# ANNUAL REPORT

**ON COMPANY STATUS AND BUSINESS ACTIVITIES IN 2020**

Zagreb, April 2021

This version of the Annual report is a translation from the original, which was prepared in 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 takes precedence over this translation.

# Content

# 1 MANAGEMENT REPORT

## 1.1 A word by the Management Board

After the year 2019 on the local market had ended on a positive note, it seemed things could only get better in 2020. But few people could have guessed what incredible and historically unparalleled events were to follow over the past year. Even though the global pandemic of unseen proportions seemed the least likely of all the things that might have happened, nowadays it is a reality lived by most of the world. As new modalities of doing business and living in general have been established, the memories of "prepandemic" everyday life and operations sometimes seem pale and distant.

However incredible two series of earthquakes that hit Croatia might be, they too will have to be added to whatever marked 2020. Irrespective of these unimaginable events or in spite of them, the local capital market proved robust and resilient enough not only to survive but to advance as well – through new share issues, new investment products, service improvement and numerous other steps – some of which were not always apparent but which contributed significantly to market quality and efficiency as well as to a better service provided to all its participants.

Early in March, the Zagreb Stock Exchange was among more than 90 exchanges to mark the International Women's Day by symbolically ringing the bell for the start of trading to draw attention to the vital role of the business sector in enhancing gender equality, as a way to achieve sustainable development goals and raise awareness of the principles of women's empowerment. That event was also attended by Croatia's President Zoran Milanović.

A number of our other either actual or virtual events gathered more than 900 participants in a bid to exchange knowledge and experience, helping to create a network of stakeholders relevant to a sound functioning of the capital market. We connected investors and analysts to our issuers through investment conferences, enlisting the participation of more than 200 individuals, to provide a platform for information exchange even in these challenging times and emphasise the importance of timely information provision and reporting in crisis circumstances. Moreover, we emphasised continually the necessity of complete and timely information provision to the investment public on the impact of the COVID-19 crisis on business of the issuers themselves.

May saw the year's first webcast for Prime Market issuers, with Prime Plus online investment conference at which Prime Market and several Official Market companies participated, along with a first participation of companies listed on the Macedonian Stock Exchange, following in November. Traditional winter Ljubljana and Zagreb Stock Exchange Investment Days in December were held online for the first time. All these events were attended by analysts and investors from 60-odd investment firms and banks from Croatia and Slovenia, as well as Austria, Bosnia and Herzegovina, Serbia, Estonia, Finland, Luxembourg, the United Kingdom, the United States and Turkey. Such exceptional attendance serves to prove that, in these demanding circumstances, keeping an open dialogue between traded companies and investment public and promoting the highest transparency standards is more important than ever.

In June, the Croatian Financial Services Supervisory Agency (HANFA), the Central Depository and Clearing Company and the Zagreb Stock Exchange held the 11th round of their annual education, intended for the companies whose shares are admitted to trading on the Zagreb Stock Exchange's regulated market. It was the first year in which this training event took place virtually, with a record 160 issuer representatives participating to hear presentations on the novelties concerning capital market regulation and other related topics. Workshops relating to the new Code of Corporate Governance prepared by HANFA and the Exchange were also held to make it easier for issuers to apply the provisions of the Code and report on their application.

The ZSE Academy marked its 10th anniversary in May. Founded in 2010 as the educational arm of the Zagreb Stock Exchange with support of the European Bank for Reconstruction and Development, the ZSE Academy is currently the biggest provider of training services on financial markets in Croatia. The ZSE Academy has developed more than 80 various training programmes so far and organised 500+ courses and workshops for more than 10 000 participants, of whom approximately 70% have been trained completely free of charge. Focusing on the education of the young, the ZSE Academy has delivered training to more than 5 000 secondary school and university students from across Croatia, Europe and the world (Brazil, South Africa, Canada, China, the U.S. and other countries) to date. In keeping with new pandemic circumstances, since April it has held very successful online seminars, which – thanks to an excellent response – have seen an increase in the number of participants and training events by about 15%. Also, under a new cooperation agreement concluded with the Montenegro Stock Exchange towards the end of the year, the Zagreb Stock Exchange established a partnership primarily in the field of education aimed at enhancing the expertise and delivering professional training to participants in the Montenegrin capital market via ZSE Academy educational services.

The Zagreb Stock Exchange Management Board President Ivana Gažić has been appointed member of the Securities and Markets Stakeholder Group (SMSG) of the European Securities and Markets Authority (ESMA). That body of the central European capital market regulator is made up of 30 individuals who represent the interests of different categories of EU financial market stakeholders. It has an advisory role and facilitates a dialogue between ESMA and key stakeholders on EU financial markets, pointing to inconsistencies in the application of EU regulations and supervisory practices in Member States and, generally, advises ESMA with regard to market standards, guidelines, recommendation and policies. The four-year mandate of the new members began to run on 1 July 2020.

The European Commission has appointed the Zagreb Stock Exchange member of a Technical Task Force for SMEs as a major step for the Exchange's Progress Market, designed for the SME segment. The Zagreb Stock Exchange has been actively involved in a dialogue with EU bodies on this topic but its selection to take part in this European Commission body will enable it to take and even more active role in the creation of European SME policies. The Technical Task Force is a body designated to provide expert SME-related opinions and analyses to the Commission and identify the areas in which other actions and improvements might be necessary when it comes to access to capital for such business. The Progress Market was among the first registered SME Growth Markets, as part of the Zagreb Stock Exchange development strategy aimed at creating the conditions to provide growth capital to companies in all stages of their development, fostering a positive environment for entrepreneurs that also will be conducive to economic growth and employment.

Having completed the annual accreditation process of the Global Legal Entity Identifier Foundation (GLEIF) for local LEI operating units once again, the Exchange has reaffirmed its status and the quality of this service. The Exchange is accredited to assign LEIs to entities registered in 12 countries and manages more than 1 200 LEIs. According to GLEIF's monthly reports, it has continually been among the best LEI operators in the world.

Four companies admitted to trading on the Zagreb Stock Exchange – AD Plastik, Arena Hospitality Group, Ilirija and the Zagreb Stock Exchange – have been selected for participation in the European Bank for Reconstruction and Development (EBRD) programme to produce SME company analyses which was launched in May. The programme is aimed at increasing the public availability of analytical materials relating to SMEs admitted to trading on regional exchanges. It is fully compliant with the goals of the European Commission Action Plan on Building a Capital Markets Union, which puts a special emphasis on the importance of facilitating access to funding, including through risk capital, especially to SMEs, as one of the five priority areas for market development.

Croatian Telecom, Inc. became the sixth issuer to be admitted to trading on the Exchange's top tier, the Prime Market, with a total of five new issues admitted to trading on the regulated market over the course of the year.

The calculation of the new CROBEX10tr index, as the 11th Zagreb Stock Exchange share index and the second total return index, began in July to provide investors with a higher number of incoming data and facilitate investment decision-making while also enabling a simpler yet more comprehensive tracking of market developments. At the same time, such indices are suitable for the issuing of structured products or exchange-traded funds (ETFs). These first new instruments to be issued in the local market in a long while, ETFs began trading in November. One of the new ETFs issued by InterCapital Asset Management (ICAM), 7CRO, is linked to the CROBEX10tr (index of the 10 most liquid Zagreb Stock Exchange shares) and the other, 7SLO, to SBITOP (index of the 11 most liquid Ljubljana Stock Exchange shares), providing a simple and cost-effective vehicle for investment in prominent Croatian and Slovenian companies.

The new Exchange website, designed to improve user experience by presenting information in a new, more accessible and comprehensible manner, was launched in October. The quality and level of numerous services providing for an efficient functioning of the market and all its participants has seen technological improvements, such as the new version of the trading system, new data infrastructure, new EHO issuer service, etc.

In two years of its existence the Zagreb Stock Exchange blog Burzin brief has seen the publication of more than 50 texts written by renowned local and foreign experts, focusing on crucial topics for the financial markets and economy of Croatia and the region, as a reference point for information provision and the exchange of ideas and reflections on current finance issues.

Financial market participants managed to gather in person in Rovinj for the conference entitled "Challenge of Change", organised jointly by the Association of Pension Fund Management and Pension Insurance Companies and the Zagreb Stock Exchange for nine years in a row, as the most important gathering of Croatia's and regional financial industry. It was 30th annual Zagreb Stock Exchange conference, featuring keynote speeches by Deputy Prime Minister and Finance Minister Zdravko Marić, Minister for Labour, Pension System, Family and Social Policy Josip Aladrović, central bank governor Boris Vujčić, head of HANFA Ante Žigman and numerous other prominent Croatian and foreign figures. As part of the Conference, daily Poslovni dnevnik and the Exchange held a presentation of their 11th award to companies providing the best investor relations.

The year ended with a ceremony at which the annual Zagreb Stock Exchange Awards were presented for the ninth time.

Despite apocalyptic circumstances, the Zagreb Stock Exchange maintained business and trading continuity through uninterrupted provision of superior quality products and services, aimed at meeting the needs by shareholders, investors, issuers, member firms and all other stakeholders for efficient, transparent and cost-effective capital market services.

One also needs to make note of unwavering efforts by all market participants – member firms and issuers in particular, as well as excellent cooperation with the Regulator – without which it would have been impossible to bring such a challenging year as 2020 to a successful close.

In the coming year, we will strive to improve our services further and continue to develop all the initiated projects, focusing in particular on enhancing the level of knowledge and expertise of all capital market participants through the ZSE Academy, while also joining forces with the Regulator, issuers and other stakeholders to create an environment conducive to excellence, the highest ethical standards in business and corporate governance in a bid to contribute to increasing the value of the market as a whole and to create better investment opportunities for companies and investors.

The Zagreb Stock Exchange development over the past three decades since its establishment has always been aimed at creating a regional leader in the provision of capital market services by setting up sound and resilient market infrastructure, comparable to those of the most developed markets.
We are confident that this is the time, as Croatia faces some of the greatest challenges in its history, in which the Exchange can put its full potential to work and take the appropriate place in the country's economic system to provide additional sources of capital to the companies hit by the crisis or those seeking to use the circumstances for business expansion, either through acquisitions or by penetrating new markets. In other words, the Exchange wishes to put the capacity it has to use so that it can become one of the key catalysts of such growth and development that the Croatian economy and its companies undoubtedly deserve.

## 1.2 ZSE Key Performance Indicators in 2020

In 2020, operating revenues increased by +3.65% compared to 2019, amounting to HRK 14,770 thousand. The operating revenues increase is a consequence of the sales revenue increase, within which trading commissions, income from quotation maintenance and income from listing fee increased.

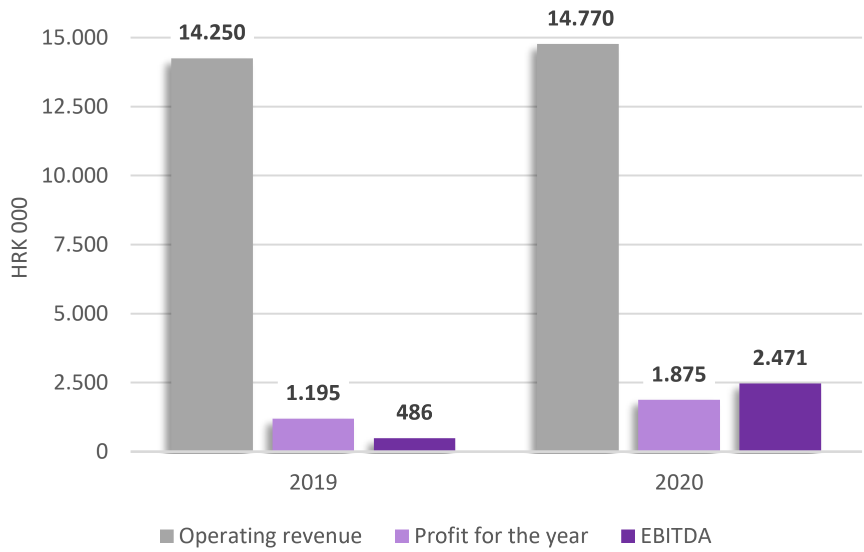


**Figure 1: Operating revenue, profit for the year and EBITDA**

Besides the operating revenues increase, large operating expenses decrease and a positive net financial result affected the net profit increase by HRK +680 thousand or +56.9% compared to the year before. Operating profit before interest, taxes, depreciation and amortization in 2020 amounts to HRK 2,471 thousand, which is a significant increase of HRK +1,985 thousand or +408.44% compared to 2019.

| HRK 000 | 2019 | 2020 | change |
|---|---|---|---|
| Share capital | 46.357 | 46.357 | 0,00% |
| Capital and reserves | 40.581 | 42.456 | 4,62% |
| Total assets | 46.619 | 47.937 | 2,83% |
| **Operating revenue** | **14.250** | **14.770** | 3,65% |
| *Sales revenue* | *8.820* | *10.172* | 15,33% |
| *Other operating income* | *5.430* | *4.598* | -15,32% |
| **Operating expenses** | **-14.841** | **-13.426** | -9,53% |
| *Staff costs* | *-6.760* | *-6.935* | 2,59% |
| *Depreciation and amortization* | *-1.077* | *-1.127* | 4,64% |
| *Other costs* | *-7.004* | *-5.364* | -23,42% |
| **EBIT** | **-591** | **1.344** | |
| **EBITDA** | **486** | **2.471** | 408,44% |
| Net financial result | 1.786 | 531 | -70,27% |
| **EBT** | **1.195** | **1.875** | 56,90% |
| Income tax credit | 0 | 0 | |
| **Profit for the year** | **1.195** | **1.875** | 56,90% |
| Number of shares (in thousands) | 4.636 | 4.636 | 0,00% |
| Number of employees | 26 | 24 | -7,69% |

**Table 1: Main business indicators**

### 1.2.1 Trading and price of ZB-R-A stock of the issuer Zagreb Stock Exchange, Inc.

Zagreb Stock Exchange stocks were listed on the regulated market (Official market segment) in August 2016. Issued share capital of Zagreb Stock Exchange amounts to HRK 46,357,000 and it is divided into 4,635,700 ordinary shares. From 1 January 2020 to 31 December 2020, the total orderbook turnover in the amount of HRK 410,135.90 was reached.

| | |
|---|---|
| Symbol | ZB-R-A |
| ISIN | HRZB00RA0003 |
| Number of listed shares | 4,635,700 |
| Total turnover (HRK) | 410,135.90 |
| Total trading volume | 30,017 |
| Highest price (HRK) | 16.30 |
| Lowest prices (HRK) | 10.20 |
| Last price (HRK) | 15.90 |
| Average daily turnover (HRK) | 2,010.47 |

**Table 2: ZB-R-A stock in 2020**

The ZB-R-A stock price reached its peak on February 7, 2020 in the amount of HRK 16.30, while the lowest price was reached on March 11, 2020 at HRK 10.20.

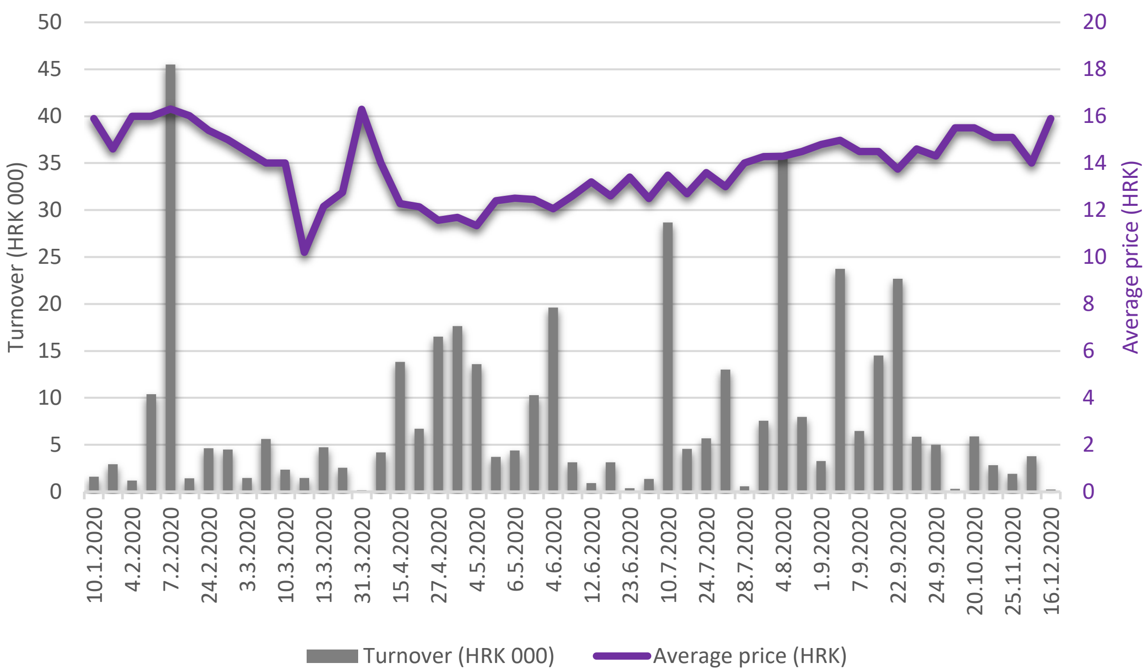


**Figure 2: Turnover and average price ZB-R-A stock in 2020**

### 1.2.2 Ownership structure of the issuer Zagreb Stock Exchange

A total of 196 shareholders were noted in the ownership structure of the Zagreb Stock Exchange on 31 December 2020.

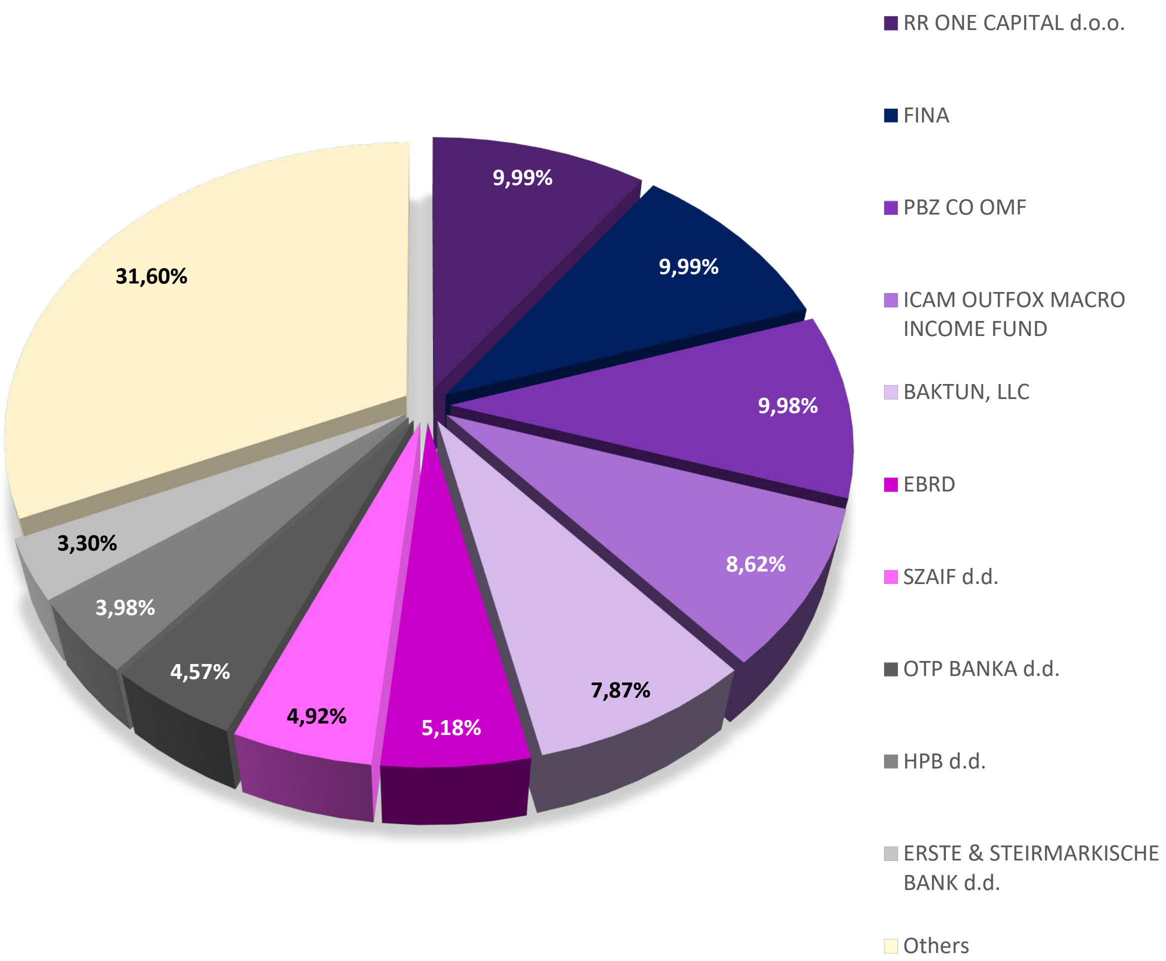


**Figure 3: Ownership structure on 31 December 2020**

## 1.3 Financial results and business operations in 2020

In 2020, the Company realized a total of HRK 14,770 thousand of operating income, which is HRK +520 thousand or +3.65% more than in 2019 when they amounted to HRK 14,250 thousand. Compared to the previous year, sales revenues increased from HRK 8,820 to HRK 10,172 thousand, i.e., by a significant HRK +1,352 thousand or +1.7%, with the largest increase within sales revenues being recorded by listing maintenance (an increase from HRK 3,932 to HRK 4,874 thousand; HRK +942 thousand or +23.94%). The trading commission, as the most important source of revenue, increased from HRK 3,777 to HRK 3,396 thousand, HRK +159 thousand or +4.21%, which is a consequence of the increased volume of securities trading from the end of February until the end of April 2020. In addition to the higher number of newly listed securities than in the previous year (five shares, five bonds and two ETFs were listed in 2020, while two shares and four bonds were listed in 2019), income from quotation fee also increased within sales revenues (increase from HRK 883 to HRK 1.182 thousand, or by HRK +299 thousand or +33.89%), while membership fees decreased from HRK 228 to HRK 180 thousand (HRK -48 thousand or -21.05%) due to the reduced number of members (one member less compared to 2019). Compared to 2019, in 2020 other operating income fell by a total of HRK -832 thousand (a decrease from HRK 5,430 to HRK 4,598 thousand; HRK -832 thousand or -15.32%), within which only income from the supply of information increased from HRK 2,350 to HRK 2,456 thousand (HRK +106 thousand or +4.51%). The significantly lower amount of other operating income in 2020 compared to the year before, is mostly due to fewer educations, which is why, in one part, income from seminars were missing (in 2019 income from seminars amounted to HRK 1,127 thousand). However, despite the COVID-19 crisis, the Company organized educations through online platforms and in 2020 generated smaller but significant income from seminars in the amount of HRK 643 thousand.

The Company's total operating expenses in 2020 amounted to HRK 13,426 thousand, which is a decrease of HRK -1,415 thousand or -9.53% compared to 2019 when operating expenses amounted to HRK 14,841 thousand. This significant decline in operating expenses is directly related to the changed mode of work due to the coronavirus pandemic, primarily working from home. The decrease in operating expenses was mostly due to the decrease in other operating expenses (HRK -1,640 thousand or -23.42%, i.e., from HRK 7,004 to HRK 5,364 thousand), which was due to the decrease in the costs of professional services (translation, legal, notary and consulting services) by HRK -415 thousand or -34.33%, i.e., from HRK 1,209 to HRK 794 thousand, and a decrease in business travel expenses by HRK -168 thousand or -87.05% (decrease from HRK 193 to HRK 25 thousand), while rent equipment and losses from the impairment of financial assets were completely absent (in 2019, the sum of these costs amounted to HRK 656 thousand). Other costs include the decrease in the following costs: seminar and marketing costs (HRK -138 thousand), fees and charges (HRK -109 thousand), impairment of trade receivables (HRK -102 thousand), representation (HRK -52 thousand), software costs and licenses (HRK -49 thousand), utility expenses (HRK -18 thousand), write-off of intangible assets (HRK -22 thousand) and postal and telephone services (HRK -6 thousand). Staff costs increased by HRK +175 thousand or +2.59% (from HRK 6,760 to HRK 6,935 thousand), which is within the planned, and depreciation by HRK +50 thousand or +4.64% (from HRK 1,077 to HRK 1,127 thousand).

The Company's operating profit in 2020 amounted to HRK 1,344 thousand, while in the previous year the operating loss amounted to HRK -591 thousand. Financial income in 2020 amounted to HRK 571 thousand (a decrease of HRK -1,284 thousand or -69.22% compared to 2019), which includes dividend income from the Ljubljana and Macedonian Stock Exchanges in the amount of HRK 411 thousand. In 2020, financial expenses amounted to HRK 28 thousand, -26 thousand or -48.15% compared to the previous year.

Considering all the above, the Company’s net profit in 2020 amounts to HRK 1,875 thousand, which is HRK +680 thousand (+56.9%) more than in 2019, when the Company's net profit amounted to HRK 1,195 thousand. Operating profit before interest, taxes, depreciation and amortization in 2020 amounts to HRK 2,471 thousand, i.e., HRK +1,985 thousand more than in 2019.

In 2020, in order to preserve the value of its assets, the Company invested its available cash in bond funds and bank deposits. At the end of 2020, the Company's free assets amounted to HRK 19,413 thousand (units in investment funds and cash in the bank).

## 1.4 Business analysis

### 1.4.1 Total operating revenues

Total operating revenues in 2020 amount to HRK 14,770 thousand and are higher by HRK +520 thousand or +3.65% compared to 2019 when they amounted to HRK 14,250 thousand. The largest increase in revenue was recorded in income from quotation maintaining (HRK +942 thousand or +24%).

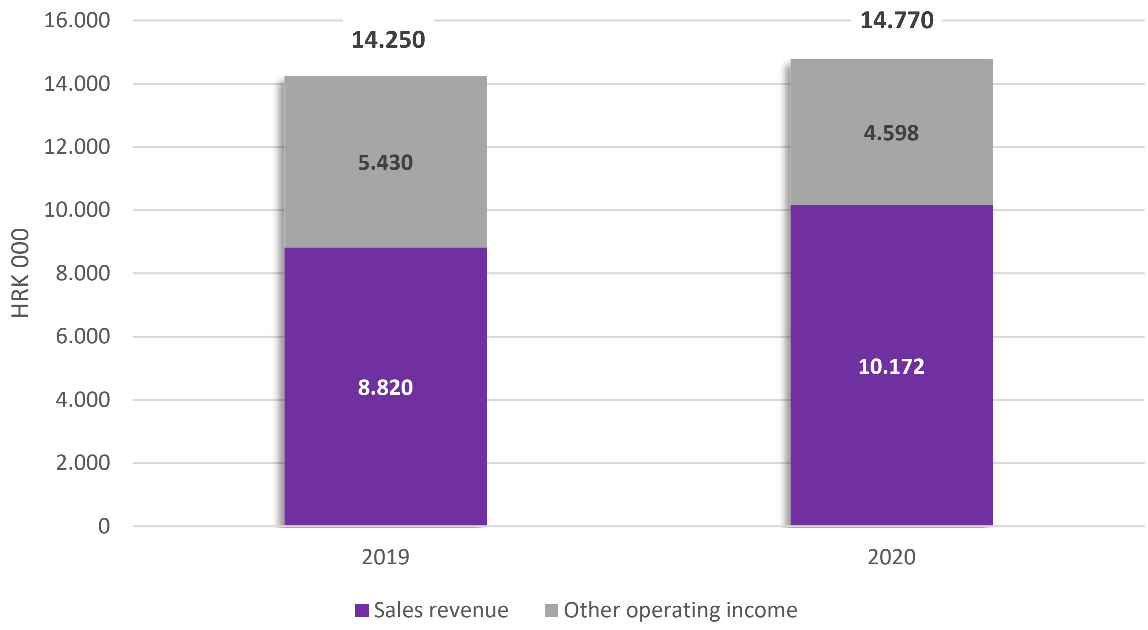


**Figure 4: Operating revenue**

As in the previous year, in 2020 the largest share in operating revenue had income from quotation maintaining (33%) and trading commissions (27%).

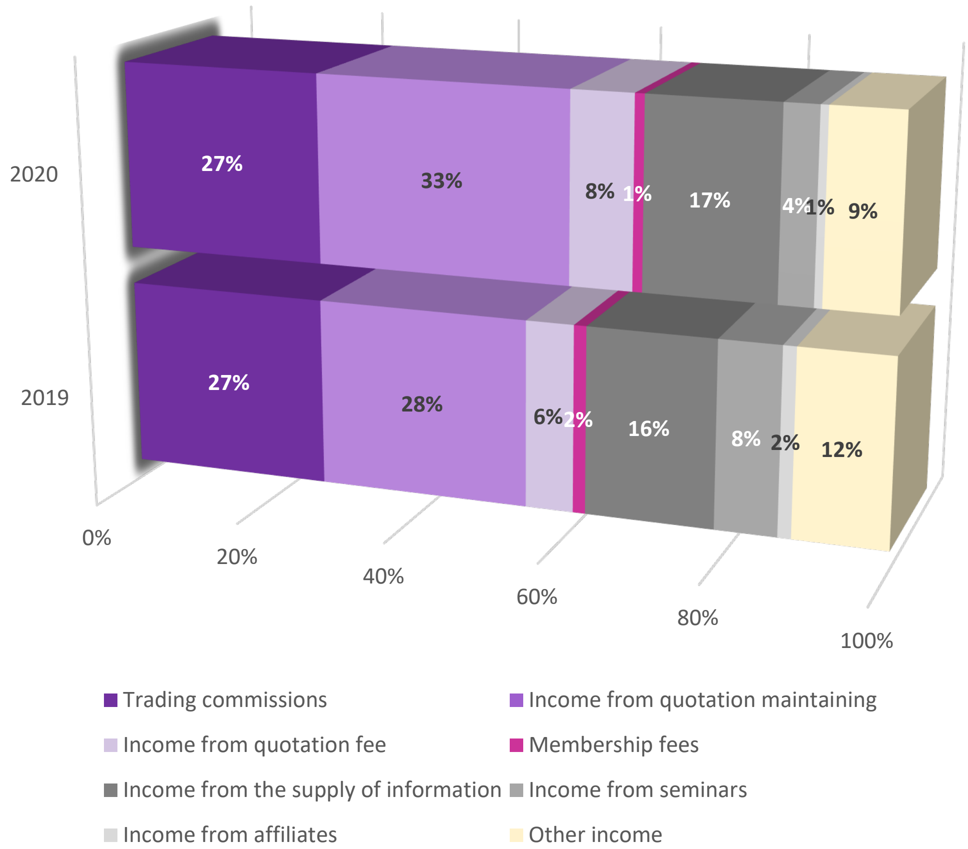


**Figure 5: Operating revenue structure**

### Trading commissions and membership fees

Influenced by the increased volume of securities trading from the end of February to the end of April 2020, trading commissions increased from HRK 3,777 to HRK 3,936 thousand, i.e., by HRK +159 thousand or +4.2% compared to 2019. At the end of 2020, the Exchange had a total of 14 members, one member less than in 2019, so the income from membership fees is lower by HRK -48 thousand or -21.1% and amounts to HRK 180 thousand.

### Income from quotation maintaining

Income from quotation maintaining increased from HRK 3,932 to HRK 4,874 thousand (HRK +942 thousand or +24%), which is a consequence of the increase in quotation maintenance prices during the last change in the Price List in August 2019. At the end of 2020, 104 shares were listed on the Regulated Market, fifteen or -12.61% fewer listed shares compared to the previous year.

### Income from quotation fees

In 2020, income from quotation fees increased from HRK 883 to HRK 1,182 thousand (HRK +299 thousand or +33.9%) compared to the previous year. In 2020, five shares, five bonds and two ETFs were listed, while in 2019, two shares and four bonds were listed.

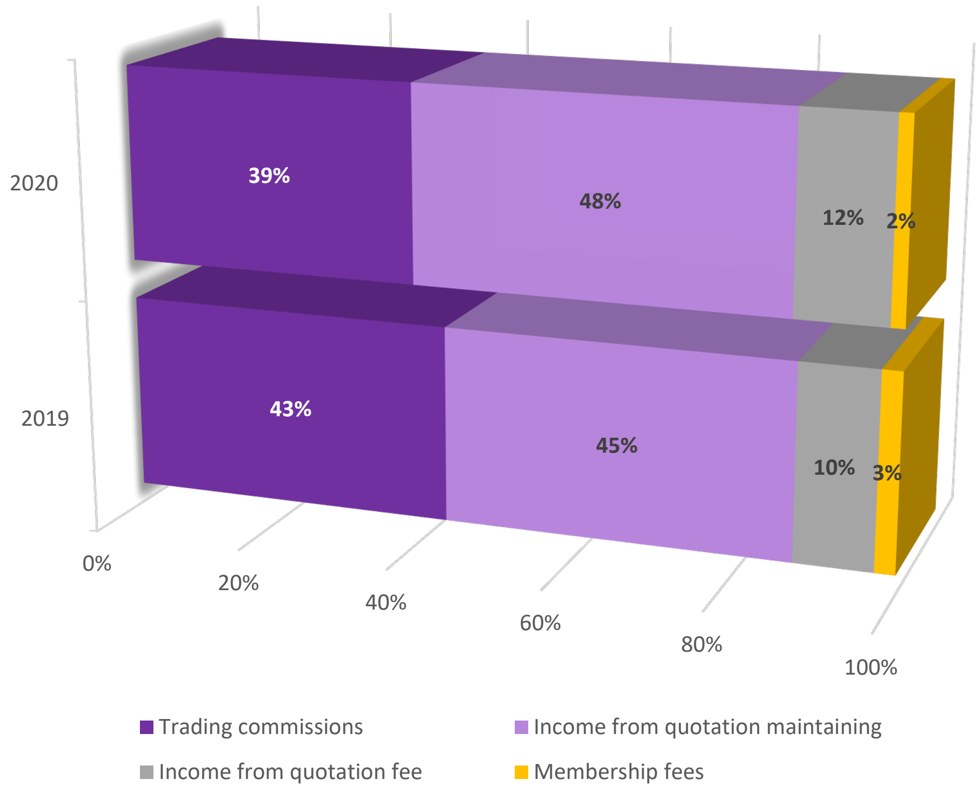


**Figure 6: Sales revenue structure**

### Other operating income

Other operating income fell by a high HRK -832 thousand or -15.3% compared to 2019 (from HRK 5,430 to HRK 4,598 thousand) mainly due to reduced income from seminars (HRK -484 thousand or -42.9%). However, despite the COVID-19 crisis due to which it was difficult to hold the usual number of seminars and due to which, in one part, income from seminars were missing, the Company organized educations through online platforms and in 2020 generated a smaller but significant income from seminars in the amount of HRK 643 thousand. Income from the supply of information has the largest share in other operating revenues (53.41%), and they increased by HRK +106 thousand or +4.5% (from HRK 2,350 to HRK 2,456 thousand). This includes income from real-time data distribution rights paid by members. Besides income from seminars, other income (HRK -359 thousand or -21%, i.e., from HRK 1,712 to HRK 1,353 thousand), which include income from subsequently collected receivables, income from various fees, income from fines and other determining income, income from associated companies (HRK -95 thousand or -39.4%, i.e., from HRK 241 to HRK 146 thousand) also decreased.

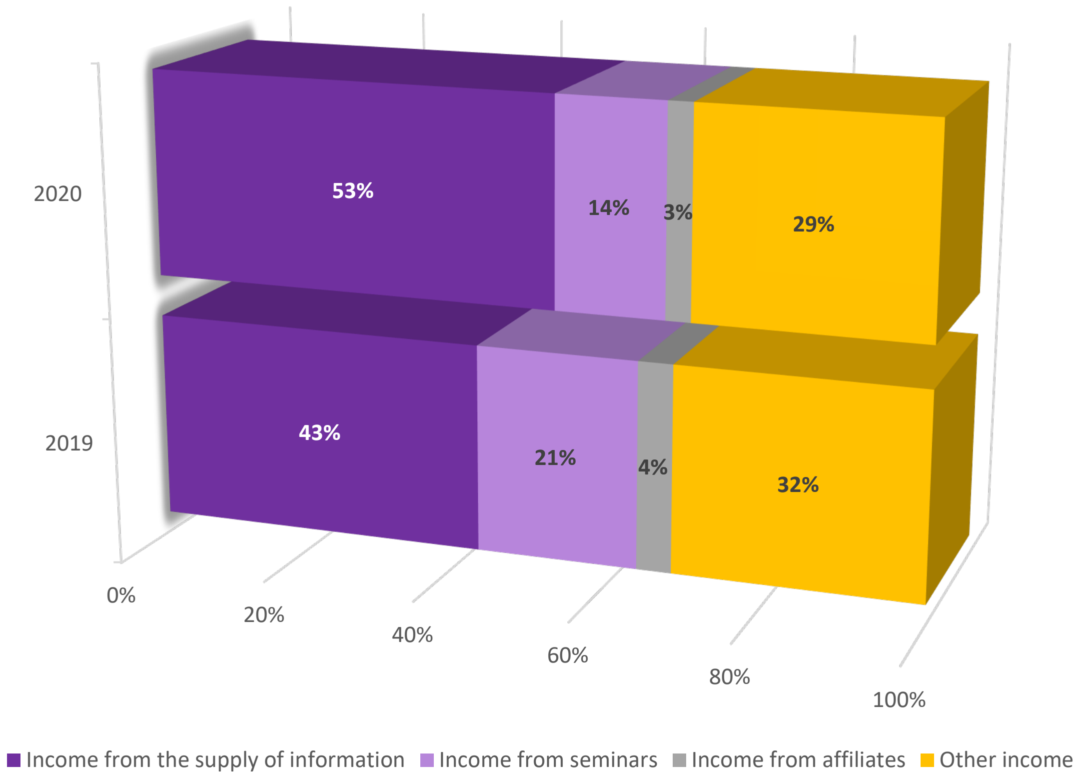


**Figure 7: Other operating income structure**

### 1.4.2 Total operating expenses

Total operating expenses in 2020 amounted to HRK 13,426 thousand, which is a decrease of HRK -1,415 thousand or -9.53% (in 2019 they amounted to HRK 14,841 thousand).

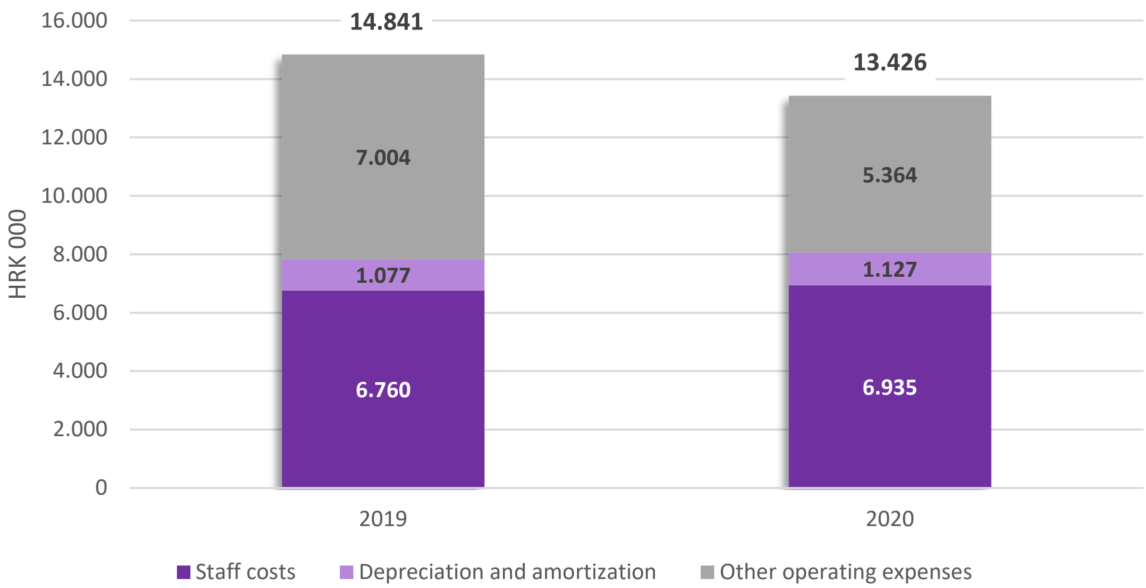


**Figure 8: Operating expenses structure**

As already mentioned, this significant decline in operating expenses is mainly related to the changed work mode due to the COVID-19 crisis, primarily working from home. The decline in total operating expenses was mostly due to the decline in other operating expenses (HRK -1,640 thousand or -23.42%, i.e., from HRK 7,004 to HRK 5,364 thousand), the decline of which was mostly caused by a reduction in the costs of professional services (translation, lawyer, notary and consulting services) by HRK -415 thousand or -34.33%, i.e., from HRK 1,209 to HRK 794 thousand, reduction of business travel expenses by HRK -168 thousand or -87.05% (decrease from HRK 193 to HRK 25 thousand), and absence of equipment rental and impairment losses on financial assets (in 2019, the sum of these costs amounted to HRK 656 thousand). In addition to the above, within other expenses fell: seminar and marketing expenses (HRK -138 thousand), fees and charges (HRK -109 thousand), impairment of trade receivables (HRK -102 thousand), software costs and licenses (HRK -49 thousand), utility expenses (HRK -18 thousand), write-off of intangible assets (HRK -22 thousand) and postal and telephone services (HRK -6 thousand). As planned, staff costs increased (HRK +175 thousand or +2.59%, i.e., from HRK 6,760 to HRK 6,935 thousand), while depreciation increased by HRK +50 thousand or +4.64% compared to 2019 (from HRK 1,077 to HRK 1,127 thousand).

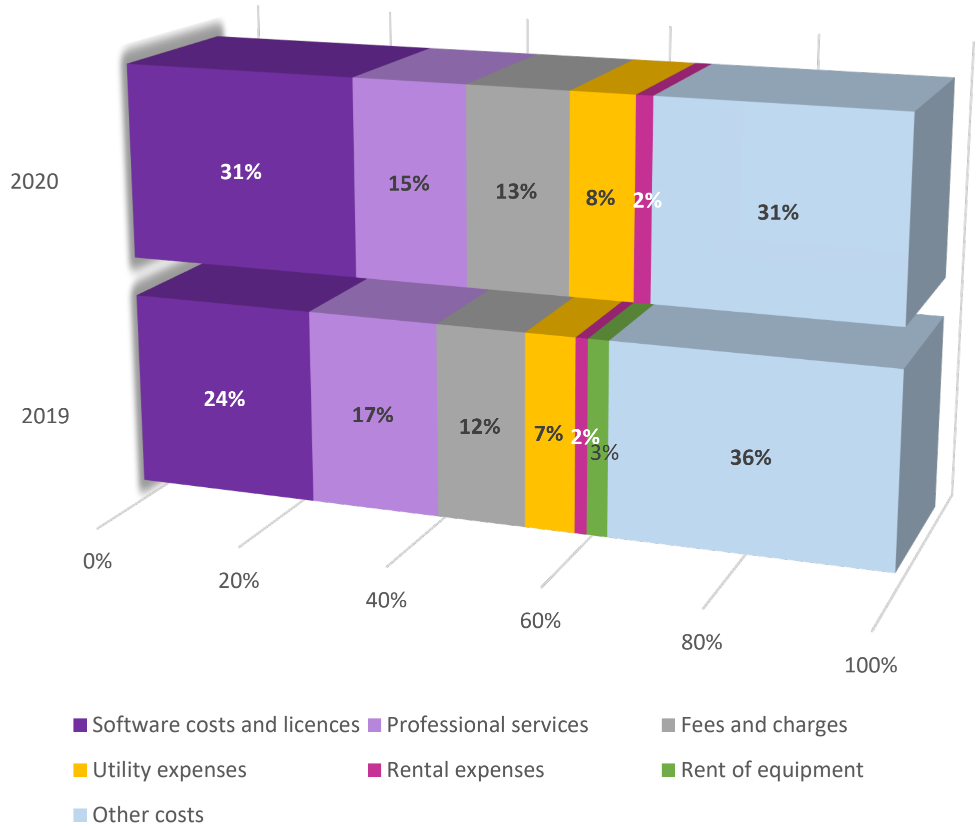


**Figure 9: Other operating expenses structure**

### 1.4.3 Net profit for the period

In 2020, the net profit for the period amounted to HRK 1,875 thousand; an increase of HRK +680 thousand or +56.9% compared to the previous year when net profit amounted to HRK 1,195 thousand. In addition to the increase in the most important income, that of trading commissions (+4.2%), which traditionally accounts for about 40% of sales revenue and about 25% of total revenue, the Company increased income from other bases. It is necessary to point out income from quotation maintaining of HRK 4,874 thousand, revenues from the supply of information of HRK 2,456 thousand, income from quotation fee of HRK 1,182 thousand, and a positive net financial result of HRK 531 thousand.

Operating profit before interest, taxes, depreciation and amortization increased significantly compared to the previous year (HRK +1,985 thousand) and in 2020 amounted to HRK 2,471 thousand, and it is mostly the result of a large increase in the Company's operating profit (HRK +1,935 thousand).

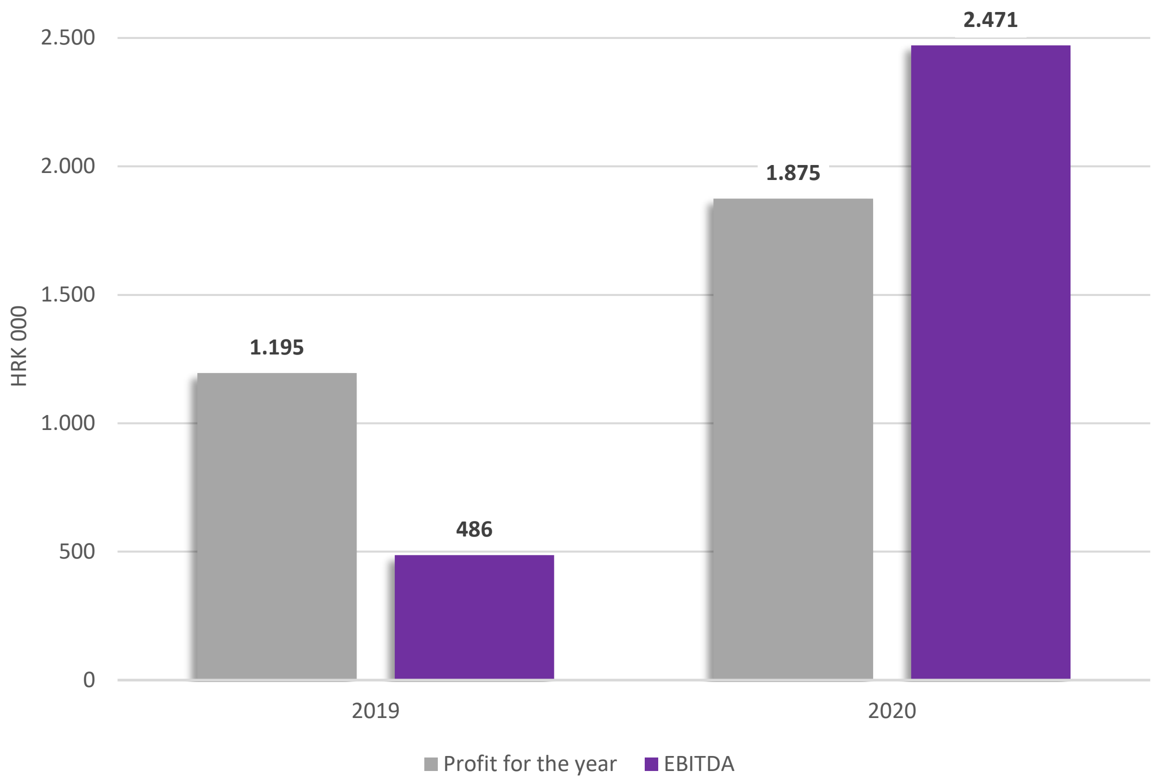


**Figure 10: Net profit for the period and EBITDA**

### 1.4.4 The Company's Assets

As of 31 December 2020, the total assets of the Company amounted to HRK 47,937 thousand, which is +2.8% more than on the last day of 2019.

| HRK 000 | 2019 | 2020 | change |
|---|---|---|---|
| **Non-current assets** | **23.522** | **23.205** | **-1,3%** |
| **Current assets** | **23.097** | **24.732** | **7,1%** |
| *Inventories* | *7* | *7* | *0,0%* |
| *Trade receivables* | *3.123* | *2.726* | *-12,7%* |
| *Financial assets* | *19.583* | *17.774* | *-9,2%* |
| *Short-term deposits* | *0* | *2.500* | |
| *Cash and cash equivalents* | *319* | *1.639* | *413,8%* |
| *Prepaid expenses* | *65* | *86* | *32,3%* |
| **Total assets** | **46.619** | **47.937** | **2,8%** |
| **Equity** | **40.581** | **42.456** | **4,6%** |
| **Long term obligations** | **302** | **32** | **-89,4%** |
| **Current liabilities** | **5.736** | **5.449** | **-5,0%** |
| **Total equity and liabilities** | **46.619** | **47.937** | **2,8%** |

**Table 3: Balance Sheet on 31 December**

The structure of assets and liabilities has not changed significantly compared to 2019. On the assets side, the share of current assets slightly increased in relation to the share of non-current assets, while on the liabilities side the share of equity increased compared to long-term and current liabilities.

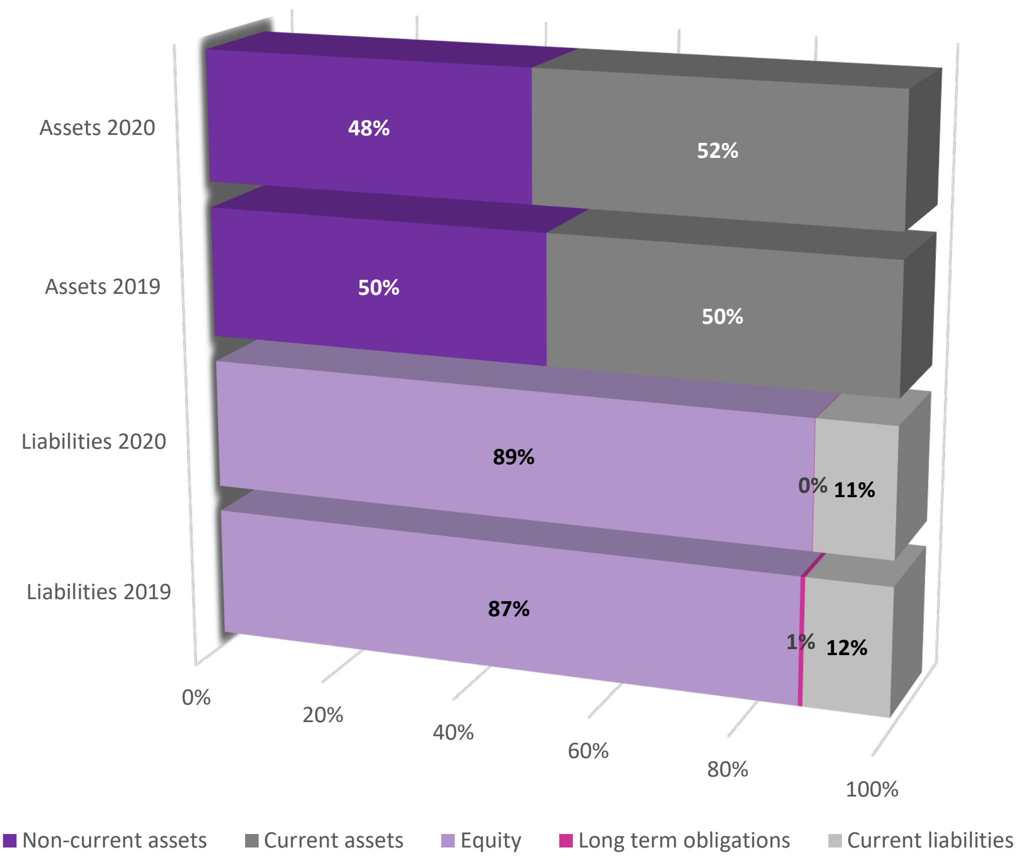


**Figure 8: Assets and Liabilities Structure**

## 1.5 Significant events after the end of the financial year

In 2021, uncertainty continued over the prevention measures taken to halt the spread and suppression of the COVID-19 pandemic. It is not possible to estimate the future duration of the pandemic, but the Company is actively monitoring the situation and will take all necessary measures to minimize potential negative impacts in the event of a worsening situation. With its infrastructure and working procedures, the Company is fully trained and ready to ensure business continuity so that trading can run smoothly. Infrastructure and work processes are adapted to work in crisis situations, employees are on standby, and tests related to working in such circumstances have been successfully conducted, thus ensuring continuous trading in securities throughout the trading day, without difficulties even in emergencies.

The long-term effect can also affect the company's operations in terms of difficult operations of our clients - issuers, as well as reducing the volume of trade due to possible uncertainties of investors related to the impact of the crisis on the Croatian economy. Despite the aforementioned, at the date of issue of these financial statements, the Company continues to settle due to liabilities and, consequently, prepares financial statements under the assumption of indefinite operation.

After the Zagreb Stock Exchange acquired a 5.3% stake in the Macedonian Stock Exchange at the end of 2019, in March 2021 the Macedonian regulator positively assessed the detailed documentation submitted by the Zagreb Stock Exchange and agreed to further acquire shares whose total cumulative amount does not exceed 20% of total issued shares with voting rights. The Zagreb Stock Exchange intends to increase its ownership stake in the Macedonian Stock Exchange from 5.3% to 15.19% by acquiring additional 276 shares, or 9.89% of the shares of the Macedonian Stock Exchange.

Apart from the above, no other business events or transactions have occurred after the balance sheet date that would have a material impact on the financial statements on or for the period then ended or are of such significance to the Company's operations as to require disclosure in management.

## 1.6 Expected development of the Company

In 2021, the Company will continue to focus on restoring confidence and raising Corporate Governance standards and reporting on a regulated market. The Company will also focus on greater promotion of existing issuers, with a focus on Prime Market. The Company will continue internally to develop IT services that will be used by the Zagreb and Ljubljana Stock Exchanges, and thus further reduce the need for external suppliers.

The Company will press on with previously initiated projects, placing the greatest emphasis on the project of regional SME capital market development (Progress), and further activities related to financing and investing in start-ups (Funderbeam SEE).

## 1.7 Research and Development activities

The Company has pressed on with continuous efforts at developing and improving its own service offering and at expanding service provision to the Slovenian market as well.

During the second half of 2019, the Company began migrating the Ljubljana Stock Exchange's downstream system to the Company's internally developed data warehouse system. Work on the full implementation of this system has also been carried over to the first part of 2020.

During 2020, the Exchange also developed and launched a completely new website of the Zagreb and Ljubljana Stock Exchanges.

## 1.8 Information on repurchase of own shares

As of December 31, 2020, the Company held no own shares.

The Company did not acquire own shares between 1 January 2020 and 31 December 2020.

## 1.9 Subsidiaries of the Company

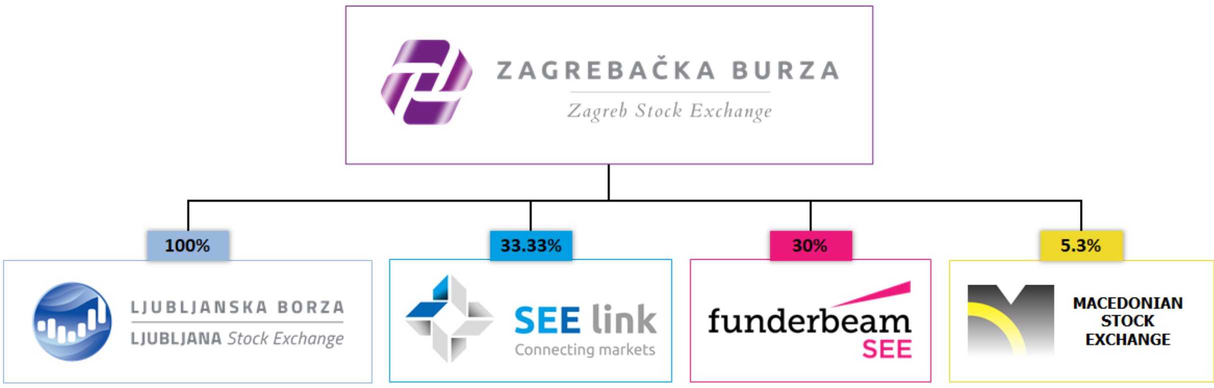


**Figure 9: Subsidiaries of the Company**

On 30 December 2015, the Zagreb Stock Exchange took over a 100% participation in company Ljubljana Stock Exchange Inc. The issued share capital of Ljubljana Stock Exchange on 31 December 2019 is EUR 1,401,000, and the Zagreb Stock Exchange participates with 100%.

Ivana Gažić, President of the Management Board of the Zagreb Stock Exchange, is the President of the Supervisory Board of the Ljubljana Stock Exchange, and the members of the Supervisory Board as of 31 December 2020 are Tomislav Gračan, Member of the Management Board of the Zagreb Stock Exchange, and Matko Maravić, Member of the Supervisory Board of the Zagreb Stock Exchange.

SEE Link d.o.o. is a company seated in Skopje established by the Bulgarian, Macedonian and Zagreb Stock Exchanges in May 2014 with the aim of setting up the regional infrastructure for trading in securities listed in those three exchanges, holding equal equity participations. The issued share capital of SEE LINK is 80,000 EUR and Zagreb Stock Exchange participates with 33.33%.

Manyu Moravenov, Executive Director of the Bulgarian Stock Exchange, is the President of the Supervisory Board of SEE Link. Ivana Gažić, President of the Management Board of the Zagreb Stock Exchange, and Ivan Steriev, President of the Management Board of the Macedonian Stock Exchange, are members of the Supervisory Board of SEE Link.

Funderbeam South-East Europe d.o.o. is a company that the Zagreb Stock Exchange founded in 2016 together with company Funderbeam Ventures OÜ. The issued share capital of the company on 31 December 2019 is 244,000 HRK, and the Exchage participates with 30%.

On December 18, 2019, the Zagreb Stock Exchange acquired 148 shares, or 5.3% of the Macedonian Stock Exchange's share capital.

## 1.10 Financial instruments

The Company is fully funded by its own capital. The financial instruments the Company invests in are investment funds (money market and bond funds) and bank deposits.

## 1.11 Business operation risks

Business operation risks are detailed in the notes to the financial statements (Note 23).

## 1.12 Zagreb Stock Exchange in 2020

The year got off to a good start in terms of solid trading statistics, as a logical continuation of the very good year 2019, which would prove a useful buffer for the events to follow. The first COVID-positive patient in Croatia was suspected on 24 February 2020 and, as a result, the CROBEX index lost close to 5% of its value in a single day. As the suspicion was confirmed on the subsequent day, the CROBEX recorded a further almost 2% loss. In the intense trading marked by high market volatility that ensued over the following weeks, daily turnover totalled approximately HRK 30 million – or three times as much as usual – with major corrections in the indices.

The market activity was relatively subdued in April and, although halved, share turnover trading was halved stood considerably higher than in January (approx. +50%). May and June brought about further market stabilisation, as well as a mild recovery in index values and market capitalisation, and the rest of the year was slightly less hectic than its first half.

While the index correction reached as much as -30% at a certain point, most of the losses were recouped at an annual level.

Orderbook trading turnover and total turnover ended 4.5% higher, with order book share turnover exceeding that in the previous year by 5.6%. Overall, Market value expressed through market capitalisation strengthened by almost 3%. Prime Market, bolstered by the listing of Croatian Telecom, Inc. shares, led capitalisation growth while Prime Market recorded the highest increase (124.3%) in terms of the number of transactions.

ETFs, which began trading in mid-Novembers, attracted substantial investor interest, ending the year in the “green” with almost HRK 22 million in turnover in merely a few weeks.

| HRK mil. | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| Orderbook turnover | 2,400 | 2,989 | 2,266 | 2,472 | 2,578 |
| *Stocks* | *1,909* | *2,621* | *1,579* | *2,179* | *2,300* |
| *Bonds* | *438* | *368* | *686* | *293* | *256* |
| *Structured products* | *52* | - | - | - | - |
| *ETFs* | - | - | - | - | *22* |
| Total Block Turnover | 1,465 | 670 | 588 | 523 | 551 |
| *Equity Block Turnover* | *1,209* | *589* | *542* | *523* | *551* |
| *Debt Block Turnover* | *255* | *81* | *46* | - | - |
| **Total Turnover** | **3,864** | **3,660** | **2,854** | **2,994** | **3,129** |

**Table 4: ZSE securities turnover (2016 - 2020)**

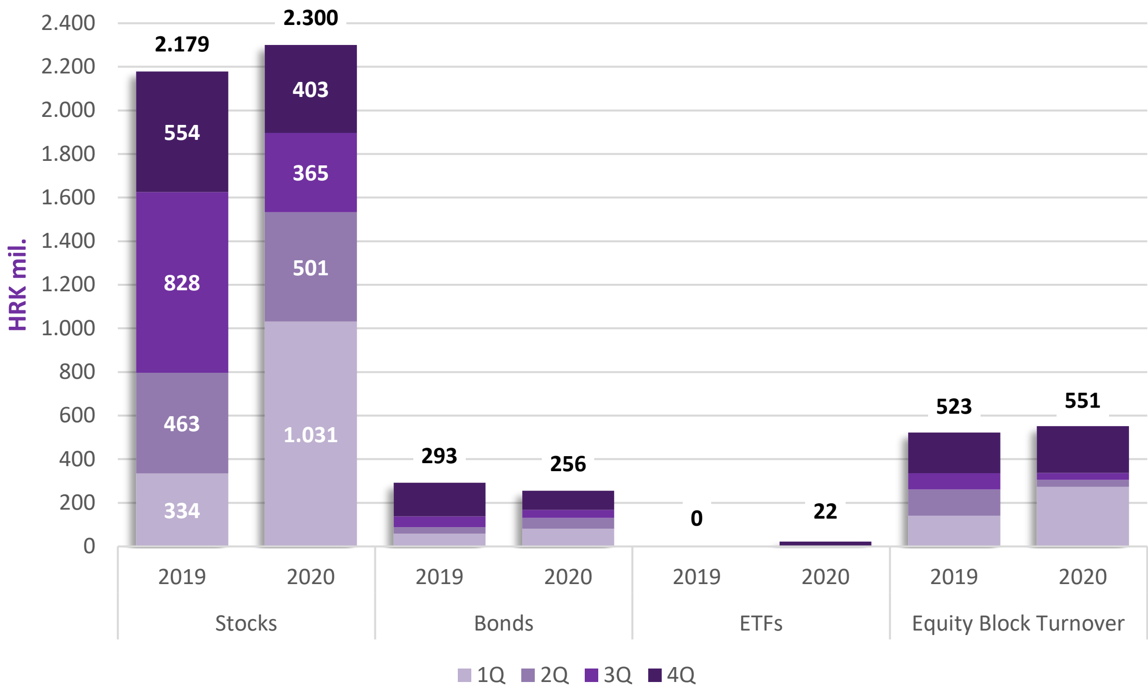


**Figure 13: ZSE turnover by type of security (2015 - 2019)**

Compared to the last day of 2019, the market value measured by market capitalization as of 31 December 2020 is higher by a total of HRK +7.1 billion or +2.7%, while the equity market capitalization is lower by HRK -10.6 billion or -7.18%. In addition to the already known impact of the Covid-19 virus, the reason for the decline in the equity market capitalization is reflected in the smaller number of listed shares. As of 31 December 2020, a total of fifteen shares were listed less than on the same day in 2019, fourteen shares less on the Regular and two shares less on the Official Market, of which one (HT) moved to a higher quotation, Prime Market.

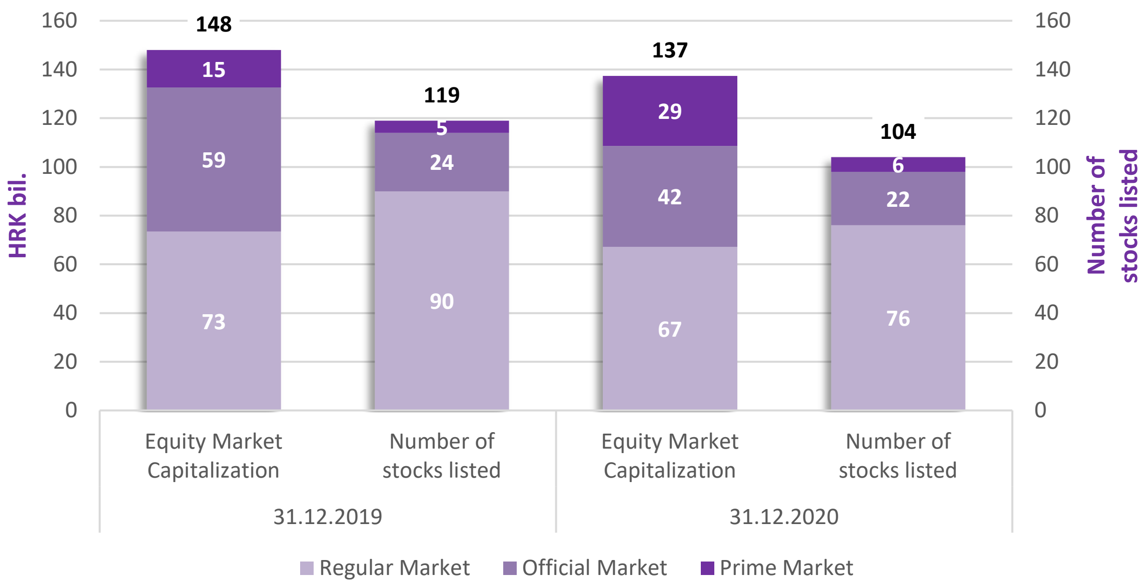


**Figure 14: Equity Market Capitalization and number of shares listed (2020 vs. 2019)**

Despite corrections, indices closed at a satisfactory level, especially in view of the overall situation through the year and the losses generated, which were mostly annulled by its end.

While some indices shed between 7.5% and 10% percent of their value, the CROBEX and the CROBEXtr declined by 13.8% and 12.5% respectively. Certain indices recorded major gains, however, with the CROBEXindustrija (+9.19%) and the CROBEXkonstrukt (+61.74%) leading the way. The CROBEXturist grew a meagre +0.60%, marking a symbolic victory for one of the hardest hit sectors, which eventually recorded better results in Croatia than in many comparable markets and certainly beating some earlier forecasts.

| Index | 31.12.2019 | 31.12.2020 | change | Turnover (HRK) 2019 | Turnover (HRK) 2020 | change |
|---|---|---|---|---|---|---|
| **CROBEX** | 2.017,43 | 1.739,29 | -13,79% | 1.350.953.901 | 1.885.108.067 | 39,54% |
| **CROBEXtr** | 1.348,37 | 1.179,89 | -12,50% | 1.350.953.901 | 1.885.108.067 | 39,54% |
| **CROBEX10** | 1.199,89 | 1.087,81 | -9,34% | 1.105.200.099 | 1.579.203.982 | 42,89% |
| **CROBEX10tr** | \ | 1.087,33 | \ | \ | 484.036.133 | \ |
| **CROBEXprime** | 1.164,17 | 1.048,11 | -9,97% | 460.385.377 | 771.279.606 | 67,53% |
| **CROBEXplus** | 1.108,73 | 1.104,30 | -0,40% | 1.746.444.397 | 1.866.174.136 | 6,86% |
| **CROBEXindustrija** | 870,48 | 950,45 | 9,19% | 187.629.843 | 324.532.518 | 72,96% |
| **CROBEXkonstrukt** | 432,14 | 698,94 | 61,74% | 17.588.508 | 96.873.815 | 450,78% |
| **CROBEXnutris** | 689,01 | 623,36 | -9,53% | 663.015.538 | 286.638.338 | -56,77% |
| **CROBEXturist** | 3.456,83 | 3.477,97 | 0,61% | 345.681.037 | 434.896.393 | 25,81% |
| **CROBIS** | 115,59 | 112,36 | -2,80% | 9.656.303.872 | 25.040.891.148 | 159,32% |
| **CROBIStr** | 187,18 | 186,89 | -0,16% | 9.656.442.652 | 25.040.891.148 | 159,32% |
| **ADRIAprime** | 1.109,27 | 1.072,87 | -3,28% | \ | \ | \ |

**Table 5: Indices - value and turnover (2020 vs. 2019)**

The most traded share in 2020 was that of Hrvatski telekom d.d., followed by Valamar Riviera d.d., Adris grupa d.d., Podravka d.d., and Ericsson Nikola Tesla d.d. Exactly half of the turnover is concentrated in the first 5 most liquid stocks.

| Rank | Ticker | Issuer | Turnover (HRK) | Share |
|---|---|---|---|---|
| 1 | HT | HT d.d. | 351.691.018 | 15,29% |
| 2 | RIVP | Valamar Riviera d.d. | 322.149.347 | 14,00% |
| 3 | ADRS2 | ADRIS GRUPA d.d. | 227.526.696 | 9,89% |
| 4 | PODR | PODRAVKA d.d. | 127.746.431 | 5,55% |
| 5 | ERNT | ERICSSON NIKOLA TESLA d.d. | 121.070.065 | 5,26% |
| | | Others | 1.150.090.236 | 50,00% |
| | **TOTAL** | | **2.300.273.793** | **100,00%** |

**Table 6: Turnover of the 5 most liquid stocks in 2020**

In 2020, five shares were listed, while Hrvatski telekom d.d. moved to Prime Market, the most demanding market segment.

At the end of 2020, the Exchange had 14 members, and the top five members of the Exchange with the highest turnover in 2020 are listed in the following table:

| Rank | Member | Turnover (HRK) | Share |
|---|---|---|---|
| 1 | INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O. | 1.353.004.776 | 23,70% |
| 2 | ERSTE&STEIERMARKISCHE D.D. | 876.775.990 | 15,36% |
| 3 | FIMA-VRIJEDNOSNICE D.O.O. | 794.010.557 | 13,91% |
| 4 | HITA VRIJEDNOSNICE D.D. | 603.266.642 | 10,57% |
| 5 | ZAGREBACKA BANKA D.D. | 590.256.076 | 10,34% |
|  | Others | 1.491.350.071 | 26,12% |
|  | **TOTAL** | **5.708.664.114** | **100,00%** |

**Table 7: Turnover of the first 5 members of the Stock Exchange in 2019**

Almost 74% of total turnover came from the top five members.

### 1.12.1 Support for members

The Zagreb Stock Exchange regularly provides support to member firms regarding the Exchange trading process. This includes both configuring and maintenance of the trading system itself, and the preparation of various support applications used for trading. In that respect, the Exchange actively communicates with member firms during the implementation of new trading system functionalities and other changes which might reflect on the members' business. It focuses especially on own member-side applications, developed using the FIX (a Vienna Stock Exchange version – CEESEG FIX) protocol interface. In cooperation with the Vienna Stock Exchange, the Exchange provides support to member firms when developing their own applications and conducts initial certification of their software solutions.

The Exchange also provides other forms of technical support and, for that purpose, it has made available a dedicated collaboration website (http://it.zse.hr) for users to submit their support requests directly to the Information and Technology Development Department.

### 1.12.2 Support for issuers

Zagreb Stock Exchange has an advisory role and supports all issuers listed on the regulated market while ensuring that everyone follows the Rules of the Exchange and the provisions of the Capital Market Act. It also monitors if mentioned issuers act in accordance with the procedures and recommendations and also practice the Code of Corporate Governance.

The Exchange organizes annually a joint education for the issuers on the regulated market in co-operation with the Croatian Financial Services Supervisory Agency and the Central Depository and Clearing Company.

The Exchange licences authorized advisors on the Progress Market and monitors the entire application process for trade listing on the Progress Market. It also handles trade supervision and ensures that issuers fulfill their obligations towards the Exchange after they have listed on the Progress Market.

In December 2019, the Zagreb Stock Exchange substantially amended its Rules regarding the supervision of issuers in terms of fulfilling post-listing obligations. These changes are part of the stock market's strategy of continuously working to increase the level of transparency and corporate governance of issuers across all market segments.

## 1.13 Internal controls and risk management system

Zagreb Stock Exchange internal controls system consists of procedures and processes for monitoring of business efficiency, financial reports reliability and legal compliance.

All employees, including the Management and Supervisory Board, are included in internal controls system enforcement.

The Exchange enforces the internal controls system through two independent control functions: compliance with the relevant regulations function and internal audit function.

These control functions process and monitor the work of all organizational units, company activities and support services in their internal documents.

Risk management is a set of procedures and methods for determining, measuring, assessing, controlling and monitoring risks and also reporting on the risks to which the Exchange is or might be exposed in its operations.

The Exchange has adopted the following procedures related to risk management:

- Risk management policy,
- Information system risk management,
- Self-assessment procedure for compliance with Art. 48. MIFID II,
- The procedure for admission to membership and termination of membership, which contains the annual evaluation of the members of the Exchange,
- Service agreements management procedure.

The internal auditor, Antares revizija d.o.o., compiles the following documents:

- Strategic internal audit plan,
- Annual internal audit plan.

In order to successfully manage risks that affect completion of Company's objectives, the Company assesses risks by identifying and analysing them.

Considering the Company's determined objectives and defined core processes, the Exchange has identified and determined risks that could influence the company's business processes. List of risks doesn't encompass all risks but only those on higher level. Other, more detailed risks (lower level risks) are identified during the internal audit of business processes.

The risks are grouped by those that influence the Exchange's organizational units that perform specific business processes within the company and by other risks that are connected with the Exchange's business in general.

Considering the previously defined company's core business processes and determined risks, the Exchange has adopted Risk assessment with regard to their impact on business processes.

Risk assessment encompasses every process's inherent risk and during the assessment, the very nature of those processes and best practice were taken into consideration.

Based on the risk assessment results, main areas that will be covered by internal audit procedures and measures that will prevent the occurrence of risky events have been established.
Risk monitoring is not separated and entrusted to Company's independent organizational unit, but to one or more Company's departments, depending on the type of risk. Therefore, every employee of the Exchange is included in Company's risk management.

Each organizational unit, depending on the identified risks and risk management system, is in charge of risk monitoring and cooperation with other organizational units, especially with the Management Board who makes decisions on individual risk management and its control.

In addition, two mutually independent control functions are involved in Company's risk management system: compliance with relevant regulations function (Compliance Department within the Sector of Legal and General Affairs) and internal audit performed by the independent company Antares revizija d.o.o.

| Ivana Gažić | ZAGREBAČKA BURZA d.d. Zagreb | Tomislav Gračan |
| --- | --- | --- |
| President of the Management Board | | Member of the Management Board |

## 2 Statement on the application of the Corporate Governance Code

Pursuant to provision of Article 272, paragraph, in conjunction with provision of Article 250a, paragraph 4 of the Companies Act (Official Gazette no. 111/93, 34/99, 52/00, 118/03, 107/07, 148/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19; hereinafter: CA) and provision of Article 22 of the Accounting Act (Official Gazette no. 78/15, 134/15, 120/16, 116/18, 42/20, 47/20; hereinafter: AA), the Management Board of company ZAGREB STOCK EXCHANGE Inc., Zagreb, Ivana Lučića 2a (hereinafter: the Company), on 26 April 2021, issued the following

**STATEMENT**
**on the application of the Corporate Governance Code**

1. The Company implements the Corporate Governance Code prescribed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange Inc. Zagreb. The Code is published in Zagreb Stock Exchange website, www.zse.hr.

2. In financial year 2020 the Company essentially complied with and implemented recommendations established by the Code, publishing all information as envisaged by the positive regulations as well as information that are in the interest of Company's shareholders. Detailed explanations regarding minor deviations from the recommendations of the Code are presented by the Company in the Annual Questionnaire that is provided.

3. In accordance with Code requests, and pursuant to provisions of the Companies Act and Capital Market Act (Official Gazette no. 65/18, 17/20; hereinafter: CMA), the Supervisory Board conducts internal supervision of the Company by conducting regular controls of prepared reports. Members of the Supervisory Board receive on regular basis detailed information on management and work of the Company. All issues under the competence of the Supervisory Board, as prescribed by the CA, CMA and Articles of Association of the Company, are discussed and decided upon in the Supervisory Board meetings. Supervisory Board Report is part of the Company's Annual Report presented to the General Assembly. In addition, the Supervisory Board performs internal controls and supervision through Audit Board that provides expert support to the Supervisory Board and the Management Board in the efficient execution of obligations relating to corporate governance, risk management, financial reporting and control of the Company. The Management Board is bound to monitor that the Company keeps business books and other books and business documents, prepares book-keeping documents, provides realistic assessments of the assets and liabilities, drafts financial and other reports in accordance with accounting regulations and standards and applicable laws and regulations.

4. Top ten shareholders on 31 December 2020

| | Shareholder | No. of shares | Ownership share |
|---|---|---|---|
| 1 | RR ONE CAPITAL d.o.o. | 463,106 | 9.9900% |
| 2 | FINA | 463,106 | 9.9900% |
| 3 | PBZ CO OMF | 462,800 | 9.9834% |
| 4 | ICAM OUTFOX MACRO INCOME FUND | 399,500 | 8.6179% |
| 5 | BAKTUN, LLC | 364,957 | 7.8727% |
| 6 | EBRD | 240,000 | 5.1772% |
| 7 | SZAIF d.d. | 228,000 | 4.9184% |
| 8 | OTP BANKA d.d. | 211,800 | 4.5689% |
| 9 | HPB d.d. | 184,600 | 3.9821% |
| 10 | ERSTE & STEIRMARKISCHE BANK d.d. | 152,800 | 3.2962% |
| | Others | 1,465,031 | 31.6032% |
| | **Total** | **4,635,700** | **100.0000%** |

Pursuant to the Articles of Association of the Company, shareholder's voting rights are not limited to a certain percentage or number of votes nor there are time limitations to acquire voting right. Each ordinary share provides a right to one vote in the General Assembly.

Rights and obligations of the Company deriving from the acquisition of own shares are met in accordance with the provision of the CA.

In 2020, the Company did not acquire own shares.

5. Management Board of the Company consists of two members. Mrs Ivana Gažić performs duties of the President of the Management Board, and Mr Tomislav Gračan performs duties of the member of the Management Board.

The Management Board runs Company business operations in line with the Articles of Association and legal regulations.

The Management Board is appointed and dismissed by the Supervisory Board that consists of the following members:

- Borislav Centner, President
- Tomislav Jakšić, Deputy President
- Matko Maravić
- Enrique Bernardo Mariano
- Mislav Ante Omazić
- Ivan Sardelić
- Ivan Tadin

6. There are several boards / committees of the Supervisory Board in the Company which provides expert support to the Supervisory Board and the Management board. The members of these boards / committees are appointed and recalled by the Supervisory Board.

The Supervisory Board has established Audit Committee composed of three members, namely:

- Matko Maravić,
- Enrique Bernardo Mariano,
- Ivan Tadin.

The Supervisory Board has established Remuneration Committee composed of three members, namely:

- Borislav Centner,
- Tomislav Jakšić,
- Enrique Bernardo Mariano.

The Supervisory Board has established Strategy Committee composed of five members, namely:

- Matko Maravić,
- Borislav Centner,
- Enrique Bernardo Mariano,
- Ivana Gažić,
- Tomislav Gračan.

The Supervisory Board has established Commission for assessment of compliance with criteria for management board members composed of three members, namely:

- Ivan Tadin,
- Tomislav Jakšić,
- Mislav Ante Omazić.

Pursuant to provisions of Article 250a, paragraph 4 and Article 272, paragraph of the CA, and Article 22 of the AA, this Statement is a special section and integral part of the Company's Annual Report for 2020.

Ivana Gažić
President of the Management Board

ZAGREBAČKA BURZA d.d.
Zagreb

Tomislav Gračan
Member of the Management Board

## Responsibilities of the Management Board for the Annual report

The Management Board of the Company is required to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Company and of the results of its operations and cash flows, in accordance with International Financial Reporting Standards as adopted by the European Union. The Management Board is responsible for implementing and maintaining proper accounting records relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform to applicable accounting standards and then applying them consistently; making judgments and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is also responsible for the preparation and content of the Management report and the statement of implementation of Corporate Governance Code, as required by the Croatian Accounting Act (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20 ), and the rest of other information (together “other information”).

The Management Board is responsible for the submission of the Annual report to the Supervisory Board which includes the financial statements and other information for acceptance, following which the Supervisory Board is required to consider, and if appropriate approve the annual financial statements for submission to the General Assembly for adoption.

The financial statements set on pages 34 to 73 and other information, set out on pages 1 to 27, are approved by the Management Board on 26 April 2021 and are signed and verified for the Supervisory Board.

Signed on behalf of the Zagreb Stock Exchange, Inc.:

ZAGREBAČKA BURZA d.d.
Zagreb

| | |
|---|---|
| Ivana Gažić | Tomislav Gračan |
| President of the Management Board | Member of the Management Board |

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Hrvatska
OIB: 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zagrebačka burza d.d.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the unconsolidated financial statements of Zagrebačka burza d.d. („Company"), which comprise the unconsolidated statement of financial position as at 31 December 2020, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and reserves and unconsolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter „financial statements").

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

### Basis for Opinion

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

We draw attention to the fact that consolidated financial statements for the Zagrebačka burza d.d. its subsidiary, prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRSs), have been issued separately. Consolidated financial statements have been approved for issue at the date of this report and for a better understanding of Group Zagrebačka burza as a whole, users should read consolidated financial statements related to these financial statements.

### Key Audit Matters

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

This version of the auditor's 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 auditor's report takes precedence over translation.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Report on the Audit of the Financial Statements (continued)

**Key Audit Matter (continued)**

<table>
<tr><th>Revenue recognition</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">According to the disclosures made in Note 4, the total revenue of the Company for the financial year amount to HRK 10,172 thousand (2019: HRK 8,820 thousand). Accounting policies for revenue recognition are disclosed in Note 3 k).</td></tr>
<tr><td>Revenue is important for assessing the Company's performance. The Company generates revenue from trading commissions, fees for maintenance of quotations, quotations fees and membership fees. Revenue is recognized in accordance with IFRS 15 "Revenue from Contracts with Customers", according to performance obligations at point in time and performance obligations over time.<br><br>Process of revenue recognition is highly automated and it is mainly based on the application of published fees to trading volume or number of quoted securities.<br><br>• Given the high degree of reliance on information systems, implemented automatic controls in revenue recognition and possible impact of inaccurate revenue calculation, we have concluded that revenue recognition is a key audit matter.</td><td>We audited implementation of IFRS 15 requirements by performing the following audit procedures:<br><br>• We reviewed and verified whether the accounting policies for revenue recognition have been applied in accordance with IFRS 15 „Revenue from Contracts with Customers". We evaluated the disclosures in the Annual Report and compliance with IFRS 15;<br><br>• We gained an understanding of the process, control environment and internal controls established by the Management in the revenue recognition business process;<br><br>• We assessed the structure and effectiveness of the automatic and manual internal controls established by the Management in the revenue recognition business process, including assessments of design and implementation of identified internal controls relevant to the revenue recognition process. Based on the results of internal control tests, we determined the scope and types of tests to verify accuracy and period of revenue recognition;<br><br>• We have conducted audit procedures of testing, i.e. testing the details of data used in revenue recognition to verify accuracy, occurrence and recognition in an adequate period.</td></tr>
</table>

Deloitte.

# INDEPENDENT AUDITOR'S REPORT (continued)

## Report on the Audit of the Financial Statements (continued)

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report.

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 examination of whether the Management Report and Corporate Governance Statement include required disclosures as set out in the Articles 21 and 22 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Article 22 of the Accounting Act.

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

1. Information included in the other information is, in all material respects, consistent with the attached financial statements.
2. Management Report has been prepared, in all material respects, in accordance with the Article 21 of the Accounting Act.
3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from the Article 22, paragraph 1, point 2, 5, 6 and 7.

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT (continued)

## Report on the 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 is 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we 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 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Report on Other Legal and Regulatory Requirements

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

We were appointed as the statutory auditor of the Company by the General Assembly of the Company on 6 July 2020 to perform audit of accompanying financial statements. Our total uninterrupted engagement has lasted 2 year and covers period 1 January 2019 to 31 December 2020.

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 2021 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

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

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

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

**Domagoj Vuković**
Director and Certified auditor

26 April 2021

Deloitte d.o.o.
Radnička cesta 80,
10 000 Zagreb,
Croatia

**Unconsolidated statement of comprehensive income**

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | **'000 kn** | **'000 kn** |
| Sales revenue | 4 | 10,172 | 8,820 |
| Other operating income | 5 | 4,598 | 5,430 |
| Staff costs | 6 | (6,935) | (6,760) |
| Depreciation and amortization | 10,11,12 | (1,127) | (1,077) |
| Other operating costs | 7 | (5,364) | (7,004) |
| **(Loss)/profit from operations** | | **1,344** | **(591)** |
| Financial income | 8 | 571 | 1,855 |
| Financial expenses | 8 | (28) | (54) |
| Net loss from foreign exchange | | (12) | (15) |
| **Net financial income** | | **531** | **1,786** |
| **Profit before tax** | | **1,875** | **1,195** |
| Income tax expense | 9 | - | - |
| **Profit for the year** | | **1,875** | **1,195** |
| **Other comprehensive income, net of income taxes** | | - | - |
| **Total comprehensive income for the year** | | **1,875** | **1,195** |
| Basic and diluted profit per share (HRK) | 20 | 0.40 | 0.26 |

The accounting policies and other notes form an integral part of these separate financial statements.

**Unconsolidated statement of financial position**

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | **'000 kn** | **'000 kn** |
| **Assets** | | | |
| ***Non-current assets*** | | | |
| Equipment | 10 | 743 | 256 |
| Intangible asset | 11 | 971 | 1,080 |
| Assets with right-of-use | 12 | 322 | 1,041 |
| Investment in subsidiary | 13 | 19,125 | 19,125 |
| Investment in associate and joint venture | 14 | 275 | 251 |
| Financial assets at fair value through other comprehensive income | 15a | 1,302 | 1,302 |
| Guarantee deposits | | 250 | 250 |
| Loans given to related parties | 18 | 217 | 217 |
| **Total non-current assets** | | **23,205** | **23,522** |
| ***Current assets*** | | | |
| Trade receivables and other assets | 16 | 2,726 | 3,123 |
| Financial assets at fair value through profit or loss | 15b | 17,774 | 19,583 |
| Short-term deposits | | 2,500 | - |
| Cash and cash equivalents | 17 | 1,639 | 319 |
| Inventories | | 7 | 7 |
| Prepaid expenses | | 86 | 65 |
| **Total current assets** | | **24,732** | **23,097** |
| **Total assets** | | **47,937** | **46,619** |
| **Equity, reserves and liabilities** | | | |
| ***Equity and reserves*** | | | |
| Issued share capital | 19 | 46,357 | 46,357 |
| Share premium | | 13,860 | 13,860 |
| Legal reserves | | 141 | 141 |
| Accumulated losses | | (19,777) | (20,972) |
| Result for the period | | 1,875 | 1,195 |
| **Total equity and reserves** | | **42,456** | **40,581** |
| **Long term liabilities** | | | |
| Lease liabilities | | **32** | **302** |
| **Total Long term liabilities** | | **32** | **302** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 1,641 | 1,569 |
| Lease liabilities | | 272 | 734 |
| Contractual liabilities | 22 | 3,536 | 3,433 |
| **Total current liabilities** | | **5,449** | **5,736** |
| **Total equity, reserves and liabilities** | | **47,937** | **46,619** |

The accounting policies and other notes form an integral part of these separate financial statements.

**Unconsolidated statement of changes in equity and reserves**

| | **Issued share equity** | **Share premium** | **Legal reserves** | **Accumulated loss** | **Result for the period** | **Total** |
|---|---|---|---|---|---|---|
| | **'000 kn** | **'000 kn** | **'000 kn** | **'000 kn** | **'000 kn** | **'000 kn** |
| **Balance at 1 January 2019** | **46,357** | **13,860** | **141** | **(20,282)** | **1,310** | **39,386** |
| Profit distribution | - | - | - | 1,310 | (1,310) | |
| Profit for the year | - | - | - | **-** | 1,195 | **1,195** |
| *Total comprehensive income for the year* | **-** | **-** | **-** | - | ***1,195*** | ***1,195*** |
| **Balance at 31 December 2019** | **46,357** | **13,860** | **141** | **(20,972)** | **1,195** | **40,581** |
| **Profit distribution** | | | | 1,195 | (1,195) | - |
| Profit for the year | - | - | - | - | 1,875 | **1,875** |
| Total comprehensive income for the year | | **-** | **-** | - | 1,875 | **1,875** |
| **Balance at 31 December 2020** | **46,357** | **13,860** | **141** | **(19,777)** | **1,875** | **42,456** |

The accounting policies and other notes form an integral part of these separate financial statements.

## Unconsolidated statement of cash flows

| | Note | 2020 '000 kn | 2019 '000 kn |
|---|---|---|---|
| **Cash flow from operating activities** | | - | - |
| **Profit before tax** | | **1,875** | **1,195** |
| Adjustments: | | - | - |
| Depreciation and amortization | 10,11,12 | 1,127 | 1,077 |
| Unrealized (profit)/loss from financial assets at fair value through profit and loss | 8 | (34) | (1,210) |
| Unrealized loss from financial assets at fair value through other comprehensive income | 7 | - | 467 |
| Decrease in short term receivables | 7 | 286 | 388 |
| Dividends income | 8 | (411) | (421) |
| Interest income | 8 | (17) | (202) |
| Net foreign exchange loss/(profit) | | - | 15 |
| Write-offs | | - | 23 |
| Other adjustments | | (269) | (32) |
| **Cash flow before changes in operating assets and liabilities** | | **(2,557)** | **1,300** |
| **Changes in operating assets and liabilities** | | | |
| Decrease/(increase) in trade receivables | | 111 | (928) |
| (Increase)/decrease in prepaid expenses | | (22) | 22 |
| Increase in short trade and other payables | | 321 | 197 |
| Increase in contractual obligations and accrued expenses | | 102 | 665 |
| **Change in operating assets and liabilities** | | **512** | **(44)** |
| Income tax | 9 | | - |
| **Net cash inflow/(outflow) from operating activities** | | **3,069** | **1,256** |
| **Cash flow from investing activities** | | | |
| Investment in joint ventures | | (24) | - |
| Purchase of tangible long term assets | 10 | (776) | (31) |
| Sale of tangible long term assets | 10 | 58 | - |
| Purchase of financial instruments | | (500) | (2,573) |
| Purchase of intangible assets | 11 | (67) | (623) |
| Sale of financial instruments | | 2,342 | 320 |
| Dividends received | | 411 | 421 |
| Interest received | | 17 | 202 |
| Investment in short-term deposits | | (2,500) | - |
| **Net cash (outflow)/inflow from investing activities** | | **(1,039)** | **(2,284)** |
| **Cash flow from financing activities** | | | |
| Repayment of lease liabilities | | (711) | (734) |
| **Net expenditures on financing activities** | | **(711)** | **(734)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **1,319** | **(1,762)** |
| Cash and cash equivalents at the beginning of the yeas | | 319 | 2,081 |
| The impact of changes in exchange rates | | - | - |
| **Cash and cash equivalents at the end of the year** | 17 | **1,639** | **319** |

The accounting policies and other notes form an integral part of these separate financial statements.

**Notes to the financial statements**

## 1 Reporting entity

Zagrebačka burza d.d. ("the Company") is a company domiciled in Republic of Croatia and was registered at the Commercial Court in Zagreb on 5 July 1991. The address of the Company's registered office is Eurotower, 22nd floor, Ivana Lučića 2a/22, Zagreb, Croatia.

The business activities of the Company include: management of the regulated market; collection, processing and publishing of trading data; management of Multilateral Trading Facility; development, maintenance and disposition of computer software used for management of the regulated market and for collection, processing and publishing of the data on securities trading; organizing and providing professional trainings for participants of capital markets.

At the year end the Company was owned by 196 shareholders (31 December 2019: 208 shareholders). The Company does not have an ultimate parent company.

As at 31 December 2020 and 31 December 2019 the Zagreb Stock Exchange d.d. is the owner of Ljubljanska borza d.d. Ljubljana, Slovenia and has an investment in a joint venture SEE Link d.o.o. Skopje, Republic of North Macedonia. As at 31 December 2020, the Zagreb Stock Exchange d.d. has an investment in the associate company Funderbeam South-East Europe d.o.o., Zagreb, Croatia.

The activities of the Company are regulated by Croatian Agency for Supervision of Financial Services ("HANFA").

These financial statements comprise the separated financial statements of the Company as defined in International Accounting Standards 27 Separate Financial Statements. Zagrebačka burza Group prepares consolidated financial statements, which are published as a separate document.

## 2 Basis of preparation

### *a) Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by European Union („IFRS").

These financial statements were authorized for issue by the Management Board on 26 April 2021 for approval by the Supervisory Board.

### *b) Adoption of new and amended International Financial Reporting Standards*

*Standards and Interpretations effective for the current period*

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements"** and IAS 8 "Accounting policies, Changes in Accounting Estimates, Errors" – Definition of means, adopted by the EU on 29 November 2019. (effective for annual periods beginning on or after 1 January 2020)
- **Amendments to IFRS 3 "Business Combinations" –** Definition of business, adopted by the EU on 21 April 2020. (effective for business combinations for which the acquisition date is on or after the start of the first annual reporting period starting on or after 1 January 2020 and for acquisitions of funds that occur on or after the start of that period)
- **Amendments to IFRS 9 "Financial Instruments",** IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform, adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

**Notes to financial statements (continued)**

**2 Basis of preparation (continued)**

***b) Adoption of new and amended International Financial Reporting Standards (continued)***

- **Amendments to IFRS 16 "Leases" -** Lease relief in the context of the COVID-19 pandemic (adopted by the EU on 9 October 2020, effective latest by 1 June 2020 for annual periods beginning on or after 1 January 2019),
- **Amendments to the reference to the Conceptual Framework in IFRS,** adopted by the EU on 29 November 2019. (effective for annual periods beginning on or after 1 January 2020)

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements.

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

At the date of authorization of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IFRS 4 "Insurance Contracts" -** Extension of the temporary exemption from the application of IFRS 9, adopted by the EU on 16 December 2020 (the expiry date of the temporary exemption from the application of IFRS 9 has been moved from 1 January 2021 to annual periods starting on or after 1 January 2023.),
- **Amendments to IFRS 9 "Financial Instruments",** IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform – phase 2, adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),

The Company has chosen not to apply the new standards, amendments to existing standards and interpretations prior to their effective date.

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

***d) New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU***

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

**Notes to financial statements (continued)**

**2 Basis of preparation (continued)**

***d) New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU (continued)***

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 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,
- **IFRS 17 "Insurance Contracts",** including changes made to IFRS 17 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IAS 1 "Presentation of Financial Statements" -** Classification of short-term and long-term liabilities (effective for annual periods starting on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plan and Equipment" -** Income before intended use (effective for annual periods starting on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" -** Harmful contracts – Costs of fulfilling contractual obligations (effective for annual periods starting on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations" -** References to the Conceptual Framework amending IFRS 3 (effective for annual periods starting on or after 1 January 2022),
- **Amendments to IFRS 10 "Consolidated Financial Statements"** and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments of various standards due to revision of IFRS from 2018. – 2020. -** resulting from the project of annual completion of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily to address inconsistencies and clarifications of the text (Modifications to IFRS 1, IFRS 9 and IAS 41 in force for annual periods starting on or after 1 January 2022). The modification of IFRS 16 applies exclusively to an illustrative example, therefore no effective date is specified.).

The Company expects that the adoption of these new standards and changes to existing standards will not lead to significant changes in the Entity's financial statements during the period of first adoption of the standard. The accounting of protection for a portfolio of financial assets and liabilities whose principals have not yet been adopted by the European Union remains unregulated.

According to the Company's estimates, applying accounting of protection for a portfolio of financial assets or liabilities in accordance with IAS 39: "Financial instruments: recognition and measurement" would not lead to significant changes in financial statements if applied to the balance sheet date.

**Notes to financial statements (continued)**

**2 Basis of preparation (continued)**

***e)*** **Basis of measurement**

Financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are measured at fair value.

***f) Functional and presentation currency***

The financial statements are presented in the local currency, Croatian kuna ("HRK"), which is the currency of the primary economic environment in which the Company operates ("the functional currency"). All financial information presented in HRK has been rounded to the nearest thousand.

***g) Use of estimates and judgments***

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and given the information available at the date of preparation of the financial statements, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have a significant effect on the amounts disclosed in the financial statements are described in note 26.

***h) Foreign currency translation***

Transactions in foreign currencies are translated into respective functional currency at the spot exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is difference between the amortized costs in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and amortized cost in foreign currency translated at the spot exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit of loss.

In addition to HRK, the most significant currency in which the Group has assets and liabilities is Euro. The exchange rate used for translation on 31 December 2020 was EUR 1 = HRK 7.53689 (31 December 2019: EUR 1 = HRK 7.44258).

**Notes to the financial statements (continued)**

## 3 Significant accounting policies

### _a) Equipment and intangible assets_

Equipment mainly comprises computer and office equipment, furniture and telephone equipment. Intangible assets comprise purchased computer software licenses capitalized in the amount equal to the costs incurred to purchase and bring the software item to use.

_Recognition and measurement_

Equipment and intangible assets are presented at cost net of accumulated depreciation, amortization and impairment losses. Costs include expenditure that is directly attributable to the acquisition of these assets.

_Subsequent costs_

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and can be measured reliably. All other repairs and maintenance represent the cost of the financial period in which they are incurred.

_Depreciation and amortization_

Depreciation is recognized in income statement on a straight-line basis over the estimated useful lives of each part of an item of equipment. Assets acquired but not brought into use (assets in preparation) are not depreciated.

The estimated useful economic lives are as follows and there have been no changes compared to previous year:

| | |
|---|---|
| Computer and office equipment | 4-7 years |
| Office furniture and equipment | 5-7 years |
| Computer software | 2-5 years |
| Trading system software | 6-18 years |
| Leasehold improvements | lease period |

The depreciation and amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in income statement.

**Notes to the financial statements (continued)**

**3 Significant accounting policies (continued)**

***b) Financial instruments***

**Classification**

*Classification categories*

After initial recognition, financial assets are classified as assets at amortized cost, assets at fair value through other comprehensive income (FVOCI) and assets at fair value through profit and loss (FVTPL).

***Financial assets at amortized cost***

Financial assets are measured at amortised cost if they meet both of the following conditions and if they are not valued at fair value through profit and loss (FVTPL):

- The purpose of a business model is to hold assets in order to collect contractual cash flows; and
- The contractual terms of a financial asset represent cash flows that are solely principal and interest payments (SPPI), at specific dates.

This category includes: loans to related parties, receivables from customers, cash and cash equivalents and placements with banks.

***Financial assets at fair value through other comprehensive income***

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and if it is not valued at fair value through profit and loss account (FVTPL):

- the purpose of the business model is the holding of assets for the purpose of collecting contractual cash flows and the sale of financial assets; and
- contractual terms of financial assets represent cash flows that are solely principal and interest repayment (SPPI), at specific dates.

In the initial recognition of an investment in equity instruments that are not held for trading, the Company may irrevocably decide to recognize subsequent changes in fair value through other comprehensive income. This choice is made on the basis of a particular investment.

***Financial assets at fair value through profit or loss***

All other financial assets are classified as financial assets at fair value through profit or loss.

In addition, at initial recognition, the Company may irrevocably designate financial assets at fair value through profit or loss, although it meets the measurement requirements at amortized cost or at fair value through other comprehensive income, if this eliminates or substantially reduces the accounting mismatch that would arise.

As at 31 December 2020, financial assets at fair value through profit or loss refer to investments in open-end investment funds.

**Notes to financial statements (continued)**

**3 Significant accounting policies (continued)**

***b) Financial instruments (continued)***

**Financial liabilities**

Company's financial liabilities that are not measured at fair value through profit or loss are measured at amortized cost, which includes liabilities for loans, guarantee deposits and other liabilities.

**Reclassification**

Financial assets are not reclassified after initial recognition, except in the period after the change in the business model for the financial asset management.

*Business Model Assessment*

Business models determines how to manage a group of financial assets as a whole (portfolio) in order to achieve a specific business goal and define the way in which financial assets are expected to generate cash flows. Financial assets held for trading and whose performance is assessed on the basis of fair value are measured at fair value through profit and loss account, as it is not held for the purpose of collecting the contracted cash flows nor for collecting contractual cash flows and for sale.

**Recognition and derecognition**

Financial assets and financial liabilities at fair value through profit or loss are recognized at the trading date, i.e. the date on which the Company assumes the obligation to buy or sell the assets. Loans and receivables and other financial liabilities that are valued at amortized cost are recognized at the time the financial asset is transferred to the borrowers or liabilities received from the lender.

The Company ceases to recognize financial assets (in whole or in part) when the right to receive cash flows from a financial asset expires or when it loses control of the contractual rights over such a financial asset. This occurs when the Company substantially transfers all the risks and rewards of ownership to another business entity or when the rights have been exercised, ceded or expired. The Company ceases to recognize financial liabilities only when they cease to exist, i.e. when they are met, cancelled, expired or significantly modified (10 per cent test). If the terms of the financial liability change, the Company will cease to recognize this obligation and start recognizing the new financial liability with the new terms.

From 1 January 2018, any cumulative gain or loss recognized in the comprehensive income from equity securities under FVOCI option shall not be recognized in the income statement upon termination of recognition of such securities. All interest on transferred financial assets that meets the conditions for cessation of recognition is recognized as a separate asset or liability.

The Company measures investments in the shares (described in note 15 a) by FVOCI option. In accordance with IFRS 9, the Company has decided to value these investments in shares under the FVOCI option since it does not hold such shares for trading. The fair values of those investments are disclosed within note 15 a).

**Notes to the financial statements (continued)**

**3 Significant accounting policies (continued)**

**_b) Financial instruments (continued)_**

**Initial and subsequent measurements**

Financial assets and liabilities are initially recognized at fair value increased by, in case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly related to the acquisition or issuance of a financial asset or a financial liability. Transaction costs of financial assets at fair value through profit or loss are recognized immediately in profit or loss, while other financial instruments are amortized. All financial assets at fair value through profit or loss are subsequently carried at fair value. Loans to related parties and receivables from customers are valued at amortized cost less impairment losses and other financial liabilities at amortized cost. The amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

_Fair value measurement principles_

The fair value of financial assets at fair value through profit or loss is quoted bid market price at the reporting date, without any deduction for selling costs. The Company assesses separately each financial instrument to determine if there is an active or inactive market for the instrument.

_Fair value hierarchy_

The Company uses the following levels for determining the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets,

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**31 December 2020**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through other comprehensive income (note 15) | - | - | 1,302 | 1,302 |
| Financial assets at fair value through profit or loss (note 15) | 17,774 | - | - | 17,774 |
| **Total** | **17,774** | **-** | **1,302** | **19,076** |

**31 December 2019**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through other comprehensive income (note 15) | - | - | 1,302 | 1,302 |
| Financial assets at fair value through profit or loss (note 15) | 19,583 | - | - | 19,583 |
| **Total** | **19,583** | **-** | **1,302** | **20,885** |

**Notes to the financial statements (continued)**

**3 Significant accounting policies (continued)**

***b) Financial instruments (continued)***

**Impairment of financial assets**

*Financial instruments*

For credit exposures for which there has been no significant increase in credit risk from initial recognition, expected credit losses are recognized for credit losses arising from the probability of default in the next 12 months. For credit exposures with a significant increase in credit risk from initial recognition, a correction is required for expected credit losses throughout the life of the facility, regardless of the time of borrowing. For customer and contractual receivables, Company applies a simplified approach to calculating expected credit losses and therefore does not monitor credit risk changes but recognizes a value adjustment based on expected life-long expected credit loss at the end of each reporting period.

A financial asset is impaired when there is information indicating that debtor is in serious financial difficulty, that there is no realistic prospect of recovery, or that the debtor is likely to enter bankruptcy or other form of financial reorganization or restructuring. Impaired financial assets may still be subject to the Company's collection activities.

Expected credit losses on trade receivables are estimated on the basis of the maturity date matrix, taking into account the historical experience of the debtor's default status and an analysis of the debtor's current financial position. The Company recognized a loss of 100% on all claims over 120 days because historical experience indicates that these claims are generally not recoverable.

When estimating expected credit losses, the Company considers reasonable and substantiated information that is relevant and available. This includes quantitative and qualitative information and analysis, based on the Company's historical experience and credit rating assessment, including information related to the future.

The Company considers that financial assets are not recoverable if it is unlikely that the borrower will pay its obligations to the Company in full without the Company needing to initiate actions such as the activation of the collateral (if any). The maximum period taken into account in estimating the expected credit loss is the maximum contractual period during which the Company is exposed to credit risk.

The Company recognizes any gain or loss on the income statement for all financial instruments with a corresponding adjustment to the carrying amount through the provision for expected credit losses.

*Measurement of Expected credit losses*

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the instrument’s effective interest rate.

There were no changes in valuation techniques or significant assumptions during the current reporting period.

**Notes to the financial statements (continued)**

**3 Significant accounting policies (continued)**

***b) Financial instruments (continued)***

*Trade receivables, other assets, short-term deposits with banks and loans to related parties*

Trade receivables, other assets, short-term deposits with banks and loans to related parties are initially recognized at fair value plus transaction costs, and subsequently carried at amortized cost less any impairment losses.

*Investments in funds*

Investments in open and closed-end investment funds are classified as financial assets at fair value through profit and loss and are valued at fair value.

*Trade payables and other liabilities*

Trade and other payables are initially recognized at fair value, and subsequently measured at amortized cost.

***c) Impairment of non-financial assets***

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is re-estimated.

The recoverable amount is estimated at each reporting date for intangible assets that have an indefinite useful life (at the reporting date the Company did not have such assets) and intangible assets that are not yet available for use.

Assets that are subject to amortization or depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss.

The recoverable amount of equipment and intangible assets is the higher of the sale price less costs to sell and value in use. For the purpose of assessing the amount of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows available (cash-generating units). 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 or cash-generating unit. Non-financial assets that have been impaired are reviewed for reversals of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**Notes to the financial statements (continued)**

**3 Significant accounting policies (continued)**

***d) Leases***

***Entity is a lessor***

Assets given under business leases are depreciated over an expected life same as other similar assets.

Leases in which the Entity is a lessor are classified as financial or operating leases. The lease is classified as a financial lease if it transmits almost all the risks and benefits associated with ownership of the respective property to the lessee. All other leases are classified as operating leases.

When the Entity is an intermediate lessor, it calculates the main lease and sub-lease as two separate contracts. The flooring is classified as a financial or operating lease by reference to the right-of-use property resulting from the main lease.

Income from rents based on operating leases is recognized in a straight line during the period of the lease in question. The initial direct costs incurred at the stage of negotiating and arranging the terms of the operating lease shall be attributed to the book amount of the subject matter of the lease and recognized in a straight line during the rental period.

Receivables based on financial leases are recorded as receivables in the Group's net investment in leases. Financial lease income is allocated to accounting periods to reflect the constant periodic rate of return on the Open State of the Group's net investment based on leases.

When the contract covers components relating to leases and non-rental components, the Company applies IFRS 15 to distribute the fee in accordance with the contract for each component.

***Entity is a lessee***

With 1.1.2019. new standard came into force - International Financial Reporting Standard 16 - Leases (below: Standard or IFRS 16). IFRS 16 requires that under the rental recognition model, leases be identified at the level of the concluded contract, and tenants must recognize financial liability and assets in their financial statements, which represent the right to use during the lease period. Lessees, after initial recognition of assets and financial liabilities, also recognize depreciation on those assets, and the financial cost to the remaining financial liability. Using the option in the transition of a simplified modified approach, the Entity applied IFRS 16 from 1 January 2019 without rewriting previous periods and without posting capital overhypments. The Entity takes into account only the remaining expenses under the lease agreement, which they discount using the incremental rate and reserves the right to manage the asset in the same amount.

Right-of-use assets are included in the same paragraph where the relevant underlying assets would be shown to be owned by it and lease liabilities are reported under long-term and short-term liabilities to suppliers.

When identifying the lease, permissible practical shortcuts in the transition were used, therefore: all contracts for the lease of office space, regardless of when they were concluded, which expire by 31 December 2019 were not recognized as rent, and if the contract has a clause that it can be terminated without giving reasons for termination, and without an agreed penalty or significant cost they will not be recognized as a lease. Each of the contracts is valued on a case-by-case basis and any future modification of the contract can significantly affect the recognition or non-recognition of the contract as leases in accordance with IFRS 16.

The Entity assesses whether it is a lease agreement or whether the contract contains a lease, at the beginning of the contract. The Entity shall disclose the right-to-use assets and the corresponding lease liability with regard to all leases in which it is lessee, except for short-term leases (defined as leases with a duration of 12 months or less) and leases of low value assets (such as tablets and personal computers, office furniture and telephones). For such leases, the Entity correctly recognizes rental payments as operating

**Notes to the financial statements (continued)**

**3 Significant accounting policies (continued)**

***d) Leases (continued)***

expenses for the duration of the lease, unless another systematic basis better reflects the time dynamics of spending the economic benefits of the assets held in the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- 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;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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 Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

When the Entity bears the costs of dismantling and removing the leased assets, renovating the place where the property is located, or returning the underlying assets to the state required under the terms of the lease, the provision shall be recognized and measured in accordance with IAS 37. If costs relate to right-of-assets, the costs are included in the associated right-of-use assets, unless those costs are incurred in the production of stocks.

**Notes to the financial statements (continued)**

## 3 Significant accounting policies (continued)

### _d) Leases (continued)_

Right-of-use assets are depreciated through the lease period or life of use, whichever is shorter. If, on the basis of the lease, ownership of the underlying property is transferred or if the cost of the right-of-use property reflects that the Company will take advantage of the purchase option, the right-to-use asset is depreciated through the useful life of the use of the underlying asset. Depreciation starts at the start date of the lease.

The Entity applies IAS 36 to determine whether the value of the right-to-use property is impaired or whether any impairment losses have been calculated for it, as described in the policy "Real estate, plant and equipment".

Variable rents that do not depend on the index or rate are not covered by the measurement of the lease able and the right-to-use assets. Related payments are recognized as costs in the period in which the event was incurred or the condition that triggered the payments in matter and are in 'Other costs' in profit and loss (see Note 7).

As a practical solution, IFRS 16 allows the lessee to not provide non-rental components and to calculate components related to rent and non-rental components as a single component. The Entity didn't use that practical solution. For a contract containing a lease-related component and one or more additional non-lease-related components, the Entity is required to distribute the non-rental fee under the contract to each component relating to the lease based on the relative standalone price of that component and the total standalone price of non-rental components.

### e) Cash and cash equivalents

Cash and cash equivalents for the purpose of preparation of cash flow statements and the statement of financial position comprise gyro accounts, cash in hand and short-term deposits with banks with original maturity up to three months.

### _f) Earnings per share_

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**Notes to the financial statements (continued)**

**3 Significant accounting policies (continued)**

***g) Employee benefits***

*Defined contribution pension plans*

Obligations for contributions to defined contribution pension plans are recognized as an expense in income statement of the period in which they have been incurred.

*i) Termination benefits*

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

*ii) Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**h) *Taxation***

Income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and considering the adjustments to tax payable in respect of positions from previous years.

Deferred taxes are calculated using the balance sheet method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable profit in the years in which those temporary differences are expected to be realized, or settled, based on tax rates enacted or substantially in force at the reporting date.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. No deferred tax assets or liabilities were recognized at the reporting date.

The Company provides for tax liabilities in accordance with Croatian law. Income tax rate for 2020 is 18% (2019: 18%).

**Notes to the financial statements (continued)**

## 3 Significant accounting policies (continued)

### *i) Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation which can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting of the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and the risks specific to the liability.

*Restructuring*

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Company makes no provision for future operating costs.

### *j) Issued share capital, share premium and reserves*

Share capital represents the nominal value of paid-in shares classified as equity and it is denominated in HRK. Share premium represents the excess of the paid amount over nominal value of the issued shares upon initial issue of shares. Any profit for the year after appropriations is transferred to retained earnings.

A legal reserve has been created in accordance with Croatian law, which requires 5% of the profit for the year to be transferred to the reserve until the total of legal reserves and capital reserves reaches 5% of issued share capital. The legal reserve can be used for covering current and prior period losses in the amount of up to 5% of issued share capital.

### *k) Revenue*

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer. The Company recognizes the following revenues: trading commissions, membership fees, fees for the maintenance of quotations and other fees.

Commission income is recognized when the service is provided. Income from fees is deferred over the relevant period to which the fees relate.

Income from maintenance of quotations, subscriptions for information and subscriptions for the real time monitoring of trade is deferred over the period of duration of the relevant quotation or subscription.

Income from initial listing fees is deferred to the period in which the client has a substantive right to service.

### *l) Financial income*

Interest income is recognized in income statement in the corresponding time period for all interest-bearing financial instruments measured at amortized cost using the effective interest rate method.

**Notes to financial statements (continued)**

**3 Significant accounting policies (continued)**

***m) Dividend income***

Dividends on equity instruments are recognized in profit or loss when the Company's right to receive a dividend is established.

***n) Investments in subsidiaries***

Subsidiaries are entities in which the Company, directly or indirectly, has control over their activities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company's investment in subsidiary is measured in the non-consolidated financial statements using the cost method.

***o) Investments in associates and joint ventures***

Associates are entities in which the Company has significant influence but not control. A significant influence is the power to participate in the financial and operating policies of entity in which the investment is made, but does not constitute control or joint control of those policies.

Joint ventures are companies in which two or more parties have joint control.

The Company's investments in associates and joint ventures are measured in the non-consolidated financial statements using the cost method.

**Notes to financial statements (continued)**

**4 Sales revenue**

| | 2020 | 2019 |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Commissions | 3,936 | 3,777 |
| Income from quotation maintaining | 4,874 | 3,932 |
| Income from quotation fee | 1,182 | 883 |
| Membership fees | 180 | 228 |
| **Total sales revenue** | **10,172** | **8,820** |

Commissions are charged from members based on value of realized transactions at the time of execution of the transaction. Commission income is recognized when the service is provided. Income from fees is deferred over the relevant period to which the fees relate.

Income from quotation maintenance represents an annual commission for the continuation of inclusion of the securities in the Official and Regular Market quotations. Quotation fees are collected from issuers of securities on the Official and Regular Market. Income from quotation maintenance is deferred over the period of duration of the relevant quotation.

Membership fees include one-time admission fee payable for acquiring the status of Exchange Member, as well as fees charged to existing members on a quarterly basis. Income from membership fees is deferred to the period in which the client has a substantive right to service.

**5 Operating income**

| | 2020 | 2019 |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Income from sale of information | 2,456 | 2,350 |
| Income from seminars | 643 | 1,127 |
| Income from related parties | 327 | 241 |
| Other income | 1,172 | 1,712 |
| **Total other operating income** | **4,598** | **5,430** |

Income from sale of information and subscriptions to software, for the real time trading, is deferred over the period of subscription duration.

Other revenues include subsequently collected receivables, income from various fees, revenue from penalties and other income.

All revenue of the company is generated in the Republic of Croatia. Total recognized revenue in accordance with International Financial Reporting Standard 15 is 13,417 thousand HRK (2019: 12,538 thousand HRK).

Total recognized revenue from performance obligations at point in time is HRK 4,579 thousand (2019: HRK 4,904 thousand). Total recognized revenue from performance obligations over time is HRK 8,838 thousand (2019: HRK 7,634 thousand). An overview of the maturity of all accounts receivable is disclosed in note 16.

## Notes to financial statements (continued)

### 6 Staff costs

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Net salaries | 3,718 | 3,617 |
| Payroll contributions | 1,989 | 1,013 |
| Payroll taxes and surtaxes | 975 | 1,971 |
| Other staff costs | 253 | 159 |
| **Total salaries** | **6,935** | **6,760** |

The number of employees at the end of 2020 was 24 (2019: 26). Staff costs include HRK 1,101 thousand (2019: HRK 1,063 thousand) of defined pension contributions paid into obligatory pension funds. Contributions are calculated as a percentage of employees' gross salaries. In 2020 bonuses were paid in amount of 303 thousand HRK (2019: HRK 220 thousand HRK).

### 7 Other operating expenses

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Software and licenses | 1,663 | 1,712 |
| Professional services | 794 | 1,209 |
| Fees and charges | 706 | 815 |
| Utility expenses | 439 | 457 |
| Post and telephone services | 173 | 179 |
| Impairment of trade receivables | 286 | 388 |
| Rent expense | 113 | 110 |
| Entertainment | 69 | 121 |
| Business travel | 25 | 193 |
| Seminar and marketing costs | 13 | 151 |
| Intangible assets write-off | 1 | 23 |
| Equipment rental | - | 188 |
| Financial assets impairment | - | 468 |
| Other expenses | 1,082 | 990 |
| **Total other operating expenses** | **5,364** | **7,004** |

Other expenses in the amount of HRK 1,082 thousand relate to the costs of lecturers (natural persons) and other fees to those persons, maintenance costs, costs of materials and energy, insurance costs, and other expenses.

**Notes to financial statements (continued)**

## 8 Financial income and expense

**a) Financial income**

| | **2020** | **2019** |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Dividend income | 411 | 421 |
| Net gain from financial assets at fair value through profit or loss | 34 | 1,210 |
| Interest income | 16 | 202 |
| Other financial income | 110 | 22 |
| **Total financial income** | **571** | **1,855** |

**b) Financial expense**

| | **2020** | **2019** |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Interest expense | 28 | 54 |
| **Total financial expense** | **28** | **54** |
| **Net financial income** | **943** | **1,801** |

## 9 Income tax expense

**a) Income tax expense**

| | **2020** | **2019** |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Current income tax expense | **-** | **-** |
| Differed income tax | **-** | **-** |
| Total income tax expense | **-** | **-** |

**b) Reconciliation of accounting profit and current income tax liability**

| | **2020** | **2019** |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Tax calculated at 18% (2019: 18%) | 338 | 215 |
| Tax non-deductible expenses | 21 | 34 |
| Non-taxable income | (139) | (96) |
| Tax losses not recognized as deferred tax assets | - | - |
| Losses from previous years that were not recognized as deferred tax assets | (220) | (153) |
| **Total income tax expense** | **-** | **-** |

**Notes to financial statements (continued)**

## 9 Income tax (continued)

### c) Tax losses carried forward

Gross tax losses amounting to HRK 7,028 thousand are available for offset against the future taxable profits of the Company at the end of 2020. A tax loss may be carried forward by the Company and it is subjected to review by the Ministry of Finance. At the end of 2019 the Company had HRK 9,357 thousand of tax loss available to be carried forward to subsequent years. At both reporting dates the Company did not recognize deferred tax assets in respect of tax losses carried forward, as it is uncertain when sufficient taxable profits will be available against which the deferred tax assets can be utilized.

At 31 December 2020 the Company did not recognize deferred tax assets in amount of HRK 1,675 thousand HRK in respect of temporary differences (impairment claims) and carried forward tax losses, as it is uncertain if taxable profits will be available against which the deferred tax assets can be utilized. For the next reporting date, the Company will re-evaluate assumptions for the recognition of deferred tax assets.

At 31 December the gross tax losses available to be carried forward are as follows:

**c) Tax losses carried forward**

| | **2020** | **2019** |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Up to 1 year | 3,672 | 2,329 |
| Up to 2 years | 3,221 | 3,672 |
| Up to 3 years | 135 | 3,221 |
| Up to 4 years | - | 135 |
| Up to 5 years | - | - |
| **Total tax loss available to be carried forward** | **7,028** | **9,357** |

The tax return was prepared in line with regulatory requirement. In accordance with tax regulations, the Tax authority may at any time review the books and records of the Company for a period of three years after the end of the year in which the tax liability is stated. The company's management is not aware of any circumstances that could lead to significant omissions in this regard.

**Notes to financial statements (continued)**

## 10 Equipment

| | Computer equipment | Furniture and other equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| | **‘000 kn** | **‘000 kn** | **‘000 kn** | **‘000 kn** |
| ***Cost*** | | | | |
| **At 1 January 2019** | **4,509** | **2,185** | **1,272** | **7,966** |
| Additions | 30 | - | - | 30 |
| Write-offs | - | (10) | - | (10) |
| **At 31 December 2019** | **4,539** | **2,175** | **1,272** | **7,986** |
| **At 1 January 2020** | **4,539** | **2,175** | **1,272** | **7.986** |
| Additions | 702 | 5 | - | 707 |
| Write-offs | - | - | - | - |
| **At 31 December 2020** | **5,241** | **2,180** | **1,272** | **8,693** |
| ***Accumulated depreciation*** | | | | |
| **At 1 January 2019** | **(4,243)** | **(2.177)** | **(1,146)** | **(7,566)** |
| Charge for the year | (136) | (6) | (32) | (174) |
| Write-offs | - | 10 | - | 10 |
| **At 31 December 2019** | **(4,379)** | **(2,173)** | **(1,178)** | **(7,730)** |
| **At 1 January 2020** | **(4,379)** | **(2,173)** | **(1,178)** | **(7,730)** |
| Charge for the year | (187) | (2) | (31) | (220) |
| Write-offs | - | - | - | - |
| **At 31 December 2020** | **(4,566)** | **(2,175)** | **(1,209)** | **(7,950)** |
| **Net book value** | | | | |
| **At 31 December 2019** | **160** | **2** | **94** | **256** |
| **At 31 December 2020** | **675** | **5** | **63** | **743** |

**Notes to financial statements (continued)**

## 11 Intangible assets

| | Software | Assets in preparation | Total |
|---|---|---|---|
| | **'000 kn** | **'000 kn** | **'000 kn** |
| ***Cost*** | | | |
| **At 1 January 2019** | **1,632** | **-** | **1,632** |
| Additions | 404 | 219 | 623 |
| Write-offs | - | - | **-** |
| **At 31 December 2019** | **2,036** | **219** | **2,255** |
| **At 1 January 2020** | **2,036** | **219** | **2,255** |
| Additions | 67 | - | 67 |
| Write-offs | - | - | - |
| **At 31 December 2020** | **2,103** | **219** | **2,322** |
| ***Accumulated depreciation*** | | | |
| **At 1 January 2019** | **(1,001)** | **-** | **(1,001)** |
| Charge for the year | (174) | - | (174) |
| Write-offs | - | - | - |
| **At 31 December 2019** | **(1,175)** | | **(1,175)** |
| **At 1 January 2020** | **(1,175)** | **-** | **(1,175)** |
| Charge for the year | (176) | - | (176) |
| Write-offs | - | - | - |
| **At 31 December 2020** | **(1,351)** | **-** | **(1,351)** |
| **Net book value** | | | |
| **At 31 December 2019** | **861** | **219** | **1,080** |
| **At 31 December 2020** | **752** | **219** | **971** |

**Notes to financial statements (continued)**

## 12 Assets with right-of-use

| | Buildings | Equipment | Total |
|---|---|---|---|
| | **'000 kn** | **'000 kn** | **'000 kn** |
| ***Cost*** | | | |
| **At 1 January 2019** | - | - | - |
| Initial recognition January 1, 2019 | 1,542 | 228 | 1,770 |
| **At 31 December 2019** | **1,542** | **228** | **1,770** |
| **At 1 January 2020** | **1,542** | **228** | **1,770** |
| Additions | - | 69 | 69 |
| Write-offs | - | (121) | (121) |
| **At 31 December 2020** | **1,542** | **176** | **1,718** |
| ***Accumulated depreciation*** | | | |
| **As at 1 January 2019** | - | - | - |
| Charge for the year | (661) | (68) | (729) |
| Write-offs | | | |
| **At 31 December 2019** | **(661)** | **(68)** | **(729)** |
| **At 1 January 2020** | **(661)** | **(68)** | **(729)** |
| Charge for the year | (661) | (68) | (729) |
| Write-offs | - | 62 | 62 |
| **At 31 December 2020** | **(1,322)** | **(74)** | **(1,396)** |
| **Net book value** | | | |
| **At 31 December 2019** | **881** | **160** | **1,041** |
| **At 31 December 2020** | **220** | **102** | **322** |

The lease of right-of-use assets refers to several personal vehicles leased for the period of 3 to 5 years and property leased to 3 years. The weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application is 4.2%. The total cash outflow for lease of right-of-use assets in 2020 amounts to HRK 757 thousand.

| Amounts recognized in profit and loss: | **2020** |
|---|---|
| Depreciation expense on right-of-use assets | 729 |
| Interest expense on lease liabilities | 28 |
| Expense relating to short-term leases | 757 |

**Notes to financial statements (continued)**

**12 Assets with right-of-use (continued)**

Lease liabilities are due and payable as follows:

| | **31.12.2020** |
|---|---|
| Within a year | 272 |
| In the second year | 18 |
| In the third year | 14 |
| In the fourth year | - |
| In the fifth year | - |
| After fifth year | - |
| **Total** | **304** |

Difference between operating lease commitments at the end of the annual reporting period, immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application and lease liabilities recognized in the statement of financial position at the date of initial application:

| | **1.1.2020** |
|---|---|
| | **'000 HRK** |
| Operating lease commitment as 31.12.2019 as disclosed in the Company's financial statements | 1,036 |
| Discounted using the incremental borrowing rate at 1.1.2020 | 1,036 |
| Finance lease liabilities recognized as at 31.12.2019 | 1,036 |
| Recognition exemption for: | |
| - short term leases | - |
| - leases of low value assets | - |
| Extension and termination options reasonably certain to be exercised | - |
| Lease liabilities recognized at 1.1.2020 | 1,036 |

**Notes to financial statements (continued)**

## 13 Investment in subsidiaries

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Investment in Ljubljana Stock Exchange d.d. | 19,125 | 19,125 |
| **Total investment in subsidiaries** | **19,125** | **19,125** |

Zagrebačka burza d.d. acquired the Ljubljanska borza d.d. by taking over 100% of its shares from the CEE Stock Exchange Company (CEESEG) for purchase price of EUR 2,500 thousand paid in cash. The process started with exclusive negotiations with CEESEG in June 2015, continued with capital increase of the Zagrebačka burza d.d. and was completed with the approval by regulatory authorities of both countries. The process ended on 30 December 2015.

Summary of financial data for the Ljubljanska borza d.d. is as follows:

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Non-current assets | 10,762 | 9,664 |
| Current assets | 10,940 | 10,824 |
| _Of which cash and cash equivalents_ | 7,686 | 7,275 |
| **Total assets** | **20,488** | **20,488** |
| Non-current liabilities | 404 | 455 |
| Current liabilities | 2,173 | 1,754 |
| _Of which current financial liabilities_ | - | 34 |
| **Total liabilities** | **2,577** | **2,209** |
| **Total income** | **12,067** | **10,903** |
| Interest income | 31 | 19 |
| Interest expense | 8 | 10 |
| Income tax | - | 95 |
| **Profit for the year** | **1,172** | **166** |

**Notes to financial statements (continued)**

## 14 Investment in associates and joint ventures

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Investment in SEE Link d.o.o. | 202 | 202 |
| Investment in Funderbeam South-East Europe d.o.o. | 73 | 49 |
| **Total investment in associates and joint venture** | **275** | **251** |

SEE Link d.o.o. is a joint venture (Zagrebačka burza d.d. has 1/3 ownership) that was founded in 2014. During 2015, all three owners paid in additional HRK 177 thousand in order to increase share capital of SEE Link d.o.o.

Summary of financial data for SEE Link d.o.o. is as follows:

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| **Share in ownership** | **33%** | **33%** |
| Non-current assets | 115 | 571 |
| Current assets | 496 | 506 |
| *Of which cash and cash equivalents* | 318 | 237 |
| **Total assets** | **611** | **1,077** |
| Non-current liabilities | - | - |
| Current liabilities | 265 | 731 |
| *Of which current financial liabilities* | - | - |
| **Total liabilities** | **265** | **1,405** |
| **Total income** | **758** | **1,273** |
| Depreciation and amortization | 461 | 457 |
| Net interest income / (cost) | - | - |
| Income tax | - | 26 |
| **Profit / loss for the year** | **(3)** | **229** |

**Notes to financial statements (continued)**

## 14 Investment in associate and joint venture (continued)

Funderbeam South-East Europe d.o.o. is an associate established in 2017, while in 2018 it started operations. During 2018 the Company paid HRK 44,8 thousand on behalf of the Funderbeam South-East Europe d.o.o., as an increase in the Associate's share capital, while in the 2020 Company acquired additional stake for HRK 28,4 thousand. Share ownership at 31 December 2020 was 30% (31 December 2019: 20%) after increasing the amount of investment remained at 20%.

Summary of financial data for Funderbeam South-East Europe d.o.o. is as follows:

| | **2020** | **2019** |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| **Share in ownership** | **30%** | **20%** |
| Non-current assets | 162 | 148 |
| Current assets | 72 | 136 |
| *Of which cash and cash equivalents* | 72 | 136 |
| **Total assets** | **234** | **284** |
| Non-current liabilities | 225 | 225 |
| Current liabilities | 995 | 1,030 |
| *Of which current financial liabilities* | 925 | 917 |
| **Total liabilities** | **1,220** | **1,405** |
| **Total income** | **603** | **743** |
| Net interest income/(cost) | (23) | 3 |
| Income tax | - | 26 |
| **Profit/loss for the year** | **(16)** | **(146)** |

**Notes to financial statements (continued)**

## 15 Financial assets

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| **a) Financial assets at fair value through other comprehensive income** | | |
| Investments in bonds | - | 197 |
| Expected credit losses for bonds | - | (197) |
| Investments in shares | 1,302 | 1,302 |
| **Total** | **1,302** | **1,302** |

*Movement in expected credit losses of bonds (stage 3):*

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Balance at 1 January | 197 | 197 |
| Expected credit losses | (197) | - |
| **Total** | **-** | **197** |

Investment in bonds relate to bond acquired for uncollected receivables. In 2017 the Company recognized impairment on these bonds, which was recorded directly in profit or loss account, given the significant decline in value of investment. The bonds were sold in 2020.

Fair value of these equity instruments as at 31.12.2020 is 0 (31.12.2019:0). Investments in equity instruments in amount of HRK 1,302 thousand (31.12.2019: HRK 1,302 thousand) relate to investments that Company intends to hold long-term.

At 18 December 2019. The Company acquired shares of Macedonian Stock Exchange A.D. The share price was HRK 1,105 thousand. From 18 December 2019 to 31 December 2019 there was no trading in shares of the Macedonian Stock Exchange A.D. the Management Board considers that the quoted price reflects the fair value of the said investment.

Shares in the amount of HRK 197 thousand relate to the share capital of the Središnje klirinško depozitarno društvo d.d. The Company's management concluded that there was no change in the fair value of the said shares in 2020.

As permitted by IFRS 9, the Company has decided, upon initial recognition, to classify these instruments as financial assets at fair value through other comprehensive income. Unlike IAS 39, the accumulated fair value reserve of these investments will never be reclassified to profit or loss.

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| **b) Financial assets at fair value through profit or loss** | | |
| Shares in open-ended investment funds | 17,774 | 19.583 |
| **Total** | **17,774** | **19.583** |

Open-end investment funds are classified as level 1 fair value as at 31 December 2020 and 31 December 2019.

## Notes to financial statements (continued)

### 16 Trade receivables and other assets

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Trade receivables | 3,844 | 3,927 |
| Given advances | 43 | 7 |
| Other assets | 514 | 744 |
| Impairment allowance | (1,675) | (1,555) |
| **Total** | **2,726** | **3,123** |

*Movement in impairment allowance for trade receivables*

| | 2020 | 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Balance at 1 January | **(1,555)** | **(1,703)** |
| Impairment losses recognized during the year | (287) | (388) |
| Write-off | 5 | 8 |
| Collection of previously impaired receivables | 162 | 528 |
| **Total** | **(1,675)** | **(1,555)** |

At the reporting date, the Company had overdue receivables not impaired in the amount of HRK 203 thousand (31 December 2019: HRK 1,198 thousand). The Management Board considers that receivables are fully recoverable.

| | Not past due | < 90 | 90 - 120 | > 120 |
|---|---|---|---|---|
| Trade receivables and other assets - gross amount | 1,966 | 182 | 46 | 1,650 |
| Expected credit loss | 0 | (38) | (20) | (1,617) |
| Trade receivables and other assets - net amount | 1,966 | 144 | 26 | 33 |
| Expected credit loss rate | 0% | (21%) | (43%) | (98%) |

## Notes to the financial statements (continued)

### 17 Cash and cash equivalents

| | 2020 | 2019 |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Gyro account in foreign currency (EUR) | 1,018 | 34 |
| Gyro account in local currency | 619 | 282 |
| Cash on hand | 2 | 3 |
| **Total cash and cash equivalents** | **1,639** | **319** |

### 18 Borrowings to related parties

| | 2020 | 2019 |
|---|---|---|
| | **‘000 kn** | **‘000 kn** |
| Borrowings to related parties | 217 | 217 |
| **Total** | **217** | **217** |

Borrowings to related parties refer to loans granted to Funderbeam South-East Europe d.o.o. in the amount of HRK 217 thousand (2019: HRK 217 thousand), with a one-time repayment upon maturity.

### 19 Issued share capital

Share number movement:

| | Number of shares | Nominal value of share capital in HRK | Issued share capital in HRK ‘000 |
|---|---|---|---|
| 1 January 2019 | 4,635,700 | 10 | 46,357 |
| **31 December 2019** | **4,635,700** | **10** | **46,357** |
| 1 January 2020 | 4,635,700 | 10 | 46,357 |
| **31 December 2020** | **4,635,700** | **10** | **46,357** |

All of the issued shares are authorized and fully paid in ordinary shares. On 31 August 2016, , all of the issued shares were listed to the Official Market of Zagreb Stock Exchange. As at 31 December 2020 the Company had 196 shareholders (2019: 208 shareholders) with ownership interests in the Company ranging between 0.01% i 9.99%.

**Notes to the financial statements (continued)**

## 20 Earnings per share

Calculation of loss per share as at 31 December 2020 was based on the profit of HRK 1,875 thousand and a weighted average number of ordinary shares outstanding of 4,635,700 calculated as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Net profit for the year (‘000 HRK) | 1,875 | 1,195 |
| Weighted average number of ordinary shares over the period | 4,635,700 | 4,635,700 |
| Basic and diluted earnings per share (HRK) | **0.40** | **0.26** |

Diluted earnings per share are the same as basic given there is no potential dilution effect from any instruments.

## 21 Trade and other payables

| | 2020 | 2019 |
|---|---|---|
| | ‘000 kn | ‘000 kn |
| Trade payables | 705 | 722 |
| VAT liability | 47 | 62 |
| Other short-term payables | 889 | 785 |
| **Total trade and other payables** | **1,641** | **1,569** |

## 22 Contractual liabilities

| | 2020 | 2019 |
|---|---|---|
| | ‘000 kn | ‘000 kn |
| Contractual liabilities from quotation maintaining | 3,536 | 3,422 |
| Contractual liabilities from initial listing fees | - | 11 |
| **Total contractual liabilities** | **3,536** | **3,433** |

**Notes to the financial statements (continued)**

## 23 Financial instruments – risk exposures

*Interest rate risk*

The Company does not have significant amount of variable interest-bearing assets. The most significant interest-earning assets are borrowings to related parties in amount of 217 thousand HRK. The Company does not have interest-bearing liabilities. The impact of changes in market interest rates on income statement is therefore assessed as not significant.

*Foreign currency risk*

Except for HRK 1,025 thousand (2019.: HRK 32 thousand) of the funds on the gyro account denominated in euro, trade receivables in amount of HRK 212 thousand and HRK 3 of trade payables denominated in euro, there are no other financial assets and liabilities denominated in foreign currency. Thus, the Company is not significantly exposed to foreign currency risk.

*Credit risk*

The maximum exposure to credit risk is as follows

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| | **'000 kn** | **'000 kn** |
| Cash and cash equivalents (excluding cash in hand) | 1,637 | 316 |
| Trade receivables and other assets | 4,401 | 4,678 |
| Guarantee deposits | 250 | 250 |
| Borrowings to related parties | 217 | 217 |
| **Total** | **6,505** | **5,461** |

*Credit risk (continued)*

The Company generally does not take collateral due to the nature of its operations. Other than short-term deposit and cash in domestic banks (note 17 and 18), the Company did not have significant concentration of credit risk at the reporting date.

Concentration of net trade receivables' credit risk:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | **'000 kn** | **%** | **'000 kn** | **%** |
| Corporate | 1,264 | 58 | 1,736 | 73 |
| Institutional investors and brokers | 905 | 42 | 636 | 27 |
| | **2,169** | **100** | **2,372** | **100** |

**Notes to the financial statements (continued)**

## 23 Financial instruments– risk exposures (continued)

*Price risk*

Price risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or by factors affecting all instruments traded in the market. The Company's investment in open-ended investment funds (cash funds) are carried at fair value with fair value changes recognized in income statement. Accordingly, such changes in market conditions will directly affect gains or losses on financial instruments recognized in income statement.

Price risk is mitigated by the Company through diversification of its portfolio of investments in open-ended investment funds to various types of funds, managed by different investment companies, and investing in cash funds. Assuming all other variables unchanged, a decrease/increase in the market price of units in investment funds by -/+1% at the reporting date would result in decrease/increase of profit before tax by HRK 178 thousand (2019: HRK 196 thousand).

*Liquidity risk*

The Company does not have interest-bearing borrowings. All trade payables are due in range of 0 to 3 months. Lease liabilities refers to several personal vehicles leased for the period of 3 to 5 years and property leased to 5 years. Undiscontinued payments for lease liabilities are disclosed in note 12. Cash and cash equivalents and financial assets at the reporting date significantly exceed liabilities. Financial liabilities which include trade and other payables, deferred income and accrued expenses have maturity up to one year.

## 24 Related parties

The Company considers that it has an immediate related party relationship with its key shareholders, its subsidiary, joint venture and associate, the Supervisory and Management Board members and other executive management (together "key management"); close family members of key management; and jointly controlled by Management Board members and their close family members, in accordance with definitions contained in International Accounting Standard 24 "Related Party Disclosures" (IAS 24).

During 2020, the Zagreb Stock Exchange d.d. generated revenues from the Ljubljana Stock Exchange d.d. in the amount of HRK 328 thousand (2019: HRK 241 thousand) and expenses in the amount of HRK 3 thousand (2019: HRK 42 thousand). Receivables from Ljubljana Stock Exchange d.d. on 31.12.2020 amounts to HRK 200 thousand (31 December 2019: HRK 200 thousand). Liabilities to Ljubljana Stock Exchange d.d. on 31.12.2020 amounts to HRK 3 thousand (31 December 2019: HRK 2 thousand).

During 2020, the Zagreb Stock Exchange d.d. generated revenue from Funderbeam South-East Europe d.o.o. in the amount of HRK 5 thousand (2019: HRK 6 thousand). Receivables from Funderbeam South-East Europe d.o.o. on 31.12.2020 amounts to HRK 230 thousand (31 December 2019: HRK 226 thousand).

During 2020, the Zagreb Stock Exchange had expenditures from SEE link d.o.o. in the amount of HRK 27 thousand (2019: HRK 87 thousand). Liabilities to SEE link d.o.o. on 31.12.2020 amounts to HRK 0 thousand (31 December 2019: HRK 22 thousand).

Remuneration to Management Board throughout the year was HRK 1,611 thousand (2019: HRK 1,649 thousand). Supervisory board members did not receive. The remuneration system applicable to the Management Board President includes the right to acquire up to 1% shares in the Zagreb Stock Exchange, Inc. under a share option plan at a predefined fixed price per share in a defined time limit. The option could have been exercised as of October 2020 at the earliest.

**Notes to the financial statements (continued)**

## 25 Segment reporting

As the only geographical market of the Zagreb Stock Exchange is d.d. Republic of Croatia and considering that all of the Company's revenue is generated on the basis of one business activity and in the Republic of Croatia, the Management Board considers the entire Company presents one reporting segment.

## 26 Key accounting estimates and assumptions

The Management Board uses estimates and assumptions concerning the future events. The resulting accounting estimates will therefore, by definition, seldom equal the actual results. The estimates and judgments which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Impairment of trade receivables*

Trade receivables are estimated at each reporting date and are impaired according to the estimate of probability of collection. Each customer is evaluated individually based on the expected date of collection of the amount due and estimated probability of collection of the outstanding amount. The Management holds that trade receivables are stated at their recoverable amount at the reporting date. As disclosed in note 16, the value adjustment on 31.12.2020 amounts to HRK 1,675 thousand (31 December 2019: HRK 1,555 thousand).

*Income tax*

The Company provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities who are entitled to carry out subsequent inspections of taxpayers' records. There are different possible interpretations of tax laws; therefore, amounts in the financial statements may be changed subsequently depending on the decision of the tax authorities. Income tax expense is disclosed in Note 9 and amounts to HRK 0 thousand (2019: HRK 0 thousand).

*Useful life of equipment and intangible assets*

The Company reviews the estimated useful lives of equipment and intangible assets at the end of each reporting period. The useful lives of equipment and intangible assets are disclosed in note 3 a).

*Investment in subsidiary, associate and joint venture*

The Company carries the investment in subsidiary, associate and joint venture at cost less impairment allowance in these separate financial statements. After initial recognition, the Company determines whether it is necessary to recognize the additional impairment of investments in an associate or joint venture. At the reporting date, the Company determines whether there is objective evidence of impairment of an investment in an associate or joint venture. If an impairment loss exists, the Company calculates the amount of the impairment loss as the difference between the recoverable amount and the carrying amount of the associate or joint venture and discloses it in the statement of comprehensive income. If the recoverable amount of the investment is lower than its carrying amount, the Company recognizes impairment. Management believes that there are no indications of impairment at the reporting date based on the analysis performed. Investments in subsidiaries, associates and joint ventures are disclosed in notes 13 and 14. In 2020 and 2019, the Management Board estimated that the recoverable amount of the investment was not lower than its carrying amount and therefore there was no impairment loss.

*Recognition of deferred tax assets*

At the balance sheet date the Company did not recognize deferred tax assets related to carry forward tax losses in the amount of HRK 7,028 thousand (31.12.2019: HRK 9,357 thousand), as the Management has assessed that it is not probable that sufficient taxable profits will be available to utilize the deferred tax assets. This will be reassessed at the next balance sheet date.

**Notes to the financial statements (continued)**

## 26 Significant accounting estimates and assumptions (continued)

*Borrowings to related parties*

The Company's management believes that the loans granted are fully recoverable and that there are no indicators of impairment at the reporting date.

*Classification of investment in joint venture*

The Company has assessed that investment in SEE Link d.o.o. represents investment in joint venture considering that the Company has rights to the net assets of the arrangement.

## 27 Capital management

The objectives of the Company in managing capital are to preserve the Company's ability to continue operating on a going concern basis to allow return on investment to shareholders and benefit other stakeholders and to maintain an optimal equity structure to minimize the cost of equity.

The Company monitors capital by monitoring its own finance ratios in its financial statements. This indicator is calculated as the ratio of total equity to total assets.

The self-financing indicator is as follows:

| | **31.12.2020 ‘000 HRK** | **31.12.2019 ‘000 HRK** |
|---|---|---|
| Total equity (share capital and reserves) | 42,456 | 40,581 |
| Total assets | 47,937 | 46,619 |
| **Indicator of own financing** | **89%** | **87%** |

The Company finances 89% of its total assets from its own sources. Accordingly, 11% of the assets are financed from foreign sources (2019: 13%).

## 28 Audit fees

The fees for audit of the Company's financial statements amounted to HRK 101 thousand (2019: HRK 99 thousand).

In addition to the audit services, the external auditor has during the year provided other non-audit services in the amount of HRK 38 thousand (2019:38), in relation to remuneration report for Management board and supervisory board members and agreed-upon procedures in relation to cost compliance. In accordance with the EU Regulation, the services provided during 2020 represent permissible non-audited services.

**Notes to the financial statements (continued)**

## 29 Events after the balance sheet date

### Emergence and spread of Covid-19 virus

In 2021, uncertainty continued over the prevention measures taken to halt the spread and suppression of the COVID-19 pandemic. It is not possible to estimate the future duration of the pandemic, but the Company is actively monitoring the situation and will take all necessary measures to minimize potential negative impacts in the event of a worsening situation. With its infrastructure and working procedures, the Company is fully trained and ready to ensure business continuity so that trading can run smoothly. Infrastructure and work processes are adapted to work in crisis situations, employees are on standby, and tests related to working in such circumstances have been successfully conducted, thus ensuring continuous trading in securities throughout the trading day, without difficulties even in emergencies.

The long-term effect can also affect the company's operations in terms of difficult operations of our clients - issuers, as well as reducing the volume of trade due to possible uncertainties of investors related to the impact of the crisis on the Croatian economy. Despite the aforementioned, at the date of issue of these financial statements, the Company continues to settle due to liabilities and, consequently, prepares financial statements under the going concern assumption.

Apart from the above, no other business events or transactions have occurred after the balance sheet date that would have a material impact on the financial statements on or for the period then ended or are of such significance to the Company's operations as to require disclosure in management.

### Acquisition of additional stake in Macedonian stock exchange

After the Zagreb Stock Exchange acquired a 5.3% stake in the Macedonian Stock Exchange at the end of 2019, in March 2021 the Macedonian regulator positively assessed the detailed documentation submitted by the Zagreb Stock Exchange and agreed to further acquire shares whose total cumulative amount does not exceed 20% of total issued shares with voting rights. The Zagreb Stock Exchange intends to increase its ownership stake in the Macedonian Stock Exchange from 5.3% to 15.19% by acquiring additional 276 shares, or 9.89% of the shares of the Macedonian Stock Exchange.