span

Annual Report 2021

Content

Statement of Nikola Dujmović,
President of the Management Board

The future is digital

The digital era is defined as the transition from the classical industrial economy to a digital, information economy. The traditional markets are changing and digital technologies are becoming increasingly important.

The COVID-19 pandemic has accelerated the processes already taking place, and the implementation of the digital transformation has become an issue of survival of commercial organisations of all sizes in all markets. In the past two years, we took part in projects our users had planned to implement for years and were forced to materialise in just a few weeks.

We are bearing witness to change in each segment of business – the labour market, markets of merchandise and goods, supply chains, as well as the information technologies themselves have changed and adapted fast. By delivering innovative products and services, the information technologies ensure strategic business edge, but traditionally led IT departments have not been fast and agile enough to adapt to the new market requirements.

Our strategy to be a reliable partner to digital leaders and organisations in the digital transformation by ensuring infrastructure services, software asset management, development of business solutions, and operative management of IT system has perfectly corresponded to the actual needs of customers in all markets.

We achieved the strongest revenue growth in the very segment of infrastructure services - Cloud & Cyber Security solutions, which recorded a 32% growth in Span last year compared to the previous year, which was in line with the growth strategy of the Group.

A strong revenue growth was also recorded in other business segments, so we ended the business year with the growth of consolidated revenues of the Group of **26%**, up to the total amount of **HRK 767.3 million**. Net profit of the Group at the end of 2021 amounted to **HRK 23.8 million**, a **220% increase** compared to 2020.

We will remember 2021 for Span's going public on the Zagreb Stock Exchange, by which we laid the foundations for our faster growth in the existing markets and expansion to new ones. In 2021, our shares were listed on the Official market of the Zagreb Stock Exchange. Interest in shares in the Initial Public Offering was higher than the offer so all the shares were sold at the highest price in the offered range, and in the last quarter of 2021, they were traded almost every day at the average price of HRK 222. We entered the capital market with more than a thousand new Span shareholders, including institutional investors, a large number of small investors that also included our employees, so we are entering a new development phase of operation with a balanced shareholder structure.

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

We intend to further strongly develop our operations and are focused on the growth of our team, capacities and competencies for the global market. In the past year, we employed 135 new experts, and we invest in knowledge and skills and additionally get stronger in order to readily respond to the growing needs.

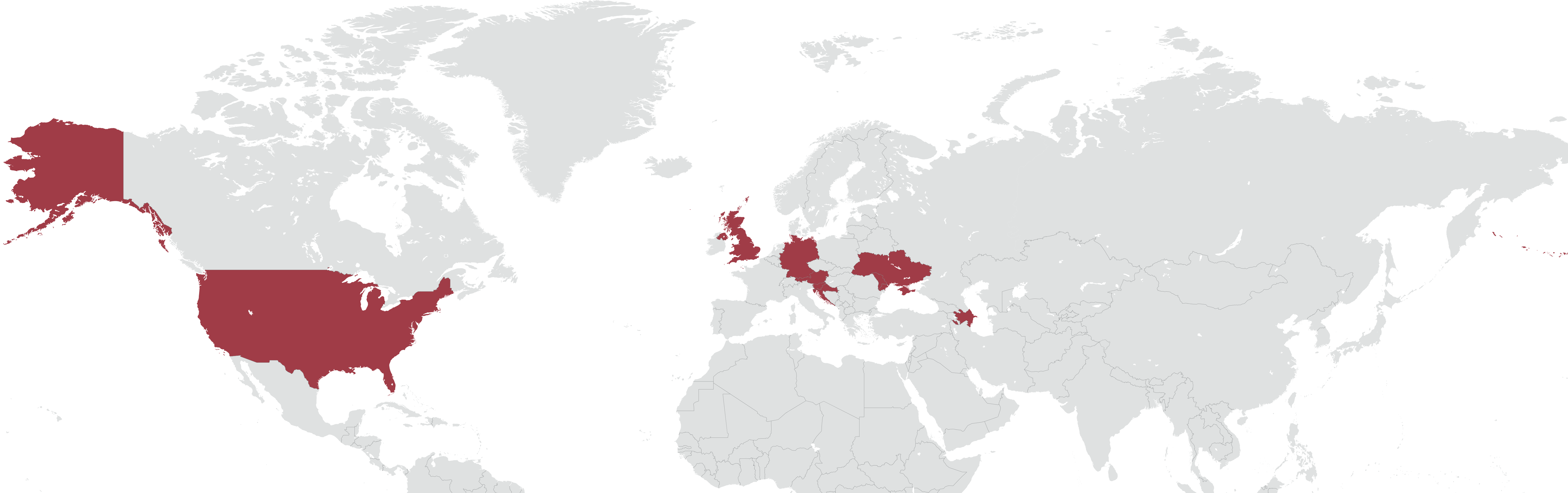
Additionally, through our endeavours for sustainable and responsible operation, we aim at making a contribution to the community where we operate.

Unfortunately, a war in Ukraine where we have operated since 2018, started almost two months after the end of the business year. Although we had been prepared for various scenarios, we did not anticipate such fast and brutal aggression.

Since the first day of the aggression, people, and above all our employees, their families and users, are our priority. Since the security of employees and their families is our first and foremost concern, we ensured assistance in receipt, transportation and accommodation as well as psychological aid to everybody who was able to come to Croatia. Our priority are also our users who operate in the war conditions as well. Our activities in the war-engulfed regions have not stopped, we still provide support to our users in Ukraine.

Even though our revenue in Ukraine was increasing year by year, the total final contribution in the balance sheet was not significant because we are still in the developmental phase there. The war circumstances will certainly influence further operations in Ukraine but because we do business in the IT sector, we believe that the flexibility of the business model and technology will enable us to maintain continuity of operations in such difficult conditions as well.

Net profit of the Group at the end of 2021 amounted to HRK 23.8 million, a 220% increase compared to 2020.



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 activity includes the provision of services of software asset management and licensing, infrastructure services of design and maintenance of information systems, work in cloud and information security, management of information technology and technical support service centers, as well as development of software and business solutions. During the 29 years of operation, we have developed from an IT system integrator in Croatia, to a group that today operates globally with more than 1200 clients.

Gold Microsoft Partner – Windows Server and SQL Server Migration to Azure Advanced Specialization

Gold Microsoft Partner – Teamwork Deployment Advanced Specialization

Gold Microsoft Partner – Information Protection and Governance Advanced Specialization

Gold Microsoft Partner – Meeting and Meeting Rooms for Microsoft Teams Advanced Specialization

Gold Microsoft Partner – SAP on Microsoft Azure Advanced Specialization

Gold Microsoft Partner – Identity and Access Management Advanced Specialization

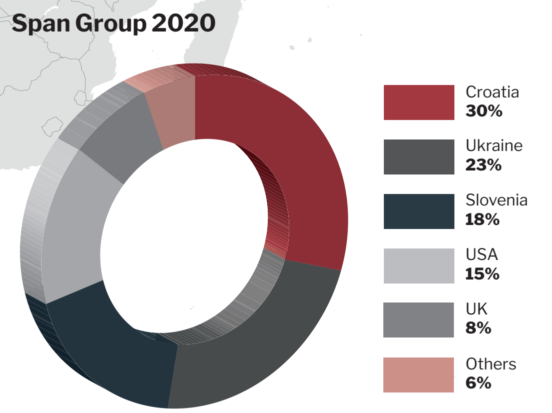
Gold Microsoft Partner – Adoption and Change Management Advanced Specialization

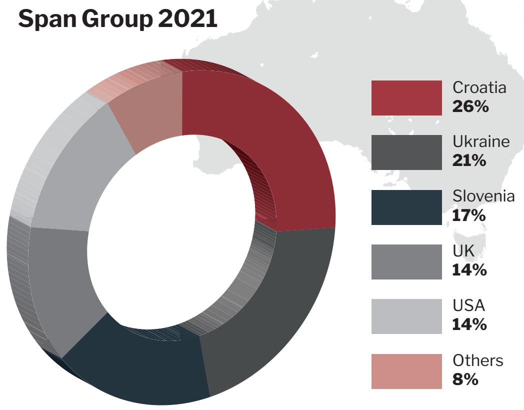
Gold Microsoft Partner – Threat Protection Advanced Specialization

Gold Microsoft Partner – Calling for Microsoft Teams Advanced Specialization

We are focused on our long-term relationships with customers and we cooperate with leading global and regional corporations. A leading expert in Microsoft technologies and leading regional Microsoft partner, we hold the status of the Microsoft Gold Partner and are the first Croatian company boasting nine Microsoft specializations.

We have recorded continuing revenue growth by more than 20% annually in the past years, and three quarters of that revenue has been made in international markets.





As an IT service provider, we follow and respond to trends in digital transformation of operations successfully, and with our work and company values, we strive to be a role model for responsible and sustainable operation in Croatia.

Span in numbers:

1993
COMPANY ESTABLISHED

40 000+
PROACTIVELY MONITORED DEVICES

275
SUCCESSFULLY COMPLETED PROJECTS IN 2021

24 x 7
AVAILABILITY OF SPAN SUPPORT

177,108
RESOLVED TICKETS IN 2021

99,98%
INCIDENTS RESOLVED IN TERMS OF SLA[1]

34
AVERAGE AGE OF EMPLOYEES

70%
OF EMPLOYEES WITH UNIVERSITY OR COLLEGE DEGREE

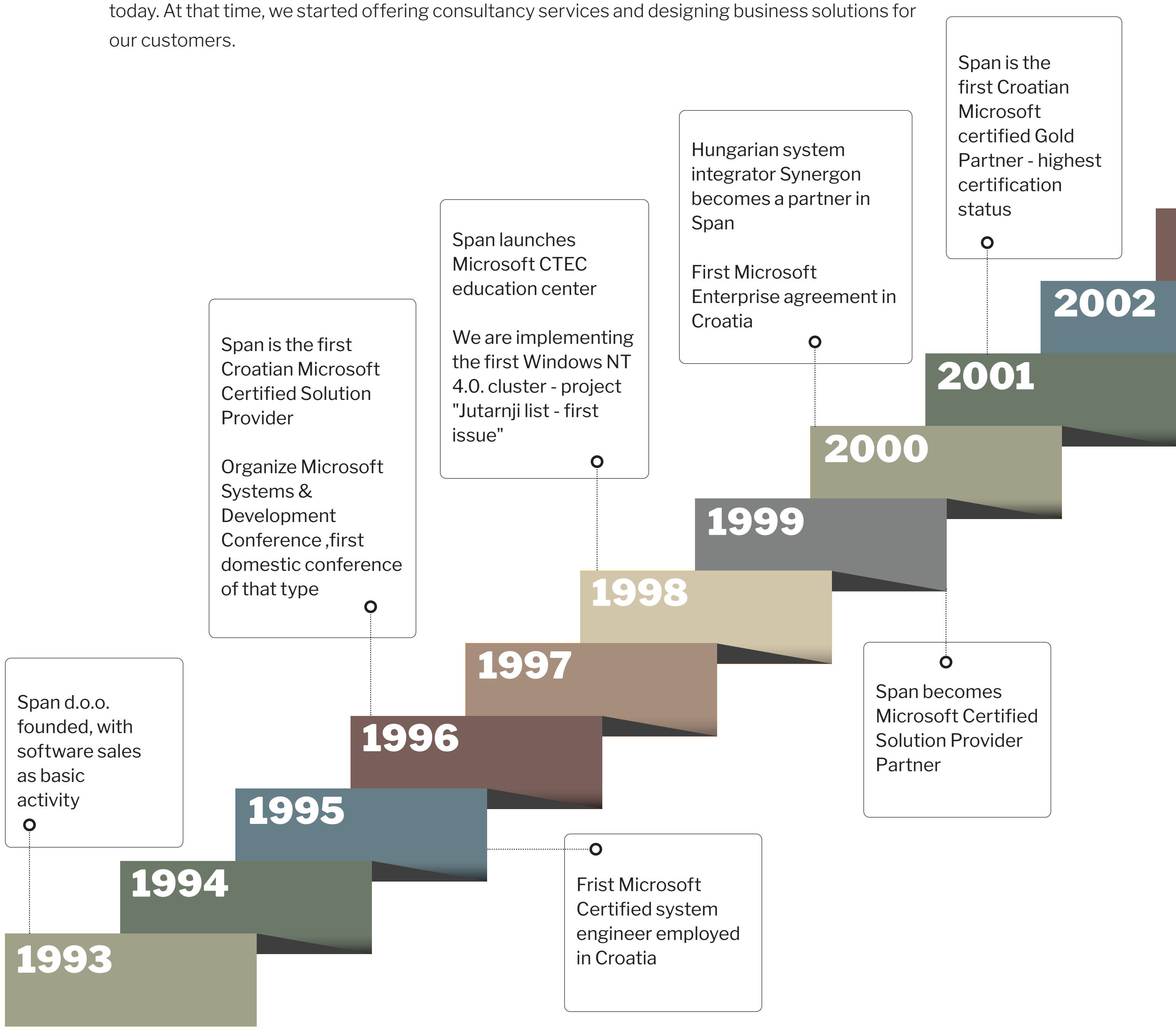
340+
EMPLOYEES WITH PROFESSIONAL CERTIFICATION

[1] Service Level Agreement

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 – opened offices in Great Britain, Slovenia, the United States, Azerbaijan, Germany, Ukraine, Switzerland, and most recently in Moldova. With the intent to list our shares on the regulated Zagreb Stock Exchange market, we became a joint stock company under the decision of the General Assembly in 2019.

We continue to focus on Cloud&Cyber Security, and in addition to Microsoft as the main partner, on work with Google, Amazon and other renowned Security partners. By listing our shares on the Zagreb Stock Exchange in September 2021, we started a new development phase of operation oriented to an accelerated organic growth in the existing market and an opportunity to continue to expand in international markets.

2003

2004

2005

2006

Achieved ISO 9001 - our first ISO certificate

We implemented the first Hosted Exchange - defining and selling of first cloud services

2007

Span management buy-out and redemption of business share from Hungarian Synergon

2008

2009

Established Span IT Ltd, London

Span d.o.o. in Ljubljana, Slovenia founded

2010

2011

Achieved ISO/IEC 27001

2012

Achieved ISO/IEC 20000

2013

We became Microsoft Partner of the Year in Croatia

Span USA, INC. in Chicago founded

2014

McDonald's UK IT operator of the Year award

2015

Span wins European Business Award in "The Business of the Year with Turnover of €0-25m" category

Infocumulus d.o.o. joins Span Group

Span Development Academy started

2016

Span is Microsoft Partner of the Year in Croatia

We took over the company Recro-net - Group has over 300 employees

Span Azerbaijan MMC in Baku founded

2017

2018

TOV Span founded in Kyiv

2019

Proud of 17 Microsoft competencies, 16 Gold

2020

We became AWS and Google Cloud Services Partner

Span TOV is Microsoft best LSP* partner in Ukraine

Microsoft Partner of the Year in Croatia

* Licensing Solution Provider

2021

Microsoft Partner of the Year in Croatia

Achieved 9 Microsoft Advanced Specializations

Shares listed on Zagreb Stock Exchange

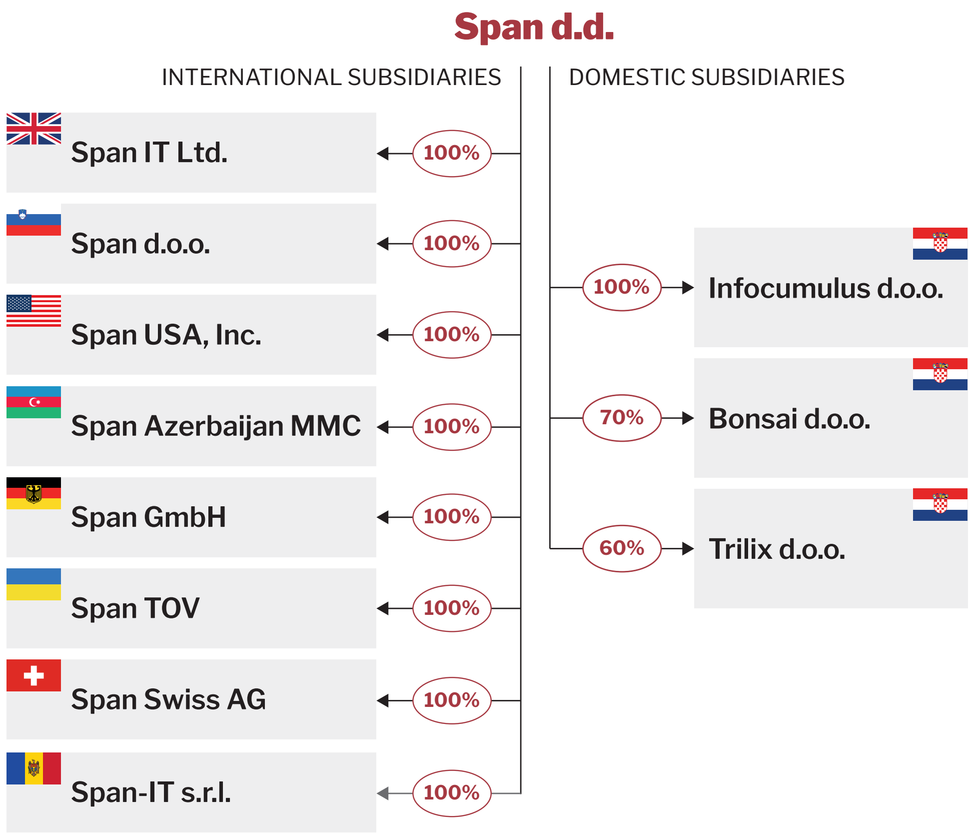
Established Span-IT s.r.l. in Chişinău

Achieved ISO/IEC 14001

Achieved ISO/IEC 50001

Organizational structure of the Span Group[2]

On 31.12.2021, Span d.d. has business shares in the following companies:



Corporate Governance

We have a robust Corporate Governance model that ensures the implementation of accountability on all levels. The Corporate Governance structure is based on a dual system consisting of the Supervisory Board and the Management Board of the Company, and together with the General Assembly, they make the three fundamental bodies of the Company.

As the Span shares are listed on the regulated Zagreb Stock Exchange market, we apply 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 signed by the members of the Management Board is a constituent part of the Annual Report of the Span Group.

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

Statement of Application of the Corporate Governance Code

Pursuant to Article 272.p, in connection 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, hereinafter referred to as: Companies Act) and Article 22 of the Accounting Act (Official Gazette no. 78/2015, 134/2015, 120/2016, 116/2018, 42/2020, 47/2020), the Management Board of Span d.d., Zagreb, Koturaška cesta 47, OIB:19680551758 (hereinafter referred to as: Span or the Company) gives the following

STATEMENT OF APPLICATION OF THE CORPORATE GOVERNANCE CODE

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

II By this Statement Span acknowledges that it operates in line with the good corporate governance practice and mostly according to the recommendations in the Code, and publishes all information whose publishing is provided for in the positive regulations.
Span will provide explanations for any derogations from certain recommendations and any additional adjustments in the Annual Compliance Questionnaire for Issuers of Shares and the Corporate Governance Practice Questionnaire for Issuers of Shares, which it will submit in line with the Rules on Data Concerning Corporate Governance that issuers are obliged to submit to the Croatian Financial Services Supervision Agency – in the form, deadlines and manner for their submission (Official Gazette 59/2020) to HANFA for 2021, not later than by 30 June of the current calendar year and will release it on the websites of the company and the Zagreb Stock Exchange.

III The risk management and internal control system is implemented by controlling and internal audit services. The crucial goals of internal audit are provision of guarantees and information to the high management and the Supervisory Board that will help achieve the goals of the organisation, including evaluation of 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.

The report of internal audit is compiled after the elapse of each audit, and it contains:

- a list of audits performed
- assessment of appropriateness and effectiveness of the internal controls system, and recommendation for improvement
- unlawfulness and irregularities if they are determined during the audit, and recommendations and proposals of measures for their removal
- activities taken concerning previously issued recommendations.

The reports are submitted to the Management Board and the Auditor Committee.

The Audit Committee is authorised to monitor the financial reporting procedure, effectiveness of the internal control system, the internal audit system, and the risk management system.

Span has implemented ISO 37001 Anti-Corruption standard that optimizes and improves management for suppression of bribery and the risk management process.

IV Ten significant direct and indirect holders of shares in Span on December 31st , 2021 are as follows:

	Name	Number	Percentage
1.	NIKOLA DUJMOVIĆ	703,000	35.87
2.	MARIJAN PONGRAC	150,600	7.68
3.	DAMIR BOČKAL	150,600	7.68
4.	ZVONIMIR BANEK	147,600	7.53
5.	ERSTE & STEIERMÄRKISCHE BANK D.D	102,438	5.23
6.	OTP BANKA D.D.	91,315	4.66
7.	JASMIN KOTUR	72,800	3.71
8.	HRVATSKA POŠTANSKA BANKA D.D	47,739	2.44
9.	RAIFFEISENBANK AUSTRIA D.D.	41,437	2.11
10.	SAŠA KRAMAR	37,080	1.89

Span does not have holders of securities with special control rights or holders of securities with limited voting rights for a certain percentage or number of votes, time restrictions for exercising the right to vote or cases where, in co-operation 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, amendment of the Articles of Association or special rules on authorities of the members of the Management Boards or the Supervisory Board. Provisions of the Companies Act and the Articles of Association, which is available on the websites of Span (www.span.eu) apply to all the stated relations.

V The manner of work of the General Assembly and issues which it decides on, as well as exercising the rights of shareholders are specified by the Companies Act and the Articles of Association of the Company, and a call and proposals for 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 entitles to one vote.

VI The Management Board consists of 5 members. The term of office of the members of the Management Board is five years at most. After the expiry of their term, the members of the Management Board and the President of the Management Board may be reappointed for an unlimited number of terms. The Management Board manages the affairs of the company at its own responsibility, with the attention of a neat and conscientious businessman, in line with the Companies Act, the Articles of Association and Rules of Procedure of the Management board.

In 2021, the Supervisory Board acted consisting of 4 members. The members were appointed by the General Assembly. Term of office of members of the Supervisory Board is 4 years at most. Authorisations of the Supervisory Board are defined by 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 for decisions of the Management Board that is provided for in the Rules of Procedure, the law or the Articles of Association, gives orders to auditors and together with the Management Board, decides on proposed decisions adopted by the General Assembly.

The Management Board and the Supervisory Board by rule work at sessions and by adopting decisions without holding a session, by 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 the website of Span (www.span.eu)

VII Span does not have formally adopted Policy of Diversity, but in its executive management and supervisory bodies, there are no restrictions concerning diversity when appointing people; the composition of the said bodies including the executive management was diverse in terms of the age, gender, education, and profession.

VIII Pursuant to provisions of Article 250a paragraph 4 and Article 272p paragraph 1 of the Companies Act, this Statement is a special section and a composite part of the Annual Report on the Status and Operation of the Company for the 2021 business year.

Span d.d.

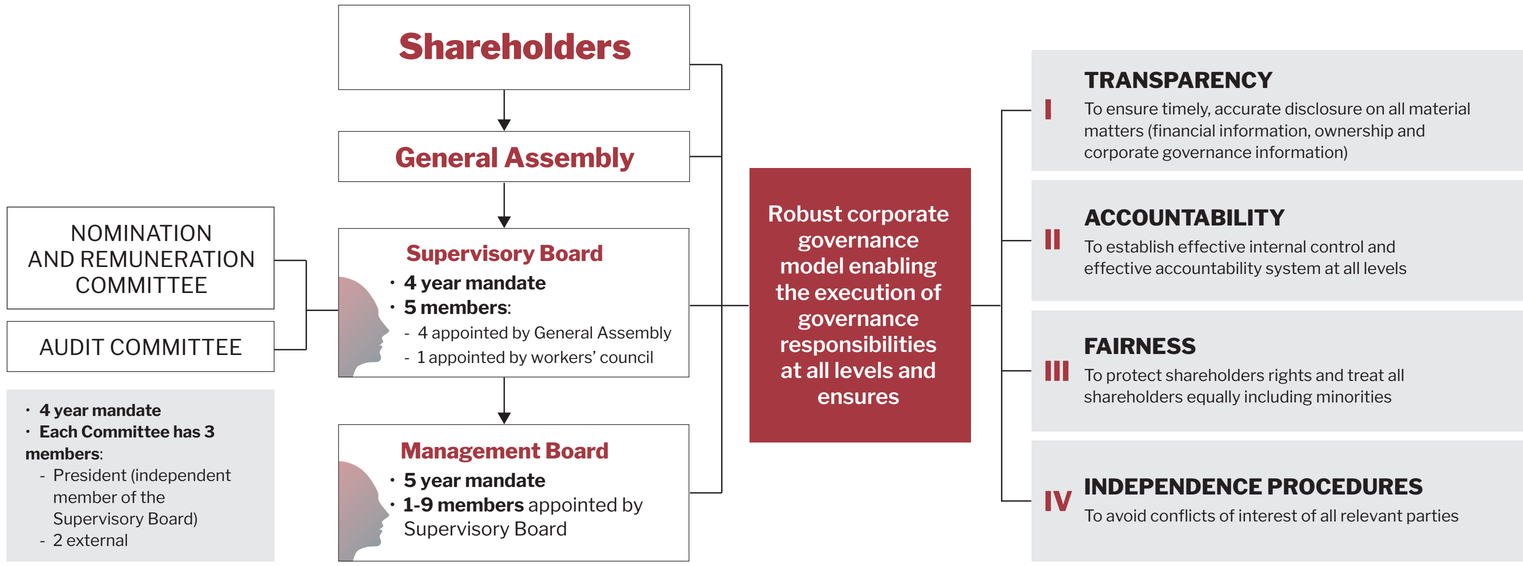
Applying the best practices of corporate governance, we ensure unbiased, transparent and responsible decision-making in our operations. In line with the requirements of the Corporate Governance Code we apply, the **Conflict of Interest Managing Policy**, a frame for defining the system, control and procedures that will prevent and mitigate, or identify, assess, and resolve potential and actual conflicts of interest, has been adopted. The goal of the Policy reflects in implementing procedures that prevent members of the Supervisory Board, the Management Board, the management staff, and employees of the Company to take part in decision-making where they have a conflict of interest. The Policy applies to all the members of the Supervisory Board, the Management Board, the management staff, and any employees of the Company in order to ensure the highest possible level of transparency in the operation. The Conflict of Interest Managing Policy is published on our websites at the following link: Conflict of Interest Managing Policy.

The importance of the corporate culture and ethical operation reflects in consistent acting in accordance with our core values, internal rules and policies and all applicable regulations. Our Code of Cusiness Conduct is an expression of our values and reflects the principles and policy that lead our operation and give specific guidance for ethical actions of all our employees and partners as well as the managing and supervisory bodies.

Corporate Governance structure

In line with the Article of Association of the Company and the Companies Act, Span d.d. is made up of three fundamental bodies:

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



General Assembly

Shareholders exercise their rights at the General Assembly. The Article of Association of the Company, available on websites at the following link Article of Association, provides for the manner of work of the General Assembly, its authorities, shareholders' rights, and the manner of their realisation.

Three General Assembly meetings took place in 2021.

Decisions from the meetings of the General Assembly and minutes from them are published in line with the legal regulations and are available at our websites at the following link: General Assembly 2021.

Supervisory Board

The Supervisory Board consists of four members appointed by the General Assembly, and those are:

1. Jasmin Kotur, President of the Supervisory Board
2. Aron Paulić, Vice-President of the Supervisory Board[3]
3. Zvonimir Banek, Member of the Supervisory Board, and
4. Ante Mandić, Member of the Supervisory Board

Business address of the Supervisory Board members is Koturaška cesta 47, Zagreb. The Supervisory Board has a term of office of four years.

[3] After the Company shares were listed on the Official market of the Zagreb Stock Exchange, in line with the Corporate Governance Code, an independent member, Aron Paulić, was elected the Vice-President of the Supervisory Board on October 14th 2021, replacing Zvonimir Banek

Jasmin Kotur, President of the Supervisory Board

After completing a high school specializing in mathematics (MIOC), Jasmin acquired the following certificates: Certified Help Desk Manager, ITIL Foundation Certificate in IT Service Management, EuroCloud Europe Academy - ECSA-AB – Ambassador Certification, EuroCloud Europe Academy - ECSA-FD – Foundation Certification, and EuroCloud Europe Academy - ECSA-PF – Professional Certification.

He started his career in September 1996 as an Executive Editor in 3 Media d.o.o. In March 1998, he moved to ITER-MARKETING d.o.o. at the Sales Manager position, where he worked until July 1998 when he became an Editor for book editions at ZNAK d.o.o. From July 1999 to December 2001, he worked as the Technical Support Manager at PERPETUUM MOBILE d.o.o., and in January 2002 he joined Span where he has worked at the position of the System Engineer, User Support Director, IT Director, and Security Consultant. He has been the member of the Supervisory Board and the President of the Supervisory Board of Span since its formation.

Aron Paulić, Vice-President of the Supervisory Board

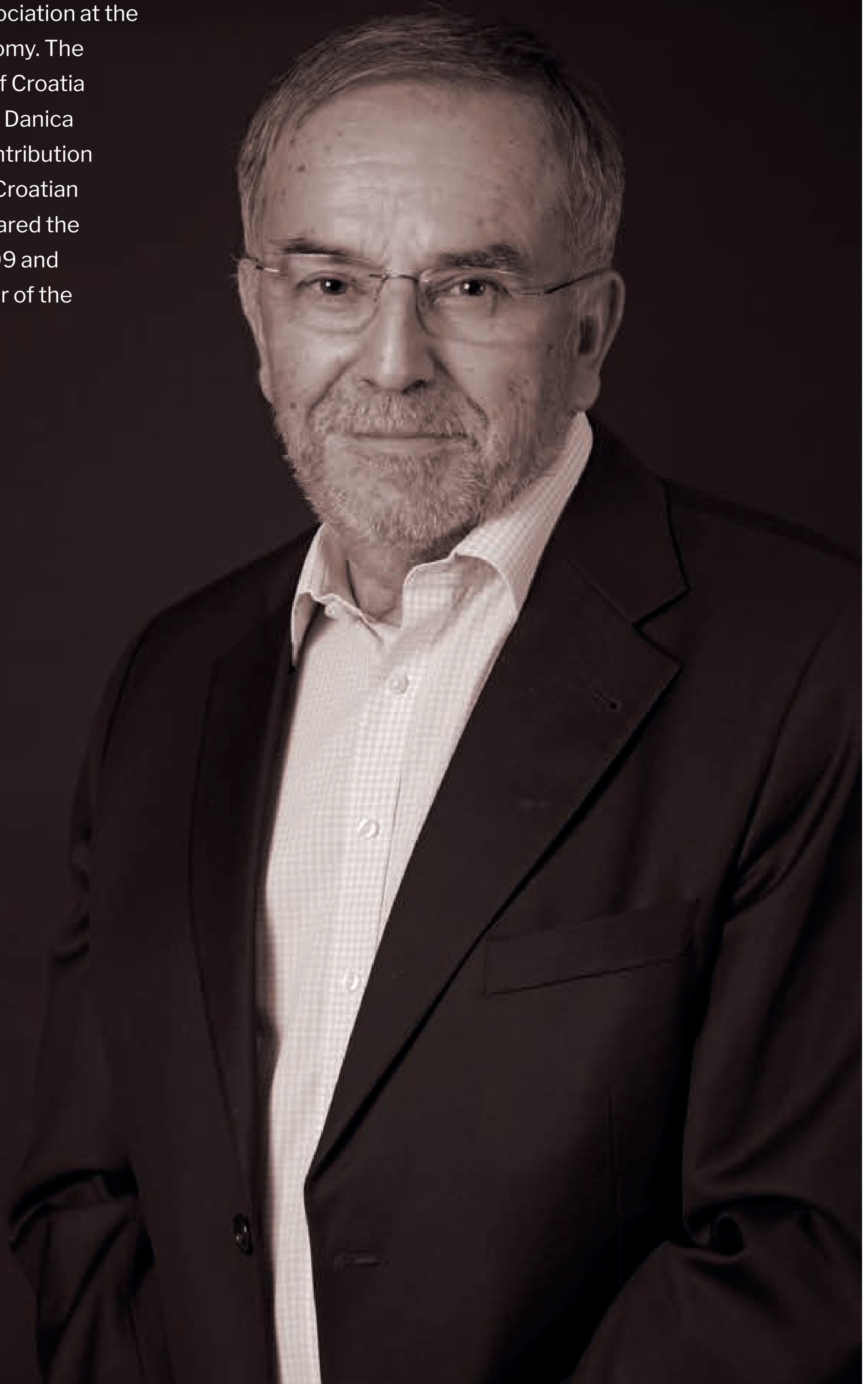
Aron graduated from the Faculty of Electrical Engineering and Computing of the University of Zagreb in 1991, acquiring the title Master of Science in Electrical Engineering, Automation major. He started his career at AC NOVEL d.o.o. where he worked on development and sales of software on Apple Macintosh platform from 1992 to 1993. Since 1993 until present, he has been at the position of the Director of BUG d.o.o. where he is the only member of Management and one of the co-owners. He has been an active creator of the Croatian IT industry since 1992, a publisher of IT books and digital publications, an author of numerous articles and interviews, and an organizer of fairs, conferences and seminars.

Zvonimir Banek, Member of the Supervisory Board

Zvonimir completed the Ruđer Bošković Technical School and went on to obtain a professional IT education, acquiring numerous certificates such as Microsoft Certified IT Professional, Microsoft Certified Systems Engineer, Microsoft Certified Technology Specialist in several categories, and Microsoft Certified Trainer. He also completed the Leadership Program at the Innovation Institute. He started his career at the Croatian Guide Dog and Mobility Association where he did IT jobs working part-time. In 1993, he joined the the International Committee of the Red Cross as an Assistant at the Medical Department. From January 1995 to January 1996, he worked as the System Administrator at Helpdesk of the Croatian Academic and Research Network. He moved to the Ministry of Science and Education in January 1996 to take the position of a System Administrator and IT Support Manager. In January 2001, he joined Span where he has worked at the position of the System Engineer, Lecturer in the Span Microsoft Training Center, Head Systems Architect, Solution Architecture Team Leader, Solution Architecture Director, only to finally take over the Solution Consulting Services division as the Solution Consulting Services Director, a position he still performs. He has been the Member of the Supervisory Board of Span since its foundation and he was the Vice-President of the Supervisory Board until October 14th 2021, when an independent Member, Aron Paulić was appointed the Vice-President of the Supervisory Board.

Ante Mandić, Member of the Supervisory Board

He completed the Technical Military Academy in Zagreb and started his career in the army, which he left in 1991. Afterwards, he was a CEO of IPR Ltd., an information engineering company. In 1992, he launched a software company, IN2, for development and implementation of software and related services, which he sold to Canadian Constellation Software Inc. in 2018. Currently, he is holding the position of the Business Development Advisor at INsig2 Ltd. He is an active participant in the Croatian IT community and the President of the IT Association at the Croatian Chamber of Economy. The President of the Republic of Croatia decorated him 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 2012), and the Entrepreneur of the Year (in 2014 and 2018).



Term of office of Members of the Supervisory Board

Name and surname	Position	Start of term	End of term
	Supervisory Board		
Jasmin Kotur	President of the Supervisory Board	13.12.2019	13.12.2023
Aron Paulić	Vice-President of the Supervisory Board	30.09.2020	30.09.2024
Ante Mandić	Member of the Supervisory Board	30.09.2020	30.09.2024
Zvonimir Banek	Member of the Supervisory Board	13.12.2019	13.12.2023

Three meetings of the Supervisory Board took place in 2021, and beyond those meetings, the Supervisory Board made decisions through correspondence, or it gave consent for five decisions of the Management Board in line with the provisions of the positive regulations and acts of the Company. All members took part in decision-making at the meetings, in a manner specified in the the Rules of Procedure of the Supervisory Board.

During 2021, the Members of the Supervisory Board received remuneration in the amount of 91.375 HRK.

The Rules of Procedure of the Supervisory Board are available on our website at the following link: Rules of Procedure of the Supervisory Board.

Supervisory Board Committees

Two Committees operate within the Supervisory Board and help it perform its tasks:

- **Audit Committee**
- **Nomination and Remuneration Committee.**

The members of both Committees have four years terms each, and the Presidents of both Committees are independent members of the Supervisory Board.

The Audit Committee is responsible for all tasks stipulated by the Audit Act and the Corporate Governance Code of the Zagreb Stock Exchange and HANFA. The competence, responsibility and authorities, the manner of operation and decision-making and awards and resources for the work of the Audit Committee are provided for in the Rules of Procedure of the Audit Committee, available on our website at the following link: Rules of Procedure of the Audit Committee.

The Audit Committee has three members, and meetings of the Audit Committee are convened as appropriate. The Audit Committee is responsible for its work to the Supervisory Board, and is obliged to report in writing on its work and results of analyses and examinations.

The Members of the Audit Committee are:

1. Ante Mandić, President
2. Nataša Zelenika
3. Tomislav Skorin

The Nomination and Remuneration Committee has three members and is responsible for supervising the process of the nomination of members in the Supervisory Board and Management Board, giving recommendations to the Supervisory Board about remuneration of the Management and Supervisory Boards Members, and performing other tasks in line with the Corporate Governance Code, applicable regulations and general acts of the Company. Meetings of the Nomination and Remuneration Committee take place as appropriate. The Nomination and Remuneration Committee is responsible for its work to the Supervisory Board, and is obliged to report in writing on its work and results of analyses and examinations. The Rules of Procedure of the Nomination and Remuneration Committee is available on the website of Span at the following link: Rules of procedure of Nomination and Remuneration Committee.

Members of the Nomination and Remuneration Committee are:

1. Aron Paulić, President
2. Hana Horak
3. Lucia Ana Tomić

The Audit Committee has had three meetings since it was founded in May 2021, and the Nomination and Remuneration Committee had two meetings in 2021.

The Members of the Committees in question accomplished the right to remuneration for its work and contribution to the functioning of the Supervisory Board of the Company in 2021 in the amount of 72.562 HRK.

Management Board

According to the Articles of Association of the Company, the Management Board may have one member at least and nine members at most. The Members of the Management Board represent the Company independently and individually. The term of office of the Members of the Management Board and the President of the Management Board is five years at most, and after the expiry of their term, they may be reappointed for an unlimited number of terms.

On December 31st, 2021[4] the Management Board of the Company consisted of five members:

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
5. Saša Kramar, Member of the Management Board

Name and surname	Position	Start of term	End of term
	Management Board		
Nikola Dujmović	President of the Management Board	16.12.2019	16.12.2024
Damir Bočkal	Member of the Management Board	16.12.2019	30.11.2021
Antonija Kapović	Member of the Management Board	16.12.2019	16.12.2024
Dragan Marković	Member of the Management Board	16.12.2019	16.12.2024
Marijan Pongrac	Member of the Management Board	16.12.2019	16.12.2024
Saša Kramar	Member of the Management Board	23.01.2020	16.12.2024

[4] Mr. Damir Bočkal resigned from the position of the Member of the Management Board on 30 November 2021. He joined Span in 2002 as the Director for Technology Development, became the Member of the Management for Operations in 2003, and has held the position of the Member of the Management for Key International Accounts since 2020.

Nikola Dujmović, President of the Management Board

Nikola is one of Span's founders and the company's Director since the foundation. An engineer by trade, he sees the possibilities for improvement and growth in everything he does, with a rare talent to recognize or anticipate coming global tech trends. Nikola's business philosophy is clear – trust in what you do and follow the social productivity concept. Pay it forward and try to give to 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 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.

Area of expertise

Everything from Design and Development of strategically important projects, Corporate security, Quality and compliance to 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.

Working experience: 33 years

Trilix – Member of the Management Board (2007 – onwards)

BonsAI – Member of the Management Board (2018 – onwards)

IT Association at the Croatian Chamber of Economy – President (2017 – 2020)

Croatian Independent Software Exporters CISEX – Member of the Board of Directors (2014 – 2016)

Business Software Alliance BSA – one of its Vice-Presidents (1997 – 2004)

Education

Faculty of Electrical Engineering and Computing, University of Zagreb

Marijan Pongrac, Member of the Management Board

21 years in Span

Marijan is in charge of all Span's projects, from infrastructural to software, overseeing every phase, from development to support. Marijan started his career in Span as a System Engineer, quickly becoming a Business Unit Manager. He has forged his team of three into an expert crew of 100+ professionals, and that is something he cites as one of his greatest achievements. Creating a best-in-class team, ensuring its growth over two decades, and spreading its influence and knowledge is something that has cemented Span's reputation as a trusted and exceedingly competent company.

Area of expertise

For more than twenty years, he has led teams who are always on top of current trends, anticipate new technological courses and introduce revolutionary solutions. With Marijan at the helm, they design diverse technical solutions, manage software and infrastructure projects and organize supervision and support services.

Working experience: 27 years

HRT – System Engineer (1996 – 2001)

Skok – Director (1992 – 1996)

Education

Faculty of Transport and Traffic Sciences, University of Zagreb

Innovation Institute – Advanced Business Program, Zagreb

Certified Microsoft IT Expert, System Engineer, Trainer, Technology Expert

Dragan Marković, Member of the Management Board

6 years in Span

As the Management Board Member in charge of operations management, Dragan supervises the work of the Financial, Controlling, Accounting, Internal IT, and Acquisition departments. Relationships with assorted financial institutions, creditors, and investors also fall inside his domain, as well as all the mergers or takeovers Span is involved in.

He has initiated and actively participated in numerous internal business improvement projects, such as establishing Span's office in Ukraine, restructuring the one in Slovenia, as well as initiating a Controlling office in Span, and restructuring the Finance department. Calm and collected in a crisis and during challenges, Dragan managed Span's cash flow and oversaw the company's financials during this and last years' lockdowns.

Area of expertise

Dragan's business achievements are mainly related to launching changes in the organizational structure of the company and improving the management of the financial assets.

Working experience: 26 years

Proficio – President of the Management Board, Executive Director (2013 – 2015)

King-ICT – Member of the Management Board, Executive Director (2009 – 2012)

Hrvatski Telekom – Director for Planning and Network Development (2004 – 2009)

Verso Mrežne Tehnologije – Operative Director (2002 – 2004)

Iskon Internet – Member of the Management Board, Executive Director (1999 – 2002)

Expandia Invest – IT Manager (1996 – 1999)

Education

Faculty of Electrical Engineering and Computing, University of Zagreb

Antonija Kapović, Member of the Management Board

12 years in Span
Antonija leads Span's HR department whose main goal is attracting, developing, engaging, and ultimately retaining the best-in-class IT experts within Span. Her efforts in implementing a unique performance management system, including feedback from management, HR, and 360 evaluations, boosted employee engagement and satisfaction. Together with her team, she introduced Span Academy, our successful summer internship program for promising IT students. She also drove the initiative for creating the company's communication strategy with considerable internal and external results.

Area of expertise
Thanks to Antonija and her team, in 2020 Span obtained the Excellence During Challenges Certificate and Employer Partner Certificate which proves the quality of Span's HR practices. She is focused on adding value to development through strategic organizational development, adhering to the highest degree of ethical and professional standards.

Working experience: 21 years
Atento d.o.o. – HR Director (2008 – 2010)
S & T Hrvatska d.o.o. – HR Manager (2007 – 2008)
Microsoft Hrvatska d.o.o. – HR Generalist (2005 – 2007)
Belupo d.d. – Education and Development Coordinator (2001 – 2005)

Education
MSc Organizational Behaviour, Birkbeck University, London
Faculty of Philosophy, University of Zagreb
MBTI, Certified Practitioner
Managing Human Resources, MCE Bruxelles

Saša Kramar, Member of the Management Board

2 years in Span
Saša is the newest acquisition among the members of our Management Board. As a CMO, he is responsible for Span's international business development, managing a full portfolio of marketing and sales activities on a global scale. Together with his team, he is strengthening relationships with clients and partners and also functions as Span's international business advisor. Besides overseeing these activities in Croatia, he also supervises Slovenia, Ukraine, and Azerbaijan, with a constant focus on expansion to new international markets.

Area of expertise
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 will help transform Span into a truly global company. We already have strong foundations for further international development, and Saša has the time-tested visionary know-how to help Span get there.

Working experience: 32 years
Hrvatski Telekom d.d. – Member of the Management Board and COO (2016 – 2020)
Crnogorski Telekom - Member of the Management Board (2017 – 2018)
Combis d.o.o. - President of the Supervisory Board (2016 – 2019)
Iskon Internet d.d. – President of the Management Board and Executive Director (2000 – 2016)
Apple Center NOVEL – General Director (1990 – 1999)

Education
Edinburgh Business School MBA (Heriot-Watt University)
Strategic Management – Copenhagen Business School
Corporate Finance – Creating Shareholders Value – IEDC Bled
Strategy Management for Executives – St Gallen Business School

The table below contains data on the amounts of receipts and remuneration for the work of the members of the Management Board in the year ended on December 31st, 2021:

Name and surname	Position	Total earnings from work (including pays in kind/gross II salary) paid during 2021
Nikola Dujmović	President of the Management Board	1,376,661
Marijan Pongrac	Member of the Management Board	1,504,901
Dragan Marković	Member of the Management Board	1,333,682
Antonija Kapović	Member of the Management Board	1,331,572
Saša Kramar	Member of the Management Board	1,347,427
Damir Bočkal*	Member of the Management Board	1,407,910

* Mr. Damir Bočkal resigned from the position of the Member of the Management Board on 30 November 2021. He joined Span in 2002 as the Director for Technology Development, became the Member of the Management for Operations in 2003, and has held the position of the Member of the Management for Key International Accounts since 2020.

External auditors

External independent auditors appointed by the General Assembly of Span d.d., perform annual audit of financial statements and business reports in order to ensure an independent, objective opinion about the manner of compilation and presentation of the financial statements. The report of the independent auditor to the General Assembly is a constituent part of the Annual Report. An audited consolidated report of the Span Group and non-consolidated financial statements of Span d.d. for the year ended on December 31st, 2021, were audited by Deloitte Limited Liability Company for Audit Services, with the registered office in Zagreb, Radnička cesta 80[6].

Overview of operation

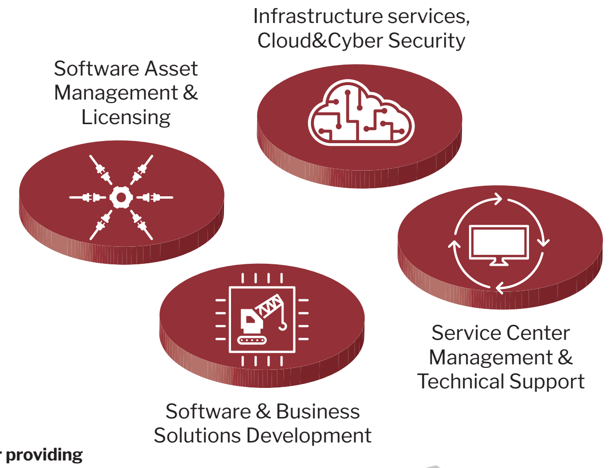
Description of the operation and main activities (business model)

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

- Starting from the analysis of the operation of the customer with the purpose of identifying the required programs and sales of appropriate program licenses,
- Design and development of information systems in accordance with the business needs of the customer with an emphasis on Cloud&Cyber Security,
- Service of complete supervision and management of the IT environment, and timely troubleshooting of incidents in the operation of the system,
- to services of development of own IT solutions: software platforms, software solutions, software products and Microsoft business solutions.

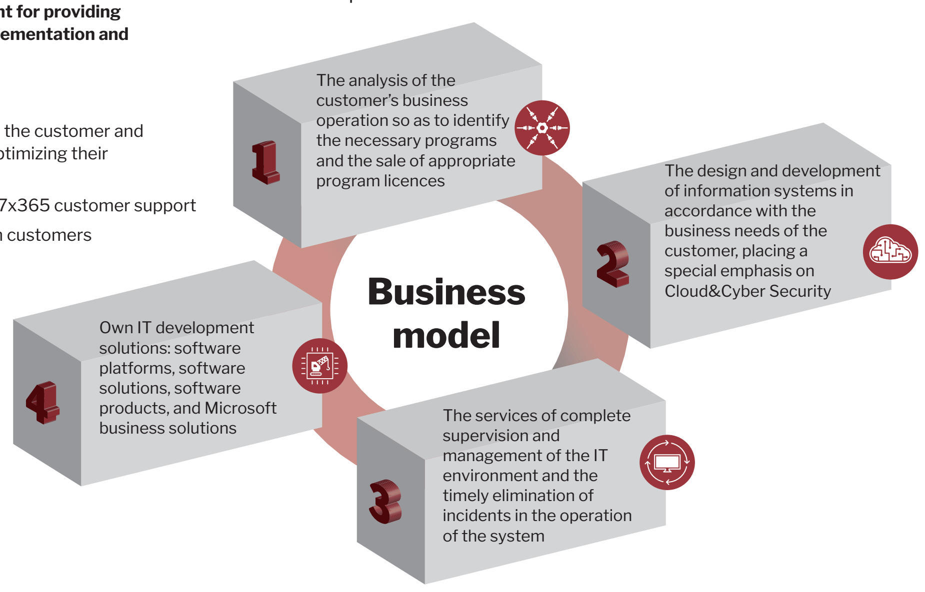
The denoted business activities are therefore split along **four business segments** through which customers are provided individual IT services:

4 business segments



Licence business is an entry point for providing additional services through implementation and support:

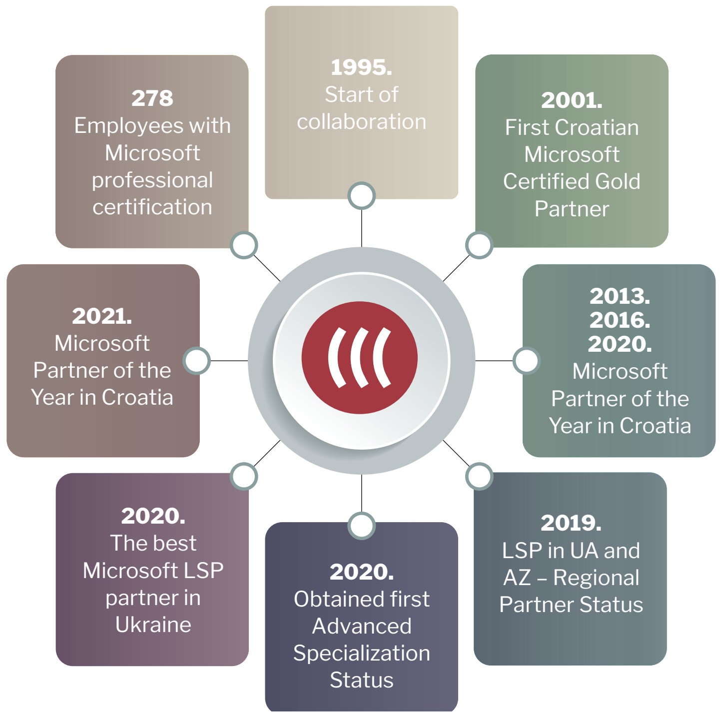
> Independent advisory attitude
> Business approach focused on the customer and providing solutions aimed at optimizing their business operation
> Timely and quality service, 24/7x365 customer support
> Focus on developing long-term customers



1. Software Asset Management and Licensing

The first step in the business relationship with a customer is licensing[5]. This business segment includes the sales of program licenses and assistance to customers concerning selection of the most appropriate program licenses for their operation, and care of timely renewal of the licenses purchased. The overall business operation of a customer is analysed through this phase, with the purpose of identifying actual needs for adequate software and optimizing its operation. In this way, we strive to achieve savings for the customer and reduce IT risks which they are exposed to as early as with the very contracting of procurement of software, and we become a long-term consultant of the customer when management of their software assets is involved.

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, whose part of the partner network we have been for more than 28 years. As a Microsoft Gold Partner, we have become their hub of expertise for communication solutions, solutions for security, and Azure platform as well as advanced business applications.



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

2. Infrastructure services, Cloud & Cyber Security

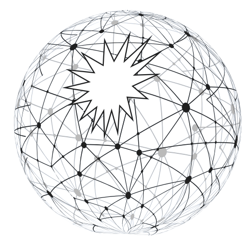
Infrastructure services include design and development of information systems according to the business needs of a customer with an emphasis on Cloud&Cyber Security. To that end, we use advanced and innovative solutions and software tools of global leaders in the IT sector.

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 detailed analysis of the existing business processes of the customer.

When **Cloud services**[6] are involved, we have ensured complete solutions to our customers, from the service for 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. Last year, our services in the so called Multi-Cloud environment (use of several Cloud platforms of different suppliers in the same environment) ensured monitoring of the Cloud environment to our customers, optimization of costs and security of the IT system.

We are a certified partner of leading world's platforms of Cloud operations - 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.

This segment of the operation also includes taking care of the **security of the IT systems**[7] which we endeavour to make resilient to cyber threats or attacks for the customer, and provide services of security service management.

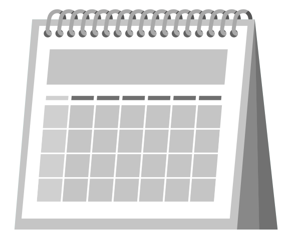


63%

OF CYBERATTACKS ARE CAUSED BY COMPROMISED PASSWORDS AND USERNAMES

43%

OF COMPANIES HAVE A DEFINED STRATEGY FOR ENCRYPTING SENSITIVE DATA[8]



19 DAYS

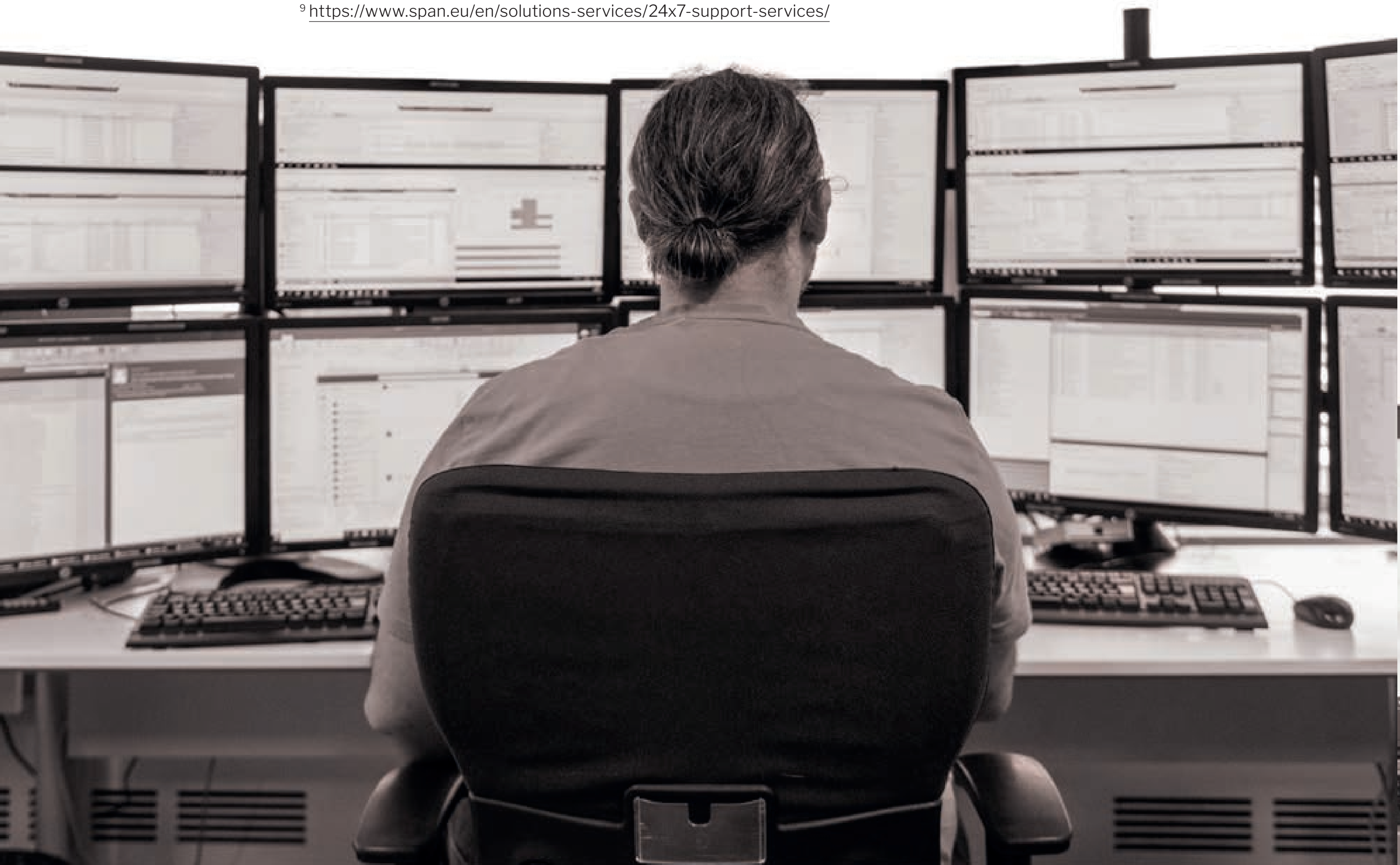
THE AVERAGE LENGTH OF BUSINESS OPERATION DELAY CAUSED BY RANSOMWARE ATTACK

[6] https://www.span.eu/en/solutions-services/cloud-services/
[7] https://www.span.eu/en/solutions-services/security-services/
[8] https://www.span.eu/en/solutions-services/security-services/cyber-security/

3. Service Center Management and Technical support

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 continuing availability of service **24 hours a day, 7 days a week, and 365 days a year**[9], 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 these services independent on 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.

[9] https://www.span.eu/en/solutions-services/24x7-support-services/



4. Software and Business Solution Development

This business segment includes the development of our own IT solutions[10], 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 solutions of Cloud operation and micro service architecture.

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 the so-called 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 used hardware and licensed resources.

The development of software products implies the production of author software solutions among which "Eiryn Service Management[11]", a flexible solution for IT service management, "Personal Data[12] (PDP)", a comprehensive solution for collection and harmonization with GDPR requirements, and "Domain Name system C&A[13]", an intelligent security solution that protects from cyber attacks, stand out.

[10] https://www.span.eu/en/solutions-services/business-solutions-development/

[11] https://www.span.eu/en/solutions-services/business-solutions-development/span-products-solutions/itsm-solution-eiryn/

[12] https://www.span.eu/en/solutions-services/business-solutions-development/span-products-solutions/personal-data-protector-pdp/

[13] https://www.span.eu/en/solutions-services/business-solutions-development/span-products-solutions/dns-ca/

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).**

Key International Clients

Domestic markets (Croatia i Slovenia)

Fast-growing markets (East Europe and central Asia)

Industry overview[14]

A further trend of growth of the global IT market is expected in the future as well, and as this sector has been recognised as necessary and important, growth of IT budgets and new opportunities for integration of parts and products of IT to other segments of operation of companies are expected in 2022.

A large number of new cyber solutions are also expected, which will lead to development of new solutions and a range of innovative technologies in the market, and will accentuate the growth of the Cyber Security market. Additionally, the development of even better and more sophisticated solutions that will combine the best among the "old" principles of cyber security along with the new ones that are yet to come, will be a response to new cyber threats.

Thus, Cyber Security teams will not be oriented only to defense but also to an "attack", or to even more detailed and agile prevention of threats, so the change of the paradigm of thought from reactive to proactive is expected. Moreover, a zero trust mindset is increasingly prevalent because the very paradigm of cyber attacks is changing – "defense game" is not sufficient any more (if it has ever been) and is replaced by even more detailed and optimized test of the penetration of the system and real-scenario exercises. This does not mean that defense will be completely replaced by the attack, but that both parts must function in unison, using all the available internal resources so that the overall system is better complemented.

[14] https://connect.comptia.org/content/research/it-industry-trends-analysis

"In the last quarter of 2021, we were focused on the preparation of the organisation for the incoming change and created new departments - Identity, Access and CyberSecurity and Cloud Infrastructure for the strategic segments of operation. Our aim is to ensure the preconditions for further development and respond to further requirements of our users in as successful as possible manner."[15], commented Marijan Pongrac, Member of the Management Board, Director for Technology.

As addition to the "classical" cyber defense within Cyber Security, it will be required to invest additional effort in exercising, i.e. simulation of cyber attacks (pivotal / table-top and operative), as well as in penetration tests and tests of vulnerability of systems. Proactive actions, simulations of offensive activities (TTP – technique, tactics and procedure) used by attackers, exercising and cyber defense must act in unison using all available internal resources in order to better complete the whole system.

Increasing occurrence of granularity of software development is expected – instead of developing the whole software product in-house as work of one team, the job is expected to be "granulated" to several teams that will work in-house or will be outsourced so that every part is produced in the fastest and most efficient manner.

Artificial intelligence (AI) will also progress even more, and the biggest leaps are expected in the area of medicine and treatment – models of prediction e.g. of the business of the staff and reducing the waiting time are already in place, and their further development and the application of similar models are expected on an even higher level. Moreover, the artificial intelligence is expected to automate even more business and internal processes of companies.

Further growth of data science, data management, as well as IT as a profession is also likely – they are already an integral part of each analytical strategy of IT, however given that proportionally, they are least prevalent of all technological occupations, a much higher demand is expected in 2022.

"We started operating in Cloud as back as in 2006 through Microsoft hosted services in our own Cloud.[17] Soon, we became one of the first companies on the world's level that worked, together with Microsoft, on migrations to Microsoft Online BPOS solutions (a harbinger of Microsoft Office 365). Span has been dealing with the implementation of Cloud services for years, and those have become so developed today that nobody even consider new services in data centers anymore. We can say that Hybrid Cloud and Cloud Only have become a certain standard," said Marijan Pongrac, Member of the Management Board, Director for Technology

Cloud, which has seen a fast growth in the past years and has become integral to an increasing number of companies, will continue to grow given the expected continuation of the trend where companies will continue to follow the cloud-first architecture. Cloud is not one of options any more; rather, it is increasingly the first considered option for introducing new components and migration of the existing systems.

The COVID-19 pandemic has moved the application of digital technologies in doing business[16] forward for a few years and has led to a global growth of end users' demand for services of operation in Public Cloud. The expected growth of the operation in Cloud as a consequence of the COVID-19 pandemic will significantly increase the share of the cost of the operation in Cloud in the total IT costs.

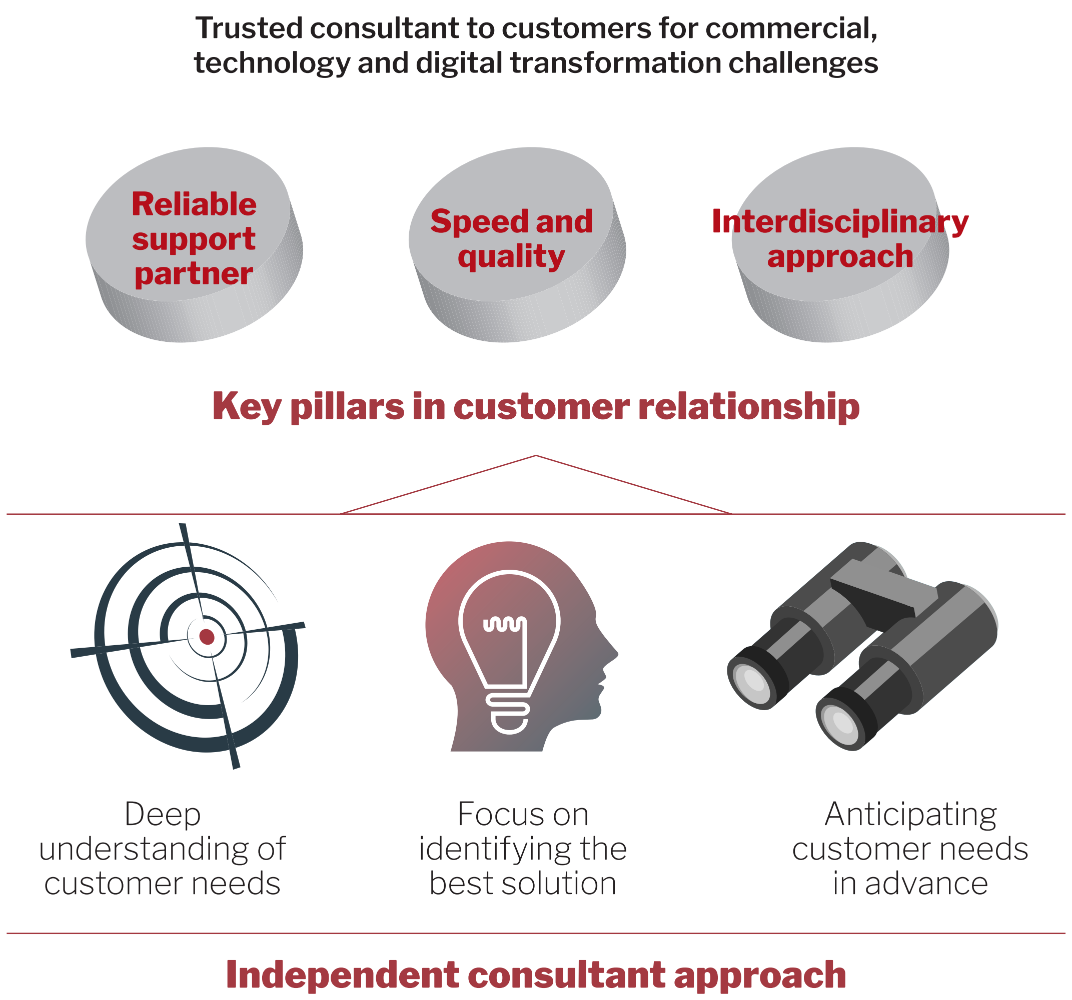
[15] https://www.span.eu/en/solutions-services/security-services/cyber-security/

[16] https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever#

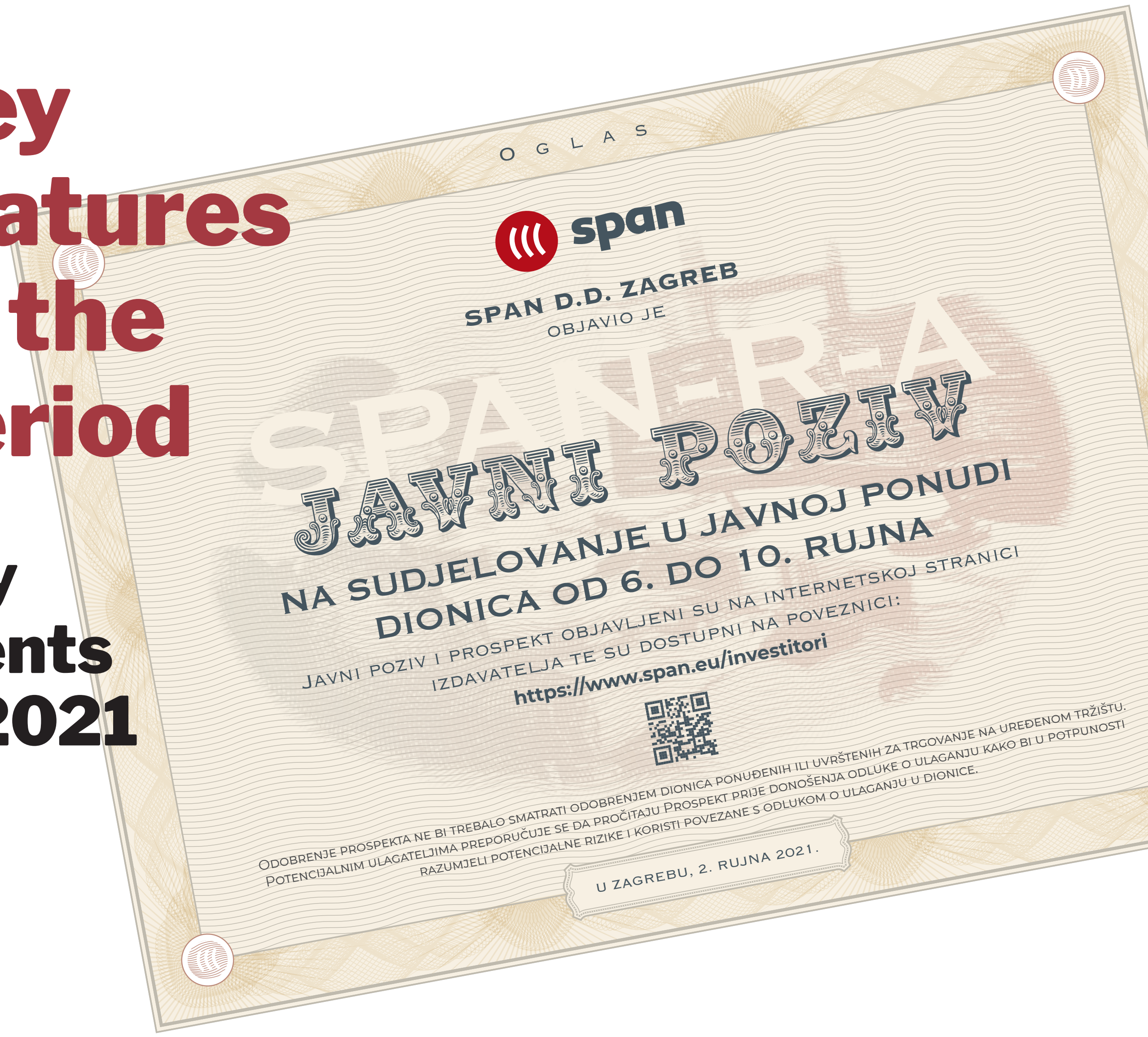
[17] https://www.span.eu/en/solutions-services/cloud-services/

Strategy and goals

The operation growth strategy for the whole Group is primarily directed to expanding the business activities with high added value, which imply IT services from business segments of Infrastructure services – Cloud & Cyber Security, Service Center Management and Technical Support, Software and Business Solution Development. The expected growth is based on the geographic expansion to new foreign markets of Eastern Europe and Central Asia for which we have the status of a Microsoft LSP partner, as well as on further organic growth in the existing markets in all business segments of operation. Our strategic framework also implies more intensive cooperation with the existing international key accounts (expansion of the number and type of services), and development of the Span.zone digital platform that enables a completely autonomous procurement, activation, management and maintenance of Cloud licenses and services, for small and middle-sized companies.



Key features of the period



Key events in 2021

Public Offering

At the beginning of 2021, we actively launched preparations for going public and listing Span's shares on the Official market of the Zagreb Stock Exchange. For this transaction, we hired Zagrebačka banka as an Offering and Listing Agent, whereas the legal advisers for the transaction were two law offices, Praljak & Svić as our Legal Adviser and Mamić Perić Reberski Rimac as the Legal Adviser of the Offering and Listing Agent.

After the General Assembly of the company on May 24th, 2021 adopted Decision on listing all 1,960,000 shares on the regulated market of the Zagreb Stock Exchange and the Management Board on May 27th, 2021 adopted Decision of sale of own treasury shares by Public Offering, the Croatian Financial Services Supervisory Agency (HANFA) approved the "Prospectus regarding the Public Offering and listing of shares on the regulated market" ("Prospectus")[18] on July 8th, 2021.

[18] https://www.span.eu/hr/media/prospekt/

During July and September we organized a series of presentations to investors, and the official start of the Public Offering on September 6th, 2021 took place in two rounds, which started, took place and ended concurrently. In the first round, shares were offered for sale only to employees (Employee Stock Ownership Plan "ESOP")[19], and in the second round of the Public Offering, shares were offered for sale to all other Investors, i.e. to any natural person or legal entity that was a Small Investor or a Qualified Investor[20].

Through the ESOP program, employees were offered 49,000 shares, and their interest was even 47% higher than the offered number of shares, and more than a half of the then employees in Croatia, actually 242, decided to buy shares. A total of 39 qualified investors took part in the Public Offering, and great interest was also shown by Croatian citizens who account for as much as 75% of the new shareholders of Span.

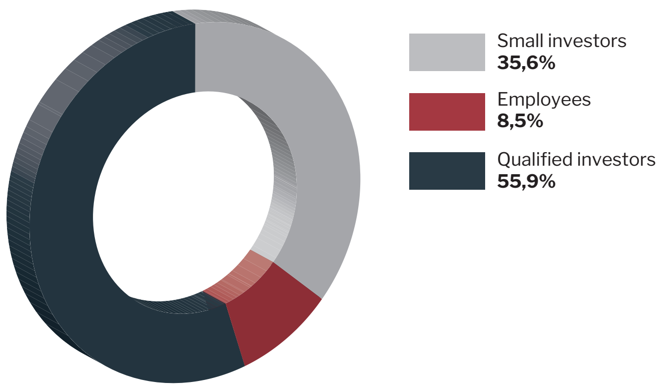
A total of 871 small investors including 861 natural persons and ten legal entities showed interest in as many as 229,300 shares. Each individual small investor was able to buy not more than 19,600 of the shares offered, whereas a ceiling of shares to be bought through the Public Offering was not set for qualified investors – pension funds, insurance companies, banks and investment funds, and they expressed interest in 508,186 shares.

The Public Offering lasted until September 10th, 2021, and we sold successfully all of the offered 578,200 of our own treasury shares (29.5%) at the highest price of HRK 175 within the offered range (HRK 160 – 175).

Interest shown by all the investors was significantly higher than the offered number of shares:

• at the price of HRK 160, interest was higher than the offered shares by 79%
• at the price of HRK 175, interest was higher than the offered shares by 40%

Therefore, we applied the adopted Allocation Rules[21], after which the structure of the sold shares was as follows:



Our ownership structure was strengthened by more than 1,000 new shareholders, which concurrently achieved a balanced shareholding structure where in addition to qualified investors, small investors and employees had a great part. With the shareholding structure balanced in such a way, the company has entered a new developmental phase of operation, and it intends to use the collected funds from the Public Offering in the amount of HRK 101,185,000.00 for:

• Growth on the existing markets
• Expansion of the operation with key international clients
• Expansion to new markets
• Development of the Span.zone digital platform.

Listing of shares on the Official market of the Zagreb Stock Exchange

On September 21st, 2021 Span d.d. and the Zagreb Stock Exchange signed an agreement on listing the shares of Span d.d. on the Official market of the Zagreb Stock Exchange. The company listed all of its 1,960,000 ordinary shares (including the Offered Shares), of an individual nominal value of 10.00 HRK, which are registered at the Central Depository and Clearing Company d.d. (SKDD) in a non-material form under:

• the securities symbol SPAN-R-A and
• ISIN symbol HRSPANRA0007

"I can say that we have achieved all set goals. Demand for our shares has significantly exceeded the offer. With more than a thousand new Span shareholders, including institutional investors, many small investors, and our employees, we've achieved a balanced shareholder structure with which we enter a new development phase. Among the new shareholders there are more than half of our employees in Croatia. It's amazing and I'm proud to work with people who believe so much in what we do. I would like to thank to all shareholders for their trust and I am happy that we will share all the successes of the company in the future together," said the founder and President of the Management Board, Nikola Dujmović.

[19] Under the conditions referred to in point 6.3.1.4. of the Prospectus (https://www.span.eu/en/media/prospekt/)
[20] Under the conditions referred to in point 6.3.1.4. of the Prospectus (https://www.span.eu/en/media/prospekt/)
[21] https://www.span.eu/en/media/pravila-alokacije/

Award for the Contribution to the Capital Market Development

Going public on the Zagreb Stock Exchange is an important milestone that opened a new chapter of operation, for which we were bestowed the Award for Contribution to the Capital Market Development in December 2021. The successful IPO, more than 100 million HRK of the collected capital and the new ownership structure richer by more than 1,000 new shareholders, including employees, are a part of the mosaic owing to which the Award Committee of the Zagreb Stock Exchange granted the said award.

The explanation by the Award Committee states that Span, or the Company Management Board, approached the whole IPO process proactively and their intention to include employees and small shareholders as much as possible had been clear since the very beginning. An exceptional effort was exerted in the whole preparation and promotion, and advantages of the listing and a wish for the highest possible level of transparency were clearly communicated. All that resulted in a successful IPO and showed that, when there was a well-told investment story, interest of investors would not stay out.

"This award, but also the entire path that led us to it, is a confirmation that the direction we have decided to take, although demanding, is correct and meaningful. I am proud of everything we have achieved so far, and especially of the people who, due to their competencies and belief in a common vision, have contributed to our common goal", said Nikola Dujmović, President of the Management Board of Span, emphasizing that we managed to achieve all goals which we have put in front of us in the demanding IPO process, which makes us even happier that the result of this process has had a positive effect on the capital market in Croatia.

Business achievements

The strategy of growth of the operation in the past year was primarily directed to expanding business activities with high added value, i.e. IT services in the business segments: Infrastructure services, Cloud&Cyber Security, Service Center Management and Technical Support, and Software and Business Solution Development.

Increasing recognizability of the Span brand on the regional and international markets, positioning the Group as a technology leader in the area of Cloud & Cyber Security, and communicating the Group as a multinational company that builds and develops long-standing relationships with customers and employees were key strategic benchmarks of the marketing activities during 2021.

Infrastructure services, Cloud & Cyber Security

A focus on the Infrastructure services, Cloud & Cyber Security that include design and development, and maintenance of information systems, with emphasis on the Cloud & Cyber Security, resulted in the highest growth of this business segment of as many as 32% compared to 2020.

When it comes to Cloud services, we have ensured complete solutions to our customers, from the assessment of preparedness to preparation and enabling the transition of a customer to the Cloud platform, to the Cloud management. We have developed and renewed competencies related to a complete Cloud journey: from preparation of the strategy and assessment, through the business segment to migration, innovation and support.

A significant step forward in the domain of the applicative development and adjustment of the Cloud environment in the model **PaaS (Platform as a service),** where the synergy of the Span teams with Cloud solutions and development has resulted in new projects; from assessment to evaluation of user applications. We helped users develop, change, and upgrade applications in a secure and scalable Cloud environment.

Among the prominent projects in this segment in 2021, we single out:

- Development of the **Azure Cloud** environment through which a customer (an international corporation) has introduced and made its first franchisors operate smoothly in Latin America
- A few significant **Governance projects (Cloud management)** – we combined the support and governance of our Cloud infrastructures (infrastructure management, DevOps management)

By the services in the so called **Multi-Cloud environment** (use of several Cloud platforms and different suppliers in the same environment) we ensured the optimization of costs and IT security of the Cloud environment to the customers. One example of a Multi-Cloud project last year was **"Proof of Concept" (POC) – Data Lake** for Google Cloud Platform (GCP) and Microsoft for One User.

Given that the Enterprise users plan to use or have already used the Multi-Cloud environment, last year we raised the level of our competencies with Microsoft as our strategic supplier, and additionally enhanced our partner relationship with other two largest providers of services of operation in Public Cloud: Amazon Web Service and Google.

Since this segment of the operation also includes care of the **security of the IT systems**, we endeavour to make the operating systems of customers resilient to cyber threats or attacks, and provide them with management of security services or incidents/events. Our users are large- and middle-sized companies and multinational corporations, various ministries, government agencies, local self-government units.

In the Cyber Security segment, we single out the projects in the area of:

- **Priviledge access management** which enables a secure manner of obtaining a raised level of access for a certain task.
- **Insider risk management** which implies the analysis of conduct of the users, whereby the system detects potential threats and escalates risk and warning against potential security breach.

- **Penetration testing** by which we simulated an actual cyber attack. Thus, we also assessed the ability of the organization to recognize a cyber attack in a timely manner. Our experts played the role of the attackers, using their comprehensive knowledge, experience, and tools for utilizing the identified vulnerabilities.
- **Incident response management** where we manage a response to incidents, which includes a joint action of the IT department, Security experts and the business section of the organization.
- **Security Operating Center (SOC)** where we offer our users complete protection service against a wide range of cyber threats, 24 hours a day, 365 days a year.

In 2021, we implemented **SOAR (Security Orchestration Automation & Response)** in our SOC by which we raised the SOC service on a higher level and are able to offer our users an even more complete service in the area of cyber security. We also implemented this solution with one international user.

Furthermore, Span Cyber Security & Incident response management teams have successfully responded, limited and resolved even the most challenging cyber attacks for many domestic and international companies.

Software and Business Solutions Development

In the Software and Business Solutions Development business segment, which includes the development of proprietary IT solutions, or software platforms, software solutions, software products, and Microsoft business solutions, we have achieved a significant breakthrough in restructuring the portfolio and organization, refocusing from the development of small applications to the strategic partnership with the user, where we build and support the user's platform for a certain part of the operation.

We continued to invest in knowledge and competencies of people in order to remain the best and largest **Microsoft Business Applications partner** in the region. Among important projects, the introduction of CRM in an insurance company in Croatia is worth mentioning along with a project in a Dutch pharmaceutical company that operates on more than 40 markets (Dynamics 365 and Power apps), and a German waste management and consulting company with global operations. The projects and cooperation with these three users are years-long, which makes us very happy.

Among projects representative for 2021, we are highlighting the implementation of **Neostar Global Platform**[22] – an online platform oriented to sales, purchase and maintenance of vehicles. A total of 25 experts from both Span and Neostar took part in the development of the platform. The Span team mostly consisted of experts from the Software Solutions Department, such as architects, developers, database experts, Quality Assurance and DevOps experts.

In this segment, **Workplace solutions** for a large international corporation are also worth mentioning. This solution is fully customized and integrated with the Identity system. The pilot solution was successfully implemented in the United States and Spain and is being introduced in a multitude of subsidiaries of the customer.

[22] https://www.span.eu/en/insights/azure-cloud-solution/

Software Asset Management and Licensing

In the **Software Asset Management and Licensing** area of services, which is based on a set of procedures and best practices through which we optimize costs of customers and manage licenses, we successfully introduced advanced Software Asset Management (SAM) services in our portfolio and delivered a complex commercial project that includes the **implementation of a native SAM tool, delivery of licenses for it and managed services**.

This success was preceded by a long-term work on the introduction of the service, acquisition of competencies and preparation of the project in the commercial, legal and technical aspect. In implementing the above-mentioned, Span selected Snow (the leading company in the market) as its primary supplier for SAM, and became a partner with the Certified status, and it delivered the project to one of its largest users.

In continuation of our strategy for expansion in the Eastern European and Central-Asian market for which we have a Microsoft LSP status, in June we opened an office in Chișinău, **Moldova**, where we started the development of the operations with diverse marketing activities, and our first contracts in the financial sector were signed by the end of the year.

In the **Ukrainian** market, the year saw additional investments in technical capacities, and we won various awards among which we single out the following: AudioCodes Partner of the Year in Ukraine, Microsoft Best LSP Partner in Ukraine, Best Microsoft Partner in nomination "Secure Remote Work and Compliance," and Elcore Best Infrastructure Partner.

We recorded the second pandemic year with a strong growth in the market of **Azerbaijan**, where we expanded the base of the users and strengthened the local team, and we marked the end of the year with a user event celebrating the fifth anniversary of Span in Azerbaijan. Our focus was on Microsoft Cloud and infrastructure solutions, and solutions in the area of information security.

Awards, recognitions and achievements

Microsoft Partner of the Year

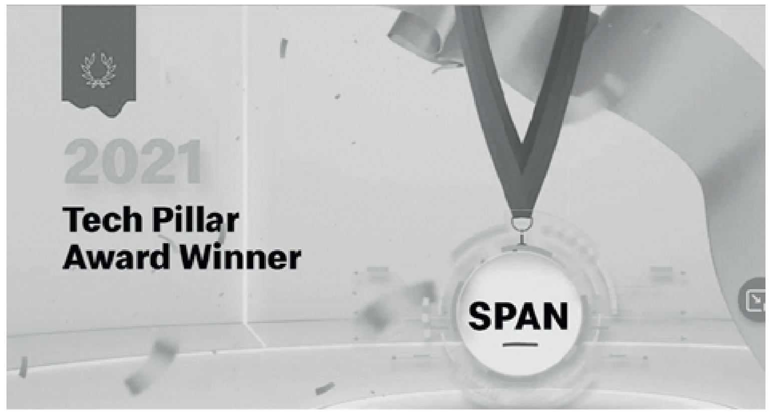
This year, we received Microsoft Partner of the Year for Croatia and Microsoft Best LSP Partner for Ukraine, awards recognizing partners that have conceived, developed and successfully implemented solutions based on Microsoft technologies during previous year. The awards are bestowed in several categories, and winners are selected among more than 4,400 nominations from more than 100 countries worldwide. Span was awarded for its extremely successful implementation of solutions and superb quality in service delivery. This recognition is additional confirmation of our competencies and innovative user solutions.

"This award is also the result of a strong relationship based on mutual trust and cooperation of more than 500 experts with more than 1,200 clients. That is also our greatest strength that has developed our operation and built the digital future of Croatia for almost thirty years," said Nikola Dujmović, President of the Management Board of Span.

Annual global McDonald's Technology Partner Award for 2021

This year, we won the annual global McDonald's Technology Partner Award, bestowed by one of the largest global fast-food chains within the Global Supplier Summit, for 2021. The latest global award is additional confirmation of the quality of the long-term cooperation that was awarded the European version of the award with the same name as back as in 2014. McDonald's is our long-term partner, and all the technology-oriented support to McDonald's involves daily engagement of a large number of our experts of various specialties, located in offices around the world.

McDonald's Technology Partner is awarded to partners responsible for quality functioning of all McDonald's business processes, and we won the title of the global Technology Partner based on the continuous support we offer to the development of their digital operation.



"We are proud that McDonald's recognized us as a reliable partner who, through numerous technological solutions and continuous support, provides stable support to the company on a global level. This recognition is the result of a successful collaboration backed by the efforts and knowledge of Span's experts who are dedicated daily to creating advanced and innovative IT solutions aimed at advancing the digital segment of McDonald's worldwide. I believe that our achievements so far have built a solid foundation that will open new opportunities for further strengthening of our cooperation," said Marijan Pongrac, Member of the Management Board, Director for Technology.

Microsoft advanced specializations

2021 was the year of specializations, and we ended it with as many as nine Microsoft advanced specializations!

Advanced specializations are an additional guarantee of excellence and are awarded to the most professional Microsoft partners. They are a reflection of continuing training and top delivered projects, and include a certain number of certified experts, meeting the demanding criteria of performance in a specific area, effective implementation of individual services with the user, implementation of quality projects and clearly specified procedures and methodologies for their delivery. We are the first and only company in Croatia with nine such specializations, which rank us among rare Microsoft partners in the world holding such a high number of specialized competencies.

"The knowledge of our employees is the greatest value we have. The nine Microsoft advanced specializations are the result of many years of investing in the expertise of our experts and a confirmation of the clear path of the company in the future – as one of the key Microsoft partners at the international level we will continue to create and implement the best business IT solutions, both in existing and new markets", points out Nikola Dujmović, President of the Management Board.

Financial indicators for 2021

Operating revenue, EBITDA and net profit of Span Group

HRK 767.3 mil. OPERATING REVENUE	+26 % YoY
HRK 48.6 mil. EBITDA before one-off items	+54 % YoY
HRK 42.5 mil. EBITDA after one-off items	+35 % YoY
HRK 23.8 mil. NET PROFIT after one-off items	+220 % YoY

Operating revenue, EBITDA and net profit of Span d.d.

HRK 542,2 mil. OPERATING REVENUE	+31 % YoY
HRK 41,3 mil. EBITDA before one-off items	+52 % YoY
HRK 35,5 mil. EBITDA after one-off items	+31 % YoY
HRK 19,4 mil. NET PROFIT after one-off items	+198 % YoY

Key features of the period – 2021

Table 1: Profit and loss account - shortened

Span Group			
In thousands of HRK	2020	2021	Δ%
Total revenue	**613.757**	**774.123**	**26%**
Operating revenue	610.022	767.273	26%
Other revenue	3.735	6.851	83%
Total costs	**582.269**	**731.597**	**26%**
Costs of goods and services sold	427.591	546.418	28%
Personnel expenses	118.912	138.584	17%
Other business expenses	35.766	46.595	30%
EBITDA before one-off items	**31.488**	**48.575**	**54%**
One-off items	-	6.048	-
EBITDA after one-off items	**31.488**	**42.526**	**35%**
Depreciation	14.196	15.594	10%
EBIT	**17.292**	**26.933**	**56%**
Net financial result	(7.118)	973	114%
Profit/loss before taxation before one-off items	**10.174**	**33.954**	**234%**
Profit/loss before taxation after one-off items	**10.174**	**27.906**	**174%**
Corporate tax	2.722	4.082	50%
Profit/loss after taxation before one-off items	**7.452**	**29.872**	**301%**
Profit/loss after taxation after one-off items	**7.452**	**23.824**	**220%**

Span d.d.			
In thousands of HRK	2020	2021	Δ%
Total revenue	**415.356**	**544.932**	**31%**
Operating revenue	412.611	542.238	31%
Other revenue	2.745	2.694	-2%
Total costs	**388.224**	**509.390**	**31%**
Costs of goods and services sold	271.194	362.725	34%
Personnel expenses	91.649	110.055	20%
Other business expenses	25.380	36.610	44%
EBITDA before one-off items	**27.132**	**41.343**	**52%**
One-off items	-	5.801	-
EBITDA after one-off items	**27.132**	**35.542**	**31%**
Depreciation	12.706	13.029	3%
EBIT	**14.426**	**22.513**	**56%**
Net financial result	(6.315)	(92)	99%
Profit/loss before taxation before one-off items	**8.111**	**28.222**	**248%**
Profit/loss before taxation after one-off items	**8.111**	**22.421**	**176%**
Corporate tax	1.616	3.061	89%
Profit/loss after taxation before one-off items	**6.496**	**25.161**	**287%**
Profit/loss after taxation after one-off items	**6.496**	**19.359**	**198%**

Revenues

Total revenues of Span Group increased in 2021 by HRK 160,366 thousand, or 26% compared to 2020. The revenue increase stemmed from the increase of the operating revenues of Span Group in all business segments. The highest absolute rise is recorded in revenues from Software Asset Management and Licensing. The period also recorded an increase of revenues in all segments of IT services with high added value, and the highest relative growth was generated in the area of professional services related to the infrastructure services, Cloud&Cyber Security solutions. A revenue share of Span Group in foreign markets accounted for 74% of the overall revenues.

Span d.d. recorded a growth in revenues in 2021 by HRK 129,576 thousand compared to the same period of the prior year, or 31%.

Operating expenses

The expenses for goods and services sold, relate to direct costs, and they increased compared to the same period of the prior year due to the increase of related revenues.

Personnel expenses of the Group increased by HRK 19,672 thousand, or 17% in 2021. The average number of employees in the Group in 2021 was 537 as opposed to the prior year when the average number of employees in the Group was 495.

Personnel expenses of Span d.d. in the observed period of 2021 increased by HRK 18,406 thousand, or 20%. The average number of employees in the company in the observed period of 2021 was 436 as opposed to the prior year when the average number of employees in the company was 395. The majority of new employees are employed in the segments with high added value, that is in IT services in the business segments: Software Asset Management, Infrastructure Services, Cloud & Cyber Security, Service Center Management and Technical Support, as well as Software and Business Solutions Development.

Other operating expenses for Span Group increased by HRK 10,830 thousand, or 30%. The increase arose from Span d.d. (HRK 11,230 thousand) and is mostly related to expenses connected to the listing of Span d.d. on the Zagreb Stock Exchange (this includes one-off items and other expenses related to the process of our listing on the stock exchange), along with expenses influenced by the increase of the number of employees.

EBITDA

EBITDA of Span Group before one-off items increased by HRK 17,086 thousand, or 54%, to HRK 48,575 thousand in the observed period.

In the same observed period, Span d.d. recorded an increase of EBITDA before one-off items in the amount of HRK 14,211 thousand, or 52%, to HRK 41,343 thousand.

One-off items include expenses incurred by Span d.d. for the listing on the Zagreb Stock Exchange regulated market and relate to all operating costs necessary for its realisation. The one-off items of the Group additionally include value adjustments (HRK 250 thousand) of a member of Span Group.

EBITDA of the Group after one-off items in the observed period increased by HRK 11,038 thousand, to HRK 42,526 thousand in 2021, a growth of 35% compared to prior year.

In the same observed period, Span d.d. recorded an increase of EBITDA after one-off items by HRK 8,410 thousand in 2020, to HRK 35,542 thousand in 2021, an increase of 31%.

The EBITDA increase follows the increase of revenues and is generated from two sources: (1) growth of the total revenue where majority consists of the Software Asset Management and Licensing segment and (2) growth of the revenue from IT services with high added value, primarily in the Infrastructure Services, Cloud & Cyber Security, and Software and Business Solution Development.

Profit after tax

Net profit after one-off items of Span Group increased by HRK 16,371 thousand, or 220%, to HRK 23,824 thousand. Span d.d. increased its profit by HRK 12,864 thousand (198%) to HRK 19,359 thousand.

The increase of net profit is a result of the increase of EBITDA and the better net financial result, as a result of a lower exposure to currency risks, as well as the introduction of a financial asset management strategy a Company implemented in 2021.

Revenues by segments

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 Solution Development**

In all stated segments, the Group and the company recorded a growth in relation to the observed period of the prior year.

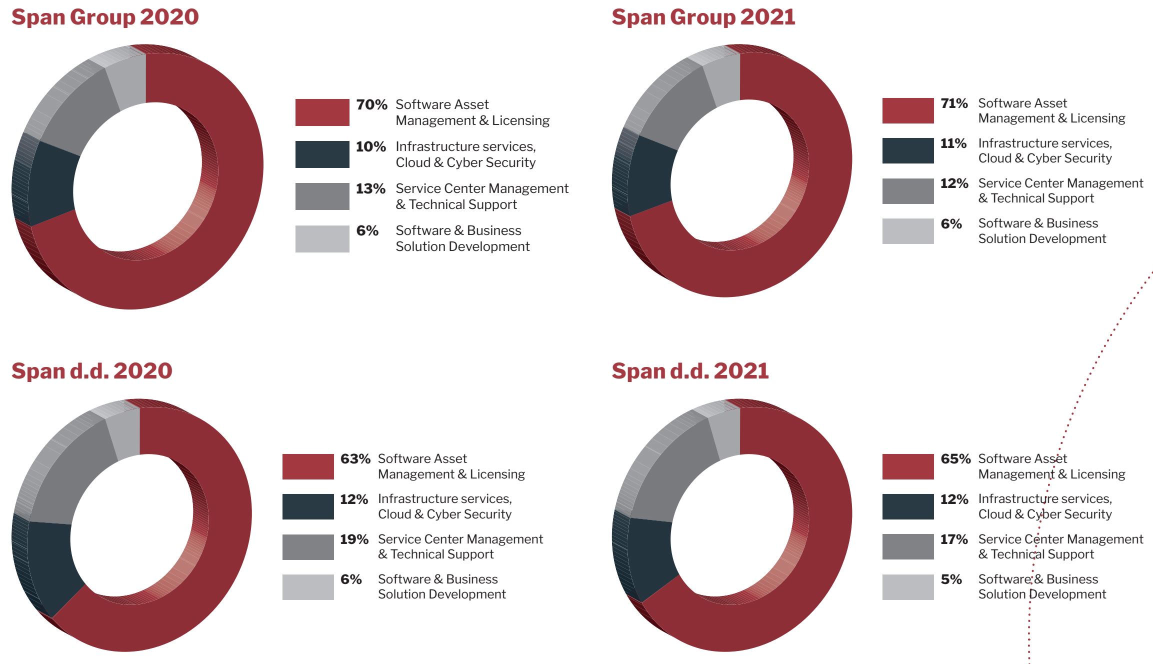
Data on revenues from sales by segments of the Group and Span d.d. is presented below in parallel for 2020 and 2021.

Table 2: Revenues by segments

Span Group			
In thousands of HRK	2020	2021	Δ%
Total operating revenue	**610.022**	**767.273**	**26%**
Software Asset Management and Licensing	426.860	544.843	28%
Infrastructure Services, Cloud & Cyber Security	63.044	83.162	32%
Service Center Management and Technical support	81.751	94.699	16%
Software and Business Solution Development	38.367	44.568	16%

Span d.d.			
In thousands of HRK	2020	2021	Δ%
Total operating revenue	**412.611**	**542.238**	**31%**
Software Asset Management and Licensing	261.729	353.219	35%
Infrastructure Services, Cloud & Cyber Security	50.168	65.546	31%
Service Center Management and Technical support	77.927	94.185	21%
Software and Business Solution Development	22.787	29.289	29%

Graph 1: Segment revenue contribution



1. **Software Asset Management and Licensing**: Revenues generated in this segment are still the most important part in the total operating revenues of the Group and are higher by 28% compared to 2020. The share of revenues in the total operating revenues is 71%, which is a mild increase compared to the prior year.

2. **Infrastructure Services, Cloud & Cyber Security** recorded the highest growth in the structure of operating revenues, that is 32% as opposed to 2020. Expansion of business activities in the area of Cloud and security solutions is in line with the strategy of growth of the Group, which is contributed by an increase in the number of projects with the current and new clients. In 2021, in addition to Span d.d., Span Ukraine, Span USA, Span Slovenia, and Span Azerbaijan contributed by expanding the operation in those markets.

3. **Service Center Management and Technical Support** contributes to a continuing growth through services of supervision and management of the IT surroundings, which amounted to 16% in 2021. This segment generated HRK 94,699 thousand in 2021, and still accounted for the highest share in the total revenues of the Group coming from professional IT services (43%).

4. **Software and Business Solution Development** recorded a 16% increase in the observed period. The growth of this segment arose primarily from the focus on the expansion of platforms for development of our own software solutions, and on development of specific business solutions for individual key users, such as CRM, and automation and robotization of their business processes.

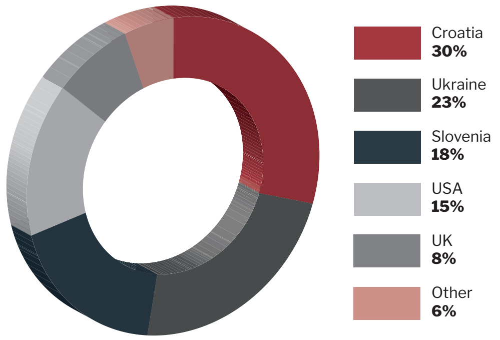
Revenues by geography

The geographic market in this context denotes the place where the goods or services were invoiced. 26% of the revenue of the Group in the observed period of 2021 related to the Croatian market, the most significant geographic market in the monitored period. The most significant growth of revenues of the Group was noted on the UK market, totalling HRK 58,000 thousand (118%). Revenues on the Slovenian market grew by HRK 21,240 thousand (19%), compared to 2020, and was followed by Ukraine with a revenue growth of HRK 19.880 thousand (14%), and Croatia with a revenue growth of HRK 18.693 thousand (10%)

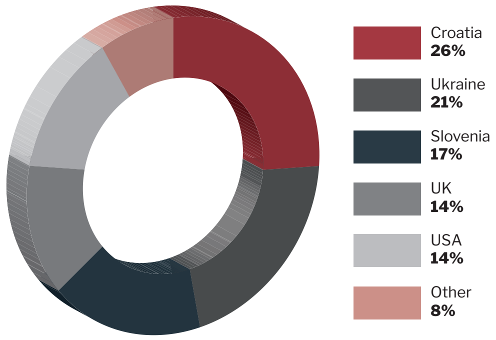
35% of revenues of Span d.d. in 2021, is related to Croatian market. The company recorded the highest increase of revenues on the markets of the United Kingdom (HRK 58,000 thousand), Slovenia (HRK 24,253 thousand) and Croatia (HRK 21,745 thousand).

Graph 2: Revenues by geographic markets

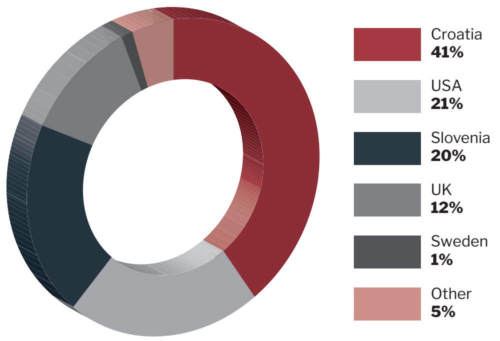
Span Group 2020



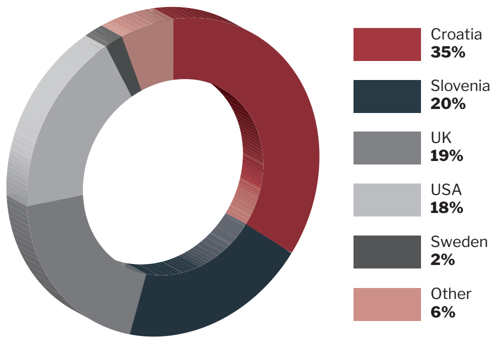
Span Group 2021



Span d.d. 2020



Span d.d. 2021



Balance Sheet[23]

	Span Group		Span d.d.	
In thousands of HRK	31.12.2020	31.12.2021	31.12.2020	31.12.2021
ASSETS	**229.413**	**351.568**	**204.508**	**317.904**
Fixed assets	74.252	87.381	88.005	99.738
Deferred tax assets	8.498	7.729	7.902	6.952
Current assets	98.817	87.877	78.186	60.499
Cash and cash equivalents	29.585	139.791	16.032	126.920
Prepaid expenses and accrued income	18.262	28.789	14.383	23.795
LIABILITIES	**229.413**	**351.568**	**204.508**	**317.904**
Equity and reserves	55.524	193.743	59.993	192.917
Long-term liabilities	37.531	31.430	37.531	29.149
Current liabilities	122.469	106.516	99.839	79.710
Accrued expenses and deferred revenue	13.888	19.878	7.145	16.128

[23] The 2020 financial statements can be found on the following link: https://investors.span.eu/SpanKGI20182020.pdf

Assets

An increase of the fixed assets mostly resulted from the assessment by an authorized appraiser dated 31 December 2021, in which the company recognizes an increase of the value of buildings and land in the amount of HRK 9,704 thousand.

A decrease of the current assets was a result of reduction of Receivables collection days in 2021.

The prepaid costs of future periods and calculated revenues in the most important part consist of the calculated revenues in accordance with IFRS 15, which are recognized based on the level of completion of a project.

25% of the total assets of the Group are comprised of fixed assets in 2021. Within the fixed assets, a significant part relates to tangible assets of the Group (HRK 58,431 thousand), comprised of buildings (HRK 32,403 thousand), land (HRK 13,049 thousand), and other tangible assets (HRK 12,978 thousand). The remaining part of the fixed assets consists of intangible assets (expenses for development, software and intellectual property rights, goodwill), and financial assets

Investments in assets

	Span Group		Span d.d.	
In thousands of HRK	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Computer equipment and other equipment	2.897	3.747	2.014	2.905
Development expenses	53	322	0	0
Other intangible assets	0	0	0	0
Intangible assets in preparation	1.553	2.203	1.505	2.203
Investment in assets total	**4.503**	**6.272**	**3.519**	**5.108**

Investments of Span Group in assets relate to expenses for procurement and replacement of worn-out computer and other equipment required for the work of our employees. Investing in intangibles under construction relates to internally generated intangible assets that arose from the continuation of development of software available for further sales/use.

Deferred tax assets

Deferred tax assets represent amounts of income tax return which are recoverable based on future taxable profit deductions. Deferred tax assets are recognized up to the amount of taxable earnings which are likely to be achieved. When determining future taxable profits and the amount of taxable earnings which are likely to be achieved in the future, the Group judges and creates an estimate based on taxable profits from the previous years and the expected future earnings which are considered to be reasonable in existing circumstances.

The Group has made an estimate of the usability of tax reliefs for the estimate of the amount of deferred tax assets, based on the support gained from the Ministry of Economy, Entrepreneurship and Crafts. The said support enables Span d.d. to be exempt from the payment of the income tax from 2015 to 2025, to the amount of 50% of the amount of the tax base, to the maximum limit in the amount of the total investment according to the Law on Promotion of Investment (ZOPI).

In December 2021, Span d.d and Bonsai d.o.o. have applied for the use of a new round of support entitled Project of investment in research and development capacity and capacity of delivery of IT Solutions. On February 25, 2022, they both received a positive decision on the basis of which they received an additional 50% of the tax rate relief.

Capital and reserves

On 31 December 2020, the share capital of Span d.d. consisted of 196,000 shares with the nominal value of HRK 100 per share, and the company held 67,760 of own shares. Reserves amounting to HRK 28 million were created.

On May 24th, 2021, the General Assembly of Span d.d. adopted decision on splitting the shares in a manner that a share with the nominal value of HRK 100 was split into 10 shares, each with the nominal value of HRK 10. The aforementioned decision on splitting issuer shares was registered in the court registry of the Commercial Court in Zagreb on May 25th, 2021.

In accordance with the above, on 31 December 2021 the share capital of Span d.d. consisted of 1,960,000 shares with the nominal value of HRK 10, and the company held 30,900 of own shares. Reserves amounting to HRK 615 thousand were created.

Pursuant to Article 222 a, paragraph 2 of the Trading Companies Act, the company dissolved the reserve for its own shares sold within IPO and recovered the amount to retained profit.

The capital reserves amount to HRK 79,084 thousand and are a result of the Public Offer of Span d.d. shares, occurring as a difference between the nominal value of a share (HRK 10) and final price in IPO (HRK 175) reduced by the dissolved reserves for its own shares sold within IPO.

Liabilities

Reducing long-term liabilities was a result of their transfer to short-term section. Reducing short-term liabilities derived from the closure of all short-term loan frameworks that the company used in the prior period.

Long-term liabilities of the Group on 31 December 2021 consisted of the contracted liabilities in the amount of HRK 21,033 thousand (of which HRK 10,186 thousand related to Span d.d. that bought 27.14% of its own share from one of the members of the company in 2019, for which periodical payment has been agreed by the end of 2024 and assets with the right to use - related IFRS 16 part in the amount of HRK 10,847 thousand), liabilities towards banks HRK 6,895 thousand and deferred tax liabilities of HRK 3,502 thousand.

On 31 December 2021, 53% of short-term liabilities relate to liabilities towards suppliers and liabilities for advance payments (HRK 56,667 thousand). On the same day, liabilities to banks amounted to 9% (9.082 thousand HRK), and liabilities for taxes, contributions and similar levies amounted to 11% of the total short-term liabilities (HRK 11,596 thousand). The remainder of short-term liabilities relates to assets with a right to use (corresponding IFRS 16 part), liabilities towards employees, and other liabilities

Current Assets, Current Liabilities and Working Capital	**Span Group**		**Span d.d.**	
In thousands of HRK	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Current assets	146.664	256.457	108.601	211.214
Current liabilities	136.358	126.395	106.984	95.838
Working capital	10.306	130.063	1.617	115.376
Current liquidity ratio	**1,08**	**2,03**	**1,02**	**2,20**

Movement of the working capital was significantly influenced by inflow of proceeds from the Public Offering and additionally supported with the growth of business activities and the geographic expansion of operations. The doubled coefficient of the current liquidity points to the ability of the Group to settle its liabilities.

Net debt	**Span Group**		**Span d.d.**	
In thousands of HRK	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Short-term and long-term bank loans	46.930	15.977	45.659	14.108
Cash and cash equivalents	29.585	139.791	16.032	126.920
Net debt	**17.345**	**(123.814)**	**29.627**	**(112.812)**
Total equity	**55.524**	**193.743**	**59.993**	**192.917**
Net debt and total equity ratio	**31,2%**	**-**	**49,4%**	**-**

In the observed period of 2021, the indicators of indebtedness of the Group pointed to a significant decline of indebtedness compared to 2020.

Cash flow

In 2021, the Group and Span d.d. achieved positive cash flows from operating activities. Net cash made in the operating activities of the Group increased during the observed period of 2021, as a consequence of the growth and expansion of operations. The positive cash flow from financial activities was based on inflow of funds from the sale of the operating share through IPO.

	Span Group		Span d.d.	
In thousands of HRK	2020.	2021.	2020.	2021.
Net cash from operating activities	47.628	55.772	47.726	54.909
Net cash used in investment activities	-4.504	-6.272	-3.550	-5.482
Net cash used in financial activities	-29.204	60.706	-30.022	61.461
Net increase / decrease in cash and cash equivalents	13.921	110.206	14.154	110.888

Business overview Ukraine

The company TOV Span from Ukraine, 100% owned by Span d.d., is a part of the Span Group. On February 24, 2022, the Russian invasion on Ukraine began.
For better understanding of TOV Span operations, as well as the impact on the Span Group, we are enclosing an individual Profit and Loss Statement of the company TOV Span for 2020 and 2021, as well as its contribution to the consolidated result.

Span Tov – Standalone

In thousands of HRK	2020	2021	Δ%
Total revenue	**142.079**	**162.416**	**14%**
Operating revenue	142.079	162.416	14%
Other revenue	-	-	-
Total costs	**143.548**	**165.436**	**15%**
Costs of goods and services sold	133.475	155.162	16%
Personnel expenses	7.940	7.868	-1%
Other business expenses	2.133	2.406	13%
EBITDA	**(1.469)**	**(3.020)**	**-106%**
Depreciation	175	72	-59%
EBIT	**(1.643)**	**(3.092)**	**-88%**
Net financial result	(321)	1.334	515%
Profit/loss before taxation	**(1.965)**	**(1.758)**	**10%**
Corporate tax	(271)	(213)	21%
Profit/loss after taxation	**(1.694)**	**(1.545)**	**9%**

Share and Contribution of TOV Span in Group result

	Span Group		Contribution of TOV Span in Span Group		Share of TOV Span in Span Group	
In thousands of HRK	2020	2021	2020	2021	2020	2021
Total revenue	**613.757**	**774.123**	**140.935**	**161.887**	**23%**	**21%**
Operating revenue	610.022	767.273	140.935	161.887	23%	21%
Other revenue	3.735	6.851	-	-	-	-
Total costs	**582.269**	**731.597**	**143.458**	**165.410**	**25%**	**23%**
Costs of goods and services sold	427.591	546.418	133.386	155.137	31%	28%
Personnel expenses	118.912	138.584	7.940	7.868	7%	6%
Other business expenses	35.766	46.595	2.133	2.405	6%	5%
EBITDA before one-off items	**31.488**	**48.575**	**(2.523)**	**(3.523)**	**-8%**	**-7%**
One-off items	-	6.048	-	-	-	-
EBITDA after one-off items	**31.488**	**42.526**	**(2.523)**	**(3.523)**	**-8%**	**-8%**
Depreciation	14.196	15.594	175	72	1%	-
EBIT	**17.292**	**26.933**	**(2.698)**	**(3.595)**	**-16%**	**-13%**
Net financial result	(7.118)	973	(334)	1.334	5%	137%
Profit/loss before taxation before one-off items	**10.174**	**33.954**	**(3.032)**	**(2.262)**	**-30%**	**-7%**
Profit/loss before taxation after one-off items	**10.174**	**27.906**	**(3.032)**	**(2.262)**	**-30%**	**-8%**
Corporate tax	2.722	4.082	(271)	(213)	-10%	-5%
Profit/loss after taxation before one-off items	**7.452**	**29.872**	**(2.761)**	**(2.048)**	**-37%**	**-7%**
Profit/loss after taxation after one-off items	**7.452**	**23.824**	**(2.761)**	**(2.048)**	**-37%**	**-9%**

Information for the shareholders

Share capital

On December 31st, 2020, the share capital of the Company consisted of 196,000 shares with the nominal value of HRK 100 per share, and the company held 67,760 of its own treasury shares. Reserves amounting to HRK 28 million were formed for them.

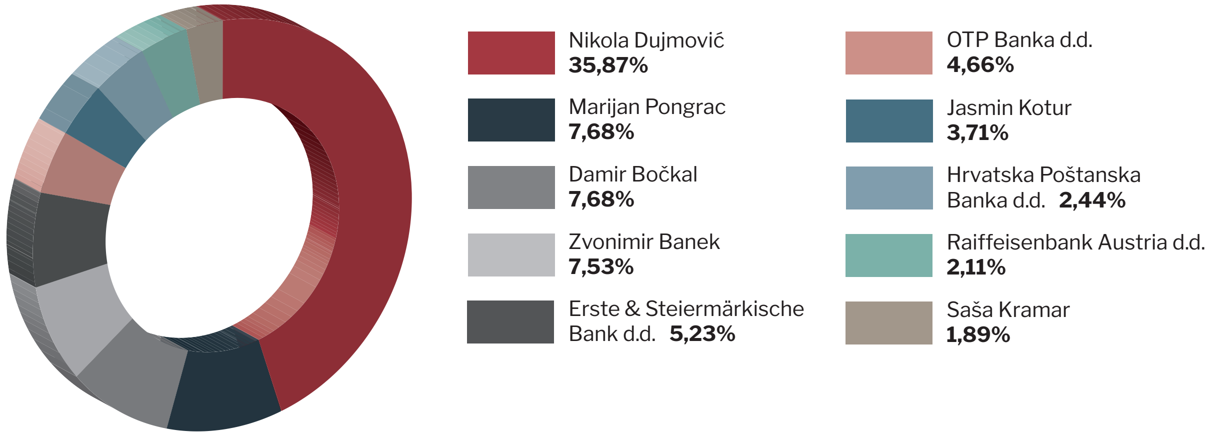
On May 24th, 2021, the General Assembly of the Company adopted a decision on the division of shares by the principle that one share with the nominal value of HRK 100 was divided in 10 shares, each of the nominal value of HRK 10. The said decision on the division of shares was entered in the Court Register of the Commercial Court in Zagreb on May 25th, 2021.

According to the above-mentioned, on December 31st, 2021, the share capital of the Company consisted of 1,960,000 shares with the nominal value of HRK 10 per share, and the Company held 30,900 of its own treasury shares. Reserves amounting to HRK 615 thousand were formed for them. Pursuant to Article 222 a, paragraph 2 of the Trading Companies Act, the company dissolved the reserves for treasury shares sold within IPO, and recovered the amount of the retained profit. The capital reserves amount to HRK 79,084 thousand and are a result of the Public Offering of shares of the Company occurring as a difference between the nominal value of a share (HRK 10) and the final price in IPO (HRK 175) reduced by the dissolved reserves for its own treasury shares sold within IPO.

Ownership structure and 10 largest shareholders

On December 31st, 2021, President of the Management Board, Nikola Dujmović holds the largest individual stake of 35.87% in the ownership structure. The structure of the 10 largest shareholders consists mostly of financial institutions, besides members of the Management Board and the Supervisory Board.

Ownership structure of Span d.d. on December 31st, 2021
10 largest shareholders



The following table shows data on the number of shares held by the members of the Management Board and the Supervisory Board. The stake of treasury shares of the Company is 1.58% on December 31st, 2021.

Management Board

Name and surname	Position	Number of shares	Percentage %
Nikola Dujmović	President of the Management Board	703,000	35.87%
Marijan Pongrac	Member of the Management Board	150,600	7.68%
Damir Bočkal*	Member of the Management Board	150,600	7.68%
Saša Kramar	Member of the Management Board	37,080	1.89%
Dragan Marković	Member of the Management Board	30,300	1.55%
Antonija Kapović	Member of the Management Board	3,941	0.20%

* Mr. Damir Bočkal resigned from the position of the Member of the Management Board on 30 November 2021. He joined Span in 2002 as the Director for Technology Development, became the Member of the Management for Operations in 2003, and has held the position of the Member of the Management for Key International Accounts since 2020.

Supervisory Board

Name and surname	Position	Number of shares	Percentage %
Jasmin Kotur	President of the Supervisory Board	72,800	3.71%
Zvonimir Banek	Member of the Supervisory Board	147,600	7.53%

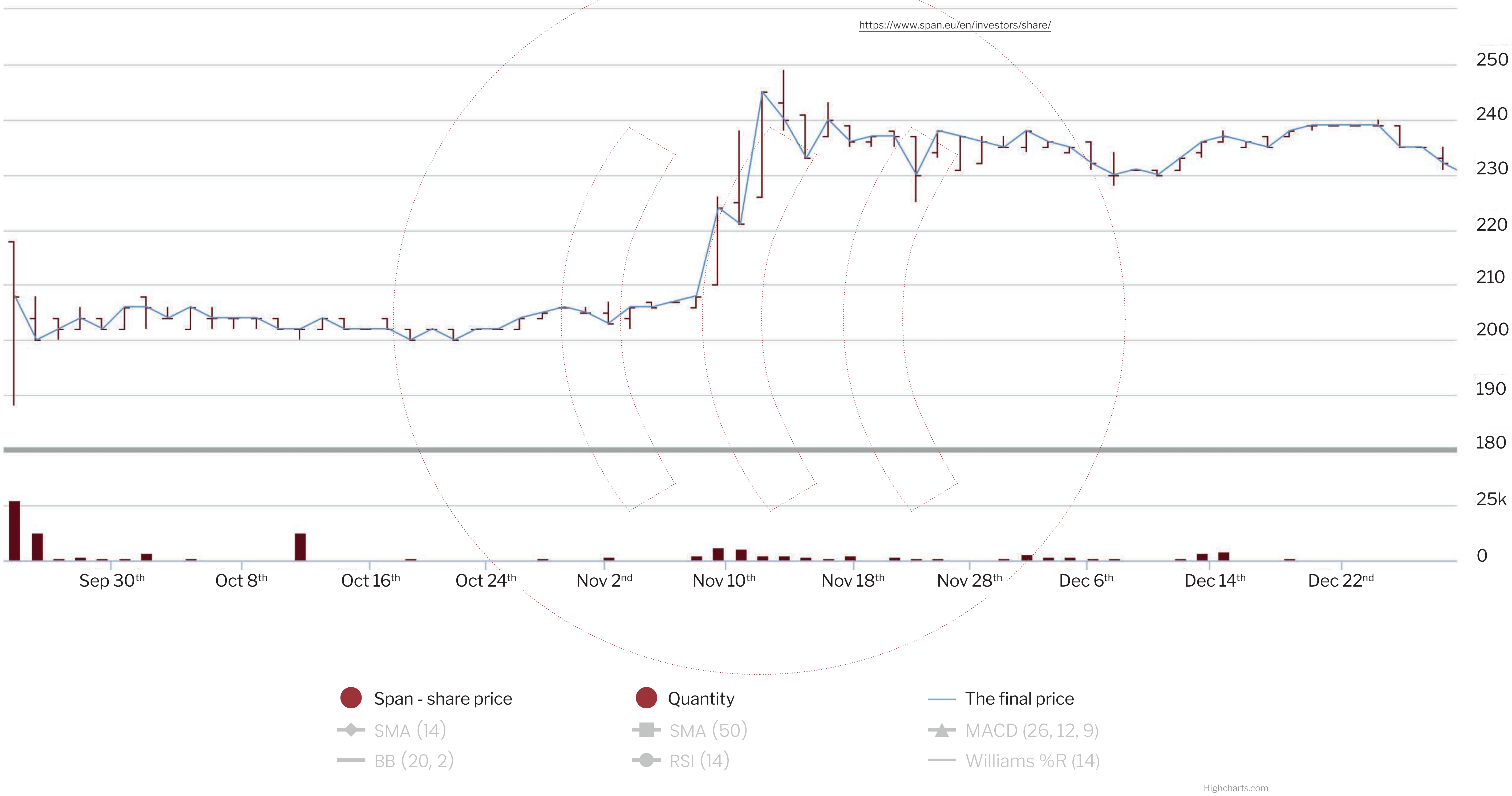
We have a robust Corporate Governance model that ensures the implementation of accountability on every level. We operate transparently and publish all material data, like financial data, data on the ownership structure, and data on corporate governance duly and in a timely manner. We operate by the principle of mutual responsibility of the Management Board and the Supervisory Board, as well as responsibility of the Supervisory Board towards shareholders. We represent the rights of all shareholders and treat everybody justly, and work on removing conflicts of interest by enabling independence procedures.

We continuously work on the improvement and development of relationships with shareholders as well as with investors and analysts as important stakeholders in the operation. We publish all information on our website https://www.span.eu/en/investors/ in order to ensure the maximum transparency and timeliness of information publishing.

Share movements and trading volume

On the first day of share trading on September 23rd, 2021, the price of HRK 218 was reached, which was an increase of almost 25% compared to the price of a share of HRK 175 during IPO. In the following days of the observed period, a share was traded at a price higher than HRK 200, whereas since the start of the trading by December 31st, 2021, the turnover of a share amounted to HRK 27,744,587.00.

https://www.span.eu/en/investors/share/



Risks[24]

Span Group specific risks

Based on the likelihood of the occurrence and a potential reach of the negative influence on the operation, the financial status and the results of the operation of the Group, the following risks have been identified:

Span Group specific risks

Financial risks

- Foreign currency risk
- Interest rate risk
- Accounts receivable risk
- Liquidity risk
- Risk of over-indebtedness
- Risk of the susceptibility of the profitability of the Group, its operating results and working capital to significant fluctuations

Legal risks

- Risks related to the protection of personal data and intellectual property
- Risk of the change of regulation and regulatory risk

Risks related to the operation

- Risk of the loss of key staff and risk of the lack of skilled labour
- Risk of exposure to cyber attacks
- Maintenance of the continuity of operation risk
- Competition risk
- Risk related to retaining the current, and finding new clients and risk of concentration of key customers
- Supplier risk
- Risk of the business environment and political risk

Risks are distributed by categories depending on their nature and can be mutually connected. There is a possibility for the occurrence of additional risks that could influence the operations, the financial status and the results of operation of the Group if they materialize but they are currently not known or are not considered crucial.

[24]Detailed description of all risks, as well as of the assessed influences on the Group, is in the Prospectus regarding the Public Offering and listing of shares on the regulated market at the following link: https://www.span.eu/hr/media/prospekt/, page 27

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. The most important is the risk that relates to the change of the exchange rate of EURO to US dollar, given that the Group performs a significant part of its operations with customers and suppliers in the stated currencies. Risk is mostly present in relation to costs of conversion of USD – HRK and Ukrainian hryvnia (UAH) – USD. Changes in the exchange rate between the above stated currencies and their relation with HRK can influence the results of operation and future cash flows of the companies in the Group.

The Croatian National Bank pursues policy of the so-called managed floating exchange rate of HRK to EUR where the domestic currency is not tied firmly to any other foreign currency or set of currencies, but reflects movements in the foreign currency market. Thereby, the nominal exchange rate of HRK to EUR is stable because of occasional foreign currency interventions of CNB. Furthermore, at the beginning of 2020, the Republic of Croatia joined the European Exchange Rate Mechanism (ERM II), and HRK will participate in the ERM II mechanism in the standard span of fluctuation ±15% around central parity that is determined on the level 1 EUR=7.53450 HRK. Changes in the exchange rate between the above stated currencies, and their relation with HRK can have a negative impact on the results of the operation and future cash flows of the Group.
A more detailed description can be found in the Aaudit report under Note 35. 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 Aaudit report under Note 35. 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 Span 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. Share of value - adjusted receivables in total revenues for the Group in 2021 was 0,03% (0,16% in 2020).
A more detailed description can be found in the Aaudit report under Note 35. Financial instruments.

Liquidity risk

Liquidity means the maintenance of sufficient quantity 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 Aaudit report under Note 35. 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. In the observed period of 2021, the indicators of indebtedness of the Group pointed to a significant decline of indebtedness compared to 2020.

A more detailed description can be found in the Aaudit report under Note 35. Financial instruments .

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, and 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 the 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.

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 a long term and thus there is no certainty that the Group will make revenues of these jobs in the long run.

Legal risks

Risks related to the protection of personal data and intellectual property

Within its operation, the Group gets in contact with the personal data of its customers and has the role of the personal data processor. Competent authorities stipulate the rules by which the Group must proceed in relation to personal data (e.g. General Data Protection Regulation (GDPR)) and Law on Implementation of the General Data Protection Regulation). Furthermore, use of a source code to which Span is not entitled, use of an open source contrary to the restrictions set forth by customers of the Group or use of IT products contrary to the requirements in the license are some of possible breaches of the right to intellectual ownership specific for the operation of the Group. Potential successful cyber attacks directed to personal data of customers are also a risk. The perception that a threat or breach of personal data have occurred, whether the danger is actual or not, can significantly damage the business reputation and make the future operation of the Group difficult.

Risk of the change of regulation and regulatory risk

Given that the Group operates on the global market, it is susceptible to the risk of the change of tax regulation in a manner that would adversely influence the profitability of operation. 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 means different global and regional, economic, political and legal, regulatory and operative risks, and instils additional complexity in the operation due to diversity of the applicable rules, including regulation governing access to and use of the Internet, privacy of data and IT security, labour-legal 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 violation of regulations, i.e. that the standards of risk control and management applied by the Group will not be implemented efficiently in all its subsidiaries.

Risks related to the operation of the Company

Risk of the loss of key staff and of the lack of skilled labour

The operation of the Group largely depends on retaining the founding company – Span, the management and experts in the area of IT technologies, and the ability of the Group to continue to attract and retain new professional staff required for a successful operation. A demand for IT experts has increased, and the labour 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 labour market and timely engage the required additional staff or retain the existing one. The exposure to increased costs related to attempts to respond adequately to the needs for employment of skilled labour is an additional risk. To maintain quality of IT staff it employs, the Group organizes trainings 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.

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. It is possible that in the future, the Group will be exposed to significantly increased costs in order to protect itself against risks of exposure to cyber attacks and security threats. One of the key services the Group provides to its clients is the provision of IT solutions related to cyber attacks, 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 investing in security capacity.

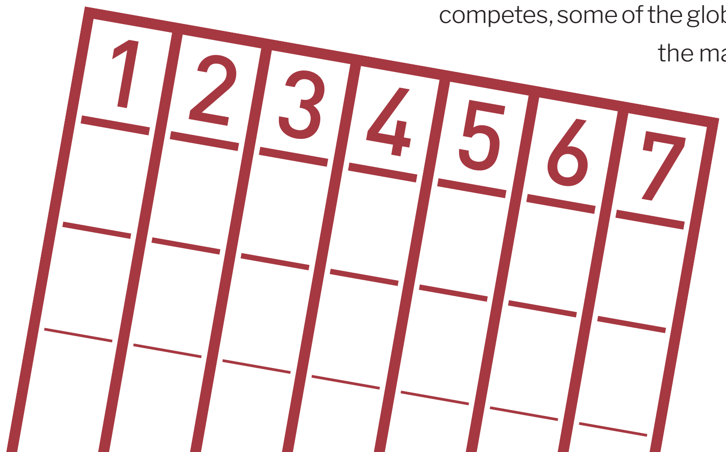
Maintenance of the continuity of operation risk

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. Although by now, the Group has not had any problems in the functioning and protection of its own infrastructure, such a possibility cannot be ruled out in the future. 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 and others and has security copies 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 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 clients 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 Span 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. 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 28 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 the business environment and political risk

The risk of the business environment is determined by political, economic and social conditions in a country. The risk of business environment 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 the Group, however, in the market of Ukraine, where we make 21% of the Group's total revenues, a Russian invasion began on February 24th, 2022, therefore it is not possible at this point to assess the influence it will have on the operation of TOV Span given that the situation is changing day by day. TOV Span employs thirty-one employees. A separate statement of comprehensive income of the subsidiary for 2021 and 2020, and its contribution to the consolidated result of the Group is included in the Note 36 of the Auditor Report.

Employees, processes, technology

Employees and the community

Key numbers:*

34
The average age of employees

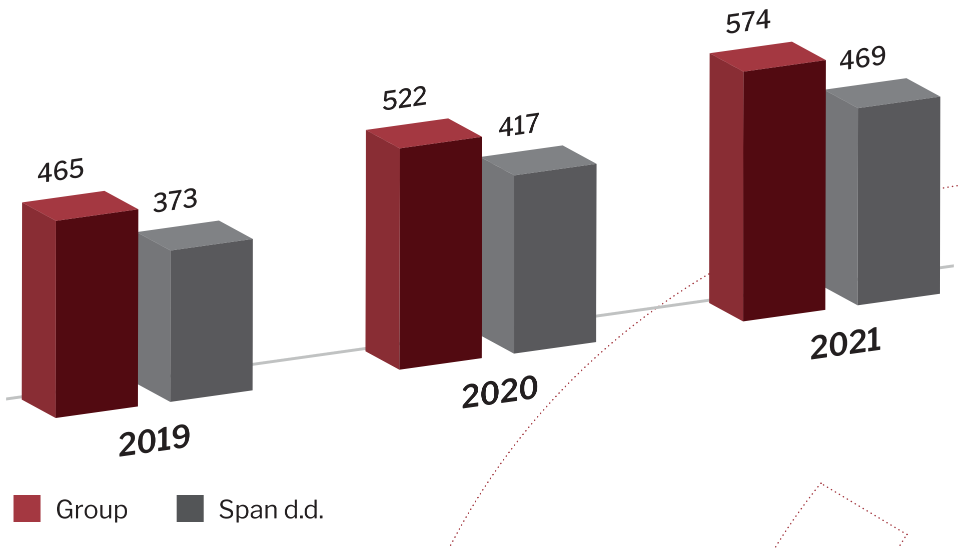
4,6 godina
The average length of service

94%
Satisfaction of employees

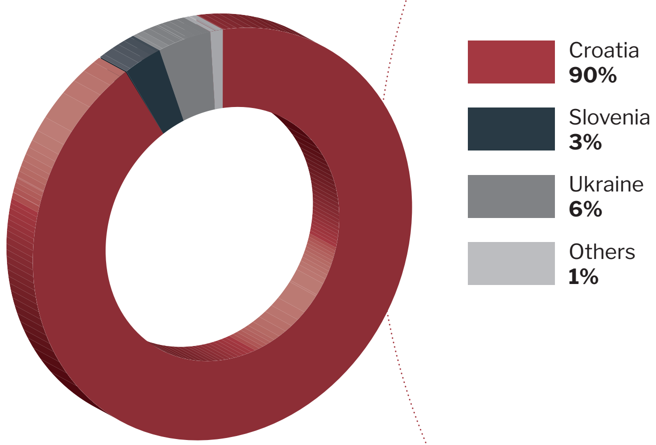
14,89%
Turnover of employees

*all numbers, unless otherwise stated, refer to 31.12.2021

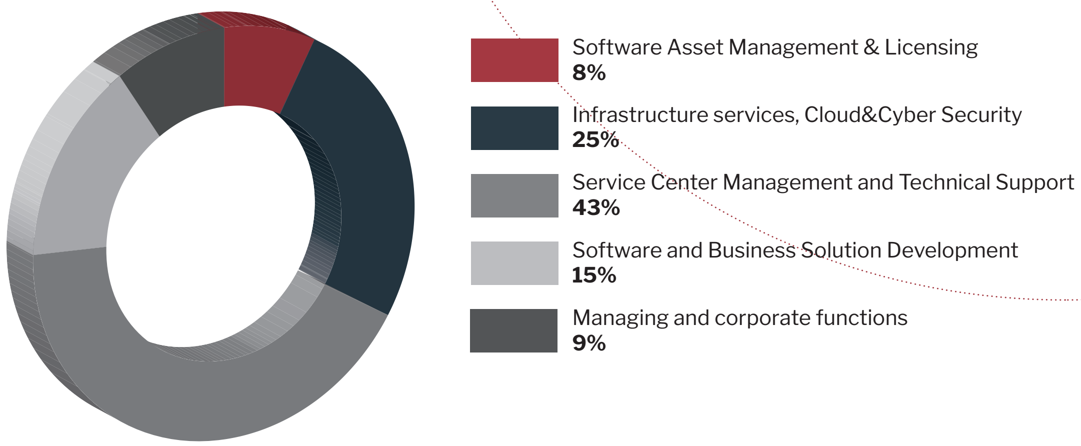
Employee overview through the years



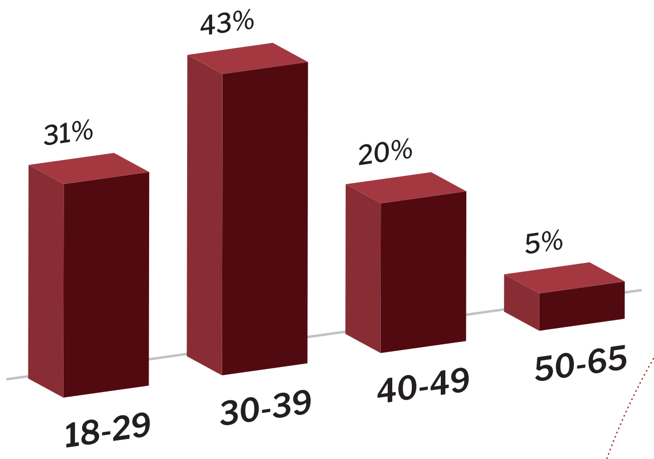
Number of employees by countries



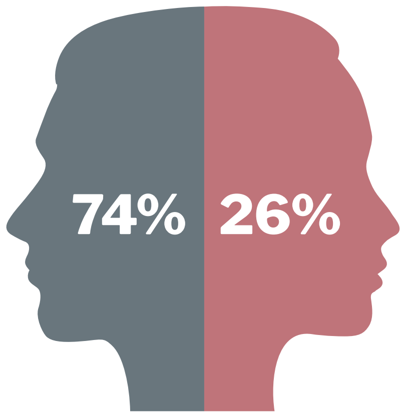
Overview of employees by business segments

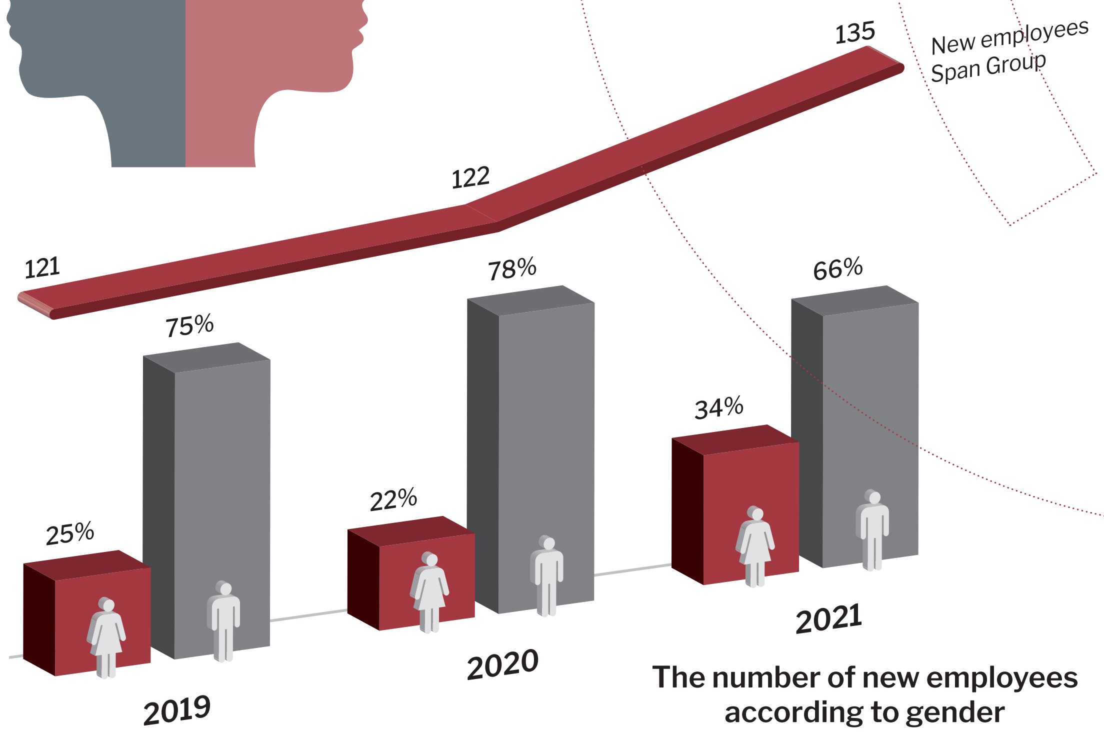


Age structure



Gender structure[25]





The number of new employees according to gender

[25] 2020 Eurostat information show that the representation of women in the IT industry within the EU was 18.5%. In Croatia, it amounted to 18%.

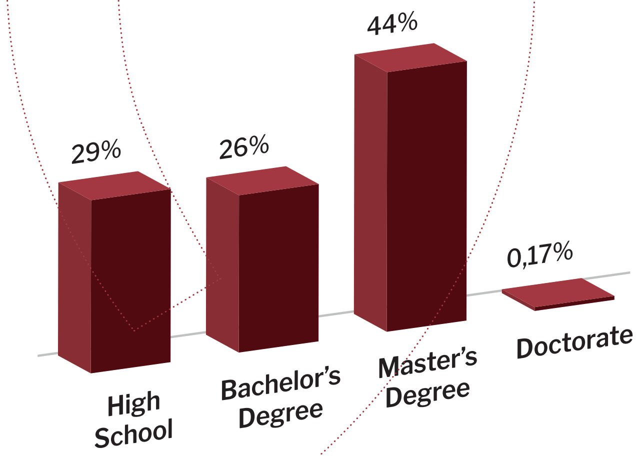
Structure according to the level of education and certification

At the Span Group level in 2021, Span d.d. had 185 advances. Depending on the affinities and skills of employees, both vertical and horizontal advances are encouraged and nurtured.

185

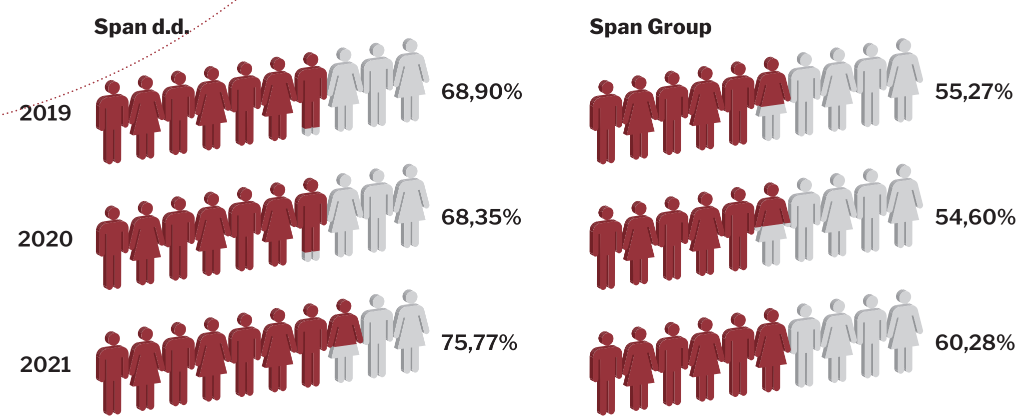
Career movement

BUSINESS UNIT	Solution & Consulting Management	Software Solutions	Corporate	Solution & Service Management	Marketing, Sales and Business Development	Enterprise Business Solutions	Total
Solution & Consulting Management				1			**1**
Board							
Software Solutions					1		**1**
Corporate	13	2	3				**18**
Solution & Service Management			1				**1**
Marketing, Sales and Business Development							
Enterprise Business Solutions	**13**	**2**	**5**	**1**	**1**		**21**



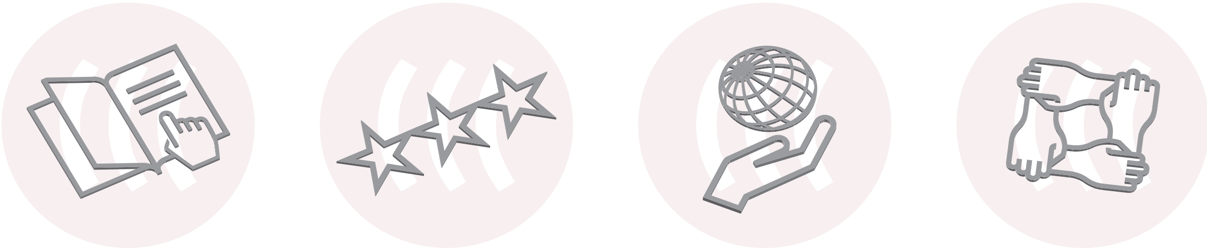
Structure according to the level of education and certification

Share of certified employees



Core values of Span Group

Span is largely defined by the organization culture, so at the start of 2020, based on the existing mission and vision, we defined new core values – **Competence**, **Excellence**, **Responsibility** and **Trust**.



Competence | Exellence | Responsibility | Trust

The mission, vision, and our values are also the foundation of our Code of Business Conduct, which is released on our website at the following link Code of Business Conduct, and inter alia serves as reference to new employees at employment because it is a part of our identity.

The mission, vision and values are a part of Span's brand and are a reflection of our internal culture due to which they are related to numerous processes in the area of human resources, such as recruiting and selection, remuneration and assessment of the work performance.

Company mission
Through our expertise and experience, we deliver IT solutions that power up your business

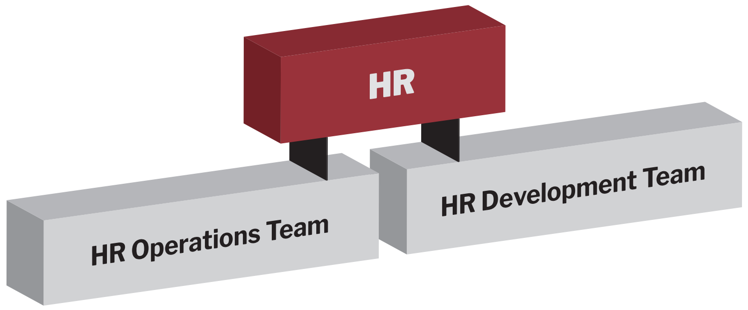
Vision
Together with our customers, we create digital future

Preparations for further development – Reorganization of departments

A HR Department has been active within Span for more than ten years taking care of the functions and areas of action of the human resources closely related to the business goals and strategy of the company – from selection and hiring, development of employees, performance management, remuneration and motivation to taking care of the organizational climate and employees' satisfaction.

By 2021, the organization of the HR Department was based on the direct advisory and operating support of HR experts to managers and employees in organizational units concerning all the processes related to the human resources.

A precondition for further growth and development of the company was the specialization of individual functions within the HR Department and separation of the team with the primary focus on operating processes from the team that has improvement of processes and implementation of the best HR practices as its primary focus, aimed at making more intensive contribution to accomplishing the strategic goals of the company. A separate team has thus been created, within which specialization of experts for individual subfunctions (recruiting and selection, training and development, performance management and remuneration, experience of employees, digitalization and analytics) started, with the purpose of the development of innovative projects and initiatives directed to obtaining, motivating and retaining quality IT experts.



Certificate Employer Partner (CEP)

So as to prepare the company for listing on the stock exchange and get objective evaluation of the quality of internal processes of HR management, in late 2020 we joined a Certificate Employer Partner project.

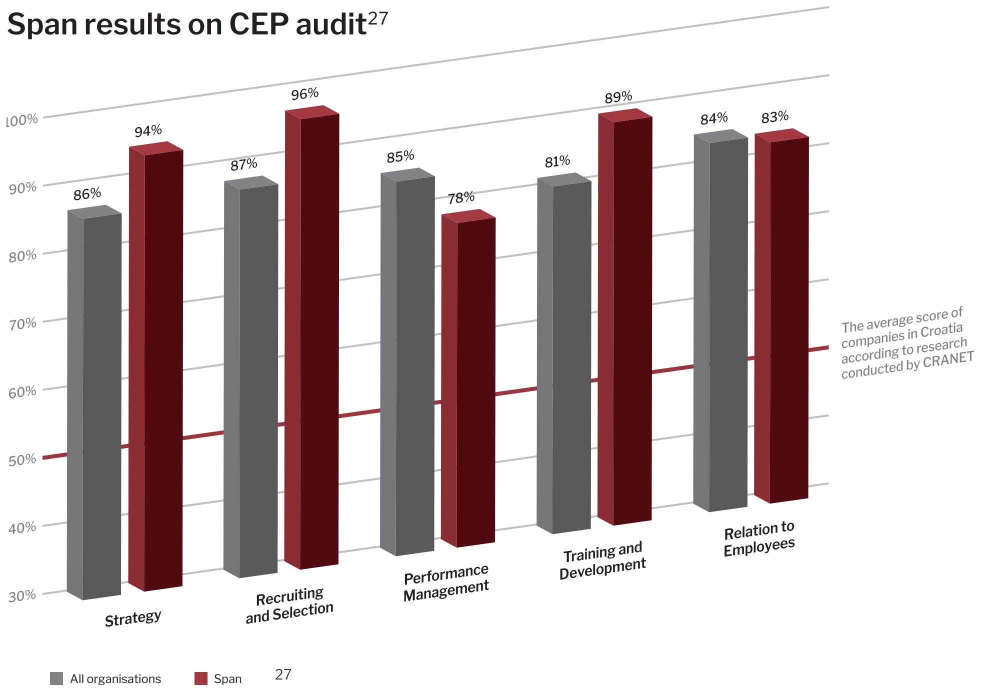
The Certificate Employer Partner project is aimed at recognizing and promoting organizations dedicated to quality human resource management. Winners of the Certificate are mainly successful companies that have excellent practices of management of human resources and meet high standards of quality. Still, it seems that raising the awareness of the importance of consistent investment in human resources in the IT sector is just beginning, as only 11%[26] of CEP certified companies come from the IT industry.

The Certificate Employer Partner is received based on the scoring of quality of 45 key processes in five main areas of human resource management. The following areas are scored within CEP: Strategy, Recruiting and Selection, Performance Management, Training and Development, and Relation to Employees. Each area includes several basic criteria that are scored on a scale of zero to three.

In January 2021, we acquired out first Certificate Employer Partner earning high 88% of total scores. The best results were accomplished in the area of HR strategy and the process of employee recruiting and selection.

[26] According to CEP data.

Span results on CEP audit[27]



Strong relationship with educational institutions and the student community

In a series of activities aimed at obtaining and recruiting beginner technical positions, we launched the Span Academy – a summer practice program intended for students who are offered employment after the successful completion of the Academy.

The Span Academy is intended for students who want to acquire knowledge on the IT infrastructure and development in a practical manner. The Academy program has been conceived attentively so that students could get an ideal proportion of theoretic and practical knowledge, and be guided along the way by Span's mentors. More than 100 students applied for the Span Academy in 2021, and the best 28 were selected as trainees. Of them, as many as 17 trainees got a job in Span, which shows the high importance of the project in the further growth and development of Span and its employees.

Moreover, in 2021, we took part in the Job Fair Meetup, FERSEC, and Career Speed Dating – events through which the relationships with leading educational institutions and with potential young employees was additionally made stronger.

[27] https://www.poslodavacpartner.org/cep-novosti-detalj/span-nagraden-certifikatom-poslodavac-partner

Optimization of the selection process and introduction to job

In the context of growing plans for employment on the one hand, and lack of candidates on the labour market on the other, we saw a need for the optimization of the selection procedure. Our selection procedure consists of a first interview conducted by the HR Department and the Manager of the Department where a person is to be employed, then a psychological test, technical test as required, and a final psychological interview.

Lowering the entry criteria, resulting in compromising the quality of candidates, was not an option. Therefore, we conducted internal research that confirmed a set of psychological tests anticipating the best subsequent work performance at Span. Based on the results, the time for conducting the psychological test has been reduced by three times and completely transferred into a digital format so as to be more practical for the candidates. The use of a multilingual online platform for psychological testing also enabled us to unify the criteria of the selection procedure for candidates from all countries where Span does business.

Furthermore, during 2021, we started to use surveys to systematically measure the satisfaction of candidates with the process of selection as well as the satisfaction of new employees with the process of introduction to job and adjustment to a new working environment. Results of the surveys are continuously monitored and based on them, possible changes in the process of employment and introduction to job are made as appropriate.

Thus, a new program of introduction to job enriched with educations in the areas of communication skills and team work, along with a series of professional lectures has been organized for employees who come to the Service Desk Department since the start of 2021. All this is aimed to facilitate their start of work and fast integration in the culture and operation.

During 2021, 135 candidates were employed on the level of the Span Group, which is up by 11% compared to the year before. Considering the fact that during the year only 1 candidate did not meet the criteria after the trial work period, the optimizations introduced resulted not only in the growth of capacities for selection but in more than 99% efficiency of the very selection procedure.

The organizational climate, satisfaction and employee welfare

The organizational climate and satisfaction of employees are tested regularly and results are analyzed and compared with previous ones, and are also compared with available data of other IT companies in the market.

Thus, in 2021 for instance, an average growth of satisfaction of employees of the Span Group by 2.5% was visible compared to the previous survey. We are especially happy that our employees have recognized the effort of the Management Board to take care of the internal organization and communicate continuously and transparently future strategic plans of the company (7.2% growth). Besides, the satisfaction of employees has significantly improved in the area of development of software and business solutions (growth of as much as 20%), which has also led to reducing the employee turnover, which was below the average of the company (13%) at the end of 2021.

During 2021, Span was enlisted among 20 best employers for software engineers based on independent research of Netokracija and Hacking HR (a community that gathers HR experts).[28]

[28] Netokracija, https://www.netokracija.com/employer-branding-istrazivanje-hacking-hr-176997

Awards for good HR practices and experience of employees

As a response to the results of climate examination, we launched the Fit Happens Challenge in the Employee Health and Work-Life Balance Segment. The goal of the project was to point out the importance of walking and reduce the adverse impacts of COVID (like reduced movement and high amount of time spent indoors), and by summing the steps indirectly influence their work performance and the level of morale at work. Within one month, 130 employees of the Span Group joined this program and 'summed their steps'. This project was declared one of three best practices in the area of human resources in Croatia in 2021.

As the confirmation of the success in the area of the improvement of employee welfare, it is worth singling out the excellence award, Excellence in Employee Experience awarded to us by HR Cloud, a US software company for development of tools in the area of human resources. Although we got this award in late 2021, it actually awards our consistent care of our employees that has additionally intensified at the start of the COVID pandemic. Results of internal surveys showed that in all segments of response of human resources and managers to the COVID crisis, the employee satisfaction was high (above 90 percent).

Span TV & Spanoptic

One of the first initiatives that emerged as response to results of the organizational climate and needs of the employees for more intensive and modern internal communication is the internal video channel of Span – Span TV. Thus, employee can be informed on the latest happenings through Span TV, through interviews with members of the Management Board, and learn what other departments and colleagues do through video stories. The channel reports regularly on novelties in the way of operation, important procedures and new amenities within Span.

To additionally promote what we do and present the employees to the public as top-level experts in their job, in March 2021 we launched a podcast Spanoptic that deals with IT topics and is intended for the IT community. As of December 2021, eight episodes of Spanoptic were released, with averagely 100 views per episode, which speaks of the interest in this type of content.

Span Management Academy

We are aware that we work in the technology industry and that the technological knowledge is important, but along with it, if we are supposed to grow and develop as a company, it is important to us that our employees develop some other skills, which have direct influence, equally as the previous ones, on their professional and personal success and thus on the success of the whole company. Therefore, with continuing investment in the development of technical skills of the employees, in 2021, we launched an internal program for development of manager skills – **Span Management Academy**. The program includes 28 employees in whom we have recognized the potential to take a higher level of responsibility, which includes managing projects, processes, people and users.

The internal program of the management academy lasts for nine months, from October 2021 to June 2022, in which trainees acquire knowledge and business and people skills through lectures and workshops. Each trainee has their own mentor, an experienced member of the Span Management, who uses their own experience, counselling and support to help a trainee apply the acquired knowledge.

As many as 75% of Span's high managers have been promoted internally, and only one fourth have been employed externally. With the Management Academy, we want to give our employees tools and an opportunity for development towards higher managerial positions. After the completion of this program, the trainees will know how to adequately support the operation of Span, how to develop themselves and others and how to promote the core organizational values. Based on this, the Span capacities for the delivery of quality services will also grow, by which our users as well as the market, crying out for quality digital services and solutions, will prosper.

Span Heroes

In seeking the ways to recognize and reward those employees who really live through our values and organizational culture, so called Span Heroes award is bestowed at the end of the year. All employees take part in the nominations for Span Heroes, and they are nominated by their directors in four categories of Span values – **knowledge**, **excellence**, **responsibility**, and **trust**.

An additional category, Employees Hero, sums the votes of employees who are also able to vote anonymously for colleagues who they think have moved a step further. The Span Heroes award encompasses all our offices, and the announcement of the winner is broadcast live for the whole Span Group.

ESOP

One of the key initiatives and programs in Span in 2021 was certainly ESOP (Employee Stock Ownership Plan). The three-year ESOP program additionally encouraged employees to remain in Span because with each package of shares they retain for three years, provided they remain at work in Span, they achieve additional 25% shares.

In addition to the expected contribution to retaining employees as the strategic goal in the area of human resources, an important contribution of the ESOP program is also reflected in strengthening the feeling of belonging and motivation of employees for further learning and development of competencies, with the belief that Span's growth of operation will mean new opportunities for vertical and horizontal development. By encouraging employees as co-owners to contribute to creating additional values on a personal and corporate level, we have contributed to additional strengthening of Span through growth of competencies and new expert knowledge.

Equal opportunities of employees

We pay special attention to diversity, and when it comes to gender, an increase by 6% in women's representation was recorded in 2021 in comparison with 20% of women at the start of gender diversity monitoring in 2015. During 2021, women accounted for 34% among newly recruited, a significant increase compared to 22% in the previous year.

Concerning this issue, we have initiated a cooperation with the Algebra University College through participation in the Work in Tech project, aimed at increasing the involvement of women in the IT industry by offering professional training for the IT Support Specialist position. Our involvement in this initiative is also visible through possibilities of doing professional practice and being mentored for a certain number of female trainees in the program, and potentially for their employment after the completion of the practice.

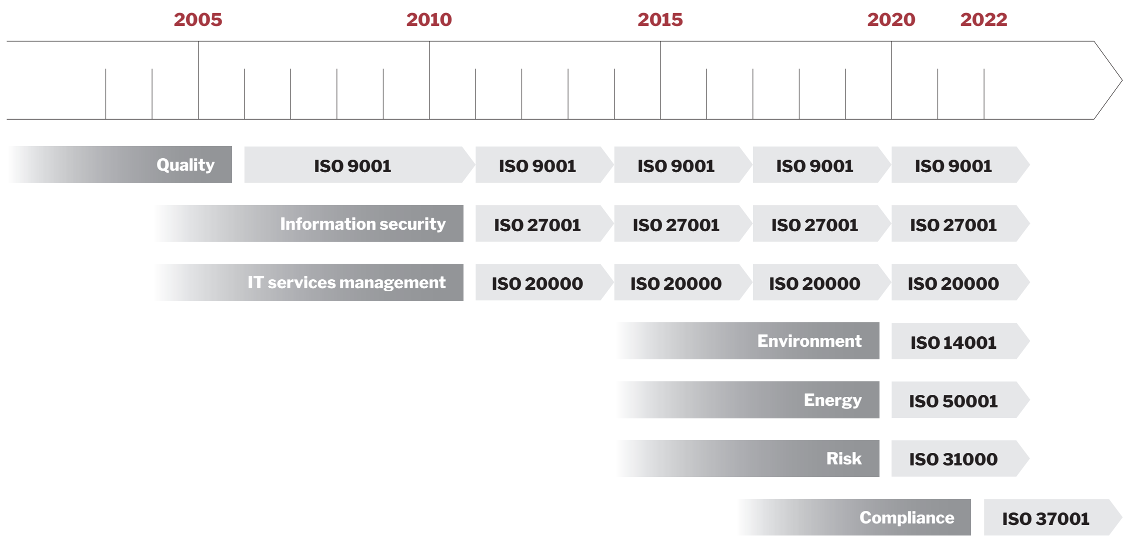
A trend of good practice when it comes to preventing discriminatory conduct and inciting the respect of diversity is contained in Span's internal documents, procedures and educations (Code of Business Conduct, Rules of Procedure, Compliance Educations).

ISO certification

Crucial HR processes in the domain of the human resources are also officially defined within our quality management, security, and IT service management systems (ISO 9001, ISO 27001 and ISO 20000, ISO 14001 and ISO 50001).

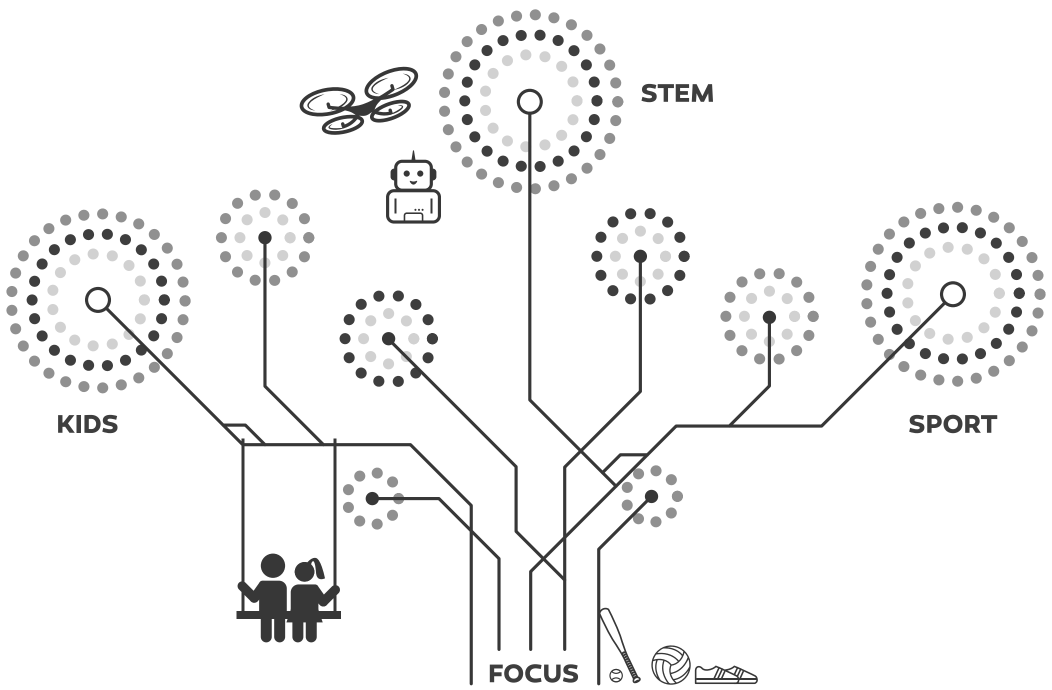
An audit is conducted at Span every year, and recertification of business processes by accredited companies takes place every three years. The HR team is actively involved in that process within which they assess compliance with the capacity planning procedures, resource obtaining, employment and education of employees as well as the information security management during employment, change of jobs, and leaving the organization.

Together with the current certificates, the acquisition of ISO 14001 and ISO 50001 in 2021 formalized our long-term endeavours in monitoring and managing the influences of our products, services and effects on the environment, and an energy management system was established.



Social responsibility

A better life for everybody, encouragement to those without perspective and help to the most vulnerable! That drives us and it is what we strive for. We help wherever we can, but above all, to those with the worst initial position who do not have the required support and are often at the margins of the society. In 2021, we defined the focuses of action so our list of priorities for our support for the community includes children, STEM initiatives and sports.

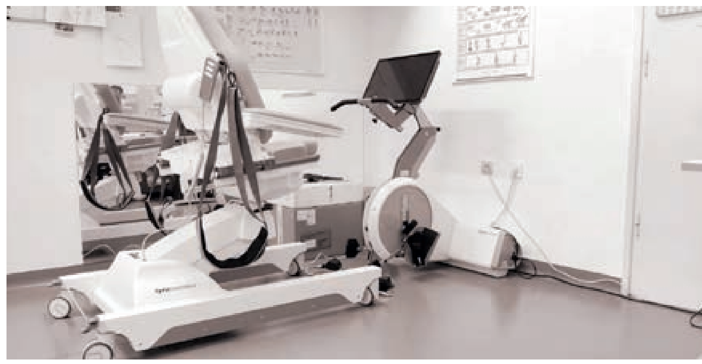


Why have we opted for them?

We believe it is important to support children because in that way we lay foundations for a more progressive, smarter, more equal and responsible future. STEM is an area Span also belongs to, and it is full of excellent initiatives that often need financial support and seek their place in the sun. When sports are involved, we have always helped and help unselfishly those who are not under the spotlight, who are not in trend, and thus are not so interesting to sponsors. In that regard, we support sports that have modest or do not have any institutional funding, but on the other hand, have a great influence on the growth and development of the youth and on amateur sports in general. We supported a total of 30 donations and 14 sponsorships during 2021. Given the areas we focus on, we distinguish three projects:

Krapina

One of the projects that perfectly illustrate the main courses of our socially responsible endeavours is cooperation with RTL Helps Children, an association that was focused on the Special Hospital for Medical Rehabilitation Krapinske Toplice in 2021. We furnished the hospital with state-of-the-art devices for robotic neurorehabilitation of children with traumatic brain injury, cerebral paralysis, and other neurological disorders, which have improved the quality of the provision of therapeutic services. Hundreds of kids from all over Croatia come to Krapinske Toplice for treatment and rehabilitation, and the new robotic devices significantly improve their chances for successful recovery. Before the office was equipped, such rehabilitation was only possible in private-owned polyclinics, and owing to this action it is now available through the mandatory health insurance.



Lošinj

Of all centres in Croatia carrying out treatment of resocialisation as well as socialisation of the youth with behavioural disorders, the Lošinj Centre is unique in the way that educational groups are divided in small units within the town itself. Just like Span, this amiable and enthusiastic organization wishes to encourage changes in the society so we wholeheartedly accepted the opportunity to establish long-term cooperation with them, from education of proteges to corporate volunteering. The start of our partner relationship was marked by a donation that would equip five houses on Lošinj where proteges of the centre lived in poor conditions, and their subsidiary on Cres. We provided a more comfortable area for socializing, bicycles for easier movement on the islands, sports equipment, exercise equipment and other contents that will make their stay, studying and progressing in the centre easier.

Softball

Span has had its softball club since 2015. This version of baseball is played on a smaller diamond and with somewhat bigger balls, it is faster, more dynamic and features more pitches in the field. The Span Club has achieved good results since it was established, it is an active member of the Zagreb and Croatian softball association and has been consistently at the top of the domestic and European softball arena, which is best illustrated by the fact that they were the winners of the Coup of Croatia in 2018, 2019, and 2020. Last year, they won the second place, focused on their participation in the Croatian national league at the European Championship where they won the bronze. They are getting ready to repeat these superb results in 2022, and train actively for the EU Championship, which takes place biannually, within which they are travelling to Denmark in 2023.

Processes and technology

ISO environmental and energy certificates

ISO 14001

By implementing the environmental management system in line with ISO 14001, we have demonstrated our commitment to management and constant improvement of the way we treat the environment. By acquiring ISO 14001 in May 2021 we formalized our long-term endeavours in monitoring and managing the influences of our products, services and activities on the environment. In this way, we promote a positive image of Span among our users and employees, and we adjust ourselves to the legal requirements and commit to socially responsible operation.

ISO 50001

By the adoption of ISO 50001 in May 2021 we established an energy management system as the best practice in monitoring the consumption of energy and the awareness of its importance in terms of savings and influences on the environment. By doing this, we additionally adjust ourselves to the basic postulates of socially responsible operation. By adopting the standard, we do not only achieve significant energy savings (and its cost), but we accomplish a series of other benefits:

- We manage energy-related risks better
- Increase the productivity and achieve lower maintenance costs
- Demonstrate credibility, structure and awareness of sustainability to users, suppliers, investors, and the legislator

Anti-corruption policy

Since 2018, in cooperation with partners and customers, we have developed our own anti-corruption management system, starting from the framework policy and the Code of Business Conduct to the procedures of reporting irregularities, the protection of whistleblowers and receiving/giving gifts and hospitality. These documents live through the system and we regularly adapt them to new best practices, standards and legal requirements.

During 2021, we launched an initiative for the preparation of certification for ISO 37001, the international Anti-Bribery standard. Our compliance team processed the remaining requirements of the standard and in cooperation with the management and representatives of risky working areas created policies and procedures required to meet all the points of this complex standard. Education of employees, creating policies, procedures, codes and a set of rules that must be complied with by everybody, and assessment of risky jobs, users, suppliers and employees, are only some of the ways by which Span ensures the compliance with the principles of bribery prevention.

The preparation of the system was carried out successfully by December 2021. Certification audit for ISO 37001 was successfully conducted in January 2022.

Competencies

In 2021 we continued to undergo assessment and renew certificates related to technological competencies, primarily related to strategic focuses: Infrastructure services: Cloud & Cyber Security, Software Asset Management, and Development of Business Solutions.

We are proud of **18 Microsoft competencies** (16 Gold and 2 Silver ones). Whereas Microsoft competencies acknowledge knowledge of a Microsoft partner in the application of a certain technology or product, advanced specializations focus on a specific niche within a competency and possessing in-depth, detailed skills and knowledge in the area of certain solutions.

Microsoft Partner
Microsoft

Gold Cloud Productivity
Gold Cloud Platform
Gold Enterprise Mobility Management
Gold Security
Gold Small and Midmarket Cloud Solutions
Gold Messaging
Gold Application Integration
Gold DevOps
Gold Data Analytics
Gold Data Platform
Gold Project and Portfolio Management
Gold Communications
Gold Application Development
Gold Collaboration and Content
Gold Datacenter
Gold Windows and Devices
Silver Enterprise Resource Planning
Silver Cloud Business Applications

Along with the achieved certificates that testify to our excellence (341 certified Span employees hold an MCS certificate), the quality of our work, high levels of trust and strong relationships with our customers are mostly credited to our Span employees who averagely spend more than 100 hours a year in trainings and improvement and hold on average more than four certificates each (by December 2021, a total of 2349 certificates were obtained).

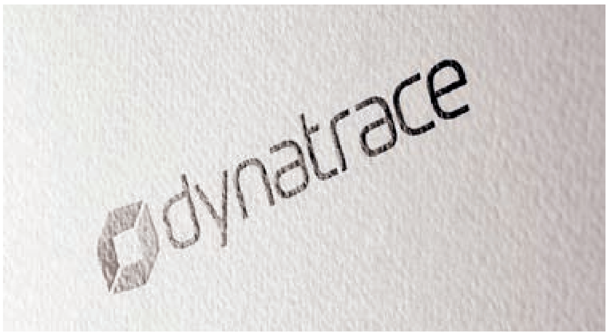
Partnerships

Microsoft, **Hewlett Packard Enterprise (HEP)** and **Dynatrace** lead a wide range of our technological partnerships.

We are a **Microsoft** Gold Partner and Licensing Solution Provider with 16 Gold and two Silver competencies. We have worked on planning, implementation and provision of support for Microsoft solutions for cooperation and communication, security, Azure platform, as well as intelligent business applications for more than 1,200 clients worldwide.

We are proud of the renewed status of **HPE Certified Gold Hybrid IT**, **Certified Gold Aruba** and **Certified Gold Partner**, which guarantees the best level of quality in most demanding implementations of the HPE server and storage infrastructure and the Aruba network infrastructure and services to our users.

The world's leading solution for the supervision and management of change of applications, **Dynatrace** – is a supplier with which we also develop our competencies.



Data center

Public cloud

Security

Hardware

Code of Business Conduct

The Code of Business Conduct sustains our values and principles and politics that lead our operation, and at the same time gives specific guidance for action of employees and partners. The code provides a summary of guidance, rules, procedures and politics that relate to us and the job we do, defines principles and rules of ethical conduct and good business practices. The code also specifies persons that might respond to questions related to lawfulness and compliance, if they are not covered by guidelines which the code refers to. Although the code offers guidelines for numerous issues related to acceptable standards of integrity and appropriate business conduct, it is impossible to anticipate each situation that can occur in daily operations due to which, when it comes to complying with the rules of the code as well as its contents, we emphasise the importance of a common-sense approach of our employees and our partners.

Our code applies to all companies within the Span Group and to all our employees and business partners, which includes users, suppliers, consultants, external associates, shareholders and other business partners related to the Span Group, in line with the local legal requirements and rules. All our related companies and employees must comply with the relevant laws, regulations and standards in all the countries where we do business, and must act in line with the Code of Business Conduct, even if it provides for higher standards than those stipulated by laws or regulations of a country.

We believe that strong management of the company requires transparency and trust of all involved parties so our principles of management, except for compliance with the rules and regulations, emphasise a need for socially responsible business conduct and application of our core values in relations with partners, employees and customers.

We have built our market position on strong professional and ethical foundations, therefore we plan to adopt all our future business decisions in line with legal requirements and moral values. We expect from our employees and partners to display commitment to decent business practices and conduct in line with our core values.

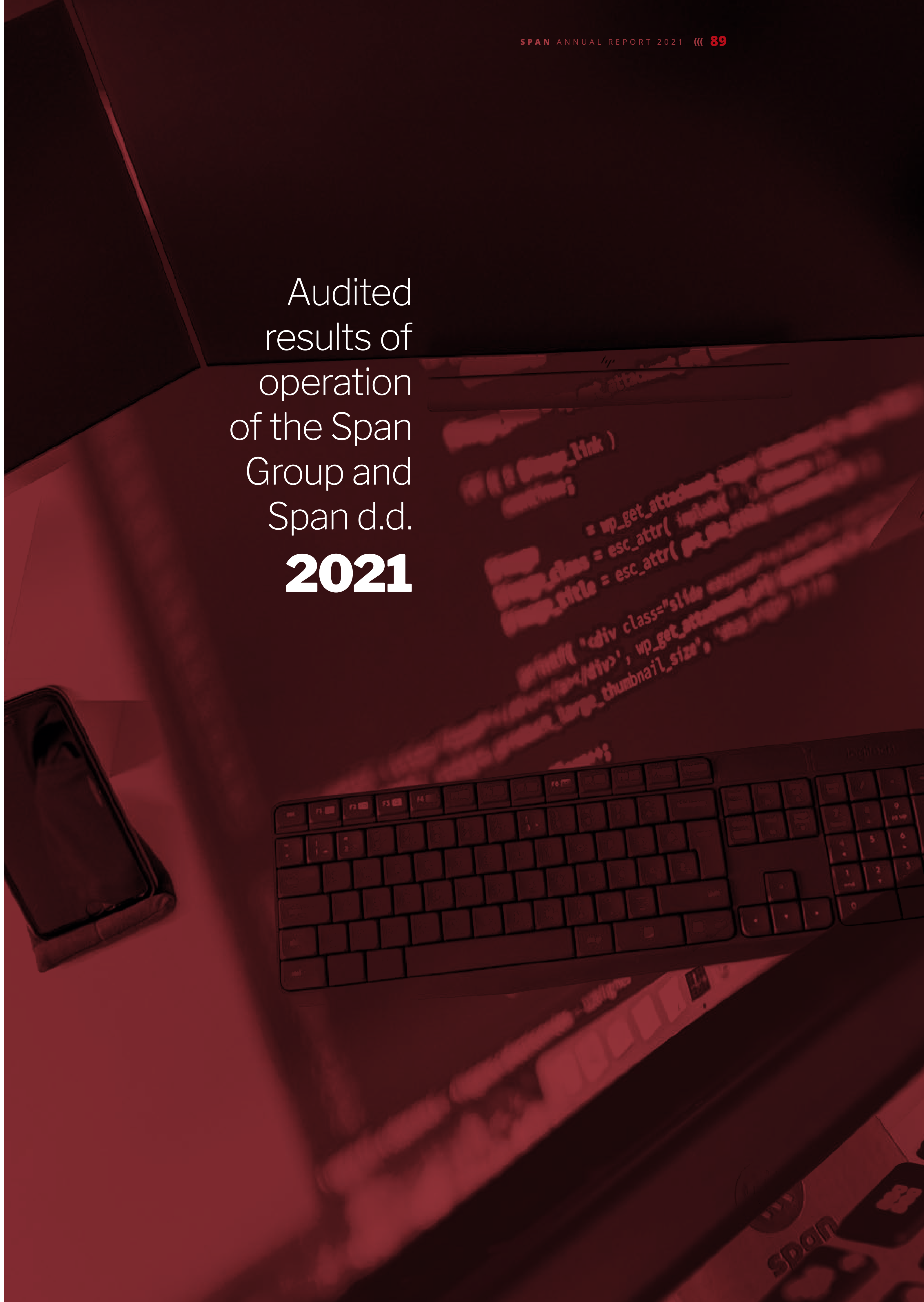
Statement on responsibility for compilation of reports in the observed period

Statement

The financial statements of Span d.d. and the Span Group compiled for the year that ended December 31st, 2021, are shown in a fair and true manner in line with the International Financial Reporting Standards that are consistently applied in relation to previous years.

Any materially significant transactions are recorded adequately in the accounting records which the financial statements are based on. They provide a true and complete overview of assets and liabilities, the financial position and operation of the Span d.d. and the Span Group.

President of the Management Board, Span d.d.



Audited results of operation of the Span Group and Span d.d. 2021

SPAN d.d., Zagreb

Annual Report

for the year ended 31 December 2021

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.

Contents

Annual Management Report

The Management Board of Span d.d. Zagreb ("Company" or "parent company") presents separate and consolidated financial statements of the Company for the year ended 31 December 2021. Consolidated financial statements include financial data of the Company and its subsidiaries that make up the Span Group ("Group").

The Management Board of the Company believes that the consolidated financial statements for the period from 1 January to 31 December 2021 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 Management Report contains a truthful overview of the development, business results, and financial position of the Group and Company, with a description of the most significant risks to which the Group and Company are exposed.

Principal activity

The principal activity of the Group and Company is to provide professional services of design, construction, and maintenance of information systems to medium and large users. In its 29 years of operation, the Company developed from a Croatian IT system integrator into a Group that today, together with its 40 international partners, operates with more than 1200 clients on 100 markets on six continents.

In 1996 the Company became the first Croatian certified Microsoft solutions provider and in 2001 the Group and Company became a Microsoft Gold Certified Partner and the leading Microsoft partner on the Croatian market. 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
- Cisco Premier Integrator
- Dynatrace Master Partner
- Symantec Silver Partner
- Veeam Silver Pro Partner
- Palo Alto Partner
- Fortinet Select Partner
- IBM Registered Business Partner
- HP Gold Partner
- Sophos Gold Partner
- Kemp Authorized Partner
- Poly Partner
- AWS Select Consulting Partner
- Google Cloud Partner

Key events in 2021

In 2021 the Company started actively preparing for its stock market launch and listing Company shares on the official market of the Zagreb Stock Exchange. On 24 May 2021, the Company's General Assembly adopted the Decision on listing all of its 1,960,000 shares on the regulated market of Zagrebačka burza d.d., and the Management Board of the Company adopted the Decision on the sale of 578,200 own shares in a public offering. The Public Offering took place from 6 to 10 September 2021 and all of the 578,200 own shares offered were sold (29.5%) at the maximum price of HRK 175 of the range offered (HRK 160 – HRK 175).

On 21 September 2021, Zagrebačka burza d.d. and the Company signed a contract on listing Company shares on the Official market of Zagrebačka burza d.d. All of the 1,960,000 regular shares were listed, with individual nominal value of HRK 10.00, registered with CDCC in book-entry form under:

• security identifier code SPAN-R-A; and
• ISIN code HRSPANRA0007.
The first day of trading SPAN shares was 23 September 2021.

Key events in 2021 (continued)

After a successful Public Offering and the beginning of trading on the Zagreb Stock Exchange, in line with the expansion strategy for Eastern European and Central Asian markets, another group member – Span-IT s.r.l., registered office in Chișinău, Moldova – was established in June, and officially registered in July 2021.

Span LLC Ukraine received the "**Microsoft Best LSP partner for Ukraine**" award, for partners delivering state-of-the-art solutions using Microsoft technologies, which reconfirmed the Group's competences and innovative user solutions.

Proof of excellence of both the Group and Company is another (ninth) Microsoft advanced specialisation – SAP on the Microsoft Azure platform, achieved by the Group and Company based on their advanced knowledge, comprehensive experience and proved success in implementing SAP solutions in the Azure Cloud environment.

2021 strategy

The business growth strategy of the entire Group and Company is primarily focused on expanding business activities with high added value, including IT services from the following business segments:

- Infrastructure services – Cloud & Cyber Security
- Services management and customer support; and
- Software and business solutions development.

The expected growth is based on the geographic expansion to new foreign markets of Eastern Europe and Central Asia for which the Group has a Microsoft LSP partner status, but also on further organic growth in existing markets in all business segments.

2022 strategy

In line with the strategy detailed above, in 2022 the Group and Company also expect to further increase their revenue by introducing new products and services to the domestic market, increase their export of services to the global market, and increase their revenue by expanding to markets in which they operate. The strategic framework also entails a closer cooperation with existing key international clients (increasing the number and types of services), as well as developing a Span.zone digital platform enabling a completely autonomous purchase, activation, management, and maintenance of Cloud licences and services.

Research and development activities

Development expenditure generally refers to own developed intangible assets with the cooperation of several members of the Group. The total worth of intangible assets of the Group referring to development expenditure amounts to HRK 7,543 thousand (HRK 6,908 thousand for the Company). In 2021, on the level of the Group, a total of HRK 43 thousand was activated in the 'Software development' item (Company: –) (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 35).

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.

Purchases of own shares

In 2019, the Company purchased 27.14% of own shares from a single owner and provisions of HRK 25,000 were made. As at 31 December 2020, the Company owned a total of 34.57% of own shares.

In April 2021, the Company allocated 6,850 of own shares to employees.

The Company sold all of the 578,200 offered own shares (29.5%) at the price of HRK 175 in the Public Offering in September 2021. In line with Article 222.a (2) of the Companies Act, the Company cancelled the reserves for own shares sold in the IPO and recorded the amount in retained earnings.

Company and Group branches

The Company and Group have no branches.

Group companies

SPAN d.o.o. Ljubljana began operations in 2014, offering a wide range of products, services, and solutions on the Slovene market. The company SPAN d.o.o. Ljubljana expanded to providing services in the IT solution segment, having formed a specialised team dedicated precisely to that area. This company is expected to further grow in the following period and enjoys strong support and know-how of the parent company.

Span IT Ltd. London began operations in 2010 as a sales representative of the Company and significantly contributed to the growth in export of services and solutions to the market in Great Britain. In 2022, the export of professional services to the market in Great Britain is expected to further increase.

SPAN USA, Inc., began operations in 2014 as a sales representative and local technical support centre for USA customers. Further increase in revenue in the USA is expected in 2022 as a direct result of the operations of this office.

Digitalni ured d.o.o. began operations in 2011 and was merged with the Company Span on 30/12/2020.

Trilix d.o.o. maintained its position of electronic goods processor. The consulting department provides advisory services in managing the organisation and risks, and reconciling business processes with rules and regulations in the IT area.

InfoCumulus d.o.o. is wholly owned by the Company since 2017, it achieved positive business results in 2021, and was merged with the Company on 17 February 2022 (note 36).

BonsAI d.o.o., a company specialised in developing AI software solutions, began operations in 2017, achieved positive results in 2021, and is 70%-owned by the Company. Further expansion of operations, combined with an increase in income and profitability, is expected in 2022.

Furthermore, in 2016, the Company established the subsidiary Span Azerbaijan LLC in Azerbaijan, through which it plans to expand its offer of services and know-how to that market as well.

In 2018 the company MMC d.o.o. was recapitalised and the Company acquired 40% business shares, while the 2020 recapitalisation resulted in the Company acquiring 70% business shares. On 30 April 2021, the Company sold its business shares to a third party, thus making MMC d.o.o. no longer a member of the Group.

In 2018 the Company established two subsidiaries that it wholly owns: LLC Span, Kiev, Ukraine and Span GmbH, Munich, Germany, in order to expand the markets in which it plans to offer its services and know-how.

In 2019 the Company established the subsidiary SPAN SWISS AG, Switzerland, through which it plans to expand its offer of services and know-how to that market as well.

In July 2021, the Company officially established another Group member – Span-IT s.r.l., with its registered office in Chișinău, the capital of Moldova. Moldova has a slightly smaller market than Croatia, but with a strategy for stronger inclusion in Western and European integration processes and an advanced digitalisation level.

Supervisory Board

1. Jasmin Kotur, Chairman of the Supervisory Board since 16 December 2019
2. Aron Paulić, Vice-Chairman of the Supervisory Board since 5 November 2021
3. Ante Mandić, member of the Supervisory Board since 30 September 2020
4. Zvonimir Banek, member of the Supervisory Board since 13 December 2019

Management Board:

Members of the Management Board since 1 January 2021 until the date of signature of 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
5. Saša Kramar, member of the Management Board

Damir Bočkal ceased to be a member of the Management Board on 23 December 2021.

In Zagreb, 29 April 2022, 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
Antonija Kapović Member of the Management Board	**Saša Kramar** Member of the Management Board	

The Management Board is responsible for ensuring that financial statements are prepared in accordance with the International Financial Reporting Standards as 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 ("the Group") for that period.

After making enquiries, the Management Board has a reasonable expectation that the Group and Company have adequate resources to continue in operational existence 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 Company.

When preparing the financial statements, the Management Board is responsible for:

- selecting and then consistently applying suitable accounting policies;
- making reasonable and prudent judgements and estimates;
- following applicable accounting standards, disclose and explain any material departures in the financial statements; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations of the Group and Company and their compliance with the Accounting Act. The Management Board is also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In line with Article 21 and 24 of the Accounting Act, the preparation of the Management Report is the responsibility of the Management Board.

Signed by the members of the Management Board:

For SPAN d.d.:

President of the Management Board

Nikola Dujmović

Member of the Management Board

Marijan Pongrac

Member of the Management Board

Dragan Marković

Member of the Management Board

Antonija Kapović

Member of the Management Board

Saša Kramar

SPAN d.d.

Koturaška cesta 47

Zagreb

Republic of Croatia

29 April 2022

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of SPAN d.d., Zagreb

Statement of Audit of the Financial Statements

Qualified Opinion

We have audited the separate and consolidated financial statements of the company SPAN d.d., Zagreb ("the Company") and its subsidiaries ("the Group"), which comprise the separate and consolidated statement of financial position as at 31 December 2021, separate and consolidated statement of comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies ("financial statements").

In our opinion, other than in case of matters described in the *Basis for Qualified Opinion* section, the accompanying financial statements present fairly, in all material respects, the separate and consolidated financial position of the Group and Company as at 31 December 2021, their separate and consolidated financial performance, and their separate and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Basis for Qualified Opinion

Group

Investment in net assets of the subsidiary SPAN LLC, Kiev, Ukraine

We draw attention to note 36 to the consolidated financial statements. The Group consolidates net assets of the subsidiary SPAN LLC, Kiev, Ukraine ("SPAN Ukraine"). On account of ongoing military operations in Ukraine, we were not able to conduct audit procedures in compliance with International Standards on Auditing (ISAs), in particular ISA 600: Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) for the financial information of SPAN Ukraine for the year ended 31 December 2021. With reference to this matter, we were not able to determine the existence of necessary adjustments to the consolidated financial statements of the Group that refer to SPAN Ukraine and their impact on the consolidated financial statements.

Emphasis of Matter

Group and Company

Military operations in Ukraine

We draw attention to note 36 to the financial statements detailing the assessment of the Management Board of the real or potential impacts of the military confrontation between Ukraine and Russia on the Group and Company. Our opinion is not qualified in respect of this matter.

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and have fulfilled our other 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 qualified opinion.

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Other Matters

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor, who gave an unmodified opinion on 31 March 2021.

Key Audit Matters

Other than matters described in the *Basis for Qualified Opinion* section, we determined that there were no other key audit matters to be disclosed in our report.

Other Information

The Management Board is responsible for other information. Other information comprises the information included in the Annual Report but does not include the financial statements and our Independent Auditor's Report.

Our opinion on the annual financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 the examination of whether the Management Report and Corporate Governance Statement include required disclosures as set out in the Articles 21 and 22 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.

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 accompanying financial statements;
2. Management Report has been prepared, in all material respects, in accordance with Article 21 and 24 of the Accounting Act;
3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with Article 22, paragraph 1, points 3 and 4 of the Accounting Act, and also includes the information from Article 22, paragraph 1, points 2, 5, 6 and 7 and Article 24, paragraph 2 of the same Act.

If we, based on our work done on the other information, conclude that there were material misstatements in the other information, we are required to report this fact. In line with the impacts detailed in the *Basis for Qualified Opinion* section, we were not able to conclude whether the other information was materially misstated or not with regard to these matters.

Except for the effects and potential effects of the matters described in the *Basis for Qualified Opinion* section of our report and based on the knowledge and understanding of the Group and Company and their environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

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

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

In preparing the financial statements, the Management Board is responsible for assessing the Group and Company'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 the Management Board either intends to liquidate the Group and Company or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Group and the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of the Management Board'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 Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. 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 Group and the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the 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 are 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, related safeguards.

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless a 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)

Reporting in line with Other Legal and Regulatory Requirements

Reporting based on the requirements of the Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF")

Auditor's reasonable assurance report on the compliance of financial statements, prepared in line with the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated regulation (EU) 2018/815 prescribing the single electronic reporting format for issuers ("ESEF Regulation") We undertook a reasonable assurance engagement on whether the financial statements of SPAN d.d. for the financial year ended 31 December 2021, prepared for publication in line with Article 462 (5) of the Capital Market Act, in the electronic file 747800L0D5F39CX8NA43-2021-12-31-en, have been prepared in all material aspects in compliance with the requirements of the ESEF Regulation.

Responsibilities of the Management Board and Those Charged with Governance

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

In addition, the Management Board is responsible for maintaining an internal control system enabling the preparation of ESEF documents that are free from material misstatement, whether due to fraud or error.

The Management Board of the Company are also responsible for:

- preparing financial statements contained in the annual report in a valid XHTML format
- selecting and using XBRL markups in line with the requirements of the ESEF Regulation.

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

Auditor's Responsibility

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

Quality assurance

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 are in compliance with the International Standard on Quality Control (ISQC 1) for audits and reviews of financial statements, and other assurance and related services engagements 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)

Reporting in line with Other Legal and Regulatory Requirements (continued)

Reporting based on the requirements of the Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF") (continued)

Procedures carried out

We carried out the following procedures:

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of the internal controls of the Company relevant for the application of the ESEF Regulation;
- We have identified and assessed the risks of material non-compliance with the ESEF Regulation, due to fraud or error;
- As a result, we designed appropriate procedures as a response to risks identified and for obtaining reasonable assurance for the purpose of expressing our opinion.

The aim of our procedures was to assess whether:

- The financial statements, included in the annual reports, were prepared in a valid XHTML format;
- The data contained in the financial statements, as defined in the ESEF Regulation, were marked up and all of the markups meet the following requirements;
- XBRL language was used for markups:
  - Elements of core taxonomy provided in the ESEF Regulation were used, unless an extended taxonomy element was used in line with Annex IV to the ESEF Regulation;
  - Markups comply with the Common rules on markups from the ESEF Regulation.

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

Conclusion

Based on the procedures carried out and evidence obtained, we believe that the Company and Group's financial statements in ESEF format, provided in the file cited above, and in line with the provision of Article 462 (5) of the Capital Market Act, have been prepared in all material aspects in compliance with the requirements of Article 3, 4, and 6 of the ESEF Regulation for the year ended 31 December 2021.

In addition to this conclusion and the opinion provided in this Independent Auditor's Report on the accompanying financial statements and annual report for the year ended 31 December 2021, we shall not express an opinion on the information contained therein or other information contained in the previously cited file.

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INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in line with Other Legal and Regulatory Requirements (continued)

Other Regulatory Requirements of Regulation (EU) No. 537/2014 of the European Parliament and the Council and Audit Act

We were appointed as the statutory auditor of the Group and Company by the shareholders on 18 June 2021 to perform the audit of accompanying financial statements. Our total uninterrupted Group engagement has lasted 4 years and covers the period from 1 January 2018 to 31 December 2021. Our total uninterrupted Company engagement has lasted for a year and covers the period from 1 January 2021 to 31 December 2021.

We confirm that:

- Our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company on 29 April 2022 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 Article 5 paragraph 1 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

In addition to the statutory audit services, we provided the following service to the Company and its controlled undertakings:

- Independent limited assurance report on the 2021 remuneration report, based on the provisions of Article 272.r (3) of the Companies Act.

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

Marina Tonžetić

Director and Certified Auditor

Deloitte d.o.o.

29 April 2022

Radnička cesta 80

10 000 Zagreb

Republic of Croatia

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

Statement of comprehensive income

for the year ended 31 December 2021

	Notes	Group 2021 HRK '000	Group 2020 HRK '000	Company 2021 HRK '000	Company 2020 HRK '000
Revenue from contracts with customers	5	767.273	610.022	542.238	412.611
Other operating income	6	6.851	3.735	2.694	2.745
Costs of goods sold	7	(507.619)	(397.504)	(328.938)	(246.356)
Raw materials and supplies	8	(3.147)	(3.042)	(2.620)	(2.440)
Services costs	9	(71.496)	(51.361)	(58.814)	(38.997)
Staff costs	10	(138.584)	(118.912)	(110.055)	(91.649)
Amortisation expense	11	(15.594)	(14.196)	(13.029)	(12.706)
Impairment losses (including reversals of impairment losses) on financial assets and contract assets	23	(333)	(967)	(85)	(947)
Other expenses	12	(10.419)	(10.482)	(8.877)	(7.834)
Finance costs	13	(5.141)	(11.455)	(4.140)	(9.061)
Finance income – interest income	14	506	481	264	12
Finance income – other	14	5.608	3.855	3.784	2.734
Profit before tax		**27.906**	**10.174**	**22.421**	**8.111**
Income tax	15	(4.082)	(2.722)	(3.061)	(1.616)
Profit for the year		**23.824**	**7.452**	**19.359**	**6.496**
Attributable to:					
Owners of the Company		23.719	7.798	-	-
Non-controlling interests		105	(346)	-	-
		23.824	**7.452**	**19.359**	**6.496**
Other comprehensive income for the year					
Gain/(loss) on property and land revaluation	19	9.705	-	9.705	-
Income tax on property and land revaluation	25	(1.747)	-	(1.747)	-
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange differences on translation of foreign operations		832	(766)	-	-
Total comprehensive income attributable to:					
Owners of the Company		**32.509**	**7.032**	**27.317** -	**6.496**
Non-controlling interests		105	(346)	-	-
Earnings/loss per share (HRK)					
Basic (HRK and lp)	16	15.54	60.81	12.68	50.65
Diluted (HRK and lp)	16	15.54	60.81	12.68	50.65

Statement of financial position
as at 31 December 2021

	Note	Group 31/12/2021 HRK '000	Group 31/12/2020 HRK '000	Company 31/12/2021 HRK '000	Company 31/12/2020 HRK '000
Assets					
Non-current assets					
Goodwill	17	19,466	19,758	10,781	10,781
Other intangible assets	18	8,614	9,691	7,706	8,514
Property, plant and equipment	19	41,416	32,749	39,666	31,156
Right-of-use assets	20	17,015	10,126	13,456	10,126
Investments in financial assets	21	866	1,914	356	428
Investments in subsidiaries	21.1	-	-	27,769	26,986
Long-term trade receivables		4	14	4	14
Deferred tax assets	25	7,729	8,498	6,952	7,902
Total non-current assets		**95,110**	**82,749**	**106,690**	**95,907**
Current assets					
Inventories	22	2,026	520	1,972	127
Investments in financial assets	21	879	57	-	-
Trade and other receivables	23	113,760	116,501	82,322	92,442
Cash and bank balances	32	139,791	29,585	126,920	16,032
Total current assets		256,457	146,664	211,214	108,601
Total assets		**351,568**	**229,413**	**317,904**	**204,508**
Equity and liabilities					
Capital and reserves					
Share capital	28	19,600	19,600	19,600	19,600
Legal reserves	29	79,084	-	79,084	-
Profit reserves	28	8,252	8,477	7,413	8,072
Revaluation reserves – Property	30	15,954	8,451	15,954	8,451
Translation reserve of foreign operations		267	(565)	-	-
Other capital items		(6,477)	(6,477)	-	-
Retained earnings		75,909	24,989	70,866	23,870
Equity attributable to owners of the Company		**192,590**	**54,475**	**192,917**	**59,993**
Non-controlling interests	31	1,153	1,049	-	-
Total equity		**193,743**	**55,524**	**192,917**	**59,993**
Non-current liabilities					
Borrowings	24	6,895	14,113	6,895	14,113
Deferred tax liability	25	3,502	1,855	3,502	1,855
Lease liabilities	26	10,847	6,285	8,566	6,285
Contractual liabilities	34	10,186	15,277	10,186	15,277
Total non-current liabilities		**31,430**	**37,531**	**29,149**	**37,531**
Current liabilities					
Trade and other payables	27	96,478	90,416	69,511	65,258
Lease liabilities	26	7,140	4,409	5,957	4,409
Borrowings	24	9,082	32,817	7,213	31,546
Contractual liabilities	34	5,052	4,070	5,052	4,070
Deferred income	33	8,643	4,646	8,107	1,701
Total current liabilities		**126,395**	**136,358**	**95,838**	**106,984**
Total liabilities		**157,825**	**173,889**	**124,987**	**144,515**
Total equity and liabilities		**351,568**	**229,413**	**317,904**	**204,508**

Statement of changes in shareholder's equity

for the year ended 31 December 2021

	Group									
	Share capital	Legal reserves	Reserves from profits	Revaluation reserves – Property	Other capital items	Translation reserve of foreign operations	Retained earnings	Owners of the parent company	Non-controlling interests	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Balance at 1 January 2020	**19,600**	**-**	**8,494**	**8,906**	**(6,477)**	**201**	**16,720**	**47,444**	**1,425**	**48,868**
Increase in non-controlling interest by concluding a contract	-	-	-	-	-	-	-	-	(30)	(30)
Transferred to legal reserves	-	-	(17)	-	-	-	17	-	-	-
Profit for the year	-	-	-	-		-	7,798	7,798	(346)	7,452
Other comprehensive income for the year, net of income tax	-	-	-	(455)	-	(766)	455	(766)	-	(766)
Total comprehensive income	**-**	**-**	**-**	**(455)**	**-**	**(766)**	**8,252**	**7,032**	**(346)**	**6,686**
		-								
Balance at 31 December 2020	**19,600**	**-**	**8,477**	**8,451**	**(6,477)**	**(565)**	**24,989**	**54,475**	**1,049**	**55,524**
Transferred to legal reserves	-	-	(224)	-	-	-	224	-	-	-
Profit for the year	-	-	-	-	-	-	23,719	23,719	105	23,824
Changes in revaluation reserves	-	-	-	(455)	-	-	455	-	-	-
Changes in other non-controling interest	-	(19,328)	-	-	-	-	19,328	-	-	-
Dividend paid	-	-	-	-	-	-	(1,539)	(1,539)	-	(1,539)
IPO and other distributions	-	98,412	-	-	-	-	8,733	107,145	-	107,145
Other comprehensive income for the year, net of income tax	-	-	-	7,958	-	832	-	8,790	(1)	8,789
Total comprehensive income	**-**	**-**	**-**	**7,958**	**-**	**832**	**23,719**	**32,509**	**104**	**32,613**
Balance at 31 December 2021	**19,600**	**79,084**	**8,252**	**15,954**	**(6,477)**	**267**	**75,909**	**192,590**	**1,153**	**193,743**

In 2017, the Group acquired all of the remaining shares in the subsidiary InfoCummulus d.o.o. The difference in the consideration given to non-controlling interest and the net carrying value of non-controlling interest is recognised in other capital items.

Statement of changes in shareholder's equity

for the year ended 31 December 2021

	Company					
	Share capital	Legal reserves	Reserves from profits	Revaluation reserves – Property	Retained earnings	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Balance at 1 January 2020	**19.600**	**-**	**7.985**	**8.906**	**15.668**	**52.159**
Increase in non-controlling interest by concluding a contract	-	-	-	-	-	-
Transferred to legal reserves	-	-	88		(88)	-
Profit for the year	-	-	-	-	6.496	7.835
Effect of merger					1.339	
Other comprehensive income for the year, net of income tax	-	-	-	(455)	455	-
Total comprehensive income	**-**	**-**	**-**	**(455)**	**8.290**	**7.835**
						-
Balance at 31 December 2020	**19.600**	**-**	**8.072**	**8.451**	**23.870**	**59.993**
Transferred to legal reserves	-	-	(660)	-	660	-
Profit for the year	-	-	-	-	19.359	19.359
Changes in revaluation reserves	-	-	-	(455)	455	-
Changes in other non-controling interest	-	(19.328)	-	-	19.328	-
Dividend paid	-	-	-	-	(1.539)	(1.539)
IPO and other distributions	-	98.412	-	-	8.733	107.145
Other comprehensive income for the year, net of income tax	-	-	-	7.958	-	7.958
Total comprehensive income	**-**	**-**	**-**	**7.958**	**19.359**	**27.317**
Balance at 31 December 2021	**19.600**	**79.084**	**7.413**	**15.954**	**70.866**	**192.917**

Cash flow statement

for the year ended 31 December 2021

		Group		Company	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020
	Note	HRK '000	HRK '000	HRK '000	HRK '000
Profit for the year before tax		27.906	10.174	22.421	8.111
Adjusted by:					
Finance income	14	(506)	(481)	(264)	(12)
Finance costs	13	1.744	2.501	1.497	2.319
Depreciation of property, plant and equipment	11	4.806	4.880	4.038	3.939
Depreciation of right-of-use assets	11	7.229	6.050	5.980	6.049
Amortisation of intangible assets	11	3.559	3.267	3.011	2.718
Impairment losses, net of reversals, on financial assets	23	333	967	85	947
Gains and losses on sales and value adjustments of tangible and intangible assets		(208)	-	(163)	-
Net carrying value of disposed property, plant and equipment	19	64	548	62	809
Net carrying value of intangible assets	18	330	1.425	-	214
Net carrying value of right-of-use assets	20	-	275	-	-
Impairment of property, plant and equipment	19	-	119	-	-
Decrease in non-controlling interests	31	-	(30)	-	-
Operating cash flows before movements in working capital		45.257	29.695	36.667	25.095
Decrease/(increase) in inventories		(1.506)	969	(1.846)	1.277
Decrease/(increase) in trade and other receivables		14.015	(11.426)	20.269	(9.802)
Increase/(decrease) in trade and other payables		7.972	35.958	5.295	29.088
Increase/(decrease) in contractual liabilities		(4.110)	(3.828)	(4.110)	(2.869)
Increase/(decrease) in deferred income		(4.537)	(3.740)	(837)	6.712
Cash generated from operations		57.091	47.628	55.438	49.502
Income tax paid		(1.319)	-	(529)	(1.776)
Net cash from operating activities		55.772	47.628	54.909	47.726
Investing activities					
Purchases of property, plant and equipment	19	(3.747)	(2.897)	(2.906)	(2.014)
Purchases of intangible assets	18	(2.525)	(1.607)	(2.203)	(1.505)
Establishment of a subsidiary		-	-	(374)	-
Increasing share in subsidiaries		-	-	-	(30)
Net cash (used in)/from investing activities		(6.272)	(4.504)	(5.482)	(3.550)
Financing activities					
Dividends paid		(1.539)	-	(1.539)	-
Interest paid		(873)	(2.379)	(868)	(2.379)
Transaction costs associated with loans and borrowings		-	-	-	(678)
Repayments of loans and borrowings	24	(84.130)	(124.383)	(80.841)	(124.353)
Cash receipts from loans and borrowings	24	53.060	103.765	49.175	103.594
Repayment of lease liabilities		(6.928)	(6.207)	(5.583)	(6.207)
Cash receipts from sale of own shares		101.116	-	101.116	-
Net cash (used in)/from financing activities		60.706	(29.204)	61.461	(30.022)
Net increase/(decrease) in cash and cash equivalents		110.206	13.921	110.888	14.154
Cash and cash equivalents at the beginning of the year		29.585	15.664	16.032	1.878
Cash and cash equivalents at the end of the year	32	139.791	29.585	126.920	16.032

1. General information

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

These financial statements are presented in the Croatian kuna (HRK) and are rounded to the nearest thousand. Foreign operations have been included in line with the policies detailed in note 3.

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

a. SPAN d.d.

The company SPAN d.d., company registration number: 080192242, was established in line with laws and regulations of the Republic of Croatia as a limited liability company on 23 March 1993. On 13 December 2019, the General Assembly adopted the Decision on transforming the company into a joint stock company.

Registered office: Zagreb, Koturaška cesta 47
Management Board: Nikola Dujmović, President of the Management Board, and the members Marijan Pongrac, Dragan Marković, Antonija Kapović 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.

The company Trilix d.o.o., Zagreb, company registration number: 080621127, was established in line with laws and regulations of the Republic of Croatia as a limited liability company on 8 August 2007.

Registered office: Ulica grada Vukovara 269F
Management Board: Mladen Amidžić, President of the Management Board, and Nikola Dujmović, member
The company's core activities are the following: IT security consultancy; Business and other management consulting services; and Computing and related activities.
Trilix d.o.o. maintained its position of a leading electronic goods processor. The consulting department provides advisory services in managing the organisation and risks, and reconciling business processes with rules and regulations in the IT area.

c. INFOCUMULUS d.o.o.

The company INFOCUMULUS d.o.o., Zagreb, company registration number: 080737093, was established in line with laws and regulations of the Republic of Croatia as a limited liability company on 22 July 2010.

Registered office: Zagreb, Koturaška cesta 47
Company directors: Marjan Pongrac, Director, Mihaela Trbojević, Director, Dragan Marković, procurator
The Company's core activities are the following: Research of new IT technologies; Market research and public opinion polling; Business and other management consulting services.
InfoCumulus d.o.o. was wholly owned by the Company since 2017 and was merged with the Company on 17 February 2022.

d. BONSAI d.o.o.

The company BONSAI d.o.o., Zagreb, company registration number: 081100130, was established in line with laws and regulations of the Republic of Croatia as a limited liability company on 12 May 2017.

Registered office: Zagreb, Koturaška cesta 47
Company directors: Slaven Mišak, Director, and Nikola Dujmović, Director

1. General data (continued)

The Company's core activities are the following: New media design (multimedia); and Computer and related activities.

e. MMC d.o.o.

The company MMC d.o.o., Zagreb, company registration number: 080186176, was established in line with laws and regulations of the Republic of Croatia as a limited liability company on 07 October 1994. On 1 February 2017, the company Span d.d. acquired a 40% share in the company MMC d.o.o., and on 21 February 2020 an additional 30% share. On 26 April 2021, the Company sold all of its shares in MMC d.o.o.

Registered office: Zagreb, Koturaška cesta 47
Company directors: Branka Czukor, Director, and Stjepko Varga, Director
The Company's core activity is Business and other management consulting services.

f. SPAN d.o.o., Ljubljana

The company SPAN d.o.o., Ljubljana, company registration number: 359638900, was established in line with laws and regulations of the Republic of Slovenia as a limited liability company on 18 August 2009.

Registered office: Ljubljana, Republic of Slovenia
Company director: Ivan Rojec, Director
The Company's core activities are the following: Design of information systems; and Provision of IT solutions on the Slovenian market.
SPAN d.o.o. Ljubljana began operations in 2014, offering a wide range of products, services, and solutions on the Slovene market. The company SPAN d.o.o. Ljubljana expanded to providing services in the IT solution segment, having formed a specialised team dedicated precisely to that area. This company is expected to further grow in the following period and enjoys strong support and know-how of the parent company.

g. SPAN IT Ltd., London

The company SPAN IT Ltd., London, company registration number: 06810505, was established in line with laws and regulations of the United Kingdom as a limited liability company on 05 February 2009.

Registered office: London, United Kingdom
Company directors: Marijan Pongrac, Director, and Dragan Marković, Director
The Company's core activity is Provision of IT solutions on the market of Great Britain.
Span IT Ltd. London began operations in 2010 as a sales representative of the Company and significantly contributed to the growth in export of services and solutions to the market in Great Britain. In 2022, the export of professional services to the market in Great Britain is expected to further increase.

1. General data (continued)

h. SPAN USA, Inc.

The company SPAN USA, Inc., company registration number: 68-0682850, was established in line with laws and regulations of the United States of America as a limited liability company on 10 October 2012.

Registered office: Oak Brook, United States of America

Company directors: Marijan Pongrac, Director

The Company's core activity is Provision of IT services and customer support in the USA.

SPAN USA, Inc., began operations in 2014 as a sales representative and local technical support centre for USA customers. Further increase in revenue in the USA is expected in 2022 as a direct result of the operations of this office.

i. Span Azerbaijan LLC, Baku

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

Registered office: Baku, Azerbaijan

Company Director: Eldar Jahangirov, Director

The Company's core activity is IT consulting and services.

j. Span LLC, Kiev

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

Registered office: Kiev, Ukraine

Company Director: Oleg Avilov, Director

The Company's core activity is IT consulting and services.

k. SPAN GmbH, Munchen

The company Span GmbH, company registration number: 242618, was established in line with laws and regulations of Germany as a limited liability company on 31 May 2018.

Registered office: Munich, Germany

Company directors: Dragan Marković, Director, and Saša Kramar, Director

The Company's core activity is IT consulting and services.

l. SPAN Swiss AG

The company SPAN Swiss AG, company registration number: 22966934000, was established in line with laws and regulations of Switzerland as a limited liability company on 18 February 2019.

Registered office: Zug, Switzerland

Company directors: Dragan Marković, Director, and Nikola Dujmović, Director

The Company's core activity is IT consulting and services.

m. Span-IT s.r.l., Chişinău

The company Span IT s.r.l., company registration number: 1021600030638, was established in line with laws and regulations of Moldova as a limited liability company on 19 July 2021.

Registered office: Chişinău, Moldova

Company directors: Saša Kramar, Director, Željko Galić, Director, and Smigaliov Serghei, Director

The company's core activity is IT consulting.

2. Adoption of new and revised standards

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period and have been adopted by the Group and Company:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform – Phase 2** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 (effective from 1 April 2021 for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 4 Insurance Contracts – "Extension of the Temporary Exemption from Applying IFRS 9"**, adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended to annual periods beginning on or after 1 January 2023).

Adoption of amendments to the existing standards and interpretations are not relevant for the Group and Company's operations and do not materially impact the financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are not yet effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),

- **IFRS 17 "Insurance Contracts"**, including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

2. Adoption of new and revised standards (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided to delay the adoption of this transitional standard until the issue of its final version,
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 17 "Insurance contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Group and Company anticipate that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

Basis of accounting

The financial statements have also been prepared in accordance with IFRS Standards adopted by the European Union (IFRS EU) and therefore the Group and Company's financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties that are measured at revalued amounts, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring the fair value of an asset or liability item, the Group and Company consider the characteristics market participants would consider when defining the price of assets or liabilities as at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

The principal accounting policies adopted are set out below.

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 of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December 2021. Control is achieved when the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- is capable of using its power to affect its returns.

The Company shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Company with less than a majority of the voting rights in an entity has rights that are sufficient to give it power when the Company has the practical ability to direct the relevant activities unilaterally. When assessing whether its voting rights are sufficient to give it power, the Company considers all facts and circumstances, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

3. Significant accounting policies (continued)

Basis for consolidation (continued)

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.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts that were previously recognised in other comprehensive income of the subsidiary are accounted for as if the Group had directly disposed of the assets or liabilities of the Company, i.e., transferred to profit and loss or some of the equity items in line with the IFRSs in force. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

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 acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets and liabilities and assets and liabilities from agreements on employee benefits, recognised and measured in line with IAS 12 or IAS 19;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) classified as held for sale and measured in line with IFRS 5.

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.

3. Significant accounting policies (continued)

Business combinations (continued)

Changes in the fair value of contingent consideration that are not measurement period adjustments are accounted for depending on the contingent consideration classification. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. Other contingent consideration is subsequently measured at fair value, at a later reporting date, with changes in fair value recognised in profit and loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. The amount of the interest in the acquiree before acquisition, that was previously recognised in other comprehensive income, shall be transferred to profit and loss as would be required if the interest had been disposed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts shall be adjusted during the measurement period (see above) or additional assets or liabilities shall be recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out above.

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.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Revenue recognition

IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") is an accounting standard stipulating the approach for recognising revenue from contracts with customers based on certain principles. IFRS 15 entails a 5-step approach requiring revenue recognition when control over the licences, goods and services is transferred to the customer. The material principle of IFRS 15 refers to the transfer of control described in more detail below with reference to individual revenue groups.

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 paragraphs below describe types of contracts, timing of meeting delivery commitments, and timing of recognition of revenue.

The Group and Company recognise revenue from the following major sources:

- sale of licences;
- sale of hardware; and
- sale of services.

Sale of licences

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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of licences (continued)

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 45 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.

Sale 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.

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

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 (continued)

Leases

The Group and Company as lessors
The Group and Company act only as lessees. 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.

Lease payments included in the measurement of the lease liability entail the following:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the lessee's exercise of the option to terminate the lease.

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.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

3. Significant accounting policies (continued)

Leases (continued)

As a practical expedient, IFRS 16 allows the lessee to elect not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The Group and Company have used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary assets at fair value, denominated in foreign currencies, are retranslated at exchange rates prevailing at the dates the fair values were determined. Non-monetary assets denominated in foreign currencies that are measured at historical cost are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, unless:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on cash receivables or payables from foreign operations the settlement of which is not planned nor probable in the nearby future, that thus constitute a portion of the net investment in foreign operations, initially recognised in other comprehensive income and on the (partial) disposal of the net investment transferred from equity to profit and loss.

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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 comprehensive income.

Government grants

Government grants are not recognised until there is reasonable assurance that the conditions attaching to them will be met and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group and Company recognise as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group and Company should purchase, construct, or otherwise acquire non-current assets (including property and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

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.

Taxation

The corporate income tax expense represents the sum of the tax currently payable and deferred tax.

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised based on temporary differences at the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group and Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from investment- and interest-related deductible temporary differences are accounted for and reported only to the extent of the probable amount of taxable profit that will allow the use of relief on the basis of deductible temporary differences and if their reversal is expected in the foreseeable future.

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)

Taxation (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and Company expect, at the end of the reporting period, to recover or settle the carrying amounts of their assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and Company intend to settle their current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. In case of current and deferred taxes resulting from the initial measurement of a business combination, the tax effect is included in the initial accounting for the business combination.

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. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. As of 31 December 2019, the Group and Company amended the accounting policy, by which date they had recognised buildings and land at purchase cost, less accumulated amortisation, and accumulated impairment losses. In order to present the fair value of buildings and land more accurately, the Group and Company selected the revaluation model. Thus, based on the assessment of an authorised assessor, as of 31 December 2021, the Group and Company recognised an increase in value of buildings and land, and the relevant deferred tax liability.

Any revaluation increase arising on the revaluation of buildings is credited to the properties 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 properties 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

Depreciation of non-current tangible assets, determined on the same basis as other property, commences when the assets are ready for their intended use.

Owned land is not depreciated.

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

3. Significant accounting policies (continued)

Property, plant, and equipment (continued)

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.

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. Intangible assets with indefinite useful lives that are acquired separately include Software and other rights, and Intangible assets under construction.

Internally developed intangible assets

Expenses resulting from research activities are recognised as expenses for the period in which they arise.

Internally developed intangible assets that are a result of development (or a development stage of an internal project) shall only be recognised if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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. Subsequent to 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 developed intangible assets entail Software development and Intangible assets under construction.

3. Significant accounting policies (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill is initially recognised at fair value as at the acquisition date (considered a cost, i.e., assets purchase cost).

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.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss if it eliminates the impairment loss recognised for assets in previous years. All increases in the surplus of this amount are considered revaluation increases.

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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred for marketing, selling and distribution.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position of the Group and Company when the Group and Company become a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value, unless the trade receivable has 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.

Classification of financial assets

Debt instruments meeting the following conditions are subsequently measured at depreciated cost:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Depreciated cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or incurred credit-impaired financial assets, the effective interest rate adjusted to the loan is calculated by discounting estimated future cash flows, including expected credit losses, to the depreciated cost of the debt instrument at initial measurement.

The depreciated cost of financial assets is the amount at which the financial instrument is measured at initial recognition, less payments of principal and plus accumulated depreciation, using the effective interest rate method for any difference between the opening amount and amount at maturity, adjusted for any loss. Gross carrying amount of financial assets is the depreciated cost of financial assets before adjustments for impairment provisions.

Interest income is recognised by applying the effective interest rate for debt instruments, which are subsequently measured at depreciated cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets which subsequently became credit-impaired, interest income is calculated by applying the effective interest rate to the depreciated cost of financial assets. If, in the following reporting periods, the credit risk for the credit-impaired financial instrument improves in the way that the financial instrument is no longer credit-impaired, the interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial assets. For the purchased credit-impaired financial assets or liabilities, the Group and Company recognise interest income by using the effective interest rate adjusted by the credit risk to the depreciated cost of financial assets at initial recognition. The calculation is not returned to a gross basis, even if the credit risk of the financial assets subsequently improves so that the financial assets are no longer credit-impaired. Interest income is recognised in profit or loss and is included in the 'Financial income – interest income' line item (note 14).

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

Foreign exchange gains and losses

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 recognise a loss allowance for expected credit losses on trade receivables and contractual assets. The amount of expected credit losses is calculated at every reporting date in order to reflect the changes in the credit risk since initial recognition of an individual financial instrument.

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.

Lifetime ECL represents expected credit losses resulting from all potential cases of default during the expected lifetime of the financial instrument. In contrast, 12-month ECL represents a portion of lifetime ECL resulting from potential default of the financial instrument liabilities within 12 months from the reporting date.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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;
- 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;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on 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.

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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 difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past-due event (see item 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 another financial reorganisation; or

(e) the disappearance of an active market for the financial asset because of 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.

(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

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

(v) Measurement and recognition of expected credit losses (continued)

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.

Derecognition 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. If the Group and Company do not transfer or retain almost all risks and rewards associated with ownership and, if it still has control over the transferred asset, it recognizes its retained interest in the asset and the related liability in the amounts it may have to pay. If the Group and Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and Company continue to recognize the financial asset and also recognize a collateralised borrowing for the proceeds received.

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

Classification as liabilities or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and Company are recognised in realised inflows, net of direct issuance costs. 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.

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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial asset or, where appropriate, a shorter period.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities subsequently measured at amortised cost (continued)

Foreign exchange gains and losses

For foreign-currency financial liabilities measured at amortised cost at the end of each reporting period, foreign exchange gains and losses are determined using the amortised cost of the instrument.

Derecognition of financial liabilities

The Group and Company derecognise financial liabilities when, and only when, the obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

Treasury shares

Treasury shares are held with CDCC (Central Depositary and Clearing Company). Treasury shares are recognised at cost and deducted from equity.

4. Critical accounting judgements 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 Company are a principal or agent in the sale of licences

IFRS 15 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 the 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 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 judgements 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 the free cash flow forecasts, the compound annual growth rate (CAGR) for the period from 2021 to 2025 amounts to 16.5%.

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 -0.5% to 1.50% and the WACC ranging from 10.23% to 12.23%. The sensitivity analysis within the impairment test did not determine an impairment.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful life of property, plant, and equipment

The Group and Company review the estimated useful life of property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment are reported at purchase cost less the accumulated value adjustment.

Leases – Assessing the incremental borrowing 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.

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 taxpayer. 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.

5. Revenue from contracts wirh customers

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Sales of software licences	506,893	411,962	317,217	248,670
Sales of goods and services – foreign	151,338	127,303	155,882	125,719
Sales of goods and services – domestic	71,092	57,698	33,137	25,163
Sales of hardware	37,951	13,059	36,002	13,059
Total	**767,273**	**610,022**	**542,238**	**412,611**

	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
External revenue by service provided				
Services revenue	222,429	185,001	189,019	150,882
Total	**222,429**	**185,001**	**189,019**	**150,882**

	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
External revenue by products sold				
Sales of software licences	506,893	411,962	317,217	248,670
Sales of hardware	37,951	13,059	36,002	13,059
Ukupno	**544,843**	**425,021**	**353,219**	**261,729**

	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
External revenue by timing of revenue				
Goods transferred at a point in time	544,843	425,021	353,219	261,729
Services transferred at a point in time	145,045	98,343	135,549	85,171
Services transferred over time	77,385	86,658	53,470	65,711
Total	**767,273**	**610,022**	**542,238**	**412,611**

6. Other operating income

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Government grants	211	1,098	211	138
Other operating income	6,640	2,638	2,483	2,607
Total	**6,851**	**3,735**	**2,694**	**2,745**

Other operating income predominantly includes income from reversal of provisions, income from collection of damages, and income from collection of adjusted receivables.

6.1. Operating segments

Products and services resulting in revenue for reportable segments

Information reported to the President of the Management Board for the purposes of resource allocation and assessment of segment performance is focused on every type of product/service. In line with IFRS 8, the separate reporting segments of the Group and Company include Software asset and license management, Infrastructure services, Cloud and Cyber Security, Services management and customer support, and Software and business solutions development.

	Group						
	Software asset management and licensing	**Infrastructure Services, Cloud and Cyber Security**	**Service management and technical support**	**Software development and business solutions**	**Other**	**Eliminations**	**Consolidated**
	2021	**2021**	**2021**	**2021**	**2021**	**2021**	**2021**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Revenues							
External sales	650,410	85,715	102,713	55,768	7,353	(127,835)	774,123
Total revenue	**650,410**	**85,715**	**102,713**	**55,768**	**7,353**	**(127,835)**	**774,123**
Result							
Segment profit	19,219	19,608	46,635	10,839	(69,343)	(24)	26,933
Finance income	-	-	-	-	6,366	(253)	6,114
Finance costs	-	-	-	-	5,418	(277)	5,141
Profit before tax	19,219	19,608	46,635	10,839	(68,394)	-	27,906
Income tax	-	-	-	-	4,082	-	4,082
Profit for the year	19,219	19,608	46,635	10,839	(72,476)	-	23,824

	Software asset management and licensing	**Infrastructure Services, Cloud and Cyber Security**	**Service management and technical support**	**Software development and business solutions**	**Other**	**Eliminations**	**Consolidated**
	2020	**2020**	**2020**	**2020**	**2020**	**2020**	**2020**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Revenues							
External sales	516,306	63,909	81,918	43,630	3,895	(95,900)	613,757
Total revenue	**516,306**	**63,909**	**81,918**	**43,630**	**3,895**	**(95,900)**	**613,757**
Result							
Segment profit	12,264	13,857	37,169	7,463	(53,643)	183	17,292
Finance income	-	-	-	-	4,828	(491)	4,337
Finance costs	-	-	-	-	11,763	(308)	11,455
Profit before tax	12,264	13,857	37,169	7,463	(60,579)	-	10,174
Income tax	-	-	-	-	2,722	-	2,722
Profit for the year	12,264	13,857	37,169	7,463	(63,301)	-	7,452

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
	2021	2021	2021	2021	2021	2021
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Revenues						
External sales	353,219	65,546	94,185	29,289	2,694	544,932
Total revenue	**353,219**	**65,546**	**94,185**	**29,289**	**2,694**	**544,932**
Result						
Segment profit	18,284	16,456	44,787	3,427	(60,441)	22,513
Finance income	-	-	-	-	4,048	4,048
Finance costs	-	-	-	-	4,140	4,140
Profit before tax	18,284	16,456	44,787	3,427	(60,534)	22,421
Income tax	-	-	-	-	3,062	3,062
Profit for the year	18,284	16,456	44,787	3,427	(63,595)	19,359

	Software asset management and licensing	Infrastructure Services, Cloud and Cyber Security	Service management and technical support	Software development and business solutions	Other	Consolidated
	2020	2020	2020	2020	2020	2020
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Revenues						
External sales	261,729	50,168	77,927	22,787	2,745	415,356
Total revenue	**261,729**	**50,168**	**77,927**	**22,787**	**2,745**	**415,356**
Result						
Segment profit	10,743	11,062	36,306	1,314	(44,998)	14,426
Finance income	-	-	-	-	2,746	2,746
Finance costs	-	-	-	-	9,061	9,061
Profit before tax	10,743	11,062	36,306	1,314	(51,313)	8,111
Income tax	-	-	-	-	1,616	1,616
Profit for the year	10,743	11,062	36,306	1,314	(52,929)	6,496

6.1. Operating segments (continued)

Products and services resulting in revenue for reportable segments (continued)

	Non-current assets			
	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Software asset management and licensing	1,718	561	568	401
Infrastructure Services, Cloud and Cyber Security	4,438	3,198	3,195	3,155
Service management and technical support	2,277	2,691	2,260	2,651
Software development and business solutions	3,121	986	655	886
Other	83,556	75,314	100,011	88,814
Total segment assets	**95,110**	**82,749**	**106,690**	**95,907**
Consolidated total assets	**95,110**	**82,749**	**106,690**	**95,907**

	Amortisation			
	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Software asset management and licensing	421	595	333	358
Infrastructure Services, Cloud and Cyber Security	1,451	1,419	1,369	1,297
Service management and technical support	2,416	1,615	2,415	1,606
Software development and business solutions	2,467	2,878	1,782	2,240
Other	8,840	7,689	7,130	7,205
	15,594	**14,196**	**13,029**	**12,706**

	Additions to non-current assets			
	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Software asset management and licensing	850	495	653	249
Infrastructure Services, Cloud and Cyber Security	2,928	1,109	2,680	1,052
Service management and technical support	4,876	1,263	4,727	1,167
Software development and business solutions	4,979	2,251	3,487	1,708
Other	17,842	4,705	13,956	4,662
	31,475	**9,823**	**25,503**	**8,839**

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. This is the measure reported to the Group and Company's Chief Executive for the purpose of resource allocation and assessment of segment performance.

In relation to the prior reporting period, in order to obtain quality information, the number of reportable segments of the Group and Company increased to secure a better insight into the business activities.

Revenues from major products and services

The Group and Company's revenues from major products and services are disclosed in note 5.

6.1. Operating segments (continued)

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:

Geographical information

	Revenue from external customers		Non-current assets	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Croatia	440,147	341,941	89,436	78,039
Slovenia	141,061	117,563	3,648	2,902
Ukraine	161,887	140,935	814	557
Other	31,028	13,319	1,213	1,251
	774,123	**613,757**	**95,110**	**82,749**

Information about key customers

Included in revenues arising from sale of services are revenues of approximately HRK 64,000 thousand (2020: 68,000 thousand) which arose from sales to the Group and Company's largest customer.

7. Cost of goods sold

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Costs of goods sold	507,619	397,504	328,938	246,356
Total	**507,619**	**397,504**	**328,938**	**246,356**

8. Raw materials and supplies

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Cost of small inventory and spare parts	1,131	1,420	903	990
Cost of office material	684	506	557	466
Energy	1,322	1,108	1,160	984
Other costs	10	8	-	-
Total	**3,147**	**3,042**	**2,620**	**2,440**

9. Service costs

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Production and advisory service costs	38,799	32,936	33,787	27,544
Intellectual services	14,039	6,390	10,372	3,319
Lease payments	1,909	3,037	1,359	1,070
Maintenance	3,452	2,577	3,125	2,087
Utility services	2,272	2,071	2,071	1,855
Entertainment and hospitality	1,745	1,139	1,282	812
Telecommunications costs	1,267	995	785	778
Promotion costs	2,280	560	1,782	354
Transport costs	270	372	254	343
Other services	5,463	1,285	3,997	835
Total	**71,496**	**51,361**	**58,814**	**38,997**

10. Staff costs

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Net salaries	84,329	74,428	61,430	52,679
Contributions and taxes from salaries	33,213	30,606	29,979	26,986
Contributions and taxes on salaries	12,428	11,115	11,153	9,737
Other employee costs	8,613	2,763	7,493	2,247
Total	**138,584**	**118,912**	**110,055**	**91,649**

The average number of employees in 2021 of the Group amounted to 537 and of the Company 436 (2020: Group 495, Company 399).

11. Depreciation costs

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Depreciation of property, plant and equipment	4,806	4,880	4,038	3,939
Depreciation of intangible assets	3,559	3,266	3,011	2,718
Depreciation of right-of-use assets	7,229	6,049	5,980	6,049
Total	**15,594**	**14,196**	**13,029**	**12,706**

12. Other expenses

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Membership fees and similar expenses	958	755	907	865
Net losses from sale of intangible assets	-	1,372	-	1,372
Insurance costs	1,960	1,376	1,683	1,222
Bank and payment operation charges	1,032	1,018	544	488
Training	1,539	900	1,391	809
Donations and sponsorships	673	152	548	86
Other IT costs	19	11	-	-
Other expenses	4,238	4,898	3,805	2,992
Total	**10,419**	**10,482**	**8,877**	**7,834**

13. Finance costs

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Foreign exchange losses	3,324	8,954	2,644	6,742
Interest on bank loans	971	1,893	853	1,711
Interest on lease liabilities	773	608	643	608
Losses on sales of subsidiary	72	-	-	-
Total	**5,141**	**11,455**	**4,140**	**9,061**

14. Finance income

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Interest income:				
Financial instruments measured at amortised cost:				
- Bank deposits	506	481	264	12
Foreign exchange gains	5,608	3,855	3,784	2,734
Total	**6,114**	**4,336**	**4,048**	**2,746**

15. Income tax

The standard rate of corporation tax applied to reported profit is 18% (2020: 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.

15. Income tax

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Current tax	(1,232)	(1,830)	(96)	(820)
Deferred tax	(2,850)	(892)	(2,965)	(796)
Total	**(4,082)**	**(2,722)**	**(3,061)**	**(1,616)**

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Accounting profit before tax	**27,906**	**10,174**	**22,421**	**8,111**
Income tax calculated at the rate of 18% in the Republic of Croatia (u 2020.g. 18%)	5,023	1,831	4,036	1,460
Effect of non-deductible expenses	502	411	462	384
Effect of tax-exempt revenue	(4,415)	(278)	(4,402)	(1,023)
Effect of movement of deferred tax liabilities	2,850	892	2,965	796
Effect of different tax rates of subsidiaries operating in other jurisdictions and unrecognised deferred tax assets on transferred tax losses	122	(134)	-	-
Tax expense	**4,082**	**2,722**	**3,061**	**1,616**
Effective tax rate	*15%*	*27%*	*14%*	*20%*

Effect of movement of tax losses carried forward:

	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Tax loss from 2018	726	726	-	-
Tax loss from 2019	3,811	4,794	-	-
Tax loss from 2020	4,140	4,140	-	-
Tax loss from 2021	2,017	-	-	-
Total	**10,694**	**9,659**	**-**	**-**

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 Management Board of the Company is not familiar with any circumstances which may lead to contingent liabilities in that respect.

16. Earnings per share

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Earnings				
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	23,719	7,798	19,359	6,496
Earnings for the purposes of diluted earnings per share	23,719	7,798	19,359	6,496

	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,526,508	128,240	1,526,508	128,240
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,526,508	128,240	1,526,508	128,240

	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Number of shares				
	1,526,508	128,240	1,526,508	128,240
	1,526,508	**128,240**	**1,526,508**	**128,240**

	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	'000 HRK	'000 HRK	'000 HRK	'000 HRK
Earnings				
Net profit/(loss) attributable to equity holders of the parent	23,719	7,798	19,359	6,496
Earnings from continuing operations for the purpose of basic earnings per share	15.54	60.81	12.68	50.65
Earnings from discontinued operations for the purposes of diluted earnings per share	15.54	60.81	12.68	50.65

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the parent by the weighted average number of ordinary shares issued during the year, excluding the average number of ordinary shares purchased by the Group and Company and held as own shares. Basic earnings per share is equal to the diluted earnings per share since currently there are no share options that could potentially increase the quantity of shares issued.

On 24 May 2021, the General Assembly of Span d.d. adopted the Decision on allocating shares based on the principle that one share of nominal value of HRK 100 be divided into 10 shares, each of nominal value of HRK 10.

17. Goodwill

Goodwill arose on the acquisition of subsidiaries InfoCumulus d.o.o., Delion d.o.o., and Recro-net d.o.o. and MMC d.o.o. During 2021, the Company sold all of its shares in MMC d.o.o.

17. Goodwill (continued)

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Goodwill Recro.net	10,781	10,781	10,781	10,781
Goodwill InfoCumulus	6,705	6,705	-	-
Goodwill Delion	1,981	1,986	-	-
Goodwill MMC	-	287	-	-
Total	**19,466**	**19,758**	**10,781**	**10,781**

Cost	
As at 31 December 2020	19,758
Exchange rate differences	(5)
Decrease	(287)
As at 31 December 2021	19,466
Accumulated impairment losses	
As at 31 December 2020	-
As at 31 December 2021	-
Carrying value	
As at 31 December 2021	19,466
As at 31 December 2020	19,758

18. Other intangible assets

	Group			
	Software development	**Software and other rights**	**Intangible assets under construction**	**Total**
Cost				
As at 1 January 2020	14,916	9,051	2,217	26,184
Exchange rate differences	-	(1)	-	(1)
Additions from internal development	3,772	(3,719)	1,553	1,607
Decreases	(2,197)	(1,555)	-	(3,751)
Transfers	-	3,723	(3,723)	-
As at 31 December 2020	16,491	7,499	48	24,038
Exchange rate differences	-	2	-	2
Additions from internal development	43	279	2,203	2,525
Decreases	(43)	(861)	-	(905)
Transfers	1,826	-	(1,826)	-
As at 31 December 2021	18,317	6,918	425	25,660
Depreciation and amortisation				
As at 1 January 2020	5,273	8,134	-	13,407
Exchange rate differences	-	2	-	2
Charge for the year	2,983	283	-	3,266
Decreases	(780)	(1,547)	-	(2,327)
As at 31 December 2020	7,476	6,872	-	14,348
Exchange rate differences	-	1	-	1
Charge for the year	3,299	260	-	3,559
Decreases	-	(861)	-	(861)
As at 31 December 2021	10,775	6,272	-	17,047
Carrying value				
As at 31 December 2021	7,543	646	425	8,614
As at 31 December 2020	9,015	627	48	9,691
As at 01 January 2020	9,643	917	2,217	12,777

18. Other intangible assets (continued)

	Company			
	Software development	**Software and other rights**	**Intangible assets under construction**	**Total**
Cost				
As at 1 January 2020	12,238	6,167	2,217	20,622
Additions from internal development	3,723	(3,723)	1,505	1,505
Decreases	(2,147)	(1,414)		(3,561)
Transfers		3,723	(3,723)	-
As at 31 December 2020	13,813	4,753	-	18,567
Additions from internal development		-	2,203	2,203
Decreases		(861)		(861)
Transfers	1,778		(1,778)	-
As at 31 December 2021	15,592	3,892	425	19,909
Depreciation and amortisation				
As at 1 January 2020	4,253	5,275	-	9,528
Charge for the year	2,448	270	-	2,718
Decreases	(780)	(1,414)		(2,194)
As at 31 December 2020	5,921	4,131	-	10,052
Charge for the year	2,763	248	-	3,011
Decreases	-	(861)	-	(861)
As at 31 December 2021	8,684	3,519	-	12,203
Carrying value				
As at 31 December 2021	6,908	374	425	7,706
As at 31 December 2020	7,892	622	-	8,514
As at 01 January 2020	7,985	892	2,217	11,094

Impairment losses

In 2020, impairment losses were recognised in relation to the net carrying amount during the sale of software developed internally in the parent company and recognised in profit or loss.

19. Property, plant and equipment

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Carrying value				
Buildings	21,789	17,152	21,789	17,152
Land	13,050	9,415	13,050	9,415
Computers and IT equipment	3,258	2,581	3,012	2,486
Other equipment	3,320	3,601	1,815	2,103
Total	**41,416**	**32,749**	**39,666**	**31,156**

Buildings of the Company were pledged as collateral.

As at 31 December 2021, the Company increased the value of buildings and land owned based on an assessment by an independent appraiser.

19. Property, plant, and equipment

	Group					
	Buildings	**Land**	**Computer equipment**	**Other equipment**	**Assets under construction**	**Total**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Cost or valuation						
As at 1 January 2020	24,771	9,415	14,123	9,461	378	58,147
Additions	-	-	1,586	1,211	100	2,897
Foreign exchange gains and losses	-	-	-	(115)	-	(115)
Disposals	-	-	(684)	(1,002)	(478)	(2,165)
As at 31 December 2020	24,771	9,415	15,024	9,554	-	58,764
Additions	-	-	2,531	1,216	-	3,747
Foreign exchange gains and losses	-	-	-	244	-	244
Disposals	-	-	(428)	(612)	-	(1,040)
Revaluation increase	6,070	3,635	-	-	-	9,705
As at 31 December 2021	30,841	13,050	17,127	10,403	-	71,420
Accumulated depreciation and impairment						
As at 1 January 2020	6,186	-	11,362	5,292	-	22,840
Charge for the year	1,433	-	1,831	1,616	-	4,880
Impairment loss	-	-	(35)	(84)	-	(119)
Exchange rate differences	-	-	-	31	-	31
Eliminated on disposals	-	-	(715)	(902)	-	(1,617)
As at 31 December 2020	7,619	-	12,444	5,953	-	26,015
Charge for the year	1,433	-	1,795	1,578	-	4,806
Exchange rate differences	-	-	-	148	-	148
Eliminated on disposals	-	-	(370)	(596)	-	(965)
As at 31 December 2021	9,051	-	13,869	7,083	-	30,004
Carrying value						
As at 31 December 2021	21,789	13,050	3,258	3,320	-	41,416
As at 31 December 2020	17,152	9,415	2,581	3,601	-	32,749
As at 01 January 2020	18,585	9,415	2,760	4,169	378	35,307
Comprising:						
Per cost	-	-	17,127	10,403	-	27,530
At valuation 2021	30,841	13,050	-	-	-	43,890

19. Property, plant, and equipment (continued)

	Company					
	Buildings	Land	Computer equipment	Other equipment	Assets under construction	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Cost or valuation						
As at 1 January 2020	24,771	9,415	13,251	6,415	378	54,229
Additions	-	-	1,494	420	100	2,014
Disposals	-	-	(455)	(734)	(478)	(1,668)
Digitalni Ured Merger	-	-	59	-	-	59
As at 31 December 2020	24,771	9,415	14,349	6,101	-	54,635
Additions	-	-	2,282	623	-	2,906
Disposals	-	-	(384)	(435)	-	(819)
Revaluation increase	6,070	3,635	-	-	-	9,705
As at 31 December 2021	30,841	13,050	16,247	6,289	-	66,427
Akumulirana amortizacija i umanjenje						
As at 1 January 2020	6,186	-	10,649	3,739	-	20,574
Charge for the year	1,433	-	1,659	926	-	4,018
Eliminated on disposals	-	-	(484)	(707)	-	(1,191)
Digitalni Ured	-	-	39	40	-	79
As at 31 December 2020	7,619	-	11,863	3,998	-	23,479
Charge for the year	1,433	-	1,697	908	-	4,038
Eliminated on disposals	-	-	(325)	(432)	-	(756)
As at 31 December 2021	9,051	-	13,235	4,474	-	26,760
Carrying value						
As at 31 December 2021	21,789	13,050	3,012	1,815	-	39,666
As at 31 December 2020	17,152	9,415	2,486	2,103	-	31,156
As at 01 January 2020	18,585	9,415	2,602	2,676	378	33,656
Comprising:						
Per cost	-	-	16,247	6,289	-	22,536
At valuation 2021	30,841	13,050	-	-	-	43,890

19. Nekretnine, postrojenja i oprema (nastavak)

Fair value measurement of the Group and Company's buildings

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 December 2021**
	HRK '000	HRK '000	HRK '000
Freehold land	-	13,050	13,050
Buildings	-	21,789	21,789

	Level 2	**Level 3**	**Fair value as at 31 December 2020**
	HRK '000	HRK '000	HRK '000
Freehold land	-	9,415	9,415
Buildings	-	17,152	17,152

Assets pledged as security

A portion of the loans received have been secured by the Company's pledged assets (registered office building) of net carrying value of HRK 21,789 thousand (2020: HRK 17,152 thousand).

Had the Group and Company's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	As at 31 December 2021	**As at 31 December 2020**
	HRK '000	HRK '000
Freehold land	5,763	5,763
Buildings	8,511	9,943
Total	**14,273**	**15,706**

19.1. Subsidiaries

The following table provides an overview of information on subsidiaries as at 31/12/2021.

Company	Country of incorporation	Ownership	Voting rights
Trilix d.o.o., Zagreb	Croatia	60%	60%
InfoCumulus d.o.o., Zagreb	Croatia	100%	100%
Span d.o.o., Ljubljana	Slovenia	100%	100%
Span IT Ltd., London	Great Britain	100%	100%
Span USA Inc., Oak Brook	USA	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	Switzerland	100%	100%
Span-IT s.r.l., Chișinău	Moldova	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 indeed passed to the Company and excluded from consolidation as of the date the control ceases.

19.2. Transactions with related parties

Related parties are undertakings in which the Company owns business shares, that is undertakings that are part of the Group. All transactions with related parties are based on usual business and market terms. Balances of receivables and payables between the Company and its related parties as at the date of the statement of financial position are as follows:

	Receivables and loans		Liabilities	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Span d.o.o., Slovenia	6,734	6,739	195	199
Trilix d.o.o., Zagreb	169	461	-	-
M M C d.o.o., Zagreb	-	404	-	576
Span USA Inc., USA	-	61	-	-
Span LLC, Ukraine	-	50	86	244
InfoCumulus d.o.o., Zagreb	-	22	132	-
Span Azerbaijan LLC, Baku	109	2	60	125
Bonsai d.o.o., Zagreb	-	-	753	592
Span IT Ltd., Great Britain	-	-	15	12
Total	**7,012**	**7,739**	**1,242**	**1,748**

19.2. Transactions with related parties (continued)

Transactions between the Company and its related parties presented in the statement of comprehensive income for 2021 and 2020 are detailed below.

	Revenue		Expenses	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Span d.o.o., Slovenia	106,946	82,016	2,587	1,224
Digitalni ured d.o.o., Zagreb	-	2,167	-	7
Span USA Inc., SAD	7,932	1,833	-	-
Trilix d.o.o., Zagreb	151	509	33	199
Bonsai d.o.o., Zagreb	333	507	4,028	1,727
InfoCumulus d.o.o., Zagreb	162	453	2,034	937
Span LLC, Ukraine	27	143	530	1,258
Span Azerbaijan LLC, Baku	334	11	215	805
MMC d.o.o., Zagreb	-	1	27	78
Span IT Ltd., Great Britain	-	-	117	712
Total	**115,884**	**87,640**	**9,571**	**6,947**

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 (2020: 6).

Remuneration of key management personnel

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Short-term employee benefits	9,493	6,936	9,493	6,936

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.

Right-of-use Assets

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Right-of-use assets – Vehicles	6,401	6,599	5,608	6,599
Right-of-use assets – Business premises	10,614	3,527	7,849	3,527
Total	**17,015**	**10,126**	**13,456**	**10,126**

20. Right-of-use assets (continued)

	Group		
Right-of-use assets	**Business premises**	**Vehicles**	**Total**
	HRK '000	HRK '000	HRK '000
Cost			
As at 1 January 2020	7,449	8,093	15,541
Increase	2,628	2,691	5,319
Decreases	(267)	(207)	(474)
As at 31 December 2020	9,810	10,577	20,386
Increase	12,804	2,694	15,498
Decreases	(8,148)	(1,248)	(9,396)
As at 31 December 2021	14,465	12,022	26,488
Accumulated depreciation			
As at 1 January 2020	2,616	1,794	4,409
Charge for the year	3,793	2,257	6,049
Write-off	(126)	(72)	(198)
As at 31 December 2020	6,282	3,978	10,261
Charge for the year	4,411	2,818	7,229
Write-off	(6,842)	(1,176)	(8,017)
As at 31 December 2021	3,852	5,621	9,473
Carrying value			
As at 31 December 2020	3,527	6,599	10,126
As at 31 December 2021	10,614	6,401	17,015

	Company		
Right-of-use assets	**Business premises**	**Vehicles**	**Total**
	HRK '000	HRK '000	HRK '000
Cost			
As at 1 January 2020	7,449	8,093	15,541
Increase	2,628	2,691	5,319
Decreases	(267)	(207)	(474)
As at 31 December 2020	9,810	10,577	20,386
Increase	9,362	1,328	10,689
Decreases	(8,148)	(1,248)	(9,396)
As at 31 December 2021	11,023	10,656	21,679
Accumulated depreciation			
As at 1 January 2020	2,616	1,794	4,409
Charge for the year	3,793	2,257	6,049
Write-off	(126)	(72)	(198)
As at 31 December 2020	6,282	3,978	10,261
Charge for the year	3,734	2,246	5,980
Write-off	(6,842)	(1,176)	(8,017)
As at 31 December 2021	3,174	5,049	8,223
Carrying value			
As at 31 December 2020	3,527	6,599	10,126
As at 31 December 2021	7,849	5,608	13,456

20. Right-of-use assets (continued)

Amounts recognised in profit and loss	Group 31/12/2021 HRK '000	Group 31/12/2020 HRK '000	Company 31/12/2021 HRK '000	Company 31/12/2020 HRK '000
Depreciation expense on right-of-use assets				
Business premises	4,411	3,793	3,734	3,793
Vehicles	2,818	2,257	2,246	2,257
Interest expense on lease liabilities				
Business premises	350	197	269	197
Vehicles	423	412	374	412
Expense relating to short-term leases	1,909	3,037	1,359	3,037

	31/12/2021 HRK '000	31/12/2020 HRK '000	31/12/2021 HRK '000	31/12/2020 HRK '000
Fixed payments				
Business premises	4,138	4,103	3,441	4,103
Vehicles	4,124	3,173	3,404	3,173
Total	**8,262**	**7,276**	**6,845**	**7,276**

	Group		
	Within 5 years	**Later than 5 years**	**Total**
	HRK '000	HRK '000	HRK '000
Options to extend expected to be extended	14,070	-	14,070
Ukupno	**14,070**	**-**	**14,070**

	Company		
	Within 5 years	**Later than 5 years**	**Total**
	HRK '000	HRK '000	HRK '000
Options to extend expected to be extended	10,786	-	10,786
	10,786	**-**	**10,786**

21. Investments in financial assets

	Current			
	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Financial assets measured at amortised cost				
Bank deposits	879	-	-	-
Loans given	-	57	-	-
Total	**879**	**57**	**-**	**-**

	Non-current			
	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Financial assets measured at amortised cost				
Bank deposits	-	866	-	-
Receivables for tender guarantees	245	393	245	282
Receivables for lease guarantees	72	107	-	35
Depositary receipts and convertible notes	549	549	111	111
Total	**866**	**1,914**	**356**	**428**

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 of the companies in which the Company controls financial and business policies, which generally entails more than half of the voting rights. In 2021, the share in M M C d.o.o. was sold, the shares in Span GmbH, Germany and Span Swiss AG, Switzerland were increased, and Span-IT s.r.l., Moldova was established.

	Ownership (%)	31/12/2021 HRK '000	31/12/2020 HRK '000
Span d.o.o., Slovenia	100%	2,980	2,980
Trilix d.o.o., Zagreb	60%	1,080	1,080
M M C d.o.o., Zagreb	70%	-	70
Span USA Inc., USA	100%	115	115
Span LLC, Ukraine	100%	4,664	4,664
InfoCumulus d.o.o., Zagreb	100%	16,884	16,884
Bonsai d.o.o., Zagreb	70%	350	350
Span GmbH, Germany	100%	298	185
Span Swiss AG, Switzerland	100%	1,024	658
Span-IT s.r.l., Moldova	100%	374	-
Total		**27,769**	**26,986**

22. Inventories

Merchandise inventories predominantly refer to hardware purchased for familiar customers and this year exceptionally for 2022 licences, for which the invoice was received on 31/12/2021. These licences were sold on 01/01/2022.

The cost of inventories recognised as an expense during the year was HRK 507 million (2020: HRK 397 million) for the Group, and HRK 329 million (2020: HRK 246 million) for the Company.

At the end of each business year, the Group and Company examine the net recoverable value of inventories and adjust the value of inventories older than 1 year.

The cost or the expense of inventories recognised as expenditures amount to HRK 27 thousand (2020: HRK 35 thousand) for both the Group and Company and refer to the value adjustment of inventories up to their net realisable value. The value adjustment of inventories has been reversed for inventories sold in the amount of HRK 238 thousand (2020: HRK 390 thousand).

It is expected that the value of inventories amounting to HRK 2,026 thousand (2020: HRK 520 thousand) for the Group and HRK 1,972 thousand (2020: HRK 127 thousand) for the Company will be realised very quickly, within 12 months the latest.

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Trade goods	195	520	141	127
License	1,831	-	1,831	-
Ukupno	**2,026**	**520**	**1,972**	**127**

23. Trade and other receivables

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Domestic trade receivables	60,005	63,464	22,407	39,307
Foreign trade receivables	20,428	31,954	26,658	29,772
Prepaid expenses	7,238	9,656	6,144	6,646
VAT receivables	2,417	1,012	320	165
Related party receivables	-	-	7,013	7,739
Calculated income	21,551	8,605	17,651	7,737
Impairment of trade receivables	(36)	(47)	(36)	(22)
Other receivables	2,157	1,856	2,165	1,098
Total	**113,760**	**116,501**	**82,322**	**92,442**

Trade receivables

The average credit period on sales of goods for the Group is 38 days, and for the Company 38 days (2020: 54 days for the Group, and 68 days for the Company). 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.

23. Trade and other receivables (continued)

Movements in impairment allowance on trade receivables

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Opening balance	**47**	**91**	**151**	**57**
Movement of loss allowance	333	967	85	947
Amounts recovered during the year	(28)	(29)	(23)	(29)
Amounts written off	(316)	(972)	(178)	(824)
Closing balance	**36**	**47**	**36**	**151**

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. None of the trade receivables that have been written off is 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.

	Group	Company
	31/12/2021	31/12/2020
	HRK '000	HRK '000
Customer 1	7,783	7,783
Customer 2	5,166	6,734
Customer 3	3,302	5,166
Customer 4	2,100	2,100
Customer 5	2,068	2,068
Customer 6	1,798	1,798
Customer 7	1,701	1,701
Customer 8	1,521	1,521
Customer 9	1,495	1,495
Customer 10	1,467	1,383
Total	**28,403**	**31,750**
Total receivables	**73,420**	**49,065**
Share in total receivables (%)	**38.69%**	**64.71%**

	Group	Company
	31/12/2021	31/12/2020
	HRK '000	HRK '000
Customer 1	10,315	10,315
Customer 2	8,713	8,713
Customer 3	4,437	6,739
Customer 4	4,186	4,186
Customer 5	3,771	3,318
Customer 6	3,318	2,443
Customer 7	2,443	2,406
Customer 8	2,406	2,055
Customer 9	2,055	1,904
Customer 10	1,904	1,894
Total	**43,546**	**43,972**
Total receivables	**97,464**	**69,079**
Share in total receivables (%)	**44.68%**	**63.65%**

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.

23. Trade and other receivables (continued)

Group

31/12/2021	Not past due	< 90	91 - 180	181 - 270	271 - 360	> 360	Total
	Trade receivables – days past due						
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Expected credit losses	0.02%	0.04%	0.73%	3.39%	18.88%	50.17%	
Estimated total gross carrying amount at default	53,860	14,234	411	265	535	181	**69,486**
Lifetime ECL	12	6	3	9	101	91	**221**
							69,265

31/12/2020	Not past due	< 90	91 - 180	181 - 270	271 - 360	> 360	Total
	Trade receivables – days past due						
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Expected credit losses	0.01%	0.11%	0.40%	0.48%	3.10%	91.51%	
Estimated total gross carrying amount at default	84,676	7,857	1,511	207	775	993	**96,148**
Lifetime ECL	7	9	6	1	24	909	**957**
							95,191

Company

31/12/2021	Not past due	< 90	91 - 180	181 - 270	271 - 360	> 360	Total
	Trade receivables – days past due						
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Expected credit losses	0.01%	0.03%	0.29%	2.06%	5.29%	50.00%	
Estimated total gross carrying amount at default	34,948	13,323	344	194	170	50	**49,029**
Lifetime ECL	4	4	1	4	9	25	**46**
							48,983

31/12/2020	Not past due	< 90	91 - 180	181 - 270	271 - 360	> 360	Total
	Trade receivables – days past due						
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Expected credit losses	0.01%	0.04%	0.51%	1.22%	3.37%	49.69%	
Estimated total gross carrying amount at default	52,408	22,505	1,382	82	712	163	**77,252**
Lifetime ECL	7	9	7	1	24	81	**130**
							77,122

24. Borrowings

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Unsecured borrowings at amortised cost	HRK '000	HRK '000	HRK '000	HRK '000
Non-current				
OTP bank d.d.	6,895	9,296	6,895	9,296
Splitska banka	-	3,162	-	3,162
Privredna banka Zagreb bank d.d.	-	1,655	-	1,655
	6,895	**14,113**	**6,895**	**14,113**
Unsecured borrowing at amortised cost				
Current				
Zagrebačka banka d.d.	-	7,612	-	7,441
OTP bank d.d	6,337	15,941	5,548	15,941
Privredna banka Zagreb bank d.d.	1,665	1,662	1,665	1,662
Raiffeisenbank Austria d.d.	701	7,603	-	6,503
Other liabilities to banks	379	-	-	-
	9,082	**32,817**	**7,213**	**31,546**
Total	**15,977**	**46,930**	**14,108**	**45,659**

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Balance at 1 January	**46,930**	**66,859**	**45,659**	**65,737**
New loans	53,060	103,765	49,175	103,594
Loan repayment	(84,130)	(124,383)	(80,841)	(124,353)
Foreign exchange gains and losses	118	689	114	681
Total	**15,977**	**46,930**	**14,108**	**45,659**

24. Borrowings (continued)

Analysis of foreign currency borrowings:

Other principal features of the Group and Company's borrowings are the following:

(i) The Company does not use overdrafts.

(ii) The Company has four main bank loans:

(a) A loan, of HRK 9.3 million (2020: HRK 12.3 million) contracted on 05/06/2019 with OTP bank d.d. with a currency clause in EUR, for financing trade and other payables. Repayments 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 HRK 3.2 million (2020: HRK 5.7 million) contracted on 23/07/2015 with OTP bank d.d. with a currency clause in EUR, for settling payables to Addiko bank d.d.. Repayments commenced on 23/10/2015 and will continue until 23/03/2023. 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 fixed, annual interest rate of 1.80 % is applied to the loan.

(c) A loan, of HRK 1.7 million (2020: HRK 3.3 million) contracted on 16/07/2020 with Privredna banka Zagreb d.d. in HRK for working capital. Repayments commenced on 31/08/2020 and will continue until 31/12/2022. The loan has been secured by promissory notes and bills of exchange issued by the Company. A fixed, annual interest rate of 2.20 % is applied to the loan.

(d) A loan, multipurpose framework, of EUR 4.4 million, active as at the reporting date and used only for issuing guarantees in the amount of HRK 7.7 million (2020: HRK 10.4 million of used loans), contracted on 31/03/2011 with OTP banka d.d. with a currency clause in EUR. Each instalment matures within 6 months from its withdrawal. The framework is contracted and renewed annually, the loan to be used by 31/05/2022, ultimate repayment deadline 30/11/2022. Interest rate benchmark for 1-month EURIBOR increased by the interest margin of 2.75%, variable, is applied for EUR. The loan has been secured by the Company's pledged assets (registered office building) and promissory notes and bills of exchange by the Group's companies and owners.

In addition to the loans cited above, the Group has another two loans:

(e) A loan of the member of the Group Span LLC Kiev, with an overdraft of USD 500 thousand, with HRK 0.4 million used as at the reporting date (2020: HRK 0.0 million) contracted on 30/11/2021 with Raiffeisen Bank Ukraine, with a currency clause in USD. The loan is repayable by 30/11/2022. Interest rate benchmark for 3-month UIRD (Ukrainian Index of Retail Deposit Rates) increased by the interest margin of 2.50%, variable, is applied for the loan. The loan is secured by the Company's corporate guarantee.

(f) A loan of the Group member Bonsai d.o.o., multipurpose framework of EUR 400 thousand, HRK 0.8 million used as at the reporting date (2020: -) contracted on 06/07/2021 with OTP banka d.d., with a currency clause in EUR. Each instalment matures within 6 months from its withdrawal. The framework is contracted and renewed annually, the loan to be used by 31/05/2022, ultimate repayment deadline 30/11/2022. Interest rate benchmark for 1-month EURIBOR increased by the interest margin of 1.65%, variable, is applied for EUR. The loan has been secured by promissory notes and bills of exchange issued by the Group companies.

Analysis of borrowings by currency:	Group			Company	
	EUR	HRK	USD	EUR	HRK
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31 December 2020					
Bank loans	35,206	11,724	-	33,935	11,724
	35,206	11,724	-	33,935	11,724
31 December 2021					
Bank loans	13,933	1,665	379	12,443	1,665
	13,933	1,665	379	12,443	1,665

(iii) Interest on payables to related parties of the Group and Company amounts to 3.00% (2020: 3.42%) p.a. on the outstanding amount of the loan. The interest rate is the interest rate currently in force for loans between related parties defined by the Ministry of Finance.

25. Deferred tax

Below please find an overview of deferred tax liabilities and assets that the Group and Company recognised and the movement thereof during the reporting period.

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred tax liability	(3,502)	(1,855)	(3,502)	(1,855)
Deferred tax assets	7,729	8,498	6,952	7,902
Total	**4,227**	**6,643**	**3,449**	**6,047**

	31/12/2021	**31/12/2020**	**31/12/2021**	**31/12/2020**
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred tax assets				
Amounts refer to temporary differences arising from:				
Tax incentives	6,825	7,865	6,825	7,865
Tax losses	778	595	-	-
Inventories	5	6	5	6
Trade receivables	1	3	1	3
Right-of-use assets	120	28	120	28
Total deferred tax assets	7,729	8,498	6,952	7,902
Net deferred tax liabilities	7,729	8,498	6,952	7,902

	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred tax liability				
Amounts refer to temporary differences arising from:				
Revaluation of buildings and land	(3,502)	(1,855)	(3,502)	(1,855)
Total deferred tax liabilities	(3,502)	(1,855)	(3,502)	(1,855)
Net deferred tax liabilities	(3,502)	(1,855)	(3,502)	(1,855)

Group

Deferred tax assets	**Tax incentives**	**Tax losses**	**Inventories**	**Trade receivables**	**Right-of-use assets**	**Total**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
As at 1 January 2020	8,709	797	64	5	20	9,596
Recognised in profit or loss	(844)	(202)	(58)	(2)	8	(1,098)
As at 31 December 2020	7,865	595	6	3	28	8,498
Increase in deferred tax assets	2,114	67	-	-	-	2,181
Recognised in profit or loss	(3,154)	115	(1)	(1)	92	(2,950)
As at 31 December 2021	6,825	778	5	1	120	7,729

Company

Deferred tax assets	**Tax incentives**	**Inventories**	**Trade receivables**	**Right-of-use assets**	**Total**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
As at 1 January 2020	8,709	64	5	20	8,798
Recognised in profit or loss	(844)	(58)	(2)	8	(896)
As at 31 December 2020	7,865	6	3	28	7,902
Increase in deferred tax assets	2,114	-	-	-	2,114
Recognised in profit or loss	(3,154)	(1)	(1)	92	(3,065)
As at 31 December 2021	6,825	5	1	120	6,952

25. Deferred tax (continued)

Deferred tax liability	Group – Revaluation of buildings and land	Group – Total	Company – Revaluation of buildings and land	Company – Total
	HRK '000	HRK '000	HRK '000	HRK '000
As at 1 January 2020	1,955	1,955	1,955	1,955
Recognised in other comprehensive income	(100)	(100)	(100)	(100)
As at 31 December 2020	1,855	1,855	1,855	1,855
Increase in deferred tax liability in other comprehensive income	1,747	1,747	1,747	1,747
Recognised in other comprehensive income	(100)	(100)	(100)	(100)
As at 31 December 2021	3,502	3,502	3,502	3,502

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 for 2021.

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.

26. Lease liabilities

The Group and Company are not exposed to substantial liquidity risk in terms of their lease liabilities.

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Lease liabilities – long-term	10,847	6,285	8,566	6,285
Lease liabilities – short-term	7,140	4,409	5,957	4,409
Total	**17,987**	**10,695**	**14,522**	**10,695**

Lease liabilities refer to the lease of business premises and company vehicles recognised in line with the provisions of IFRS 16 *Leases*.

27. 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 38 days, and for the Company 44 days (2020.: 50 days for the Group, and 56 days for the Company). 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.

27. Trade payables and other liabilities (continued)

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Domestic suppliers	14,161	25,071	11,464	20,979
Foreign suppliers	39,352	21,520	26,668	14,911
Related party liabilities	-	-	1,242	1,748
VAT payable	7,169	8,220	3,284	4,274
Amounts due to employees	8,839	8,163	5,990	5,423
Accrued expenses	11,236	9,242	8,021	5,444
Taxes and contributions on employee salaries	4,427	3,951	3,957	3,570
Advances received	3,154	1,732	1,319	515
Other liabilities	8,142	12,518	7,565	8,394
Total	**96,478**	**90,416**	**69,511**	**65,258**

28. Share capital

Share capital comprises 1,960,000 shares of nominal value of HRK 10/share.

On 24 May 2021, the General Assembly of the company Span d.d. adopted the Decision on allocating shares based on the principle that one share of nominal value of HRK 100 be divided into 10 shares, each of nominal value of HRK 10. This Decision was entered in the court register of the Commercial Court in Zagreb on 25 May 2021.

As at 31 December 2021, the Company had 30,900 (2020: 677,600) treasury shares. The Company has formed treasury share reserves in the amount of HRK 616 thousand (2020: HRK 28 million).

The Company has a single type of regular shares which do not secure the right to a fixed income.

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Share capital	19,600	19,600	19,600	19,600
Total	**19,600**	**19,600**	**19,600**	**19,600**

Profit reserves

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Profit reserves	8,252	8,477	7,413	8,072
Total	**8,252**	**8,477**	**7,413**	**8,072**

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Opening balance	**8,477**	**8,494**	**8,072**	**8,494**
Increase/(decrease)	(224)	(17)	(660)	(421)
Closing balance	**8,252**	**8,477**	**7,413**	**8,072**

29. Legal reserves

As at 31/12/2020, the share capital of the company Span d.d. comprised 196,000 shares of nominal value HRK 100 per share, so the Company held 67,760 own shares. Reserves of HRK 28 million were formed for those shares.

On 24 May 2021, the General Assembly of the company Span d.d. adopted the Decision on allocating shares based on the principle that one share of nominal value of HRK 100 be divided into 10 shares, each of nominal value of HRK 10. This Decision was entered in the court register of the Commercial Court in Zagreb on 25 May 2021.

In line with the aforementioned, as at 31 December 2021, the share capital of the company Span d.d. comprised 1,960,000 shares of nominal value of HRK 10, so the Company held 30,900 own shares. Reserves of HRK 615 million were formed for those shares.

In line with Article 222.a (2) of the Companies Act, the Company cancelled the reserves for own shares sold in the IPO and recorded the amount in retained earnings. Legal reserves amount to HRK 79,084 thousand and are a result of the public offering of Company shares, that is the difference between the nominal share value (HRK 10) and final IPO price (HRK 175), net of cancelled reserves for own shares sold in the IPO.

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Opening balance	-	-	-	-
Increase in legal reserves	98,412	-	98,412	-
Decrease in legal reserves	(19,328)	-	(19,328)	-
Closing balance	**79,084**	**-**	**79,084**	**-**

30. Revaluation reserves

Property revaluation reserve

Property revaluation reserve was formed in 2019 from land and buildings revaluation based on an assessment by an independent appraiser and increased in 2021 based on a new assessment by an independent appraiser, and on 31/12/2021 it amounted to HRK 15,954 thousand (2020: HRK 8,451 thousand).

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 2021 they realised revaluation reserves in the amount of HRK 455 thousand and increased the revaluation reserve in the amount of HRK 7,958 thousand based on a new assessment.

Revaluation reserves - property

	Group		Company	
	2021	2020	2021	2020
	HRK '000	HRK '000	HRK '000	HRK '000
Opening balance	**8,451**	**8,906**	**8,451**	**8,906**
Revaluation increase/(decrease) on land and buildings	7,503	(455)	7,503	(455)
Closing balance	**15,954**	**8,451**	**15,954**	**8,451**

31. 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 intragroup eliminations.

Non-controlling interests

	Group	
	2021	2020
	HRK '000	HRK '000
Opening balance	**1,049**	**1,425**
Decrease in non-controlling interests by acquiring a share	(1)	(30)
Share in profit/(loss) for the year	105	(346)
Closing balance	**1,153**	**1,049**

Non-controlling interest

	2021	2020
	HRK '000	HRK '000
Non-controlling interest - Trilix d.o.o.		
Balance on 01 January	**805**	**1,204**
Attributed net profit	14	(399)
Balance on 31 December	**819**	**805**
Non-controlling interest - Bonsai d.o.o.		
Balance on 01 January	**243**	**195**
Attributed net profit	186	49
Balance on 31 December	**429**	**243**
Non-controlling interest - M M C d.o.o.		
Balance on 01 January	1	27
Contractual decrease in non-controlling interests	(1)	(30)
Attributed net profit	(95)	4
Balance on 31 December	**(95)**	**1**
Total	**1,153**	**1,049**

31. Non-controlling interests (continued)

	31/12/2021	31/12/2020
	HRK '000	HRK '000
Trilix d.o.o.		
Current assets	4,111	2,071
Non-current assets	1,518	1,614
Current liabilities	(3,250)	(1,625)
Non-current liabilities	(649)	-
Equity attributable to owners of the Company	60%	60%
Non-controlling interests	40%	40%

	31/12/2021	31/12/2020
	HRK '000	HRK '000
Revenues	9,756	8,365
Expenses	(9,720)	(9,327)
Profit (loss) for the year	36	(962)
Profit (loss) attributable to owners of the Company	22	(577)
Profit (loss) attributable to the non-controlling interests	14	(385)
Profit (loss) for the year	36	(962)
Total comprehensive income attributable to owners of the Company	22	(577)
Total comprehensive income attributable to the non-controlling interests	14	(385)
Total comprehensive income for the year	36	(962)

31. Non-controlling interests (continued)

	31/12/2021	31/12/2020
	HRK '000	HRK '000
Bonsai d.o.o.		
Current assets	2,841	2,178
Non-current assets	1,870	332
Current liabilities	(2,629)	(1,699)
Non-current liabilities	(593)	-
Equity attributable to owners of the Company	70%	60%
Non-controlling interests	30%	40%

	31/12/2021	31/12/2020
	HRK '000	HRK '000
Revenues	7,253	4,894
Expenses	(6,576)	(4,731)
Profit (loss) for the year	677	163
Profit (loss) attributable to owners of the Company	474	98
Profit (loss) attributable to the non-controlling interests	203	65
Profit (loss) for the year	677	163
Total comprehensive income attributable to owners of the Company	474	98
Total comprehensive income attributable to the non-controlling interests	203	65
Total comprehensive income for the year	677	163

31. Non-controlling interests (continued)

	31/12/2021	31/12/2020
	HRK '000	HRK '000
M M C d.o.o.		
Assets	(603)	937
Liabilities	753	(657)
Equity attributable to owners of the Company	70%	70%
Non-controlling interests	30%	30%

	31/12/2021	31/12/2020
	HRK '000	HRK '000
Revenues	21	676
Expenses	(339)	(661)
Profit (loss) for the year	(317)	14
Profit (loss) attributable to owners of the Company	(222)	10
Profit (loss) attributable to non-controlling interests	(95)	4
Profit (loss) for the year		14
Total comprehensive income attributable to owners of the Company	(222)	10
Total comprehensive income attributable to non-controlling interests	(95)	4
Total comprehensive income for the year	(317)	14

In 2021 the Company sold its shares in MMC d.o.o. The Group's loss from sales amounted to HRK 72 thousand (note 13).

32. Notes to the cash flow statement

The carrying value of the relevant assets approximates their fair value. Below please find an overview of cash and cash equivalents at the end of the reporting period.

Cash at bank and in hand

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Cash at bank	139,775	29,556	126,904	16,010
Cash in hand	16	29	16	22
Total	**139,791**	**29,585**	**126,920**	**16,032**

33. Deferred income

Deferred income refers to accruals and deferrals, i.e., income recognised in future periods in which the service is realised.

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred income	8,643	4,646	8,107	1,701
Ukupno	**8,643**	**4,646**	**8,107**	**1,701**

34. Contractual liabilities

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Contractual liabilities - non-current	10,186	15,277	10,186	15,277
Contractual liabilities - current	5,052	4,070	5,052	4,070
Total	**15,237**	**19,347**	**15,237**	**19,347**

35. Financial instruments

(a) Classes and categories of financial instruments and their fair values

The following table provides information on:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Level 1 to 3 fair value measurements are based on the degree of measurability of fair value:

- 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).

(b) Financial risk management objectives

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. 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 and Group have 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 Company and Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Company and Group have introduced changes to the ways in which they manage this risk.

35. Financial instruments (continued)

(c)(i) Foreign currency risk management

The Group and Company undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group and Company have not 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 2021		
	EUR	USD	GBP	CAD	AUD
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Trade and other receivables	17,933	14,521	2,832	324	336
Long-term trade receivables					
Borrowings	(13,933)	(379)			
Trade and other payables	(59,769)	(7,944)	(764)		
Net balance exposure	(55,769)	6,198	2,068	324	336

			31 December 2020		
	EUR	USD	GBP	CAD	AUD
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Trade and other receivables	13,908	11,897	5,054	(83)	526
Long-term trade receivables					
Borrowings	(35,292)				
Trade and other payables	(44,011)	(3,831)	(12)		
Net balance exposure	(65,395)	8,066	5,042	(83)	526

Company

			31 December 2021		
	EUR	USD	GBP	CAD	AUD
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Trade and other receivables	13,559	23,478	1,057	580	631
Long-term trade receivables					
Borrowings	(40,678)				
Trade and other payables	(39,767)	(1,238)	(5)		
Net balance exposure	(66,886)	22,240	1,052	580	631

			31 December 2020		
	EUR	USD	GBP	CAD	AUD
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Trade and other receivables	13,908	11,897	5,054	(83)	526
Long-term trade receivables					
Borrowings	(35,292)				
Trade and other payables	(44,011)	(3,831)	(12)		
Net balance exposure	(65,395)	8,066	5,042	(83)	526

Foreign currency sensitivity analysis

The Group and Company are mainly exposed to the currency of EU member states (EUR) and the currency of the USA (USD). The following table details the Group and Company's sensitivity to a 1 % increase and decrease in currency units against the relevant foreign currencies. 1 % is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% change in foreign currency rates. The sensitivity analysis includes certain receivables (trade and other receivables) and payables (loan liabilities to financial institutions, trade payables, and other contractual liabilities) denominated in a foreign currency. A positive number below indicates an increase in profit and other equity where the HRK strengthens 1 % against the relevant currency. For a 1 % weakening of the HRK against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

35. Financial instruments (continued)

(c)(i) Foreign currency risk management

The following exchange rates were applied:

	2021	2020
EUR 1	7.442580	7.536898
USD 1	6.649911	6.139039
GBP 1	8.724159	8.353910
CAD 1	5.089988	4.803632
AUD 1	4.651031	4.709678

	Profit or loss			
	Group		Company	
	Appreciation	Depreciation	Appreciation	Depreciation
31 December 2021				
EUR (1% change)	(558)	558	(669)	669
USD (1% change)	62	(62)	222	(222)
GBP (1% change)	21	(21)	11	(11)
CAD (1% change)	3	(3)	6	(6)
AUD (1% change)	3	(3)	6	(6)
31 December 2020				
EUR (1% change)	(654)	654	(654)	654
USD (1% change)	81	(81)	81	(81)
GBP (1% change)	50	(50)	50	(50)
CAD (1% change)	(1)	1	(1)	1
AUD (1% change)	5	(5)	5	(5)

(c)(ii) Interest rate risk management

The Group and Company are exposed to interest rate risk because entities in the Group and Company borrow funds at both fixed and floating interest rates. The risk is managed by the Group and Company by maintaining an appropriate mix between fixed and floating rate borrowings. The Group and Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

35. Financial instruments (continued)

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole 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.

If interest rates had been 1% higher/lower and all other variables were held constant:

- the Company's profit for the year ended 31 December 2021 would decrease/increase by HRK 93 thousand (2020: decrease/increase by HRK 227 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Company
Interest rate risk

In HRK '000	**2021**	**2020**
Variable-rate instruments		
Borrowings and loan liabilities	9,271	22,701
Total	**9,271**	**22,701**
1% interest rate increase	**93**	**227**

- the Group's profit for the year ended 31 December 2021 would decrease/increase by HRK 104 thousand (2020: decrease/increase by HRK 227 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Group
Interest rate risk

In HRK '000	**2021**	**2020**
Variable-rate instruments		
Borrowings and loan liabilities	10,436	22,701
Total	**10,436**	**22,701**
1% interest rate increase	**104**	**227**

35. 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.

Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. 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. None of the trade receivables that have been written off is subject to enforcement activities. 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 a large number of customers from different economic sectors and regions.

Of the trade receivables balance at the end of the year, HRK 7,783 thousand (2020: HRK 10,315 million) is due from Customer 1, the Group and Company's largest customer. 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 2021, an amount of HRK 221 thousand (2020: HRK 957 thousand) has been estimated as a loss allowance in accordance with IFRS 9 for the Group and HRK 46 thousand for the Company (2020: HRK 130 thousand) (note 23).

(d)(i) Collateral held as security and other credit enhancements

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 and Company's exposure 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 2021, 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.

35. Financial instruments (continued)

d)(ii) Overview of the Group and Company's exposure to credit risk (continued)

Group

31/12/2021	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount (i)
					HRK '000	HRK '000	HRK '000
Trade and other receivables	23	N/p		Lifetime ECL (simplified approach)	106,712	83	106,629

31/12/2020	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount (i)
					HRK '000	HRK '000	HRK '000
Trade and other receivables	23	N/p		Lifetime ECL (simplified approach)	118,499	129	118,371

Company

31/12/2021	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount (i)
					HRK '000	HRK '000	HRK '000
Trade and other receivables	23	N/p		Lifetime ECL (simplified approach)	82,357	83	82,275

31/12/2020	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount (i)
					HRK '000	HRK '000	HRK '000
Trade and other receivables	23	N/p		Lifetime ECL (simplified approach)	92,464	104	92,360

35. 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Secured bank loan facilities with various maturity dates through to 2020 and which may be extended by mutual agreement:				
– amount used	9,537	22,020	7,669	22,020
– amount unused	73,885	48,529	67,658	48,529
Total	**83,422**	**70,549**	**75,327**	**70,549**

The Company has access to financing facilities, of which HRK 67,658 thousand were unused at the reporting date (2020: HRK 48,529 thousand).

The Group has access to financing facilities, of which HRK 73,885 thousand were unused at the reporting date (2020: HRK 48,529 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 risk tables

The remaining period until the contract maturity of non-derivative financial liabilities of the Group and the 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 the 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				
	Weighted average effective interest rate	0-12 months	1–5 years	Total	Carrying amount
	%	HRK '000	HRK '000	HRK '000	HRK '000
31/12/2021					
Trade and other payables		96,478	-	**96,478**	**96,478**
Lease liabilities (nominal amount)	4.41%	7,140	10,847	**17,987**	**17,987**
Borrowings (nominal amount)	2.05%	9,082	6,895	**15,977**	**15,977**
Interest on lease liabilities		773	1,138	**1,911**	-
Borrowing interest		971	360	**1,331**	-
31/12/2020					
Trade and other payables		90,416	-	**90,416**	**90,416**
Lease liabilities (nominal amount)	4.83%	4,409	6,285	**10,695**	**10,695**
Borrowings (nominal amount)	2.48%	32,817	14,113	**46,930**	**46,930**
Interest on lease liabilities		425	419	**844**	-
Borrowing interest		684	442	**1,126**	-

	Company				
	Weighted average effective interest rate	0-12 months	1–5 years	Total	Carrying amount
	%	HRK '000	HRK '000	HRK '000	HRK '000
31/12/2021					
Trade and other payables		69,511	-	**69,511**	**69,511**
Lease liabilities (nominal amount)	4.49%	5,957	8,566	**14,522**	**14,522**
Borrowings (nominal amount)	1.85%	7,213	6,895	**14,108**	**14,108**
Interest on lease liabilities		643	903	**1,546**	-
Borrowing interest		853	304	**1,157**	-
31/12/2020					
Trade and other payables		65,258	-	**65,258**	**65,258**
Lease liabilities (nominal amount)	4.83%	4,409	6,285	**10,695**	**10,695**
Borrowings (nominal amount)	2.48%	31,546	14,113	**45,659**	**45,659**
Interest on lease liabilities		425	419	**844**	-
Borrowing interest		664	442	**1,106**	-

35. Financial instruments (continued)

(e)(ii) Financing instruments

The Group and Company use a combination of cash inflows and available banking instruments for managing liquidity.

The table below presents the cash inflows from assets:

	Group			
	0-12 months	1–5 years	5+ years	Total
	HRK '000	HRK '000	HRK '000	HRK '000
31/12/2021				
Long-term trade receivables	-	-	4	**4**
Investments in financial assets	879	842	24	**1,746**
Trade and other receivables	113,760	-	-	**113,760**
31/12/2020				
Long-term trade receivables	-	-	14	**14**
Investments in financial assets	57	1,890	24	**1,971**
Trade and other receivables	116,501	-	-	**116,501**

	Company			
	0-12 months	1–5 years	5+ years	Total
	HRK '000	HRK '000	HRK '000	HRK '000
31/12/2021				
Long-term trade receivables	4	-	4	**9**
Investments in financial assets	-	356	-	**356**
Trade and other receivables	82,322	-	-	**82,322**
31/12/2020				
Long-term trade receivables	14	-	-	**14**
Investments in financial assets	-	428	-	**428**
Trade and other receivables	92,442	-	-	**92,442**

(f) Capital risk management

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 risk management

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	HRK '000	HRK '000	HRK '000	HRK '000
Debt	(15,977)	(46,930)	(14,108)	(46,930)
Cash and bank balances	139,791	29,585	126,920	29,585
Net debt	123,814	(17,345)	112,812	(17,345)
Equity	192,590	54,475	192,917	54,475
Net debt-to-equity ratio	(0.64)	0.32	(0.58)	0.32

Debt is defined as long- and short-term borrowings.

Equity includes share capital, profit reserves, other provisions, other capital items, translation reserves of foreign operations, revaluation reserves, and retained earnings, all of which the Group and Company manage as equity.

36. Events after the reporting period

We would like to highlight the following significant events after the reporting period:

Purchase of treasury shares

On 20 January 2022, the Company acquired 20,000 own shares at the price of HRK 212 based on the Programme of repurchase of own shares adopted by the Management Board of the Company.

Merger with the subsidiary Infocumulus d.o.o.

On 17 February 2022, the subsidiary Infocumulus d.o.o. was acquired by the Company, as entered in the Court register based on the Acquisition agreement of 16 December 2021 and the Minutes from the Assembly of the acquiree of 25 January 2022.

Military operations in Ukraine

On 24 February 2022, Russia invaded Ukraine and we are currently not able to assess the impact of the invasion on TOV Span's operations as events are unfolding day-by-day. The Company TOV Span has 31 employees.

Below please find a separate statement of comprehensive income of the subsidiary for 2021 and 2020, as well as its contribution to the Group's consolidated result.

SPAN Ukraine - report	2021 HRK '000	2020 HRK '000	Δ%
Total revenue	**162,416**	**142,079**	**14%**
Operating income	162,416	142,079	14%
Total expenses	**165,436**	**143,548**	**15%**
Costs of goods sold	155,162	133,475	16%
Staff costs	7,868	7,940	-1%
Other operating expenses	2,406	2,133	13%
EBITDA before before one-off items	**(3,020)**	**(1,469)**	**-106%**
EBITDA	**(3,020)**	**(1,469)**	**-106%**
Amortization	72	175	-59%
EBIT	**(3,092)**	**(1,643)**	**-88%**
Net financial result	1,334	(321)	515%
Profit / loss before tax before one-off items	**(1,758)**	**(1,965)**	**10%**
Profit / loss before taxes	**(1,758)**	**(1,965)**	**10%**
Profit tax	(213)	(271)	21%
Profit / loss after tax before one-off items	**(1,545)**	**(1,694)**	**9%**
Profit / loss after tax	**(1,545)**	**(1,694)**	**9%**

	Group		Span Ukraine contribution in the Group		Span Ukraine share in the Group	
	2021 HRK '000	**2020** HRK '000	**2021** HRK '000	**2020** HRK '000	**2021**	**2020**
Total revenue	**774.123**	**613.757**	**161.887**	**140.935**	**21%**	**23%**
Operating income	767.273	610.022	161.887	140.935	21%	23%
Other income	6.851	3.735	-	-	0%	0%
Total expenses	**731.597**	**582.269**	**165.410**	**143.458**	**23%**	**25%**
Costs of goods sold	546.418	427.591	155.137	133.386	28%	31%
Staff costs	138.584	118.912	7.868	7.940	6%	7%
Other operating expenses	46.595	35.766	2.405	2.133	5%	6%
EBITDA before before one-off items	**48.575**	**31.488**	**(3.523)**	**(2.523)**	**-7%**	**-8%**
One - off items	6.048	-	-	-		
EBITDA after one-off items	**42.526**	**31.488**	**(3.523)**	**(2.523)**	**-8%**	**-8%**
Amortization	15.594	14.196	72	175	0%	1%
EBIT	**26.933**	**17.292**	**(3.595)**	**(2.698)**	**-13%**	**-16%**
Net financial result	973	(7.118)	1.334	(334)	137%	5%
Profit / loss before tax before one-off items	**33.954**	**10.174**	**(2.262)**	**(3.032)**	**-7%**	**-30%**
Profit / loss before taxes after one-off items	**27.906**	**10.174**	**(2.262)**	**(3.032)**	**-8%**	**-30%**
Profit tax	4.082	2.722	(213)	(271)	-5%	-10%
Profit / loss after tax before one-off items	**29.872**	**7.452**	**(2.048)**	**(2.761)**	**-7%**	**-37%**
Profit / loss after tax after one-off items	**23.824**	**7.452**	**(2.048)**	**(2.761)**	**-9%**	**-37%**

36. Events after the reporting period (continued)

Investment incentives

On 25 February 2022, the Company received the Ministry of Economy and Sustainable Development's Confirmation of awarding funds from the Government programme granting the Company tax incentives as a support for eligible labour expenses related to its investment project. Furthermore, the Ministry approved a 50% income tax exemption for a period of 10 years that is applicable as of 2022 (payment of income tax for the year 2021) if the conditions from the Act are met.

Acquisition of the subsidiary Ekobit d.o.o.

On 14 March 2022, the Company signed a purchase contract for all shares in the company Ekobit d.o.o. in a transaction worth HRK 37,390 thousand. A portion of the purchase price depending on the business results of the company Ekobit d.o.o. is subject to adjustments in 2022. According to the decision of the so-far owners of Ekobit d.o.o., a portion of the amount of HRK 3,266 thousand will be paid via own shares of the Company to meet the Employee Share-Based Compensation policy of Ekobit d.o.o.

37. Authorisation of financial statements

The financial statements were approved by the Management Board on 29 April 2022.

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	Member of the Management Board	
Antonija Kapović	Saša Kramar	