span

Annual Report 2022

Content

1. Introduction

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

An old Chinese proverb says – anyone can steer the ship when the sea is calm, but in 2022 we did not have calm sea. The pressure of the Covid-19 pandemic was overwhelmed and replaced by the war in Ukraine that has additionally contributed to economic insecurity. Along with market changes, the war also affected us directly since we have friends, employees and users in Ukraine.

There was no respite because we were saving our employees' families, defending ourselves against cyber attacks while working on projects day and night so that we could ensure solutions for our users that would compensate for the barriers and new market conditions imposed by outside factors.

I believe that results speak in their own right because we managed to compensate for tens of millions dollars in revenue that had been made impossible to us in Ukraine due to the whirlwind of war, so we ended the year with a growth, lower than in the prior years, but still growth. A significant growth of EBITDA and profits was a result of many projects, solutions and professional services we delivered to users in international markets where we operate.

During 2022, the Span share was continuously traded and the number of shareholders increased. I am happy that in only six months from the IPO, the Span share was listed within the CROBEX® and CROBEXtr® indices.

Anyone can steer the ship when the sea is calm

In addition to the progress in our digital world, we also seriously started working on ESG norms and released our first Sustainability Report. We are incorporating ESG principles into our operation on a daily basis in order to be more attentive to nature, society and our organization, and we intend to advance in all areas.

The most dominant need our users had during the whole last year was accepting cloud technologies in digital business strategies. The fact that assets and values have been digitalized led to the digitalization of criminal threats. Cyber security became the inseparable companion of IT. These trends continue at the same speed, and the new NIS2 Directive of the European Union significantly widens the scope of users who will have to implement the protection of their systems against cyber crime risks.

Our review of the year would not be complete without mentioning artificial intelligence. Artificial intelligence has been following the software industry for 70 years, but in the last five years it has deservedly entered the pantheon of key technologies. Artificial intelligence marked the year because of the appearance of publicly available models of „generative“ artificial intelligence, i.e. systems that create new contents based on the learnt data. Decades of laboratory research and theoretical models surfaced, became publicly accessible and are seeking their place in our companies and lives.

We have to look at every aspect of our “classical“ operation from a new perspective, innovate and discover all the ways in which technology can help us and, even better, replace us in boring, repetitive or very demanding jobs.

We trained our internal ChatGPT on our own business data and asked it to write a short overview of our annual report – in the rap style. We had to shorten and edit it just a bit because we wanted to share these verses with you:

Span 2022 rap by ChatGPT

I can certainly try,
to give you a report that doesn't lie.
Span d.d. had a solid year,
despite the economic fear.

Revenue increased,
but expenses were managed well,
resulting in a profit before taxation,
of HRK 50 million, a great realization.

Investment in subsidiaries continued
to strengthen market position and expand,
together quite the show they'll create.

Tax relief was recognized,
based on investment aid received,
from the Ministry of the Economy,
Entrepreneurship and Crafts, indeed.

We thank our employees, customers, shareholders alike,
for their support and commitment, it's no lie.
We'll continue to deliver value,
and drive sustainable growth, it's our virtue.

1.2. About Span

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

During the 29 years of operation, we have developed from an IT system integrator in Croatia, to a group that today operates on international market. We are focused on our long-term relationships with customers and we cooperate with leading global and regional corporations. As a leading expert in Microsoft technologies and leading regional Microsoft partner, we are the first Croatian company boasting five Microsoft Solutions Partner statuses and twelve Microsoft Advanced Specializations.

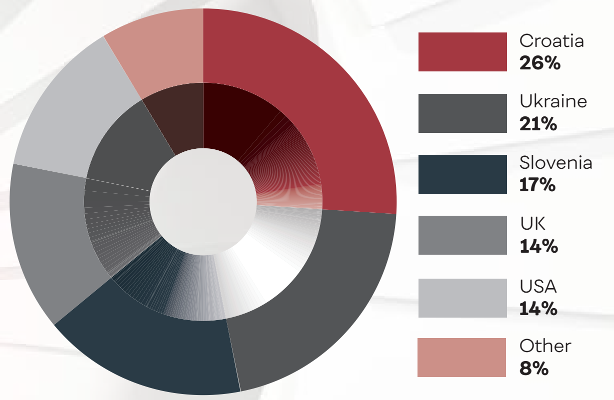
Microsoft Solutions Partner

Advanced Specializations

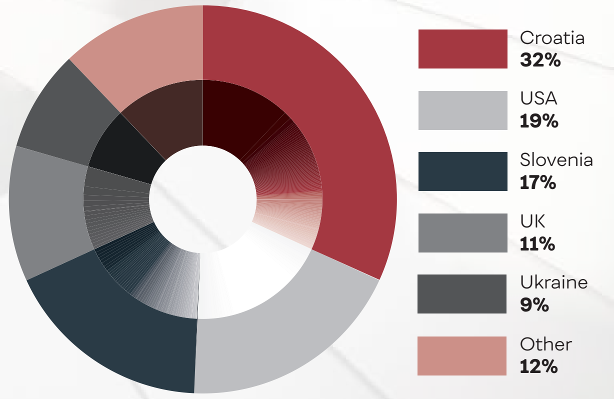
- Adoption and Change Management
- Calling for Microsoft Teams
- Meetings and Meeting Rooms for Microsoft Teams
- Teamwork Deployment
- Modernize Endpoints
- Cloud Security
- Identity and Access Management
- Information Protection and Governance
- Threat Protection
- Windows Server and SQL Server Migration
- SAP on Azure
- Azure Virtual Desktop

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

Span Group 2021



Span Group 2022



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

1.2.1. Span in numbers

1993
COMPANY ESTABLISHED

44,000+
PROACTIVELY MONITORED DEVICES

372
SUCCESSFULLY COMPLETED PROJECTS IN 2022

24/7
AVAILABILITY OF SPAN SUPPORT

196,322
RESOLVED TICKETS IN 2022

99.98%
INCIDENTS RESOLVED IN TERMS OF SLA[1]

34
AVERAGE AGE OF EMPLOYEES

71.94 %
OF EMPLOYEES WITH UNIVERSITY OR COLLEGE DEGREE

400+
EMPLOYEES WITH PROFESSIONAL CERTIFICATION

[1] Service Level Agreement

1.2.2. History and development

We started our journey in **1993** as a license provider and system integrator. Focused on Microsoft technologies, we became the first certified provider of Microsoft solutions in 1996, only to become a Microsoft Certified Solution Provider Partner in **1999**. A year later, a Hungarian system integrator, Synergon, joined our ownership structure. The **1996 to 2001** period saw a significant transformation in the operation. Having obtained the status of the first Gold Microsoft Partner in Croatia and the leading Microsoft Partner in the Croatian market in 2001, we started providing technical support to customers, and this branch of operation, which we have developed continuously, is our largest division in terms of numbers today. At that time, we started offering consultancy services and designing business solutions for our customers.

In the years that followed, we expanded to international markets. We opened offices in Great Britain, Slovenia, the United States, Azerbaijan, Germany, Ukraine, Switzerland, and finally, Moldova in 2021. 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, we also continue to 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 markets and an opportunity to continue to expand in international markets. Owing to the results of trading in the Zagreb Stock Exchange in **2022**, our share was included in the CROBEX index in less than six months from our IPO (Initial Public Offering). In continuation of the plan for the development of operation, in September 2022, we opened Span Cyber Security Center with the purpose of providing education, training and consultancy services to the business community in Croatia and the region.

1993
Span is founded

1994

1995
First Microsoft Certified System Engineer employed

1996
First Croatian Microsoft Certified Solution Provider
Organization of Microsoft Systems & Development Conference
In-house installation of Exchange 4.0 – email exchange system

1997

1998
Span launches Microsoft CTEC education center

1999
Microsoft Certified Solution Provider Partner

2000
Span partners with Hungarian system integrator Synergon
First Microsoft Enterprise Agreement in Croatia

2001
First Croatian Microsoft Gold Partner

2002

2003

2004

2005

2006
ISO 9001

2007
Span management buy out

2008

2009
Span IT, London, United Kingdom established
Span d.o.o., Ljubljana, Slovenia established

2010

2011
ISO/IEC 27001

2012
ISO/IEC 20000

2013
Microsoft Partner of the Year – Croatia
Span USA, INC., Chicago, IL established

2014
McDonald's UK IT operator of the Year Award

2015
European Business Award
Infocumulus joins Span Group
Start of Span Development Academy

2016
Microsoft Partner of the Year – Croatia
Span Azerbaijan, Baku, Azerbaijan established

2017

2018
TOV Span, Kyiv, Ukraine established

2019
17 Microsoft competencies achieved, 16 Gold

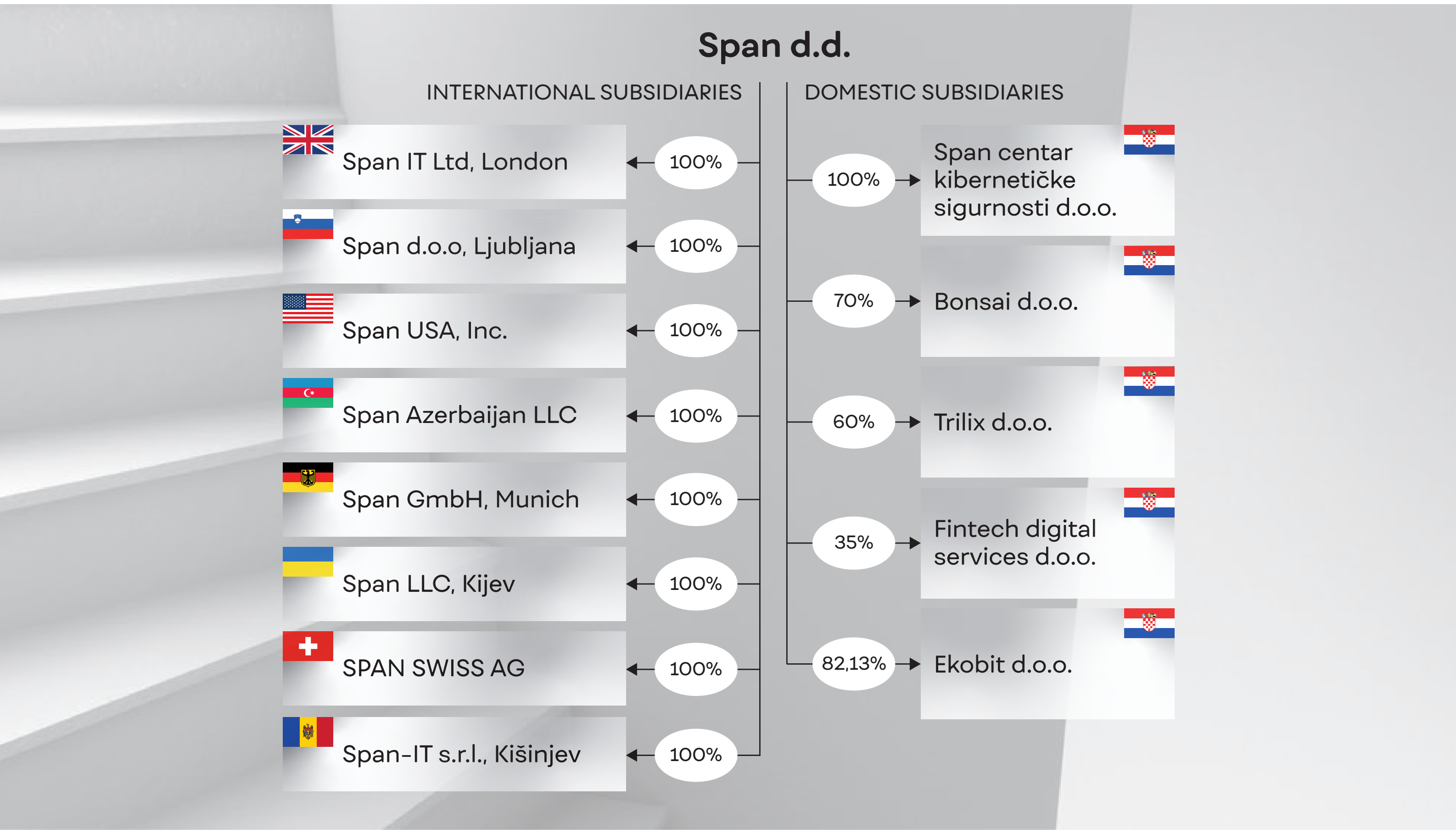
2020
AWS and Google Cloud Services partner
TOV Span awarded best Microsoft LSP partner in Ukraine
Microsoft Partner of the Year – Croatia

2021
Microsoft Partner of the Year – Croatia
9 Microsoft Advanced Specializations achieved
Shares listed on Zagreb Stock Exchange
Span-IT SRL, Chișinău, Moldova established
ISO/IEC 14001
ISO/IEC 50001

2022
Span Cyber Security Center established
12 Microsoft Advanced Specializations achieved
Acquisition of Ekobit
Microsoft Partner of the Year – Ukraine
5 Microsoft Solutions Provider designations

1.2.3. Organizational structure of the Group[2]

On December 31st, 2022, Span d.d. (Span or Company) had business shares in the following companies:



1.2.4. 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.

1.2.4.1. 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, 34/2022, 114/2022, 18/2023, 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, 114/2022), 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 21st 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, 12/2023) to HANFA for 2022, not later than by 30 April of the current calendar year and will release it on the websites of the company and the Zagreb Stock Exchange.

III. The internal control and risk management system, in relation to the financial reporting procedure, is implemented by controlling and internal audit services with the supervision of the Audit Committee.

In line with the Audit Law (Official Gazette 127/17), along with the assignments provided for in the Regulation (EU) on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC No. 537/14 and all relevant regulations, the Audit Committee monitors the process of financial reporting and submits recommendations or proposals for ensuring its integrity and monitors the effectiveness of the internal quality control and risk control system including the effectiveness of procedures for approval and publishing transactions between the members of the Management Board and Supervisory Board and the Company and internal audit without violating its independence.

The crucial goals of internal audit are the provision of guarantees and information to the high management and the Supervisory Board that will help achieve the goals of the organization, including the evaluation of effects 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 expiry 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 Audit Committee.

Span has implemented ISO 37001 Anti-Corruption standard that optimizes and improves management for the suppression of bribery and the risk management process. Span has implemented a risk management system aligned with the recommendation of ISO 31000. The risk management policy has been implemented, risk appetites have been defined and the Risk Management Methodology has been created. The purpose of implementation is transparent risk management in all business domains and processes. Goals and risks, and a plan for their processing, are monitored through our own risk management application.

IV. Ten significant shareholders on 31st December 2022 in Span are as follows:

Name		Number	Percentage
1.	NIKOLA DUJMOVIĆ	699,167	35.67
2	MARIJAN PONGRAC	111,600	5.69
3	ZVONIMIR BANEK	107,823	5.50
4	RAIFFEISENBANK AUSTRIA D.D./ RAIFFEISEN DOBROVOLJNI MIROVINSKI FOND	101,111	5.16
5	ERSTE & STEIERMARKISCHE BANK D.D./ PBZ CO OMF-CATEGORY B	65,200	3.33
6	PRIVREDNA BANKA ZAGREB D.D.	49,264	2.51
7	ERSTE & STEIERMARKISCHE BANK D.D/ PBZ CO OMF	46,893	2.39
8	BOČKAL DAMIR	46,516	2.37
9	PRIVREDNA BANKA ZAGREB D.D./ GENERALI JUGOVZHODNA EVROPA, DELNISKI	43.500	2.22
10	OTP BANKA D.D.	33,958	1.73

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 restriction for exercising the right to vote or cases where, in cooperation with the company, the financial rights from securities are separated from holding those securities. Span does not have special rules on the appointment or revoking the members of the Management Board, or the Supervisory Board, amendment of the statute or special rules on authorities of the members of the Management Board or the Supervisory Board. Provisions of the Companies Act and the Articles of Association of the Company that are available on the websites of Span (www.span.eu) apply on 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 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 2022, the Supervisory Board acted consisting of 4 members, appointed by the General Assembly. The right to the appointment and revoking the fifth member of the Supervisory Board is given to the employees of the Company. In 2022, the employees did not appoint their member in the Supervisory Board. The term of office of the members of the Supervisory Board is 4 years at most. The 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 the decisions of the Management Board for which it is provided for in the Rules of Procedure, the law or the Articles of Association, gives order to auditors and together with the Management Board, decides on proposals of 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. The 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 has not formally adopted a Diversity Policy, but in its executive management and supervisory bodies, there are no restrictions concerning diversity when appointing, and 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 250.a paragraph 4 and Article 272 p 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 2022 business year.

Span d.d.

1.2.4.2. Corporate Governance Code – Compliance Questionnaire for 2021

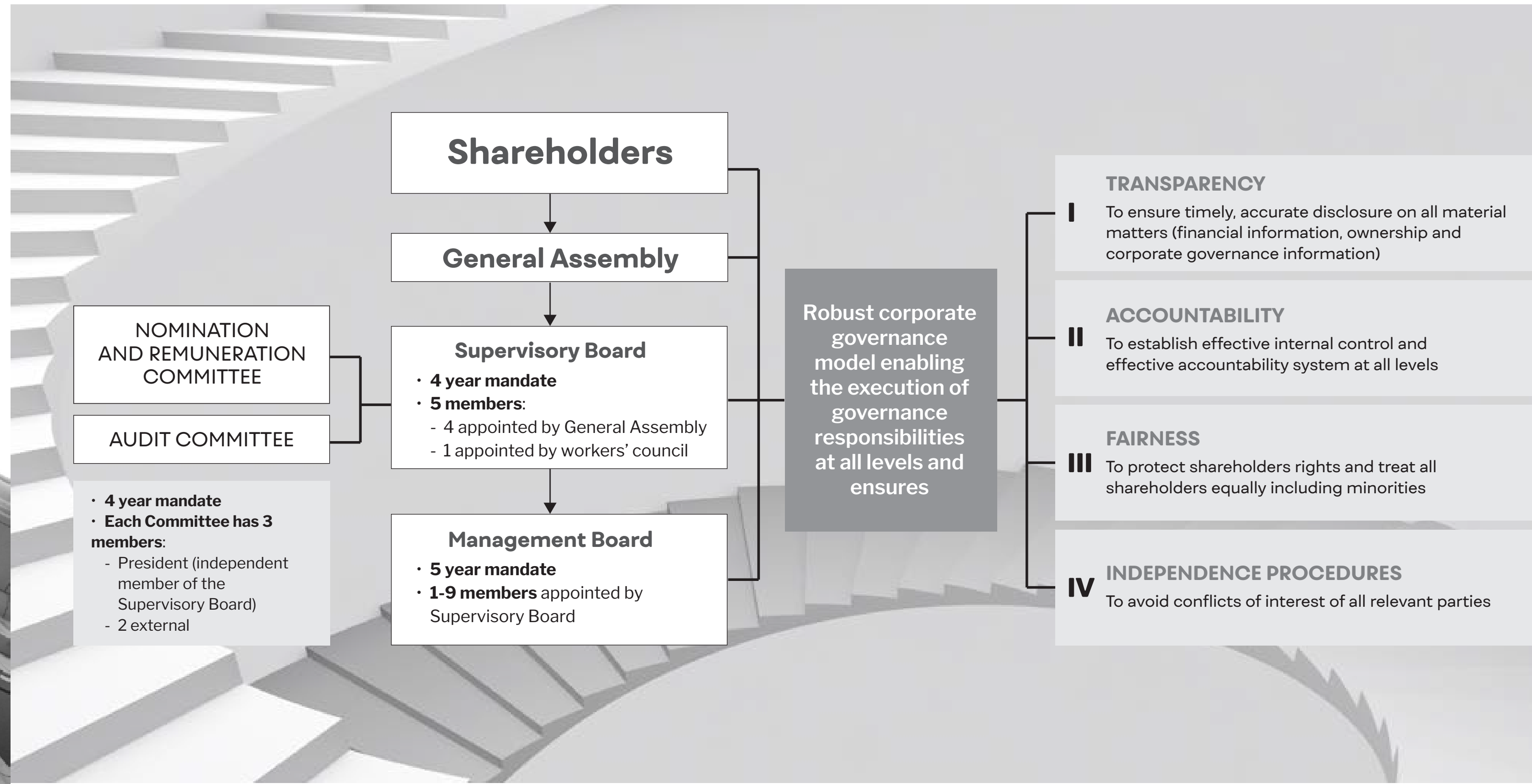
Applying the best practices of corporate governance, we ensure unbiased, transparent and responsible decision-making in our operations. In line with the requirements of the Corporate Governance Code, in 2022 we have published Compliance Questionnaire for 2021 (the Questionnaire on Management Practices was also submitted to HANFA in the time period prescribed by relevant provisions of law).

1.2.4.3. Corporate Governance Structure

The basic principles of the corporate management system in Span are **transparency, efficiency, setting clear boundaries between authorisations and responsibility, and implementing supervisory mechanisms**, all while managing concern for sustainability and business improvement.

In line with the Articles of Association and the Companies Act, the three fundamental bodies of Span are as follows:

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



1.2.4.3.1. Management Board

The Management Board of Span consisted of 5 (five) members in 2022. The number of the Management Board members is determined by a decision of the Supervisory Board. The Management Board is appointed for 5 (five) years at most, with a possibility of reappointment, without limitation to the number of terms of office.

The members of the Management Board in 2022 were as follows:
1. Nikola Dujmović – President
2. Antonija Kapović – Member
3. Marijan Pongrac – Member
4. Dragan Marković – Member
5. Saša Kramar – Member

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

Duration of the term of office of the Management Board members:

The Management Board manages the operations of the Company in line with the law, the Articles of Association and the Rules of Procedure of the Management Board that regulates in detail the organization, the method of operation and adoption of decisions of the Management Board, areas of works that the Management Board members perform independently, authorizations and limitations in managing the operations of the Company, rules for prevention of conflict of interest, cooperation and relationship towards the Supervisory Board, and other issues of importance for the work of the Management Board.

Seventeen sessions of the Management Board, which recorded 98.82% attendance of the members, were held during 2022.

The members of the Management Board have not been the members of the supervisory boards of companies within the Span Group.

Nikola Dujmović, President of the Management Board

Nikola is a co-founder and has been the company's Director since its foundation. An engineer by trade, he sees the possibilities for improvement and growth in everything he does, with an exceptionally rare talent to recognize or anticipate upcoming global tech trends. Nikola's business philosophy is simple – trust in what you do and follow the social responsibility concept, provide support and try to give the community more than you have received from it.

From the start, Nikola saw the importance of investing in people and their skills. That is why today Span's employees have a chance to expand their knowledge by working with state-of-the-art tech, using that knowledge to efficiently solve their clients' business challenges. Nikola is also responsible for Span's expansion far beyond Croatian borders and he was the force behind Span's partnership with Microsoft, making us the company's leading partner in the region.

Everything from design and development of strategically important projects, corporate security, quality and compliance with legal matters and office administration falls under Nikola's direct jurisdiction. Thanks to his efforts and vision, Span is today one of the leading Croatian IT companies and one of the top Croatian exporters of software and services.

With 34 years of rich experience, Nikola is also the member of the Management Boards of affiliated companies Span Cyber Security Center, Trilix and Bonsai.

He graduated from the Faculty of Electrical Engineering and Computing, University of Zagreb in 2002.

Marijan Pongrac, Member of the Management Board, 22 years in Span

Marijan is the Member of the Management Board for technology. He is a certified Microsoft IT expert, a system engineer and trainer. In Span, he is in charge of all Span's technology projects, from infrastructure to software, overseeing every phase of projects, from development to support.

Marijan started his career in Span as a System Engineer, quickly becoming a Business Unit Manager. He has forged his team of three into an expert crew of 450+ professionals, and that is something he cites as one of his greatest achievements. Marijan's work on creating a top-level IT team, ensuring its growth and development, and spreading its influence and knowledge is something that has cemented Span's reputation as a trusted and competent company.

For more than two decades, Marijan has led teams that design innovative solutions for clients with their knowledge and work with state-of-the-art technologies. With Marijan at the helm, Span teams design diverse technical solutions, manage software and infrastructure projects and organize follow-up and support services.

Marijan's business path started in 1992 in the family business, Skok, where he was the company Director until 1996. In the same year, he was employed as a system engineer in the Croatian public television (HRT), where he worked until 2001, when he came to Span.

He graduated from the Faculty of Transport and Traffic Sciences, University of Zagreb in 1997.

Dragan Marković, Member of the Management Board, 7 years in Span

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

Dragan started his career path as an IT manager at Expandia Invest and went on to develop his rich 27-years-long working experience at managing positions in the companies Iskon, Verso Mrežne Tehnologije, Hrvatski Telekom, King-ICT, and Proficio.

He graduated from the Faculty of Electrical Engineering and Computing, University of Zagreb in 1998.

Antonija Kapović, Member of the Management Board, 13 years in Span

Antonija is the Member of the Management Board in charge of the HR area, whose main goal is attracting, developing, motivating, and ultimately retaining the best-in-class IT experts within Span. Under her leadership, Span has implemented a unique performance management system, which has largely increased the engagement and satisfaction of employees. Together with her team, she has introduced Span Academy, a successful summer internship program for promising students of technical and IT sciences, and the Span Management Academy program intended for the development of future managers.

Thanks to Antonija and her team, in 2020 Span obtained the “Excellence During Challenges Certificate” and in 2021 it acquired the “Employer Partner Certificate”, which was also successfully recertified in 2022, proving the quality of Span’s HR practices. Through the strategic organizational development, Antonija is focused on enhancing Span internally, while adhering to the highest level of ethical and professional standards.

She started her career in the HR department in Belupo in 2001, and in her 22 years of work, she has acquired experience in Microsoft Croatia, S&T Croatia, and Atento.

She graduated from the Faculty of Philosophy, Psychology major, University of Zagreb in 2000, and completed MSc degree in Organizational Behavior at Birkbeck University, London in 2015.

Saša Kramar, Member of the Management Board, 3 years in Span

As the Member of the Management Board for Marketing, Sales and Business Development, Saša is responsible for Span’s international business development, managing a full portfolio of marketing and sales activities. Together with his team, he is strengthening relationships with our current and future clients, suppliers and partners. Besides overseeing these activities in Croatia, he also supervises Slovenia, Ukraine, Moldavia and Azerbaijan, with a constant focus on expanding to new international markets.

During his first year in Span, we have already seen him restructure our Sales and Marketing departments with great success. His immense experience in organizing these corporate branches as well as managing business development and strategic growth help transform Span into a truly international company.

During his 33-years-long productive career, Saša has worked on managing positions in technology and telecommunication companies. He started his career at the Apple Center NOVEL in 1990 and moved to Iskon Internet in 2016. In the same year, he became the member of the Management of Hrvatski Telekom and performed that function until January 2020, at the same time performing the function of the President of the Supervisory Board of Combis since 2016, and the Member of the Supervisory Board of Crnogorski Telekom since 2017.

He studied at the Faculty of Electrical Engineering and Computing, University of Zagreb, only to continue to improve his knowledge in Croatia and abroad.

Remuneration Policy

In its session of June 13th, 2022, the General Assembly made a Decision on adopting the Remuneration Policy of the Company, which specifies remuneration of the members of the Management Board which they have the right to during their work in the Company. The goal of the Span's Remuneration Policy is to ensure a balanced, sustainable and transparent remuneration of the members of the Management Board, which rewards their contribution to the success of the Company.

The Remuneration Policy is based on the following principles of remuneration of the members of the Management Board:

- Balance and transparency of all elements of remuneration
- Remuneration according to performance and responsibility for the achieved results
- Emphasis on fixed remuneration, which does not encourage excessive risk-taking, whereby the variable remuneration is connected to the total achievement of the Company goals
- Defining short-term and long-term goals as well as financial and non-financial goals
- The remuneration should be real and competitive and should follow the condition and practice on the relevant IT industry market

The monthly salary is a fixed part of the remuneration of the member of the Management Board, specified in the employment contract signed with the Company and approved by the Supervisory Board of the Company. In addition to the monthly salary, the members of the Management Board have the right to an annual bonus and allowances and benefits to the salary. The purpose of the annual bonus is to reward work performance of the member of the Management Board based on the accomplishment of financial and non-financial goals for a certain business year according to criteria such as: financial criteria, successful opening of new markets, acquisition of new international clients, growth of sale of certain types of services, increase of employee satisfaction, retaining key employees or other relevant goals for human resources, etc. The above criteria are related to the realization of strategy and business growth of the Company.

Allowances and benefits to the salary of the members of the Management Board are a business car, given for use 24 hours a day, additional health insurance, and personal liability insurance policy. When determining the amount and type of remuneration, relevant business practice when determining the remuneration for the managing staff and the conditions and practice in the IT industry market were taken into account.

Fixed remuneration is at least 60% of total remuneration. During 2022, the members of the Management Board of Span were awarded 7,191[3] shares of the Company on behalf of the annual bonus.

Name and surname	Position	Total annual earnings paid in HRK
Nikola Dujmović	President of the Management Board	1,497,828
Marijan Pongrac	Member of the Management Board	1,466,722
Dragan Marković	Member of the Management Board	1,637,881
Antonija Kapović	Member of the Management Board	1,555,876
Saša Kramar	Member of the Management Board	1,680,545

[3] The sum includes 915 shares awarded to Mr. Damir Bočkal, who was a Member of the Management Board in 2021 given that the shares were awarded as an annual bonus for the 2021 performance.

1.2.4.3.2. Supervisory Board

In 2022, the Supervisory Board of Span consisted of 4 members appointed by the General Assembly of the Company, with the Company employees having the right to appoint and recall the fifth member of the Supervisory Board. The employees did not appoint their member of the Supervisory Board in 2022.

Independent members make 50% of the membership of the Supervisory Board. The term of office of the members of the Supervisory Board is 4 years.

In 2022, the members of the Supervisory Board were:

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

Jasmin Kotur, President of the Supervisory Board

Jasmin has been a member and the President of the Supervisory Board of Span since its formation. He joined Span in 2002 and has worked at the positions of the System Engineer, User Support Director, IT Director, and Security Consultant.

He started his career in 3 Media in 1996 as an Executive Editor. In 1998, he moved to ITER-MARKETING at the Sales Manager position and went on to become an Editor for book editions at ZNAK. From 1999 to 2001, he worked as the Technical Support Manager at PERPETUUM MOBILE.

After graduating from a high school specializing in mathematics (MIOC), Jasmin continued to improve his knowledge by acquiring 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.

Aron Paulić, Vice-President of the Supervisory Board

Aron is the Vice President of the Supervisory Board and President of the Nomination and Remuneration Committee. He is responsible for the recruitment of candidates and the supervision of the process of nomination for the Supervisory Board and the Management Board so as to ensure transparency and decency. Moreover, he considers proposals for the remuneration of the members of the Management Board and supervises the amounts and the structure of remuneration of the senior management and employees as a whole.

He started his career as a developer and has worked on system development and the sale of advanced solutions. He has spent the biggest part of his career in managerial positions in the media industry. He has been an active creator of the Croatian information industry for 30 years, a publisher of IT magazines, books and digital publications, an author of numerous articles and interviews, and an organizer of fairs, conferences and seminars. He has collaborated with more than 800 associates in his career, many of whom form the backbone of the local IT industry today.

He started his career in 1991 at AC NOVEL, where he worked on software development and sale positions. In 1993 he co-founded the media company BUG and has been its director since then. He graduated from the then Faculty of Electrical Engineering of the University of Zagreb in 1991, now the Faculty of Electrical Engineering and Computing.

Zvonimir Banek, Member of the Supervisory Board

He has been the member of the Supervisory Board since its establishing. He was also the Vice-President of the Supervisory Board of Span since its establishing until October 14, 2021, when an independent member, Aron Paulić, was appointed the Vice-President of the Supervisory Board. As one of the first Microsoft Windows 2000 certified engineers in Croatia and a certified Microsoft trainer and lecturer, he has taken part in numerous technical conferences and has given a significant contribution to the education of a large number of IT engineers at the Span Microsoft Training Center.

He started his career in Span in 2001 as a system engineer, and has since developed his knowledge systematically; today, he is the Director of SCS (Solution Consulting Services) Division, in charge of technological infrastructure and SAP projects, and the management of all projects and project processes on the level of the Span Group. As the manager of Span architects, together with Marijan Pongrac, he has created and ensured the growth of top-level IT experts who he is extremely proud of, and some of whom have joined the top management of Span. His teams manage IT software and infrastructure projects and design and implement Enterprise IT solutions for users worldwide.

He started his prolific career in IT in 1995 as a system administrator at the Croatian Academic and Research Network, after which in 1996, he joined the Ministry of Science and Education where he worked as a system administrator and IT support manager.

He graduated from Ruđer Bošković Technical School, after which he went on to obtain a professional IT education, acquiring numerous certificates.

Ante Mandić, Member of the Supervisory Board

Ante is the Member of the Supervisory Board. He started his career in 1978 in the army where, after initial activities directed to performing commanding duties, he continued to develop as a lecturer at the military academy, and then as a researcher and military advisor abroad. He left the army in 1991 and in the same year founded a company, IN2 for the development and implementation of software and provision of related services. By 2018, IN2 developed into a Group of 12 regional companies with more than 630 employees, and in the same year, it was sold to the Canadian group, Constellation Software. Today, Ante is the majority owner of INsig2 and advisor for business development. He is an active participant of the Croatian IT community, and through his career, he has performed the functions of the president of associations within the Croatian Employers' Association and the Croatian Chamber of Economy.

The President of the Republic of Croatia decorated him with the Order of Danica Hrvatska in 2014 for his contribution to the development of the Croatian economy. He was also declared the Manager of the Year in 1999 and 2021, and the Entrepreneur of the Year in 2014 and 2018.

He graduated from the Technical Military Academy in Zagreb in 1978, acquiring the title Bachelor of Science in Nuclear Physics, i.e. an expert for nuclear weapons.

He obtained a Master's Degree in 1985 in the area of computer simulation.

The Supervisory Board supervises the operations of the Company, and the Supervisory Board members must perform their function properly and conscientiously, primarily being led by the work ethics, moral characteristics and well-being of the Company. Supervisory Board powers are defined by the provisions of the legislation, Rules of Procedure of the Supervisory Board and the Company Articles of Association.

- The Supervisory Board held 4 (four) sessions where it reviewed and determined the annual financial statements for 2021, compiled by the Management Board, and a decision on the distribution of profit, the auditor report composed by the appointed auditor Deloitte d.o.o., and reports on the remuneration of the members of the Management Board and Supervisory Board. Based on the recommendation of the Audit Committee, the Supervisory Board proposed the appointment of Deloitte d.o.o. as the auditor of the group for 2022 to the Assembly.
- The Supervisory Board determined a proposal for Remuneration Policy, which was adopted at the General Assembly, and goals and criteria for granting bonuses to the Management Board and the budget for 2022.
- The Supervisory Board also drew up the proposal for the Decision authorizing the Management Board of the Company to acquire shares of the Company, which was adopted by the General Assembly and gave consent for the Share Buy-Back Program adopted by the Management Board.
- The Supervisory Board decided by correspondence 6 (six) times in 2022, when it decided on the approval of contracts with affiliated entities, approved payment of bonuses to the Management Board based on specified goals and criteria for 2021 and increase of the salary to the Management Board based on the opinion of the Nomination and Remuneration Committee.
- The Supervisory Board gave consent to the Policy of Assessment of Company Influence on the Environment and Community and Management of Associated risks adopted by the Management Board.
- The Supervisory Board conducted self-assessment of the profiles and competences of the members of the Supervisory Board and the members of its committees, assessing all the circumstances referred to in Article 41 of the Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA). The self-assessment was conducted by the Vice-President of the Supervisory Board without the engagement of an external auditor. The Supervisory Board determined that its composition and profile, as well as the composition and profile of its committees correspond to the needs and activities of the Company. The Supervisory Board supports the diversity aspect and during this term will determine the target percentage of female members of the Management Board and the Supervisory Board in the next five-year period, while the level of the representation of women in its committees is 50%, rated above average. The Supervisory Board assessed that all members of the Supervisory Board and its committees have the knowledge, skills and professional experience necessary to decide on all issues on the agenda of the meetings of the Supervisory Board and its committees. Administrative support in the preparation of Supervisory Board meetings is provided by the Secretary of the Company in an efficient and timely manner.

The Management Board assessed its effectiveness and the effectiveness of the individual members and advised the Supervisory Board about the conclusions. The Company Supervisory Board is informed properly, timely and transparently by the Management Board about all crucial issues related to the operation of the Company and companies dependent on it, important for the existence of the Company. Except for the fee for their work in the Supervisory Board, members of the Supervisory Board were not paid any other fees in 2022. During 2022, all members of the Supervisory Board were present at all sessions, as well as when making decisions by correspondence.

1.2.4.3.3. Audit Committee and Nomination and Remuneration Committee

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

Audit Committee

The Audit Committee performed its activities in accordance with the Audit Act, Regulation (EU) no. 537/2014, other positive regulations and the Rules and Procedures of the Audit Committee. The Rules of Procedure of the Audit Committee of Span is available on the websites of the Company: Rules of Procedure of the Audit Committee.

In 2022, the Audit Committee was composed of:

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

Nataša Zelenika

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

Tomislav Skorin

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

The Audit Committee held 4 (four) sessions in 2022 where it considered and adopted the annual plan for legal audit and the annual plan of internal audit of the Span Group for 2022. The Audit Committee considered and gave recommendations to the Supervisory Board for the adoption of annual financial statements of the Company and consolidated annual financial statements of the Span Group as well as reports on the status of the Company and the subsidiaries, with the reports of the authorized auditors of Deloitte d.o.o. for 2021. The Audit Committee positively evaluated the introduction of the risk management system and the internal control system, procedures for approval and announcement of transactions among members of the Management Board or the Supervisory Board and the Company (or persons associated with any party) and effectiveness of the procedure of reporting irregularities and its application. The Audit Committee regularly presented its conclusions and recommendations to the Supervisory Board. The 87.5% attendance of members was recorded at the sessions.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee performed activities determined by the Decision of the Supervisory Board on establishing the Nomination and Remuneration Committee and provisions of the Rules of Procedure of the Committee available on the websites of the Company: Rules of Procedure of the Nomination and Remuneration Committee.

In 2022, the Committee was composed of:

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

The Committee held 4 (four) sessions recording 100% attendance of the members.

Hana Horak

Prof. Hana Horak, PhD is a tenured professor at the Faculty of Economics and Business, University of Zagreb and head of a Jean Monnet Chair. She teaches courses in Commercial Law and Company Law, European Company Law, EU Internal Market Law, Corporate Governance, and International Trade Law. She is the Head of the Master Study Program in "Legal and Economic Framework of Business in the European Union." Since 2011, she has been the Chair of the Program Committee of the International Conference on the European Company Law and Corporate Governance[4]. She is the founder and Editor-in-Chief of INTEREULAWEAST - Journal for International and European Law, Economics and Market Integrations. She has been a member of the European Law Institute for a long time and takes part in ELI SIG Business and Financial Law, as the member of a project team on the project "Corporate Sustainability, Financial Accounting and Share Capital[5]." Hana has been a member of the Supervisory Board of the Croatian Center of the European Law Institute since 2020. She was elected a member of the Supervisory Board of the Croatian Academy of Legal Sciences in 2022. She has been a member of the Nomination and Remuneration Committee of Span since its establishment.

Lucia Ana Tomić

Lucia has more than fifteen years of experience working in the area of legal affairs and human resources. Working in a law office, the banking and insurance sector, she has specialized in the area of financial crime, prevention of money laundering, and fraud and data protection. Currently, she is leading the Sector for Conformity, Regulatory Affairs and Procurement at Wiener Insurance, Vienna Insurance Group d.d. She has been nominated a member of the Nomination and Remuneration Committee in Span. Lucia acquired degrees at the Faculty of Law in Zagreb and the Faculty of Economics and Business, where she continued her education and acquired a Master's degree in the area of management and international mergers and acquisitions. She has taken part in various conferences and gives lectures at universities in the region as a visiting lecturer. She is a lecturer at the ESG Academy in the area of Governance. Lucia is the author of a series of scientific articles in the area of human resources concerning rewarding and assessment of suitability of members of managements. She is the Vice President of the ICC Commission on corporate social responsibility.

[4] https://eclcg-conf.weebly.com/
[5] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4339435

The Nomination and Remuneration Committee considered and adopted Proposal for the Remuneration Policy, which was adopted by the General Assembly. It determined the proposed goals of the Company for 2022 and key performance indicators (KPI) for determining the amount of the annual bonus for the Management and adopted the proposal of the President of the Management Board on increasing the monthly salary to the members of the Management Board, both addressed to the Supervisory Board and adopted. It supervised the amount and structure of remuneration for top management and employees as a whole and gave a positive evaluation and recommendations to the Management Board and its policies. It assessed the composition, size, membership and quality of work of the Supervisory Board and Management Board and drew up adequate recommendations to the Supervisory Board.

At its last session, the Nomination and Remuneration Committee determined a proposal of the target percentage of female members of the Supervisory Board and the Management Board in the next 5 years of at least 40% of positions in the supervisory boards or 33% of all director positions, in line with the provisions of the Directive on improving the gender balance among the directors of listed companies that the European Commission proposed in 2012. The Supervisory Board will adopt a decision concerning the plan for the implementation of this proposal during 2023. The Nomination and Remuneration Committee notified the Supervisory Board of the adopted recommendations from its sessions on a regular basis and submitted an annual report on their work.

Internal audit

As part of its development and continuous improvement in the implementation procedures of the corporate management system, the Company appointed the independent internal audit function as one of the key business functions and the foundation of corporate management. The Company's corporate internal audit performs the function of independent audit and control on behalf of the Company's Management Board and informs managers through comprehensive reports on the conducted audit. As part of the management of the internal audit function, the "Annual Internal Audit Plan for 2022" was adopted. For the planned audits, the areas of work and scope of implementation have been identified, and the documents that are analyzed and reviewed in the scope of the audit have been identified. The audit engagement covers three areas from the domain of business (corporate) management for the year 2022, namely: areas of corporate management, regulatory, legal and professional obligations (Compliance) and reporting (Reporting). Processes, internal acts, implementation and fulfillment of business and regulatory requirements were examined for each area. According to the opinion of the internal audit, consistent management of processes and risks is implemented in the area of corporate governance, compliance and reporting. Documentation, organizational and technical measures and activities have been established.

1.2.4.3.4. General Assembly

The General Assembly decides on issues specified by the Companies Act and Articles of Association. The Articles of Association of the Company, available at the following link: Articles of Association, provides for the method of operation of the General Assembly, its authority, shareholders' rights and the means of their realization. The General Assembly can adopt valid decisions if it is attended in person or by a proxy appointed by the shareholders whose shares represent more than a half of the share capital of the Company. Shareholders who have a registered share of the Company at their securities account in the computer system of the Central Depository and Clearing Company d.d. (SKDD) and have reported their attendance have the right to take part in the General Assembly. An invitation for the General Assembly regulates in detail the conditions for reporting one's attendance at the General Assembly.

The regular General Assembly of Span was held on June 13th, 2022. The Assembly was chaired by Mr. Stjepan Lović, Attorney at Law. The Assembly was attended by shareholders and their proxies who hold in total of 1,446,439 (one million four hundred and forty-six thousand four hundred and thirty-nine) shares that give right to 1,446,439 (one million four hundred and forty-six thousand four hundred and thirty-nine) votes or **74.45%** (seventy-four point forty-five percent) of the total number of votes, or **73.80%** (seventy-three point eighty percent) of the share capital of the Company.

In line with the announced agenda, the Assembly adopted the following decisions:

- Payment of dividend in the amount of HRK 5 (five kuna) per share to the shareholders of the Company was determined, proportional to the number of shares they hold, and the net profit for the business year 2021 remaining after the payment of the dividend was retained in the retained profit of the Company
- Discharge was given to the members of the Management Board and the Supervisory Board of the Company
- Authorization was given to the Management Board of the Company for the acquisition of the treasury shares of the Company during a period of 5 (five) years, without further special consent of the General Assembly of the Company
- Revised Remuneration Report for the Management Board and the Supervisory Board in the business year 2021 was approved
- The Remuneration Policy of the Company was approved
- Remuneration for the Supervisory Board for the business year 2022 was determined
- Deloitte limited liability company for audit services was nominated the auditor of the operation of the Company and Span Group in 2022.

All decisions from the sessions of the General Assembly and records from them have been published in line with the legal regulations and are available on the websites of the Company at the following link: General Assembly of Span d.d.

1.2.4.4. Policy of Assessment of Company Influence on the Environment and Community and Management of Associated Risks

By following its values of knowledge, excellence, trust and cooperation, in all aspects of its business Span takes into account and evaluates the impact of its business activities on external and internal actors and on the environment. Pursuant to Article 240, paragraph 3 of the Companies Act and Article 9.3 of the Articles of Association of the Company, the Management Board of the Company, with the agreement of the Supervisory Board, on December 30, 2022 adopted the Policy of Assessment of Company Influence on the Environment and Community and Management of Associated Risks (hereinafter referred to as: Policy)[6].

This Policy is designed to show Span's dedication to take into account its impact on the environment and community when making business decisions and to show how it manages them. We acknowledge that managing environmental and societal impact is an integral aspect of our business activities and that, as a significant economic operator, other than with the regulatory and legislative framework, we need to adhere to good societal and environmental practices, as prescribed by international standards and agreements. That is why, when making our business decisions, we consider, evaluate and manage our impact on the environment and society, while paying special attention to real and potential negative effects on human rights and the environment. Accordingly, we integrate the environmental and societal risk management during business processes into a set of operations conducted within the scope of the methodology for evaluating and managing risks in accordance with the international standard ISO 31000 (Risk management).

Policy application mechanisms:

- Application of the information security management system
- Application of the environmental protection and energy efficiency system
- Application of systems and policies aiming to achieve fair business relations
- Due diligence and analysis of potential and real negative impacts on the environment and human rights
- Managing societal and environmental risks on business

1.2.4.5 Conflict of Interest Managing Policy

Conflict of interest takes place when employees and other persons acting on behalf of Span, put their personal, social, financial, entrepreneurial or political interests or interests of family members or other related persons before Span's interests when doing their job in Span. Conflict of interest exists when an individual's personal interests influence or could influence the ability of the employees to make decisions objectively and do

[6] This Policy applies to Span d.d. and all its related companies.

their job for the Company. Acting in accordance with the provisions of applicable legal regulations and internal procedures and rules, our employees must avoid situations of real and potential conflict of interest, including situations that can seem as conflict of interest in relation to their position, job and themselves. We expect our employees to restrain from all activities that are contrary to the interests of the Company and make decisions in an unbiased and objective manner.

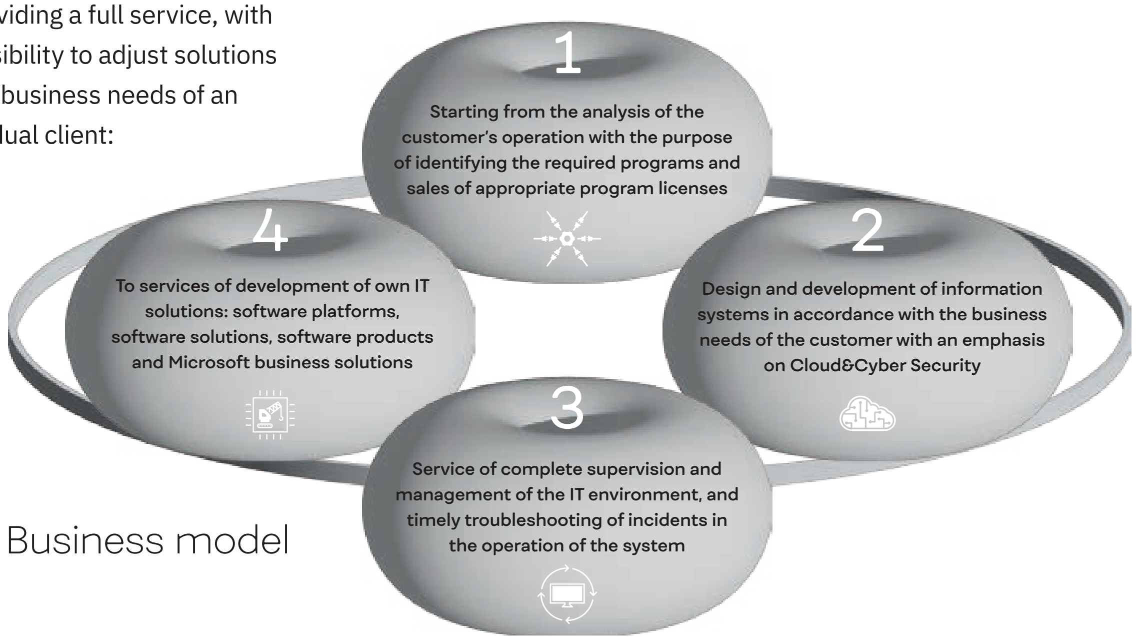
Pursuant to provisions 7 and 8 of the Corporate Governance Code of the Zagreb Stock Exchange and HANFA, subject to the previous consent of the Supervisory Board of the Company, the Conflict of Interest Managing Policy, a framework for defining the system, controls and procedures that will prevent and mitigate, i.e. identify, assess and resolve potential and real conflicts of interest, was adopted on December 23, 2021.

The aim of the Policy is demonstrated in the implementation of procedures that prevent the members of the Supervisory Board, the Management Board, the managerial staff and employees of the Company from participating in decision-making where they have a conflict of interest. The Policy applies to the members of the Supervisory Board, the Management Board, the managerial staff as well as any employee of the Company in order to ensure the highest possible level of transparency in the operation.

1.3. Overview of operation

1.3.1. Description of the operation and main activities

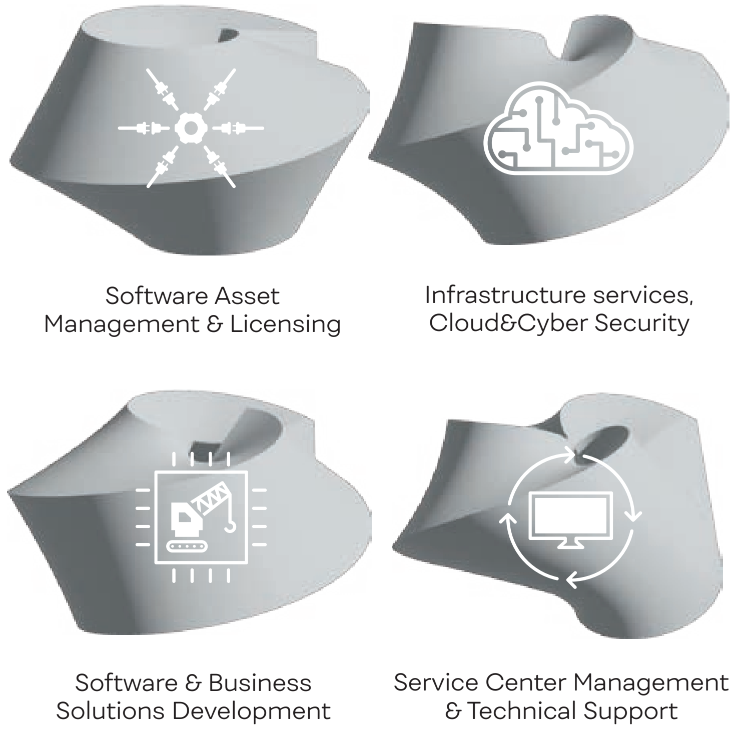
Our business model is directed to providing a full service, with a possibility to adjust solutions to the business needs of an individual client:



Business model

The afore-mentioned 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[7]

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

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

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

the management of licenses and software assets. When it comes to sales of licenses, the most important supplier of the Group is Microsoft, and we have been a part of their partner network for more than 29 years. As a Microsoft Solutions Partner, we have become their hub of expertise for communication solutions, solutions for security, and Azure platform as well as advanced business applications. We are their leading partner with a permit to provide licensing services (LSP) and Cloud services (CSP) in the EU/EFTA region, Ukraine, Azerbaijan, Belarus and the CIS region. With our Microsoft Solutions Provider status in 5 areas, we continuously prove our success in innovation and implementation of Microsoft solutions. Our wide portfolio of suppliers is a result of our added value approach and cooperation with leading software producers which guarantee successful meeting of all user requirements for licensing.

2). Infrastructure Services, Cloud & Cyber Security[8]

Infrastructure services include the design and development of information systems according to the business needs of a customer, with an emphasis on Cloud&Cyber Security. To that end, we use advanced and innovative solutions and software tools of global leaders in the IT sector. Projects of development of information systems can be of different duration, from one-year to multi-year projects, and we design and develop them according to specific business needs and standards of the customer (tailor-made solutions). The idea is to develop an IT system adjusted to the customer, which will support their current operation and business growth to the optimum, so this process includes a detailed analysis of the existing business processes of the customer.

When **Cloud services** are involved, we have ensured complete solutions to our customers, from the service for the assessment of the preparedness of the customer, preparation and enabling the transition of the customer to the Cloud platform, to the management of Cloud itself. By multicloud environment services (use of more than one Cloud platform of different suppliers in the same environment), we ensure the supervision of the Cloud environment, optimization of expenses and safety of the IT system. We are a certified partner of leading platforms of Cloud operations in the world - Microsoft Azure, Amazon Web Services and Google Cloud Partner, and these companies are our most significant suppliers in the segment of the infrastructure services and Cloud.

[8] Cloud solutions - IT and SaaS systems | Span.eu

This segment of the operation also includes taking care of the **security of the IT systems**[9] which we strive to make resilient to cyber threats or attacks. In the world of continuous threat evolution, increasing mobility and digitalization, you need around-the-clock vigilance, alertness and agility. Our Security Operations Center (SOC) is a full-service solution that protects your company from a wide range of cyber threats, 24 hours a day, 365 days a year. Our security analysts use advanced technologies, their extensive experience, and insight into the most recent threat intelligence knowledge to rapidly and effectively identify and prioritize all key events.

Our professional certifications also prove our competences in this segment.

Our goal is to convey knowledge and empower the business community to respond as efficiently as possible to the ever-present and increasingly sophisticated cyber threats, which are one of the greatest risks for the operation. We want to achieve this through the Span Cyber Security Center which we opened in September 2022 in cooperation with the Israeli company **Cybergym**[10]. The Center offers education, training and consultancy services intended for employees in the public and private sector, and the program is tailored to specific needs of the participants or a company, and includes active participation in real-life situations where professional hackers simulate real attacks on their business systems.

[9] Security services | Span.eu

[10] More about the Cyber Security Span Center in chapter 2.1.2.6 Opening the Cyber Security Span Center

3). Service Center Management and Technical Support[11]

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

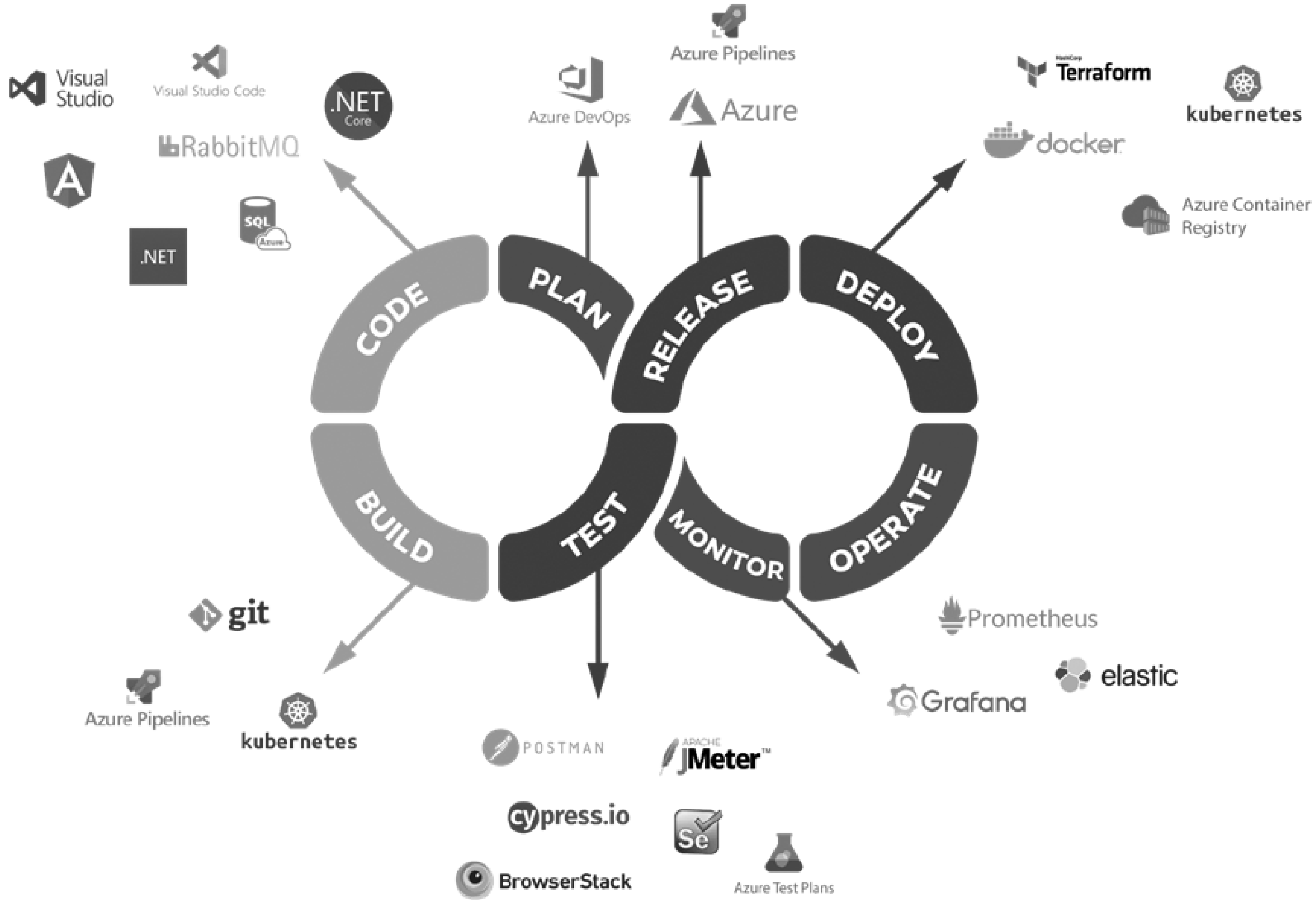
4). Software and Business Solution Development[12]

This business segment includes the development of our own IT solutions, or software platforms, software solutions, software products, and Microsoft business solutions. The development of software platforms implies the development of digital platforms of high performance, ready for global scaling that we base on the solutions of Cloud operation and micro service architecture.

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

[11] 24x7 Support Services | Span.eu
[12] Business IT solutions - B2B and B2C IT solutions | Span.eu
[13] ITSM solution: Span Resolution | Span.eu
[14] GDPR solution - SPAN PDP | Span.eu
[15] DNS anti malware solutions - DNS C&A | Span.eu

The development of software products implies the production of our own software solutions among which: "Span Resolution,"[13] a flexible solution for IT service management, "Personal Data Protector (PDP),"[14] a comprehensive solution for collection and harmonization with the requirements of the General Data Protection Regulation 2016/679 (GDPR) and "Domain Name system C&A,"[15] an intelligent security solution that protects from cyber attacks, stand out. We use the most sophisticated technologies and the most advanced tools in order to support the development of optimal software solutions.



1.3.2. Main markets

We divide the main markets in:

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

1.3.3. Industry trends

After observing the growing trend in the global IT market in 2022, analysts say that 2023 could be characterized as a recession year. Global events and the war in Ukraine started to affect and slow down the European IT market, especially in the Nordic countries, geographically closer to the area affected by the war. The United States market is also following the development of the geopolitical situation with its budget earmarked for IT services. Even though, for now, they have not reduced planned projects, they are monitoring the unfolding of the events and adapting to change.

However, the geopolitical movements will not stop the IT development, which is evident from the trends for 2023. Cloud is still very interesting to users. An increasing number of them are becoming aware of its advantages, especially if they are perceived through the prism of security.

> "There is an increasing number of small- and middle-sized companies that have implemented Cloud solutions, and a large number of large companies also have it high in the list of priorities. In their case, the implementation takes somewhat longer because the size of the organization influences the speed of the introduction of new solutions. In East European markets, trends from the West arrive more slowly, so in that area there is still a great potential for the further development of Cloud." – Marijan Pongrac

Experts from Canalys[16], one of the leading global companies for the analysis of the "tech" market, assess that by 2025 the Cloud market will grow to more than US$ 45 billion, which is an average annual growth rate of 84 %.[17] It should also be mentioned that the need for multicloud solutions will continue, for 2 reasons – because of the wish for better security and to avoid dependency on one service provider only. Given that all Cloud solutions are not equally sophisticated and do not always offer the same level of security (improvement of Cloud services is continuously worked on), management of services of a number of Cloud providers can be impractical.[18] Therefore, "metacloud" services are considered the next logical step where all the services, regardless of the Cloud provider, will be seen through a "single pane of glass" and will be managed in a centralized manner.[19] "Metacloud" tools will take care of the compatibility with various functionalities of Cloud service providers and will be upgraded regularly when new functionalities become available.

Like Cloud, cyber security is a trend, or, better said, a need, which will continue to develop. The war in Ukraine has additionally influenced the rise in cybercrime so in 2022, as many as 38% more cyber attacks were recorded in 2022, compared to 2021.[20] As a result of monitoring cyber security trends and improving in that field, Span opened the Span Cyber Security Center in September 2022, where employees from the public and private sectors can be educated and acquire practical knowledge on real-life examples, in controlled conditions.

span
cyber security center

[16] Canalys - the leading global technology market analyst firm
[17] Canalys Newsroom - Cloud marketplaces sales to hit US$45 billion by 2025
[18] Tech Trends 2023 | Deloitte Insights
[19] Tech Trends 2023 | Deloitte Insights
[20] https://www.securitymagazine.com/articles/98810-global-cyberattacks-increased-38-in-2022

Cyber criminals are mainly motivated by earnings, but it is anticipated they will face a "problem" in 2023. Actually, fewer and fewer companies are deciding to pay ransom, which is why security experts believe there will be less large and more small attacks. With the rise of the number of attacks, cyber criminals could compensate for the loss that occurs with the absence of the payment of ransom by large companies.[21]

The area of development is also expected to see the improvement of application development processes, with an emphasis on the security component. We can say that Software Developer/IT operations teams are developing with the same speed as Cloud itself and create innovative applications for their users. Since by now, many companies have not been able to use the security part to a great extent in their development, Software Development / Security / IT operations teams (DevSecOps) will be a novelty, taking care of securing the codes as early as at the start of application development. The codes being developed now will be checked functionally and in terms of security before delivery.

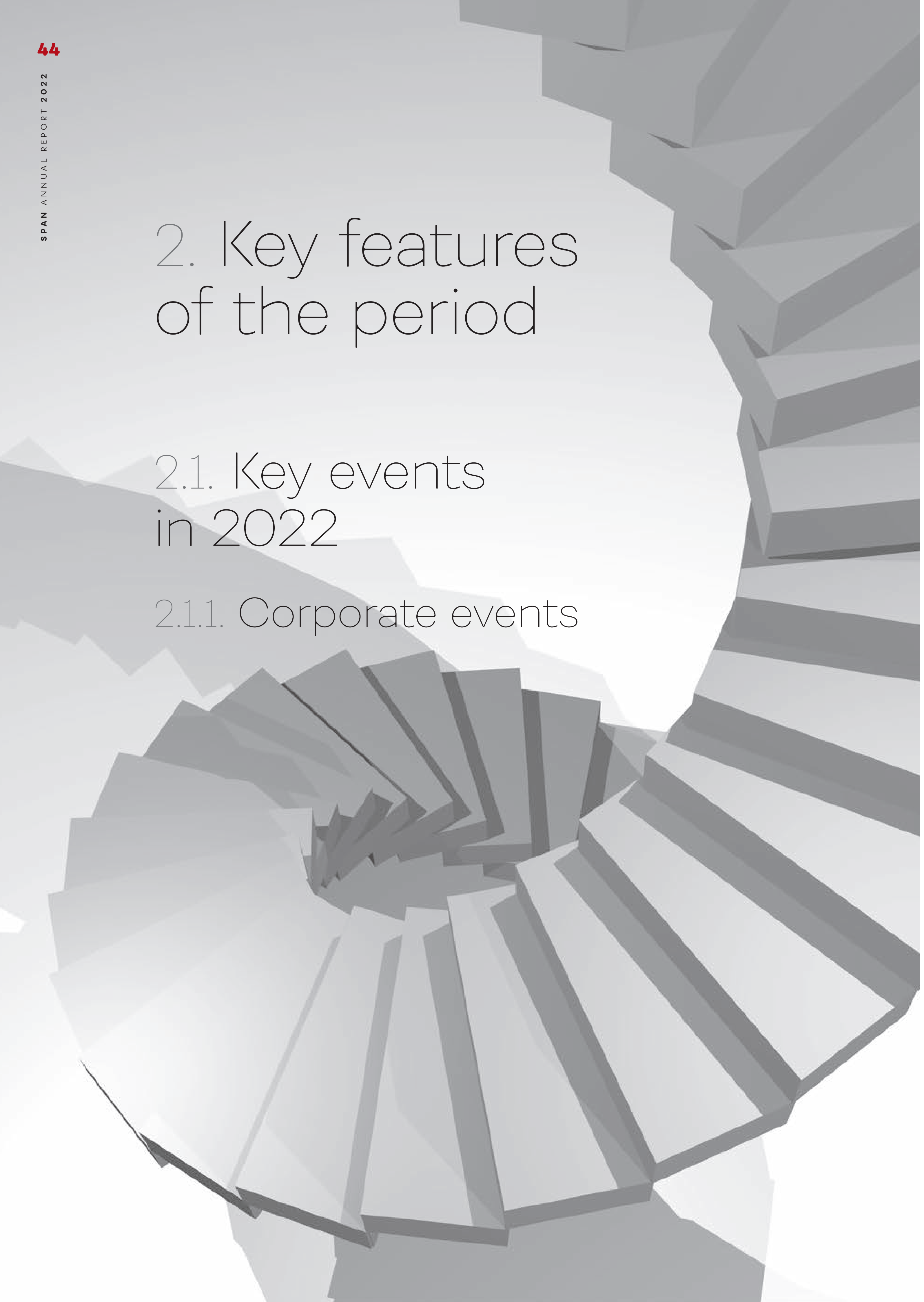
For IT companies to be able to follow the growth and development of the IT industry, the growth in employment is also crucial. Reality is such that there is a lack of IT experts in all the markets, and the capacity of educational institutions cannot follow up the growth in the demand. So far, IT companies have employed staff based on their working experience but a change in the required set of skills is anticipated next year. Adaptability and a desire for learning and development will gain importance.[22] Research show that sets of skills in IT become outdated after 2.5 years on average.[23] Beginners, students, persons wishing to work in IT will become new potential talents for the industry. The Companies will educate those employees and make them experts.

1.3.4. The Group Business Strategy

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, and Software and Business Solution Development.

In 2023, further growth is expected in all business segments and in all markets where the Company is present, and expansion into new markets is also planned. The strategic framework also implies more intensive cooperation with existing key international clients (expansion of the number and types of services).

[21] https://www.fortinet.com/resources/cyberglossary/ransomware-statistics
[22] https://www2.deloitte.com/us/en/insights/focus/tech-trends.html#flexibility-the-best-ability
[23] https://www2.deloitte.com/us/en/insights/focus/tech-trends.html#flexibility-the-best-ability



2. Key features of the period

2.1. Key events in 2022

2.1.1. Corporate events

2.1.1.1. Share Buy-Back Programs

The meeting of the Management Board of the Company that took place on **January 14th, 2022** approved the Decision on the adoption of the Share Buy-Back Program[24] aimed at offering shares to the employees of the company and its affiliated companies for the purpose of remuneration. The Program started on January 17th, 2022, with January 17th, 2023, being the term for its completion, by which date the Company planned to purchase a maximum of 30,000 shares with funds allocated under the Program in the amount of HRK 9,000,000.00. The execution of the Program was dependent on the market conditions and strategic decisions of the Company, and could be suspended, discontinued, or modified in any way during the Program period. The Company was not obliged at any point to purchase its own shares, acting as a purchaser depending on the market conditions.[25]

A session of the Management Board and the Supervisory board of the Company took place on **December 2nd, 2022**, adopting a new Share Buyback Program, in accordance with the Decision of the General Assembly of June 13th, 2022. With the adoption of the new Program, the Share Buyback Program adopted at the session of the Management Board of the Company on January 14th, 2022, was abandoned.

The Program is implemented with the purpose of the disposal of shares within the ESOP Program of the Company, remuneration of the members of the Management Board, the employees of the Company and affiliated companies, potential acquisition of companies, and for any other purposes that are provided for as such and allowed under the applicable legislation of the Republic of Croatia, in line with the decision of the General Assembly of the Company on June 13th, 2022. The Company plans to repurchase treasury shares on the regulated market of the Zagreb Stock Exchange, up to the maximum of **175,000** (one hundred and seventy-five thousand) shares[26] with the amount of funds allocated with the Program in the amount of HRK **87,500,000.00** (eighty-seven million five hundred thousand). The Company is not obliged at any point to purchase its own shares, acting as a purchaser depending on the market conditions. The Program started on December 5th, 2022, and will end by December 5th, 2024, at the latest. It depends on the market conditions and strategic decisions of the Company, and may be suspended, discontinued, or modified in any way during the Program period.

This Program does not regulate the purchase of own shares through organized tender offers at the Zagreb Stock Exchange.

2.1.1.2. Acquisitions and Disposals of Treasury shares

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 also had 30,900 of own treasury shares.

[24] Pursuant to Article 233 of the applicable Companies Act, the acquisition of shares for the above purpose can be implemented without the approval of the General Assembly of the Company.

[25] In accordance with the above-mentioned Share Buyback Program, on January 21, 2022 and on September 30, 2022, the Company acquired 20,000 and 6,691 of own shares on the regulated market of the Zagreb Stock Exchange.

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

Acquisitions and disposals of shares over the year:

Date	Corporate event	Purpose	Number of shares	Number of shares after corporate event	% of share capital before corporate event	% of share capital after corporate event
January 21st, 2022	Acquisition of own shares	Share Buy-Back Program	20,000	50,900	1.5765%	2.5969%
March 23rd, 2022	Disposal of own shares	Ekobit share purchase price	17,013	33,887	2.5969%	1.7289%
May 2nd, 2022	Disposal of own shares	Share Buy-Back Program	9,451	24,436	1.7289%	1.2467%
June 7th, 2022	Disposal of own shares	Share Buy-Back Program	7,191	17,245	1.2467%	0.8798%
August 18th, 2022	Disposal of own shares	Share Buy-Back Program	375	16,870	0.8798%	0.8607%
August 26th, 2022	Disposal of own shares	Share Buy-Back Program	71	16,799	0.8607%	0.8571%
September 30th, 2022	Acquisition of own shares	Share Buy-Back Program	6,691	23,490	0.8571%	1.1985%
October 14th, 2022	Disposal of own shares	ESOP - allocation of additional shares	2,254	21,236	1.1985%	1.0835%
November 9th, 2022	Disposal of own shares	Share Buy-Back Program	1,207	20,029	1.0835%	1.0219%
As of December 31st, 2022				**20,029**		**1.0219%**

After the above-mentioned acquisitions and disposals, on December 31st, 2022, the Company holds 20,029 shares, which represents 1.0219% of the share capital of the Company.

2.1.1.3. Dividend Payment Policy of Span d.d.

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

According to the above-mentioned, a session of the Supervisory Board of the Company took place on April 29th, 2022, where the Supervisory Board, together with the Management Board, proposed to the General Assembly the adoption of the decision on the use of profits and dividend payment in the amount of HRK 5 per share. The dividend was paid to the shareholders of the Company who were registered as the Company shareholders in Central Depository and Clearing Company d.d. (SKDD), on June 17th, 2022 (record date). The date from which the share of the Company was traded without the right to the dividend payment was June 15th, 2022 (ex date). The claim for the dividend payment became due on July 1st, 2022 (payment date). Dividend was paid from the Company profit made in 2021.[27]

[27] In the business year that ended as at December 31st, 2021, the Span Group made net consolidated profit in the amount of HRK 23,823,517.99, and net profit of Span d.d. was HRK 19,359,494.34.

2.1.1.4. Mergers and Acquisitions

2.1.1.4.1. Infocumulus d.o.o.

Infocumulus d.o.o. has been 100% owned by the Company since 2017. The subject of business of Infocumulus d.o.o is the research of new technologies in the area of information science, market research and public surveys, as well as consulting concerning operations and management. On February 17th, 2022, it was merged with the Company, pursuant to the Merger Agreement of December 16th, 2021, and the Minutes from the Assembly of the Merged Company of January 25th, 2022.

2.1.1.4.2. Ekobit d.o.o.

By signing the purchase and sale agreement on March 14th, 2022, we acquired Ekobit d.o.o, in a transaction valued at HRK 37,389,637.59. A part of the purchase price that depends on the operating results of Ekobit d.o.o. in 2022, is subject to adjustment. According to the decision of hitherto owners of Ekobit d.o.o., payment for a part of the purchase price was agreed in Span d.d. shares, in the amount of HRK 3,266,496.00, for the purpose of fulfilling a Share Allocation Plan awarding the employees of Ekobit. Accordingly, the Company released 17,013 treasury shares,[28] and the transfer from the account of non-materialized securities opened at Central Depository and Clearing Company d.d. (SKDD) was made on March 23rd, 2022.

Ekobit d.o.o. specializes in the development of software solutions, so their expertise comes to the fore through valuable intellectual property. The company is active in the market with its two products: BizDataX masking – a solution that serves for obtaining test bases of production quality while protecting sensitive data of persons in compliance with GDPR, and BizDataX "subsetting," which enables the creation of smaller test bases by selecting a relevant subset of production data. Since one of the main goals of the initial public offer (IPO) was to ensure the further expansion and growth of our operations, the acquisition of Ekobit is a strong step in that direction and fully in line with our growth strategy. Owing to the said transaction, both companies are expanding the portfolio of their services and user base so we will be able to offer the existing and future users ever more advanced solutions and services. By acquiring Ekobit, which primarily delivers its services to West European users, we are expanding our operations, especially into the DACH region.

[28] Before the above share release, the Company had 50,900 treasury shares, which represented 2.5969% of the share capital, and after the release, the Company owns in total of 33,887 treasury shares, which represents 1.7289% of the share capital.

2.1.1.5. Establishing companies

2.1.1.5.1. Fintech Digital Services LLC

On April 15th, 2022, the Commercial Court of Zagreb issued the decision on the registration of the establishment of a company under the firm FINTECH DIGITAL SERVICES limited liability company for IT services, PIN: 79372150838, with the registered office in Zagreb, Koturaška cesta 47 and the share capital in the amount of HRK 20,000.00. The decision was published on April 16th, 2022. The founders of the company are Span d.d., IDENTITY CONSORTIUM d.o.o. and KARFIJAM d.o.o., with Span d.d. and IDENTITY CONSORTIUM d.o.o. having taken over business shares of 35% of the share capital each, and KARFIJAM d.o.o. a business share in the amount of the remaining 30% of the share capital.

2.1.1.5.2. Span Cyber Security Center LLC

On July 21st, 2022 the Commercial Court of Zagreb issued the decision on the registration of the establishment of a company under the firm Span Cyber Security Center, limited liability company for services and consulting, PIN: 88052917618, with the registered office in Zagreb and the share capital in the amount of HRK 1,500,000.00. The founder and the single member of the company is Span d.d. The decision was published on July 22nd, 2022.

The Center was officially opened on September 6th, 2022, in cooperation with the Israeli company Cybergym[29] and is the first such center in this part of Europe. Span Cyber Security Center brings the most up-to-date world practices and experience to Croatia with the aim of communicating knowledge and empowering the business community to respond as efficiently as possible to the ever-present and increasingly sophisticated cyber threats, which are one of the greatest risks for the operation.

2.1.1.6. General Assembly of Span d.d.

On May 3rd, 2022, the Company announced an Invitation to the General Assembly. Based on the provisions of the Capital Market Act and the Rules of the Zagreb Stock Exchange, a regular meeting of the General Assembly of the Company was held on June 13th, 2022. The Assembly was chaired by Mr. Stjepan Lović, Lawyer, and it was attended, i.e. represented by 1,446,439 votes, amounting to 74.45% of the total number of shares of the Company with the right to vote, or 73.80% share in the share capital of the Company.

In line with the Agenda of the General Assembly of the Company, announced in the Invitation to the General Assembly, the following decisions were adopted:

[29] Cybergym is a leading Israeli cyber security company that bases its expertise on its own experience.

- Election of the President of the General Assembly
- Decision on the use of profit for 2021
- Decision on giving discharge to the members of the Management Board for the 2021 business year
- Decision on giving discharge to the members of the Supervisory Board of the Company for the business year 2021
- Decision on giving authorization to the Management Board of the Company for the acquisition of Company shares.
- Decision on the approval of Remuneration Report for the Management Board and the Supervisory Board in the 2021 financial year
- Decision on giving consent to the Remuneration Policy of the Company
- Decision on remuneration to the members of the Supervisory Board of the Company
- Decision on appointing the auditor of the Company and the Group for the business year 2022

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

2.1.1.7. Decision on the use of profits and payment of dividend

A session of the Supervisory Board of the Company took place on April 29th, 2022, where the Supervisory Board, together with the Management Board, proposed to the General Assembly to adopt a decision on the use of profits and dividend payment in the amount of HRK 5 per share. Dividend was paid to the shareholders of the Company who were registered as the Company shareholders in the Central Depository and Clearing Company d.d. ("SKDD") on June 17th, 2022 (record date). The date from which the share of the Company was traded without the right to the dividend payment is June 15th, 2022 (ex date). The claim for the dividend payment became due on July 1st, 2022 (payment date). The dividend was paid from the Company profit made in 2021[30].

2.1.1.8. ESOP – Allocation of additional shares

On October 14th, 2022, the Company released 2,254 treasury shares in line with the conditions published in the Prospectus regarding the public offering and listing of shares on the regulated market, related to the allocation of additional shares that the Issuer will award to an individual employee in line with the **ESOP Program**. Before the said release, the Company had 23,490 of treasury shares that represented 1.1985% of the share capital and after the mentioned release, it had 21,236 shares in total, which represented 1.0835% of the share capital.

[30] In the business year that ended as at December 31, 2021, the Span Group made net consolidated profit in the amount of HRK 23,823,517.99, and net profit of Span d.d. was HRK 19,359,494.34.

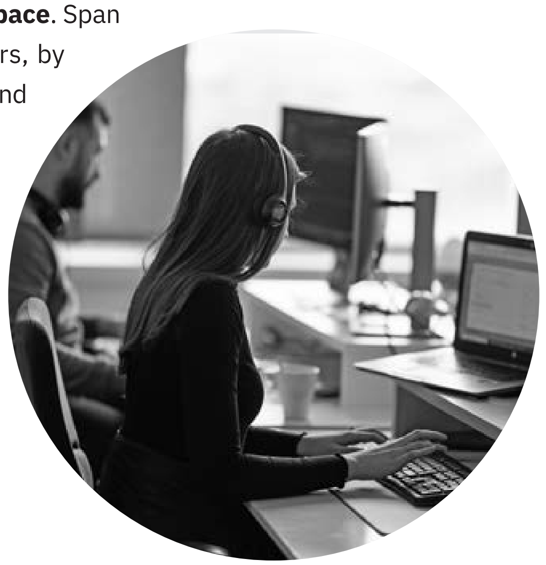
2.1.2. Business events and achievements

2.1.2.1. Software Asset Management and Licensing

The **Software Asset Management and Licensing** services are based on a set of procedures and best practices by which we optimize clients' expenses and manage licenses. Through our basic SAM service (Span SAM Basic), we have approached users proactively, offering them short-term analyses for potential optimization of expenses. Actually, in the second half of 2022, Microsoft introduced changes in the ways certain products were licensed, thus potentially enabling users to reduce their expenses. As a trusted partner, we have created materials and scenarios for our users, explaining license changes and demonstrating a potential for optimization. Furthermore, in order to achieve the highest quality of the SAM Basic service, we also started additional partnership with related tool producers (Licenseware, xAssets), and along with the afore-mentioned SAM Basic service, we continued with the engagement on the SAM Advanced service (Span SAM Advanced).

Licensing services include sales and consulting about licenses. On February 14th, 2022, the Central Depository and Clearing Company, Inc. carried out an open procedure of the **public procurement of licenses for the use of Microsoft software products and services**. The bid of the Group of Bidders consisting of Span d.d. and Combis d.o.o. was selected, and licenses for the use of Microsoft software products and services were delivered on September 26, 2022. The delivered licenses had the total value of HRK 76,940,217.24.

We have also expanded **our partnerships and authorizations to Google Workspace** services for increasing productivity to enable our users to utilize various Cloud services in accordance with their business and technological needs. This authorization has enabled us to complete our portfolio of services and sales of licenses by including the overall **Google platform**, **Google Cloud Platform** and **Google Workspace**. Span multicloud access to the market will enable our users, by means of the production of a Cloud strategy, migration and innovation in Cloud, and the continuing infrastructure and security surveillance of the environment, to use an adequate Cloud platform that will best suit their method of operation, and technological and security requirements.



2.1.2.2. Infrastructure Services, Cloud & Cyber Security

The **Cyber Security** Segment expanded the base of Croatian and international users of the **Security Operations Center (SOC)** in 2022. In 2022, the Incident Response Management prepared the users for cyber incidents as well as responded to and restricted many cyber incidents successfully in cooperation with other Span departments, security experts and the business part of the organization. Last year, the number of the implemented "on premises" solutions increased, as did the number of Cloud Privileged Access Management solutions, by which they have become one of the main defense tools implemented at our users, along with raising the general level of security of the user environment. Following the global trend of working from home, the users' focus was directed to the **projects of protection and classification of data and documents**, by which we enabled our users the control of business data. The number of penetration tests (PEN tests) increased noticeably, especially in the second part of the year, which was followed by a trend in the global cyber industry, recognizing the PEN test as one way of determining the vulnerability of an organization.

A **Cloud Delivery team** was established, its basic mission being the construction and delivery of the infrastructure solutions in Cloud using modern practice and tools. Infrastructure as Code and Terraform have become a standard for the delivery of the Cloud infrastructure in all advanced organizations and Span incorporated them in its standard way of delivering solutions. This enables a consistent, repetitive and swift way of constructing infrastructure in Cloud irrespective of the service model (IaaS or PaaS) and the Cloud supplier (Azure, AWS, Google Cloud). By adopting the DevOps practice and CI/CD process for the construction of the Cloud infrastructure, we created foundations for a stronger cooperation among software development teams both within the organization and with our users.

A **Cloud Monitoring team** was also established, having technological strengthening in the area of the application and infrastructure monitoring as its goal. The team is the central point for the implementation and configuration of advanced monitoring tools in multicloud environments. All projects for the construction or development of applications in Span use specific technical knowledge of this team, aimed at increasing the visibility of important events in the operation of the system and thus enhancing the stability and availability of critical business solutions of our users.

Last year, we made the **analysis of the infrastructure and service in traditional data centers** in as many as two banks with the purpose of migration to Azure Cloud. That generated new cooperation and projects for the migration of existing and movement of new solutions to Azure Cloud. Besides, at the end of the year, we started cooperating with a Croatian bank and produced the rules for the governance of the Azure Cloud system for them and started the configuration of a Cloud platform for the storage of new strategic business applications in the PaaS model. This cooperation makes it clear that **users with the highest security standards and regulatory requirements such as banks** recognised Span as one of the **most competent partners in the Croatian market for the adoption of Cloud platforms**.

Owing to the technical engagement of our Cloud Delivery team, Span passed the audit for the Microsoft advanced specialization for **Azure Virtual Desktop** and currently, we are the only partner in Croatia boasting that specialization. Azure Virtual Desktop enables a secure distant way of operation using a familiar user interface such as Windows 10/11 operating systems. A high scalability and flexibility offered by the system enables its use in finance, health, retail, production and public segments, and with their knowledge, reference and documented processes, our experts have proven they are prepared to implement a solution in the most complex environments. We additionally worked on empowering Cloud security competences as well as extended the team and acquired new experience through several significant projects. This helped us acquire the **Microsoft Cloud Security Advanced Specialization status**, which proves our expertise in the areas of Cloud security, Identity and Access Management, Information Protection and Governance, and Threat Protection.

Span also became a **Microsoft Security Solution Provider** and within this framework, we conducted a series of workshops related to the security of Azure and M365 platforms for Croatian and international users. We also presented the possibilities of native Cloud tools for the protection of user identities, data and applications in Cloud and “on premises”.

We can define last year as the year of large IT migrations, a consequence of mergers, acquisitions and sales in enterprise IT organizations. In the segment of **mergers, demergers and migrations of IT companies**, we have been recognized as one of the leading companies with superior competencies in the area of migration, and numerous references for successfully completed projects on a global level.

In 2022, **Solution Consulting Services (SCS)** implemented and is still carrying out some of the most complex demergers and migrations with a few international and domestic customers. Many of our customers, domestic, and especially international ones, have recognized the values of the Cloud collaboration service, in particular the **Microsoft M365** service. Led by the expertise and commitment of **Solution Architects, Solution Engineers** and our **Project Managers/ Business Analysts**, SCS enabled them or is enabling them to migrate successfully to a new, modern Cloud collaboration world.

In the **Solution Architecture** and **Solution Engineering** departments we have expanded our services, which are primarily directed to Cloud solutions and Microsoft O365 services. We have improved the expertise, acquired certifications and expanded teams so that we can always remain at the very top for **Modern Workplace** and **Modern Desktop** services and technologies.

Intending to improve the control and quality of project management during 2022, we reorganized and doubled the Project Department, aiming to further continue the expansion and development. To enable the highest quality of tools for project management and reporting to the Management Board and our customers, SCS’ **Project Management Office (PMO)** has conceived and, in cooperation with the Enterprise Business Solutions (EBS) team, implemented a new internal **PM system** based on **Microsoft Online Project for The Web and Power Platform** technologies and adjusted to all PM practices and methodologies that are used in the world today. Due to increased project and service requirements, the **SAP Technical Department** was also doubled and the portfolio of SAP services has been expanded to include:

- Single Sign-On (SSO) solution implementation for SAP systems
- Azure Sentinel for SAP systems
- Disaster Recovery As A Service (DRaaS) for SAP systems

In 2022, our **Technology Development** department also successfully completed the migration of a very complex **Microsoft Biztalk** enterprise system to the latest version, which is being further improved and managed by our experts. **Processes and their automation were improved** at SCS during 2022. We continue to improve communication and collaboration among the departments, working together more in order to meet all project and organizational goals. The largest projects in 2022 were related to the projects for the **consolidation, mergers and acquisitions of organizational IT services** into centralized and global solutions. With the increase of security threats in the world, a significant growth of projects in 2022 was also directed to the **protection of M365 services** and data in Cloud.

2.1.2.3. Software and Business Solution Development

In the **Software development** segment, during 2022, key activities were related to the implementation of our own platform, which is the holder of the future digitalization of our operation and expansion of strategic partnerships with international corporations.

Specifically, it is about **span.zone**[31] - a single digital platform in the Croatian market intended for automated procurement, activation and management of Microsoft licenses and Cloud services. The solution may be used by companies of all sizes in order to simplify the use of digital resources within the organization, with the supervision of costs and time savings. Span.zone will enable a simpler expansion of Span to new markets, given that it represents the first step to the transformation of the overall operation into a digital Span. Experts from the Span Software Solutions sector are working on the project: architects, development engineers, quality assurance engineers as well as product managers, designers and cyber security experts from other sectors of Span.

Through existing and new strategic cooperation with international corporations, numerous enterprise solutions tailored for the needs of customers were implemented. The key project in that segment of operations was **Workplace from Meta** the development of which had continued since 2021. During 2022, our development team delivered a complete change of the architecture of that solution, by which the customer was provided with a scalable, sustainable, reliable, secure and supervised solution for the internal communication of employees and the global company.

Among other international projects, the continuation of the three-year development of a multiservice integration platform by which Scandinavian customers got a complete solution for the simplification of the work of their employees and users is worth mentioning.

In 2022, our teams continued the implementation of a software

[31] For more information about span.zone, see chapter 2.1.2.7 Presentation of span.zone digital platform.

asset management solution for a large international corporation. By this implementation, all operating systems are included in a single supervisory and reporting system, and the knowledge of our team also simplified the implementation of similar solutions with other strategic partners. In this way, we demonstrated that our business expertise, in cooperation with technical excellence, is the bearer of future projects in the software development department.

This year again, in the segment of the implementation of the **Microsoft Business Applications solutions**, we continued a significant growth that followed all business segments - from the number and size of projects to the number of people and their competencies. Among significant projects, we want to highlight the implementation of CMR solutions for a global pharmaceutical company, for their markets and associated companies in the United States, as well as the continuation of a successful and long-term cooperation on the implementation of CRM solutions in an insurance company in Croatia, and the project of the implementation of the CRM system in a global investment management company seated in Frankfurt. In the Scandinavian market, we also had two important consulting projects related to the implementation and management of Microsoft low-code platforms.

2.1.2.4. Service Center Management and Technical Support

The Service Center Management and Technical Support processes at Span follow the best practice of the industry and rely on the ISO 20000 guidelines and ITIL rules and recommendations.[32] In accordance with the growth of 10.05% of the scope of work in 2022, the number of applications related to support also increased, which resulted in 196,322 resolved tickets.

During 2022, we were directed to the expansion of competencies and acquiring additional expertise. By monitoring trends in the operation of our customers, we recognized an increased need for management and support in the area of Cloud services, which is why we expanded our competencies on other Cloud platforms, with the emphasis on the Microsoft technology and Azure Cloud services. We primarily enhanced our knowledge in the PaaS (Platform as a Service) and IaaS (Infrastructure as a Service) services, which is also confirmed by the acquired certificates. We concluded the year with as much as 58% of certified experts within the business division.

Today, the security of the IT system is one of the key priorities of business entities. Therefore, we continuously monitor announcements of vulnerability of various technologies and services of our users, regularly report on them and implement the recommended security protection.

[32] Information technology infrastructure library.

2.1.2.5. International operation

Slovenia

In the **Infrastructure Services, Cloud & Cyber Security**, we were committed to providing innovative solutions that help users achieve their business goals. One of our main focuses was to ensure support to customers during the process of transfer to the Cloud service, which we did by providing Microsoft Cloud services and improving the existing cooperation, which finally resulted in significant savings and improved effectiveness.

The implementation of SAP applications on the Azure platform for users in the production industry is one of the most important achievements in 2022. The implementation project required a high level of expertise and adaptability when working with the user, and scalability and performance of the system were improved. During 2022, we also implemented the Microsoft security solutions throughout the group of one of the largest regional banks by which we significantly improved the security of the user IT environment. Along with the successfully implemented projects, we adjusted the infrastructure project deliveries to the Cloud Adoption Framework, the methodology that unites the best practice according to the Microsoft guidelines for the construction of an optimum Azure environment for our customers.

In the **Software Asset Management and Licensing (SAM)** segment, in 2022 we achieved several successful SAM projects, thus helping the existing customers to optimize the software assets and reduce costs.

We also achieved significant growth in this segment in the Cloud Solution Provider (CSP) licensing model and we also successfully implemented the transition to the new NCE (New Commerce Experience) model. All this enabled us to expand the base of customers and increase the market level in this business segment.

Ukraine

Despite the state of war, TOV Span continued to provide support to its users in the area of Ukraine. We adapted to their current needs to the maximum, and during 2022, we achieved significant success in Cloud migration projects and Cloud backups. The popularity of the Cloud Microsoft Azure platform among Ukrainian users is growing intensively, enabling access to corporate Cloud anywhere throughout the world. Enabling a remote access is of great importance for Ukrainian business entities due to the temporary enforced migration of employees to other countries. An additional reason for the rise in demand for the Microsoft Azure platform are privileged conditions for the use of the Cloud platform for Ukrainian companies and public organizations.

As one of the leading Microsoft partners in the country, we successfully implemented a series of complex projects in the areas **Azure Native Migration (IaaS)**, **Azure Site Recovery (ASR)** and **Azure Backup**, and a series of projects related to the systems **Azure Virtual Desktops (AVD)** and **Azure VMware Solution (AVS)** are underway. The number of projects aimed at the migration of operations to Cloud and creation of a hybrid environment is increasing in Ukraine. During 2022, the most important project for TOV Span included hybrid infrastructure (**Hybrid Identity, Exchange Hybrid** etc.) and the integration of **Microsoft Teams and IP**

telephony. It is also important to emphasize a large interest of customers for Microsoft security services, like Microsoft Intune, Microsoft Defender Antivirus and Microsoft Sentinel.

In 2022, TOV Span was declared the **Microsoft Partner of the Year in Ukraine**. It was selected among the best Microsoft partners in the world owing to its excellence in innovation and implementation of solutions for users, based on Microsoft technologies. The Microsoft Partner of the Year award recognizes partners who delivered projects based on Microsoft technologies and devices during the year.

Azerbaijan

The market development strategy in Azerbaijan is directed to the expansion of the key customer base, optimization and adaptation of portfolios of services in line with the needs of the market and defining clear marketing activities with the purpose of increasing the visibility of the Span brand.

The **Infrastructure Services, Cloud & Cyber Security** business segment was one of the most active ones during 2022, which enabled us to create strategic partnerships in the dynamic segments FMCG and FSI[33], and resulted in new opportunities, such as several new important projects.

Software and Business Solution Development remains one of the segments which we are committed to the most and is developed in parallel with an increasingly expressed need for transparent operation, an increasing number of customers' requests for internal operative effectiveness and the customers' need for the use of various communication information technologies and innovations for the accomplishment of their goals.

Despite the strong presence of software piracy in Azerbaijan, services in the Software Asset Management and Licensing segment remain among the most demanded ones in the local market. The achievements so far, the internationally recognized expertise and recognizability of Span as a reliable IT partner secured us a major project related to the software asset management for users from telecommunications.

Together with the focus on customers, in 2022, we strengthened our technological expert knowledge locally by expanding the local engineering team, with special emphasis on the area of Cloud and security in Cloud.

Moldova

Span strategy in the market of Moldova is focused on the provision of a range of services with the purpose of accelerating technological reform and digital transformation. The goal of the strategy and activity of Span Moldova is to support customers during migration to Cloud and encourage change in the manner of perception and consumption of IT services for customers from the private and public sectors. The strategy includes the provision of innovative IT services on the national and international level and spreading Span's influence in Moldova in order to create a foundation for the expansion of operations across the country.

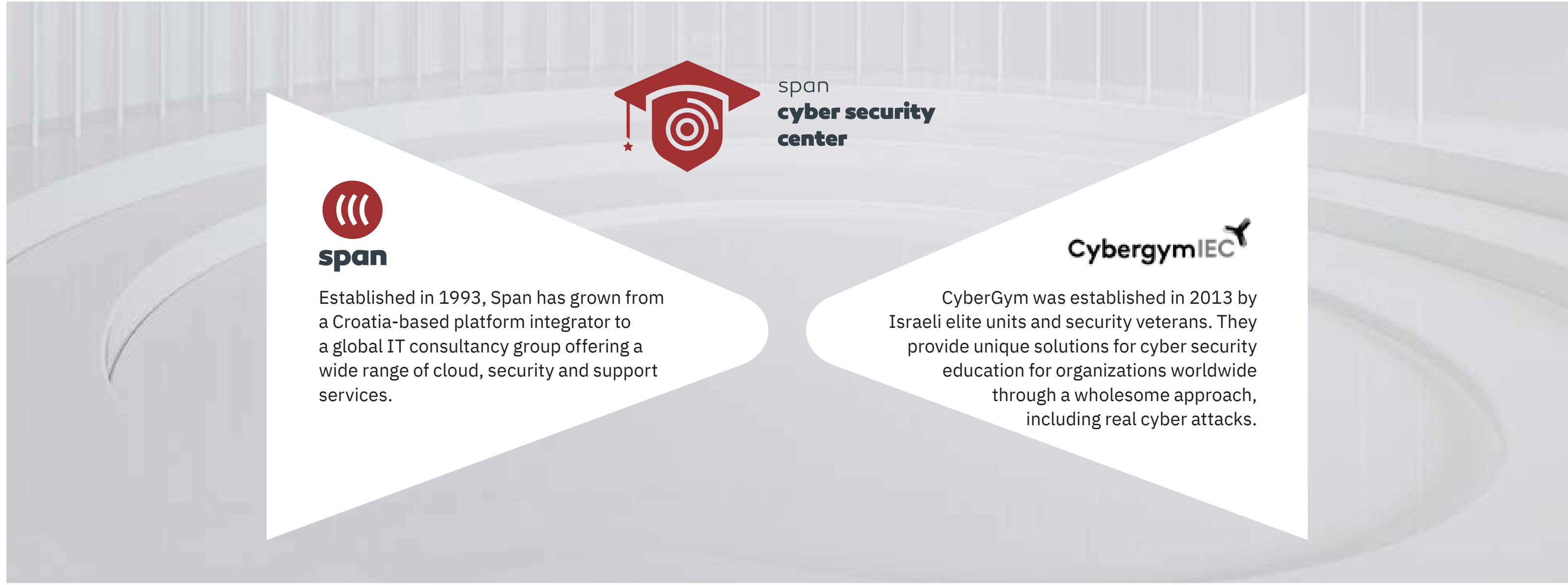
[33] Fast Moving Consumer Goods and Financial Services Industry.

In the **Infrastructure Services, Cloud & Cyber Security** segment, last year was marked with the cooperation with the first local clients and the provision of infrastructure IT services, which resulted in new Cloud users.

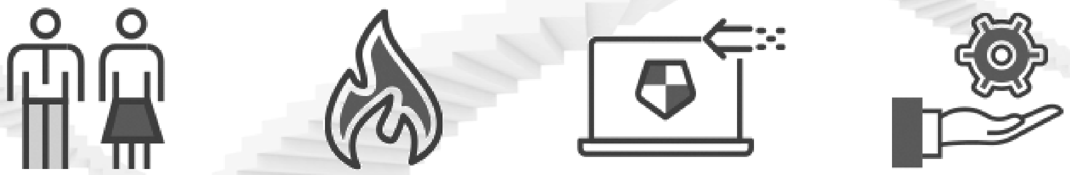
In 2022, in the **Software Asset Management and Licensing** segment, we delivered a few SAM projects and projects related to the delivery of licenses for the largest commercial bank in Moldova.

2.1.2.6. Span Cyber Security Center Opening

We opened Span Cyber Security Center in cooperation with the Israeli company Cybergym on September 6th, 2022. The Center brings the most up-to-date world practices and experience to Croatia with the aim of communicating knowledge and empowering the business community to respond as efficiently as possible to the ever-present and increasingly sophisticated cyber attacks that are one of the greatest risks for the operation. The Center offers education, training and consultancy services intended for employees in the public and private sector, and the program is tailored to the specific needs of the participants or the company and includes active participation in real-life situations where professional hackers simulate real attacks on their business systems.



Our mission is to offer an exceptional experience of cyber training and enhance cyber competencies of all employees in the organization – from IT and security experts to administrative employees and executives. Cyber trainings include the experience of real-life attacks on systems, designed to emulate the existing IT infrastructure of an organization.



Maximize the Human Factor
We empower the most critical, yet vulnerable, part of your security - your people

Teamwork Under Fire
In our realistic environment, your teams maximize their strengths, build effective teamwork, and work together to defend the organization

Live Attacks
Hackers run complex attack scenarios in real time, sharing their logic & knowledge with your teams

Tailored for You
Training programs to meet your exact needs and security readiness

As many as 64% of companies in the world were exposed to at least one form of cyber attack, and 95% of such attacks were caused by the human factor.[34] People are one of the main links in the organization's defense against cybercrime, therefore it is crucial that employees are viewed as a whole and it is imperative for employees at all levels – from IT professionals to management to all others in the system – to be adequately educated in order to reduce the organization's vulnerability points to a minimum.

95 %
of cyber security issues can be traced to human error

72 %
organizations struggle to source cyber security talent for their business

3.5 million[35, 36]
cyber security positions will be vacant by the end of the 2025

Span Cyber Security Center combines Span's broad IT and security experience with Cybergym's training expertise to provide the most relevant training courses to organizations.

[34] How Many Cyber Attacks Happen Per Day in 2023? (techjury.net)
[35] Closing the cybersecurity skills gap – Microsoft expands efforts to 23 countries - The Official Microsoft Blog
[36] Cyber Security in Focus Survey 2020, Stott and May.

"The number of cyber attacks is increasing globally, they cause great damage and financial losses," said Ofir Hason, CEO of Cybergym. " People are the weakest link in a company's cyber defense – that's a fact – so over the past 10 years, we've developed educational content and methodologies based on our experience working for the Israeli energy company IEC, the most attacked Israeli company."

According to projections, there will be a shortage of 3.5 million cyber security experts globally in the next two years.[37] Our Span Cyber Security Center is the first of its kind in Southeast Europe, which gives Croatia and the region an extremely valuable educational resource in the creation and strengthening of experts for the fight against cybercrime.

2.1.2.7. Presenting span.zone digital platform

On November 29th, 2022, we presented the span.zone digital platform for the management of Microsoft licenses and Cloud services. Span.zone is the only platform in the Croatian market that enables its business users simple, always available and intuitive management of digital resources. This includes automated procurement, activation and management of Microsoft licenses and Cloud services.

The platform is intended for companies of all sizes and is designed to facilitate the use of digital resources within an organization. By using the span.zone platform, users can have a better overview of the existing licenses and services, enabling them to be fully in control and save time. Besides, the automation of the process creates opportunities for the optimization of operations, reduction of costs, and the personalization of the products used.

span.zone

Span.zone will enable its business users to digitally manage all Microsoft 365, Dynamics 365 products and Azure Plan and Power Platform services. By means of the

[37] Closing the cybersecurity skills gap – Microsoft expands efforts to 23 countries - The Official Microsoft Blog

"With the development of the span.zone platform, we have achieved one more strategic goal. We enable our users and the whole market with the simpler use and management of services we offer, and span.zone is the first step towards the transformation of everything we do into a digital Span. This platform will enable us to spread into new markets, and I am especially happy with the fact that the whole platform is a result of the work of our designers, developers, testers and product managers," said Nikola Dujmović, President of the Management Board of Span.

dashboard, each user has the access to a visual display of their digital resources and owing to the metrics that follow the health of the Cloud service and availability of resources and detailed reports, the user can better manage their Microsoft licenses and Azure services.

2.1.3. Awards, recognitions and achievements

2.1.3.1. Awards, recognitions and achievements related to the share

2.1.3.1.1. Listing in CROBEX® and CROBEXtr®

Almost six months after the listing of Span shares on the official market of the Zagreb Stock Exchange, the SPAN shares were included in the CROBEX® and CROBEXtr® indices, starting from March 21st, 2022. This decision was executed based on the data on trading in the period from September 1st, 2021, to February 28th, 2022, in accordance with regular review of the indices made by the Index Committee at a meeting that took place on March 9th, 2022.

2.1.3.1.2. Rising Star

We have been declared one of the three best European companies that entered the capital market, an award given by the European Commission, the Federation of European Securities Exchanges, and the European Issuers. The award ceremony took place in Prague from November 28th to 30th, 2022, as a part of the SME General Assembly, which was organized by the European Commission. Among the best SMEs Growth Markets capitalization of less than EUR 200 million, we were selected due to our excellent business performance achieved after the IPO. The category included nine nominated companies from across Europe, and the shortlisted companies were recognized as growing companies with promising long-term prospects. The European Union market is mostly dominated by SMEs, so on this occasion, the Prague Assembly was also attended by representatives of local stock exchanges who discussed how to motivate and additionally make it easier for companies to get listed on the capital market.

Ivana Gažić, President of the Management Board of the Zagreb Stock Exchange, Saša Kramar, Member of the Management Board, International Business Development Director (CMO), Span

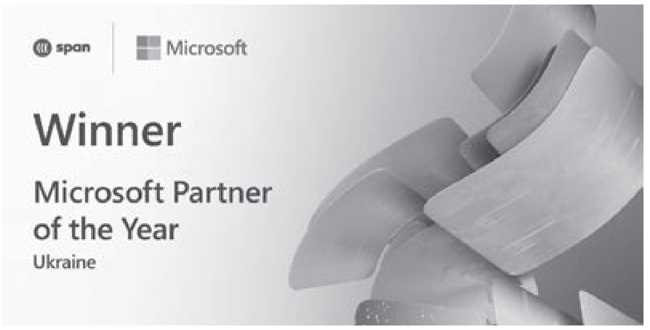
"We are happy that Span has been shortlisted among companies recognized at the level of the European Union for their good performance and growth achieved after the IPO. This recognition is an additional confirmation that the IPO was a good business decision. Big thanks to all our shareholders who recognized what we do and gave us their trust; this award is also for them," said Saša Kramar, Member of the Management Board and International Business Development Director at Span.

"We are very proud that an issuer from the Zagreb Stock Exchange has been shortlisted among the three best companies in the category of the Rising Star award given to the issuers by the European Commission, the Federation of European Securities Exchange, and the European Issuers. If we take into account the sizes of the economies from which the laureates come, having a finalist from Croatia is certainly a great success. Span has shown on our market how a smaller issuer in a very attractive industry can make an impressive path of listing and entering CROBEX and achieving great progress in communication with investors. We congratulate Span and are looking forward to its future success," said Ivana Gažić, President of the Management Board of the Zagreb Stocks Exchange.

By listing on the Zagreb Stock Exchange in September 2021, we became the first IT company in Croatia to go public on the stock exchange in the past two decades. In the first year, Span's share recorded an increase in price by almost 40%. More than 450 thousand shares were traded in that period worth more than HRK 100 million. In 2021, the Zagreb Stock Exchange awarded us the Award for Contribution to the Capital Market Development, and Span's share was nominated for the Share of the Year in 2022 as well.

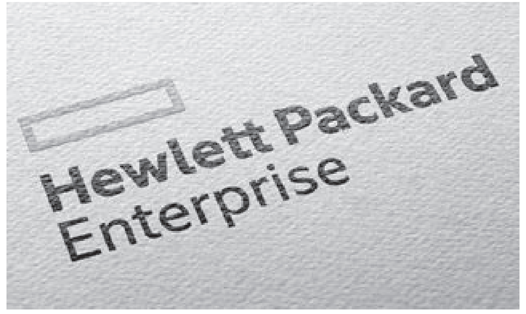
2.1.3.2. Awards, recognitions and achievements in operations

2.1.3.2.1. TOV Span – Microsoft Partner of the Year for 2022



TOV Span was declared the Microsoft Partner of the year for 2022 in Ukraine. It was selected among the best Microsoft partners in the world owing to its excellence in innovation and implementation of solutions for users, based on Microsoft technologies.

2.1.3.2.2. Hewlett Packard Enterprise (HPE) partner status



"Span has managed to join a limited circle of Gold Status partners, which in itself is a high recognition of their quality of services. We have a high level of understanding which Span, who upgrade our solution offerings with their knowledge and services, enabling our end users to improve their business." – Igor Babić, Managing Director, Adriatic Region, Hewlett Packard Enterprise

In 2022, we successfully retained the **Gold Partner status for Hewlett Packard Enterprise (HPE) and Aruba** owing to the expansion of the productive cooperation. Our status HPE Certified Gold Hybrid IT, Certified Gold Aruba and Certified Gold Partner guarantees the highest level of quality in the realization of the most demanding implementations of the HPE server and storage infrastructure, and Aruba network infrastructure and services.

2.1.3.2.3. Microsoft Solution Partner status

By September 30th, 2022, we had 17 golden Microsoft competences. It is the golden competences that are the key prerequisites for acquiring advanced specializations, and these demonstrate Microsoft partners' knowledge in the application of a certain technology or product. In late September, Microsoft introduced a change in certifications of partners,[38] and on September 30th, 2022, the Microsoft Partner Network Silver/Gold competences were abolished and replaced by the new Microsoft Solution Partner program.[39]

Out of possible 6 Microsoft Solution Partner statuses, Span entered this change absolutely prepared with as many as 5 of them, which are:

- Infrastructure (Azure)
- Security
- Modern Work
- Digital & App Innovation (Azure)
- Data & AI (Azure)

[38] https://tminus365.com/microsoft-solutions-partner/
[39] Solutions Partner designations (microsoft.com)

2.1.3.2.4. Microsoft Advanced Specializations

Unlike competences, advanced specializations focus on specializations within the field of competence and require detailed and in-depth knowledge of a solution and application of knowledge in a certain area. We acquired our 12th Microsoft Specialization in September 2022. Microsoft Advanced Specializations are guarantees of excellence and are awarded to partners with the highest level of expertise. Therefore, we are proud to have acquired **Cloud Security Advanced Specialization**, which means that now, Span has all four available advanced specializations related to Cloud:

- Cloud Security
- Identity and Access Management
- Information Protection, and
- Governance and Threat Protection

The advanced specialization Cloud Security Advanced gives us an opportunity to show our abilities for the implementation of **various cyber security solutions for Azure, hybrid environments and multicloud environment**. Our expertise has been confirmed by our customers and numerous Microsoft certifications, and this specialization ensures our skillful management of workloads expecting us in the future.

2.1.3.2.5. Microsoft Enterprise Skilling Initiative

To be able to systemically support our customers with transformations towards a successful digital future, we have been a strategic partner of Microsoft for almost 30 years, owing to which we can help our customers to use digital technology and tools to their best.

In 2022, Microsoft recognized the initiative, strength and prospects of Span and conducted a "case study" on the topic Microsoft Enterprise Skilling Initiative (ESI), by which, our employees can advance and acquire Microsoft certifications so that they are always up-to-date with the latest technologies. Microsoft "case study" speaks of us as one of the best partners in the region, which continuously invests in the development of employees. In that way, Microsoft enables us – and helps at the same time – to provide cutting-edge advice to customers on how they can get the most out of their newly acquired services and solutions.

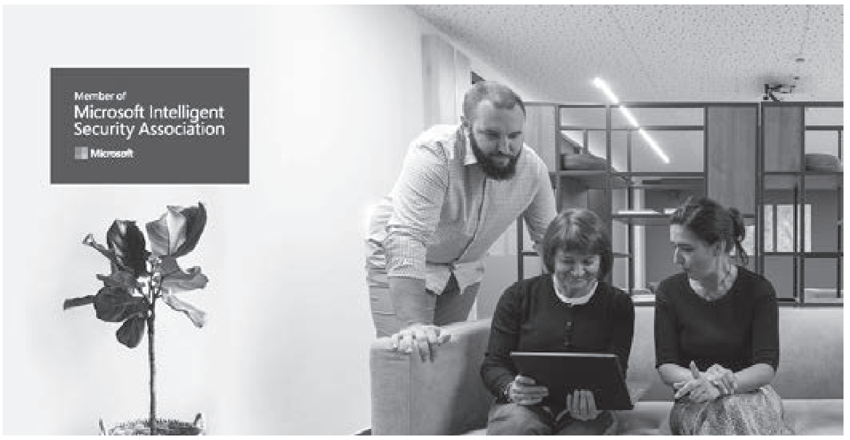
"It is essential for us to be able to offer our customers the know-how they need to build a successful digital presence and keep their technologies up-to-date. For each of its customers, Span first identifies all of their sensitive points and needs. It then analyzes and connects the relevant information before coming up with possible solutions. Our aim is to become a long-term partner to our customers, not just sell them one-off IT solutions. We are pleased that the large majority of our customers choose to continue working with us by using our support services," says Mihaela Trbojević, Product Marketing Director in Span.

"With 12 Microsoft Advanced specializations and the continuing acquisition of Microsoft certifications, the certification process will continue to develop. We want to ensure our team is highly qualified and sets the bar high. Our plan is to continue gaining deep knowledge and experience in all Azure cloud, cyber security and Cloud security areas," Trbojević concludes.

2.1.3.2.6. Span CyberGRX Security Risk Assessment

For our customers, especially the international ones, it is becoming ever more important how our information security management system looks. Therefore, we receive an increasing number of diverse inquiries where we answer questions about our processes (employment, awarding the right to access, incident management, etc.) and technologies implemented for data protection. To prevent the completion of different risk assessments by a large number of our customers, we used the advantages of the CyberGRX platform and made a single assessment. This platform is used for a single assessment of the maturity of business processes and is used by companies that are service providers to global companies such as Span. All the questions and answers are now located at one place – in a report that is available on the CyberGRX platform. We wish our customers to know how we take care of our as well as their data, and to what extent we are a reliable strategic partner. Our customers can get access to the CyberGRX platform and see for themselves that Span is their loyal ally who takes care of security.

2.1.3.2.7. Microsoft Intelligent Security Association membership



Span has joined Microsoft Intelligent Security Association (MISA), a global ecosystem of independent software vendors (ISV) and managed security service providers (MSSP) that have integrated their solutions with Microsoft's security technology to better defend against a world of increasing threats.

"We are proud to join MISA and continue to work on our longstanding collaboration with Microsoft. Our customers will benefit from shared threat intelligence, enhanced proactive protection and quicker response. Span will further strengthen service integration with Microsoft technology to help protect our customers effectively with a modern approach to cyber security and compliance," said Mihaela Trbojević, Product Marketing Director.

2.1.3.2.8. IBM – Security Signature Project of the Year Award

We are proud to have received the **IBM Security Signature Project of the Year** at the Partners summit that gathered valued IBM partners and distributors from the Eastern European region. Security Services are in our strategic focus, in which we continuously invest to provide our customers with cutting-edge defense solutions, ranging from security assessment and proactive protection to security incident detection and response.

2.2. Financial indicators for 2022

Operating revenue, EBITDA and net profit of the Span Group

HRK 829.7 mil.	OPERATING REVENUE	+8 % YoY
HRK 71.8 mil.	EBITDA before one-off items	+48 % YoY
HRK 69.9 mil.	EBITDA after one-off items	+64 % YoY
HRK 50.5 mil.	NET PROFIT after one-off items	+112 % YoY

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

HRK 687.5 mil.	OPERATING REVENUE	+27 % YoY
HRK 59.5 mil.	EBITDA before one-off items	+44 % YoY
HRK 58.2 mil.	EBITDA after one-off items	+64 % YoY
HRK 41.9 mil.	NET PROFIT after one-off items	+117 % YoY

2.2.1. Key features of the period – 2022

Table 1: Profit and loss account - shortened

Span Group			
In thousands of HRK	2021	2022	Δ%
Total revenue	**774,123**	**867,162**	**12%**
Operating revenue	767,273	829,731	8%
Other revenue	6,851	37,432	446%
Total costs	**731,597**	**797,230**	**9%**
Costs of goods and services sold	546,418	502,854	-8%
Personnel expenses	138,584	194,302	40%
Other business expenses	46,595	100,074	115%
EBITDA before one-off items	**48,575**	**71,796**	**48%**
One-off items	6,048	1,863	-69%
EBITDA after one-off items	**42,526**	**69,933**	**64%**
Depreciation	15,594	19,371	24%
EBIT	**26,933**	**50,562**	**88%**
Net financial result	973	(1,706)	-275%
Profit/loss before taxation before one-off items	**33,954**	**50,720**	**49%**
Profit/loss before taxation after one-off items	**27,906**	**48,856**	**75%**
Corporate tax	4,082	(1,680)	-141%
Profit/loss after taxation before one-off items	**29,872**	**52,400**	**75%**
Profit/loss after taxation after one-off items	**23,824**	**50,537**	**112%**

Span d.d.			
In thousands of HRK	2021	2022	Δ%
Total revenue	**544,932**	**690,926**	**27%**
Operating revenue	542,238	687,495	27%
Other revenue	2,694	3,431	27%
Total costs	**509,390**	**632,728**	**24%**
Costs of goods and services sold	362,725	431,935	19%
Personnel expenses	110,055	145,438	32%
Other business expenses	36,610	55,356	51%
EBITDA before one-off items	**41,343**	**59,484**	**44%**
One-off items	5,801	1,286	-78%
EBITDA after one-off items	**35,542**	**58,198**	**64%**
Depreciation	13,029	14,175	9%
EBIT	**22,513**	**44,023**	**96%**
Net financial result	(92)	(5,308)	-5639%
Profit/loss before taxation before one-off items	**28,222**	**40,001**	**42%**
Profit/loss before taxation after one-off items	**22,421**	**38,715**	**73%**
Corporate tax	3,061	(3,229)	-205%
Profit/loss after taxation before one-off items	**25,161**	**43,230**	**72%**
Profit/loss after taxation after one-off items	**19,359**	**41,944**	**117%**

Revenue

Total consolidated revenue increased by HRK 93,039 thousand, or 12% compared to 2021. Operating revenue increased by HRK 62,458 thousand in the observed period, of which revenue in the segment of IT services with high added value grew by HRK 100,689 thousand, whereas revenue in the Software Asset Management and Licensing segment recorded a decline of HRK 38,231 thousand. The drop in revenue resulted from the decline of revenue in the Ukrainian market given that Microsoft enabled our customers in Ukraine to use Microsoft products and services free of charge in the period from April 1st, 2022 to December 31st, 2022. Write-off of debts TOV Span owed to Microsoft as a result of enabling licenses without compensation for the period April 1st, 2022 to December 31st, 2022 reflected through Other revenue, which increased by HRK 30,581 thousand on the level of the Group.

In the same period, Span d.d. saw an increase in revenue of HRK 145,994 thousand, or 27%. The growth came from operating revenue, which grew by HRK 145,256 thousand. The strongest growth of revenue was recorded in the Infrastructure Services, Cloud&Cyber Security segment and amounted to 69%.

Operating expenses

Total consolidated operating expenses increased by HRK 65,633 thousand, or 9% compared to 2021. The increase of personnel expenses was the greatest generator of the total growth of expenses and was HRK 55,718 thousand, resulting from the higher number of employees. The increase of personnel expenses followed the growth of revenue in the segment of IT services with high added value. The average number of employees in the Group in the observed period of 2022 was 704, whereas in the prior year, the average number of employees in the Group was 537. Expenses for goods and services were lower by HRK 43,564 thousand, and resulted from lower expenses for goods and services in the Ukrainian market, whereas other members of the Span Group recorded a growth of direct expenses caused by the growth of revenue in the rest of the Group. Other operating expenses of the Group increased by HRK 53,479 thousand under the influence of the higher volume of operation and higher number of employees. Additionally, licenses without compensation that Microsoft enabled to its end users in the period from April 1st 2022 to December 31st, 2022 also resulted in expense for TOV Span Ukraine.

Total expenses of Span d.d. increased by HRK 123,338 thousand, or 24%. The highest growth resulted from direct expenses of goods and services in the amount of HRK 69,210 thousand. Personnel expenses of Span d.d. increased by HRK 35,382 thousand, or 32%. The average number of employees in the Company in the observed period was 538, an increase compared to the prior year when the average number of employees in the Company was 436. Most new employees were employed in the segment of services with high added value.

EBITDA

A significant growth of EBITDA followed the increase of revenue from IT services with high added value, described in more detail in the chapter Revenue by segments. EBITDA of the Group before one-off items increased compared to the prior year by HRK 23,221 thousand, or 48% and amounted to HRK 71,796 thousand. One-off items of EBITDA of the Group were HRK 1,863 thousand and related to: 1) expenses of taxes and surcharges on capital gains, resulting from the Share Allocation Plan awarding employees of Ekobit, defined in the purchase and sale agreement; 2) operating expenses resulting from the acquisition, which mainly related to consultants' costs; and 3) reserved expenses in the ESOP program for the allocation of shares to employees. According to the requirements announced in the Prospectus, Span will award every employee who keeps in their ownership one or more ESOP packages in a period of three years with 25% shares in relation to the number of shares the respective employee holds within the ESOP package. 5% of the total number of shares will be awarded after the expiry of the first year from the date of the public announcement, and 10% of shares will be awarded upon the expiry of the second and third years each. EBITDA of the Group after one-off items in the observed period increased by HRK 27,406 thousand, to HRK 69,933 thousand, which was an increase of 64%.

Span d.d. recorded EBITDA growth before one-off items of HRK 18,140 thousand, or 44%, and it was HRK 59,484 thousand. In 2022, Span d.d. recorded EBITDA growth after one-off items of HRK 22,656 thousand, to HRK 58,198 thousand, which was an increase of 64%.

Net profit

Profit after taxation before one-off items of the Group increased by HRK 22,528 thousand, to HRK 52,400 thousand. In the observed period, Profit after taxation after one-off items of the Group increased by HRK 26,713 thousand, to HRK 50,537 thousand.

Span d.d. recorded growth of profit after taxation before one-off items by HRK 18,069 thousand, to HRK 43,230 thousand. Span d.d. recorded growth of profit after taxation after one-off items by HRK 22,585 thousand, to HRK 41,944 thousand.

On December 20th, 2022, the Croatian Parliament adopted the Act on Additional Corporate Income Tax that is established and paid under conditions of adverse economic circumstances in the Republic of Croatia. The additional corporate income tax is paid on the established tax base made of the positive difference between the taxable profit of the tax period and the average taxable profit of the prior tax periods increased by 20%. Article 15 of that Act sets out in more detail the taxpayers for additional corporate income tax, who have acquired the status of users of promotion measures in line with the investment promotion regulation. According to that Article, the taxpayer for the additional corporate income tax reduces its obligation by using a rate that also reduces the obligation for the corporate income tax under the investment promotion regulation in the same tax period.

The above-mentioned supports allowed the Company relief from corporate income tax twice: in 2015, in the amount of 50%, and in 2022, in the amount of 50%. More detail on the received relief are presented in the chapter “Deferred tax assets.“ In line with the above, the Company had relief of payment of additional corporate income tax in the amount of 100%.

2.2.2. Revenue by segments

Span Group generates revenue in the following segments:

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

Data on revenue from sale by segments of the operation of the Group and Span d.d. for the observed period in 2021 and 2022 is illustrated below.

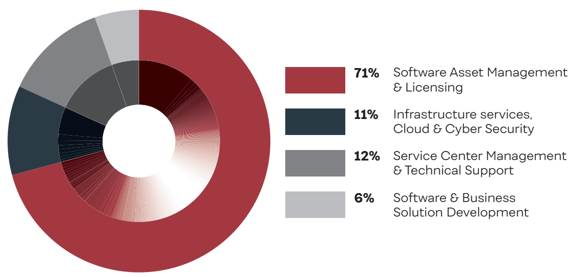
Table 2: Revenue by segments

Span Group			
In thousands of HRK	2021	2022	Δ%
Total operating revenue	**767,273**	**829,731**	**8%**
Software Asset Management and Licensing	544,843	506,612	-7%
Infrastructure Services, Cloud & Cyber Security	83,162	123,584	49%
Service Center Management and Technical support	94,699	127,405	35%
Software and Business Solution Development	44,568	72,129	62%

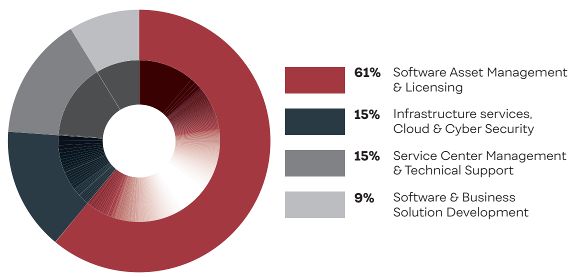
Span d.d.			
In thousands of HRK	2021	2022	Δ%
Total operating revenue	**542,238**	**687,495**	**27%**
Software Asset Management and Licensing	353,219	417,790	18%
Infrastructure Services, Cloud & Cyber Security	65,546	110,719	69%
Service Center Management and Technical support	94,185	122,477	30%
Software and Business Solution Development	29,289	36,509	25%

Graph 1: Segment revenue contribution

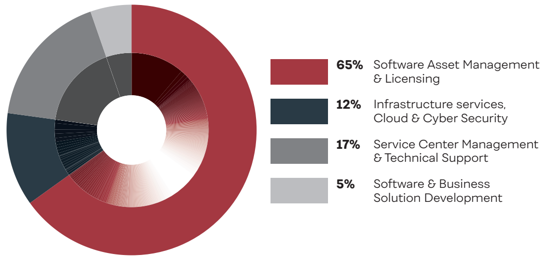
Span Group 2021



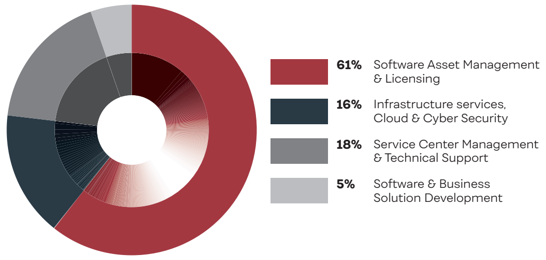
Span Group 2022



Span d.d. 2021



Span d.d. 2022



1. **Software Asset Management and Licensing** recorded a decline in the market of Ukraine, which led to the total decline in revenue of the Group in this segment. The share of revenue in the total operating revenue was 61%, and recorded an additional drop compared to the prior year due to the stronger growth in other segments.
2. **Infrastructure Services, Cloud and Cyber Security** continued to record significant growth of 49% compared to 2021. Expanding operating activities in the area of Cloud and Cyber Security was in line with the strategy of growth of the Group, which was contributed to by the increase of the number of projects with current and new clients.
3. **Service Center Management and Support** contributed to continuing growth of revenue through the supervision and management of the IT surroundings services, and the increase of revenue in this segment was 35% compared to 2021.
4. **Software Development and Business Solutions** segment recorded a significant increase of 62% in the observed period. The growth of this segment resulted from the focused development of own IT solutions and platforms, and development of specific business solutions for individual key users, such as CRM, automation and robotization of their operating processes. The growth of this segment was additionally strengthened by the acquisition of Ekobit, whose operation is directed to development of software solutions.

2.2.3. Revenue by geography

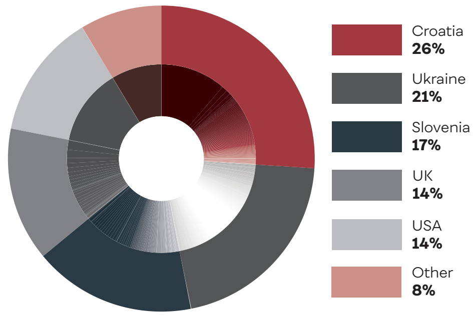
Revenue by geography shows the geographic market where the goods and services were invoiced. The share of revenue the Group makes in international markets was 68% of total revenue.

The most significant growth of revenue in 2022 was recorded by the Croatian market (HRK 74,712 thousand) and the United States market (HRK 59,186 thousand).

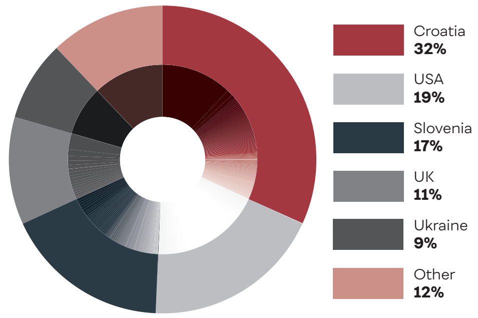
In the observed period, 38% of revenue of Span d.d. related to the Croatian market, which also recorded the highest growth in the observed period of HRK 68,158 thousand (36%), followed by the growth of revenue in the United States market (HRK 57,478 thousand).

Graph 2: Revenue by geographic markets

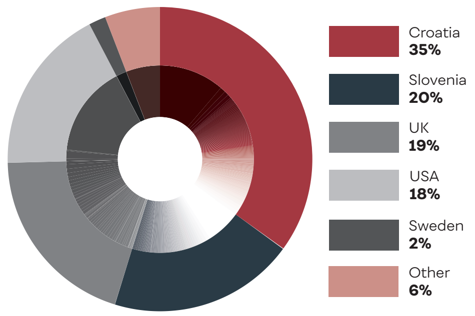
Span Group 2021



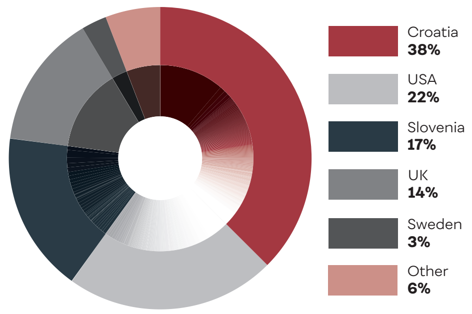
Span Group 2022



Span d.d. 2021



Span d.d. 2022



2.2.4. Balance Sheet

	Span Group		Span d.d.	
In thousands of HRK	31.12.2021	31.12.2022	31.12.2021	31.12.2022
ASSETS	**351,568**	**416,310**	**317,904**	**350,108**
Fixed assets	87,381	125,190	99,738	131,772
Deferred tax assets	7,729	12,515	6,952	10,103
Current assets	87,877	120,112	60,499	85,357
Cash and cash equivalents	139,791	141,764	126,920	107,083
Prepaid expenses and accrued income	28,789	16,730	23,795	15,794
LIABILITIES	**351,568**	**416,310**	**317,904**	**350,108**
Equity and reserves	193,743	238,133	192,917	221,118
Long-term liabilities	31,430	21,906	29,149	17,476
Current liabilities	106,516	120,929	79,710	84,405
Accrued expenses and deferred revenue	19,878	35,342	16,128	27,110

Assets

Total value of the assets of the Group was higher by HRK 64,743 thousand due to the increase of short-term assets and long-term intangibles.

Increase of the short-term assets, i.e. increase of the short-term receivables was a result of growth of operation of the Group in 2022.

Increase of the long-term intangible assets related to initial booking of goodwill of Ekobit in the amount of HRK 27,840 thousand. Pursuant to requirements of IFRS 3 Business Combinations, in the third quarter, the Company implemented allocation of the purchase and sale price for the acquisition of Ekobit and adjusted the initially recognized goodwill to relevant positions of intangible assets in the amount of HRK 15,924 thousand.

Cash and cash equivalents

Most of the short-term assets of the Group were comprised of cash in the amount of HRK 141,764 thousand. Increase of cash compared to the prior period resulted from the operating activities of the Group.

Investments in assets

	Span Group		Span d.d.	
In thousands of HRK	2021	2022	2021	2022
Computer equipment and other equipment	3,747	8,489	2,905	6,983
Tangible assets in preparation	322	-	-	-
Other intangible assets	-	3,131	-	2,592
Intangible assets in preparation	2,203	4,065	2,203	3,075
Investment in assets total	**6,272**	**15,685**	**5,108**	**12,650**

Investment in assets of Span Group related in most part to expenditure for procurement and replacement of worn out computer and other equipment required for the work of employees. Investment in intangible assets in preparation related to internally generated intangible assets that resulted from the continuation of development of software available for further sale/use. Other intangible assets related to software intended for further sale/use.

Deffered Tax Assets

Deferred tax assets are amounts of corporate income tax that are recoverable based on future deductions of taxable profit. Deferred tax assets are recognized to the amount of tax revenue likely to be achieved. When determining future taxable profit and amounts of tax revenue likely to be achieved in the future, the Group makes judgments and assessments based on taxable profit from previous years and expectations of future revenue which it considers is reasonable in the existing circumstances. The Group made assessment of usability of tax relief for the estimate of the amount of deferred tax assets, based on received support from the Ministry of Economy, Entrepreneurship and Crafts. The said support enables Span d.d. relief from payment of corporate income tax from 2015 to 2025, for 50% of the amount of the tax basis, up to the maximum threshold in the amount of the total investment according to the Investment Promotion Act (IPA).

In December 2021, Span d.d. and Bonsai d.o.o. applied for the use of a new round of supports named Investment in expansion of the research and development capacity and capacity for delivery of IT solutions project. They got a positive decision on February 25th, 2022 based on which the Company accomplished additional 50% relief of the tax rate. Thus, Span ensured that by 2025, i.e. by the utilization of the maximum threshold of the investment, it has a corporate income tax rate of 0%. Based on the said, deferred tax assets, which amounted to HRK 10,103 thousand on December 31st, 2022 were additionally recognized. Bonsai d.o.o. achieved tax relief of 50%.

Equity and reserve

The total equity and reserve of the Group increased by HRK 44,390 thousand as a result of growth of profit of the current period and decrease of retained profit due to the payment of dividend.

Liabilities

Total long-term liabilities were reduced by HRK 9,525 thousand, mostly as a result of the transfer of long-term contracted liabilities to short-term ones (liability for buy-back of treasury shares to former owners in line with the repayment plan). The long-term contracted liabilities to former owners were HRK 5,146 thousand on December 31st, 2022.

Short-term liabilities increased primarily as a result of 1) short-term liabilities to employees and 2) other short-term liabilities that resulted from the obtained Microsoft licenses in TOV Span.

Current Assets, Current Liabilities and Working Capital	Span Group		Span d.d.	
In thousands of HRK	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Current assets	256,457	278,605	211,214	208,233
Current liabilities	126,395	156,271	95,838	111,515
Working capital	**130,063**	**122,334**	**115,376**	**96,719**
Current liquidity ratio	**2.03**	**1.78**	**2.20**	**1.87**

The coefficient of the current liquidity still points to the ability of the Group to settle its current liabilities.

Net debt	Span Group		Span d.d.	
In thousands of HRK	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Short-term and long-term bank loans	15,977	7,058	14,108	7,058
Cash and cash equivalents	139,791	141,764	126,920	107,083
Net debt	**(123,814)**	**(134,706)**	**(112,812)**	**(100,025)**
Total equity	**193,743**	**238,133**	**192,917**	**221,118**
Net debt and total equity ratio	**-**	**-**	**-**	**-**

The negative net debt is an indicator of the financial solvency of the Group.

2.2.5. Cash flow

	Span Group		Span d.d.	
In thousands of HRK	2021	2022	2021	2022
Net cash from operating activities	55,772	78,899	54,909	54,591
Net cash used in investment activities	-6,272	-47,594	-5,482	-49,834
Net cash used in financial activities	60,706	-29,334	61,461	-24,595
Net increase / decrease in cash and cash equivalents	**110,206**	**1,971**	**110,888**	**-19,838**

The Group achieved positive cash flows from operating activities. Increase of cash from operating activities primarily resulted from the expansion of the operation during 2022.

Negative cash flow from investment activities was a result of the acquisition of Ekobit and investment in tangible and intangible assets. Cash acquired by the acquisition and merger was included in investment activities.

Negative cash flow from financial activities resulted from the outflow of cash for the settlement of liabilities to banks, assets with the right to use, and buy-back of treasury shares. In addition, dividend in the amount of HRK 9,714 thousand was paid in the second quarter of 2022.

2.2.6. Operation of TOV Span Ukraine

This section is designed to provide an insight to our investors into our operation in Ukraine and its influence on the Span Group. For that purpose, we provide an individual profit and loss statement for TOV Span for 2021 and 2022, and its share in the consolidated statement of the Span Group.

In 2022, the revenue of TOV Span saw a significant decline compared to the same period of the previous year because Microsoft enabled our customers in Ukraine the use of Microsoft products and services without compensation for the period from April 1st, 2022 to December 31st, 2022 which resulted in an increase of other revenue (as a consequence of write-off of debt to Microsoft) and increase of other expenses as a result of implementing the relief obtained.

The decrease of such direct expenses followed a decline in revenue, whereas operating expenses were also reduced as a result of decline of operating activities. The corporate income tax expressed in the financial statement was a consequence of licenses issued by Microsoft, which created a tax liability in line with the Ukrainian tax legislation.

The revenue of TOV Span made 9% of the consolidated revenue of the Span Group in 2022.

In 2022, the share in the consolidated EBITDA was negative (HRK -1,250 thousand), and the share in EBITDA of the Group was -2%.

On December 31st 2022, the Company conducted value adjustment of investment into TOV Span by HRK 3,265 thousand, and now it amounts to HRK 1,399 thousand.

TOV Span - Standalone

In thousands of HRK	2021	2022	Δ%
Total revenue	**162,416**	**75,363**	**-54%**
Operating revenue	162,416	43,294	-73%
Other revenue	-	32,069	-
Total costs	**165,436**	**75,346**	**-54%**
Costs of goods and services sold	155,162	36,722	-76%
Personnel expenses	7,868	6,323	-20%
Other business expenses	2,406	32,301	1243%
EBITDA	**(3,020)**	**17**	**101%**
Depreciation	72	215	200%
EBIT	**(3,092)**	**(198)**	**94%**
Net financial result	1,334	355	-73%
Profit/loss before taxation	**(1,758)**	**157**	**109%**
Corporate tax	(213)	916	529%
Profit/loss after taxation	**(1,545)**	**(759)**	**51%**

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	2021	2022	2021	2022	2021	2022
Total revenue	**774,123**	**867,162**	**161,887**	**74,081**	**21%**	**9%**
Operating revenue	767,273	829,731	161,887	42,012	21%	5%
Other revenue	6,851	37,432	-	32,069	-	86%
Total costs	**731,597**	**797,230**	**165,410**	**75,331**	**23%**	**9%**
Costs of goods and services sold	546,418	502,854	155,137	36,721	28%	7%
Personnel expenses	138,584	194,302	7,868	6,323	6%	3%
Other business expenses	46,595	100,074	2,405	32,287	5%	32%
EBITDA before one-off items	**48,575**	**71,796**	**(3,523)**	**(1,250)**	**-7%**	**-2%**
One-off items	6,048	1,863	-	-	-	-
EBITDA after one-off items	**42,526**	**69,933**	**(3,523)**	**(1,250)**	**-8%**	**-2%**
Depreciation	15,594	19,371	72	215	-	1%
EBIT	**26,933**	**50,562**	**(3,595)**	**(1,465)**	**-13%**	**-3%**
Net financial result	973	(1,706)	1,334	354	137%	-21%
Profit/loss before taxation before one-off items	**33,954**	**50,720**	**(2,262)**	**(1,111)**	**-7%**	**-2%**
Profit/loss before taxation after one-off items	**27,906**	**48,856**	**(2,262)**	**(1,111)**	**-8%**	**-2%**
Corporate tax	4,082	(1,680)	(213)	916	-5%	-55%
Profit/loss after taxation before one-off items	**29,872**	**52,400**	**(2,048)**	**(2,027)**	**-7%**	**-4%**
Profit/loss after taxation after one-off items	**23,824**	**50,537**	**(2,048)**	**(2,027)**	**-9%**	**-4%**

2.3. Information for shareholders

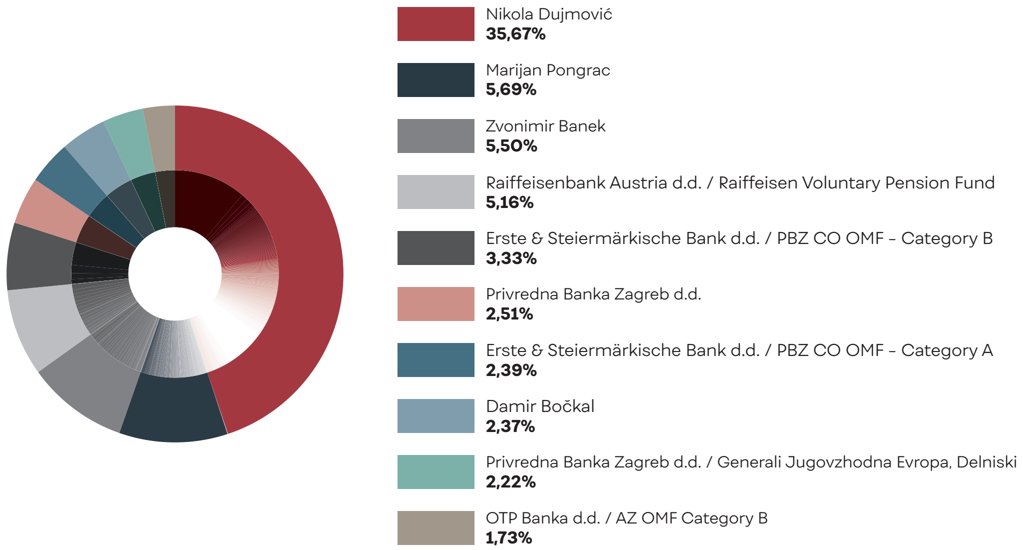
2.3.1. Share capital

On December 31st, 2022, the share capital of the Company consisted of 1,960,000 shares with the nominal value of HRK 10, and the Company held 20,029 shares, which was 1.0219% of the share capital.

The company has one type of ordinary shares that do not carry the right to a fixed yield. The company has no losses in 2022 and no losses carried over from earlier years.

2.3.2. Ownership structure and 10 largest shareholders

On December 31st, 2022, President of the Management Board, Nikola Dujmović held the largest individual stake of 35.67% 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.



The following table shows data on the number of shares held by the members of the Management Board and the Supervisory Board on December 31st, 2022.

Management Board

Name and surname	Position	Number of shares	%
Nikola Dujmović	President of the Management Board	699,167	35.67
Marijan Pongrac	Member of the Management Board	111,600	5.69
Saša Kramar	Member of the Management Board	28,606	1.46
Dragan Marković	Member of the Management Board	21,826	1.11
Antonija Kapović	Member of the Management Board	5,211	0.27

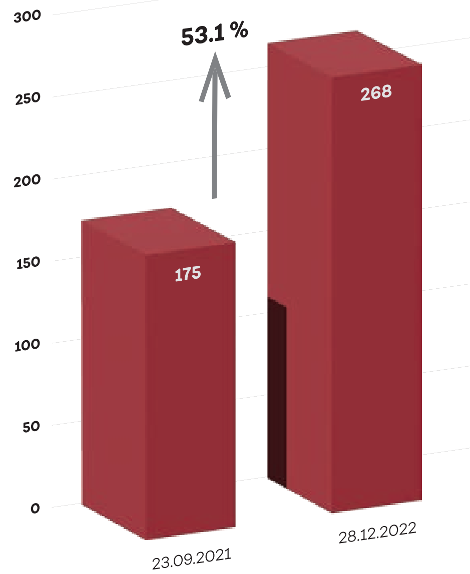
Supervisory Board

Name and surname	Position	Number of shares	%
Jasmin Kotur	President of the Supervisory Board	22,800	1.16
Zvonimir Banek	Member of the Supervisory Board	107,823	5.5
Aron Paulić	Vice-President of the Supervisory Board board	180	0,0092

2.3.3. Share movements and trading volume

The start of the share trading in 2022 was on January 3rd, 2022, and the price of a share was HRK 230. The last day of trading on the Zagreb Stock Exchange was December 28th, when the price of a share was HRK 268, an increase of **16.5 %**.

Compared to the price of a share in the Initial public offer (HRK 175), the price of a share increased by **53.1%**.



Increase of SPAN share price since the Initial Public Offering

The turnover of the share in the observed period was HRK 86,929,262 million.

2.3.4. Acquisitions and disposals of own shares

Based on the Share Buy-Back Program for the purpose of offering them to employees of the Company and the affiliated companies for remuneration, adopted at the session of the Management Board of the Company on January 14th, 2022, the Company made acquisitions and disposals of own shares during the year. On December 31st, 2021, the Company held 30,900 treasury shares, which represents 1,5765% of the share capital. After all the above-mentioned acquisitions and disposals of shares during the year, on December 31st, 2022, the company held 20,029 shares, which represents 1,0219% of the share capital.

Date	Corporate event	Purpose	Number of shares	Number of shares after corporate event	% of share capital before corporate event	% of share capital after corporate event
January 21st, 2022	Acquisition of own shares	Share Buy-Back Program	20,000	50,900	1.5765%	2.5969%
March 23rd, 2022	Disposal of own shares	Ekobit share purchase price	17,013	33,887	2.5969%	1.7289%
May 2nd, 2022	Disposal of own shares	Share Buy-Back Program	9,451	24,436	1.7289%	1.2467%
June 7th, 2022	Disposal of own shares	Share Buy-Back Program	7,191	17,245	1.2467%	0.8798%
August 18th, 2022	Disposal of own shares	Share Buy-Back Program	375	16,870	0.8798%	0.8607%
August 26th, 2022	Disposal of own shares	Share Buy-Back Program	71	16,799	0.8607%	0.8571%
September 30th, 2022	Acquisition of own shares	Share Buy-Back Program	6,691	23,490	0.8571%	1.1985%
October 14th, 2022	Disposal of own shares	ESOP - allocation of additional shares	2,254	21,236	1.1985%	1.0835%
November 9th, 2022	Disposal of own shares	Share Buy-Back Program	1,207	20,029	1.0835%	1.0219%
As of December 31st, 2022				20,029		1.0219%

2.3.5. Dividend Payment Policy

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

According to the above-mentioned, a session of the Supervisory Board of the Company took place on April 29th, 2022, where the Supervisory Board, together with the Management Board, proposed to the General Assembly to adopt a decision on the use of profits and dividend payment in the amount of HRK 5 per share. The dividend was paid to the shareholders of the Company who were registered as the Company shareholders in the Central Depository and Clearing Company d.d. ("SKDD") on June 17th, 2022 (record date). The date from which the share of the Company was traded without the right to dividend payment is June 15th, 2022 (ex date). The claim for dividend payment became due on July 1st, 2022 (payment date). Dividend was paid from the Company profit made in 2021.

2.3.6. Agreements with affiliated companies

During 2022, Span signed 3 agreements with B U G d.o.o. whose Director is Mr. Aron Paulić, Vice President of the Supervisory Board of Span, of which 2 are agreements on business cooperation signed with B U G d.o.o. as a supplier, one in the amount of HRK 144,000.00 and one in the amount of HRK 156,000.00. The third agreement on the provision of the service of subscription to Microsoft services through the CSP program, which Span as a Microsoft CSP (Cloud Solution Provider) partner provides to the customer B U G d.o.o., was signed in the annual amount of EUR 1,545,31.

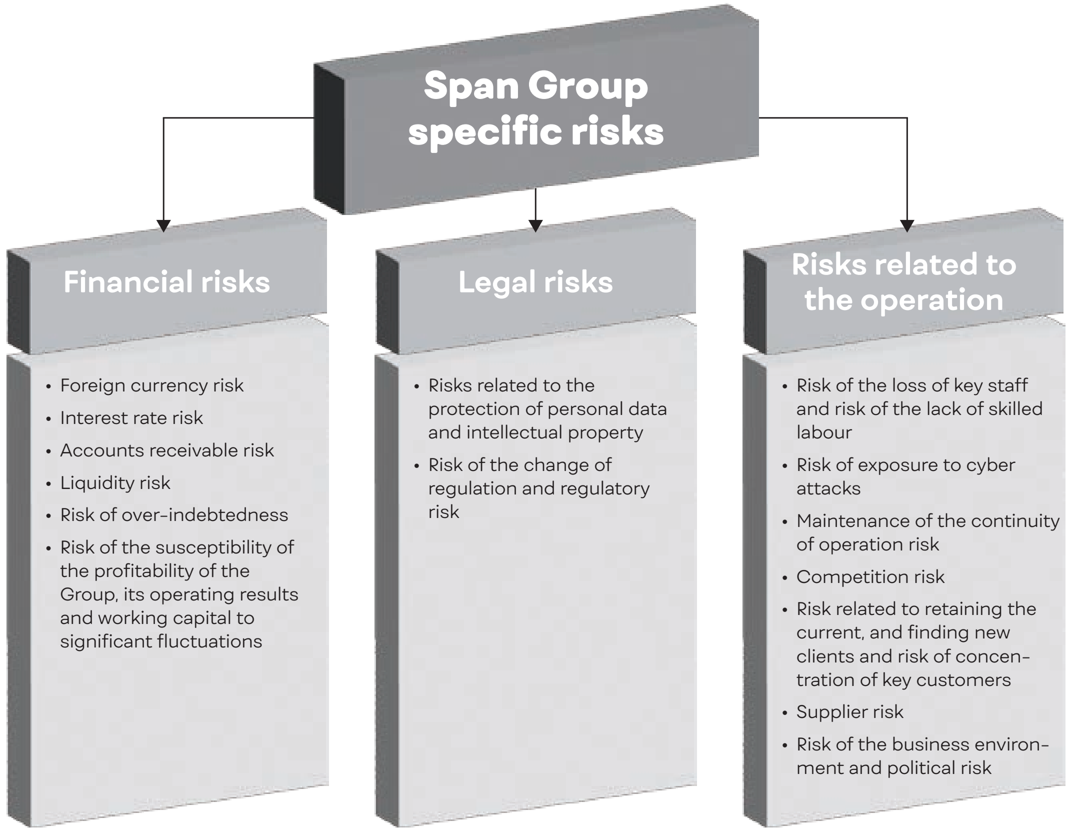
We have a **firm model of Corporate Governance**, which ensures the implementation of responsibilities at all levels. We operate transparently, and disclose all material data, like financial data, ownership structure and the data on corporate governance, properly and timely. We do business under the principle of mutual accountability of the Management Board and the Supervisory Board, and accountability of the Supervisory Board to shareholders. We represent the rights of all shareholders and treat everybody justly, and by ensuring procedures of independence, we work on the elimination of conflict of interest. We continuously work on the improvement and development of relations with shareholders, investors and analysts as important business stakeholders.

We publish all information on our website https://www.span.eu/en/investors/ in order to fully ensure the transparency and timeliness of the announcement of information.

2.4. Risks

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:



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.

2.4.1. Financial risks

Foreign currency risk

Span Group operates on an international level and is exposed to the foreign currency risk that arises from changes in the exchange rate of foreign currencies. The most important is the risk that relates to the change of the exchange rate of US dollar. 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 company has concluded an agreement on derivative financial instruments for protection against exchange rate risk.

Until December 31st, 2022, the Croatian National Bank pursued 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. Since January 1, 2023, the official currency in the Republic of Croatia is EURO and the official parity is on the level 1 EUR=7.53450 HRK. A more detailed description can be found in the Audit report under Note 37. Financial instruments.

Interest rate risk

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

Accounts receivable risk (credit risk)

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

Liquidity risk

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

Risk of over-indebtedness

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

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

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

2.4.2. Legal risks

Risks related to the protection of personal data and intellectual property

Within 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 (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 has 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 of the Group. This risk is also reflected through possible changes of tax rates as well as the subject of taxation. The presence of the Group in different jurisdictions means different global and regional, economic, political and legal, regulatory and operative risks, and results in 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, labor-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.

2.4.3. Risks related to the operation of the Company

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

The operation of the Group largely depends on retaining the founding company, the management and experts in the area of IT technologies, and the ability of the Group to continue to attract and retain new professional staff required for a successful operation. A demand for IT experts has increased, and the labor market features a constant lack and increased turnover of IT experts on all levels of expertise. Therefore, there is a risk that the Group will not be able to respond adequately to the demanding pace of the labor market and timely engage the required additional staff or retain the existing one. The exposure to increased costs related to attempts to respond adequately to the needs for employment of skilled labor is an additional risk. To maintain the quality of IT 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.

Owing to a proactive approach and well-conceived HR initiatives, the Group has mitigated this risk extremely successfully during 2022, and the total number of employees at the end of 2022 increased by as much as 40% compared to the end of 2021. Along with the acquisition of Ekobit, which brought us 72 new employees, it was a result of the increase of the number of new employments for as much as 67% compared to 2021, with the concurrent reduction of the fluctuation rate from 14.89 % during 2021 to the level of only 10.47 % in 2022. That proves that the Management Board and human resources of the Group showed superior ability to retain key personnel and attract skilled manpower.

Risk of exposure to cyber attacks

The Group, as well as the customers of the Group, are exposed to risks of cyber attacks and security threats. In its operations with customers, the Group is obliged to maintain systemic security, provide security patches and improvements, antivirus measures of protection against a malicious code, and ensure credibility of its own employees who cooperate with the customers of the Group. IT security breaches can lead to setbacks in the provision of services and/or functioning of the system controlled by the Group and to potential endangering of reliable information. Every year, the Group increases investments in order to better protect itself against risks of exposure to cyber attacks and security threats. One of the key services the Group provides to its clients are IT solutions related to cyber attacks and threats, which means that the Group has the required expertise to take the required precautions. The Group implements extensive security training measures and training of IT security experts and at the same time continuously invests in 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. Last year, the Group experienced operation in crisis conditions. Russian aggression on Ukraine affected the operation of the Ukrainian office in Kyiv, so special measures of protection of the IT infrastructure and data were taken. Besides, technology used by the IT infrastructure is susceptible to difficulties in functioning caused by the human factor, delays in the supply of electricity, systemic errors, telecommunication problems, natural disasters, and similar events that can cause significant obstructions in regular operation of the Group and cause violations of the assumed contractual obligations, if the Group cannot eliminate them within a reasonable time span. The Group uses the IT infrastructure of renowned global technological companies such as Microsoft Corporation, Cisco Systems and others and has backups of all important data, which is not stored at one location. Furthermore, the Group also uses the IT infrastructure of third persons that it does not control, such as services of operation in Public Cloud, i.e. the operation of the Group is largely dependent on proper functioning of the infrastructure concerned and the connection with customers of the Group.

Competition risk

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

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

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

Supplier risk

Results of the Group largely depend on a possibility of sale of Microsoft program licenses and use of Microsoft solutions of operation in Cloud, which the services the Group renders to their customers are based on to a significant extent. Therefore, global acceptance of Microsoft programs and solutions in relation to operation in Cloud is a significant factor in the business model of the Group. Even though Microsoft IT solutions are widely prevalent, there is no guarantee that they will keep the current market position in the future so the risk of adjustment to fast changes in technology on the competitive market is applicable to Microsoft itself as well. The authorization of the Group for sales of Microsoft products to customers and the business requirements of the cooperation are related to the status of the provider of services of licensing that is based on a contract that is not exclusive and should be renewed on an annual basis for each geographic area where the Group sells Microsoft products. Successful cooperation of the Group with Microsoft also depends on a successful adjustment to business requirements of cooperation specified by Microsoft, which include various incentives in form of rebates, investments, marketing assets and other payments. The incentives Microsoft offers to its Microsoft LSP (Licensing Solution Provider) partners, including the Group, depend on whether a partner meets certain indicators of success such as the revenue growth in certain areas of products or services, finding new customers, acquiring certain Microsoft competencies and specializations, etc. Business requirements for cooperation are subject to annual changes, so if the Group is not able to adapt to those changes on time, this can result in a significant reduction of the received incentives and adversely affect the profit margins of the Group. The Group, a multiyear Microsoft partner with more than 29 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.

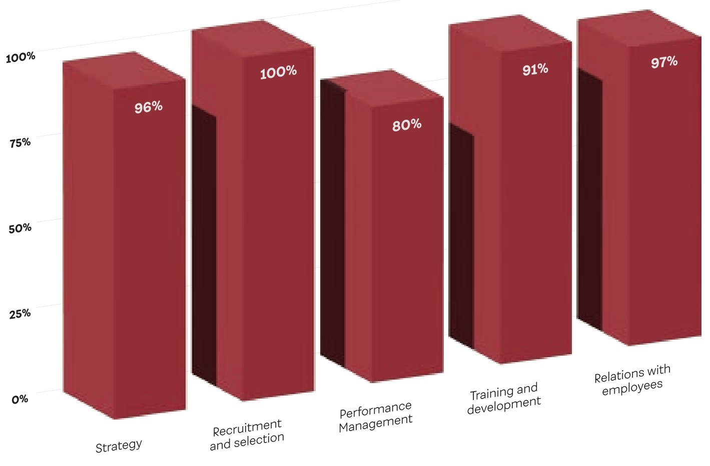
Risk of the business environment and political risk

The risk of the business environment is determined by political, economic and social conditions in a country, and includes political, macroeconomic and economic risks. The political risk of a country includes all the risks related to a possibility for political instability, and in its extreme, includes the integrity and survival of the state. Risks of this nature are not present significantly relating to the Group, apart from the Ukrainian market, where Russian aggression and war continue still. The decline in the revenues in Ukraine in 2022 was fully compensated in other markets and at the end of 2022, they make up to 9% of the Group's revenues. Span continues to operate in Ukraine, and the individual report of TOV Span operations can be found in point 2.2.6. Operation of TOV Span Ukraine.

3. People and the community

3.1. Human resource excellence

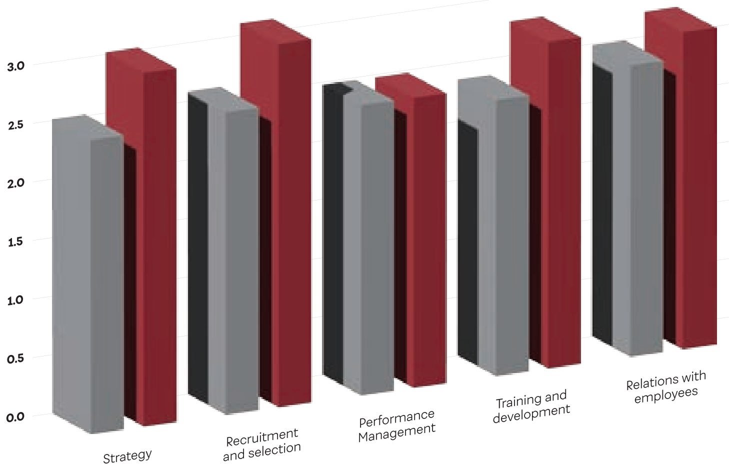
For the second year in a row, Span has attained the **Certificate Employer Partner (CEP)**, once again confirming Span's excellent practice and high-level quality in the area of human resource management. Every year, the Selectio Group awards this certificate to the most successful companies in the area of human resource management. Among the holders of CEP in Croatia, only 11% are companies in the field of IT, which ranks us among the first IT companies that have recognized the importance and value of the systemic investment in HR. Overall, we have earned 91% points at the re-certification audit, which is a total growth of 3% compared to the prior year and speaks in favor of our continuous work on the improvement of the quality of our HR processes.



Scoring per area

5 monitored areas

Well-set and high quality HR processes helped us to achieve our key HR goals, which were focused on the **recruitment**, **development** and **retention** of top experts and talents in 2022 as well.



Comparison with organizations certified within the Employer Partner Certificate project from 2005 to 2021 (N=140): Gray - all organizations, Red - Span

3.2. Recruitment, development and retention of employees

3.2.1. Recruiting and employing professional employees

Strengthening the relationship and intense cooperation with the academic and IT community

We dedicated the first half of 2022 to intense cooperation and strengthening the relationship with the academic and IT community, and to promoting our summer professional practice – Span Academy. To that end, we visited as many as 14 faculties across Croatia, and over the year, we took part in numerous competitions, conferences and career weeks. We also organized two student practices in Osijek, two 48-hour Hackhatons in Rijeka and Zagreb, and continued our cooperation with the Algebra University College on their "Work in Tech" project, intended for the education of women in IT.

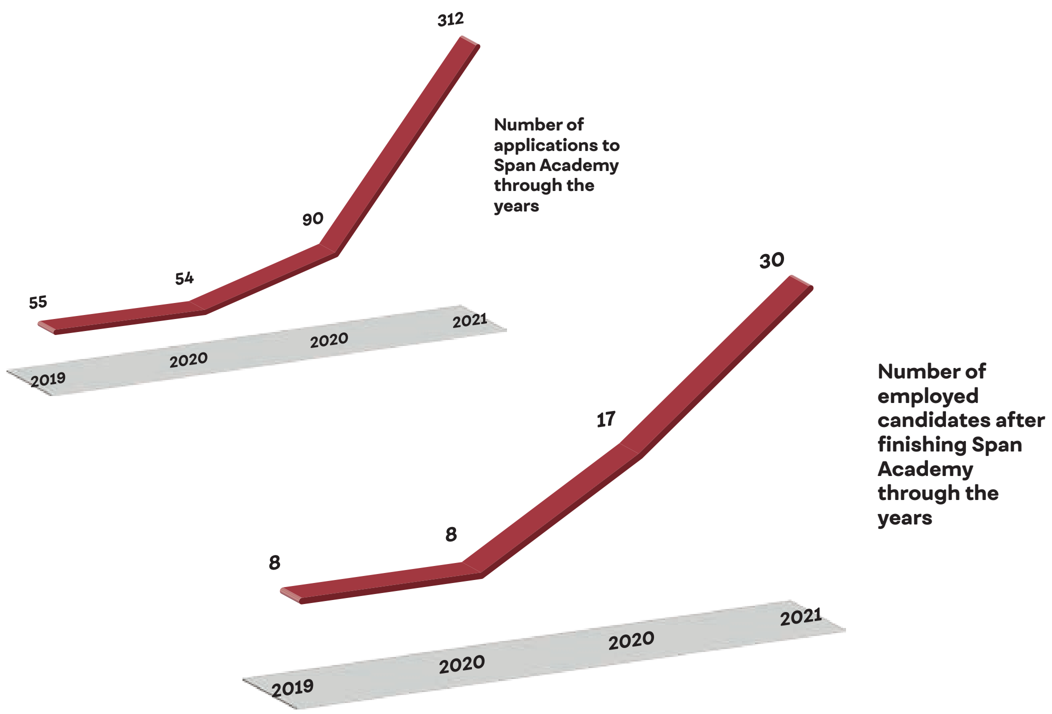
FER FERIT foi PMF ALGEBRA VISOKO UČILIŠTE Sveučilište u Rijeci TEHNIČKI FAKULTET
TVZ TEHNIČKO VELEUČILIŠTE U ZAGREBU ZAGREB UNIVERSITY OF APPLIED SCIENCES VELEUČILIŠTE VELIKA GORICA UNIVERSITY of APPLIED SCIENCES VELIKA GORICA VSiTE Career Speed Dating
JobFair .debug DEVELOPERS CONFERENCE BY BUG INFOBIP Shift

Span Academy 2022

All this resulted in an exceptionally high interest in our Span Academy Summer Program with more than 350 applicants. 54 best students got the opportunity to study and develop their skills in the area of software development, security and Cloud. By this, we marked the seventh year of the Span Infrastructure (Cloud & Security) Academy Program and the fifth year of the Span Development Academy Program. This year, we paid special attention to the area of IT

Security as one of the fundamental pillars of Span's operation. A security week was organized within the Infrastructure Academy Program and students' positive feedback encourages us to additionally develop this major in the future (60% of students see security more attractive than they thought, and 20% are very interested in the area of security and consider it an option for their professional development).

Figures themselves speak of the success of this program – more than 70% of students evaluated their satisfaction with the lectures and lecturers with "very satisfied" and "quite satisfied," and more than a half continued their career paths in Span – through a student agreement or employment contract.



Ekobit & Span – connecting employees

One of the bigger steps in ensuring the further expansion and growth of operation in 2022 was certainly the acquisition of one of the Croatian leading companies specialized in software development – Ekobit.

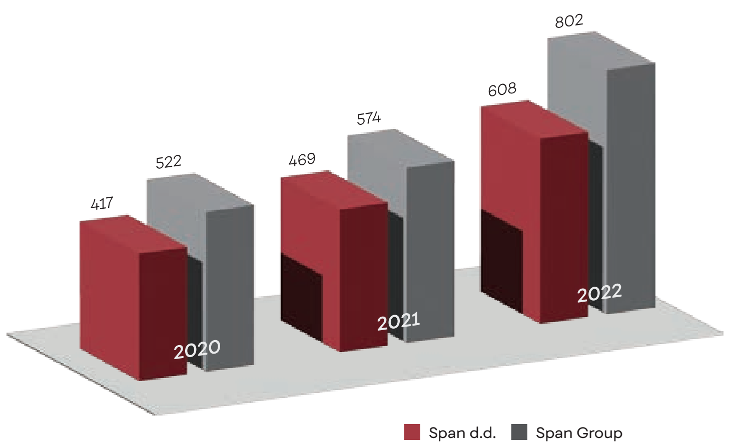
Although mergers and acquisitions are key tools that are available to organizations to accomplish their strategic goals, at the same time, they can deeply influence employees at all levels. Lack of communication, lack of trust, misunderstanding and the uncertainty of long-term goals are only some of the challenges organizations can face.

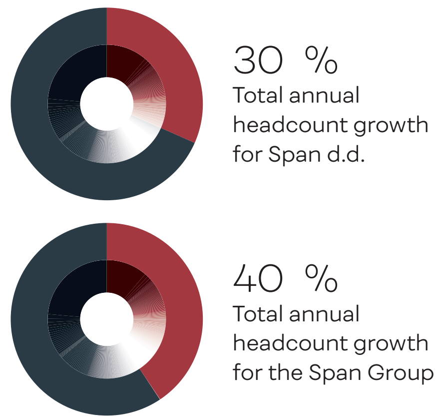
At the end of October, we gathered at a joint off-site meeting to give the employees of both companies a better insight into the acquisition process, further introduce them with the strategy of the Span Group and show them in which way Ekobit is a constituent part of the joint Span story. The employees (of both Ekobit and Span) rated the social gathering with a high 9 out of 10, and the comment below only confirms that this was an important step in the process of connecting and integration:

"I think that this event was a good start of our cooperation and that such events are a great way for people to meet and see that they are not so different."

220+ new employees

A proactive approach to the labor market helped us recruit and employ a record number of **226 new employees**. Thus, with the acquisition of Ekobit, we achieved a total headcount growth of 40% for Span Group, while only Span d.d. marked organic headcount growth of 30% compared to 2021.

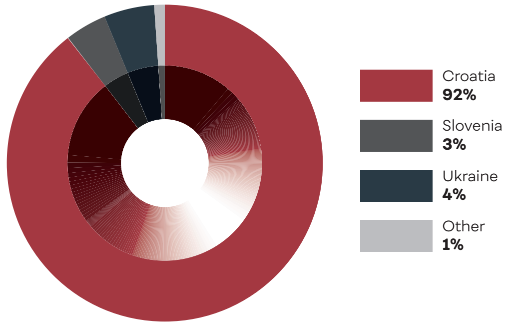




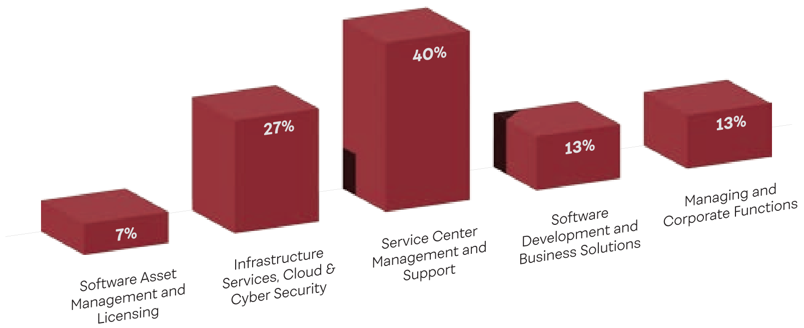
Number of employees p.a

An overview of the key indicators of employees and operation of the Span Group is presented below.

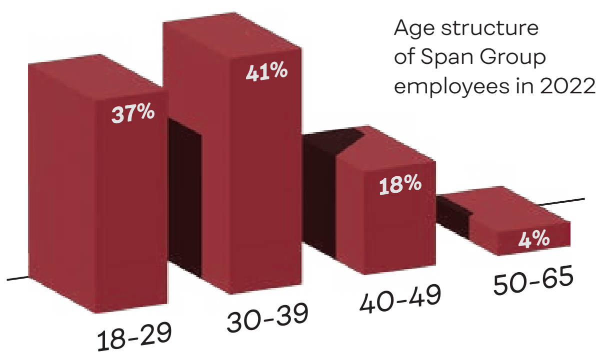
% of employees per country



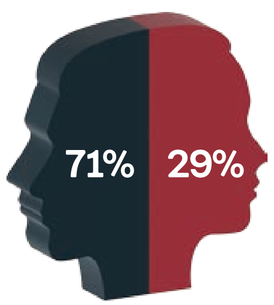
% of employees per Business Segment



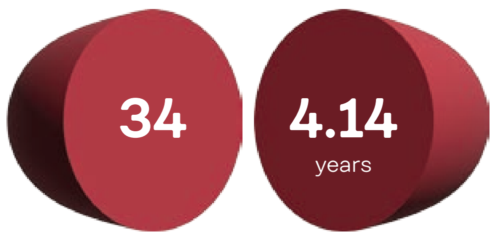
Sociodemografic data for Span Group in 2022



Age structure of Span Group employees in 2022



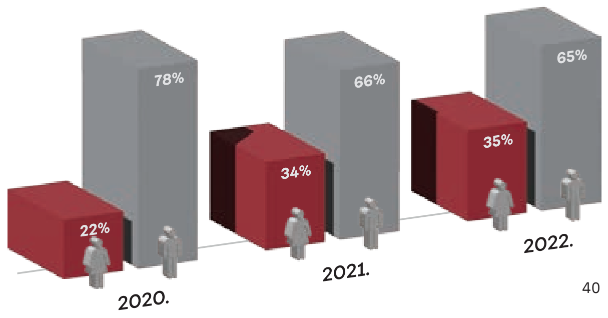
Average age of Span Group employees



Average tenure of Span Group employees

Currently, the number of women who work in Span amounts to 29%, which is an increase by 3% compared to 2021. According to Eurostat's[40] data, this number is higher than the Croatian average of women in IT by 8%. Moreover, Span's ratio of women and men is better

% of new employees per gender



40

when compared to the rest of the market. According to Eurostat's data on the level of the whole EU, on average, the number of women in IT organizations amounts to only 19%.

One of the long-term goals of Span is certainly the increase of the share of women at IT positions. Year by year, we are gradually achieving that goal, and the cooperation that especially contributes to this is the one with the Algebra University College. Thus, owing to the "Work in Tech" project, after the completion of their professional practice in Span, we employed 9 out of 20 participants in the program this year.

3.2.2. Development of technological and leadership capacities

Span Management Academy 2022

The development of managerial skills, retaining and motivating employees, the promotion of the culture of transfer of knowledge and excellence in management and filling the existing and future key positions in the organization in a faster and better way are some of the key goals we wanted to achieve with the establishment of the internal management academy. In this nine-month structured development program, participants acquire skills for the development of competencies in line with the strategic needs and goals of Span.

span management academy

This year, we successfully completed the first and started the second generation of our Span Management Academy program. During the first year of the program, as many as 15 out of 26 participants assumed managerial positions, and the satisfaction of participants with their job increased by 20% compared to the prior year.

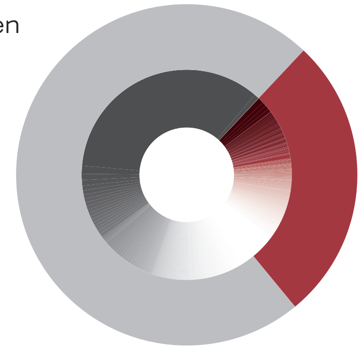
[40] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=ICT_specialists_in_employment#ICT_specialists_by_sex

Career development and promotions

The career development of employees and internal hiring are some of the fundamental values and principles at Span. Thus, last year, we had **253 promotions** in total (vertical promotions) which was by 68 more compared to the prior year. As for the internal mobility and horizontal promotion, we had **27 transfers** in 2022.

We want to pay special attention to the **share of women in managerial positions**. During 2022, 11 women were promoted to a managerial role, so currently 30% of managerial positions at Span are occupied by women.

Share of women in managerial positions



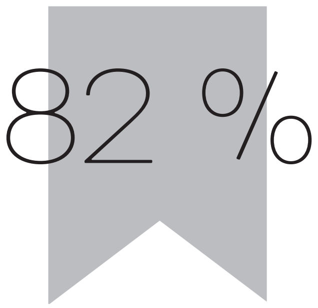
30 %

During 2022, 11 women took over a managerial role, by which a percentage of women on management positions reached 30%

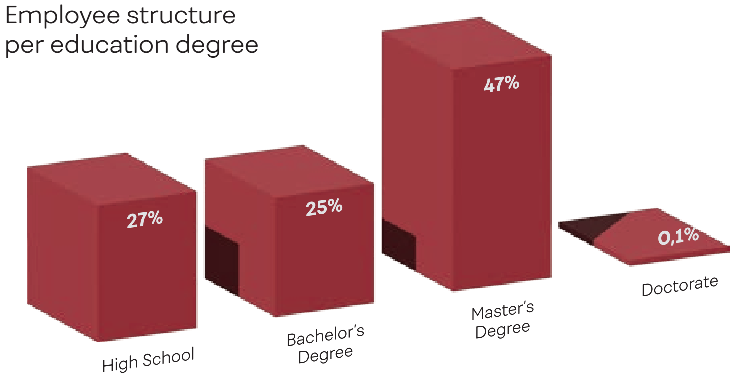
Development of technological capacities certainly implies a **high percentage of certified employees**. In 2022, the share of certified employees of Span d.d. was **65.30 %**. Compared to 2021, another 56 persons were certified, and 126 certificates more were acquired.

Year	2021	2022
Number of certified employees	341	**397**
Number of acquired certificates	2349	**2475**

The overall percentage of certified employees at technical positions within Span d.d. amounts to **82%**.



Employee structure per education degree



3.2.3. Retention of employees – engagement, remuneration and retention

Improving employees' satisfaction, health and well-being

Over 2022, we paid great attention to one of the areas where, in the light of human resources, employees' experience is given increasing prominence. The level of employee experience is entwined in a series of initiatives and areas the company and HR deal with on a daily basis.

Thus, in this year alone, we reviewed and improved our fundamental onboarding and offboarding processes, conducted a series of key questionnaires and surveys such as the organization climate and 360°, and initiated a series of HR initiatives with the purpose of preserving and enhancing interpersonal relations in Span. Although there were really a number of initiatives during the year, the most important ones were certainly the **ESOP Program**, **Span heroes** and **Span Management Academy**.

The importance of these initiatives is also reflected in the results obtained from this year's organizational climate survey – employees covered by one of the said programs are more satisfied in almost all aspects of examination compared to other employees.

Aspects of survey	SMA	Span Heroes	ESOP
Organization Image	5.2%	-	1.94%
Personal working conditions	4.84%	1.09%	**5.83%**
Work organization	6.08%	-	0.19%
Job contents	4.74%	0.98%	0.92%
Personal influence	**7.58%**	0.6%	1.18%
Follow up and evaluation	5.31%	4.44%	0.79%
Remuneration system	4.99%	**4.66%**	0.78%
Management	4.47%	-	2.16%
Leadership	3.13%	-	0.83%
Climate – team	1.1%	-	0.7%
Climate – organization	2.04%	-	1.13%
Job satisfaction	4.84%	1.15%	2.2%

The difference in the satisfaction of employees who participate in initiatives compared to other employees

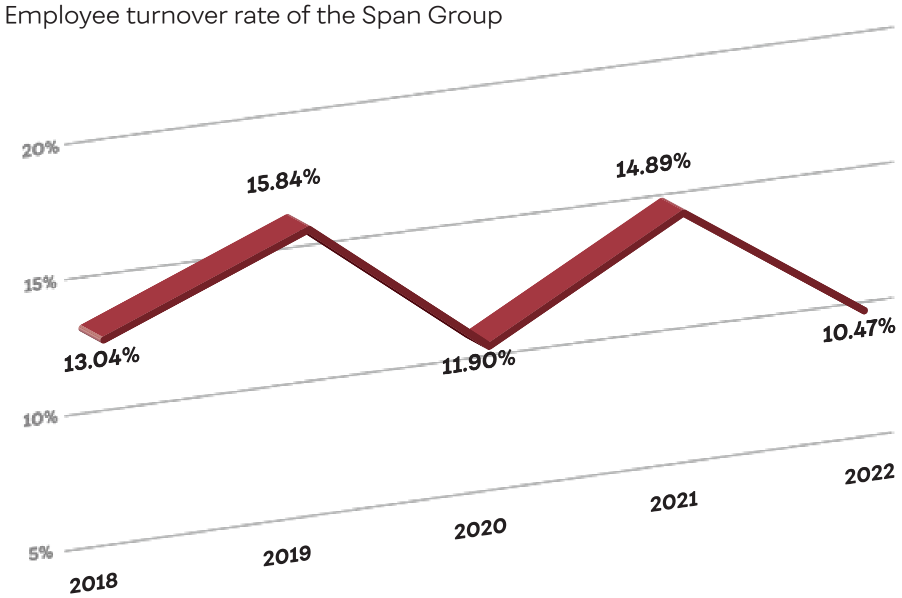
Increase of general job satisfaction

Regarding general job satisfaction (according to the results of a survey conducted by the external agency Kalibro) we have also recorded growth in this segment, compared to 2021.The obtained results show that in 2022, the general level of job satisfaction at Span increased by **2.52 %**. The highest increase compared to 2021 was visible in the aspect of the remuneration system, amounting to **2.85 %**, which was certainly also the contribution of the ESOP Program. Actually, all employees who took part in the ESOP Program during the listing of Span on the Zagreb Stock Exchange were allocated with the first part of reward shares.

Lowest employee turnover rate in the past 5 years

Recruitment, development and retention of employees were the three key strategic HR goals for 2022. Achieving these goals in a period marked with the post-pandemic and Ukrainian crisis and the increasing insecurity in the labor market was not so easy. We did it, with continuous effort, work and development, and the employee turnover rate of only **10.47%** speaks in favor of all this. That was also the lowest employee turnover in the past 5 years of Span and the Span Group. In 2022, the decline of the employee turnover of Ekobit was also of exceptional importance to us. Thus, even though a rise of employee turnover is specific for organizations that undergo the acquisition process, Ekobit recorded quite the opposite.

Employee turnover rate of the Span Group



3.3. Development of Corporate Communication

By its listing on the Zagreb Stock Exchange, Span got additional visibility in public and its existing audiences were joined by the investment public at the end of 2021. An increasing wish for better communication towards our audiences (investors, customers and partners, potential employees and general public), as well as an increasing media interest, resulted in organization change. At the start of 2022, the existing Internal Communication Department developed into the Corporate Communication Department. In the segment of external communication, the department is assigned with the implementation of Span's PR activities, planning and managing communication through Span's social networks and providing content assistance in financial reporting and reporting on sustainable operation. In the internal part, the department implements the Span TV (internal television) project, it is responsible for the Yammer corporate social network, and provides communication support to numerous internal activities. Among major projects, the department takes part in the implementation of the Employer branding activities and production of Span's Spanoptic podcast.

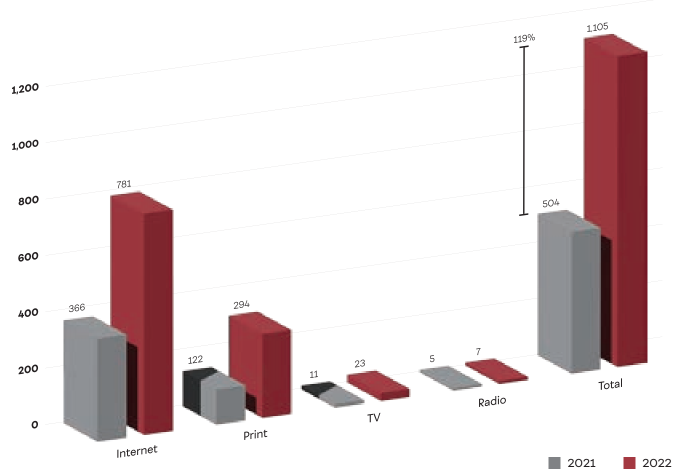
In 2022, our focus was mainly on the development of Span's PR activities and cooperation with interest media, as well as the creation and implementation of quality and structured communication on our social networks.

3.3.1. External Communication

Span's external communication includes relations with the public and communication through Span's social networks (LinkedIn, Facebook, Instagram, YouTube) and the official website.

By monitoring the results of communication through media channels, or, more precisely, mentioning the name Span, we saw that in 2022, its prevalence in the public space increased by 119% compared to 2021.[41]

This was certainly contributed to by the above-mentioned higher visibility and appeal of Span as a media desirable business and expert

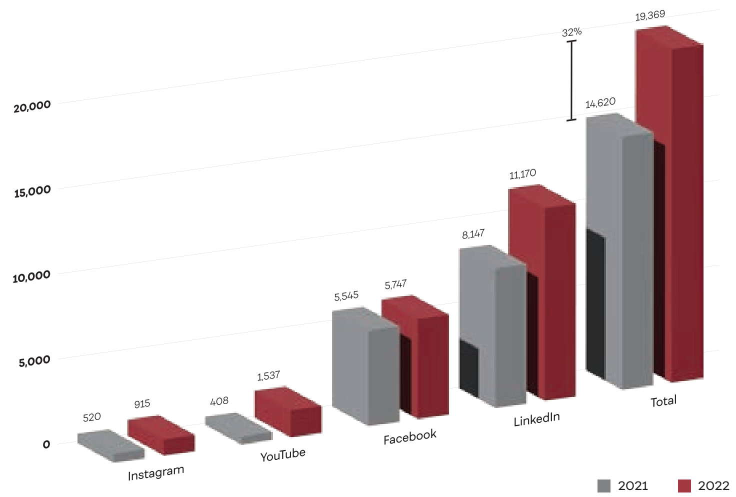


Display of results of mentioning Span in the media

[41] Izvor: Newton media, Monitoring, Press cut.

communicator, as well as the structured approach to and planning of activities related to public relations. If we look at the content segments that were most covered in writing, the highest prevalence was recorded by the newly opened Span Cyber Security Center, followed by interest in financial statements and Span's share. When we speak of the type of media, in 2022, the most frequent announcements were on the "online" portals, then in press media, and on TV stations, whereas the fewest announcements were present on the radio.[42]

In the external communication segment, this year, we also paid greater attention to structuring the contents we communicate on Span's social networks – LinkedIn, Facebook, Instagram and YouTube. The goal was to optimize the channels to the maximum so that the contents we communicated were best adjusted to the audience we were addressing. Those endeavors resulted in excellent results in that segment. The total number of followers on Span's social networks in 2022 increased by 32%, whereas the highest absolute increase of the number of followers, amounting to 37%, was recorded by the business social networking site Linkedin.



Display of results on the number of followers on Span's social networks[43]

These results were certainly complemented by Span's Spanoptic podcast, which continued to be broadcast in its second season. In 2022, its episodes, stored on Span's YouTube channel, recorded 129,000 views and 5.260 hours of watching.

[42] Source: Newton media, Monitoring, Press cut.

[43] Display of results on Facebook includes results on the Span and Span Academy Facebook pages

3.3.2. Internal Communication

In the internal communication segment, Span continued to develop the already existent, well-established channels of communication – Span TV (internal television) and internal social network Yammer.

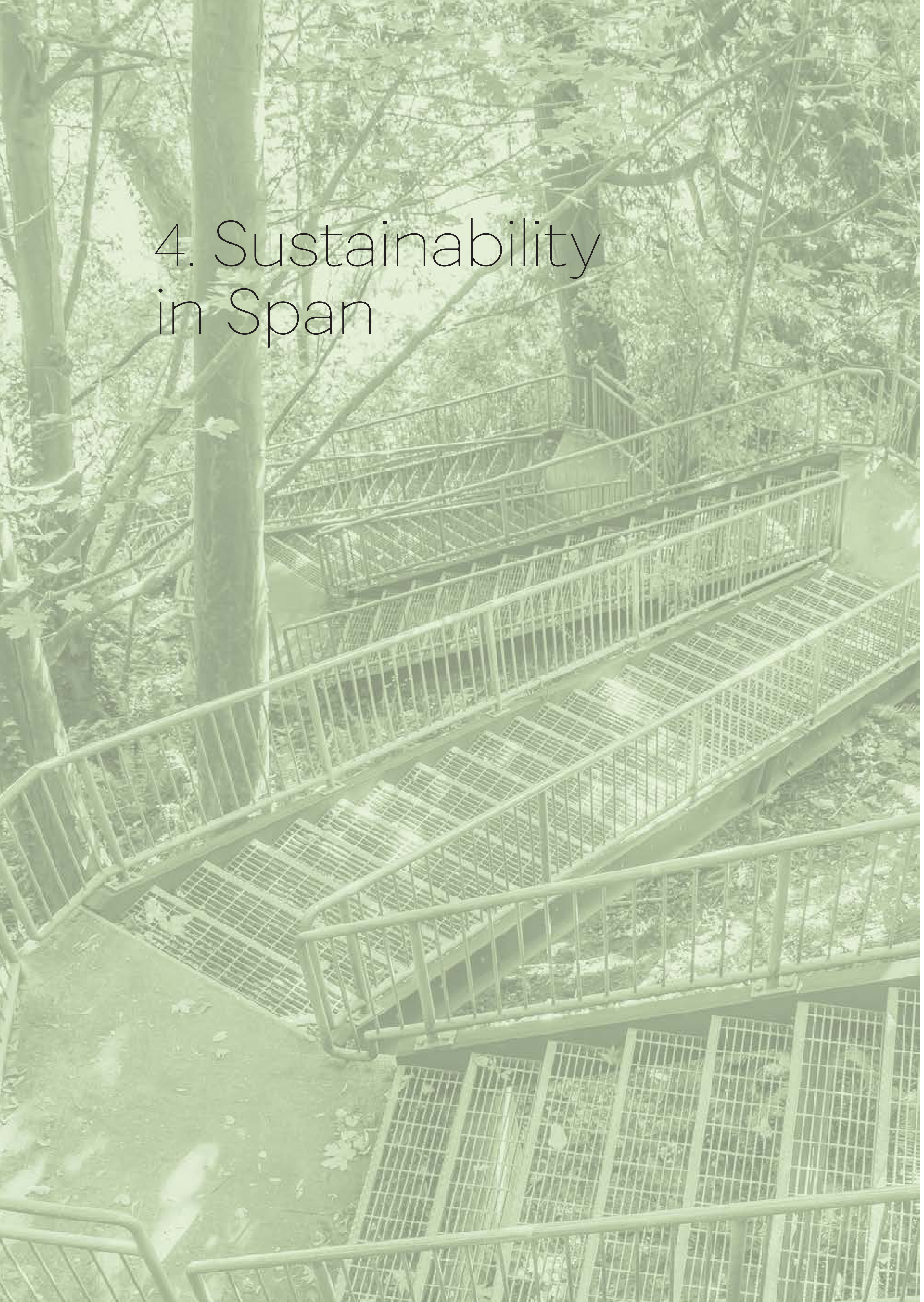
In 2022, we entered the fifth season of broadcasting from Span TV, which is our main channel for internal informing of employees. Span TV is broadcast once a month, in the duration of half an hour, and consists of a few content segments. Occasionally, when the themes and situations require so, this segment turns to a Span TV Teams Live Event, which contains the interaction of employees with speakers through Q&A. When it comes to Span TV, we continuously conduct annual feedback surveys, which show the satisfaction of employees with this communicating channel on the one hand, and, on the other hand, it is an opportunity for employees themselves to send a proposal, praise or criticism so that we can include them in the formation of contents to the maximum.

The results of the feedback survey of Span TV for the fourth season[44] of broadcasting show that its average annual watching is 67%. We also examine to what extent the employees are satisfied with individual content segments, whereby for the fourth season, each of them was evaluated with 4.7 out of possible 5 points. According to this survey, Span employees are satisfied with the relevance, topicality, and transparency of the obtained information, and they evaluated Span TV as a format with 4.7 out of possible 5 points.

This year, we have also paid greater attention to communication with employees through the Yammer internal social network with the purpose of developing their habit to follow all relevant information from Span on this channel as well. The engagement rate result shows that we are on the right track, amounting to 3.6% in 2022. To put this result into context, we want to point out that the threshold of a good result amounts to 2% on most social networks.[45]

[44] Span TV seasons are broadcast from September to July Survey results relate to the fourth season broadcast in 2021/2022.

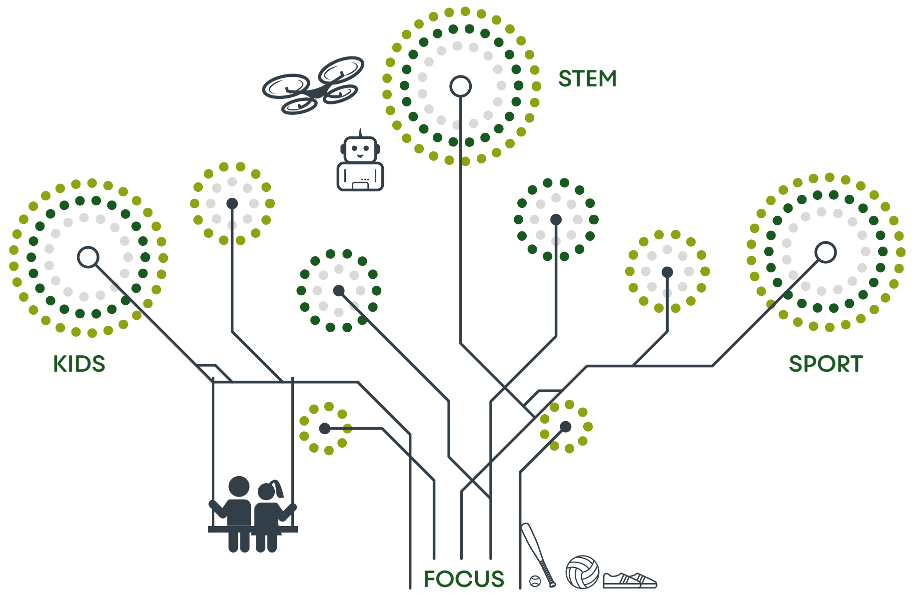
[45] https://www.adobe.com/express/learn/blog/what-is-a-good-social-media-engagement-rate



4. Sustainability in Span

4.1. Corporate Social Responsibility

Whether it is children who need support in all segments of life, STEM associations denied public spotlight or sports without institutional and organized funding, we strive to give a chance for success to those who do not have many. In addition, we are investing our efforts in environmental initiatives, well aware that only a green, energy-efficient, environment-friendly Span can be a Span of the present – and the future.



The vast majority of our socially responsible business is focused on children. From the youngest, through toddlers and preschool age, all the way to teenagers, we try to help those who often need help the most. Even the projects that belong to other branches of our activities are often focused on children and young people. It is not a cliché to say that they are the future – it quite literally is so – and by helping these groups we create the foundations of a more progressive, smarter and more inclusive society.

We support many STEM associations that work with children and young people and achieve excellent results – especially in robotics, computer science and mathematics, while we strive to stimulate interest in these and related fields among younger generations. Science, technology, engineering and mathematics are closely linked to Span's business and our efforts in this direction are a logical and natural step for the company, while acting in the interest of the community remained the foundation of our corporate culture and philosophy from the very beginnings of Span.

As there is a certain lack of investment in amateur sports and programs, especially in the less represented and prominent ones, Span seeks to help sports and clubs that do not receive large financial support but are important for the development and quality of life of both young people and senior citizens, amateur sports lovers. Martial arts, beach volleyball, softball and swimming marathons are just some of the sports activities we encourage and promote.

"**Green, how I want you green,**" Federico García Lorca wrote and Span is absolutely in synch with this famed opening verse. We believe that acting in an environmentally conscious way today is no longer and should not only be just a matter of personal or corporate preference, but an absolute necessity. There is no sustainability and progress of any kind without green initiatives and environmentally oriented business. During 2022, we showed our support by means of 40 donations and sponsorships.

4.2. Span's first Sustainability Report

We have nurtured and cultivated sustainable business principles for many years, and our first annual Sustainability Report covers all our achievements and initiatives from an environmental, social and management standpoint in one place. We believe that digital technologies are the key to a sustainable future, and in our Sustainability Report, you can learn more about what we are doing to make that future come about as soon as possible.

At Span, we do things "the right way"; when we started thinking about presenting our first sustainability report, we knew we wanted to consider all the aspects of our business, the ones we know we are great at, as well as the ones we know we can improve in.

Today, technology plays a crucial role in economic growth and ensuring equality, inclusion, accountability and efficiency of all social actors. It is vital for unlocking the innovation opportunities needed to ensure sustainable community development and climate protection. Moreover, it is an indispensable cross-sectoral lever for reaching global agreements such as the United Nations Sustainable Development Goals. In the European Green Deal, the European Union emphasizes the development of technologies as an essential pillar of developing a low-carbon economy and societies that ensure equal opportunities and the well-being of all their members.

Just as the future of humanity is digital, so the development of technology must support and encourage the sustainable development of societies. At Span, we take our role in this process seriously. Although this is our first sustainability report, responsible management practices and ideas that **we must equally contribute to the development of society and environmental protection have been embedded in our work principles long ago**. By publishing this report, for the first time we present our practices as a systematic effort in which we plan to make continued strides, and we will regularly report on our progress.

4.3. ESG World Summit and Grit Awards

Our efforts in the field of responsible and sustainable environmental and social management have been ecognized globally as well. At the international ESG Summit & GRIT Awards event in Singapore, we received the award for the greatest contribution to the UN 8th Sustainable Development Goal – promoting decent work and economic growth.

We were invited to the ESG Summit & GRIT Awards by the International Institute for Climate Action (IICA), which supported our nomination. This gathering of international experts in Singapore was organized to expand and deepen sustainable impacts with a special focus on decarbonization, carbon neutrality and innovation in food production, and was organized by Corpstage, an international sustainability platform and ESG Research Fund. The entire award system is based on the GRIT model, which represents growth, resilience, innovation and talent as the foundations of healthy business operation in promoting sustainable development trends, and the award was accepted on behalf of Span by **Iva Gredelj, Board Office Manager and ESG Ambassador**.

Span has been nurturing the principles of sustainable business for many years. We have technological expertise and we can influence our clients' awareness and initiate changes towards sustainable business. When we talk about areas of activity, the GRIT awards are awarded in accordance with the 17 UN Sustainable Development Goals, focused on directing companies' operations so that they contribute to the betterment of the community, environmental preservation and the prosperity of society. As a socially responsible company, we are pleased to be recognized for promoting dignified work and economic growth.

We have become aware of the importance of socially responsible business and sustainable management on time, and the ESG World Summit is an international event gathering such companies – and not only them. That is the place where ideas, projects and systematic efforts focused on saving the planet and smart management of resources are presented and advocated by the most progressive stakeholders of the society, entrepreneurs, scientists, inventors, technological pioneers and visionaries, philanthropists, representatives of sustainable and green cities and counties, associations that implement revolutionary changes in the exploitation of raw materials, and many others.

4.4. Initiatives in 2022

Helping the helpers – first steps in corporate volunteering at Span

The "Hrabri telefon" helpline has been doing very brave things for very brave children for almost a quarter of a century. This non-governmental and non-profit organization provides direct assistance and support to abused and neglected children and their families. It also works on preventing abuse and neglect as well as unacceptable behavior of children and youth. Span has recognized the importance of "Hrabri telefon" long ago and has been supporting its work for a number of years, but recently, by further deepening our cooperation, we have seen the possibility of additional assistance to the work of the association through the expertise and technologies we have at our disposal.

With our experience, skills and knowledge we enabled the employees and volunteers of the association to devote themselves to their work and focus on what is really important – children and young people – and helped them worry less about things such as system maintenance, licenses, charts, records, administration and the like. By helping the helpers, Span actually opened the door to the field of corporate volunteering by sharing what we are best at – our expertise.

The goal of application development was to automate a part of the operating tasks and activate Microsoft licenses so that the association will continue to improve its daily operation using new Office applications in the future. The mobile application that will now be used in "Hrabri telefon" uses AI technology to read data from accounts and immediately store it in the administration application.

We are in contact with other non-profit associations which could use carefully tailored applications designed for their needs, enabling them to optimize their working day. Through joint cooperation with non-profit organizations, our goal is to provide support to the civil society in its operation and developing resistance to various challenges. Through corporate volunteering, by sharing their knowledge and expertise, Span employees can bring positive change and get to know better the values of different non-profit organizations.

Loads of clothes

We launched an initiative called" Krpe na hrpe" (loosely translated as "Loads of clothes") in order to establish constant cooperation with the social collective Humana Nova in Čakovec.[46] The goal of the initiative was the collection of old clothes and other textile products for recycling and smart management of raw materials. Together with the education of Span employees, we organized an action for collecting textiles and placed permanent containers for textiles at the entrance to one of our two Zagreb sites, where the employees along with the inhabitants from that neighborhood can donate old clothes whenever they decide to make some order in their closets. Humana Nova tailors equality, tolerance and opportunities – this organization employs socially excluded persons who make new values out of textile surpluses.

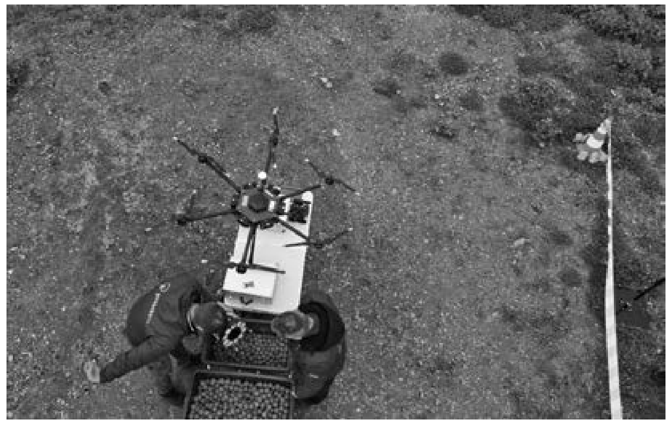
All processes of the collective imply work integration, which means that out of a total of 45 employees of Humana Nova, there are 25 employees with disabilities, while another 13 of them belong to the category of marginalized groups of people. These are long-term unemployed elderly people, national minorities – in this case, the Roma national minority – single mothers and people without education or

[46] Ivan Božić, Manager of Humana Nova was declared the second-best manager of social enterprises for work integration in Europe last year.

with a low level of education. They all participate equally in decision-making because they are the owners of Humana Nova. They also participate equally in all business processes, which include the collection and sorting of textile waste and the production and sale of new, high-quality and innovative products from textile waste, as well as new environmentally friendly textile materials.

Project O2

Together with Bonsai, Span marked Earth Day from the air. Combining the pleasant with the useful in the best possible way, we also joined tech and eco in the organization of Project O2 and took part in drone afforestation. Until recently, this might have sounded quite futuristic, but the future is now and here, and advanced technology is the best when it is in service of sustainability, ecology and initiatives like this one. The progressive and noble Project O2 was launched by nature and ecology enthusiasts with the purpose of planting new forests and stopping the negative trends of their destruction.



The whole idea started from Project O2, with the purpose of protecting forests through socially encouraged tree planting by means of advanced afforestation systems, educational programs and innovative products adjusted to amateur planting. Here, Span and Bonsai joined this unusual green initiative, not only by donating. On the very Earth Day, a dozen of our colleagues arrived at Grubišno polje to help firsthand with drone afforestation. This time, we planted pedunculate oak. Project O2 and similar efforts should be supported not only because caring for the environment is the foundation of socially responsible business, but also because it is high time we tried to give back to the planet a part of what we have been so wholeheartedly taking from it in the past hundred or so years.

RTL pomaže djeci

Span and the RTL pomaže djeci (RTL helps children) association continued their cooperation in 2022 as well, through the realization of 2 projects. For the needs of the Mirko Pereš Elementary School in Bjelovar-Bilogora County, we provided a tailor-made children's playground by financing the equipment for the outdoor children's playground and PE equipment. Play is a very important part of children's development because through it, they develop motor skills and cognitive abilities, it encourages their creativity, imagination and social skills, and with this newly equipped playground and equipment, the pupils are finally provided with a better and safe place for playful socializing and growing up.

The second project in 2022 involved the Glina association for the promotion of technical culture together with the Ljudi za ljude association. They started the project "**STEM center Glina**" to promote knowledge and innovation as a driver of future growth and raise the quality of education. Through this project, the association also plans the cooperation with the Elementary and High Schools in Glina, as well as Glina's kindergarten. Span and the RTL pomaže djeci association joined this project and additionally helped advanced educational IT activities in Glina become a part of its extra-curriculum offer. The idea behind this project is to create and enable open access to quality materials and new applications and tools from the field of electronics and digital technology for children and young people. The project involved donations for a smart board, a 3D printer and the materials necessary for 3D printing, a digital camera and a memory card.

The new equipment will make it possible to conduct education in the STEM field by engaging participants in practical exercises, covering topics from physics, chemistry, geology, biology, computer science, electrical engineering, mechanical engineering, robotics, polytechnics and mathematics. Visits to the STEM center Glina will be free, and the doors are open to all children and young people eager to learn and master new technologies.

Mens s(p)ana in corpore s(p)ano

Since a certain deficit has been observed when it comes to investing in amateur sports and programs, especially those less prevalent and prominent, Span strives to help the sports and clubs that cannot obtain a large financial support but are important for the development and quality of life of both young and elderly amateur sport lovers. This year again, Span continued to support its softball club. Since its establishment, this active member of the Zagreb and Croatian Softball Association has had good results and won the Cup of Croatia in 2022 again. In addition to sports clubs, we support individuals, one of them being a young climber, Anja Santini Mikulić, who achieved impressive results this year as well and competed in European and world competitions.

4.5. Materiality analysis[47]

Span Group is preparing its Sustainability Report for 2022 according to the standards of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

The materiality analysis has been carried out in three steps:

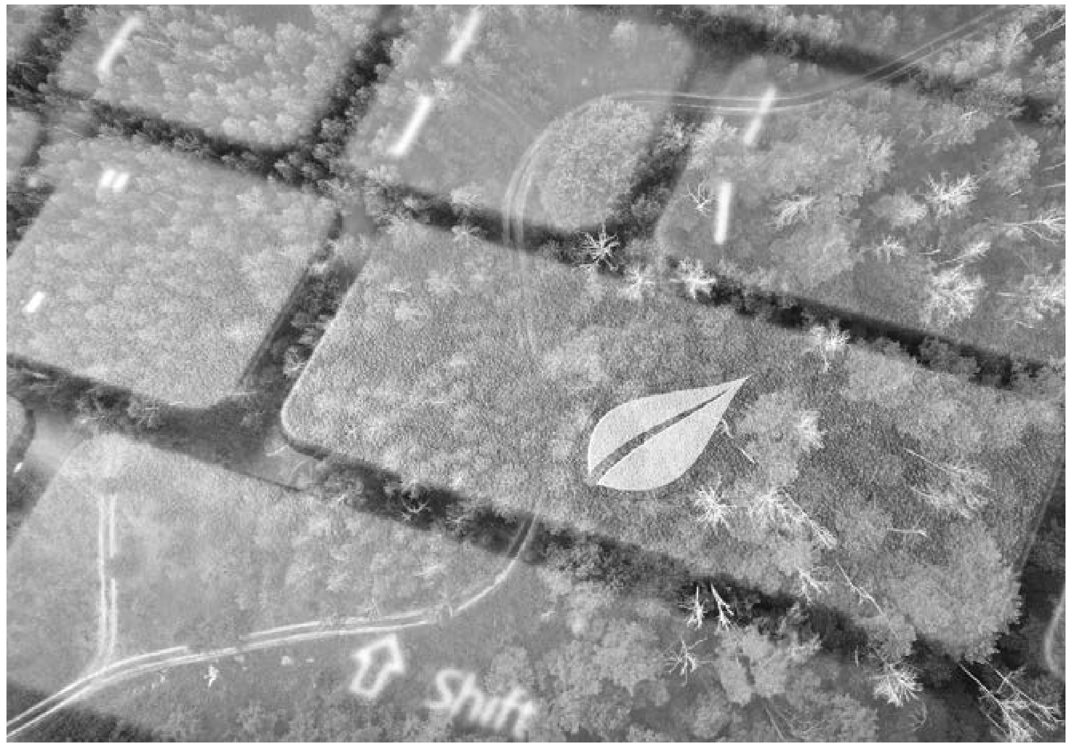
1. The ESG Working Group has identified potential material themes for 2022 and the key groups of stakeholders in the first step,
2. Internal assessment by the reporting team and mapping of the sensitive groups of stakeholders was made in the second step,
3. And inclusion of stakeholders was carried out in the third step.

The assessment of Span's significant impacts on the economy, environment and people, including their human rights, involved **270 people** in total – 23 members of the ESG Working Group and 247 stakeholders, of whom 120 are the employees of the Span Group and 11 are representatives of daughter companies, 43 representatives of business partners and suppliers, 15 representatives of academic and educational institutions, 13 representatives of the media, 12 users and customers, 9 representatives of banks, auditors and regulators, 7 members of the Supervisory Board, 6 representatives of investors and shareholders, 4 financial analysts, 4 representatives of the civil society associations, and 1 representative of interest and professional associations.

Based on the internal and external assessment of the importance of identified significant Span's impacts on the society, the economy and the environment, 17 material topics from the following ESG segments were recognized:

- **Basic operation** (cyber security; quality and reliability of products and services; data privacy and protection; increasing availability of digital technologies; development of innovative solutions for users; and energy effects of the cloud and emission of greenhouse gases).
- **Business operations** (financial sustainability and stability; ethical operation and anti-corrupt action; quality of relations, cooperation and satisfaction of customers; risk management; corporate management; responsible management of the supply chain; and inhouse ecology (environmental protection and energy efficiency).
- **People and communities** (opportunities for professional development (work on projects, advancement, participation in decision-making); well-being, health and safety, and life balance; culture and values (diversity, inclusiveness, equal opportunities); and contribution to the community).

[47] Details of the analysis will be published in the Sustainability Report 2022



The following topics were recognized as of high importance (rating above 7.50 out of 8) for Span and its stakeholders in 2022: cyber security; quality and reliability of products and services, data privacy and protection; financial sustainability and stability; ethical operation and anti-corrupt action; and quality of relations, cooperation and satisfaction of customers.

Span Group also carried out an assessment of the impact of sustainability on the operating results and financial sustainability, using the standards of the Sustainability Accounting Standards Board (SASB) for software and IT services. Topics recognized as material ones include security of data; data protection and freedom of speech; management of system risks of technology disturbances; protection of intellectual property and competitive conduct; employment and management of global, diverse and skilled manpower; and the environmental footprint of the use of the IT hardware infrastructure.

5. Processes and technology

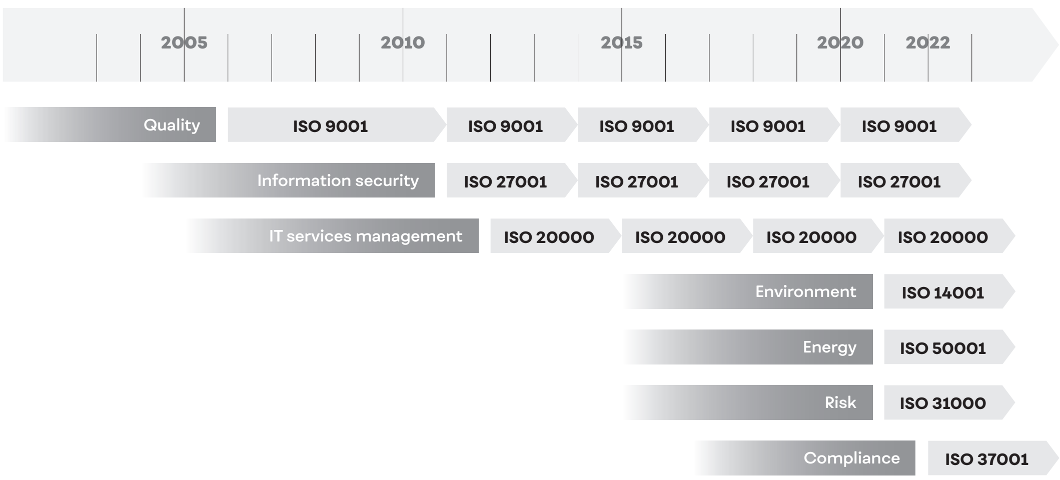
5.1. ISO Standards

We entered 2022 with 5 certified management systems compliance with ISO standards:

- **ISO 9001** – Quality Management System (QMS)
- **ISO/IEC 27001** – Information Security Management System (ISMS)
- **ISO/IEC 20000** – IT Service Management System (SMS)
- **ISO 14001** – Environmental Management System (EMS)
- **ISO 50001** – Energy Management System (EnMS)

We started to deal with the service and product quality management far before the quality system certificates, as back as in 2006. After that, for a long time we had the need to show our customers, suppliers, partners and ourselves that we treat confidential information and intellectual property responsibly and with due care. We crowned our effort in complying with the standards and good practice in the domain of information security in 2011 with **ISO/IEC 27001**. By obtaining this certificate related to the information security management, we proved our dedication to constant conceiving, improving and following-up measures and procedures by which we ensure the maintenance of confidentiality, integrity and availability of the information of our customers, not forgetting taking care of our own data.

As IT service management is our core business, we had dealt with references of good practices of ITIL for a long while, and in 2012, we joined a small group of Croatian companies with the **ISO/IEC 20000** certificate. The implementation of this standard enabled us an



unhampered fast increase of the number of users, the performed activities in the domain of IT services, with a better utilization of existing resources and establishment in the market, as well as our recognizability with customers as the leader in the services we provide.

We have paid attention to the influence of our operation on the environment for a long time, in terms of the reduction of the carbon footprint and energy consumption. By acquiring the **ISO 14001** environmental management certificate and **ISO 50001** energy management certificate in May 2021, we formalized our long-time endeavors in monitoring and managing the impacts of our products, services and activities on the environment.

At the start of 2022, we acquired a certificate for the management system directed to anti-bribery under **ISO 37001**. We are the third company in Croatia, and at the same time the first IT company, certified by this norm. We had prepared this system since 2018 in line with the requirements of the west market and large business partners.

During the year, we developed a transparent risk management system, according to **ISO 31000** and requirements of the Zagreb Stock Exchange. The system combines risk analysis and management for all 6 implemented management systems, and for risk processing in key business domains, strategy and operative business.

By implementing the ISO management systems we are further improving our products and services, better organizing our business processes, adequately protecting information, achieving conformity with good practices in the world and obtaining independent evidence of strategic direction to the structure of our operations.

5.2. Partnerships

Microsoft

In 2022, Span acquired 5 Solutions Partner statuses, which demonstrate technical capacity, experience and skills in delivery of products and services of Microsoft Cloud platforms, which include:

- Solutions Partner for Infrastructure (Azure)
- Security
- Modernwork
- Digital App Innovation
- Data AI

In addition to the Solution Partner status, during 2022, Span also acquired 3 additional advanced specializations: **Cloud Security**, **Modernize Endpoints** and **Azure Virtual Desktop**, so it currently possesses 12 advanced specializations that confirm the deep technical expertise in certain technical scenarios adjusted to the **Microsoft Cloud Framework**. We are extremely proud of attaining the status of Microsoft Security Solution Partner, which includes all 4 advanced specializations that cover the delivery of services in the areas of security in Cloud, identity and access management, information protection and protection against threats.

Additionally, during 2022, we became the **MSSP (Managed Security Solution Partner)** for Microsoft security technologies and a member of **MISA (Microsoft Intelligent Security Association)**.

Advanced specializations guarantee excellence in the delivery of Microsoft projects and are given to the most professional Microsoft partners. They are a reflection of continuing advancement and superbly executed projects, and include a certain number of certified experts, meeting the demanding criteria of action in a certain area, effective implementation of individual services for the user, implementation of high-quality projects, and clearly defined procedures and methodologies for their delivery. By joining and developing the competencies of Span in the MPN (Microsoft Partner Network) eco-system of independent suppliers of software and service providers, we continue to integrate our solutions and portfolio of services with Microsoft. MPN offers us a possibility of networking among its members, participation in annual technical workshops, BETA access to new features that help us better adapt to the needs of the market.

Microsoft recognized Span as a valuable partner in the Ukrainian market, and **Span TOV won the Partner of the Year for 2022**.

In 2022, Microsoft recognized Span's initiative, strength and prospects and implemented a case-study on **Microsoft Enterprise Skilling Initiative (ESI)**. Microsoft's case-study speaks of Span as one of the best partners in the region which continuously invests in the development of its employees. In this way, Microsoft enables us, and helps us at the same time, to offer our customers the most contemporary consultancy services on how to best use the newly procured services and solutions. Cooperation with Microsoft enabled us access to various benefits for partners, such as the announcement of Span services on Microsoft Marketplace and AppSource platforms. Our focus and presence in the market involve a comprehensive portfolio of 25 available services on the mentioned platforms.

Other partnerships:

Successful partner's relations with the best suppliers in the area of Cloud, datacenter solutions, and IT security solutions, result in Span providing services to its customers based on the best-in-class technologies. Currently, we have partnerships with more than 40 suppliers.

In 2022, we successfully retained the status of the **Gold Partner for Hewlett Packard Enterprise (HPE) and Aruba**, owing to the expansion of a productive cooperation.

We base the **Dynatrace** partnership on expertise and the successfully performed projects in the area of supervision and management of changes on applications.

A new partnership in the area of cyber security that offers solutions for identity and access management (IAM) for companies was signed with **Saviynt**, with which we already have a successfully executed project with a large international customer.

5.3. Code of Business Conduct

We are one of the Croatian leading IT companies and have dedicated 30 years to the development of software, service and system integration. Our work is driven by the principles and standards outlined in the Code of Business Conduct, which we uphold in all of our interactions with clients, partners, employees, and the general public.

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

Year by year, we have grown according to all business parameters - more than 800 people work in the Span Group, and that number is continuously growing. More than 500 of our employees have one or more professional certificates. Therefore, the Code of Business Conduct reflects our values, principles and policies we are driven by in the operation, and at the same time, provides specific guidelines for our employees and partners' action.

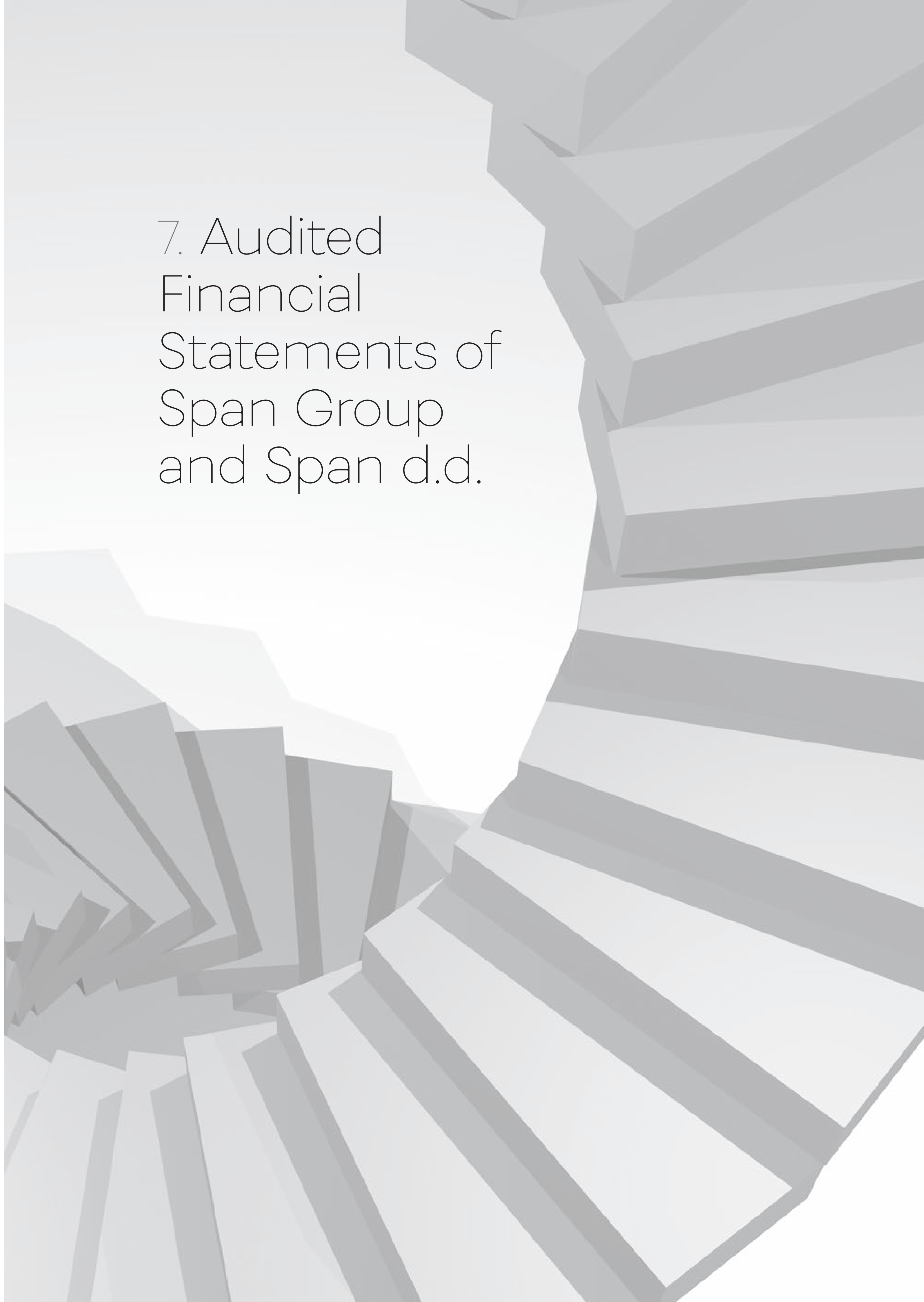
We believe that strong management of the company requires transparency and trust of all involved parties, so our management principles, in addition to compliance with the rules and regulations, emphasize the need for socially responsible business conduct and application of our core values in relations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

Our Code applies to Span and all its affiliated companies (Span Group), all our employees and business partners, which include customers, suppliers, consultants, external associates, shareholders, and other business partners affiliated to us in a suitable manner in line with the local legal requirements and regulations.

6. Statement on responsibility for compiling the report in the observed period

The financial statements of Span d.d. and Span Group for the period that ended on December 31st, 2022, are shown to be fair and truthful in accordance with International Financial Reporting Standards which have been consistently applied in relation to the previous years. All materially significant transactions were accordingly recorded in the accounting records, which were the basis of the financial statements. They provide a true and complete overview of the assets and liabilities, the financial position and operations of Span d.d. and Span Group.

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



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

SPAN d.d., Zagreb

Annual Report

for the Year Ended 31 December 2022

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.

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Annual Report of the Management Board

The Management Board of the company Span d.d. Zagreb ("Company" or "parent company") presents separate and consolidated financial statements of the Company for the year ended 31 December 2022. 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 2022 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 30 years of operation, the Company has evolved from a Croatian IT system integrator into a Group that today operates 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
- Nutanix Enrolled Partner
- Cisco Premier Integrator
- Dynatrace Master Partner
- IBM Gold Business Partner and Managed Services Provider
- Symantec Partner
- SentinelOne Silver Partner
- Sophos Gold Partner
- CyberArk Certified Partner and Managed Services Provider
- Saviynt Authorized Reseller and Managed Services Provider
- Veeam Silver Service Provider and Registered Reseller
- Veritas Registered Partner
- Palo Alto Partner Inovator
- Fortinet Select Partner
- HP Power Partner
- Kemp Authorized Partner
- Poly Partner
- AWS Select Consulting Partner
- Google Cloud Partner

Key events in 2022

The company InfoCumulus d.o.o. has been wholly owned by the Company since 2017. 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. On 17 February 2022, Infocumulus d.o.o. was merged with the Company.

Having signed a purchase agreement on 14 March 2022, the Company acquired Ekobit d.o.o. in a transaction worth HRK 37,390 thousand. A portion of the purchase price depending on the 2022 business results of Ekobit d.o.o. is subject to adjustments. Based on the decision of the former owners of Ekobit d.o.o., a portion of the HRK 3,266 thousand would be paid in Span shares, making the Company released 17,013 own shares. The non-materialised securities were transferred from the account opened with the Central Depository and Clearing

Key events in 2022 (continued)

Company (CDCC) on 23 March 2022. The acquisition of Ekobit d.o.o., one of the leading Croatian software development companies, additionally strengthened the Company's market position, in line with its growth strategy.

On 15 April 2022, the Commercial Court in Zagreb issued a decision on the registration and establishment of the company FINTECH DIGITAL SERVICES Limited Liability Company for IT Services, with the registered office in Zagreb, and share capital of HRK 20 thousand. The decision was issued on 16 April 2022. The founders of the company are Span d.d., IDENTITY CONSORTIUM d.o.o. and KARFIJAM d.o.o., with Span d.d. and IDENTITY CONSORTIUM d.o.o. each taking over 35% of the share capital, and KARFIJAM d.o.o. 30% of the remaining share capital (note 22).

At the meeting of the Company's Supervisory Board of 29 April 2022, the Supervisory and Management Board proposed to the General Assembly to adopt a decision on the allocation of profit and dividend payments amounting to HRK 5 per share. The dividends were paid to the shareholders of the Company that were recorded as shareholders of the company Span d.d. in the depository of the Central Depository and Clearing Company Inc. as at 17 June 2022 (record date). The date after which dividend payments will no longer be paid to investors who purchase a stock is 15 June 2022 (ex-dividend date). Dividends became payable on 1 July 2022 (payment date). Dividends were paid from the Company's 2021 profit.

On 21 July 2022, the Commercial Court in Zagreb issued a decision on the registration and establishment of the company Span Cyber Security Center Ltd. for services and consulting, with the registered office in Zagreb, and share capital of HRK 1,500 thousand. Span d.d. is the founder and only member of the company. The decision was issued on 22 July 2022. The Center was officially opened on 6 September 2022. Span Cyber Security Center brings cutting-edge global practices and experience to Croatia with the purpose of transferring knowledge and strengthening the business community in order to efficiently address the increasing number of sophisticated cyber threats, posing one of the greatest business risks. The Center offers workshops, trainings, and consultancy services to public and private sector employees, tailored to the specific needs of attendees or companies, and includes active participation in real-life situations, with professional hackers simulating real attacks on their respective business systems.

On 14 October 2022, the Company released 2,254 own shares, in line with the conditions disclosed in the Prospectus relating to securities to be offered to the public or admitted to trading on a regulated market (Prospectus), with reference to the allocation of additional shares by the issuer to individual employees in line with the ESOP programme.

Span.zone, a digital platform for managing Microsoft licences and cloud services, was launched on 29 November 2022. It is a unique platform on the Croatian market enabling its business users a streamlined, always available, and intuitive management of digital resources. This includes automated procurement, activation and management of Microsoft licenses and cloud services. The platform can be used by companies of all sizes, and is designed to facilitate the use of digital resources within an organization.

Span LLC, Ukraine, won the 2022 Microsoft Partner of the Year Award in Ukraine. The company received global recognition among top-notch Microsoft partners for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology.

2023 strategy

In 2023, the Group and Company expect to further grow in all business segments and markets where it operates. The strategic framework also entails a closer cooperation with existing key international clients (increased number and types of 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 14,720 thousand (HRK 8,302 thousand for the Company). In 2022, on the level of the Group, a total of HRK 9 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 37).

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

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

Information on the purchase of own shares

On 21 January 2022, the Company acquired 20,000 of own shares on the regulated market of the Zagreb Stock Exchange and on 30 September 2022, the Company acquired 6,691 own shares (SPAN).
As at 31 December 2022, the Company owned a total of 20,029 own shares, accounting for 1.0219% of all Span d.d. shares.

Company and Group branches

The Company has no branches.

The Group has branches. In 2022, the Company acquired Ekobit d.o.o. with a branch in Varaždin, Kapucinski trg 5.

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.

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.

SPAN USA, Inc., began operations in 2014 as a sales representative and local technical support centre for USA customers.

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.

BonsAI d.o.o., a company specialised in developing AI software solutions, began operations in 2017, achieved positive results in 2022, and is 70%-owned by the Company.

Furthermore, in 2016, the Company established the subsidiary Span Azerbaijan LLC in Azerbaijan, offering services and know-how on that market as well.

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 where it offers its services and know-how.

In 2019, the Company established the subsidiary SPAN SWISS AG, Switzerland, also offering services and know-how on that market.

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.

In 2022, the Company acquired Ekobit d.o.o., one of the leading Croatian software development companies. As a result of this transaction, both the service portfolio and customer base expanded, enabling us to offer existing and future users even more advanced solutions and services (note 36).

On 15 April 2022, the Commercial Court in Zagreb issued a decision on the registration and establishment of the company FINTECH DIGITAL SERVICES Limited Liability Company for IT Services (note 22).

Furthermore, the company Span Cyber Security Center Ltd. for services and consulting was established in 2022, offering cyber security workshops and trainings.

Supervisory Board

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

Audit Committee

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

Management Board:

Members of the Management Board as of 1 January 2022 until the date of signature of these financial statements were:

4. Nikola Dujmović, President of the Management Board
5. Marijan Pongrac, member of the Management Board
6. Dragan Marković, member of the Management Board
7. Antonija Kapović, member of the Management Board
8. Saša Kramar, member of the Management Board

In Zagreb, 28 April 2023, 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, subject to disclosure and explanation of 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
28 April 2023

Corporate Governance Statement

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

In line with the Audit Act (OG 127/17), in addition to the tasks defined in the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and all relevant regulations, the Audit Committee shall monitor the financial reporting process and deliver recommendations and suggestions for securing the integrity thereof, as well as monitor the effectiveness of the Company’s internal quality control and risk management systems, including the effectiveness of procedures for approving and disclosing transactions among Management and Supervisory Board members and the Company, as well as internal audit, without breaching its independence.

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

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

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

Reports are delivered to the Management Board and Audit Committee.

Span has implemented the ISO 37001 Anti-Bribery Management Standard optimising and improving bribery management and risk management systems. Span has implemented a risk management system in line with ISO 31000 standard recommendations. Namely, Span has implemented a Risk management policy, defined risk appetites, and prepared a Risk management methodology, in order to achieve transparent risk management in all business domains and processes. Achievement of objectives and risk management is tracked using the Company's own risk management app.

IV. Ten significant Span shareholders as at 31/12/2022 are as follows:

Name		**Number**	**Percentage**
1.	NIKOLA DUJMOVIĆ	699,167	35.67
2.	MARIJAN PONGRAC	111,600	5.69
3.	ZVONIMIR BANEK	107,823	5.50
4.	RAIFFEISENBANK AUSTRIA D.D./ RAIFFEISEN VOLUNTARY PENSION FUND	101,111	5.16
5.	ERSTE & STEIERMARKISCHE BANK D.D./ PBZ CO OMF - B CATEGORY	65,200	3.33
6.	PRIVREDNA BANKA ZAGREB D.D.	49,264	2.51
7.	ERSTE & STEIERMARKISCHE BANK D.D/ PBZ CO OMF	46,893	2.39
8.	BOČKAL DAMIR	46,516	2.37
9.	PRIVREDNA BANKA ZAGREB D.D./ GENERALI JUGOVZHODNA EVROPA, DELNISKI	43,500	2.22
10.	OTP BANKA D.D.	33,958	1.73

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

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

VI. The Management Board has 5 members, with a maximum 5-year term. Once their term expires, Management Board members and President may be reappointed for an infinite number of terms. The Management Board is responsible for managing the affairs of the Company, assuming a duty of care, in line with the Companies Act, the Articles of Association and Rules of Procedure of the Management Board.

In 2022, the Supervisory Board had 4 members, appointed by the General Assembly. The fifth member of the Supervisory Board is appointed and revoked by the Company's employees. In 2022, employees did not appoint a Supervisory Board member. Supervisory Board members have a maximum 4-year term. Powers of the Supervisory Board are defined by the provisions of the Companies Act, the Articles of Association of the Company, and the Rules of Procedure of the Supervisory Board.

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

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

The Supervisory Board, acting in line with the provisions of the law, the Corporate

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

VII. Span has not formally adopted a diversity policy, but in its executive, managing, and supervisory bodies, there are no restrictions concerning diversity when appointing people; the composition of the aforementioned bodies, including the executive management, was diverse in terms of the age, gender, education, and profession.

VIII. In line with the provisions of Article 250 (4) and Article 272.p of the Act, this Statement represents a separate section and integral part of the annual report on the financial position and business performance of the Company for the year 2022.

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

28 April 2023

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of SPAN d.d., Zagreb

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of the company SPAN d.d., Zagreb (the Company) and the consolidated financial statements of SPAN d.d., Zagreb and its subsidiaries (the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2022, the separate and consolidated statement of comprehensive income, separate and consolidated statement of changes in shareholder's 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.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2022, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

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

Emphasis of Matter

Group

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

The financial statements of the Group for the year ended 31 December 2022 contain our qualified opinion on the relevant statements, dated 29 April 2022. The qualified opinion refers to the fact that, 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 the subsidiary SPAN LLC, Kiev, Ukraine, (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. During our audit of the financial statements of the Group for the year ended 31 December 2022, we obtained sufficient and appropriate audit evidence enabling us to determine no adjustments were necessary for the consolidated financial statements of the Group, with regard to SPAN Ukraine. Our opinion is not modified in respect of this matter.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Key Audit Matter

Key audit matter is that matters that, in our professional judgment, was of most significance in our audit of the separate and the consolidated financial statements of the current period. That matter was addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on that matter.

<table>
<tr><th>Key audit matter</th><th>How did we address key audit matter during our audit</th></tr>
<tr><td colspan="2">For accounting policies, please see Significant accounting policies – note 3: Revenue recognition. Revenue from contracts with customers are disclosed in note 5 and amount to 829,731 thousand HRK (2021: 767,273 thousand HRK) for the Group and 687,495 thousand HRK (2021.: 542,238 thousand HRK) for the Company.</td></tr>
<tr><td>Revenue recognition is a significant aspect of the Group's and Company’s financial statements due to the complexity of the Group's and Company’s revenue streams, the different types of licenses and services offered, and the various recognition criteria and methods applied under International financial reporting standard 15: Contract with customers (IFRS 15).

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

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

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

The recognition of revenue involves significant management judgment and estimation in determining the appropriate point in time or the stage of completion for performance obligations, as well as the transaction price for each distinct performance obligation. Due to these risks, this area was established as a key audit matter.</td><td>Our audit procedures included, among others:
• Assessing the Group's and Company’s revenue recognition policies and their compliance with IFRS 15;
• Testing the design and implementation of internal controls related to the revenue recognition in terms of the adequacy of their recording;
• Selecting a sample of transactions for each revenue stream and performing substantive testing to determine the appropriateness of revenue recognition, considering the relevant criteria under IFRS 15;
• Evaluating management's judgments and estimates used in determining the transaction prices, distinct delivery obligations, and the point in time or stage of completion for performance obligations;
• Examining the information in the separate and consolidated financial statements to assess whether the disclosures regarding revenue from customer contracts are appropriate.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Other Information

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

Our opinion on the 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. The Management Report has been prepared, in all material respects, in accordance with Article 21 and 24 of the Accounting Act.
3. The Corporate Governance Statement has been prepared, in all material aspects, in accordance with Article 22 and Article 24 of the Accounting Act.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

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 controls 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- 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 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;
- We obtain audit evidence concerning the financial information of the entity or the Group's business activities that is sufficient and appropriate to provide a basis for our opinion on these consolidated financial statements. We are responsible for directing, supervising and carrying out the audit, and 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 controls 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)

Report on Other Legal and Regulatory Requirements

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

Auditor's reasonable assurance report on the compliance of separate and consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format ("ESEF Regulation"). We conducted a reasonable assurance engagement on whether the financial statements of the Company and the Group for the financial year ended 31 December 2022 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file 747800L0D5F39CX8NA43-2022-12-31-en, have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

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

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

Furthermore, Company Management is responsible for the following:

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

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

Auditor's Responsibilities

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

Quality management

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

Procedures performed

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

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

Our procedures focused on assessing whether:

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

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

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company and the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2022.

In addition to this conclusion, as well as the audit opinion contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

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INDEPENDENT AUDITOR'S REPORT (continued)

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 General Shareholders' Meeting held on 13 June 2022 to perform the audit of accompanying separate and consolidated financial statements. Our total uninterrupted Group engagement has lasted 5 years and covers the period from 1 January 2018 to 31 December 2022. Our total uninterrupted Company engagement has lasted for two years and covers the period from 1 January 2021 to 31 December 2022.

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 26 April 2023 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 2022 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 Katarina Kadunc.

Katarina Kadunc

Director and Certified Auditor

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

Deloitte d.o.o

28 April 2023

Radnička cesta 80

10 000 Zagreb

Republic of Croatia

Statement of comprehensive income

for the year ended 31 December 2022

	Note	Group 2022 HRK '000	Group 2021 HRK '000	Company 2022 HRK '000	Company 2021 HRK '000
Revenue from contracts with customers	5	829.731	767.273	687.495	542.238
Other operating income	6	37.432	6.851	3.431	2.694
Costs of licences and hardware sold	7	(469.052)	(507.619)	(393.076)	(328.938)
Raw materials and supplies	8	(5.725)	(3.147)	(4.876)	(2.620)
Services costs	9	(76.947)	(71.496)	(73.487)	(58.814)
Staff costs	10	(194.302)	(138.584)	(145.438)	(110.055)
Amortisation expense	11	(19.371)	(15.594)	(14.175)	(13.029)
Impairment losses (including reversals of impairment losses) on financial assets and contract assets	24	(3.392)	(333)	(2.923)	(85)
Other expenses	12	(48.131)	(10.419)	(13.248)	(8.877)
Financial expenses	13	(7.869)	(5.141)	(10.662)	(4.140)
Financial income – interest income	14	556	506	131	264
Financial income – other	14	5.934	5.608	5.543	3.784
Share of profit of associates	22	(6)	-	-	-
Profit before tax		**48.856**	**27.906**	**38.715**	**22.421**
Corporate income tax	15	1.680	(4.082)	3.229	(3.061)
Profit for the year		**50.537**	**23.824**	**41.944**	**19.359**
Attributable to:					
Owners of the Company		49.994	23.719	-	-
Non-controlling interests		543	105	-	-
		50.537	**23.824**	**41.944**	**19.359**
Other comprehensive income for the year					
Items that will not be reclassified subsequently to profit or loss:					
Gains on property and land revaluation	19	-	9.705	-	9.705
Income tax on property and land revaluation	15	-	(1.747)	-	(1.747)
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange differences on translation of foreign operations		470	832	-	-
Total comprehensive income attributable to:					
Owners of the Company		**50.464**	**32.509**	**41.944**	**27.317**
Non-controlling interests		543	105	-	-
Earnings per share (HRK)					
Basic (HRK and lp)	16	25,85	15,54	21,69	12,68
Diluted (HRK and lp)	16	25,85	15,54	21,69	12,68

	Note	Group 31/12/2022 HRK '000	Group 31/12/2021 HRK '000	Company 31/12/2022 HRK '000	Company 31/12/2021 HRK '000
Assets					
Non-current assets					
Goodwill	17	31.386	19.466	17.485	10.781
Other intangible assets	18	29.780	8.614	10.808	7.706
Property, plant and equipment	19	43.839	41.416	41.607	39.666
Right-of-use assets	20	16.646	17.015	11.369	13.456
Investments in financial assets	21	1.533	866	1.393	356
Investments in subsidiaries	21.1	-	-	47.099	27.769
Other investments accounted for using the equity method	22	2.001	-	2.007	-
Long-term trade receivables		4	4	4	4
Deferred tax assets	26	12.515	7.729	10.103	6.952
Total non-current assets		**137.705**	**95.110**	**141.875**	**106.690**
Current assets					
Inventories	23	3.694	2.026	3.658	1.972
Investments in financial assets	21	3.109	879	533	-
Trade and other receivables	24	130.039	113.760	96.959	82.322
Cash and bank balances	33	141.764	139.791	107.083	126.920
Total current assets		278.605	256.457	208.233	211.214
Total assets		**416.310**	**351.568**	**350.108**	**317.904**
Equity and liabilities					
Equity and reserves					
Share capital	29	19.600	19.600	19.600	19.600
Capital reserves	30	82.235	79.084	82.235	79.084
Profit reserves	29	10.161	8.252	8.807	7.413
Reserves for own shares		1.181	1.016	781	616
Own shares and interest		(1.181)	(1.016)	(781)	(616)
Revaluation reserves – Property	31	15.047	15.954	15.047	15.954
Translation reserve of foreign operations		737	267	-	-
Other capital items		-	(6.477)	-	-
Retained earnings		108.716	75.909	95.428	70.866
Equity attributable to owners of the Company		**236.497**	**192.590**	**221.118**	**192.917**
Non-controlling interests	32	1.637	1.153	-	-
Total equity		**238.133**	**193.743**	**221.118**	**192.917**
Non-current liabilities					
Borrowings	25	3.265	6.895	3.265	6.895
Deferred tax liability	26	4.878	3.502	3.303	3.502
Lease liabilities	27	8.617	10.847	5.762	8.566
Contractual liabilities	35	5.146	10.186	5.146	10.186
Total non-current liabilities		**21.906**	**31.430**	**17.476**	**29.149**
Current liabilities					
Trade and other payables	28	109.058	96.478	68.613	69.511
Lease liabilities	27	8.631	7.140	6.984	5.957
Borrowings	25	3.793	9.082	3.793	7.213
Contractual liabilities	35	9.365	5.052	9.365	5.052
Deferred income	34	25.424	8.643	22.759	8.107
Total current liabilities		**156.271**	**126.395**	**111.515**	**95.838**
Total liabilities		**178.177**	**157.825**	**128.990**	**124.987**
Total equity and liabilities		**416.310**	**351.568**	**350.108**	**317.904**

	Group											
	Share capital	Capital reserves	Profit reserves	Reserves for own shares	Own shares and interest	Revaluation reserves - Property	Other capital items	Translation reserve of foreign opertaions	Retained earnings	Owners of the parent	Non-controlling interests	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Balance as at 1 January 2021	**19.600**	**-**	**8.477**	**28.400**	**(28.400)**	**8.451**	**(6.477)**	**(565)**	**24.989**	**54.475**	**1.049**	**55.524**
Transferred from legal reserves	-	-	(224)	-	-	-	-	-	224	-	-	**-**
Profit for the year (note 16)	-	-	-	-	-	-	-	-	23.719	23.719	105	**23.824**
Changes in revaluation reserves (note 31)	-	-	-	-	-	(455)	-	-	455	-	-	**-**
Other non-equity changes in capital	-	(19.328)	-	-	-	-	-	-	27.224	7.896	-	**7.896**
Dividend paid	-	-	-	-	-	-	-	-	(1.539)	(1.539)	-	**(1.539)**
Sale of own shares in IPO	-	-	-	(26.548)	26.548	-	-	-	-	-	-	-
Allotment of own shares in line with IFRS 2 (note 30)	-	3.009	-	(837)	837	-	-	-	837	3.846	-	**3.846**
Premium on treasury shares sold	-	95.403	-	-	-	-	-	-	-	95.403	-	**95.403**
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 as at 31 December 2021	**19.600**	**79.084**	**8.252**	**1.016**	**(1.016)**	**15.954**	**(6.477)**	**267**	**75.909**	**192.590**	**1.153**	**193.743**
Profit for the year (note 16)	-	-	-	-	-	-	-	-	49.994	49.994	543	**50.537**
Changes in revaluation reserves (note 31)	-	-	-	-	-	(907)	-	-	907	-	-	**-**
Changes in reserves and development costs	-	-	1.908	-	-	-	-	-	(1.908)	-	-	**-**
Acquisition of Infocuulus (note 36.1)	-	-	-	-	-	-	6.477	-	(6.477)	-	-	**-**
Repurchase of own shares/stocks	-	-	-	5.843	(5.843)	-	-	-	(5.843)	(5.843)	-	**(5.843)**
Allotment of own shares in line with IFRS 2 (note 30)	-	3.152	-	(5.677)	5.677	-	-	-	5.677	8.829	-	**8.829**
Dividend paid	-	-	-	-	-	-	-	-	(9.714)	(9.714)	-	**(9.714)**
Other allotments and payments to members/shareholders	-	-	-	-	-	-	-	-	171	171	-	**171**
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	470	-	470	(59)	**411**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**470**	**49.994**	50.464	**484**	**50.947**
Balance as at 31 December 2022	**19.600**	**82.235**	**10.161**	**1.181**	**(1.181)**	**15.047**	**-**	**737**	**108.716**	**236.497**	**1.637**	**238.133**

	Company									
	Share capital	Capital reserves	Profit reserves	Reserves for own shares	Own shares and interest	Revaluation reserves - Property	Other capital items	Translation reserve of foreign opertaions	Retained earnings	Total
	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000
Balance as at 1 January 2021	**19.600**	**-**	**8.072**	**28.000**	**(28.000)**	**8.451**	**-**	**-**	**23.870**	**59.993**
Transferred from legal reserves	-	-	(660)	-	-	-	-	-	660	**-**
Profit for the year (note 16)	-	-	-	-	-	-	-	-	19.359	**19.359**
Changes in revaluation reserves (note 31)	-	-	-	-	-	(455)	-	-	455	**-**
Other non-equity changes in capital	-	(19.328)	-	-	-	-	-	-	19.328	**-**
Dividend paid	-	-	-	-	-	-	-	-	(1.539)	**(1.539)**
Sale of own shares in IPO	-	-	-	(26.548)	26.548	-	-	-	-	**-**
Allotment of own shares in line with IFRS 2 (note 30)	-	3.009	-	(837)	837	-	-	-	837	**3.846**
Premium on treasury shares sold	-	95.403	-	-	-	-	-	-	-	**95.403**
Other allotments and payments to members/shareholders	-	-	-	-	-	-	-	-	7.896	**7.896**
Other comprehensive income for the year, net of income tax	-	-	-	-	-	7.958	-	-	-	**7.958**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**7.958**	**-**	**-**	**19.359**	**27.317**
Balance as at 31 December 2021	**19.600**	**79.084**	**7.413**	**616**	**(616)**	**15.954**	**-**	**-**	**70.866**	**192.917**
Acquisition of subsidiary (note 36.1)	-	-	-	-	-	-	-	-	(7.016)	**(7.016)**
Profit for the year (note 16)	-	-	-	-	-	-	-	-	41.944	**41.944**
Changes in revaluation reserves (note 31)	-	-	-	-	-	(907)	-	-	907	**-**
Changes in reserves and development costs	-	-	1.394	-	-	-	-	-	(1.394)	**(0)**
Repurchase of own shares/stocks	-	-	-	5.843	(5.843)	-	-	-	(5.843)	**(5.843)**
Allotment of own shares in line with IFRS 2 (note 30)	-	3.152	-	(5.677)	5.677	-	-	-	5.677	**8.829**
Dividend paid	-	-	-	-	-	-	-	-	(9.714)	**(9.714)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41.944**	**41.944**
Balance as at 31 December 2022	**19.600**	**82.235**	**8.807**	**781**	**(781)**	**15.047**	**-**	**-**	**95.428**	**221.118**

Statement of cash flows

for the year ended 31 December 2022

	Note	Group 31/12/2022 HRK '000	Group 31/12/2021 HRK '000	Company 31.12.2022. HRK '000	Company 31/12/2021 HRK '000
Profit for the year before tax		48.856	27.906	38.715	22.421
Adjusted by:					
Financial income	14	(556)	(506)	(131)	(264)
Financial expenses	13	1.058	1.744	830	1.497
Depreciation of property, plant and equipment	11	5.936	4.806	5.047	4.038
Depreciation of right-of-use assets	11	8.748	7.229	6.561	5.980
Amortisation of intangible assets	11	4.687	3.559	2.566	3.011
Impairment losses, net of reversals, on financial assets	24, 13	3.392	333	5.129	85
Gains and losses from sale and value adjustments of non-current tangible and intangible assets	6	(753)	(219)	(69)	(163)
Net carrying value of disposed property, plant and equipment	19	575	75	1	62
Net carrying value of disposed intangible assets	18	-	330	-	-
Gains and losses from invetsments in shares of companies with participating interest	22	6	-	-	-
Operating cash flows before movements in working capital		71.949	45.257	58.650	36.667
Decrease/(increase) in inventories		(1.668)	(1.506)	(1.686)	(1.846)
Decrease/(increase) in trade and other receivables		(23.305)	14.015	(21.435)	20.269
Increase/(decrease) in trade and other payables		11.945	7.972	5.573	5.295
Increase/(decrease) in contractual liabilities		(4.992)	(4.110)	(5.028)	(4.110)
Increase/(decrease) in deferred income		27.328	(4.537)	18.982	(837)
Cash from operations		81.257	57.091	55.056	55.438
Corporate income tax paid		(2.354)	(1.319)	(465)	(529)
Net cash from operating activities		78.903	55.772	54.591	54.909
Investing activities					
Purchases of property, plant and equipment	19	(8.489)	(3.747)	(6.983)	(2.906)
Purchases of intangible assets	18	(7.205)	(2.525)	(5.667)	(2.203)
Acquisition of a subsidiary	21.1	(34.065)	-	(38.954)	-
Establishment of a subsidiary		-	-	-	(374)
Invetsments in shares of companies with participating interest	22	(1.007)	-	(1.007)	-
Net cash (used in)/from investing activities		(50.767)	(6.272)	(52.611)	(5.482)
Financing activities					
Dividends paid		(9.714)	(1.539)	(9.714)	(1.539)
Interest paid		(1.076)	(873)	(848)	(868)
Repayments of loans and borrowings	25	(13.908)	(84.130)	(7.339)	(80.841)
Proceeds from loans and borrowings	25	4.876	53.060	196	49.175
Repayment of lease liabilities		(9.512)	(6.928)	(6.890)	(5.583)
Cash proceeds from sale of own shares		-	101.116	-	101.116
Net cash (used in)/from financing activities		(29.334)	60.706	(24.595)	61.461
Net increase/(decrease) in cash and cash equivalents		(1.198)	110.206	(22.615)	110.888
Cash from acquisition/merger of a subsidiary	36, 36.1	3.173	-	2.777	-
Cash and cash equivalents at the beginning of the year		139.791	29.585	126.920	16.032
Cash and cash equivalents at the end of the year	33	141.767	139.791	107.082	126.920

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 the following 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., Zagreb, company registration number: 080192242, Company ID: 19680551758, 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 of the Company: Nikola Dujmović, President of the Management Board and the following 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, Company ID: 23149457295, 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/VI

Management Board of the Company: Mladen Amidžić, President of the Management Board and Nikola Dujmović, member of the Management Board

The company's core activities are the following: IT security consultancy; business and other management consulting services; and computing and related activities.

c. 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. has been wholly owned by the Company since 2017, and was merged with the Company in 2022.

d. BONSAI d.o.o.

The company BONSAI d.o.o., Zagreb, company registration number: 081100130, Company ID: 81255473305, was established in line with laws and regulations of the Republic of Croatia as a limited liability company on 12 May 2017.

General data (continued)

Registered office: Zagreb, Koturaška cesta 47

Company directors: Slaven Mišak, Director, and Nikola Dujmović, Director

The company's core activities are the following: new media design (multimedia); and computer and related activities.

e. 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 directors: Ivan Rojec, Director, and Dragan Marković, Director

The Company's core activities are the following: design of information systems; and provision of IT solutions on the Slovenian market.

f. 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 5 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.

g. SPAN USA, Inc.

The company SPAN USA, Inc., company registration number: 680682850, 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: Chicago, United States of America

Company directors: Marijan Pongrac, President, Mario Štula, Vice President

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

h. 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.

i. 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 Mikolajevič, Director

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

j. 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 July 2018.

Registered office: Munich, Germany

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

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

1. General data (continued)

k. 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: Nikola Dujmović, President of the Management Board, Dragan Marković, member of the Management Board and Markus Brulhart, Procurator

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

l. Span-IT s.r.l., Chișinău

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: Chișinău, Moldova

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

The company’s core activity is IT consulting.

m. EKOBIT d.o.o.

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

Company directors: Goran Glišić, President of the Management Board, Dragan Marković, member of the Management Board and Danijela Tokić Šantak, procurator

The Company’s core activities are the following: development of software solutions and computer and related activities.

n. Span Cyber Security Center Ltd.

The Span Cyber Security Center Ltd., Zagreb, company registration number: 081452193, Company ID: 88052917618, was established in line with laws and regulations of the Republic of Croatia as a limited liability company on 21 July 2022.

Registered office: Zagreb, Koturaška cesta 47

Company directors: Zoran Kežman, President of the Management Board, Bruno Pavić, member of the Management Board, Nataša Fucijaš, member of the Management Board, Nikola Dujmović, member of the Management Board, and Saša Kramar, member of the Management Board

The Company’s core activities are computer and related activities.

2. Adoption of new and amended International Financial Reporting Standards ("IFRS") and interpretations

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

The following amendments to the standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("EU") are effective for the current reporting period beginning on or after 1 January 2022 and have been adopted by the Company and the Group.

Standard	Title
Amendments to IFRS 3	Reference to the Conceptual Framework with amendments to IFRS 3
Amendments to IFRS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IFRS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to various standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41)	Improvements to IFRSs (cycle 2018-2020)

Their adoption had no material impact on disclosures or amounts recognised in these financial statements.

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

As at the date of authorisation of these financial statements, the Company had not yet applied new and revised international accounting standards issued and adopted by the EU, but not yet effective.

Standard	Title	Date of adoption by the EU
IFRS 17	The new IFRS 17 "Insurance Contracts" including amendments to IFRS 17 published in June 2020 and December 2021	01/01/2023
Amendments to IFRS 1	Presentation of Financial Statements	01/01/2023
Amendments to IAS 8	Definition of Accounting Estimates	01/01/2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023

The Company and the Group do not expect the adoption of the aforementioned standards to have a material impact on the financial statements of the Company in future periods.

2. Adoption of new and revised standards (continued)

c) 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 have not yet been adopted by the EU as at date of publication of these financial statements.

Standard	Title	Adoption status
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (effective date: 1 January 2023)	Not yet adopted
Amendments to IAS 1	Non-current Liabilities with Covenants (effective date: 1 January 2024)	Not yet adopted
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (effective date: 1 January 2024)	Not yet adopted
IFRS 14	Regulatory Deferral Accounts (effective date: 1 January 2016)	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (IASB deferred the effective date indefinitely; however, earlier application of the amendments is permitted)	Endorsement processed deferred indefinitely until the research project on the equity method has been concluded.

The Company and Group do not expect the adoption of the aforementioned standards to have a material impact on the financial statements of the Company and the Group in future periods.

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 2022. 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 in line with IFRS 15, measured in line with the standard.

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

3. Significant accounting policies (continued)

Business combinations (continued)

the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. In the financial statements of the Company, investments in associates are recognised at acquisition cost.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable

3. Significant accounting policies (continued)

Investments in associates (continued)

assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 30 days. Based on the framework contract, the customers use order requests for purchasing licences to commit to the purchase during the life of the contract.

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

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

Sale of hardware

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

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. If the services are charged in an amount higher than required considering their stage of completion, the difference is recognised as deferred income.

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

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

3. Significant accounting policies (continued)

Leases

The Group and Company as lessors
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.

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.

Group as a lessor
Leases with the Group as a lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

3. Significant accounting policies (continued)

Leases (continued)

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

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

Finance lease receivables are recognised as net investments in leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

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 denominated in foreign currencies that are stated at fair value are retranslated at foreign 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 are 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

3. Significant accounting policies (continued)

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.

Retirement and termination benefits

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

Short-term and other long-term employee benefits

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

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

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

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

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

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

Taxation

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.

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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

Deferred tax

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

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 corporate 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.

3. Significant accounting policies (continued)

Property, plant, and equipment (continued)

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

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

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.

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 supplies	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.

3. Significant accounting policies (continued)

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.

Intangible assets acquired in a business combination

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

Derecognition of intangible assets

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

Impairment of buildings and equipment, and intangible assets other than goodwill

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

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

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.

3. Significant accounting policies (continued)

Impairment of buildings and equipment, and intangible assets other than goodwill (continued)

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.

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 amortised 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.

Amortised 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 amortised cost of the debt instrument at initial measurement.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised by applying the effective interest rate for debt instruments, which are subsequently measured at amortised 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 amortised 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 amortised 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).

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

(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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Irrespective of the outcome of the above assessment, the Group and Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and Company have a reasonable and supportable information that demonstrates otherwise.

Despite the aforementioned, the Group and Company assume that the credit risk for the financial instrument has not significantly increased since the initial recognition if we determine that the financial instrument has a low credit risk at the reporting date. We believe that the financial instrument has a low credit risk if:

(1) the financial instrument has a low risk of default;
(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) adverse changes in economic and business conditions in the long term may, but do not necessarily have to, decrease the lessee's ability to meet their contractual cash flow obligations.

The Group and Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. 'Performing' means that the counterparty has a strong financial position and there is no past due amounts. For financial guarantee contracts, the date on which the Group and Company become a party to irrevocable commitment is considered the date of initial recognition for the purposes of estimating the impairment of a financial instrument. When judging if the credit risk significantly increased since initial recognition of the financial guarantee contract, the Group and Company examine the changes in the risk of a debtor's default. The Company regularly monitors the efficiency of criteria used to determine whether there has been a significant increase in credit risk and reviews them so that the criteria may identify a significant increase in credit risk before any default occurs.

(ii) Definition of 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 other financial reorganisation; or

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

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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 loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group and Company expect to receive from the holder, the debtor or any other party.

If the Group and Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and Company measure the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group and Company recognise an impairment gain or loss in profit or loss for all trade receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

Own shares

Own shares are held with the CDCC (Central Depositary and Clearing Company). Own 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 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 2023-2027 period 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% to 2% and the WACC ranging from 12.91% to 14.91%. The sensitivity analysis within the impairment test did not determine an impairment.

Revaluation of property, useful life of plant and equipment

The Company recognises property at fair value based on periodic assessments conducted by an independent appraiser, net of depreciation. The Company regularly monitors the fair value of property and engages an independent appraiser in the event of substantial departures. Regardless of the movements in the fair value of property, the Company conducts an assessment every 3-5 years.

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

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.

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

Corporate income tax

The Company is liable for income tax under the laws and regulations of the Republic of Croatia. Tax returns are subject to examination by the tax authorities, which have the right to subsequently review business books of the tax payer. There are different possible interpretations of tax laws; therefore, the amounts in the consolidated financial statements may be amended subsequently, based on the decision of tax authorities.

The Company receives investment support in line with the Investment Promotion Act. Support is predominantly used as a tax concession for decreasing the 2015 corporate income tax liability. Based on its current right to a tax concession, the Company recognises deferred tax assets. Since the investment period has not yet ended and the final amount of support granted remains unknown, the Company determined the amount of potential tax concessions that it plans to use in future periods and, accordingly, the amount of deferred tax assets. During this assessment, the Company used the precautionary principle and the estimated amount of the support was lower than the maximum amount of the support the Company shall realise once the investment period ends in December 2024.

Impact of the war in Ukraine

The war in Ukraine had an impact on the Company and the Group's operations in 2022. Therefore, the Company examined its operations in Ukraine and adjusted the value of investment in Span LLC, Ukraine, considering the current decrease in operations in Ukraine.

Climate change impact

Climate change did not affect the operations of the Company and the Group in 2022 or its financial performance.

The Company and the Group believe that developing eco-friendly products and services and decreasing greenhouse gas emissions by procuring green energy, as well as changing personal habits, will help fight climate change.

5. Revenue from contracts with customers

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Sales of software licences	460.250	506.893	372.263	317.217
Sales of goods and services – foreign	248.334	151.338	237.547	155.882
Sales of goods and services – domestic	74.785	71.092	32.158	33.137
Sales of hardware	46.362	37.951	45.526	36.002
Total	**829.731**	**767.273**	**687.495**	**542.238**

	2022.	2021.	2022.	2021.
	'000 HRK	'000 HRK	'000 HRK	'000 HRK
External revenue by service provided				
Services revenue	323.119	222.429	269.705	189.019
Total	**323.119**	**222.429**	**269.705**	**189.019**

	2022.	2021.	2022.	2021.
	'000 HRK	'000 HRK	'000 HRK	'000 HRK
External revenue by products sold				
Sales of software licences	460.250	506.893	372.263	317.217
Sales of hardware	46.362	37.951	45.526	36.002
Total	**506.612**	**544.843**	**417.790**	**353.219**

	2022.	2021.	2022.	2021.
	'000 HRK	'000 HRK	'000 HRK	'000 HRK
External revenue by timing of revenue				
Goods transferred at a point in time	506.612	544.843	417.790	353.219
Services transferred at a point in time	240.204	145.045	228.894	135.549
Services transferred over time	82.915	77.385	40.810	53.470
Total	**829.731**	**767.273**	**687.495**	**542.238**

6. Other operating income

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Government grants	179	211	177	211
Other operating income	37.253	6.640	3.255	2.483
Total	**37.432**	**6.851**	**3.431**	**2.694**

Other operating income predominantly includes income from reversal of provisions, income from collection of damages, and income from collection of adjusted receivables. Furthermore, amounts payable by Span LLC, Ukraine to Microsoft is included in 'Other operating income' since the relevant fees were cancelled for the 01/04/2022-31/12/2022 period.

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 assets management and licensing	Infrastructural services, Cloud and Cyber Security	Service management and technical support	Software and business solutions development	Other	Eliminations	Consolidated
	2022	2022	2022	2022	2022	2022	2022
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Revenues							
External sales	625.203	126.293	136.867	89.181	38.737	(149.119)	867.162
Total revenues	625.203	126.293	136.867	89.181	38.737	(149.119)	867.162
Result							
Segment profit	20.420	43.720	64.135	19.932	(98.901)	936	50.243
Financial income	-	-	-	-	10.010	(3.521)	6.489
Other gains and losses	-	-	-	-	(6)	-	(6)
Financial expenses	-	-	-	-	11.942	(4.073)	7.869
Profit before tax	20.420	43.720	64.135	19.932	(100.839)	1.487	48.857
Corporate income tax	-	-	-	-	(1.680)	-	(1.680)
Profit for the year	20.420	43.720	64.135	19.932	(99.159)	1.487	50.537

	Software assets management and licensing	Infrastructural services, Cloud and Cyber Security	Service management and technical support	Software and business solutions development	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 revenues	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
Financial income	-	-	-	-	6.366	(253)	6.114
Other gains and losses	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	5.418	(277)	5.141
Profit before tax	19.219	19.608	46.635	10.839	(68.394)	-	27.906
Corporate income tax	-	-	-	-	4.082	-	4.082
Profit for the year	19.219	19.608	46.635	10.839	(72.476)	-	23.824

6.1. Operating segments (continued)

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

	Company					
	Soffware assets management and licensing	Infrastructural services, Cloud and Cyber Security	Service management and technical support	Software and business solutions development	Other	Consolidated
	2022	2022	2022	2022	2022	2022
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Revenues						
External sales	417.790	110.719	122.477	36.509	3.431	690.926
Total revenues	417.790	110.719	122.477	36.509	3.431	690.926
Result						
Segment profit	18.531	36.932	60.138	8.475	(80.373)	43.704
Financial income	-	-	-	-	5.673	5.673
Other gains and losses	-	-	-	-	-	-
Financial expenses	-	-	-	-	10.662	10.662
Profit before tax	18.531	36.932	60.138	8.475	(85.361)	38.715
Corporate income tax	-	-	-	-	(3.229)	(3.229)
Profit for the year	18.531	36.932	60.138	8.475	(82.132)	41.945

	Soffware assets management and licensing	Infrastructural services, Cloud and Cyber Security	Service management and technical support	Software and business solutions development	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 revenues	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
Financial income	-	-	-	-	4.048	4.048
Other gains and losses	-	-	-	-	-	-
Financial expenses	-	-	-	-	4.140	4.140
Profit before tax	18.284	16.456	44.787	3.427	(60.534)	22.421
Corporate income tax	-	-	-	-	3.062	3.062
Profit for the year	18.284	16.456	44.787	3.427	(63.596)	19.359

6.1. Operating segments (continued)

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

	Non-current assets			
	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Software assets management and licensing	2.699	1.718	427	568
Infrastructural services, Cloud and Cyber Security	6.716	4.438	3.536	3.195
Service management and technical support	3.785	2.277	3.677	2.260
Software and business solutions development	8.313	3.121	690	655
Other	114.617	83.556	133.546	100.011
Total segment assets	136.130	95.110	141.875	106.690
Total consolidated assets	136.130	95.110	141.875	106.690

	Amortisation			
	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Software assets management and licensing	641	421	313	333
Infrastructural services, Cloud and Cyber Security	1.681	1.451	1.611	1.369
Service management and technical support	2.713	2.416	2.706	2.415
Software and business solutions development	2.202	2.467	1.178	1.782
Other	12.134	8.840	8.367	7.130
	19.371	15.594	14.175	13.029

	Increase in non-current assets			
	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Software assets management and licensing	1.643	850	396	653
Infrastructural services, Cloud and Cyber Security	4.307	2.928	2.076	2.680
Service management and technical support	6.951	4.876	3.426	4.727
Software and business solutions development	5.642	4.979	1.491	3.487
Other	31.093	17.842	10.593	13.956
	49.636	31.475	17.982	25.503

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.

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:

	Group		Group	
	Revenue from external customers		Non-current assets	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Croatia	592.973	440.147	129.745	89.436
Slovenia	157.327	141.061	3.577	3.648
Ukraine	74.081	161.887	1.798	814
Other	42.781	31.028	1.011	1.213
	867.162	774.123	136.130	95.110

HRK 74,081 entails the amounts payable by Span LLC, Ukraine to Microsoft, since Microsoft cancelled the relevant fees for the year 2022.

Information about key customers

Revenues from sale of services include revenues of approximately HRK 84,500 thousand (2021: 64,000 thousand) which arose from sales to the Group and Company's largest customer.

7. Cost of goods sold

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Licences and hardware sold	469.052	507.619	393.076	328.938
Total	**469.052**	**507.619**	**393.076**	**328.938**

8. Raw materials and supplies

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Cost of small inventory and spare parts	2.556	1.131	2.155	903
Energy	2.498	1.322	2.169	1.160
Office supplies	660	684	552	557
Other costs	11	10	-	-
Total	**5.725**	**3.147**	**4.876**	**2.620**

9. Service costs

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Production and advisory service costs	33.801	38.799	38.859	33.787
Intellectual services	13.551	14.039	9.904	10.372
Other services	9.637	5.463	8.357	3.997
Leases	3.583	1.909	3.057	1.359
Maintenance	4.365	3.452	4.073	3.125
Utility services	2.881	2.272	2.415	2.071
Entertainment and hospitality	3.209	1.745	2.442	1.282
Telecommunications costs	1.611	1.267	871	785
Promotion costs	2.994	2.280	2.276	1.782
Transport costs	1.314	270	1.234	254
Total	**76.947**	**71.496**	**73.487**	**58.814**

Service costs entail the professional fees charged by the independent auditor for the statutory audit of the annual financial statements or annual consolidated financial statements in the amount of HRK 343 thousand (2021: HRK 465 thousand) for the Group and HRK 319 thousand for the Company (2021: HRK 465 thousand).

10. Staff costs

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Net salaries	120.600	84.329	85.086	61.430
Contributions and taxes from salaries	48.345	33.213	39.876	29.979
Contributions and taxes on salaries	16.908	12.428	14.059	11.153
Other employee costs	8.450	8.613	6.416	7.493
Total	**194.302**	**138.584**	**145.438**	**110.055**

The average number of employees in 2022 of the Group amounted to 704 and of the Company 538 (2021: Group 537, Company 436).

11. Depreciation and amortisation costs

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Depreciation of property, plant and equipment	5.936	4.806	5.047	4.038
Amortisation of intangible assets	4.687	3.559	2.566	3.011
Amortisation of right-of-use assets	8.748	7.229	6.561	5.980
Ukupno	**19.371**	**15.594**	**14.175**	**13.029**

12. Other expenses

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Membership and similar fees	742	958	575	907
Insurance costs	1.841	1.960	1.617	1.683
Bank and payment operation charges	788	1.032	420	544
Professional training costs	2.580	1.539	2.313	1.391
Donations and sponsorships	1.458	673	996	548
Other IT costs	-	18	-	-
Other expenses	40.723	4.239	7.327	3.805
Total	**48.131**	**10.419**	**13.248**	**8.877**

Other Group expenses increased due to the increased volume of business operations and number of employees. In addition, free-of-charge Microsoft licences for end users in Ukraine in the 01/04/2022-31/12/2022 period also resulted in an increase in other expenses, due to the transfer of the relevant benefit amounting to HRK 12,012 thousand.

13. Financial expenses

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Foreign exchange losses	6.811	3.324	6.568	2.644
Interest on bank loans	228	971	198	853
Interest on lease liabilities	830	773	632	643
Losses from the sale of subsidiary	-	72	-	-
Impairment losses from investments in subsidiaries	-	-	3.265	-
Total	**7.869**	**5.141**	**10.662**	**4.140**

As at 31 December 2022, the Company adjusted the value of investment in SPAN LLC, Kiev, by HRK 3,265 thousand, and it now amounts to HRK 1,399 thousand.

14. Financial income

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Interest income:				
Financial instruments measured at amortised cost:				
- Bank deposits	556	506	131	264
Foreign exchange gains	5.934	5.608	5.543	3.784
Total	**6.489**	**6.114**	**5.673**	**4.048**

15. Corporate income tax

The standard rate of corporate income tax applied to reported profit is 18% (2021: 18%) for companies operating in the Republic of Croatia.

Taxation in other jurisdictions is calculated in line with the rates effective in the relevant jurisdictions.

Corporate income tax

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Current tax	(2.350)	(1.232)	(87)	(96)
Deferred tax	4.030	(2.850)	3.316	(2.965)
Total	**1.680**	**(4.082)**	**3.229**	**(3.061)**

	Group 2022	Group 2021	Company 2022	Company 2021
Accounting profit before tax	**48.856**	**27.906**	**38.715**	**22.421**
Income tax calculated at the rate of 18% in the Republic of Croatia (2021: 18 %)	8.794	5.023	6.969	4.036
Effect of non-deductible expenses	6.014	502	3.411	462
Effect of tax-exempt revenue	(11.171)	(4.415)	(10.293)	(4.402)
Effect of movement of deferred tax liabilities	(4.030)	2.850	(3.316)	2.965
Effect of different tax rates of subsidiaries operating in other jurisdictions and unrecognised deferred tax assets on transferred tax losses	(1.288)	122	-	-
Tax expense	**(1.680)**	**4.082**	**(3.229)**	**3.061**
Effective tax rate	*0%*	*15%*	*0%*	*14%*

Effect of movement of tax losses carried forward:

	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Tax loss from 2018	379	726	-	-
Tax loss from 2019	3.811	3.811	-	-
Tax loss from 2020	4.140	4.140	-	-
Tax loss from 2021	2.017	2.017	-	-
Tax loss from 2022	1.004	-	-	-
Total	**11.350**	**10.694**	**-**	**-**

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.

20 December 2022 The Croatian Parliament adopted the Additional Corporate Income Tax Act, defining the additional corporate income tax paid during adverse economic circumstances in the Republic of Croatia. The additional corporate income tax is paid for the defined tax base consisting of a positive difference between taxable profit for the tax period and average taxable profit of prior tax periods increased by 20%. Article 15 of the Additional Corporate Income Tax Act defines in detail the persons liable to the additional corporate income tax, that have become beneficiaries of investment promotion measures as defined in the relevant regulations. In line with Article 15, persons liable to the additional corporate income tax decrease their liability by applying a rate that decreases the tax liability in line with investment promotion regulations in the equivalent tax period. As a result of the relevant support, the Company was exempted from corporate income tax on two occasions: in 2015 (50%) and in 2022 (50%). Therefore, the amount of additional corporate income tax the Company was exempted from amounted to 100%.

16. Earnings per share

	Group		Company	
	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Earnings				
Earnings for the purpose of calculating basic earnings per share being net profit attributable to owners of the Company	49.994	23.719	41.944	19.359
Earnings for the purpose of calculating diluted earnings per share	49.994	23.719	41.944	19.359
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1.934.068	1.526.508	1.934.068	1.526.508
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1.934.068	1.526.508	1.934.068	1.526.508

	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Number of shares				
	1.934.068	1.526.508	1.934.068	1.526.508
	1.934.068	**1.526.508**	**1.934.068**	**1.526.508**

	31.12.2022.	31.12.2021.	31.12.2022.	31.12.2021.
	'000 HRK	'000 HRK	'000 HRK	'000 HRK
Earnings				
Net profit/(loss) attributable to equity holders of the parent	49.994	23.719	41.944	19.359
Earnings from continuing operations for the purpose of calculating basic earnings per share	25,85	15,54	21,69	12,68
Earnings from discontinued operations for the purposes of calculating diluted earnings per share	25,85	15,54	21,69	12,68

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.

17. Goodwill

Goodwill arose on the acquisition of subsidiaries InfoCumulus d.o.o., Delion d.o.o., and Recro-net d.o.o. and Ekobit d.o.o.

The increase in goodwill in the Group in 2022 refers to the initial recognition of Ekobit's goodwill in the amount of HRK 27,898 thousand. In line with the requirements of IFRS 3 *Business Combinations*, the Company allocated the purchase price of the Ekobit acquisition and adjusted the goodwill initially reported to the relevant intangible asset items amounting to HRK 17,498 thousand (note 36).

The increase in goodwill in the Company results from the merger with the subsidiary Infocumulus d.o.o. (note 36.1).

The Company and the Group conduct goodwill impairment tests on an annual basis. The method used for impairment tests is further detailed in note 3 of the Accounting policies. In 2022, the carrying amount of goodwill did not exceed its fair value and, thus, goodwill was not impaired.

17. Goodwill (continued)

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	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	6.705	-
Goodwill Delion	1.985	1.981	-	-
Goodwill Ekobit	11.916	-	-	-
Total	**31.386**	**19.466**	**17.485**	**10.781**

Cost	**Grupa**	**Društvo**
As at 1 January 2021	19.758	10.781
FX diffrences	(5)	-
Decrease	(287)	-
As at 31 December 2021	19.466	10.781
FX diffrences	5	-
Increase	11.916	6.705
As at 31 December 2022	31.386	17.485
Accumulated impairment losses		
As at 31 December 2021	-	-
As at 31 December 2022	-	-
Carrying value		
As at 31 December 2021	19.466	10.781
As at 31 December 2022	31.386	17.485

18. Other intagible assets

	Group				
	Software development	**Software and other rights**	**Intangible assets under construction**	**Other intangible assets**	**Total**
Cost					
As at 1 January 2021	16.491	7.495	48	-	24.034
FX 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	6.914	425	-	25.656
As at 1 January 2022	18.317	6.914	425	-	25.656
FX differences	-	1	-	-	1
Additions from internal development	9	3.131	4.065	-	7.205
Business combination Ekobit (note 36)	9.443	324	196	12.209	22.172
Decreases	-	(109)	-	-	(109)
Transfers	4.410	-	(4.419)	-	(9)
As at 31 December 2022	32.179	10.261	268	12.209	54.916
Amortisation					
As at 1 January 2021	7.476	6.868	-	-	14.344
FX differences	-	1	-	-	1
Amortisation for the year	3.299	260	-	-	3.559
Decreases	-	(861)	-	-	(861)
As at 31 December 2021	10.775	6.268	-	-	17.042
As at 1 January 2022	10.775	6.268	-	-	17.042
FX differences	-	(7)	-	-	(7)
Amortisation for the year	3.485	591	-	610	4.687
Business combination Ekobit (note 36)	3.199	324	-	-	3.524
Decreases	-	(109)	-	-	(109)
As at 31 December 2022	17.459	7.067	-	610	25.136
Carrying value					
As at 31 December 2022	14.720	3.194	268	11.599	29.780
As at 31 December 2021	7.543	646	425	-	8.614
As at 1 January 2021	9.015	627	48	-	9.690

18. Other intangible assets (continued)

	Company			
	Software development	Software and other rights	Intangible assets under construction	Total
Cost				
As at 1 January 2021	13.813	4.753	-	18.567
Additions from internal development	-	-	2.203	2.203
Write-offs	-	(861)	-	(861)
Transfers	1.778	-	(1.778)	-
As at 31 December 2021	15.592	3.892	425	19.909
Additions from internal development	-	2.592	3.075	5.667
Decreases	-	(109)	-	(109)
Transfers	3.500	-	(3.500)	-
As at 31 December 2022	19.092	6.375	-	25.467
Amortisation				
As at 1 January 2021	5.921	4.131	-	10.052
Amortisation for the year	2.763	248	-	3.011
Write-off	8.684	-	-	8.684
Decreases	-	(861)	-	(861)
As at 31 December 2021	8.684	3.519	-	12.203
Amortisation for the year	2.106	460	-	2.566
Decreases	-	(109)	-	(109)
As at 31 December 2022	10.790	3.869	-	14.659
Carrying value				
As at 31 December 2022	8.302	2.506	-	10.808
As at 31 December 2021	6.908	374	425	7.706
As at 1 January 2021	7.892	622	-	8.514

19. Property, plant and equipment

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Carrying value				
Buildings	19.805	21.789	19.805	21.789
Land	13.050	13.050	13.050	13.050
Computers equipment	6.213	3.258	5.475	3.012
Other equipment	4.771	3.320	3.278	1.815
Total	**43.839**	**41.416**	**41.607**	**39.666**

Buildings of the Company were pledged as collateral.

19. Property, plant and equipment

	Group				
	Buildings	Land	Computer equipment	Other equipment	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Cost or valuation					
As at January 2021	24.771	9.415	15.024	9.554	58.764
Additions	-	-	2.531	1.216	3.747
FX differences	-	-	-	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
Additions	-	-	5.171	3.318	8.489
FX differences	-	-	-	106	106
Disposals	-	-	(917)	(1.074)	(1.991)
Business combination Ekobit (note 36)	-	-	2.125	322	2.448
As at 31 December 2022	30.841	13.050	23.506	13.075	80.472
Accumulated depreciation and impairment					
As at January 2021	7.619	-	12.444	5.953	26.015
Depreciation for the year	1.433	-	1.795	1.578	4.806
FX differences	-	-	-	148	148
Eliminated on disposal	-	-	(370)	(596)	(965)
As at 31 December 2021	9.051	-	13.869	7.083	30.004
Depreciation for the year	1.984	-	2.519	1.433	5.936
Impairment loss	-	-	(6)	(42)	(48)
FX differences	-	-	-	56	56
Eliminated on disposal	-	-	(903)	(513)	(1.416)
Business combination Ekobit (note 36)	-	-	1.815	287	2.101
As at 31 December 2022	11.036	-	17.293	8.304	36.633
Carrying value					
As at 31 December 2022	19.805	13.050	6.213	4.771	43.839
As at 31 December 2021	21.789	13.050	3.258	3.320	41.416
As at 1 January 2021	17.152	9.415	2.581	3.601	32.749
Comprising:					
Per cost	-	-	6.213	4.771	10.985
Per valuation in 2022	19.805	13.050	-	-	32.855

19. Property, plant, and equipment (continued)

	Company				
	Buildings	Land	Computer equipment	Other equipment	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Nabavna vrijednost ili vrednovanje					
As at January 2021	24.771	9.415	14.349	6.101	54.635
Additions	-	-	2.282	623	2.906
FX differences	-	-	-	-	-
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
Additions	-	-	4.524	2.458	6.983
FX differences	-	-	-	-	-
Disposals	-	-	(678)	(411)	(1.088)
Infocumulus merger (note 36.1)	-	-	23	13	37
As at 31 December 2022	30.841	13.050	20.117	8.350	72.358
Accumulated depreciation and impairment					
As at January 2021	7.619	-	11.863	3.998	23.479
Depreciation for the year	1.433	-	1.697	908	4.038
FX differences	-	-	-	-	-
Eliminated on disposal	-	-	(325)	(432)	(756)
As at 31 December 2021	9.051	-	13.235	4.474	26.760
Depreciation for the year	1.984	-	2.066	997	5.047
Impairment loss	-	-	-	-	-
FX differences	-	-	-	-	-
Eliminated on disposal	-	-	(678)	(409)	(1.087)
Infocumulus merger (note 36.1)	-	-	19	11	30
As at 31 December 2022	11.036	-	14.642	5.073	30.751
Carrying value					
As at 31 December 2022	19.805	13.050	5.475	3.278	41.607
As at 31 December 2021	21.789	13.050	3.012	1.815	39.666
As at 1 January 2021	17.152	9.415	2.486	2.103	31.156
Comprising:					
Per cost	-	-	5.475	3.278	8.753
Per valuation in 2022	19.805	13.050	-	-	32.855

19. Property, plant and equipment (continued)

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 31/12/2022**
	HRK '000	HRK '000	HRK '000
Freehold land	-	13.050	13.050
Buildings	-	19.805	19.805

	Level 2	**Level 3**	**Fair value as at 31/12/2021**
	HRK '000	HRK '000	HRK '000
Freehold land	-	13.050	13.050
Buildings	-	21.789	21.789

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 19,805 thousand (2021: HRK 21,789 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 31/12/2022	**As at 31/12/2021**
	'000 HRK	'000 HRK
Freehold land	5.763	5.763
Buildings	8.742	9.620
	14.504	15.382

19.1. Subsidiaries

The following table provides an overview of information on subsidiaries as at 31/12/2022.

Company	Country of incorporation	Ownership	Voting rights
Trilix d.o.o., Zagreb	Croatia	60%	60%
Span d.o.o., Ljubljana	Slovenia	100%	100%
Span IT Ltd., London	Great Britain	100%	100%
Span USA Inc., Chicago	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, Zug	Switzerland	100%	100%
Span-IT s.r.l., Chișinău	Moldova	100%	100%
Ekobit d.o.o., Zagreb	Croatia	82%	100%
Span Cyber Security Center Ltd., Zagreb	Croatia	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.

The Company owns 82.13% of Ekobit d.o.o. and the remaining shares are own shares of the company Ekobit d.o.o. Since own shares do not carry voting rights, the Company has 100% voting rights. The Company has 100% control over the company Ekobit d.o.o.

19.2. Transactions with related parties

Related parties are undertakings in which the Company owns business shares, that is undertakings that are part of the Group, as well as undertakings owned by the Group and associates. 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:

	Loans and receivables		Liabilities	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Span d.o.o., Slovenia	2.061	6.734	213	195
Trilix d.o.o., Croatia	-	169	-	-
Span USA Inc, USA	716	-	-	-
Span LLC, Ukraine	3	-	239	86
InfoCumulus d.o.o., Croatia	-	-	-	132
Span Azerbaijan LLC, Azerbaijan	274	109	24	60
Bonsai d.o.o., Croatia	-	-	318	753
Span IT Ltd., Great Britain	-	-	16	15
Ekobit d.o.o., Croatia	-	-	303	-
Span CKS d.o.o., Croatia	70	-	-	-
Fintech digital services d.o.o.	14	-	-	-
Total	**3.138**	**7.012**	**1.113**	**1.242**

Transactions reported in the statement of comprehensive income for 2022 and 2021 were as follows:

	Revenue		Expenses	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Span d.o.o., Slovenia	118.593	106.946	5.176	2.587
Span USA Inc.,USA	9.911	7.932	29	-
Trilix d.o.o., Croatia	130	151	-	33
Bonsai d.o.o., Croatia	223	333	8.958	4.028
InfoCumulus d.o.o., Croatia	21	162	371	2.034
Span LLC, Ukraine	17	27	1.194	530
Span Azerbaijan LLC, Azerbaijan	478	334	242	215
MMC d.o.o., Croatia	-	-	-	27
Span IT Ltd., Great Britain	-	-	121	117
Ekobit d.o.o., Croatia	-	-	1.215	-
Span CKS d.o.o., Croatia	48	-	-	-
Fintech digital services d.o.o.	16	-	-	-
Total	**129.438**	**115.884**	**17.307**	**9.571**

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 (2021: 5).

Remuneration of key management personnel

	Group		Company	
	31/12/2022	**31/12/2021**	**31/12/2022**	**31/12/2021**
	HRK '000	HRK '000	HRK '000	HRK '000
Short-term employee benefits	12.345	9.493	12.345	9.493

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.

20. Right-of-use assets

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Right-of-use assets – Vehicles	4.906	6.401	4.096	5.608
Right-of-use assets – Business premises	11.741	10.614	7.274	7.849
	16.646	**17.015**	**11.369**	**13.456**

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 2021	9.810	10.577	20.386
Increase	12.804	2.694	15.498
Decrease	(8.148)	(1.248)	(9.396)
As at 31 December 2021	14.465	12.022	26.488
As at 1 January 2022	14.465	12.022	26.487
Increase	7.682	1.533	9.214
Decrease	(1.115)	(1.512)	(2.627)
Na dan 31. prosinca 2022.	21.032	12.043	33.075
Accumulated depreciation			
As at 1 January 2021	6.282	3.978	10.261
Depreciation for the year	4.411	2.818	7.229
Derecognition	(6.842)	(1.176)	(8.017)
As at 31 December 2021	3.852	5.621	9.473
As at 1 January 2022	3.852	5.621	9.473
Depreciation for the year	5.944	2.803	8.748
Derecognition	(505)	(1.286)	(1.791)
As at 31 December 2022	9.291	7.138	16.429
Carrying value			
As at 31 December 2022	11.741	4.906	16.646
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 2021	9.810	10.577	20.386
Increase	9.362	1.328	10.689
Decrease	(8.148)	(1.248)	(9.396)
As at 31 December 2021	11.023	10.656	21.679
As at 1 January 2022	11.023	10.656	21.679
Increase	4.389	906	5.295
Decrease	(1.115)	(1.497)	(2.612)
Na dan 31. prosinca 2022.	14.297	10.066	24.363
Accumulated depreciation			
As at 1 January 2021	6.282	3.978	10.261
Depreciation for the year	3.734	2.246	5.980
Derecognition	(6.842)	(1.176)	(8.017)
As at 31 December 2021	3.174	5.049	8.223
As at 1 January 2022	3.174	5.049	8.223
Depreciation for the year	4.354	2.207	6.561
Derecognition	(505)	(1.286)	(1.791)
As at 31 December 2022	7.024	5.970	12.994
Carrying value			
As at 31 December 2022	7.274	4.096	11.369
As at 31 December 2021	7.849	5.608	13.456

Having acquired the subsidiary Ekobit d.o.o., the Group acquired right-of-use assets amounting to HRK 1,043 thousand (note 36).

20. Right-of-use assets (continued)

Amounts recognised in profit and loss	Group 31/12/2022	Group 31/12/2021	Company 31/12/2022	Company 31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Depreciation expense on right-of-use assets				
Business premises	5.944	4.411	4.354	3.734
Vehicles	2.803	2.818	2.207	2.246
Interest expense on lease liabilities				
Business premises	474	350	324	269
Vehicles	352	423	307	374
Expense relating to short-term leases	3.583	1.909	3.057	1.359

	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Fixed payments				
Business premises	8.866	4.138	4.944	3.441
Vehicles	4.073	4.124	3.498	3.404
Total	**12.939**	**8.262**	**8.442**	**6.845**

	Group Within 5 years	Group Total
	HRK '000	HRK '000
Options to extend not expected to be exercised	17.320	17.320
	17.320	**17.320**

	Company Within 5 years	Company Total
	HRK '000	HRK '000
Options to reverse not expected to be exercised	12.737	12.737
	12.737	**12.737**

21. Investments in financial assets

Investments in financial assets	Short-term			
	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Financial assets measured at amortised cost				
Bank deposits	3.109	879	-	-
Finance lease receivables	-	-	533	-
Total	**3.109**	**879**	**533**	**-**

	Long-term			
	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Financial assets measured at amortised cost				
Bank deposits	197	-	-	-
Receivables for tender guarantees	330	245	245	245
Receivables for lease guarantees	36	72	-	-
Depositary receipts and convertible notes	970	549	166	111
Finance lease receivables	-	-	981	-
Total	**1.533**	**866**	**1.393**	**356**

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 2022, the Company increased its share in Span GmbH, Germany and Span-IT s.r.l., Moldova, acquired the company Ekobit d.o.o. and established Span Cyber Security Center Ltd.

As at 31 December 2022, the Company adjusted the value of investment in SPAN LLC, Ukraine, by HRK 3,265 thousand, and it now amounts to HRK 1,399 thousand.

The Company owns 82.13% of Ekobit d.o.o. and the remaining shares are own shares of the company Ekobit d.o.o. The Company has 100% control over the company Ekobit d.o.o.

On 17 February 2022, the Company merged with the company Infocumulus d.o.o., which had been fully owned by the Company since 2017.

		31/12/2022	31/12/2021
	Ownership	HRK '000	HRK '000
Ekobit d.o.o., Zagreb	82%	37.332	-
Span d.o.o., Slovenia	100%	2.980	2.980
Span CKS d.o.o., Zagreb	100%	1.500	-
Span LLC, Ukraine	100%	1.399	4.664
Trilix d.o.o., Zagreb	60%	1.080	1.080
Span Swiss AG, Switzerland	100%	1.024	1.024
Span-IT s.r.l., Moldova	100%	871	374
Span GmbH, Germany	100%	448	298
Bonsai d.o.o., Zagreb	70%	350	350
Span USA Inc., USA	100%	115	115
InfoCumulus d.o.o., Zagreb	100%	-	16.884
Total		**47.099**	**27.769**

22. Investments in associates

Name of associate	Main activity	Place of establishment and business	Ownership in % 31/12/2022	Ownership in % 31/12/2021
Fintech Digital Services d.o.o.	Computing and related activities	Zagreb, Republic of Croatia	35	-

Name of associate	Place of establishment and business	Investment value 31/12/2021	Establishment of associate	Share in 2022 results	Investment value 31/12/2022
		HRK '000	HRK '000	HRK '000	HRK '000
Fintech Digital Services d.o.o.	Zagreb, Republic of Croatia	-	2.007	(6)	2.001
Total		**-**	**2.007**	**(6)**	**2.001**

23. Inventories

Merchandise inventories predominantly refer to hardware purchased for familiar customers and this year exceptionally for 2023 licences, for which the invoice was received on 31/12/2022. These licences were sold on 01/01/2023.

The cost of inventories recognised as an expense during the year was HRK 469,052 thousand (2021: HRK 507,619 thousand) for the Group, and HRK 393,076 thousand (2021: HRK 329,938 thousand) 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 25 thousand (2021: HRK 27 thousand) for both the Group and Company and refer to the value adjustment of inventories up to their net realisable value. Value adjustment of inventories has been reversed for inventories sold in the amount of HRK 14 thousand (2021: HRK 238 thousand).

It is expected that the value of inventories amounting to HRK 3,694 thousand (2021: HRK 2,026 thousand) for the Group and HRK 3,658 thousand (2021: HRK 1,972 thousand) for the Company will be realised very quickly, within 12 months the latest.

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Trade goods	1.839	195	1.803	141
Licences	1.855	1.831	1.855	1.831
Total	**3.694**	**2.026**	**3.658**	**1.972**

24. Trade and other receivables

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Domestic trade receivables	55.481	60.005	26.979	22.407
Foreign trade receivables	53.753	20.428	51.439	26.658
Prepaid expenses	9.783	7.238	10.061	6.144
VAT receivables	3.296	2.417	717	320
Related party receivables	-	-	3.124	7.013
Accrued income	6.947	21.551	5.732	17.651
Impairment of trade receivables	(3.005)	(36)	(2.363)	(36)
Other receivables	3.784	2.157	1.270	2.165
Total	**130.039**	**113.760**	**96.959**	**82.322**

24. Trade and other receivables (continued)

The average credit period on sales of goods for the Group is 48 days, and for the Company 43 days (2021: 38 days for the Group, and 38 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.

Changes in expected credit losses on trade receivables	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Opening balance	**36**	**47**	**36**	**151**
Movement of loss allowance	3.392	333	2.923	85
Amounts recovered during the year	(31)	(28)	(30)	(23)
Amounts written off	(392)	(316)	(565)	(178)
Closing balance	**3.005**	**36**	**2.363**	**36**

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
	31/12/2022	31/12/2022
	HRK '000	HRK '000
Customer 1	17.200	17.200
Customer 2	9.591	9.591
Customer 3	7.623	5.974
Customer 4	7.542	4.393
Customer 5	6.676	3.913
Customer 6	5.974	3.310
Customer 7	4.393	2.403
Customer 8	3.913	1.891
Customer 9	3.310	1.727
Customer 10	2.878	1.506
Total	**69.101**	**51.910**
Total receivables	**106.110**	**78.418**
Share in total receivables (%)	**65,12%**	**66,20%**

	Group	Company
	31/12/2022	31/12/2022
	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%**

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS.

24. Trade and other receivables (continued)

Group

31/12/2022	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	0,04%	0,11%	3,67%	8,99%	34,69%	50,00%	
Estimated total gross carrying amount at default	78.697	18.059	4.683	1.497	5.837	461	**109.234**
Lifetime ECL	28	19	172	135	2.025	230	**2.609**
							106.625

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	64.807	14.234	411	265	535	181	**80.433**
Lifetime ECL	12	6	3	9	101	91	**221**
							80.212

Company

31/12/2022	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	0,04%	0,10%	2,47%	9,05%	34,10%	50,00%	
Estimated total gross carrying amount at default	53.774	15.777	1.487	1.471	5.535	374	**78.418**
Lifetime ECL	22	16	37	133	1.888	187	**2.282**
							76.136

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	34.984	13.323	344	194	170	50	**49.065**
Lifetime ECL	4	4	1	4	9	25	**46**
							49.019

25. Borrowings

	Group		Company	
	31.12.2022.	31.12.2021.	31.12.2022.	31.12.2021.
Borrowings at amortised cost	HRK '000	HRK '000	HRK '000	HRK '000
Long-term				
OTP bank d.d.	3.265	6.895	3.265	6.895
	3.265	**6.895**	**3.265**	**6.895**
Borrowing at amortised cost				
Short-term				
OTP bank d.d	3.655	6.337	3.655	5.548
Privredna banka Zagreb bank d.d.	138	1.665	138	1.665
Raiffeisenbank Austria d.d.	-	701	-	-
Other liabilities towards banks	-	379	-	-
	3.793	**9.082**	**3.793**	**7.213**
Total	**7.058**	**15.977**	**7.058**	**14.108**

	2022	2021	2022	2021
	HRK '000	HRK '000	HRK '000	HRK '000
Balance as at 1 January	**15.977**	**46.930**	**14.108**	**45.659**
New loans	4.876	53.060	196	49.175
Loan repayment	(13.908)	(84.130)	(7.339)	(80.841)
FX differences	112	118	93	114
Total	**7.058**	**15.977**	**7.058**	**14.108**

25. 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 6.3 million (2021: HRK 9.3 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 0.6 million (2021: HRK 3.2 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 0.1 million (2021: HRK 1.7 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 HRK 33.2 million, active as at the reporting date and used only for issuing guarantees in the amount of HRK 5.3 million (2021: HRK 7.7 million), contracted on 31/03/2011 with OTP banka d.d. with a currency clause in EUR. Each tranche matures within 6 months from its withdrawal. The framework is contracted and renewed annually, the loan matures on 31/07/2023. 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 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 three other credit limits:

(e) The Group member Span LLC Kiev has a credit limit of USD 1.5 million divided into USD 500 thousand in a revolving loan and USD 1 million in bank guarantees. As at the reporting date, the limit is active and used only for issuing guarantees in the amount of HRK 1.3 million (2021: HRK 0.4 million in loans), contracted on 30/11/2021 with Raiffeisen Bank JSC Ukraine with a currency clause in EUR. The credit limit matures on 30/11/2024. A fixed interest rate of 27% p.a. is applied for the loan. The fee for the used amount of guarantees amounts to 2% p.a. The credit limit is secured by the Company's corporate guarantee.

(f) The Group member Bonsai d.o.o. has a multipurpose framework of EUR 400 million, active as at the reporting date and used only for issuing guarantees in the amount of HRK 0.2 million (2021: HRK 0.8 million used for loans), contracted on 06/07/2021 with OTP banka d.d. with a currency clause in EUR. Each tranche matures within 6 months from its withdrawal. The framework is contracted and renewed annually, the loan matures on 31/07/2023. 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.

(g) The Group member Bonsai d.o.o. has a multipurpose framework of EUR 500 thousand, active, but not yet used as at the reporting date (2021: HRK 0.7 million used) contracted on 28/07/2022 with Raiffeisen Bank d.d., with a currency clause in EUR. Each tranche matures within 12 months, with monthly or quarterly instalments or at once up to a maximum of 6 months from the withdrawal of the tranche. The framework is contracted and renewed annually and the loan matures on 31/07/2023. Interest rate benchmark for 3-month EURIBOR increased by the interest margin of 1.15%, variable, is applied for EUR. The loan has been secured by promissory notes and bills of exchange issued by the Group companies.

25. Borrowings (continued)

Analysis of borrowings by currency:	Group			Company	
	HRK	EUR	USD	HRK	EUR
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31 December 2021					
Bank loans	1.665	13.933	379	1.665	12.443
	1.665	**13.933**	**-**	**1.665**	**12.443**
31 December 2022					
Bank loans	138	6.920	-	138	6.920
	138	**6.920**	**-**	**138**	**6.920**

26. 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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred tax liability	(4.878)	(3.502)	(3.303)	(3.502)
Deferred tax assets	12.515	7.729	10.103	6.952
	7.638	4.227	6.800	3.449

	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred tax assets				
Amounts refer to temporary differences arising from:				
Tax incentives	10.722	6.825	10.008	6.825
Tax losses	1.698	778	-	-
Inventories	7	5	7	5
Trade receivables	26	1	26	1
Financial assets	57	-	57	-
Right-of-use assets	4	120	4	120
Total deferred tax assets	12.515	7.729	10.103	6.952
Items that may be subject to netting with deferred tax liabilities	-	-	-	-
Net deferred tax liabilities	12.515	7.729	10.103	6.952

	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred tax liability				
Amounts refer to temporary differences arising from:				
Revaluation of buildings and land	(3.303)	(3.502)	(3.303)	(3.502)
Acquisiion of Ekobit	(1.575)	-	-	-
Net deferred tax liabilities	(4.878)	(3.502)	(3.303)	(3.502)
Items that may be subject to netting	-	-		-
Net deferred tax liabilities	(4.878)	(3.502)	(3.303)	(3.502)

	Group						
Deferred tax assets	**Tax incentives**	**Tax losses**	**Inventories**	**Trade receivables**	**Right-of-use assets**	**Financial assets**	**Total**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
As at 1 January 2021	7.865	595	6	3	28	-	8.498
Increase/(decrease) in deferred tax assets	(1.040)	115	(1)	(1)	92	-	(836)
As at 31 December 2021	6.825	778	5	1	120		7.729
Increase/(decrease) in deferred tax assets	3.897	941	2	25	(116)	57	4.806
As at 31 December 2022	10.722	1.698	7	26	4	57	12.515

	Company						
Deferred tax assets	**Tax incentives**	**Tax losses**	**Inventories**	**Trade receivables**	**Right-of-use assets**	**Financial assets**	**Total**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
As at 1 January 2021	7.865	-	6	3	28	-	7.902
Increase/(decrease) in deferred tax assets	(1.040)	-	(1)	(1)	92	-	(951)
As at 31 December 2021	6.825	-	5	1	120	-	6.952
Increase/(decrease) in deferred tax assets	3.183	-	2	25	(116)	57	3.151
As at 31 December 2022	10.008	-	7	26	4	57	10.103

26. Deferred tax (continued)

Deferred tax liability	Group			Company	
	Revaluation of buildings and land	Acquisition of Ekobit	Total	Revaluation of buildings and land	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
As at 1 January 2021	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
Increase/(decrease) in deferred tax liability	(100)	-	(100)	(100)	(100)
As at 31 December 2021	3.502	-	3.502	3.502	3.502
Increase/(decrease) in deferred tax liability	(199)	1.575	(199)	(199)	(199)
As at 31 December 2022	3.303	1.575	3.303	3.303	3.303

Deferred tax liability refers to the revaluation of land and buildings owned by the Group and Company, the impact of which was recognised in other comprehensive income.

Deferred tax assets represent the corporate tax amounts that are recoverable based on future deductions of taxable profit and recognised in the statement of financial position. Deferred tax assets are recognised up to the amount of the tax revenues which are likely to be realised. When determining future taxable profit and amount of tax revenues that are likely to be realised in the future, the Group and Company make judgements and estimates based on taxable profit from prior years and expectations of future revenues that are considered reasonable in the current circumstances.

The Group and Company recognised deferred tax assets as temporary tax differences and tax losses carried forward. Temporary tax differences predominantly refer to ECL, valuation allowance for inventories, and temporary differences on account of the application of IFRS 16. All impacts of the change were recognised in profit or loss.

27. Lease liabilities

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

Lease liabilities

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000
Lease liabilities – long-term	8.617	10.847	5.762	8.566
Lease liabilities – short-term	8.631	7.140	6.984	5.957
Total	**17.248**	**17.987**	**12.746**	**14.522**

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

27. Lease liabilities (continued)

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Maturity overview:				
1st year	9.228	7.778	7.426	6.476
2nd year	5.548	6.951	3.825	5.870
3rd year	2.715	3.122	1.754	2.390
4th year	552	1.070	335	535
5th year	122	207	42	157
Više od 5. godina	-	-	-	-
	18.165	19.128	13.382	15.428
Less: unearned interest	(917)	(1.141)	(636)	(906)
	17.248	17.987	12.746	14.522
Analysed as:				
Non-current	8.617	10.847	5.762	8.566
Current	8.631	7.140	6.984	5.956
	17.248	17.987	12.746	14.522

28. Trade and other payables

Trade payables and liabilities accounted for mainly comprise outstanding amounts for purchasing trade goods and current costs. The average credit period for the purchase of goods for the Group is 40 days, and for the Company 38 days (2021.: 38 days for the Group, and 44 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.

Trade and other payables	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Domestic suppliers	22.009	14.161	17.912	11.464
Foreign suppliers	29.318	39.352	22.442	26.668
Related party payables	-	-	1.075	1.242
VAT payable	5.093	7.169	845	3.284
Amounts due to employees	11.406	8.839	8.240	5.990
Accrued expenses	9.918	11.236	4.350	8.021
Taxes and contributions on employee salaries	6.779	4.427	5.179	3.957
Advances received	4.933	3.154	2.931	1.319
Other liabilities	19.601	8.142	5.639	7.565
Total	**109.058**	**96.478**	**68.613**	**69.511**

Other payables increased primarily on account of the liabilities resulting from Microsoft approvals received by Span LLC, Ukraine. As previously mentioned, Microsoft enabled end users in Ukraine to use their licences free of charge in the 01/04/2022-31/12/2022 period.

29. 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 2022, the Company had 20,029 (2021: 30,900) treasury shares. The Company has formed

29. Capital (continued)

treasury share reserves in the amount of HRK 781 thousand (2021: HRK 616 thousand).

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

Share capital

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Profit reserves	10.161	8.252	8.807	7.413
Total	**10.161**	**8.252**	**8.807**	**7.413**

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Opening balance	**8.252**	**8.477**	**7.413**	**8.072**
Revaluation increase on land and buildings	1.908	(224)	1.394	(660)
Closing balance	**10.161**	**8.252**	**8.807**	**7.413**

Conversion of share capital into euros planned in 2023.

Based on the provisions of the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia (NN 57/22, 88/22) and the provisions of the Law on Companies (NN 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23), the Company plans to propose a decision at the general meeting to align the share capital and the nominal value of the Company's shares by increasing the nominal value of the shares from 1.33 EUR, obtained by converting to euros using a fixed conversion rate (which is 7.53450 HRK for 1.00 EUR), rounded to the nearest cent, to an amount of 2.00 EUR. This increase in the nominal value of the shares is carried out in order to round off the nominal value of the shares to a whole number, as provided for in Article 163, paragraph 4 of the Law on Companies.

In order to align the share capital with the provisions of the Law on Companies, the share capital is increased by an amount of 1,318,632.96 euros, whereby the total share capital of the Company after conversion and alignment would amount to 3,920,000.00 euros.

In accordance with Article 21, paragraph 7 of the Law Amending the Law on Companies (NN 114/2022), the alignment of the Company's share capital would be carried out at the expense of the capital reserves, which amounted to 82,235,393.33 HRK or 10,914,512.35 euros as of December 31, 2022, and are sufficient for the proposed alignment of the share capital.

The Company has no losses in 2022 or carried forward losses from previous years.

30. Capital reserves

As at 31/12/2021, capital 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. The increase amounting to HRK 3,152 thousand as at 31 December 2022 is a result of the allocation of shares in 2022, that is, the difference in the price of share on the purchase and allocation date.

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Opening balance	**79.084**	**-**	**79.084**	**-**
Increase in capital reserves	3.152	98.412	3.152	98.412
Decrease in capital reserves	-	(19.328)	-	(19.328)
Closing balance	**82.235**	**79.084**	**82.235**	**79.084**

31. 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 31/12/2022 it amounted to HRK 15,047 thousand (2021: HRK 15,954 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 2022 they realised revaluation reserves in the amount of HRK 907 thousand.

31. Revaluation reserves (continued)

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK ‘000	HRK ‘000	HRK ‘000	HRK ‘000
Opening balance	**15.954**	**8.451**	**15.954**	**8.451**
(Decrease)/increase in land and building revaluation	(907)	7.503	(907)	7.503
Closing balance	**15.047**	**15.954**	**15.047**	**15.954**

32. Non-controlling interests

Below please find an overview of summary information on all subsidiaries of the Company, in which the Company has material non-controlling interests. The summarised financial information below represents amounts before intra-Group eliminations.

	Group	
	31/12/2022	31/12/2021
	HRK ‘000	HRK ‘000
Opening balance	**1.153**	**1.049**
Decrease in non-controlling interests due to share acquisition	(59)	(1)
Shares in profit for the current year	543	105
Closing balance	**1.637**	**1.153**

Non-controlling interest

	2022	2021
	HRK ‘000	HRK ‘000
Non-controlling interest - Trilix d.o.o.		
Balance as at 1 January	**819**	**805**
Attributed net profit and adjustments	(18)	14
Balance as at 31 December	**801**	**819**
Non-controlling interest - Bonsai d.o.o.		
Balance as at 1 January	**429**	**243**
Attributed net profit and adjustments	407	186
Balance as at 31 December	**836**	**429**
Non-controlling interest - M M C d.o.o.		
Balance as at 1 January	(95)	1
Contractual decrease in non-controlling interests	95	(1)
Attributed net profit	-	(95)
Balance as at 31 December	-	**(95)**
Total	**1.637**	**1.153**

32. Non-controlling interests (continued)

	31/12/2022	31/12/2021
	HRK ‘000	HRK ‘000
Trilix d.o.o.		
Current assets	5.387	4.111
Non-current assets	274	1.518
Current liabilities	(3.643)	(3.250)
Non-current liabilities	-	(649)
Equity attributable to owners of the Company	60%	60%
Non-controlling interests	40%	40%

	31.12.2022.	31.12.2021.
	‘000 HRK	‘000 HRK
Revenues	10.611	9.756
Expenses	(10.310)	(9.720)
Profit for the year	301	36
Profit attributable to owners of the Company	181	22
Profit attributable to non-controlling interests	120	14
Profit for the year	301	36
Other comprehensive income attributable to the owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	181	22
Total comprehensive income attributable to the non-controlling interests	120	14
Total comprehensive income for the year	301	36

The amount of equity held by the company Span d.d. in the company Trilix d.o.o. amounts to 60% or HRK 1,201 thousand (2021: 1,037 thousand), total equity and reserves of the company Trilix d.o.o. amount to HRK 2,002 thousand (2021: HRK 1,729 thousand), and the gain in the business year 2022 amounts to HRK 285 thousand (2021: HRK 36 thousand).

32. Non-controlling interests (continued)

	31/12/2022	31/12/2021
	HRK '000	HRK '000
Bonsai d.o.o.		
Current assets	4.104	2.841
Non-current assets	1.833	1.870
Current liabilities	(3.167)	(2.629)
Non-current liabilities	-	(593)
Equity attributable to owners of the Company	70%	70%
Non-controlling interests	30%	30%

	31.12.2022.	31.12.2021.
	'000 HRK	'000 HRK
Revenues	14.300	7.253
Expenses	(12.889)	(6.576)
Profit for the year	1.411	677
Profit attributable to owners of the Company	988	474
Profit attributable to non-controlling interests	423	203
Profit for the year	1.411	677
Other comprehensive income attributable to the owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	988	474
Total comprehensive income attributable to the non-controlling interests	423	203
Total comprehensive income for the year	1.411	677

The amount of equity held by the company Span d.d. in the company Bonsai d.o.o. amounts to 70% or HRK 1,951 thousand (2021: 1,000 thousand), total equity and reserves of the company Bonsai d.o.o. amount to HRK 2,787 thousand (2021: HRK 1,429 thousand), and the gain in the business year 2022 amounts to HRK 1,428 thousand (2021: HRK 618 thousand).

33. 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.

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Cash in bank	141.764	139.775	107.083	126.904
Cash	-	16	-	16
Total	**141.764**	**139.791**	**107.083**	**126.920**

34. Deferred income

Deferred income refers to accruals and deferrals, i.e. income recognised in future periods in which the service is realised. Deferred income predominantly refers to advisory services regarding contracted projects with customers, recognised by reference to the stage of completion of the contract.

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Deferred income	25.424	8.643	22.759	8.107
Total	**25.424**	**8.643**	**22.759**	**8.107**

35. Contractual liabilities

Contractual liabilities predominantly refer to the liabilities for repurchasing shares from the former owner. The remaining contractual liabilities refer to the purchase of business shared in the companies Ekobit d.o.o. and Fintech d.o.o.

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Contractual liabilities - non-current	5.146	10.186	5.146	10.186
Contractual liabilities - current	9.365	5.052	9.365	5.052
Ukupno	**14.511**	**15.237**	**14.511**	**15.237**

36. Acquisition of subsidiaries

On 14 March 2022, the Company signed a purchase contract, acquiring the company Ekobit d.o.o. in a transaction worth HRK 37,331 thousand. According to the decision of the former owners of Ekobit d.o.o., a portion of the amount of HRK 3,266 thousand was paid via own shares of the Company to meet the Employee Share-Based Compensation policy of Ekobit d.o.o.

In line with the requirements of IFRS 3 *Business Combinations*, the Company allocated the purchase price of the Ekobit acquisition and adjusted the goodwill initially reported to the relevant intangible asset items amounting to HRK 17,498 thousand. Intangible assets predominantly refer to customer relations. The remaining value of intangible assets refers to the internally developed software.

	Carrying value	Fair value adjustments	Intangible assets identified	Fair value
2022	HRK '000			
Property, plant and equipment	346	-	-	346
Other intrangible assets	1.150	-	17.498	18.649
Right-of-use assets	-	1.043	-	1.043
Investments in financial assets	2.808	-	-	2.808
Trade and other receivables	4.447	-	-	4.447
Cash in bank and petty cash	3.173	-	-	3.173
Lease liabilities	-	(1.043)	-	(1.043)
Trade and other payables	(2.060)	-	-	(2.060)
Deferred income	(373)	-	-	(373)
Net assets identified	**9.492**	**-**	**17.498**	**26.990**

	Total
	HRK '000
Consideration paid in cash	34.065
Consideration paid in treasury shares	3.266
Fair value of net assets identified	26.990
Deferred tax liability	1.575
Goodwill	**11.917**

	Ukupno
	'000 HRK
Net cash outflow upon acquisition	
Consideration paid in cash	34.065
Less: cash gained before acquisition	3.173
	30.892

36.1. Merger of subsidiary

On 17 February 2022, the Company merged with the company Infocumulus d.o.o., which had been fully owned by the Company since 2017.

	Carrying value	Fair value
2022.	HRK '000	
Property, plant and equipment	7	7
Deferred tax assets	34	34
Non-current trade receivables	375	375
Trade and other receivables	154	154
Cash in bank and petty cash	2.777	2.777
Trade and other payables	(173)	(173)
Deferred income	(10)	(10)
Net assets identified	**3.164**	**3.164**

	Total
	HRK '000
Value of investment in subsidiary	16.884
Impact of merger on the Company's retained earnings	7.016
Fair value of net assets identified	3.164

37. Financial instruments

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

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).

In 2022, the property fair value measurements were classified as level 3 measurements.

(b) Financial risk management objectives

The Group and Company's finance function supports operations, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and Company. These include market risk (including currency risk, interest rate risk, and price risk), then credit risk and liquidity risk.

The Group and Company seek to minimise the effects of these risks by using financial instruments to hedge against the relevant exposures. The Company concluded a framework contract on derivative financial instruments for hedging against the interest and currency risk, as well as other risks that incur or may incur due to changes in prices, values etc.

(c) Market risk

The Group and Company are primarily exposed to the financial risks of changes in foreign currency exchange rates (see below). In 2022, the Company contracted FX forward transactions to manage USD and GBP currency risks.

37. 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 Company concluded a contract on derivative financial instruments for hedging against the currency risk. The table below details the carrying amounts of the Group and Company's foreign-currency denominated monetary assets and liabilities at the reporting date.

Group

31 December 2022	EUR	USD	GBP	CAD	AUD
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Trade and other receivables	16.406	34.415	6.720	-	432
Borrowings	(6.920)	-	-	-	-
Trade and other payables	(50.200)	(5.691)	(358)	-	-
Net balance exposure	(40.714)	28.724	6.362	-	432

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
Borrowings	(13.933)	-	-	-	-
Trade and other payables	(59.769)	(7.944)	(764)	-	-
Net balance exposure	(55.769)	6.577	2.068	324	336

Company

31 December 2022	EUR	USD	GBP	CAD	AUD
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Trade and other receivables	14.037	33.251	6.720		432
Non-current trade receivables					
Borrowings	(6.920)				
Trade and other payables	(46.608)	(910)	(358)		
Net balance exposure	(39.490)	32.341	6.362	-	432

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
Non-current 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

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.

37. Financial instruments (continued)

(c)(i) Foreign currency risk management (continued)

The following exchange rates were applied:

	2022	2021
EUR 1	7,534500	7,517174
USD 1	7,064035	6,643548
GBP 1	8,495033	8,958615
CAD 1	5,217798	5,194647
AUD 1	4,801185	4,824887

	Profit or loss			
	Group		Company	
	Appreciation	Depreciation	Appreciation	Depreciation
31 December 2022				
EUR (1% change)	(407)	407	(395)	395
USD (1% change)	287	(287)	323	(323)
GBP (1% change)	64	(64)	64	(64)
CAD (1% change)	-	-	-	-
AUD (1% change)	4	(4)	4	(4)
31 December 2021				
EUR (1% change)	(558)	558	(669)	669
USD (1% change)	66	(66)	222	(222)
GBP (1% change)	21	(21)	11	(11)
CAD (1% change)	3	(3)	6	(6)
AUD (1% change)	3	(3)	6	(6)

(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.

37. 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 2022 would decrease/increase by HRK 63 thousand (2021: decrease/increase by HRK 93 thousand). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Company

Interest risk

In HRK '000	**2022**	**2021**
Variable-rate instruments		
Loans and borrowings	6.287	9.271
Total	**6.287**	**9.271**
1% interest rate increase	63	93

- the Group's profit for the year ended 31 December 2022 would decrease/increase by HRK 63 thousand (2021: decrease/increase by HRK 104 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Group

Interest risk

In HRK '000	**2022**	**2021**
Variable-rate instruments		
Loans and borrowings	6.287	10.436
Total	**6.287**	**10.436**
1% interest rate increase	63	104

37. Financial instruments (continued)

(d) Credit risk management

The Group and Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

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 17,200 thousand (2021: HRK 7,783 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 2022, an amount of HRK 3,005 thousand (2021: HRK 36 thousand) was the estimated loss allowance for the Group and HRK 2,363 thousand for the Company (2021: HRK 36 thousand) (note 24).

(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 2022, the Group and Company's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group and Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. For trade receivables, the Group and Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group and Company determine the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Thus, the credit risk profile of the relevant assets has been presented based on the past due status in relation to the Group's provision matrix.

37. Financial instruments (continued)

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

Group

31.12.2022	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	24	N/a		Lifetime ECL (simplified approach)	136.048	3.005	133.044
Non-current trade receivables		N/a		Lifetime ECL (simplified approach)	-	-	0

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	24	N/a		Lifetime ECL (simplified approach)	113.796	36	113.760
Non-current trade receivables		N/a		Lifetime ECL (simplified approach)	-	-	-

Company

31.12.2022	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	24	N/a		Lifetime ECL (simplified approach)	99.322	2.363	96.959
Non-current trade receivables		N/a		Lifetime ECL (simplified approach)	-	-	0

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	24	N/a		Lifetime ECL (simplified approach)	82.357	36	82.322
Non-current trade receivables		N/a		Lifetime ECL (simplified approach)	-	-	0

37. Financial instruments (continued)

(e) Liquidity risk management

Responsibility for liquidity risk management rests with the management, which has established an appropriate liquidity risk management framework for managing short, medium and long-term funding and liquidity. The Group and Company manage liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and realized cash flow by monitoring the maturity of claims and liabilities. Details on unused credit products available to the Group and Company to additionally decrease liquidity risk are provided below.

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Secured bank loan facilities with various maturity dates through to 2023 and which may be extended by mutual agreement:				
– amount used	-	9.158	-	7.669
– amount unused	110.568	70.942	100.255	67.658
	110.568	80.100	100.255	75.327

The Company has access to financing facilities, of which HRK 100,255 thousand were unused at the reporting date (2021: HRK 67,658 thousand).

The Group has access to financing facilities, of which HRK 110,568 thousand were unused at the reporting date (2021: HRK 70,942 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 Company was analysed in the following tables. The tables have been drawn up based on the undiscounted cash outflows for financial liabilities in line with the earliest date when the Group and Company may demand payment. The tables detail cash flows from principal and interest. Based on expectations at the end of the reporting period, the Group and Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. The contractual maturity is based on the earliest date on which the Group and Company may be required to pay.

	Group					
	Weighted average effective interest rate	0-12 months	1-5 years	5+ years	Total	Carrying value
	%	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31/12/2022						
Trade and other payables		109.058	-	-	**109.058**	**109.058**
Lease liabilities (nominal amount)	4,19%	8.631	8.617	-	**17.248**	**17.248**
Borrowings (nominal amount)	1,81%	3.793	3.265	-	**7.058**	**7.058**
Interest on lease liabilities		635	392	-	**1.027**	**-**
Borrowing interest		119	45	-	**164**	**-**
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**	**-**

	Company					
	Weighted average effective interest rate	0-12 months	1-5 years	5+ years	Total	Carrying value
	%	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31/12/2022						
Trade and other payables		68.613	-	-	**68.613**	**68.613**
Lease liabilities (nominal amount)	4,34%	6.984	5.762	-	**12.746**	**12.746**
Borrowings (nominal amount)	1,81%	3.793	3.265	-	**7.058**	**7.058**
Interest on lease liabilities		409	236	-	**645**	**-**
Borrowing interest		119	45	-	**164**	**-**
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**	**-**

37. 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 December 2022				
Non-current trade receivables	-	-	4	**4**
Investments in financial assets	3.109	1.533	-	**4.642**
Trade and other receivables	130.039	-	-	**130.039**
31 December 2021				
Non-current trade receivables	-	-	4	**4**
Investments in financial assets	879	842	24	**1.746**
Trade and other receivables	113.760	-	-	**113.760**

	Company			
	0-12 months	1-5 years	5+ years	Total
	HRK '000	HRK '000	HRK '000	HRK '000
31 December 2022				
Non-current trade receivables	-	4	-	**4**
Investments in financial assets	533	1.393	-	**1.926**
Trade and other receivables	96.959	-	-	**96.959**
31 December 2021				
Non-current trade receivables	-	4	-	**4**
Investments in financial assets	-	356	-	**356**
Trade and other receivables	82.322	-	-	**82.322**

(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:

	Group		Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	HRK '000	HRK '000	HRK '000	HRK '000
Debt	(24.305)	(33.964)	(19.804)	(28.630)
Cash and bank balances	141.764	139.791	107.083	126.920
Net debt	117.458	105.827	87.279	98.290
Equity	236.497	192.590	221.118	192.917
Gearing ratio	-0,50	-0,55	-0,39	-0,51

Debt is defined as long-term borrowings and lease liabilities.

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.

38. Events after the reporting period

Business operations of Span LLC, Ukraine

Due to the war in Ukraine, Microsoft allowed users in Ukraine to use their licences free of charge in the period from 1 January 2023 to 31 December 2023.

All benefits received by Span LLC, Ukraine in 2022, resulting from free-of-charge use of Microsoft licences in the period from 1 April to 31 December 2022 for all users in Ukraine, were forwarded to users or returned to Microsoft in case the benefits could not be forwarded.

Introduction of the euro

The government of the Republic of Croatia adopted the Decision on the introduction of the euro as the official currency of the Republic of Croatia as of 1 January 2023 (Official Gazette no. 85/22). Conversion rate of HRK fixed at 7.53450 = EUR 1. The introduction of the euro as the official currency of the Republic of Croatia constitutes a change in functional currency to be accounted for prospectively and does not require adjustments.

Purchase of a 100% share in the company GK Tarkvara, Estonia

On 31 March 2023, the Company signed a purchase agreement of a 100% share in the company GK Tarkvara. The Company signed an agreement with the company Fairway d.o.o., Tallinn, Estonia for the purchase of a 100% share in the limited liability company GK Tarkvara, Tallinn, Estonia. The estimated transaction value amounts to EUR 11,377,457.00, with a portion of the purchase price dependent on the business results of the company GT Tarkvara d.o.o. in 2023 and 2024 subject to adjustments. This is a leading Estonian company for licensing and software management with over 25 years of experience. The Company is currently determining the fair value of assets and liabilities acquires and potential intangible assets and goodwill.

38.1 Contingent assets and liabilities

There are no contingent assets and liabilities.

39. Authorisation of financial statements

The financial statements were approved by the Management Board on 28 April 2022.

Annual reports of the Group and Company are available at the website of the company Span d.d.

For SPAN d.d.:

President of the
Management Board

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
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Saša Kramar