value of transactions from these contracts have been defined in framework contracts with customers (usually on an annual basis), determined based on price lists, and charged within 30 days. Based on the framework contract, the customers use order requests for purchasing licences to commit to the purchase during the life of the contract.

The Group and Company use a practical exception for disclosing the transaction price allocated to outstanding performance obligations since they have the right to the consideration paid by the customer in the amount equivalent to the value of the performance obligation by the reporting date, thus the Group and Company recognises revenue in the amount that they may invoice. The Group and Company do not expect variable consideration with reference to the relevant contracts.

In case the contract at the same time includes the delivery of licences and provision of advisory services as part of the solutions requested by the customer, advisory services, as well as licences, are considered individual distinct delivery obligations. Transaction price is distinct in contracts per type of licence and advisory service, thus is determined based on an individual sales price of a licence or service.

Sale of hardware

The Group and Company sell hardware directly to customers in line with the contract on the sale of hardware and provision of services or individual contracts on the sale of hardware. Revenue is recognised at the point in time when the control over the equipment has been transferred to the customers, and the sale of equipment is considered a distinct delivery obligation. Transferring control to the customer entails physical ownership and use of hardware by the customer, transfer of all rights to use and risks of use of hardware to the customer, as well as the Group and Company's right to collect. The process of sale of hardware in most cases meets the condition to transfer control after the goods have been delivered to the customer's specific location. Transaction prices stipulated in these contracts are usually fixed and are collected after the delivery of the hardware and installation services provided.

Sales of services

Advisory services the Group provides may be divided in two main service groups: services related to contracted projects with customers, and advisory services which refer to customer support based on contracted price lists. Advisory services related to contracted projects (e.g. installation and/or development of different software products for specialised business operations) are recognised as a performance obligation satisfied over time. Revenue is recognised in the financial statements based on the stage of completion of the contract. The management and competent bodies have assessed that the stage of completion determined as the proportion of the expected project duration, i.e. time that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15. Considering the fact that the projects are related to the time cost of each developer, the time spent on the project reflects the work performed, i.e. delivered. If the services are charged in an amount higher than required considering their stage of completion, the difference is recognised as deferred income.

Support advisory services include hourly based standard services recognised at a certain time of delivery of services based on contracted price lists.

A support advisory service is considered to be a distinct service as it is both regularly supplied by the Group and Company to other customers on a stand-alone basis and is available for customers from other providers in the market. Discounts are not considered as they are only given in rare circumstances and are not material.

3. Significant accounting policies (continued)

Leases

Group and Company as a lessor

The Group and Company assess whether a contract is or contains a lease, at the beginning of the contract. The Group and Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which they are the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group and Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that have not been settled at the beginning of the lease term, discounted at the rate implicit in the lease. If this rate cannot be readily determined, the Group and Company use their incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets entail the initial measurement of the relevant lease liability, lease payments made at or before the commencement date of the lease, less any lease incentive received for concluding the operating lease and all initial direct costs. These are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group and Company apply IAS 36 to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in the 'Property and Equipment' policy.

As a practical solution. IFRS 16 allows the lessee not to separate components that do not relate to the lease and to account for components related to the lease and components that do not relate to the lease as a standalone component. The Group and the Company used this practical solution.

Group as a lessor
Leases in which the Group is the lessor are classified as financial or operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

Foreign currencies

In the financial statements, assets and liabilities of the Group's foreign operations have been calculated using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Potential exchange differences are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (and added to non-controlling interests, if any).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensible income.

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group and Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Tax credits for investment

Tax reliefs for investment are considered to be reliefs arising from state incentive measures that allow the Company and the Group to reduce the tax liability of corporate tax or other specified taxes in future periods. and are related to the acquisition of certain assets and / or the performance of a particular activity and / or the fullfilment of certain specific conditions prescribed by the relevant regulations for investment incentives by the relevant authorities. Tax credits for investments shall be recognised as deferred tax assets and tax revenue when the necessary conditions are met for this in the amount of relief estimated to be available to the Company and the Group during the period of the incentive measure in question. Deferred tax assets recognised as a result of the tax relief for investments are abolished during the period of the incentive measure. i.e. until the expiry of the relief (if specified), in accordance with the availability of tax liabilities in subsequent years that may be reduced as a result of the use of the relief.

3. Significant accounting policies (continued)

Retirement and termination benefits

Payments made to a defined contribution retirement benefit plan are recognised as expenses once the employees have finished working on the position resulting in their right to contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group and Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Employees that purchased 20 or more shares in the first round of the public offering of shares in 2021 entered the Company's ESOP program. Twenty shares make a single ESOP package, used for calculating the total number of additional shares the employee is entitled to within the ESOP program. Within the three-year period in which the employees maintain one or more ESOP packages (vesting period), the Company will allocate additional 25% shares (additional 5% shares after the first year expires, and 10% after the second and third year expire). Once each of the years expire, employees gain the right to purchase additional shares in the defined percentages.

Fair value of allocated shares is recognised as an expense in the vesting period, and once it expires, the relevant liability is recognised at the share's market price.

Furthermore, the Company usually rewards its employees for their exceptional performance for the year by making bonus payments in the form of Company shares (own shares). Employees may do with the shares as they see fit. The fair value of the shares is established once the vesting period expires, at the share's market price.

In line with the Remuneration Policy, the Management Board members' annual bonus constitutes a variable portion of their remuneration and amounts to a maximum of 40% of their annual salary which is equal to 12 monthly gross salaries, as defined in the contract on their rights and obligations concluded between individual members of the Management Board and the Company. The Company may decide to make annual bonus payments in the form of Company shares, in which case the Company transfers own shares to the member of the Management Board.

Taxation

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Provisions are recognised for matters with uncertain tax charge, when an outflow of funds to the tax authority is highly probable. Provisions are measured by using the best estimate of likely tax values. The estimate is based on the judgement of tax experts within the Company in line with prior experience in such activities and, in certain cases, based on tax advice of independent experts.

Deferred tax

Deferred tax is recognised as the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3. Significant accounting policies (continued)

Property, plant and equipment

Buildings and land used in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of buildings is credited to the property's revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. When selling or retiring items of non-current assets recorded at the revalued amount, every surplus recognised in the revaluation reserve is directly transferred to retained earnings.

Fixed tangible assets under construction and land are not amortised. Equipment is reported at a cost less accumulated depreciation and impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets, other than owned land and non-current tangible assets under construction, over their useful lives, by using the straight-line method, on the following bases:

Buildings	5% p.a.
IT equipment	15-50% p.a.
Office equipment	15-25% p.a.

Estimated useful life, residual value, and depreciation method are reviewed at the end of each reporting period, with impacts of potential changes in estimated accounted for prospectively.

Buildings and equipment are no longer accounted for or recognised after they have been sold or when future economic benefits associated with their use are no longer expected. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 18. Estimated useful life and depreciation method are reviewed at the end of each reporting period, with impacts of potential changes in estimated accounted for prospectively.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Software and other rights	25% p.a.

Separately acquired intangible assets include software and other rights and intangible assets under constructions.

3. Significant accounting policies (continued)

Internally developed intangible assets

The amount initially recognised for internally generated intangible assets is the sum of expenditures incurred as of the date when the assets initially met the previously cited recognition criteria. If internally developed intangible assets cannot be recognised, expenditures from development are recognised in profit and loss for the period in which they incurred. After initial recognition, internally developed intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally developed intangible assets are sold to third parties once the licence is activated. Internally generated intangible assets consist of software development and intangible assets under construction.

Intangible assets acquired in a business combination

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

Intangible assets are derecognised on disposal or when future economic benefits associated with the use or sale of the item are no longer expected. The gain or loss arising on the derecognition of an intangible asset item is determined as the difference between the net sales proceeds and the carrying amount of the item and is recognised in profit or loss for the period of derecognition.

Impairment of buildings and equipment and intangible assets other than goodwill

At each reporting date, the Group and Company review the carrying amounts of their property and equipment, and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. For assets not generating cash flows independent from other assets, the Group and Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are subject to impairment tests on an annual basis and if there is an indication of potential impairment at the end of the reporting period.

Impairment losses are recognised immediately in profit or loss, unless the relevant assets have been recognised in their revalued amount, in which case the impairment loss is treated as a revaluation increase and if the impairment loss exceeds the related revalued amount surplus, impairment losses are recognised in profit and loss.

In the event of a later cancellation of impairment loss. the carrying amount of the asset (the money-generating unit) increases to its revised estimated recoverable amount.

Inventories

Inventories are carried at the lower of the cost and net realisable value. Cost comprises direct materials and, where appropriate, direct labour costs and surplus incurred in bringing the inventories to their present location and condition. Cost is calculated by using the weighted average method.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are initially measured at fair value, other than the trade receivable with no significant financial component initially measured at transaction cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The regular purchase and sales of financial assets are recognised or derecognised at the trading date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at amortised cost.

Interest income is expressed in profit or loss and is included in the item "Financial income - interest income" (note 14).

Gains and losses from exchange rate changes in foreign currencies

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

Impairment of financial assets

The Group and Company always recognise lifetime expected credit losses (ECL) for trade receivables, and contract assets. The expected credit losses on those financial assets are estimated using a provision matrix by reference to past credit loss experience of the Group and Company, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions as at the reporting date, including, where appropriate, the time value of money.

(i) Significant increase in credit risk

When assessing whether the credit risk for the financial instrument significantly increased since the initial recognition, the Group and Company compare the risk of default on the reporting date to the risk of default of the financial instrument on the date of initial recognition. During the assessment, the Group and Company consider both quantitative and qualitative information which are reasonable and available, including the historical experience and forward-looking information, which can be accessed without unnecessary costs or engagements. Forward-looking information considered includes the future prospects of the industries in which the Group and Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group and Company's core operations. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- a significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk for other financial instruments of the same debtor; and
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

Irrespective of the outcome of the above assessment, the Group and Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and Company have a reasonable and supportable information that demonstrates otherwise.

Despite the aforementioned, the Group and Company assume that the credit risk for the financial instrument has not significantly increased since the initial recognition if we determine that the financial instrument has a low credit risk at the reporting date. We believe that the financial instrument has a low credit risk if:

(1) the financial instrument has a low risk of default;
(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) adverse changes in economic and business conditions in the long term may, but do not necessarily have to, decrease the lessee's ability to meet their contractual cash flow obligations.

The Group and Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. 'Performing' means that the counterparty has a strong financial position and there is no past due amounts. For financial guarantee contracts, the date on which the Group and Company become a party to irrevocable commitment is considered the date of initial recognition for the purposes of estimating the impairment of a financial instrument. When judging if the credit risk significantly increased since initial recognition of the financial guarantee contract, the Group and Company examine the changes in the risk of a debtor's default. The Company regularly monitors the efficiency of criteria used to determine whether there has been a significant increase in credit risk and reviews them so that the criteria may identify a significant increase in credit risk before any default occurs.

(ii) Definition of non-performance

The Group and Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group and Company)

Irrespective of the above analysis, the Group and Company consider that default has occurred when a financial asset is more than 90 days past due unless the Group and Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

Financial assets are credit-impaired when one or more events with an adverse effect on estimated future cash flows and financial assets occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulties of the borrower or counterparty; or

(b) a breach of contract, such as a default or past-due event (see item II. above);

(c) the lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for the financial assets concerned due to financial difficulties.

(iv) Write-off policy

The Group and Company write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group and Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses

Measurement of expected credit losses is the function of Probability of Default (PD), Loss Given Default (LGD), i.e. size of loss in case of default, and Exposure at Default (EAD). Probability of Default and Loss Given Default is based on historical data adjusted for forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the understanding of the specific future financing needs of the debtors, and other relevant forward-looking information. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and Company in accordance with the contract and all the cash flows that the Group and Company expect to receive, discounted at the original effective interest rate. For lease receivables, cash flows used to determine expected credit losses correspond to the cash flows used for measuring lease receivables in line with IFRS 16.

For a financial guarantee contract, as the Group and Company are required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group and Company expect to receive from the holder, the debtor or any other party.

If the Group and Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and Company measure the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group and Company recognise an impairment gain or loss in profit or loss for all trade receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

Termination of recognition of financial assets

The Group and Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss.

Financial liabilities and equity

Instruments of ownership

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method at the end of each reporting period.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

Termination of recognition of financial liabilities

Where there has been an exchange between the Group and Company and existing creditor with substantially different terms, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and Company account for a substantial change in the terms of an existing liability or a portion thereof as an extinguishment of the original financial liability and recognition of a new financial liability. The terms are considered substantially different if the discounted current value of cash flows, in line with the new terms, including consideration paid, net of fees received and impaired by using the effective interest rate, is at least 10% different from the discounted current value of remaining cash flows of the original financial liability. If the change is not substantial, the difference between: (1) the carrying value before the change; and (2) the current value of cash flows after the change is recognised in profit and loss as a gain or loss from the change in other gains and losses.

Own shares

Own shares are held with the CDCC (Central Depositary and Clearing Company). Own shares are recognised at cost and deducted from equity.

Rewarding employees in the form of shares

The company has an employee reward scheme in the form of granting company shares. Annual bonuses are determined at the end of the year, and based on the defined amount, a provision for expected payout is created. For the amount of the provision, the company recognizes an increase in equity alongside the expense.

4. Critical accounting judgments and key sources of estimation uncertainty

In applying the Group and Company's accounting policies, which are described in note 3, the Management Board is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Assessing whether the Group and the Company are principal or agent in the sale of licenses

IFRS provides guidance for determining whether an entity is the principal or an agent. The Group and Company act as a principal in a transaction if they obtain control of the specified goods or services before they are transferred to the customer. On the contrary, the Group and Company are an agent if they do not control the specified goods or services before they are transferred to the customer.

Determining that the Group and Company are a principal is based on the assessment of whether the Group and Company obtain control of the goods and services based on the facts and circumstances stipulated in the contracts with customers.

In this assessment, the Group and Company have used the judgement using the main indicators of their business model, business practice, processes, rights and responsibilities that Group and Company have and can be summarized as follows:

- Identifying a selling opportunity with a customer;
- direct contacts with customers to determine their need and demands as well consultation for determining adequate license program;
- sharing opportunity details with license providers;
    - revealing customers identity is the standard rule with vendors in the industry,
    - industry standard is that licenses cannot be sold to customers without sharing data with the license vendors;
- discretion with respect to accept or reject orders from customers;
- responsibility related to the sales strategy;
- responsibility for ensuring that delivered goods and services are in accordance with the customer demands/infrastructure;
- responsibility for ensuring the validity of goods and services;
- directing license vendors over which licensing program and product to place and to which customer to place it to;
- full discretion over establishing a final price for goods and services;
- before license activation, full discretion to change the scope, program, withdraw from the deal as well as to change the supplier and choose another supplier on the market ("non-exclusive rights");
- existing commercial agreement with customer by which the Group and Company are primarily responsible for fulfilling the promise to provide goods and services;
- customer cannot prove their right to use goods and services without formal order confirmation to the Group and Company, invoice from the Group and Company and payment confirmation;
- discretion to re-direct the use of goods and services in the case if customer breach the contract

Determining whether an entity is the principal or an agent in an arrangement require review of indicators relating to principle/agent status. As stated above, the Group and Company continuously review the relationships and contractual arrangements between the Group and Company and their customers. This includes identifying the specified good and/or services being provided to the customers and the nature of the Group and Company's promise in the assessment of the agent vs principal status.

Assessing whether the Group and the Company recognize revenue as point in time or over time

The Group and Company determine that the license agreement does not require, and the customer does not reasonably expect, that the Group and Company shall undertake activities that significantly affect the software. Since the licensor shall not undertake activities that significantly affect the intellectual property for which the users have rights and benefits, be they positive or negative activities that do not affect the licensor; and that the activities that might affect the intellectual property do not constitute additional performance actions in the contract, the licences thus represent the right-of-use and the Group, therefore, recognises revenue at a particular point in time.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Impairment of trade receivables

Trade receivables are reviewed at each reporting date and their value is impaired based on the assessment of probability that the reported amount will be recovered. Each customer is considered individually based on the expected date of collection of the receivable and the estimated probability to collect amounts due. The management believes that the trade receivables have been recognised in line with their recoverable amount as at the reporting date.

Goodwill Impairment

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any gain or loss on remeasurement at fair value is included directly in profit or loss. Such impairment loss for goodwill will not be reversed in subsequent periods.

The Group and Company use the smallest cash-generating unit for their goodwill impairment tests. The Group and Company defined every individual subsidiary as the smallest cash-generating unit, having in mind the diversity of sources of income and business models of individual subsidiaries. For goodwill impairment tests, they used the income method based on discounted cash flows.

The discounted cash flow method comprised the assessment of future cash flows for a 5-year period, discounting the relevant cash flows, applying a discount rate reflecting the cash flow risk and time value of money, assessing the residual value and terminal value. In free cash flow projections. the average weighted growth rate (CAGR) for the period 2024-2028 is 42.2%.

The Group and Company test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Sensitivity analysis

The Group and Company have conducted a sensitivity analysis for changes in key assumptions used for determining the recoverable amount of each group of cash-generating units to which goodwill has been allocated. The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Management Board covering a five-year period. The impairment test established that there were no indications of goodwill impairment. The sensitivity analysis considered the change in terminal growth of the Group and Company ranging from 0% to 2%. and the WACC range from 13.4% to 15.4%. Sensitivity analysis within the impairment test did not determine an impairment.

Revaluation of property, useful life of plant and equipment

The Company recognises property at fair value based on periodic assessments conducted by an independent appraiser, net of depreciation. The Company regularly monitors the fair value of property and engages an independent appraiser in the event of substantial departures. Regardless of the movements in the fair value of property, the Company conducts an assessment every 3-5 years.

The Group and Company review the estimated useful life of plant and equipment, and intangible assets at the end of each annual reporting period. Plant and equipment are reported at purchase cost less the accumulated value adjustment.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Leases – Estimate the incremental to-do rate

The Group and Company are not able to easily determine the lease interest rate, thus they use an incremental borrowing rate for calculating lease liabilities. Incremental borrowing rate is the rate the Group and Company would pay if they, in a similar period and with similar collateral, borrowed funds necessary for purchasing property of similar value as right-of-use assets in a similar economic surrounding. Calculating the incremental borrowing rate requires assessing when such rates are not available or need to be adjusted to reflect the lease terms. The Group and Company use different inputs to calculate the incremental borrowing rate. The interest rate calculated by the Group and Company for contracts represents the lessee's credit risk, lease period, safety, and economic surrounding. It is determined based on comparable transactions. The data the Company uses for determining the incremental borrowing rate are renewed at least once a year or in case of a significant change in the Group and Company's credit rating.

Corporate income tax

The Company is liable for income tax under the laws and regulations of the Republic of Croatia. Tax returns are subject to examination by the tax authorities, which have the right to subsequently review business books of the tax payer. There are different possible interpretations of tax laws; therefore, the amounts in the consolidated financial statements may be amended subsequently, based on the decision of tax authorities.

The Company receives investment support in line with the Investment Promotion Act. Support is predominantly used as a tax concession for decreasing the 2015 corporate income tax liability. Based on its current right to a tax concession, the Company recognises deferred tax assets. Since the investment period has not yet ended and the final amount of support granted remains unknown, the Company determined the amount of potential tax concessions that it plans to use in future periods and, accordingly, the amount of deferred tax assets. During this assessment, the Company used the precautionary principle, and the estimated amount of the support was lower than the maximum amount of the support the Company shall realise once the investment period ends in December 2024.

Impact of the war in Ukraine

The war in Ukraine has an impact on the company's and group's business in 2023, but Span LLC Ukraine continues to operate neatly.

Climate change impact

Climate change did not affect the operations of the Company and the Group in 2023 or its financial performance.

The company and the Group see the contribution to the fight against climate change in the development of energy-efficient products and services, as well as in reducing greenhouse gas emissions through the procurement of green energy, along with changing their own habits.

5. Revenue from contracts with customers

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Sales of software licenses	90,750	61,111	57,646	49,428
Sales of goods and services – foreign	32,284	32,973	29,820	31,541
Sales of goods and services – domestic	11,405	9,930	5,462	4,270
Sales of hardware	8,398	6,156	6,622	6,045
Total	**142,836**	**110,170**	**99,550**	**91,284**

	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
External revenues per service provided				
Services revenue	43,688	42,903	35,282	35,811
Total	**43,688**	**42,903**	**35,282**	**35,811**

	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
External revenues by products sold				
Sales of software licenses	90,750	61,111	57,646	49,428
Sales of hardware	8,398	6,156	6,622	6,045
Total	**99,147**	**67,267**	**64,268**	**55,473**

	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
External revenue by timing of revenue				
Goods transferred at a point in time	99,147	67,267	64,268	55,473
Services transmitted at a point in time	25,315	31,894	22,530	30,392
Services transferred over time	18,373	11,009	12,751	5,419
Total	**142,836**	**110,170**	**99,550**	**91,284**

6. Other operating income

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Government grants	53	24	53	23
Other operating income	1,443	4,946	831	432
Total	**1,496**	**4,970**	**883**	**456**

Other operating income consists mainly of vendor approval revenue and a change in provisioning for credit losses on receivables from customers. In 2022, Microsoft allowed customers in Ukraine to use their products and services free of charge. Given that certain products and services have already been accounted for in 2022, the Group has shown the obtained approvals on Other Operating Revenues (Note 12).

6.1. Operating segments

Products and services resulting in revenue for reportable segments

The reporting segments of the Group and the Company in accordance with IFRS 8 identified as separate entities include software asset and licensing management, Infrastructure Services, Cloud and Cyber Security, Service Management and Technical Support, and software and business solution development.

	Group						
	Software qsset Management and Licensing	**Infrastructure services, Cloud and Cyber Security**	**Service management and technical support**	**Software development and business solutions**	**Other**	**Eliminations**	**Consolidated**
	2023. '000 EUR	**2023.** '000 EUR	**2023.** '000 EUR	**2023.** '000 EUR	**2023.** '000 EUR	**2023.** '000 EUR	**2023.** '000 EUR
Finance							
External sales	115,512	14,442	20,171	14,222	1,551	(21,567)	144,331
Total revenues	115,512	14,442	20,171	14,222	1,551	(21,567)	144,331
Result							
Segment profit	3,697	2,516	9,600	1,487	(14,957)	(255)	2,089
Financial income	-	-	-	-	656	(161)	495
Other gains and losses	-	-	-	-	(4)	-	(4)
Financial expenses	-	-	-	-	844	(10)	834
Profit before tax	3,697	2,516	9,600	1,487	(15,150)	(404)	1,746
Corporate income tax	-	-	-	-	(500)	-	(500)
Profit for the year	3,697	2,516	9,600	1,487	(15,650)	(404)	1,246

	Software Asset Management and Licensing	**Infrastructure services, Cloud and Cyber Security**	**Service management and technical support**	**Software development and business solutions**	**Other**	**Eliminations**	**Consolidated**
	2022. '000 EUR	**2022.** '000 EUR	**2022.** '000 EUR	**2022.** '000 EUR	**2022.** '000 EUR	**2022.** '000 EUR	**2022.** '000 EUR
Finance							
External sales	83,013	16,769	18,173	11,841	5,143	(19,800)	115,140
Total revenues	83,013	16,769	18,173	11,841	5,143	(19,800)	115,140
Result							
Segment profit	2,711	5,805	8,516	2,647	(13,132)	124	6,671
Financial income	-	-	-	-	1,329	(467)	862
Other gains and losses	-	-	-	-	(1)	-	(1)
Financial expenses	-	-	-	-	1,586	(541)	1,045
Profit before tax	2,711	5,805	8,516	2,647	(13,389)	198	6,487
Corporate income tax	-	-	-	-	(223)	-	(223)
Profit for the year	2,711	5,805	8,516	2,647	(13,166)	198	6,710

6.1. Operating segments (continued)

Products and services resulting in revenue for reportable segments (continued)

	Company					
	Software Asset Management and Licensing	Infrastructure services, Cloud and Cyber Security	Service management and technical support	Software development and business solutions	Other	Consolidated
	2023.	2023.	2023.	2023.	2023.	2023.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Finance						
External sales	64,268	12,677	18,357	4,248	883	100,433
Total revenues	**64,268**	**12,677**	**18,357**	**4,248**	**883**	**100,433**
Result						
Segment profit	2,925	2,227	8,718	159	(12,993)	1,036
Financial income	-	-	-	-	449	449
Financial expenses	-	-	-	-	820	820
Profit before tax	2,925	2,227	8,718	159	(13,364)	665
Corporate income tax	-	-	-	-	204	204
Profit for the year	2,925	2,227	8,718	159	(13,568)	461

	Software Asset Management and Licensing	Infrastructure services, Cloud and Cyber Security	Service management and technical support	Software development and business solutions	Other	Consolidated
	2022.	2022.	2022.	2022.	2022.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Finance						
External sales	55,473	14,701	16,262	4,848	456	91,740
Total revenues	**55,473**	**14,701**	**16,262**	**4,848**	**456**	**91,740**
Result						
Segment profit	2,461	4,904	7,985	1,125	(10,672)	5,803
Financial income	-	-	-	-	753	753
Financial expenses	-	-	-	-	1,416	1,416
Profit before tax	2,461	4,904	7,985	1,125	(11,334)	5,141
Corporate income tax	-	-	-	-	(429)	(429)
Profit for the year	2,461	4,904	7,985	1,125	(10,905)	5,569

6.1. Operating segments (continued)

Products and services from which reporting segments generate revenue (continued)

	Fixed Assets			
	Group		Company	
	31/12/2023 '000 EUR	31/12/2022 '000 EUR	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Software Asset Management and Licensing	585	358	32	57
Infrastructure services. Cloud and Cyber Security	863	891	493	469
Service management and technical support	545	502	525	488
Software and business solutions development	1,219	1,103	116	92
Other	22,439	15,421	28,848	17,725
Total segment assets	**25,651**	**18,277**	**30,014**	**18,830**
Total consolidated assets	25,651	18,277	30,014	18,830

	Amortisation			
	Group		Company	
	31/12/2023 '000 EUR	31/12/2022 '000 EUR	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Software Asset Management and Licensing	109	85	28	42
Infrastructure services. Cloud and Cyber Security	373	223	229	214
Service management and technical support	396	360	395	359
Software and business solutions development	349	292	168	156
Other	2,332	1,611	1,484	1,111
	3,559	**2,572**	**2,303**	**1,882**

6.1. Operating segments (continued)

Products and services from which reporting segments generate revenue (continued)

	Increase fixed assets			
	Group		Company	
	31/12/2023 '000 EUR	31/12/2022 '000 EUR	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Software Asset Management and Licensing	222	218	44	53
Infrastructure services. Cloud and Cyber Security	583	572	363	275
Service management and technical support	940	923	624	455
Software and business solutions development	763	749	265	198
Other	4,205	4,127	2,383	1,406
	6,713	**6,588**	**3,679**	**2,387**

The accounting policies of the reportable segments are the same as the Group and Company's accounting policies described in note 3. Segment profit represents the profit earned by each segment before central administration costs including directors' salaries, other general costs, financial expenses and income, and taxes.

Revenues of the Group and the Company from the main products and services are published in note 5.

Territorial analysis of operations

Territory, in this context, means the location in which the goods and services have been invoiced.

Details on the revenues of the Group and Company from external customers and information on segment assets (non-current assets without financial instruments, deferred tax assets and other financial assets) for each territory are provided below:

	Group		Group	
	Revenue from external customers		Fixed Assets	
	31/12/2023 '000 EUR	31/12/2022 '000 EUR	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Croatia	88,740	78,734	24,696	17,429
Slovenia	23,048	20,890	428	475
Estonia	18,714	-	143	-
Ukraine	8,216	9,836	286	239
Other	5,614	5,680	99	134
	144,332	**115,140**	**25,651**	**18,277**

Information about key customers

Revenues from the sale of services include revenues of EUR 9,261 thousand (2022: EUR 11,215 thousand) which arose from sales to the Group and Company's largest customer.

7. Costs of licenses and hardware sold

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Costs of licenses and hardware sold	90,695	62,280	60,512	52,192
Total	**90,695**	**62,280**	**60,512**	**52,192**

8. Raw material and supplies

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Cost of small inventory and spare parts	97	339	69	286
Energy	411	332	356	288
Office supplies	96	88	80	73
Other costs	2	1	-	-
Total	**607**	**760**	**506**	**647**

9. Service costs

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Production and advisory service costs	4,000	4,488	5,106	5,160
Intellectual services	2,031	1,799	1,248	1,315
Leases	833	476	679	406
Maintenance	560	580	513	541
Utility services	454	383	386	321
Representation costs	688	426	583	324
Telecommunications costs	215	214	133	116
Promotion costs	468	398	341	302
Transport costs	156	175	120	164
Costs of other services	1,631	1,280	1,299	1,110
Total	**11,037**	**10,217**	**10,406**	**9,757**

Service costs contain the cost of fees charged by the independent auditor for the statutory audit of the annual financial statements or annual consolidated financial statements, which for the Group amounts to 73 thousand euros (2022: 46 thousand euros), and for the Company 47 thousand euros (2022: 42 thousand euros).

10. Staff costs

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Net salaries	20,449	16,013	14,242	11,298
Contribution and taxes from salaries	8,605	6,419	6,862	5,295
Contributions and payroll taxes	2,758	2,245	2,251	1,867
Contribution and taxes on salaries	385	1,122	121	852
Total	**32,197**	**25,799**	**23,476**	**19,311**

The average number of employees in 2023 in the Group was 834 and in the Company 626 (2022: Group 704, Company 538).

11. Depreciation and amortisation cost

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Depreciation of Property, plant and equipment	1,049	788	804	670
Amortisation of intangible assets	1,210	622	523	341
Amortisation of right-of-use assets	1,300	1,161	976	871
Total	**3,559**	**2,572**	**2,303**	**1,882**

12. Other expenses

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Membership and similar fees	107	98	85	76
Booking costs. net	30	-	-	-
Insurance costs	370	244	298	215
Bank and payment operation charges	104	105	63	56
Professional training costs	378	343	309	307
Donation and sponsorship costs	181	194	120	132
Other IT costs	3	-	-	-
Other expensess	1,962	5,407	1,297	973
Total	**3,135**	**6,391**	**2,173**	**1,759**

Microsoft has allowed customers in Ukraine to use its products and services free of charge for the period 1/4/2022 to 31/12/2023. In 2022, revenues for certain products and services were already calculated, and other expenses show the forwarding of the received relief to end-users.

13. Financial expenses

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Foreign exchange losses	684	904	418	872
Interest on bank loans	58	30	49	26
Interest on lease liabilities	92	110	70	84
Other financial expenses	-	-	38	-
Impairment losses from investments in subsidiaries	-	-	245	434
Total	**834**	**1,045**	**820**	**1,416**

On 31 December 2023, the Company conducted a value adjustment of investments in Span Swiss AG, Switzerland and Span GmbH, Germany. The amount of 434 thousand euros in 2022 refers to impairment of investments in Ukraine.

14. Financial income

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Interest income:				
Financial instruments measured at amortised cost				
Bank deposits	101	74	32	17
Foreign exchange gains	394	788	293	736
Other financial income	-	-	125	-
Total	**495**	**862**	**449**	**753**

Other financial income refers to the value adjustment of investments in Span LLC, Ukraine conducted by the Company on 31/12/2023.

15. Corporate income tax

The standard corporate income tax rate applicable to reported profits is 18% (2022: 18%) for companies operating in the Republic of Croatia.

Taxation in other jurisdictions is calculated in line with the rates effective in the relevant jurisdictions.

Corporate income tax

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Current tax	(304)	(312)	(34)	(12)
Deferred tax	(196)	535	(170)	440
Total	**(500)**	**223**	**(204)**	**429**

	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Accounting profit before tax	**1,746**	**6,487**	**665**	**5,141**
Income tax calculated at the rate of 18% in the Republic of Croatia (2022. 18%)	314	1,168	120	925
Effect of non-deductible expenses	195	799	157	453
Effect of tax-exempt revenue	(290)	(1,483)	(243)	(1,367)
Effect of movement of deffered tax liabilities	196	(535)	170	(440)
Effect of different tax rates of subisidiaries operating in other jurisdictions and unrecognised defered tax assets on transferred tax losses	85	(171)	-	-
Tax expense	**500**	**(223)**	**204**	**(429)**
Effective tax rate	*29%*	*0%*	*31%*	*0%*

Overview of the movement of Tax losses carried forward:

	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
2019 tax loss	7	506	-	-
2020 tax loss	158	549	-	-
2021 tax loss	268	268	-	-
2022 tax loss	117	133	-	-
2023 tax loss	219	-	-	-
Total	**769**	**1,456**	**-**	**-**

In accordance with the tax legislation, the Tax Administration may, at any time, inspect the books and records of the Company within three years from the end of the year in which the tax liability is reported and may impose additional tax liabilities and penalties.

The company has acquired the status of beneficiaries of incentive measures in accordance with the regulation on investment promotion and has been allowed to exempt corporate income tax twice: in 2015 in the amount of 50% and in 2022 in the amount of 50%.

In 2023 tax audit was performed in the Company. The findings are still under discussion, but Company's management does not expect a material negative effect of this inspection.

16. Earnings per share

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Earnings				
Earnings for the purpose of calculating basic earnings per share being net profit attributable to owners of the Company	1,144	6,638	461	5,569
Earnings for the purpose of calculating diluted earnings per share	1,144	6,638	461	5,569

	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Number of shares				
Average weighted number of ordinary shares for the purpose of calculating basic earnings per share	1,943,079	1,934,068	1,943,079	1,934,068
Average weighted number of ordinary shares for the purpose of calculating diluted earnings per share	1,943,079	1,943,068	1,943,079	1,934,068

	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Number of shares				
	1,943,079	1,934,068	1,943,079	1,934,068
	1,943,079	**1,934,068**	**1,943,079**	**1,934,068**

	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Earnings				
Net profit attributable to the owners of the parent company's capital	1,144	6,638	461	5,569
Earnings from continuing operations for the purpose of calculating basic earnings per share	0.59	3.43	0.24	2.88
Earnings from continuing operations for the purpose of calculating diluted earnings per share	0.59	3.43	0.24	2.88

The basic earnings per share are calculated in such a way that the profit/loss attributed to the owners of the parent company's capital is divided by the weighted average number of ordinary shares issued during the year, which does not include the average number of ordinary shares purchased by the Group and the Company that they hold as their own shares. Basic earnings per share are equal to diluted since there are currently no options on shares, which would potentially increase the amount of shares issued.

17. Goodwill

Goodwill was created during the acquisition of subsidiaries InfoCumulus d.o.o., Delion d.o.o., Recro-net d.o.o., Ekobit d.o.o., and GT Tarkvara.

The increase in goodwill in the Group in 2023 refers to the initial posting of goodwill GT Tarkvar in the amount of 8,529 thousand euros. In accordance with the requirements of IFRS 3 Business Combination, in the fourth quarter the Company allocated the purchase price for the acquisition of GT Tarkvara and adjusted the initially recognized goodwill to the relevant positions of intangible and tangible assets in the amount of EUR 2,839 thousand (note 36).

The Company and the Group annually conduct goodwill impairment testing. The method used to test the value is explained in more detail in note 3 under Accounting Policies. In 2023, it was found that the carrying amount of goodwill did not exceed its fair value and, thus, goodwill was not impaired.

17. Goodwill (continued)

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Goodwill Recro.net	1,431	1,431	1,431	1,431
Goodwill InfoCumulus	890	890	890	890
Goodwill Delion	263	263	-	-
Goodwill Ekobit	1,582	1,582	-	-
Goodwill GT Tarkvara	4,739	-	-	-
Total	**8,905**	**4,166**	**2,321**	**2,321**

Acquisition Cost	Group	Company
As at 1 January 2022	2,584	1,431
Exchange rate differences	1	-
Increase	1,582	890
As at 31 December 2022	4,166	2,321
Exchange rate differences	-	-
Increase	4,739	-
As at 31 December 2023	8,905	2,321
Accumulated impairment losses		
As at 31 December 2022	-	-
As at 31 December 2023	-	-
Carrying value		
As at 31 December 2022	4,166	2,321
As at 31 December 2023	8,905	2,321

18. Other intangible assets

	Group				
	Software developm ent	Software and other rights	Intangible assets under constructions	Other intangible assets	Total
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Acquisition Cost					
As at 1 January 2022	2.436	919	57	-	3.412
Exchange rate differences	(5)	(2)	-	(1)	(8)
Additions from internal development	1	416	540	-	957
Business combination Ekobit	1,254	43	26	1,621	2,944
Disposals	-	(15)	-	-	(15)
Transfer	586	-	(587)	-	(1)
As at 31 December 2022	4,271	1,362	36	1,620	7,289
As at 1 January 2023	4,271	1,362	36	1,620	7,289
Additions from internal development	4	409	718	-	1,131
Additions	-	-	470	2	471
Business combination Estonia	-	-	-	2,803	2,803
Disposals	(702)	-	-	-	(702)
Transfer	401	128	(529)	-	-
As at 31 December 2023	3,973	1,899	694	4,425	10,992

Amortisation					
As at 1 January 2022	1,433	833	-	-	2,266
Exchange rate differences	(3)	(3)	-	-	(6)
Amortisation during the year	463	79	-	81	622
Business combination Ekobit	425	43	-	-	468
Decrease	-	(15)	-	-	(15)
As at 31 December 2022	2,317	938	-	81	3,336
As at 1 January 2023	2,317	938	-	81	3,336
Exchange rate differences	(1)	-	-	-	(1)
Amortisation during the year	586	181	-	444	1,210
Disposals	(702)	-	-	-	(702)
As at 31 December 2023	2,200	1,118	-	525	3,844
Carrying value					
As at 31 December 2023	1,773	781	694	3,900	7,149
As at 31 December 2022	1,954	424	36	1,539	3,952

18. Other intangible assets (continued)

	Company			
	Software development	Software and other rights	Intangible assets under constructions	Total
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Acquisition Cost				
As at 1 January 2022	2,073	518	57	2,647
Exchange rate differences	(4)	(1)	-	(5)
Additions from internal development	-	344	408	752
Decrease	-	(15)	-	(15)
Transfer	465	-	(465)	-
As at 31 December 2022	2,534	846	-	3,380
Additions from internal development	-	406	1,005	1,412
Increase	-	-	470	470
Decrease	(702)	-	-	(702)
Transfer	457	128	(585)	-
As at 31 December 2023	2,289	1,380	890	4,559
Amortisation				
As at 1 January 2022	1,155	468	-	1,623
Exchange rate differences	(2)	(1)		(3)
Amortisation during the year	280	61	-	341
Disposals	-	-	-	-
Write-off	-	-	-	-
Decrease	-	(15)	-	(15)
As at 31 December 2022	1,432	513	-	1,946
Amortisation during the year	366	156	-	523
Disposals	(702)	-	-	(702)
As at 31 December 2023	1,096	670	-	1,766
Carrying value				
As at 31 December 2023	1,192	711	890	2,793
As at 31 December 2022	1,102	333	-	1,434

Investment in intangible assets under construction refers to internally generated intangible assets resulting from the continuation of software development available for resale/use. Other intangible assets are mostly related to the investment in business premises leased by the Company.

19. Property, plant and equipment

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Carrying value				
Buildings	2,365	2,629	2,365	2,629
Land	1,732	1,732	1,732	1,732
Computer equipment	736	825	672	727
Other equipment	770	633	492	435
Assets under construction	4	-	1	-
Total	**5,607**	**5,818**	**5,261**	**5,522**

The company's building facilities are mortgaged as a mortgage to secure the loans received.

19. Property, plant and equipment (continued)

	Group					
	Buildings	Land	Computer equipment	Other equipment	Assets under construction	Total
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Cost or valuation						
As at 1 January 2022	4,101	1,735	2,277	1,383	-	9,497
Increase	-	-	687	441	-	1,127
Exchange rate differences	(8)	(3)	(4)	12	-	(4)
Disposals	-	-	(122)	(143)	-	(265)
Business combination Ekobit	-	-	282	43	-	325
As at 31 December 2022	4,093	1,732	3,120	1,735	-	10,680
Increase	-	-	345	411	4	760
Exchange rate differences	-	-	-	(23)	-	(23)
Disposals	-	-	(132)	(116)	-	(248)
Business combination Estonia (note 36)	-	-	30	173	-	203
As at 31 December 2023	4,093	1,732	3,353	2,190	4	11,372
Accumulated depreciation and impairment						
As at 1 January 2022	1,204	-	1,844	942	-	3,990
Depreciation during the year	263	-	334	190	-	788
Impairment loss	-	-	(1)	(6)	-	(6)
Exchange rate differences	(2)	-	(4)	6	-	-
Disposal	-	-	(120)	(68)	-	(188)
Business combination Ekobit	-	-	241	38	-	279
As at 31 December 2022	1,465	-	2,295	1,102	-	4,862
Depreciation during the year	263	-	431	354	-	1,049
Exchange rate differences	-	-	-	(23)	-	(23)
Disposal	-	-	(131)	(105)	-	(236)
Business combination Estonia (note 36)	-	-	21	92	-	113
As at 31 December 2023	1,728	-	2,617	1,420	-	5,765
Carrying value						
As at 31 December 2023	2,365	1,732	736	770	4	5,607
As at 31 December 2022	2,629	1,732	825	633	-	5,818
As at 1 January 2022	2,897	1,735	433	441	-	5,507
Including:						
At a cost	-	-	736	770	-	1,506
According to the 2023 valuation	2,365	1,732	-	-	-	4,097

19. Property, plant and equipment (continued)

	Company					
	Buildings	**Land**	**Computer equipment**	**Other equipment**	**Assets under construction**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Cost or valuation						
As at 1 January 2022	4,101	1,735	2,160	836	-	8,833
Increase	-	-	601	326	-	927
Exchange rate differences	(8)	(3)	(4)	(2)	-	(17)
Disposals	-	-	(90)	(55)	-	(144)
Infocumulus merger	-	-	3	2	-	5
As at 31 December 2022	4,093	1,732	2,670	1,108	-	9,604
Increase	-	-	305	240	1	545
Disposals	-	-	(53)	(95)	-	(148)
As at 31 December 2023	4,093	1,732	2,922	1,253	1	10,000
Accumulated depreciation and impairment						
As at 1 January 2022	1,204	-	1,760	595	-	3,558
Depreciation during the year	263	-	274	132	-	670
Exchange rate differences	(2)	-	(3)	(1)	-	(7)
Disposal	-	-	(90)	(54)	-	(144)
Infocumulus merger	-	-	3	1	-	4
As at 31 December 2022	1,465	-	1,943	673	-	4,081
Depreciation during the year	263	-	359	181	-	804
Disposal	-	-	(53)	(93)	-	(146)
As at 31 December 2023	1,728	-	2,250	761	-	4,739
Carrying value						
As at 31 December 2023	2,365	1,732	672	492	1	5,261
As at 31 December 2022	2,629	1,732	727	435	-	5,522
As at 1 January 2022	2,897	1,735	401	241	-	5,274
Including:						
At a cost	-	-	672	492	-	1,163
According to the 2023 valuation	2,365	1,732	-	-	-	4,097

Investments in tangible assets of Span Group are largely related to expenses for the acquisition and replacement of worn-out computer and other equipment necessary for the work of employees.

19. Property, plant and equipment(continued)

Measuring the fair value of buildings owned by the Group and the Company

The Group and Company's buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The fair value measurements have been classified as level 3, in accordance with inputs used in the valuation.

While assessing the value of buildings and freehold land, the independent appraiser disclosed in their report to have used the comparison approach method, having determined for it to be the most adequate method considering the location, land registry, and cadastral status of the property owned by the Company. Inter alia, the comparison approach method considers and assesses the quality of the building and its position at a similar location for a comparable building type.

Details of the Group and Company's buildings and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 2	**Level 3**	**Fair value as at 31/12/2023**
	'000 EUR	'000 EUR	'000 EUR
Land	-	1,732	1,732
Buildings	-	2,365	2,365

	Level 2	**Level 3**	**Fair value as at 31/12/2022**
	'000 EUR	'000 EUR	'000 EUR
Land	-	1,732	1,732
Buildings	-	2,629	2,629

Assets pledged as a security

A portion of the loans received have been secured by the Company's pledged assets (registered office building) of net carrying value of 2,365 thousand euros (2022: 2,629 thousand euros).

In the event that the lands and buildings of the Group and the Company, are valued at historical cost, their book amounts would be as follows:

	As at 31/12/2023	**As at 31/12/2022**
	'000 EUR	'000 EUR
Land	765	765
Buildings	1,044	1,160
	1,809	1,925

19.1. Subsidiaries

The following table shows information about subsidiaries on 31/12/2023:

Company	Country of incorporation	Ownership	Voting rights
Trilix d.o.o., Zagreb	Croatia	60%	60%
Span d.o.o., Ljubljana	Slovenia	100%	100%
Span IT Ltd., London	Uk	100%	100%
Span USA Inc., Chicago	United States of America	100%	100%
Span Azerbaijan LLC, Baku	Azerbaijan	100%	100%
Bonsai d.o.o., Zagreb	Croatia	70%	70%
Span GmbH, Munich	Germany	100%	100%
Span LLC, Kiev	Ukraine	100%	100%
SPAN SWISS AG, Zug	Switzerland	100%	100%
Span-IT s.r.l., Chisinau	Moldova	100%	100%
Ekobit d.o.o., Zagreb	Croatia	82%	100%
Span Center cybersecurity d.o.o., Zagreb	Croatia	100%	100%
GT Tarkvara, Tallinn	Estonia	100%	100%
SPAN LLC, Tbilisi	Georgia	100%	100%

Subsidiaries are all of the companies in which the Group controls financial and business policies, which generally entails more than half of the voting rights. Subsidiaries are completely consolidated as of the date the control is transferred to the Company and excluded from consolidation as of the date the control ceases.

The Company owns 82.13% of Ekobit d.o.o. and the remaining shares are own shares of the company Ekobit d.o.o. Since own shares do not carry voting rights, the Company has 100% voting rights. The Company has 100% control over the company Ekobit d.o.o.

19.2. Transactions with related parties

Related parties are companies in which the Company has ownership of business shares. i.e. companies that are part of the Group, and associated ownership and associated companies. All related party transactions are based on normal business and market conditions. The balances sheets of receivables and liabilities between the Company and its related parties at the date of the statement of financial position are as follows:

	Loans and receivables		Liabilities	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Span d.o.o., Slovenia	285	274	56	28
Trilix d.o.o., Croatia	4	-	4	-
Span USA Inc., SAD	97	95	-	-
Span LLC, Ukraine	2	-	17	32
Span Swiss AG, Switzerland	38	-	-	-
Span Azerbaijan LLC, Azerbajdžan	14	36	12	3
Bonsai d.o.o., Croatia	5	-	75	42
Span IT Ltd., UK	-	-	1	2
Ekobit d.o.o., Croatia	-	-	57	40
Span CKS d.o.o., Croatia	13	9	1	-
Fintech digital services d.o.o., Croatia	-	2	-	-
Span LLC, Georgia	1	-	-	-
Total	**460**	**417**	**221**	**148**

Transactions reported in the statement of comprehensive income for 2023 and 2022 were as follows:

	Revenue		Expenses	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Span d.o.o. Slovenia	16,456	15,746	717	687
Span USA Inc. SAD	812	1,316	-	4
Trilix d.o.o. Croatia	16	17	34	-
Bonsai d.o.o. Croatia	55	30	1,957	1,189
InfoCumulus d.o.o. Croatia	-	3	-	49
Span LLC, Ukraine	2	2	50	159
Span Swiss AG, Switzerland	-	-	-	-
Span Azerbaijan LLC, Azerbajdžan	43	64	50	32
Span IT Ltd., UK	-	-	17	16
Ekobit d.o.o., Croatia	-	-	820	161
Span CKS d.o.o., Croatia	23	6	1	-
Fintech digital services d.o.o. Croatia	1	2	-	-
Span LLC, Georgia	1	-	-	-
Total	**17,409**	**17,186**	**3,647**	**2,298**

19.3. Remuneration of key management personnel

Remuneration of directors, i.e. key management of the Group and Company is provided below. Key management personnel include 5 members (2022: 5).

	Group		Company	
	31/12/2023 '000 EUR	**31/12/2022** '000 EUR	**31/12/2023** '000 EUR	**31/12/2022** '000 EUR
Short-term employee benefits	2,390	1,638	2,390	1,638

20. Right-of-use assets

In its first application of IFRS 16, the Group and Company used the following practical exemptions as allowed by the standard: exemptions from recognising lease contracts that as at their commencement date have a lease period of 12 months or short-term leases of low value assets.

The Group and Company have business premises and company vehicles in operating lease. Lease contracts are usually concluded for a period from 3 to 5 years.

	Group		Company	
	31/12/2023 '000 EUR	31/12/2022 '000 EUR	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Right-of-use assets - Vehicles	704	651	658	544
Right-of-use assets - Business premises	1,089	1,558	651	965
	1,792	**2,209**	**1,309**	**1,509**

20. Right-of-use assets (continued)

Right-of-use assets	Group		
	Business premises '000 EUR	**Vehicles** '000 EUR	**Total** '000 EUR
Acquisition Cost			
As at 1 January 2022	1,923	1,599	3,522
Exchange rate differences	(4)	(3)	(7)
Increase	1,020	204	1,223
Decrease	(148)	(201)	(349)
As at 1 January 2023	2,791	1,598	4,390
Increase	541	420	961
Decrease	(310)	(641)	(950)
As at 31 December 2023	3,023	1,378	4,401
Accumulated Depreciation			
As at 1 January 2022	512	747	1,260
Exchange rate differences	(1)	(1)	(3)
Depreciation for the year	789	372	1,161
Derecognition	(67)	(171)	(238)
As at 1 January 2023	1,233	947	2,181
Depreciation for the year	999	301	1,300
Decrease	(298)	(574)	(872)
As at 31 December 2023	1,934	674	2,609
Carrying amount			
As at 31 December 2023	1,089	704	1,792
As at 31 December 2022	1,558	651	2,209

20. Right-of-use assets (continued)

Right-of-use assets	Company: Business premises '000 EUR	Vehicle '000 EUR	Total '000 EUR
Acquisition Cost			
As at 1 January 2022	1,466	1,417	2,883
Exchange rate differences	(3)	(3)	(6)
Increase	583	120	703
Decrease	(148)	(199)	(347)
As at 1 January 2023	1,898	1,336	3,234
Increase	400	410	810
Decrease	(240)	(465)	(705)
As at 31 December 2023	2,058	1,281	3,339
Accumulated Depreciation			
As at 1 January 2022	422	671	1,093
Exchange rate differences	(1)	(1)	(2)
Depreciation during the year	578	293	871
Derecognition	(67)	(171)	(238)
As at 1 January 2023	932	792	1,725
Depreciation during the year	715	262	976
Derecognition	(240)	(431)	(671)
As at 31 December 2023	1,407	623	2,030
Carrying value			
As at 31 December 2023	651	658	1,309
As at 31 December 2022	965	544	1,509

Amounts recognized in profit and loss	Group		Company	
	31/12/2023 '000 EUR	**31/12/2022** '000 EUR	**31/12/2023** '000 EUR	**31/12/2022** '000 EUR
Depreciation costs for right-of-use assets				
Business premises	999	789	715	578
Vehicles	301	372	262	293
Interest expense on lease liabilities				
Business premises	51	63	33	43
Vehicle	40	47	36	41
Expenses related to short-term leases	833	476	679	406

	31/12/2023 '000 EUR	**31/12/2022** '000 EUR	**31/12/2023** '000 EUR	**31/12/2022** '000 EUR
Fixed payments				
Business premises	4,944	1,177	4,944	656
Vehicle	3,498	541	3,498	464
Total	**8,442**	**1,718**	**8,442**	**1,120**

20. Right-of-use assets (continued)

	Group	
	Within five years	Total
	'000 EUR	'000 EUR
Options to extend expected to be exercised	1,177	1,177
	1,177	**1,177**

	Company	
	Within five years	Total
	'000 EUR	'000 EUR
Options to extend expected to be exercised	12,737	12,737
	12,737	**12,737**

21. Investments in financial assets

Short-term

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Financial assets measured at amortised cost				
Bank deposits	1,376	413	1,041	-
Investment in securities	100	-	-	-
Finance lease receivables	-	-	73	71
Total	**1,477**	**413**	**1,115**	**71**

Long-term

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Financial assets measured at amortised cost				
Bank deposits	26	26	-	-
Receivables for tender guarantees	52	44	33	33
Receivables for lease guarantees	6	5	-	-
Depositary receipts and convertible notes	127	129	22	22
Finance lease receivables	-	-	57	130
Total	**212**	**204**	**111**	**185**

The current value of receivables for deposits and guarantees are considered a reasonable assessment of their fair value.

Impairment of financial assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

21.1. Investments in subsidiaries

Subsidiaries are all companies over which the Company has control over financial and business policies. which includes more than half of the voting rights. During 2023, GT Tarkvara, Estonia was acquired and Span LLC, Georgia, was founded.

The company has 100% control over GT Tarkvara, Estonia and Span LLC, Georgia.

	Ownership	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Ekobit d.o.o., Zagreb	82%	4,955	4,955
Span d.o.o., Slovenia	100%	395	395
Span CKS d.o.o., Zagreb	100%	350	199
Span LLC, Ukraine	100%	310	186
Trilix d.o.o., Zagreb	60%	143	143
Span Swiss AG, Switzerland	100%	-	136
Span-IT s.r.l., Moldova	100%	116	116
Span GmbH, Germany	100%	-	60
Bonsai d.o.o., Zagreb	70%	46	46
Span USA Inc., SAD	100%	15	15
GT Tarkvara, Estonia	100%	10,427	-
Span LLC, Georgia	100%	50	-
Total		**16,808**	**6,251**

22. Investments in associate

Name of associate	Main activity	Place of establishment and business	Ownership share in % 31/12/2023	Ownership share in % 31/12/2022
Fintech Digital Services d.o.o.	Computer and related activities	Zagreb, Republic of Croatia	35	35

Associate name	Place of foundation and business	Investment value 31/12/2022 '000 EUR	Establishment of an associated company '000 EUR	Share in the result for 2023 '000 EUR	Investment value 31/12/2023 '000 EUR
Fintech Digital Services d.o.o.	Zagreb, Republic of Croatia	266	-	(4)	262
Total		**266**	**-**	**(4)**	**262**

23. Inventories

Merchandise inventories predominantly refer mainly to hardware purchases for familiar customers and exceptionally this year to licenses for 2024, and for which the invoice was received on 31/12/2023. These licenses were sold on 1/1/2024.

The purchase value of licenses and hardware, which is expressed as an expense for the Group in the current year. amounts to EUR 90,695 thousand (2022: EUR 62,280 thousand), and for the Company it is EUR 60,512 thousand (2022: EUR 52,192 thousand).

At the end of each business year, the Group and Company examine the net realizable value of inventories and adjust the value of inventories older than 1 year.

The cost or the expense of inventories recognised as expenditures amount, for both the Group and the Company amounts to EUR 2 thousand (2022: EUR 3 thousand) and refers to the value adjustment of inventories up to net realisable value. Value adjustment of inventories has been reversed for inventories sold in the amount of EUR 4 thousand (2022: EUR 2 thousand).

The inventories value of EUR 275 thousand (2022: EUR 490 thousand) for the Group and EUR 261 thousand (2022: thousand) for the Company is expected to be realized very quickly, within 12 months the latest.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Trade goods	31	244	18	239
Licenses	244	246	244	246
Total	**275**	**490**	**261**	**485**

24. Trade and other receivables

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Domestic trade receivables	21,541	7,364	7,821	3,581
Foreign trade receivables	6,133	7,134	5,526	6,827
Prepaid expenses	1,333	1,273	1,534	1,335
VAT receivables Receivables	199	437	107	95
Replated parties receivables	-	-	422	415
Accrued income	2,584	922	2,147	761
Impairment of trade receivables	(1,040)	(399)	(33)	(314)
Other receivables	416	447	193	133
Total	**31,165**	**17,178**	**17,718**	**12,833**

The average credit period for the sale of goods for the Group is 50 days and for the Company 46 days (2022: Group 56 days, Company 52 days). Interest is not calculated for outstanding trade receivables.

The Group and Company always measure impairment of trade receivables in the amount equivalent to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions as at the reporting date.

The impairment of trade receivables is mostly related to the value adjustment of receivables in Span d.o.o., Slovenia for Studio Moderna.

Changes in expected credit losses on trade reeivables

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Opening balance	**399**	**5**	**314**	**5**
Movement of loss allowance	1,012	450	22	388
Amount recovered during the year	(371)	(4)	(303)	(4)
Amounts written off	-	(52)	-	(75)
Closing balance	**1,040**	**399**	**33**	**314**

The Group and Company write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. In addition to the written off trade receivable for Studio Moderna, no written-off trade receivables are subject to enforcement activities.

As the Group and Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group and Company's different customer segments.

24. Trade and other receivables (continued)

	Group	Company
	31/12/2023	31/12/2023
	'000 €	'000 €
Customer 1	4,772	4,772
Customer 2	3,544	1,714
Customer 3	1,975	1,000
Customer 4	1,714	327
Customer 5	1,000	282
Customer 6	657	239
Customer 7	653	207
Customer 8	632	195
Customer 9	340	178
Customer 10	327	175
Total	**15,615**	**9,091**
Total Receivables	**27,252**	**13,348**
Share of total receivables (%)	**57,30%**	**68,11%**

	Group	Company
	31/12/2022	31/12/2022
	'000 €	'000 €
Customer 1	2,283	2,283
Customer 2	1,273	1,273
Customer 3	1,012	793
Customer 4	1,001	583
Customer 5	886	519
Customer 6	793	439
Customer 7	583	319
Customer 8	519	251
Customer 9	439	229
Customer 10	382	200
Total	**9,171**	**6,890**
Total Receivables	**14,083**	**10,408**
Share of total receivables (%)	**65,12%**	**66,20%**

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS.

24. Trade and other receivables (continued)

Group

31/12/2023	Customer Receivables - Overdue						
	Overdue	**< 90**	**91 - 180**	**181 - 270**	**271 - 360**	**> 360**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Expected credit losses	0.03%	0.98%	3.07%	7.72%	6.83%	45.72%	
Estimated total gross carrying amount at default	23,371	2,720	441	75	16	26	**26,647**
Lifetime ECL	7	27	14	6	1	12	**65**
							26,582

31/12/2022	Customer Receivables - Overdue						
	Overdue	**< 90**	**91 - 180**	**181 - 270**	**271 - 360**	**> 360**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Expected credit losses	0.04%	0.11%	3.67%	8.99%	34.71%	50.02%	
Estimated total gross carrying amount at default	10,445	2,397	622	199	775	61	**14,498**
Lifetime ECL	4	3	23	18	269	31	**346**
							14,151

Company

31/12/2023	Customer Receivables - Overdue						
	Overdue	**< 90**	**91 - 180**	**181 - 270**	**271 - 360**	**> 360**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Expected credit losses	0.05%	0.16%	3.33%	6.81%	8.31%	49.95%	
Estimated total gross carrying amount at default	11,985	1,499	176	58	11	6	**13,736**
Lifetime ECL	6	2	6	4	1	3	**22**
							13,713

31/12/2022	Customer Receivables - Overdue						
	Overdue	**< 90**	**91 - 180**	**181 - 270**	**271 - 360**	**> 360**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Expected credit losses	0.04%	0.10%	2.47%	9.05%	34.12%	50.02%	
Estimated total gross carrying amount at default	7,137	2,094	197	195	735	50	**10,408**
Lifetime ECL	3	2	5	18	251	25	**303**
							10,105

25. Borrowings

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Borrowings at amortised cost	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Long-term				
OTP bank d.d.	33	433	33	433
	33	433	33	433
Borrowings at amortised cost				
Short-term				
OTP bank d.d.	1,404	485	1,404	485
Privredna banka Zagreb bank d.d.	-	18	-	18
Raiffeisenbank Austria d.d.	670	-	670	-
	2,073	**503**	**2,073**	**503**
Total	**2,107**	**937**	**2,107**	**937**

	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Balances as at 1 January	**937**	**2,121**	**937**	**1,872**
New loans	2,630	617	2,550	-
Loan repayments	(1,466)	(1,813)	(1,386)	(945)
Accrued Interest	55	30	47	26
Interest repayment	(49)	(33)	(41)	(28)
FX differences	-	15	-	12
Total	**2,107**	**937**	**2,107**	**937**

25. Borrowigs (continued)

Analysis of foreign currency borrowings:

Other main features of the Group and the Company's borrowings are as follows:

(i) The company does not use overdrafts.

(ii) The company has three main bank loans:

(a) A loan of 434 thousand euros (2022: 833 thousand euros), which was contracted on 05/06/2019 with OTP banka d.d. to finance trade and other payables. Repayment commenced on 05/09/2019, and will continue until 05/01/2025. The loan has been secured by promissory notes and bills of exchange issued by the Group companies the Company's pledged assets (registered office building). A variable, annual interest rate of 1.80% is applied to the loan.

(b) A loan of 1,003 thousand euros, contracted on 09/08/2023 with OTP banka d.d. for a period of 6 months (2022: 0 thousand euros) from the multipurpose framework of 4,400 thousand euros, which is active on the reporting day. The framework is contracted and renewed annually, and its maturity date is 30/09/2024. The loan used is subject to a reference interest rate of EUR 1-month plus an interest margin of 1.10% per annum, variable. The loan is secured by the lienassets of the Company (headquarters building) and promissory notes and bills of exchange by the Group companies.

(c) A loan of 670 thousand euros, which was contracted on 09/08/2023. for a period of 12 months (2022: 0 thousand euros) from the multipurpose framework of 3,000 thousand euros contracted with Raiffeisenbank Austria d.d., which is active on the date of reporting. Repayment started on 11/09/2023, and will continue until 09/08/2024. The framework was agreed on 29/07/2019. and is renewed annually, and the maturity date of the framework is 31/07/2024. The loan used shall be subject to a reference interest rate of EUR 3-month plus an interest margin of 1.20% per annum, variable. The loan is secured by a promissory note issued by the company.

As at 31 December 2023, all bank borrowings received are denominated in euro.

26. Deferred tax

The following is an overview of deferred tax liabilities and assets reported by the Group and the Company and their movement during the reporting period.

	Group		Company	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Deferred tax liability	(581)	(647)	(412)	(438)
Deferred tax assets	1,724	1,661	1,145	1,341
	1,143	1,014	733	902

	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Deferred tax assets				
Amounts refer to temporary differences arising from:				
Tax incentives	1,472	1,423	1,140	1,328
Tax losses	248	225	-	-
Inventories	-	1	-	1
Trade receivables	4	4	4	4
Financial assets	-	8	-	8
Right-of-use assets	-	1	-	1
Total deferred tax assets	1,724	1,661	1,145	1,341
Items that may be subject to tax netting with deferred tax liabilities	-	-	-	-
Net deferred tax assets	1,724	1,661	1,145	1,341

	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Deferred tax liability				
Amounts refer to temporary differences arising from:				
Revaluation of building and land	(412)	(438)	(412)	(438)
Acquisition of Ekobit	(169)	(209)	-	-
Total deferred tax liability	(581)	(647)	(412)	(438)
Items that may be subject to netting	-	-	-	-
Net deferred tax liability	(581)	(647)	(412)	(438)

	Group						
Deferred tax assets	**Tax incentives**	**Tax losses**	**Inventory**	**Trade receivables**	**Right-of-use assets**	**Financial assets**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
As at 1 January 2022	906	103	1	-	16	-	1,026
Increase/(decrease) of deferred tax assets	517	122	-	3	(15)	8	635
As at 31 December 2022	1,423	225	1	4	1	8	1,661
Increase/(decrease) of deferred tax assets	49	23	(1)	-	(1)	(8)	63
As at 31 December 2023	1,472	248	-	4	-	-	1,724

26. Deferred tax (continued)

	Company					
Deferred tax assets	**Tax incentives**	**Inventory**	**Trade receivables**	**Right-of-use assets**	**Financial assets**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
As at 1 January 2022	906	1	-	16	-	923
Increase/(decrease) of deferred tax assets	422	-	3	(15)	8	418
As at 31 December 2022	1,328	1	4	1	8	1,341
Increase/(decrease) of deferred tax assets	(188)	(1)	-	(1)	(8)	(196)
As at 31 December 2023	1,140	-	4	-	-	1,145

	Group			Company	
Deferred tax liability	**Revaluation of building and land**	**Acquisition of Ekobit**	**Total**	**Revaluation of building and land**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
As at 1 January 2022	465	-	465	465	465
Increase/(decrease) deferred tax liability	(26)	209	183	(26)	(26)
As at 31 December 2022	438	209	647	438	438
Increase/(decrease) deferred tax liability	(26)	(40)	(67)	(26)	(26)
As at 31 December 2023	412	169	581	412	412

Deferred tax liability refers to the revaluation of land and buildings owned by the Group and Company, the impact of which was recognised in other comprehensive income.

Deferred tax assets represent the corporate tax amounts that are recoverable based on future deductions of taxable profit and recognised in the statement of financial position. Deferred tax assets are recognised up to the amount of the tax revenues which are likely to be realised. When determining future taxable profit and amount of tax revenues that are likely to be realised in the future, the Group and Company make judgements and estimates based on taxable profit from prior years and expectations of future revenues that are considered reasonable in the current circumstances.

The Group and Company recognised deferred tax assets as temporary tax differences and tax losses carried forward. Temporary tax differences predominantly refer to ECL, valuation allowance for inventories, and temporary differences on account of the application of IFRS 16. All impacts of the change were recognised in profit or loss.

27. Lease liabilities

The Group and the Company are not exposed to substantial liquidity risk in terms of their lease liabilities.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Lease liabilities – long-term	947	1,144	752	765
Lease liabilities - short-term	938	1,146	665	927
Total	**1,884**	**2,289**	**1,417**	**1,692**

Lease liabilities refer to the lease of business premises and company vehicles recognised in line with the provisions of IFRS 16 Leases.

	Group		Company	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Maturity overview:				
1st year	989	1,225	713	986
2nd year	551	736	401	508
3rd year	242	360	204	233
4th year	158	73	154	44
5th year	42	16	42	6
More than 5 years	-	-	-	-
	1,982	2,411	1,514	1,776
Less: unearned interest	(98)	(122)	(97)	(84)
	1,884	2,289	1,417	1,692
Analyzed as:				
Non-current	947	1,144	752	765
Current	938	1,146	665	927
	1,884	2,289	1,417	1,692

28. Trade and other payables

Trade payables and liabilities accounted for mainly comprise outstanding amounts for purchasing trade goods and current costs. The average credit period for the purchase of goods for the Group is 41 days and for the Company 43 days (2022: Group 40 days, Company 40 days). For most suppliers interest on trade payables is not calculated for the first 180 days from the invoicing date. Afterwards, interest is calculated for open balances by using different interest rates. The Group and Company have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Management Board believes that the carrying amount of trade payables approximates their fair value.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Domestic suppliers	6,949	2,921	5,346	2,377
Foreign suppliers	12,692	3,891	4,755	2,979
Replated party payables	-	-	294	143
VAT payable	2,345	676	463	112
Amounts due to employees	1,781	1,514	1,275	1,094
Accrued expense	1,826	1,316	515	577
Taxes and contributions on employee salaries	1,017	858	802	687
Advances received	465	655	209	389
Other liabilities	2,012	2,597	311	748
Total	**29,087**	**14,429**	**13,971**	**9,106**

The liabilities to the Group's foreign suppliers in 2023 mostly relate to liabilities arising from the acquired Company GT Tarkvara, Estonia in the amount of EUR 3,792 thousand.

29. Capital

The share capital comprises of 1,960,000 shares with a nominal value of EUR 2 per share.

The Group's total capital and reserves decreased by EUR 1,183 thousand. As of 30 June 2023, the Company transferred to the account of the CDCC (Central Depository and Clearing Company) a dividend in the amount of EUR 2,584 thousand, which was paid to shareholders on 3 July 2023.

The share capital of the Company was increased from the amount of 2,601 thousand euros for the amount of 1,319 thousand euros to the amount of 3,920 thousand euros by increasing the individual nominal amount of ordinary shares from the amount of 1.33 euros for the amount of 0.67 euros to the amount of 2.00 euros. in accordance with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia.

As at 31/12/2023 The company held 15,673 (2022: 20,029) of its own shares. The company has formed reserves for its own shares amounting to 571 thousand euros (2022: 104 thousand euros).

The company has one type of ordinary shares that are not entitled to a fixed return.

The company has no losses in 2023 and no carried losses from previous years.

29. Capital (continued)

Share capital

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Share capital	3,920	2,601	3,920	2,601
Total	**3,920**	**2,601**	**3,920**	**2,601**

Profit reserves

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Profit reserves	1,377	1,349	1,259	1,169
Total	**1,377**	**1,349**	**1,259**	**1,169**

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Opening balance	**1,349**	**1,095**	**1,169**	**984**
Increase/(decrease)	29	253	91	185
Closing balance	**1,377**	**1,349**	**1,259**	**1,169**

30. Capital Reserves

Capital reserves as of 31/12/2023 amount to EUR 9,918 thousand, and the result of the decrease compared to 2022 is an increase in the share capital from capital reserves. The increase in the amount of 325 thousand euros was caused by the allocation of shares during 2023 as a difference in the share price on the day of repurchase and on the date of allocation.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Opening balance	**10,912**	**10,496**	**10,912**	**10,496**
Increase in capital reserves	325	416	325	416
Decrease of capital reserves	(1,319)	-	(1,319)	-
Closing balance	**9,918**	**10,912**	**9,919**	**10,912**

31. Revaluation reserves

Property revaluation reserves

The reserve from the revaluation of property was formed in 2019 from the revaluation of land and buildings based on the assessment of an independent appraiser, and was increased in 2021 based on a new estimate by an independent appraiser and to 31/12/2022 is amounted to 1,997 thousand euros, and as of 31/12/2023 it is amounted to 1,877 thousand euros.

Revaluation reserves may be realised once the asset is derecognised or gradually by using assets in the amount defined as the difference between depreciation based on the revalued carrying

amount of assets and depreciation based on the original purchase cost. Realised revaluation reserve is transferred to retained earnings.

When selling revalued land or revalued buildings, a portion of the properties revaluation reserve referring to the assets sold is transferred directly to retained earnings. Other comprehensive income items included in the properties revaluation reserve are not subsequently transferred to profit or loss.

The Group and Company decided to realise the revaluation reserve by gradually using assets and in 2023 they realised revaluation reserves in the amount of EUR 120,000.

31. Revaluation reserves (continued)

	Group		Company	
	2023.	2022.	2023.	2022.
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Opening balance	**1,997**	**2,118**	**1,997**	**2,118**
(Decrease)/increase in revaluation of land and buildings	(120)	(120)	(120)	(120)
Closing balance	**1,877**	**1,997**	**1,877**	**1,997**

32. Non-controlling interests

Below please find an overview of summary information on all subsidiaries of the Company, in which the Company has material non-controlling interests. The summarised financial information below represents amounts before intra-Group eliminations

Non-controlling interest

	Group	
	2023.	2022.
	'000 EUR	'000 EUR
Opening balance	**217**	**153**
Decrease in non-controlling shares due to share aquistion	-	(8)
Shares in profits of the current year	102	72
Closing balance	**320**	**217**

Non-controlling interest

	2023.	2022.
	'000 EUR	'000 EUR
Non-controlling interest - Trilix d.o.o.		
Balance as at 1 January	**124**	**109**
Attributed net profit and adjustment	93	15
Balance as at 31 December	**217**	**124**
Non-controlling interest - Bonsai d.o.o.		
Balance as at 1 January	**93**	**57**
Attributed net profit and adjustment	9	36
Balance as at 31 December	**102**	**93**
Total	**319**	**217**

32. Non-controlling interests (continued)

	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Trilix d.o.o.		
Current assets	1.277	715
Fixed Assets	104	36
Current liabilities	(647)	(484)
Non-current liabilities	(36)	-
Equity attributable to owners of the Company	60%	60%
Non-controlling interests	40%	40%

	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Revenues	2,608	(1,409)
Expenses	(2,370)	1,369
Profit for the year	238	(40)
Profit attributable to the owners of the Company	143	(24)
Profits attributable to non-controlling interests	95	(16)
Profit for the year	238	(40)
Total comprehensive profit attributable to the owners of the Company	143	(24)
Total comprehensive profit attributable to owners of non-controlling holdings	95	(16)
Total comprehensive profit of the current year	238	(40)

The amount of equity held by Span d.d. in the company Trilix d.o.o. amounts to 60% or EUR 298,000, the total equity and reserves of Trilix d.o.o. amounts to EUR 497,000, and the profit in the financial year 2023 amounts to EUR 233,000.

32. Non-controlling interests (continued)

	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Bonsai d.o.o.		
Current assets	848	545
Fixed Assets	277	243
Current liabilities	(689)	(420)
Non-current liabilities	(19)	-
Equity attributable to owners of the Company	70%	70%
Non-controlling interests	30%	30%

	31/12/2023 '000 EUR	31/12/2022 '000 EUR
Revenues	2,530	1,768
Expenses	(2,498)	(1,581)
Profit for the year	31	187
Profit attributable to the owners of the Company	22	131
Profits attributable to non-controlling interests	9	56
Profit for the year	31	187
Total comprehensive profit attributable to the owners of the Company	22	131
Total comprehensive profit attributable to owners of non-controlling holdings	9	56
Total comprehensive profit of the current year	31	187

The amount of equity held by Span d.d. in Bonsai d.o.o. amounts to 70% or 278 thousand euros, the amount of the total equity and reserves of Bonsai d.o.o. is 396 thousand euros, and the profit in the business year 2023 is 31 thousand euros.

33. Notes to the cash flow statement

The carrying amount of these assets is approximately equal to their fair value. Below please find an overview of cash and cash equivalents at the end of the reporting period.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Cash in bank	13,331	18,815	3,790	14,212
Cash in hand	7	-	2	-
Total	**13,339**	**18,815**	**3,792**	**14,212**

34. Deferred income

Deferred income refers to accruals and deferrals, i.e. income recognised in future periods in which the service is realised. Deferred income predominantly refers to advisory services regarding contracted projects with customers, recognised by reference to the stage of completion of the contract.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Deferred income	4,489	3,374	4,298	3,021
Total	**4,489**	**3,374**	**4,298**	**3,021**

35. Contractual liabilities

Contractual liabilities predominantly refer to the liabilities for the repurchase of shares from the former owner and to the purchase of business shares in GT Tarkvara, Estonia.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Contractual liabilities – non-current	1,798	683	1,798	683
Contractual liabilities - current	1,899	1,243	1,899	1,243
Total	**3,697**	**1,926**	**3,697**	**1,926**

36. Acquisition of a subsidiaries

At the end of March 2023, the company acquired business shares in GT Tarkvara, Estonia.

In accordance with the requirements of IFRS 3 Business Combination, in the fourth quarter the Company allocated the purchase price for the acquisition of GT Tarkvara and adjusted the initially reported goodwill to the relevant positions of intangible and tangible assets in the amount of EUR 2,839 thousand. Intangible assets refer to relationships and contracts with customers.

	Carrying value	Fair value adjustment	Identified assets	Fair value
2023.	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Property, plant and equipment	53	37	-	90
Other intangible assets	1	-	2,802	2,803
Investments in financial assets	8	-	-	8
Investments in subsidiaries	1	-	-	1
Inventory	148	-	-	148
Trade and other receivables	456	-	-	456
Cash in bank and petty cash	3,232	-	-	3,232
Lease liabilities	(23)	-	-	(23)
Trade and other payables	(1,028)	-	-	(1,028)
Net assets identified	**2,848**	**37**	**2,802**	**5,687**

	Total
	'000 EUR
Consideration paid in cash	10,427
Fair value of net assets identified	5,687
Goodwill	**4,740**

	Total
	'000 EUR
Net cash outflow when acquiring control	
Consideration paid in cash	10,427
Less: cash gained before acquisition	3,233
	7,194

37. Financial instruments

(a) Groups and categories of financial instruments and their fair value

Levels of fair value indicators 1 to 3 shall be based on the degree of fair value measurability:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During 2023, the property fair value measurements were classified as level 3 measurements

(b) Financial risk management objectives

The Group and Company's finance function supports operations, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and Company. These include market risk (including currency risk, interest rate risk, and price risk), then credit risk and liquidity risk.

The Group and Company seek to minimise the effects of these risks by using financial instruments to hedge against the relevant exposures. The Company concluded a framework contract on derivative financial instruments for hedging against the interest and currency risk, as well as other risks that incur or may incur due to changes in prices, values etc.

(c) Market risk

The Group and the Company are primarily exposed to the financial risk of currency exchange rate changes in their business (see below). During 2023, the Company contracted FX forward transactions to manage the exchange rate risk of USD and GBP currencies.

37. Financial instruments (continued)

(c) (i) Currency risk management

The Group and Company undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company concluded a contract on derivative financial instruments for hedging against the currency risk. The table below details the carrying amounts of the Group and Company's foreign-currency denominated monetary assets and liabilities at the reporting date.

Group

31 December 2023

	USD	**GBP**	**CAD**	**AUD**	**NOK**	**SEK**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	2,804	1,167	71	51	-	-
Long-term trade receivables	105	-	-	-	-	-
Trade and other payables	(2,933)	(50)	-	-	(23)	(6)
Net balance sheet exposure	(24)	1,117	71	51	(23)	(6)

31 December 2022

	EUR	**USD**	**GBP**	**AUD**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	2,177	4,568	892	57
Borrowings	(918)	-	-	-
Trade and other payables	(6,663)	(755)	(48)	-
Net balance sheet exposure	(5,404)	3,812	844	57

Company

31 December 2023

	USD	**GBP**	**CAD**	**AUD**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	2,766	1,167	71	51
Trade and other payables	(237)	(50)	-	-
Net balance sheet exposure	2,530	1,117	71	51

31 December 2022

	EUR	**USD**	**GBP**	**AUD**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	1,863	4,413	892	57
Borrowings	(918)	-	-	-
Trade and other payables	(6,186)	(121)	(48)	-
Net balance sheet exposure	(5,241)	4,292	844	57

37. Financial instruments (continued)

(c) (i) Currency risk management (continued)

Currency risk sensitivity analysis

The Group and the Company are primarily exposed to USD risk as a result of the sale of services to customers mainly from the USA and the GBP currency due to sales to customers from the UK. The following table analyses the Group and the Company's vulnerability to an increase and decrease in the euro exchange rate of 1% against relevant foreign currencies. The 1% sensitivity rate is the rate used in internal reports to key managers on currency risk and represents management's assessment of realistically possible currency exchange rate fluctuations. Sensitivity analysis includes only open cash items in foreign currency, and it is converted items adjusted for a change of 1% in year-end currency exchange rates. Sensitivity analysis includes certain receivables (trade and other receivables) and liabilities ((loan liabilities to financial institutions, trade payables, and other contractual liabilities) that are denominated in foreign currency. A positive number indicates an increase in profits and other principal if the value of the euro rises by 1% against the currency in question. In the event of a 1% drop in the value of the euro against the currency concerned, the impact on profit or principal would be the same but opposite, i.e. the amounts in the table would be negative.

The following exchange rates were applied

	2023	2022
EUR 1	1.0000	7.5345
USD 1	1.1050	7.0640
GBP 1	0.9260	8.4950
CAD 1	1.4642	5.2178
AUD 1	1.6263	4.8012
CHF 1	0.9260	7.6516
NOK 1	11.2405	0.7166
SEK 1	11.0960	0.6775

	Profit or loss			
	Group		Company	
	Appreciation	Depreciation	Appreciation	Depreciation
31 December 2023				
USD (1% Change)	-	-	25	(25)
GBP (1% change)	11	(11)	11	(11)
CAD (1% change)	1	(1)	1	(1)
AUD (1% change)	1	(1)	1	(1)
CHF (1% change)	-	-	-	-
NOK (1% change)	-	-	-	-
SEK (1% change)	-	-	-	-
31 December 2022				
EUR (1% change)	(54)	54	(52)	52
USD (1% Change)	38	(38)	43	(43)
GBP (1% change)	8	(8)	8	(8)
CAD (1% change)	-	-	-	-
AUD (1% change)	1	(1)	1	(1)

37. Financial instruments (continued)

(c) (ii) Interest rate risk management

The Group and the Company are exposed to interest rate risk because they borrow funds at fixed and folating interest rates. The Group and the Company manage the risk by maintaining an appropriate ratio of borrowing with fixed and floating interest. The Group and the Company's exposure to interest rates on financial assets and financial liabilities is described in more detail in the section of this note relating to liquidity risk management.

Interest rate risk sensitivity analysis

The following sensitivity analyses are based on exposure to interest rates on non-derivative instruments at the end of the reporting period. For liabilities related to the floating interest rate, the analysis was made on the assumption that the amount of liabilities stated at the date of the statement of financial position was valid throughout the year. A 1 % increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

In the event that interest rates were 1% higher/lower while other variables were constant:

- the Company's profit of the current year ending 31 December 2023 would decrease/increase by EUR 21 thousand (2022: it would decrease/increase by EUR 8 thousand), which is mainly linked to the Company's exposure to variable interest rate borrowing.

Company

Interest rate risk		
IN '000 EUR	**2023**	**2022**
Variable interest rate instruments		
Loans and borrowings	2,100	834
Total	**2,100**	**834**
Interest rate increase by 1%	21	8

- The Group's profit of the current year ending 31 December 2023 would decrease/increase by EUR 21 thousand (2022: decrease/increase by EUR 8 thousand), which can mainly be linked to the Group's exposure to variable interest rate borrowings.

Group

Interest rate risk		
IN '000 EUR	**2023**	**2022**
Variable interest rate instruments		
Loans and borrowings	2,100	834
Total	**2,100**	**834**
Interest rate increase by 1%	21	8

37. Financial instruments (continued)

(d) Credit risk management

The Group and Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

In addition, monitoring procedures have been put in place to ensure that the actions necessary to recover overdue debts are taken. The expected credit losses for trade receivables are estimated using a provisioning matrix based on experience with uncollected receivables and an analysis of the debtor's current financial position, aligned with the factors inherent in the debtor, the general economic conditions in their industry. and an assessment of the current and anticipated direction of movement of conditions. Apart from receivables for Studio Moderna, no written-off trade receivables are subject to forced collection. Furthermore, the Group and Company review the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group and Company's credit risk is significantly reduced. Trade receivables refer to many customers from different economic sectors and regions.

Out of the total balance of trade receivables at the end of the year, 4,772 thousand euros (2022: 2,283 thousand euros) refers to the receivable from Buyer 1, the largest buyer of the Group and the Company. Apart from this, the Group and Company do not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company and Group consider counterparties having similar characteristics related parties.

As at 31 December 2023, the estimated loss allowance for the Group was EUR 1,040 thousand (2022: EUR 399 thousand) and for the Company EUR 33 thousand (2022: EUR 314 thousand) (note 24).

(d) (i) Collection insurance instruments and other credit improvements

Where appropriate, the Company and Group hold collateral to cover their credit risks associated with their financial assets and continuously monitor customers.

d)(ii) Overview of the Group's and The Company's exposures to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. As at 31 December 2023, , the Group and Company's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group and Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. For trade receivables, the Group and Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group and Company determine the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Thus, the credit risk profile of the relevant assets has been presented based on the past due status in relation to the Group's provision matrix.

37. Financial instruments (continued)

d)(ii) Overview of the Group and the Company's exposures to credit risk (continued)

Group

31/12/2023	**Note**	**External credit rating**	**Internal credit rating**	**12-month expected credit losses or expected credit losses throughout the lifetime**	**Gross Carrying value (s)**	**Loss allowance**	**Net Carrying Value (s)**
					'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	24	N/a		Expected credit losses throughout the lifetime (simplified approach)	32,559	1,040	31,519

31/12/2022	**Note**	**External credit rating**	**Internal credit rating**	**12-month expected credit losses or expected credit losses throughout the lifetime**	**Gross Carrying value (s)**	**Loss allowance**	**Net Carrying Value (s)**
					'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	24	N/a		Expected credit losses throughout the lifetime (simplified approach)	17,658	399	17,259

Company

31/12/2023	**Note**	**External credit rating**	**Internal credit rating**	**12-month expected credit losses or expected credit losses throughout the lifetime**	**Gross Carrying value (s)**	**Loss allowance**	**Net Carrying Value (s)**
					'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	24	N/a		Expected credit losses throughout the lifetime (simplified approach)	17,834	33	17,802

31/12/2022	**Note**	**External credit rating**	**Internal credit rating**	**12-month expected credit losses or expected credit losses throughout the lifetime**	**Gross Carrying value (s)**	**Loss allowance**	**Net Carrying Value (s)**
					'000 EUR	'000 EUR	'000 EUR
Trade and other receivables	24	N/a		Expected credit losses throughout the lifetime (simplified approach)	13,182	314	12,869

37. Financial instruments (continued)

(e) Liquidity risk management

Responsibility for liquidity risk management rests with the management, which has established an appropriate liquidity risk management framework for managing short, medium and long-term funding and liquidity. The Group and Company manage liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and realized cash flow by monitoring the maturity of claims and liabilities. Details on unused credit products available to the Group and Company to additionally decrease liquidity risk are provided below.

	Group		Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Bank loans with different maturities until 2024, secured by collection instruments, which can be prolonged by mutual agreement:				
– amount used	1,667	-	1,667	-
– amount unused	19,633	14,675	18,733	13,306
	21,300	14,675	20,400	13,306

The company has at its disposal financing instruments. of which EUR 18,733 thousand was unused at the end of the reporting period (2022: EUR 13,306 thousand).
The Group has financing instruments at its disposal, of which EUR 19,633 thousand was unused at the end of the reporting period (2022: EUR 14,675 thousand). The Group and Company expect to meet their other obligations from operating cash flows and proceeds of maturing financial assets.

(e)(i) Liquidity and interest rate risk tabular analysis

The remaining period until the contract maturity of non-derivative financial liabilities of the Group and Company was analysed in the following tables. The tables have been drawn up based on the undiscounted cash outflows for financial liabilities in line with the earliest date when the Group and Company may demand payment. The tables detail cash flows from principal and interest. Based on expectations at the end of the reporting period, the Group and Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. The contractual maturity is based on the earliest date on which the Group and Company may be required to pay.

Group

	Average weighted effective interest rate	0-12 months	1-5 years	After 5 years	Total	Carrying value
31/12/2023	%	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Liabilities to suppliers and other liabilities		28,930	150	-	**29,080**	**29,080**
Liabilities per lease (nominal amount)	4.64%	938	947	-	**1,884**	**1,884**
Loans (nominal amount)	4.31%	2,073	33	-	**2,107**	**2,107**
Interest on liabilities per lease		49	49	-	**98**	-
Interest on loans		19	-	-	**19**	-
31/12/2022						
Liabilities to suppliers and other liabilities		14,475	-	-	**14,475**	**14,475**
Liabilities per lease (nominal amount)	4.19%	1,146	1,144	-	**2,289**	**2,289**
Loans (nominal amount)	1.81%	503	433	-	**937**	**937**
Interest on liabilities per lease		84	52	-	**136**	-
Interest on loans		16	6	-	**22**	-

Company

	Average weighted effective interest rate	0-12 months	1-5 years	After 5 years	Total	Carrying value
31/12/2023	%	'000 EUR	'000 EUR	'000 EUR	000 EUR	'000 EUR
Liabilities to suppliers and other liabilities		13,971	-	-	**13,971**	**13,971**
Liabilities per lease (nominal amount)	4.64%	665	752	-	**1,417**	**1,417**
Loans (nominal amount)	4.31%	2,073	33	-	**2,107**	**2,107**
Interest on liabilities per lease		49	48	-	**97**	-
Interest on loans		19	-	-	**19**	-
31/12/2022						
Liabilities to suppliers and other liabilities		9,106	-	-	**9,106**	**9,106**
Liabilities per lease (nominal amount)	4.34%	927	765	-	**1,692**	**1,692**
Loans (nominal amount)	1.81%	504	433	-	**937**	**937**
Interest on liabilities per lease		54	31	-	**85**	-
Interest on loans		16	6	-	**22**	-

37. Financial instruments (continued)

(e) (ii) Funding instruments

The Group and the Company use a combination of cash inflows from financial assets and available bank liquidity management instruments.

The table below contains an overview of cash inflows from assets:

	Group			
	0-12 months	**1-5 years**	**After 5 years**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
31 December 2023				
Long-term trade receivables	-	1	-	**1**
Investments in financial assets	1,477	212	-	**1,689**
Trade and other receivables	31,519	-	-	**31,519**
31 December 2022				
Long-term trade receivables	-	1	-	**1**
Investments in financial assets	413	204	-	**616**
Trade and other receivables	17,259	-	-	**17,259**

	Company			
	0-12 months	**1-5 years**	**After 5 years**	**Total**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
31 December 2023				
Long-term trade receivables	-	1	-	**1**
Investments in financial assets	1,115	111	-	**1,226**
Trade and other receivables	17,802	-	-	**17,802**
31 December 2022				
Long-term trade receivables	-	1	-	**1**
Investments in financial assets	71	185	-	**256**
Trade and other receivables	12,869	-	-	**12,869**

(f) Capital management risk

The Group and Company manage their capital to ensure they will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group and Company consists of net debt (borrowings after deducting cash and bank balances) and equity of the Group and Company (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group and Company are not subject to any externally imposed capital requirements.

Gearing ratio:

The gearing ratio at the end of the year was as follows:

Capital Management Risk	**Group**		**Company**	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Debt	(3,991)	(3,226)	(3,524)	(2,628)
Cash and bank balances	14,715	18,815	4,832	14,212
Net debt	10,724	15,589	1,309	11,584
Equity	30,423	31,606	27,082	29,347
Net debt-to-equity ratio	(0.35)	(0.49)	(0.05)	(0.39)

Debt covers non-current and current borrowings and lease liabilities. Equity includes the total equity and reserves all of which the Group and Company manage as equity

38. Events after the reporting period

In 2024, the Company plans to merge the subsidiaries Ekobit d.o.o. and Bonsai d.o.o. In 2024, the Company signed a sales contract to acquire the remaining 30% of the business stake in Bonsai d.o.o. By acquiring the remaining 30% of the business shares, the Company acquired a 100% stake and announced its intention to merge Bonsai d.o.o. At the same time, the intention of merging the company Ekobit d.o.o., which has been entirely owned by the Company since its acquisition in 2022, was announced.

The purpose of integrating these subsidiaries into Span d.d. is to unify software development and *AI* solutions. The goal is to achieve a unique presence in the market, within the same company and a unique brand. Along with *cloud* and cybersecurity, AI is becoming one of the Company's key strategic directions in the coming period.

The target date for the merger to take effect is by the end of the second quarter of 2024, after which Bonsai and Ekobit affiliates will operate within the single Span brand.

38.1 Contingent assets and liabilities

There are no contingent assets and liabilities.

39. Approval of financial statements

The financial statements were approved by the Management Board on 30 April 2024.

The Annual Reports of the Group and Company are available at the website of the company Span d.d.

For SPAN d.d.:

President of the Management Board	Member of the Management Board	Member of the Management Board
Nikola Dujmović	Marijan Pongrac	Dragan Marković

Member of the
Management Board

Saša Kramar