ANNUAL REPORT

ON STATUS AND BUSINESS ACTIVITIES OF THE GROUP IN 2021

Zagreb, April 2022

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

Note: The report in PDF format is an unofficial report, while the official version of the annual report, in accordance with the Capital Market Act, has been prepared and publicly available in accordance with the unique electronic reporting format (ESEF - European Single Electronic Format).

1 MANAGEMENT REPORT

1.1 Introduction

In 2021, the Zagreb Stock Exchange Group (hereinafter: the Group) recorded the following significant business events:

- On March 2, 2021, the Zagreb Stock Exchange launched a new project on its YouTube channel called "ZSE Stock Talk" conceived as a new communication channel to the general population on economic and financial topics. The first series of videos had the theme of macroeconomic forecasts for 2021.

- On March 8, 2021, in cooperation with the Croatian Employers' Association, the Zagreb Stock Exchange organized the event "Ring for Gender Equality" to mark International Women's Day by opening a trade in symbolic bells to emphasize the need to include more women in the world of work and their advancement in the business world.

- On March 16, 2021, the Zagreb Stock Exchange received from the Securities Commission of the Republic of Northern Macedonia (Komisijata za hartii od vrednost na Republika Severna Makedonija) a decision approving the transfer above the threshold of 10% ownership stake in Makedonska berza AD Skopje, i.e., for the acquisition of shares of the Macedonian Stock Exchange whose total cumulative amount does not exceed 20% of the total issued voting shares.

- On March 24, 2021, the Zagreb Stock Exchange joined the United Nations Sustainable Stock Exchanges (SSE) initiative to promote sustainability and transparency in capital markets. The Zagreb Stock Exchange will engage in peer-to-peer dialogue to explore how exchanges can work together with investors, regulators, and companies, to encourage sustainable investment, while also enhancing corporate transparency and performance in respect to environmental, social and corporate governance issues, in line with the SEE initiative goals.

- On March 24, 2021, the Ljubljana Stock Exchange held a webcast entitled "Slovenian Listed Companies Online".

- In the period from March 22 to 28, 2021, the Ljubljana Stock Exchange held an event called "Open Days to the Financial World" as part of the World Money Week, where trainings on the capital market and financial literacy were held for pupils and students.

- On April 8, 2021, the first ETFs of the issuer Expat Bulgaria SOFIX UCITS ETF were listed on the Ljubljana Stock Exchange.

- On April 15, 2021, the Ljubljana Stock Exchange held a webcast entitled " Overview of Events on the Stock Exchange in Q1".

- In the period from 27 to 28 May 2021, the Croatian and Slovenian Investor Days - CEE Investment Opportunities were held. For the first time, Slovenian and Croatian companies were joined by companies listed on the Macedonian Stock Exchange. The event was conducted through the GoToWebinar platform, and was attended by about thirty panelists and 120 participants, and in addition to presentations by publishers, presentations of the Croatian, Slovenian and Macedonian capital markets were held.

- On June 11, 2021, the 12th annual education for issuers was held, co-organized by HANFA, the CDCC and the Zagreb Stock Exchange. The education gathered more than a hundred representatives of companies listed on the Zagreb Stock Exchange.

- On June 28, 2021, a new version of the Xetra T7 9.1 trading system was released into production.

- On 31 August 2021, the Ljubljana Stock Exchange held a webcast entitled " Slovenian Listed Companies Online".

- On September 7, 2021, a supervisory audit of the ISO 9001: 2015 quality management system of the Zagreb Stock Exchange was conducted. The supervisory audit was successfully completed and it was concluded this year that the quality management system of the Exchange is in accordance with the requirements of the ISO 9001: 2015 standard.

- On 9 and 10 September 2021, the investment conference "Prime plus" of the Zagreb Stock Exchange was held at which investors were introduced to all issuers listed on the Prime Market and three issuers listed on the Official Market of the Zagreb Stock Exchange. As part of this conference, the Zagreb Stock Exchange also presented itself as an issuer.

- On 9 and 10 September 2021, the 38th Financial Conference of the Ljubljana Stock Exchange and the magazine Finance was held in Portorož.

- From October 20 to 22, 2021, the Conference "Challenge of Change" was held in Rovinj, organized by the Zagreb Stock Exchange and the Association of Pension Fund Management Companies and Pension Insurance Companies.

- On November 22, 2021, Raiffeisen Bank International organized a digital investment conference called "SEE Day" with the participation of issuers from the Zagreb, Ljubljana and Bucharest Stock Exchange.

- On December 1, 2021, the investment days of the Ljubljana and Zagreb Stock Exchange were held under the name "CEE investment opportunities", at which investors were introduced to companies listed on the Zagreb, Ljubljana and Macedonian Stock Exchange. The event was conducted via the Zoom platform.

- On December 14, 2021, the awards of the Ljubljana Stock Exchange were presented. The event was conducted via the Zoom platform.

- On December 15, 2021, the Zagreb Stock Exchange Awards were presented. In 2012, the Zagreb Stock Exchange established the Zagreb Stock Exchange Awards with the aim of strengthening the visibility of the capital market and its active participants among the financial and general public. The event also celebrated the 30th anniversary of the Zagreb Stock Exchange, which screened a film about the Zagreb Stock Exchange.

- In the fourth quarter of 2021 and during January 2022, three fundraising campaigns were successfully conducted on the Funderbeam platform, namely MOBILITY ONE, MIRET and INCLUDE.

1.2 Group's Key Performance Indicators in 2021

In 2021 operating revenues slightly decreased by -1.79% compared to 2020 and amounted to HRK 25,839 thousand. Although other operating income increased by HRK +659 thousand, the main reason for the decrease in operating revenues is the decrease in sales revenue, primarily income from trading commissions and income from quotation fees.

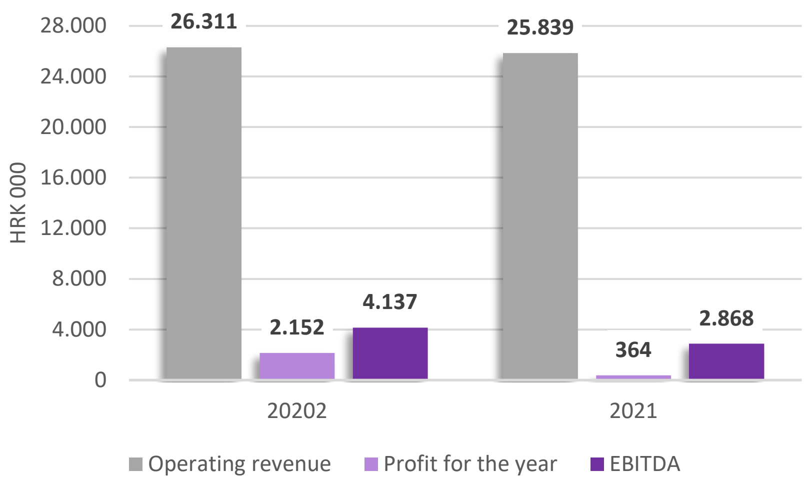

Figure 1: Operating revenue, profit for the year and EBITDA

Operating expenses increased by about +3.5% compared to the pandemic 2020, but not enough for the operating profit to end in a negative amount. The year 2021 was thus concluded with an operating profit of HRK 832 thousand, a negative net financial result of HRK -394 thousand and a net profit of HRK 364 thousand. Operating profit before depreciation in 2021 amounts to a still significant HRK 2,868 thousand, but the decrease is slightly more than -30% compared to 2020.

HRK 000	**2020**	**2021**	**change**
Capital and reserves	42,931	43,228	0.69%
Total assets	51,095	53,610	4.92%
Operating revenue	**26,311**	**25,839**	**-1.79%**
Sales revenue	*18,273*	*17,142*	*-6.19%*
Other operating income	*8,038*	*8,697*	*8.20%*
Operating expenses	**-24,147**	**-25,007**	**3.56%**
Staff costs	*-12,466*	*-12,816*	*2.81%*
Depreciation and amortization	*-1,973*	*-2,036*	*3.19%*
Other costs	*-9,708*	*-10,155*	*4.60%*
EBIT	**2,164**	**832**	**-61.55%**
EBITDA	**4,137**	**2,868**	**-30.67%**
Net financial result	198	-394	-298.99%
Share of profit (loss) of equity accounted investees	-26	30	
EBT	**2,336**	**468**	**-79.97%**
Income tax credit	-184	-104	-43.48%
Profit for the year	**2,152**	**364**	**-83.09%**
Other comprehensive income	239	-67	-128.03%
Total comprehensive profit for the year	**2,391**	**297**	**-87.58%**

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 2021 to 31 December 2021, the total orderbook turnover in the amount of HRK 627,946.30 was reached.

Symbol	ZB-R-A
ISIN	HRZB00RA0003
Number of listed shares	4,635,700
Total turnover (HRK)	627,946.30
Total trading volume	48,864
Highest price (HRK)	15.90
Lowest prices (HRK)	12.00
Last price (HRK)	12.05
Average daily turnover (HRK)	11,213.33

Table 2: ZB-R-A stock in 2021

The ZB-R-A stock price reached its peak on January 8, 2021 in the amount of HRK 15.90, while it fell to its lowest level on December 27, 2021, when it was worth HRK 12.00.

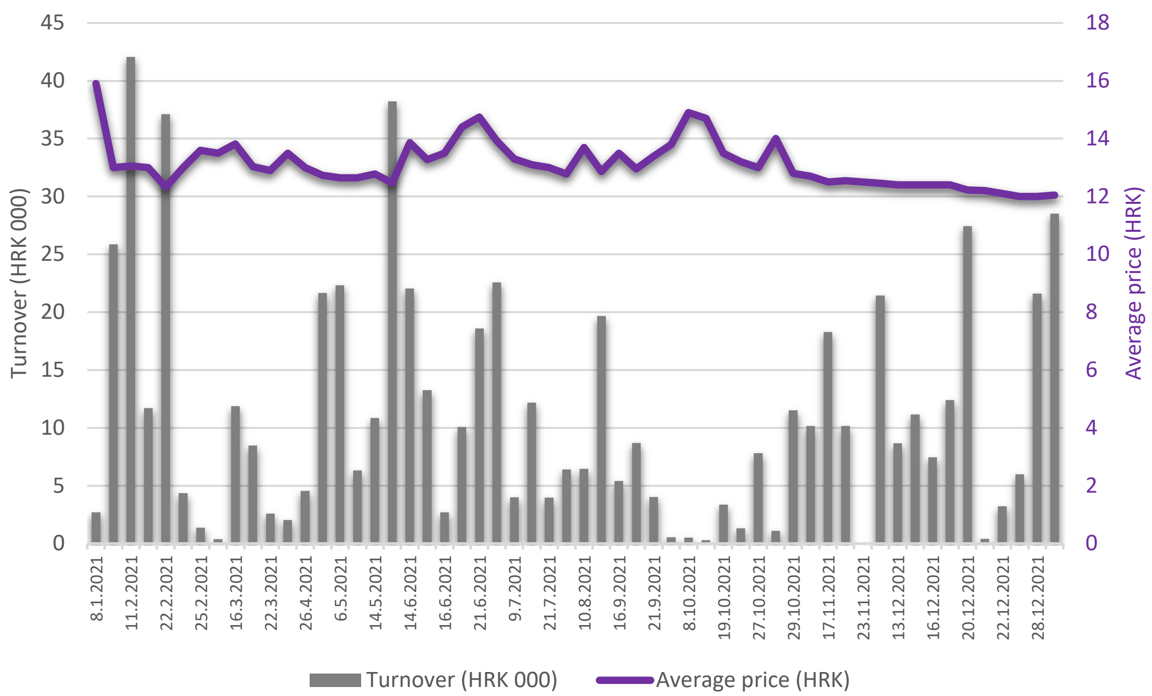

Figure 2: Turnover and average price ZB-R-A stock in 2021

1.2.2 Ownership structure of the issuer Zagreb Stock Exchange

A total of 199 shareholders were noted in the ownership structure of the Zagreb Stock Exchange on 31 December 2021.

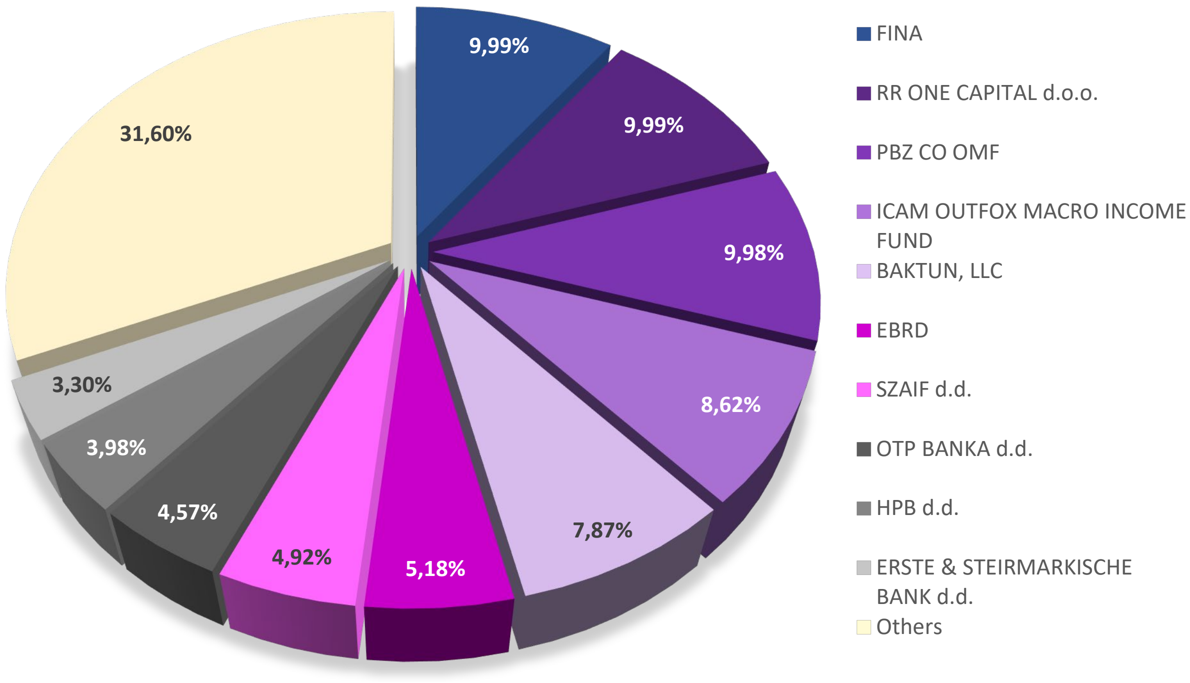

Figure 3: Ownership structure on 31 December 2021

1.3 Financial results and business operations of the Group in 2021

In 2021, the Group generated a total of HRK 25,839 thousand of operating revenues, which is HRK -472 thousand or -1.8% less than in the previous year when they amounted to HRK 26,311 thousand. Compared to 2020, sales revenues fell from HRK 18,273 to HRK 17,142 thousand, i.e., by a significant HRK -1,131 thousand or -6.2%. The decline in sales revenue is primarily the result of a decrease in revenue from trading commissions, which, following a lower turnover in securities compared to a significantly increased turnover from the end of February to mid-April 2020, by the end of 2021 reached HRK 7,293 thousand (HRK -1,132 thousand or -13.4% less compared to 2020 when they amounted to HRK 8,425 thousand). Following the slightly smaller number of newly listed securities than in the previous year, income from quotation fees in 2021 amounted to HRK 1,532 thousand, which is HRK -160 thousand or -9.5% less than in 2020 when they amounted to HRK 1,692 thousand. Within sales revenues, only income from quotation maintenance increased to HRK 7,847 thousand (an increase of HRK +142 thousand or +1.8% compared to 2020, when they amounted to HRK 7,705 thousand) and revenues from membership fees increased to the amount of HRK 470 thousand (2020: HRK 451 thousand). Compared to 2020, other operating income increased by HRK +659 thousand or +8.2%, i.e., from HRK 8,038 to HRK 8,697 thousand. This increase in other operating income is due to the growth of revenue from the supply of information which amounted to HRK 6,236 thousand (HRK +359 thousand or +6.1%), income from seminars which amounted to HRK 897 thousand (HRK +124 thousand or +12.7%) and other revenues, which increased by HRK +176 thousand or +12.7% and amounted to a significant HRK 1,564 thousand.

At the beginning of the coronavirus pandemic, i.e., in the first quarter of 2020, the Group began to record a decline in operating expenses primarily due to a changed working mode (working from home, absence of business trips, live events, etc.). In 2021, business operations normalized in one part, which is why the Group's total operating expenses increased by a significant HRK +860 thousand (+3.6%) compared to 2020 and amounted to HRK 25,007 thousand (2020: HRK 24,147 thousand). The increase in operating expenses was mostly due to the increase in other operating expenses (HRK +447 thousand or +4.6%, i.e., from HRK 9,708 to HRK 10,155 thousand), the growth of which is mostly due to the increase in professional services (translation, lawyer, notary and consulting services) by HRK +396 thousand or +37.6%, i.e., from HRK 1,052 to HRK 1,448 thousand, and an increase of software costs and licenses by HRK +392 thousand or +11% (an increase from HRK 3,560 to HRK 3,952 thousand). Staff costs increased by HRK +350 thousand or +2.8% (from HRK 12,466 to HRK 12,816 thousand), which is within the planned, and depreciation by HRK +63 thousand or +3.2% (from HRK 1,973 to HRK 2,036 thousand).

The Group's operating profit in 2021 amounted to HRK 832 thousand, while in the previous year the operating profit amounted to HRK 2,164 thousand (HRK -1,332 or -61.5%). The net financial result in 2021 amounts to HRK -394 thousand (a decrease of HRK -592 thousand compared to 2020), and participation in joint venture and participating interest amounts to HRK 30 thousand, HRK +56 thousand more compared to the previous year (2020: HRK -26 thousand).

Considering all the above, the Group’s net profit in 2021 amounts to HRK 364 thousand, which is HRK -1,788 thousand (-83%) less than in 2020, when the Group's net profit amounted to HRK 2,152 thousand. Operating profit before interest, taxes, depreciation and amortization is positive and in 2021 amounts to HRK 2,868 thousand, i.e., HRK -1,296 thousand less than in 2020.

In 2021, in order to preserve the value of its assets, the Group invested its available cash in bond funds and bank deposits. At the end of 2021, the Group's free assets amounted to HRK 32,102 thousand (units in investment funds and cash in the bank).

1.4 Business analysis

1.4.1 Total operating revenues

Total operating revenues in 2021 amount to HRK 25,839 thousand and are lower by HRK -472 thousand or -1.8% compared to 2020 when they amounted to HRK 26,311 thousand. The largest increase in revenue was recorded in revenue from the supply of information (HRK +359 thousand or +6%), and the largest decrease in revenue from trading commissions (HRK -1,132 thousand or -13.4%).

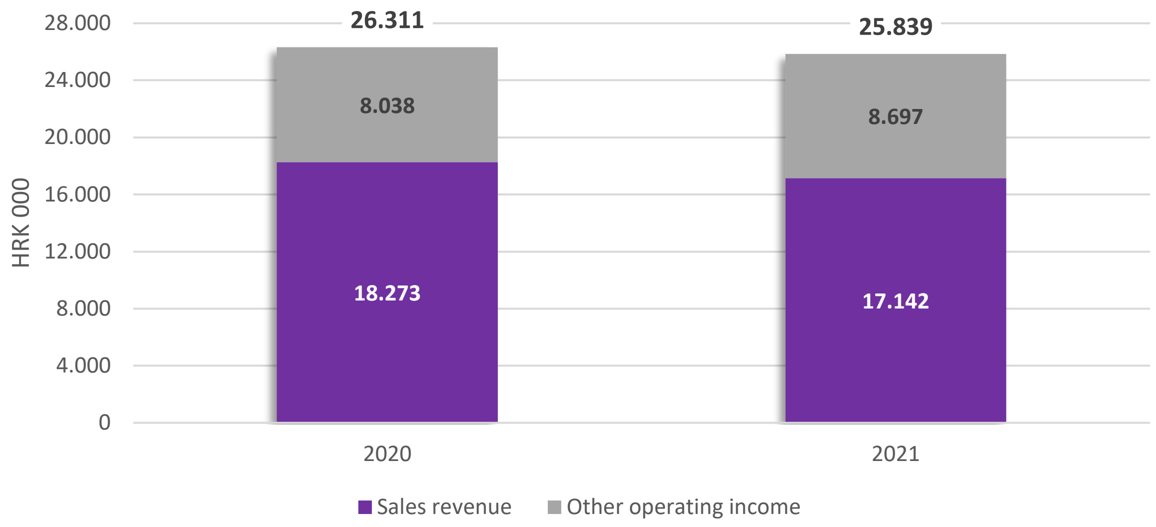

Figure 4: Operating revenue

As in the previous year, in 2021, the largest share in operating revenues had income from trading commissions (28%) and income from quotation maintaining (30%).

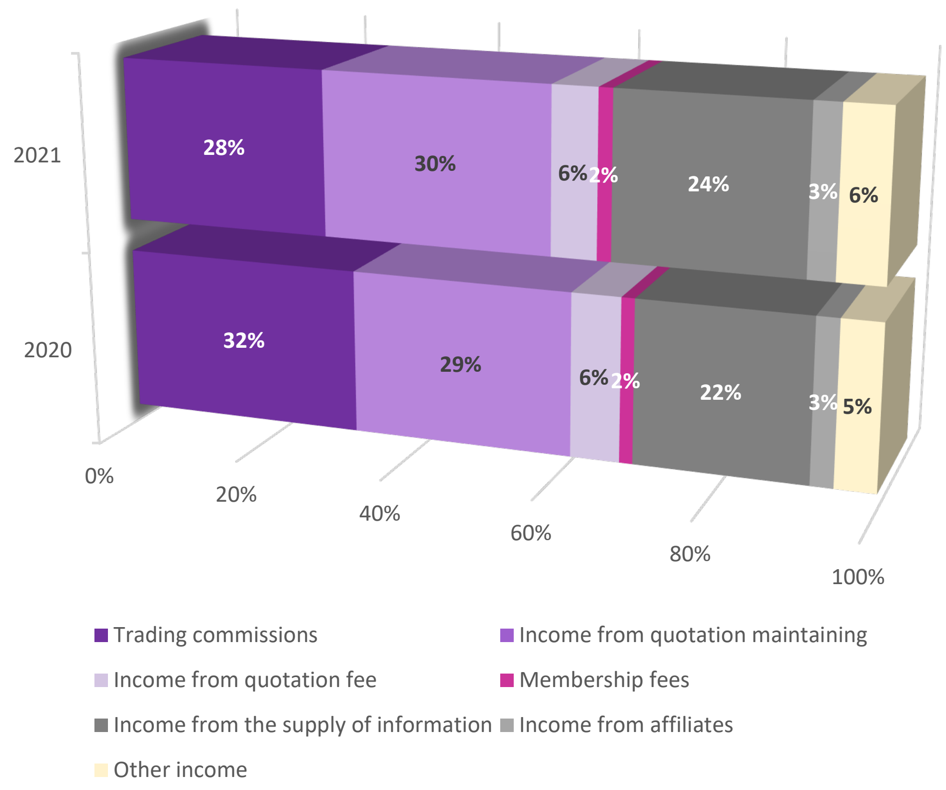

Figure 5: Operating revenue structure

Trading commissions and membership fees

In 2021, HRK 7,293 thousand was generated on the basis of trading commissions, which is HRK -1,132 thousand or -13.4% less compared to 2020, when they amounted to HRK 8,425 thousand. At the end of 2021, the Zagreb Stock Exchange had a total of 13 members, one member less than in 2020, and the Ljubljana Stock Exchange had 9 members, the same as at the end of 2020. Membership fees revenues are higher by HRK 19 thousand or 4.2% and amount to HRK 470 thousand.

Income from quotation maintenance

Income from quotation maintenance increased from HRK 7,705 to HRK 7,847 thousand (HRK +142 thousand or +1.8%). At the end of 2021, 98 stocks (2020: 104), 32 bonds (2020: 26) and 2 ETFs (2020: 2) were listed on the Regulated Market of the Zagreb Stock Exchange, while 25 shares (2020: 27), 29 bonds (2020: 30), 2 commercial papers (2020: 1), 3 treasury bills (2020: 1), and 5 structured products (2020: 0) were listed on the Ljubljana Stock Exchange.

Income from quotation fees

In 2021, income from quotation fees decreased from HRK 1,692 to HRK 1,532 thousand (HRK -160 thousand or -9.5%) compared to the previous year. During 2021, three shares and six bonds were listed on the Zagreb Stock Exchange, while in 2020, five shares, five bonds and two ETFs were listed. On the Ljubljana Stock Exchange one share, three bonds and two commercial papers were listed in 2021, and in 2020, seven bonds and one treasury bill were listed.

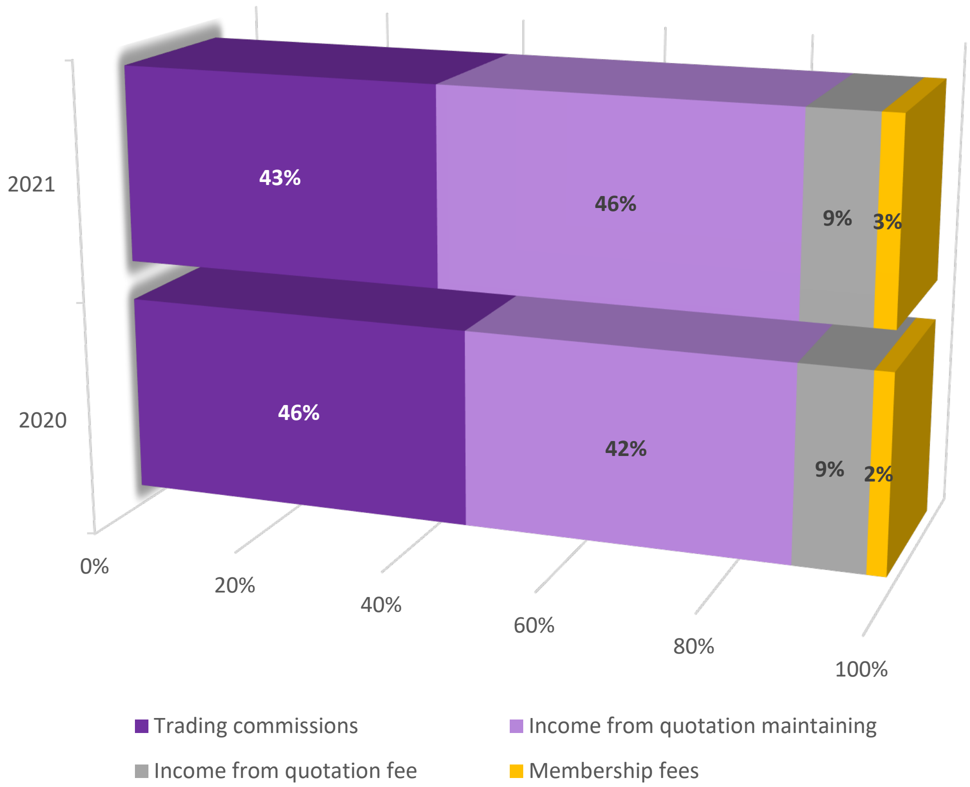

Figure 6: Sales revenue structure

Other operating income

Other operating income increased by HRK +659 thousand or +8.2% compared to 2020 (from HRK 8,038 to HRK 8,697 thousand) due to the growth of revenue from the supply of information amounting to HRK 6,236 thousand (HRK +359 thousand or +6.1%), increase in revenues from seminars amounting to HRK 897 thousand (HRK +124 thousand or +16%), and other revenues that increased by HRK +176 thousand or +12.7% and amounted to a significant HRK 1,564 thousand. Revenues from the supply of information have the largest share in other operating income (72%), which also includes income from real-time data distribution rights paid by members.

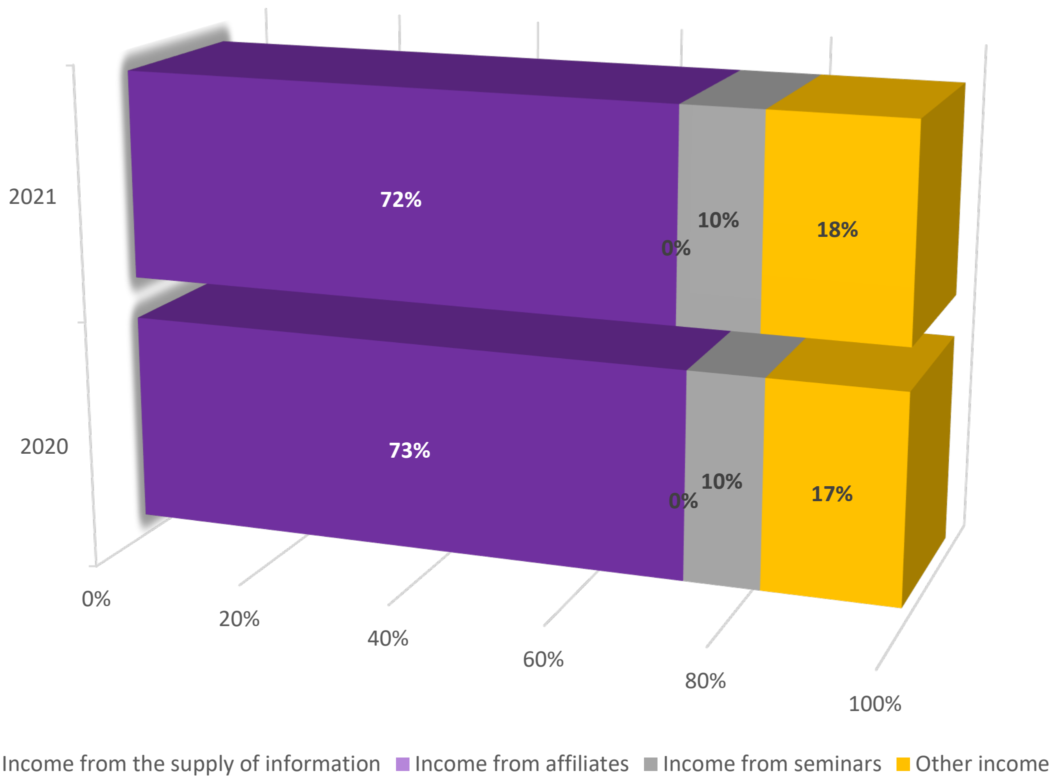

Figure 7: Other operating income structure

1.4.2 Total operating expenses

Total operating expenses in 2021 amounted to HRK 25,007 thousand, which is an increase of HRK +860 thousand or +3.56% (in 2020 they amounted to HRK 24,147 thousand).

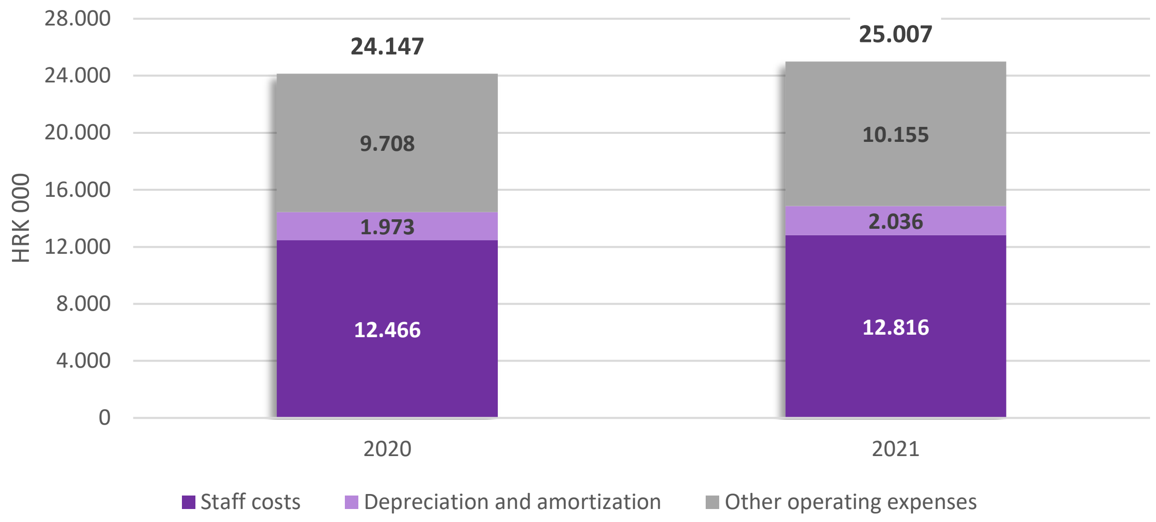

Figure 8: Operating expenses

As already mentioned, the significant growth of operating expenses in 2021 is mainly related to the normalization of part of the business after the pandemic 2020. At the end of 2021, three more people were employed in the Group than at the end of the previous year and staff costs increased from HRK 12,466 to HRK 12,816 thousand (HRK +350 thousand or +2.8%). Depreciation increased by HRK +63 thousand or +3.2% (from HRK 1,973 to HRK 2,026 thousand).

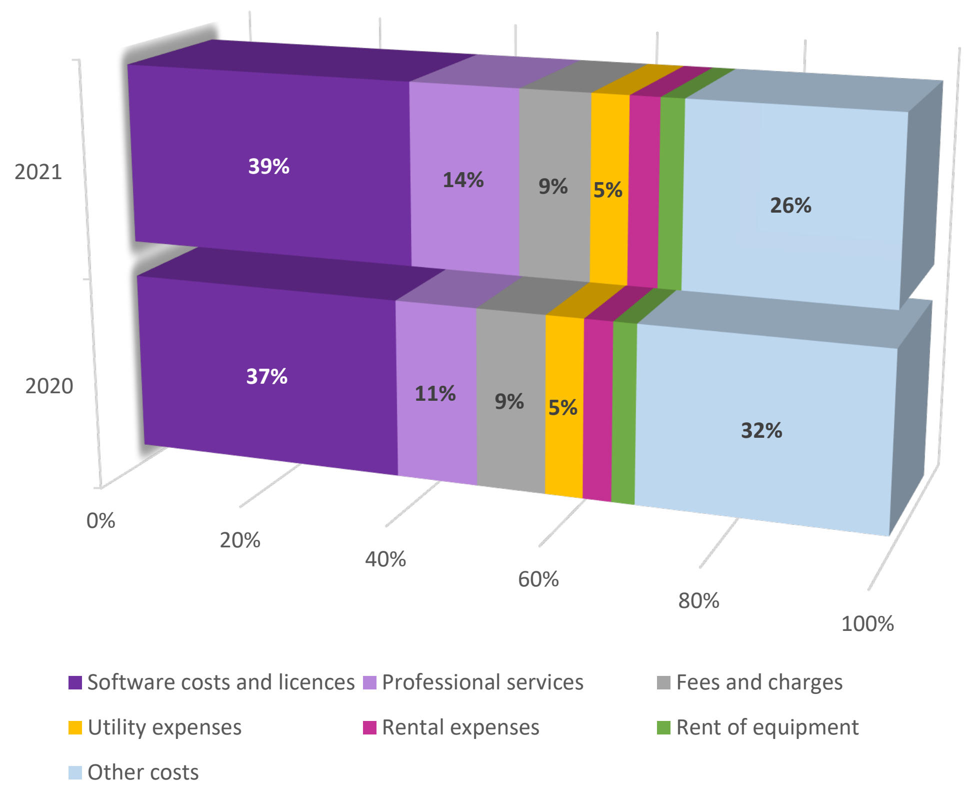

Figure 9: Other operating expenses structure

Other operating expenses increased from HRK 9,708 to HRK 10,155 thousand (HRK +447 thousand or +4.6%) and contributed the most to the increase in total operating expenses. Among them, the most significant is the increase in the costs of professional (translation, legal, notary and consulting) services from HRK 1,052 to HRK 1,448 thousand (HRK +396 thousand or +37.6%) and the increase in the software costs and licenses from HRK 3,560 to HRK 3,952 thousand (HRK +392 thousand or +11%) which have the largest share in other operating expenses (39%).

1.4.3 Net profit for the period

In 2021, the net profit for the period amounted to HRK 364 thousand; a decrease of HRK -1,788 thousand or -83% compared to the previous year when net profit amounted to HRK 2,152 thousand. Besides the decrease in the most important income, that of trading commissions (-13.4%), which traditionally accounts for about 40% of sales revenue and about 30% of total Group's revenue, revenue from quotation fees also fell significantly (-9.5%). The Group, however, partially annulled the decrease in these items by increasing revenues from other bases, where it is necessary to highlight revenues from quotation maintenance fees in the amount of HRK 7,847 thousand, revenues from the supply of information in the amount of HRK 6,236 thousand, and revenues from seminars in the amount of HRK 897 thousand.

Operating profit before interest, taxes, depreciation and amortization decreased compared to the previous year (HRK -1,269 thousand) and in 2021 amounted to still significant HRK 2,868 thousand.

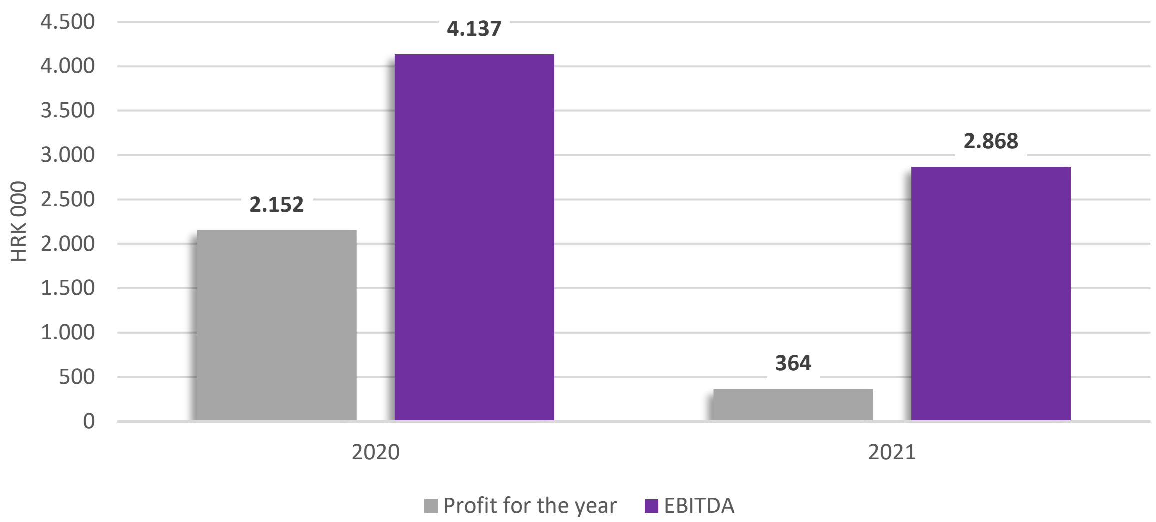

Figure 10: Net profit for the period and EBITDA

1.4.4 The Group's Assets

As of December 31, 2021, the Group's total assets amounted to HRK 53,610 thousand, which is +4.9% more than in 2019.

HRK 000	2020	2021	change
Non-current assets	**15,620**	**17,039**	**9.08%**
Current assets	**35,475**	**36,571**	**3.09%**
Inventories	*6*	*6*	*0.00%*
Trade receivables	*3,696*	*3,853*	*4.25%*
Financial assets	*17,774*	*14,479*	*-18.54%*
Short-term deposits	*4,011*	*6,013*	
Cash and cash equivalents	*9,324*	*11,610*	*24.52%*
Prepaid expenses	*664*	*610*	*-8.13%*
Total assets	**51,095**	**53,610**	**4.92%**
Equity	**42,931**	**43,228**	**0.69%**
Reservations	**-**	**50**	
Long term obligations	**554**	**2,746**	**395.67%**
Current liabilities	**7,610**	**7,586**	**-0.32%**
Total equity and liabilities	**51,095**	**53,610**	**4.92%**

Table 3: Balance Sheet on 31 December

The structure of the balance sheet has changed slightly compared to 2020. On the assets side, current assets and non-current assets maintained a similar share in total assets as in the previous year, while on the liabilities side the share of equity decreased, the share of long-term obligations increased, and the share of current liabilities remained almost unchanged.

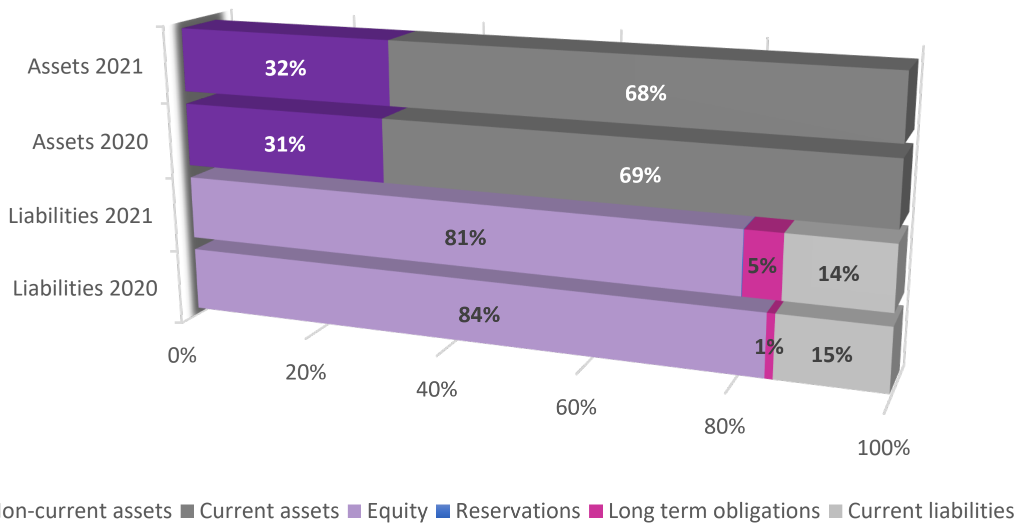

Figure 11: Assets and Liabilities Structure

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.

Ongoing military action in Ukraine and sanctions against the Russian Federation are affecting economies in Europe and the world. The company has no significant exposure in Ukraine, Russia and Belarus. However, the effect on the general economic situation may require a revision of certain assumptions and estimates, which may lead to significant adjustments in the carrying amount of certain assets and liabilities over the next financial year. At this stage, management cannot reliably assess the impact as new developments take place day by day.

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 Group

In 2022, the Group will continue to focus on restoring confidence and raising Corporate Governance standards and reporting on a regulated market. The Group will also focus on greater promotion of existing issuers, with a focus on Prime Market. The Group 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 Group 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 & Development activities

The Group is continuously working on developing and improving its own services and expanding its service provision to the Slovenian market as well.

During the second half of 2019, the Zagreb Stock Exchange began migrating the Ljubljana Stock Exchange's downstream system to its 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.

In 2021, the biggest focus was on the development of Exchange's own trading monitoring software, Zeus, as well as on the Exchange's strategy development project for the next five years. The Exchange also participated in the CCP implementation project for the Republic of Croatia and successfully implemented new trading system releases and other infrastructure optimization activities.

1.8 Information on repurchase of own shares

As of December 31, 2021, the companies in the Group held no own shares.

The companies in the Group did not acquire own shares between 1 January 2021 and 31 December 2021.

1.9 Zagreb Stock Exchange Group

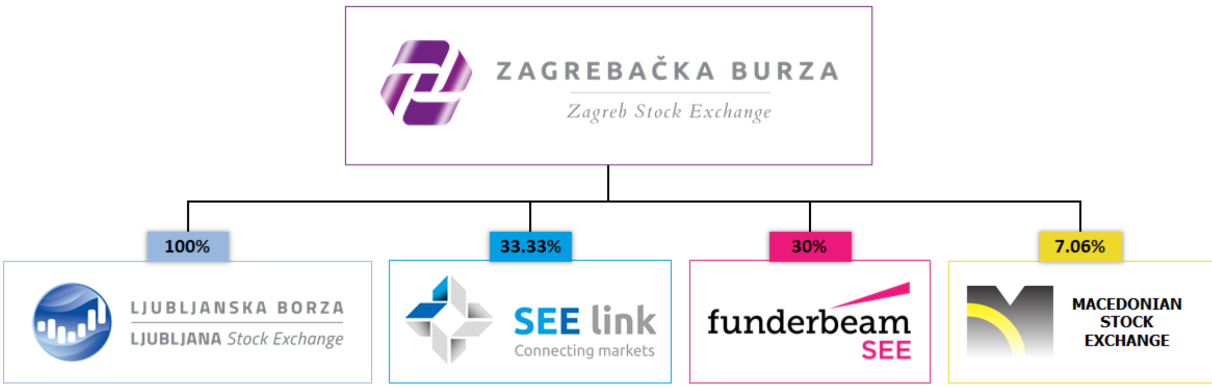

Figure 12: Zagreb Stock Exchange Group

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 2021 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 2021 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 is HRK 244,000, and the Exchange participates with 30%.

After acquiring 148 shares on 18 December 2019, or 5.3% of the Macedonian Stock Exchange's share capital, the Zagreb Stock Exchange acquired an additional 49 shares on 19 October 2021, i.e. a share of 1.76% in the share capital of the Macedonian Stock Exchange, thus increasing its ownership stake to 7.06%.

1.10 Financial instruments

The Group is fully funded by its own capital. The financial instruments the companies in the Group invest in are investment funds (money market and bond funds) and deposits (a vista and fixed-term deposits).

1.11 Business operation risks

The Group's Business operation risks are detailed in the notes to the financial statements (Note 22).

1.12 Zagreb and Ljubljana Stock Exchange in 2021

1.12.1 Zagreb Stock Exchange in 2021

Despite positive market sentiment at the year start, the following months brought diverging trends. While the 2021 orderbook turnover decreased by one quarter and total turnover by almost 19% compared to 2020, market activity was strong throughout the year amid keen investor interest, ample investment opportunities and compelling investment stories.

In 2021, the orderbook turnover amounted to HRK 1,962 million, -24% less than in 2020 which was marked by increased turnover in securities from the end of February to the beginning of May under the influence of Covid-19 in the Republic of Croatia. Of this amount, HRK 1,739 million relates to shares, HRK 177 million to bonds, while ETFs, which marked one-year anniversary in November 2021, had a significant turnover of HRK 45 million. The equity block turnover amounted to slightly more than HRK 527 million (2020: HRK 551 million), while the debt block turnover amounted to HRK 50 million in the fourth quarter alone (in 2020 there was no debt block turnover).

HRK mil.	**2017**	**2018**	**2019**	**2020**	**2021**
Orderbook turnover	2,989	2,266	2,472	2,578	1,962
Stocks	*2,621*	*1,579*	*2,179*	*2,300*	*1,739*
Bonds	*368*	*686*	*293*	*256*	*177*
ETFs	-	-	-	*22*	*45*
Total Block Turnover	670	588	523	551	578
Equity Block Turnover	*589*	*542*	*523*	*551*	*527*
Debt Block Turnover	*81*	*46*	-	-	*50*
Total Turnover	**3,660**	**2,854**	**2,994**	**3,129**	**2,540**

Table 4: ZSE securities turnover

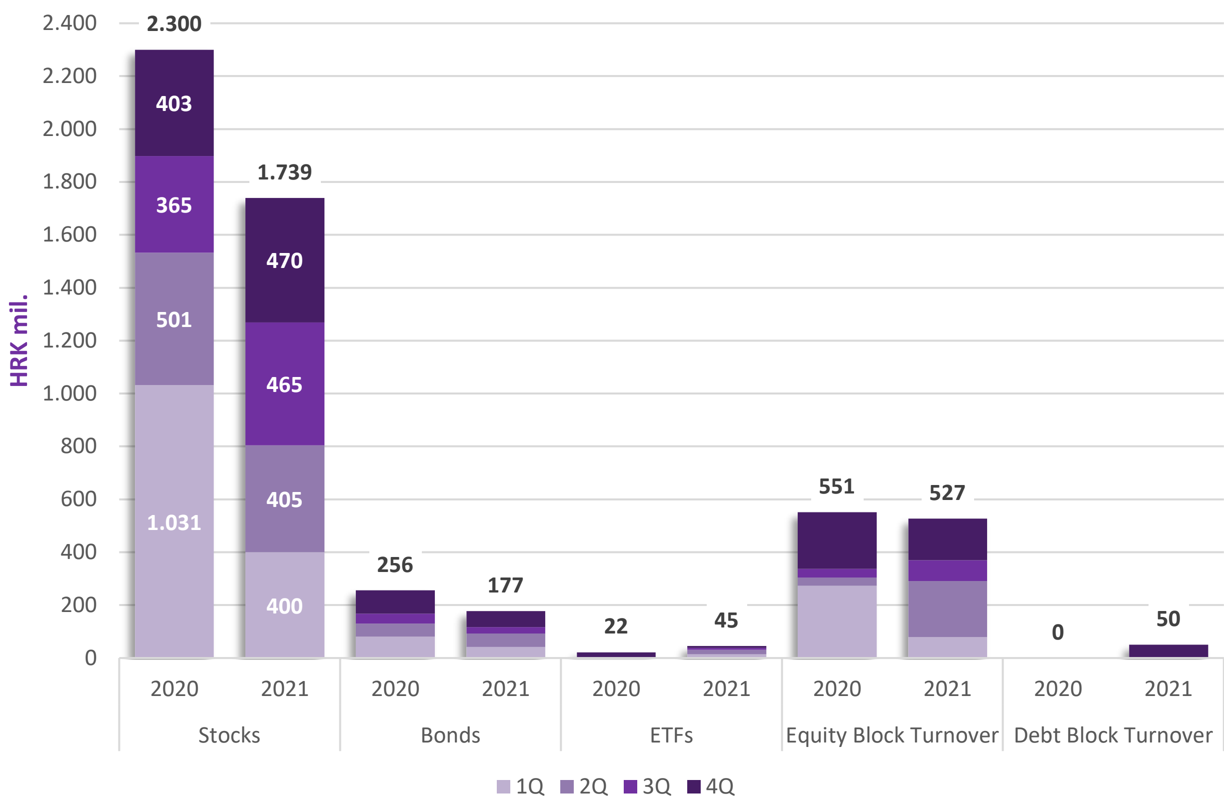

Figure 13: ZSE turnover by type of security

Compared to the end of 2020, the market value measured by market capitalization as of 31 December 2021 is higher in almost all segments - it increased by HRK +3.5 billion or +1% in total, with the market capitalization of the Prime Market higher by +9%, the Official Market by +21%, and the market capitalization of ETFs by +134%. These data point to a constant market recovery since May last year when the initial market shock, caused by the emergence of the Covid-19 virus, which contributed to a large drop in market capitalization in the first quarter of 2020, began to weaken.

	2020	2021	change	2020	2021	change
	Market Capitalization (HRK)			Number of listed securities		
Stocks	**137,359,095,717**	**139,352,326,167**	**1.45%**	**104**	**100**	**-3.85%**
Prime Market	*28,716,090,400*	*31,342,835,154*	*9.15%*	*6*	*6*	*0.00%*
Official Market	*41,567,941,436*	*50,325,878,835*	*21.07%*	*22*	*23*	*4.55%*
Regular Market	*67,075,063,881*	*57,683,612,178*	*-14.00%*	*76*	*71*	*-6.58%*
Bonds	**133,529,271,553**	**134,549,299,989**	**0.76%**	**26**	**29**	**11.54%**
ETFs	**27,013,863**	**63,216,843**	**134.02%**	**2**	**2**	**0.00%**
TOTAL	**270,915,381,134**	**273,964,842,999**	**1.13%**	**132**	**131**	**-0.76%**

Table 5: Market Capitalization and number of listed securities

Compared to 31 December 2020, at the end of 2021, a total of five shares were listed less on the Regular Market and one share more on the Official Market, while the number of shares listed on the Prime Market remained unchanged.

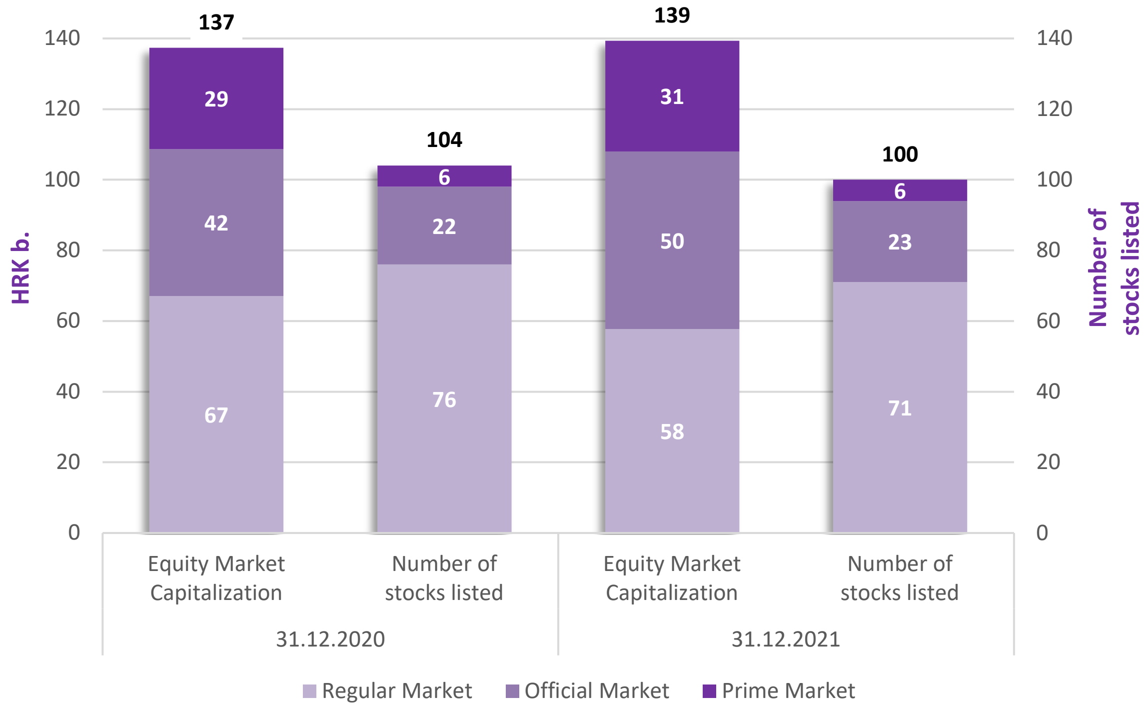

Figure 14: Equity Market Capitalization and number of stocks listed

A comparison of data for 2021 with data from the year before shows a stable and positive trend among indices as well. Namely, after a sharp decline in the index's values since the end of February 2020, the index's values began to normalize and continued to grow continuously from May 2020. With the exception of CROBEXkonstrukt, which weakened -31.49%, all other equity indices rose in double digits compared to the closing value on 31 December 2020; most CROBEXnutris (+24%) and CROBEXtr, which includes dividend yield, as much as +22%, which is an excellent indicator of the return on investment that investors could achieve. The regional index ADRIAprime increased by a significant +32.22%, while the bond index CROBIStr rose slightly by +0.7%, and CROBIS fell by -1.6%.

Index	31.12.2020	31.12.2021	change	Turnover (HRK) 2020	Turnover (HRK) 2021	change
CROBEX	1,739.29	2,079.35	19.55%	1,885,108,067	1,399,889,320	-25.74%
CROBEXtr	1,179.89	1,441.05	22.13%	1,885,108,067	1,399,889,320	-25.74%
CROBEX10	1,087.81	1,262.31	16.04%	1,579,203,982	1,099,034,169	-30.41%
CROBEX10tr	1,087.33	1,293.33	\	484,036,133	1,099,034,169	\
CROBEXprime	1,048.11	1,220.29	16.43%	771,279,606	749,544,419	-2.82%
CROBEXplus	1,104.30	1,230.38	11.42%	1,866,174,136	1,394,946,800	-25.25%
CROBEXindustrija	950.45	1,121.90	18.04%	324,532,518	225,404,583	-30.54%
CROBEXkonstrukt	698.94	478.85	-31.49%	96,873,815	54,113,520	-44.14%
CROBEXnutris	623.36	773.75	24.13%	286,638,338	303,885,082	6.02%
CROBEXtransport	\	809.49	\	\	162,758,728	
CROBEXturist	3,477.97	3,591.00	3.25%	434,896,393	244,945,580	-43.68%
CROBIS	112.36	110.56	-1.60%	25,040,891,148	5,600,804,076	-77.63%
CROBIStr	186.89	188.22	0.71%	25,040,891,148	5,600,804,076	-77.63%
ADRIAprime	1,072.87	1,418.59	32.22%	\	\	\

Table 6: Indices - value and turnover

The most traded share in 2021 was that of Podravka d.d., followed by Hrvatski telekom d.d., Valamar Riviera d.d., Atlantska plovidba d.d., and Preffered Stock of Adris grupa d.d. Half of the orderbook turnover is concentrated in the first 5 most liquid stocks.

Rank	Ticker	Issuer	Turnover (HRK)	Share
1	PODR	PODRAVKA d.d.	215,679,688	12.40%
2	HT	HT d.d.	188,785,821	10.85%
3	RIVP	Valamar Riviera d.d.	182,001,948	10.46%
4	ATPL	ATLANTSKA PLOVIDBA d.d.	173,787,693	9.99%
5	ADRS2	ADRIS GRUPA d.d.	113,421,871	6.52%
		Others	865,797,714	49.77%
	TOTAL		**1,739,474,734**	**100.00%**

Table 7: Turnover of the 5 most liquid stocks in 2021

At the end of 2021, the Exchange had 13 members, and the top five members of the Exchange with the highest turnover in 2021 are listed in the following table:

Rank	Member	Turnover (HRK)	Share
1	INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O.	1,328,898,851	26.14%
2	ERSTE&STEIERMARKISCHE D.D.	643,445,062	12.66%
3	FIMA-VRIJEDNOSNICE D.O.O.	629,845,865	12.39%
4	PRIVREDNA BANKA ZAGREB D.D.	536,969,402	10.56%
5	HITA VRIJEDNOSNICE D.D.	447,702,401	8.81%
	Others	1,496,469,951	29.44%
	TOTAL	**5,083,331,532**	**100.00%**

Table 8: Top 5 members of the Stock Exchange in 2021

The turnover of the first five members of the Exchange accounts for slightly more than 70% of the total turnover.

1.12.2 Ljubljana Stock Exchange in 2021

The total securities turnover on the Ljubljana Stock Exchange in 2021 decreased by -5.2% compared to the previous year. This is understandable because, as in Croatia, the securities turnover in the first three quarters of 2020 was influenced by the Covid-19 outbreak in Slovenia. However, this decline is not as pronounced as on the Zagreb Stock Exchange because the turnover on the Ljubljana Stock Exchange has remained above average since May 2020, when the turnover on the Zagreb Stock Exchange decreased and returned closer to the usual amounts. The orderbook equity turnover in 2021 reached EUR 319 million (a decrease of -15.6% compared to 2020 when it amounted to EUR 378 million), while the debt turnover amounted to only EUR 160 thousand, which is a decrease of -91.4% compared to 2020 when the debt turnover amounted to EUR 1,850 thousand. In 2021, the equity block turnover amounted to almost EUR 61 million (an increase of EUR +40 million compared to 2020), while the debt block turnover was absent.

	2020	2021	change
Securities turnover and Equity Market Capitalization (EUR)			
Total turnover	**400,941,645**	**379,961,674**	**-5.23%**
Orderbook turnover	**380,273,018**	**319,334,697**	**-16.02%**
Stocks	*378,423,218*	*319,162,108*	*-15.66%*
Bonds	*1,849,800*	*159,825*	*-91.36%*
Structured Products	*0*	*12,765*	
Block turnover	**20,668,627**	**60,626,977**	**193.33%**
Equity Block	*20,668,627*	*60,626,977*	*193.33%*
Debt Block	*0*	*0*	
Equity Market Cap. on December 31	**6,919,359,198**	**9,513,501,318**	**37.49%**
Indices values on December 31			
SBITOP	**900**	**1,259**	**39.89%**
SBITR	****	**1,479**	****

Table 9: Ljubljana Stock Exchange Overview

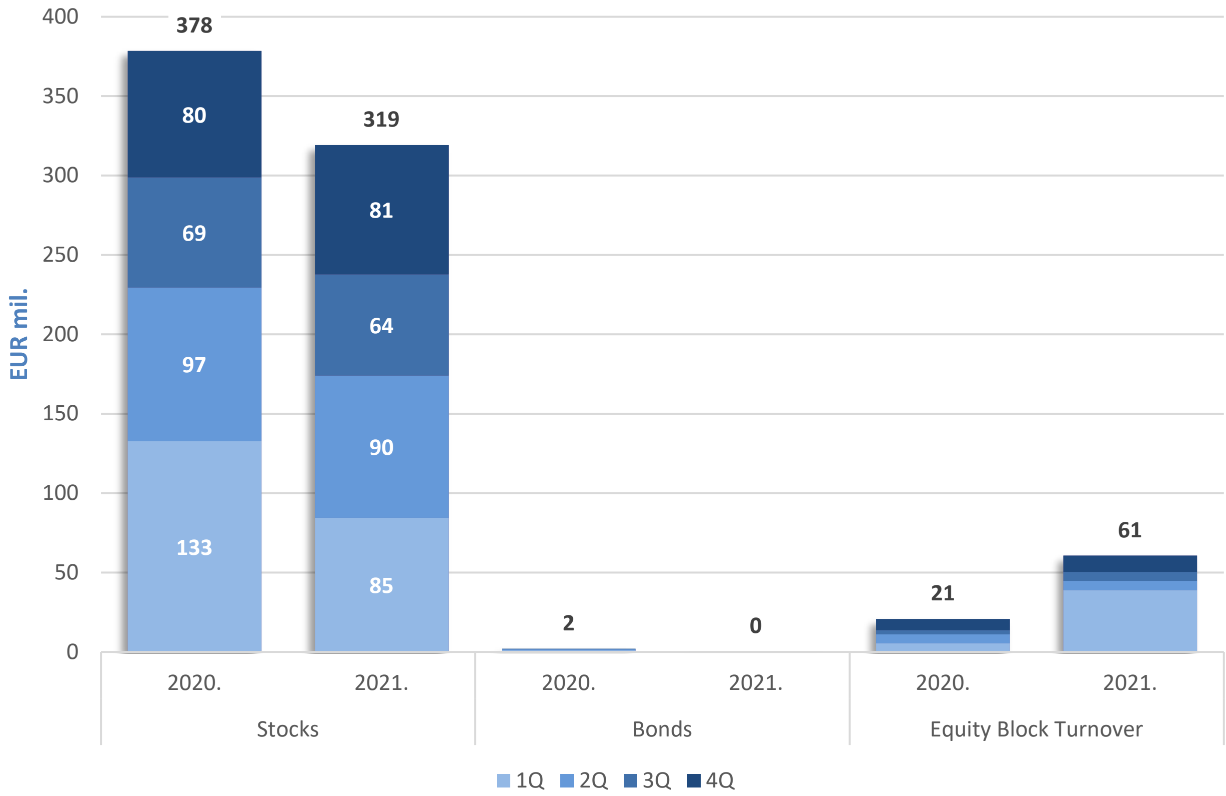

Figure 15: LJSE turnover by type of security

Compared to December 31, 2020, the Equity Market capitalization increased by +37.5% and on the last day of 2021 amounted to EUR 9.5 billion. Since the last value on December 31, 2020, the SBITOP index has increased by almost +40%, and with the listing of the first ETFs on the Ljubljana Stock Exchange in April 2021 started the calculation of the SBITR index, which ended at 1,479 by the end of 2021.

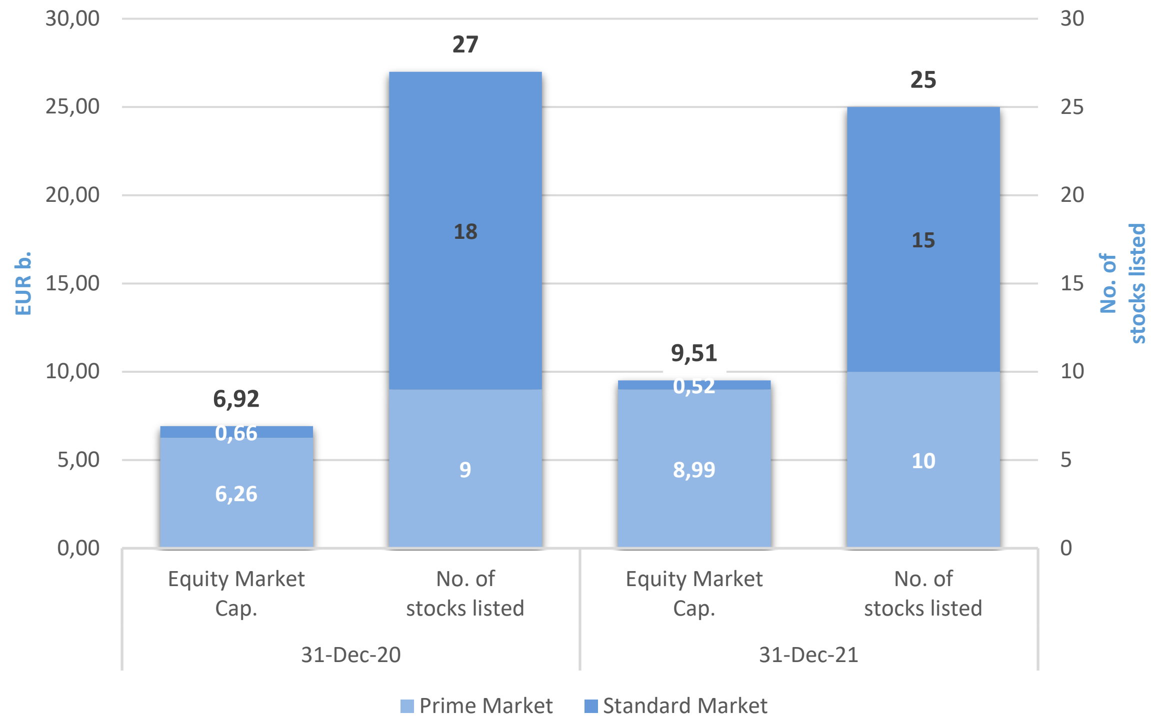

Figure 16: Equity Market capitalization and number of stocks listed on 31 December

1.12.3 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.

1.12.4 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 fulfil their obligations towards the Exchange after they have listed on the Progress Market.

The Zagreb Stock Exchange strategy, among other things, includes continuous work on increasing the level of transparency and corporate governance of issuers in all market segments, and in December 2019 the Exchange Rules were significantly changed regarding the supervising issuers in terms of fulfilling post-listing obligations.

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
President of the Management Board

ZAGREBAČKA BURZA d.d.
Zagreb

Tomislav Gračan
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 and 34/22; 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 2022, 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 2021 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 2021

	Shareholder	No. of shares	Ownership share
1	FINA	463,106	9.9900%
2	RR ONE CAPITAL d.o.o.	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 certain percentage or number of votes nor are there 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 2021, 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
- Matko Maravić, Deputy President
- Dražen Čović
- Tomislav Jakšić
- Enrique Bernardo Mariano
- Silvije Orsag
- Ivan Sardelić

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,
- Silvije Orsag.

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

- Matko Maravić,
- Tomislav Jakšić,
- Enrique Bernardo Mariano.

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

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

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

- Matko Maravić,
- Tomislav Jakšić,
- Silvije Orsag.

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 2021.

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 consolidated financial statements for each financial year, which give a true and fair view of the financial position of the Company and its subsidiary ("the Group") 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 general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group 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 consolidated 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 the 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 consolidated financial statements and other information for acceptance, following which the Supervisory Board is required to consider, and if appropriate approve the consolidated annual financial statements for submission to the General Assembly for adoption.

The consolidated financial statements and other information are approved by the Management Board on 26 April 2021 and are signed and verified for submission to the Supervisory Board.

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

ZAGREBAČKA BURZA d.d.
Zagreb

Ivana Gažić

President of the
Management Board

Tomislav Gračan

Member of the
Management Board

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zagrebačka burza d.d. group

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Zagrebačka burza d.d. („Company") and its subsidiary („Group") which comprise the consolidated statement of financial position as at 31 December 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

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 Consolidated Financial Statements (continued)

Key Audit Matter (continued)

<table>
<tr><th>Sales 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, sales revenue of the Group for the financial year amount to HRK 17,142 thousand (2020: HRK 18,273 thousand). Accounting policies for revenue recognition are disclosed in Note 3 l) Revenue.</td></tr>
<tr><td>Revenue is important for assessing the Group's financial performance. The Group generates sales 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.

Considering possible impact of inaccurate revenue calculation, we have concluded that sales revenue recognition is a key audit matter.</td><td>In order to address the risks associated with sales revenue recognition, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient appropriate audit evidence for our conclusion.

We performed following audit procedures with respect to sales revenue recognition area:
• Review and verify the applied accounting policy for revenue recognition;
• Obtaining understanding of control environment and internal controls implemented by the Management within the process of sale revenue recognition;
• Assessing the adequacy of the design and implementation of identified internal controls relevant to the sales revenue recognition process;
• Testing implementation and operational effectiveness of identified relevant internal controls over the process of recognizing sales revenue;
• Determining the scope and nature of substantive audit tests in order to verify the correctness of the calculation and recognition of sales revenue;
• Performing substantive audit procedures on the calculation and recognition of sales revenue on determined sample.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)

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

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Consolidated 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 includes required disclosures as set out in the Articles 21, 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Article 22 and 24 of the Accounting Act.

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

1. Information included in the other information is, in all material respects, consistent with the attached consolidated financial statements.
2. Management Report has been prepared, in all material respects, in accordance with the Article 21 and 24 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 and the Article 24, paragraph 2.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

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

Auditor’s reasonable assurance report on the compliance of annual consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format (“ESEF Regulation”). We conducted a reasonable assurance engagement on whether the financial statements of the Group for the financial year ended 31 December 2021 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file *GroupZSE-2021-12-31*, have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

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

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

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

Auditor’s Responsibilities

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

Quality assurance

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

Procedures performed

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

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

Our procedures focused on assessing whether:

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

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

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2021.
In addition to this conclusion, as well as the audit opinion contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31 December 2021, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

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 Group by the General Assembly of the Company on 14 June 2021 to perform audit of accompanying financial statements. Our total uninterrupted engagement has lasted 3 year and covers period 1 January 2019 to 31 December 2021.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Group on 26 April 2022 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in 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 Group and its controlled undertakings, expect for those mentioned within the annual report.

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

Marina Tonžetić

Director

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

Goran Končar

Certified auditor

Deloitte d.o.o.

26 April 2022

Radnička cesta 80,

10 000 Zagreb,

Croatia

Consolidated Statement of comprehensive income

	Notes	2021	2020
		HRK '000	**HRK '000**
Income statement			
Sales revenue	4	17,142	18,273
Other operating income	5	8,697	8,038
Staff costs	6	(12,816)	(12,466)
Depreciation and amortization	10,11,12	(2,036)	(1,973)
Other operating expenses	7	(10,155)	(9,708)
Operating profit/(loss)		**832**	**2,164**
Financial income	8a	39	192
Financial expense	8b	(478)	(36)
Dividend income		54	55
Net foreign exchange gain/(loss)		(9)	(13)
Net finance income		**(394)**	**198**
Participation in joint venture and participating interest		30	(26)
Profit before tax		**468**	**2,336**
Income tax expense	9a	(104)	(184)
Profit for the year		**364**	**2,152**
Other comprehensive income			
Tax on comprehensive income		2	-
Foreign currencies transactions - exchange differences on foreign operations		(60)	246
Actuarial losses		(9)	(7)
Total comprehensive income for the year		**297**	**2,391**
Basic and diluted loss per share (in HRK)	19	0.08	0.46

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

Consolidated Statement of financial position

	Note	31.12.2021	31.12.2020
		HRK ‘000	**HRK ‘000**
Assets			
Non-current assets			
Property and equipment	10	8,536	8,695
Intangible assets	11	1,616	1,603
Goodwill	11	1,187	1,187
Assets with right to use	12	3,227	558
Investment in associate and joint venture	13	146	115
Financial assets at fair value through other comprehensive income	14a	1,681	1,302
Long term deposits	16b	-	1,757
Guarantee deposits	16b	250	-
Loans receivable to associates		217	217
Deferred tax assets	9	179	186
Total non-current assets		**17,039**	**15,620**
Current assets			
Trade receivables and other assets	15	3,853	3,696
Prepaid expenses and accrued income		610	664
Financial assets at fair value through profit or loss	14b	14,479	17,774
Short-term deposits	16a	6,013	4,011
Cash and cash equivalents	17	11,610	9,324
Inventories		6	6
Total current assets		**36,571**	**35,475**
Total assets		**53,610**	**51,095**

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

Consolidated Statement of financial position (continued)

Equity and liabilities	Note	**31.12.2021**	**31.12.2020**
		HRK ‘000	**HRK ‘000**
Equity and reserves			
Issued share capital	18	46,357	46,357
Share premium		13,860	13,860
Legal reserves		141	141
Accumulated losses		(17,844)	(18,208)
Revaluation reserves		947	947
Actuarial losses		(14)	(7)
Translation reserves		(219)	(159)
Total equity and reserves		**43,228**	**42,931**
Provisions		**50**	**-**
Long term liabilities			
Long term financial liabilities		2,415	247
Bonus/severance provision for Ljubljana stock exchange d.d. and other provisions		142	118
Deferred tax liabilities	9	189	189
Total long term liabilities		**2,746**	**554**
Current liabilities			
Trade and other payables	20	2,558	2,685
Short term financial liabilities		727	300
Contractual liabilities and provisions	21	4,301	4,625
Total current liabilities		**7,586**	**7,610**
Total equity and liabilities		**53,610**	**51,095**

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

Consolidated Statement of changes in equity and reserves

	Issued share capital HRK '000	Share premium HRK '000	Legal reserves HRK '000	Accumulated loss HRK '000	Revaluation reserves HRK '000	Pension liabilities / fair value adjustment HRK '000	Translation reserve HRK '000	Total HRK '000
As at 1 January 2020	**46,357**	**13,860**	**141**	**(20,360)**	**947**	**-**	**(405)**	**40,540**
Profit for the year	-	-	-	2,152	-	-	-	**2,152**
Other comprehensive income	-	-	-	-	-	(7)	246	**239**
Total comprehensive (loss) for the year	**-**	**-**	**-**	**2,152**	**-**	**(7)**	**246**	**2,391**
As at 31 December 2020	**46,357**	**13,860**	**141**	**(18,208)**	**947**	**(7)**	**(159)**	**42,931**
Transfer to accumulated loss	-	-	-	-	-	-	-	
Profit for the year	-	-	-	364	-	-	-	364
Other comprehensive income	-	-	-	-	-	(7)	(60)	(67)
Total comprehensive (loss) for the year	**-**	**-**	**-**	**364**	**-**	**(7)**	**(60)**	**297**
As at 31 December 2021	**46,357**	**13,860**	**141**	**(17,844)**	**947**	**(14)**	**(219)**	**43,228**

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

Consolidated Statement of cash flows

	Note	2021	2020
Cash flow from operating activities		**HRK '000**	**HRK '000**
Profit before tax		**468**	**2,336**
Adjustments:			
Depreciation and amortization	10, 11, 12	2,036	1,973
Unrealised and realized gains from financial assets at fair value through profit or loss	8	187	(34)
Realised gains on sale of financial assets		216	(82)
Movement in impairment allowance for trade receivables		(641)	159
Dividend income		(54)	(54)
Interest income	8	(44)	(59)
Interest expense	8	67	36
Net foreign exchange (gains)/losses		19	(203)
Loss (profit) from joint venture		(30)	25
Other income		338	168
Cash flow before changes in operating assets and liabilities		**2,562**	**4,265**
Changes in operating assets and liabilities			
Decrease / (Increase) in trade receivables		483	647
Increase in prepaid expenses		-	-
Increase trade and other payables		(127)	1
Increase in deferred income and accrued expenses		(267)	652
Change in operating assets and liabilities		**89**	**1,300**
Income tax paid		-	-
Net cash (outflow) from operating activities		**2,651**	**5,565**

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

Consolidated Statement of cash flows (continued)

	Note	2021	2020
		HRK '000	**HRK '000**
Cash flow from investing activities			
Purchase of equipment		(781)	(896)
Purchase of software		(374)	(121)
Purchases of financial assets		(1,179)	(500)
Disposals of units in open investment funds		3,684	2,342
Sale of financial assets		8	82
Investments in short-term deposits		(2,389)	(2,500)
Proceeds from long-term deposits		1,505	(1,531)
Dividends received		54	54
Interest paid		(67)	(36)
Interest received		44	59
Net cash inflow from investing activities		**505**	**(3,047)**
Cash flow from financing activities			
Payments IFRS 16		(870)	(788)
Net cash inflows from financing activities		**(870)**	**(788)**
Net increase in cash and cash equivalents		**2,286**	**1,730**
Cash and cash equivalents at the beginning of the year		9,324	7,594
Cash and cash equivalents at the end of the year	16	**11,610**	**9,324**

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

Notes to the consolidated financial statements

1 Reporting entity

Zagrebačka burza d.d. ("Zagreb Stock Exchange" or "the Company") is a joint stock company domiciled in Republic of Croatia and 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 During 2021, there were no changes in the name of the Company or any other way of designating the reporting entity.

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 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 199 shareholders (31 December 2020: 196 shareholders). The Company does not have an ultimate parent company.

The activities of the Company are regulated by Croatian Agency for Supervision of Financial Services ("HANFA") and the activities of the Ljubljanska borza d.d. are regulated by the Slovenian Securities Market Agency ("ATVP").

The Zagrebačka burza d.d. Group ("the Group") consists of Zagrebačka burza d.d., Zagreb, Republic of Croatia, foreign subsidiary Ljubljanska borza d.d.,Ljubljana, Republic of Slovenia. The Group also has an investment in joint venture SEE Link d.o.o., Skopje, Republic of North Macedonia and associate Funderbeam South-East Europe d.o.o., Zagreb, Republic of Croatia.

These financial statements comprise consolidated financial statements of the Group as defined in International Financial Reporting Standard 10 (IFRS 10*) Consolidated Financial Statements*. Zagrebačka burza d.d. prepares separate financial statements, which are published as a separate document.

2 Basis for 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 2022 for submitting for approval by the Supervisory Board.

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

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

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

- **Amendments to IFRS 16 "Leases" -** Covid-19-Related Rent Concessions beyond 30 June 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),

- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

Notes to the financial statements (continued)

2 Basis for preparation (continued)

b) Initial application of new amendments to the existing standards effective for the current reporting period (continued)

The adoption of amendments to the existing standards has not led to any material changes in the Group's financial statements.

c) Standards and amendments to the 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 IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

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

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

Notes to the financial statements (continued)

2 Basis for preparation (continued)

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 as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IFRS 17 "Insurance contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Group 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 Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date

Notes to the consolidated 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, financial assets at fair value through other comprehensive income, land and buildings 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 Groups operates ("the functional currency"). The functional currency of Slovenian subsidiary is Euro. 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 25.

h) Foreign currency

i) Foreign currency translations

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 cost 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 recognised 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 2021 was EUR 1 = HRK 7.517174 (31 December 2020: EUR 1 = HRK 7.53689). The exchange rate used for translation of gain / loss from participation in joint venture on 31 December 2021 was MKD 1 = HRK 0.1217 (31 December 2020: MKD 1 = HRK 0.1025).

Notes to the consolidated financial statements (continued)

2 Basis of preparation (continued)

h) Foreign currency (continued)

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into HRK at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into HRK at the annual average exchange rates.

Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve (translation reserve).

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI and accumulated in the translation reserve within equity.

3 Significant accounting policies

a) Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the total is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii) Interests in equity accounted investees

The Group's interests in equity-accounted investees comprise interests in a joint venture and associate. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in joint venture is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which joint control ceases.

Associates are entities over which the Group has significant influence but no control. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and are initially recognised at cost.

The Group's share of its associates' post-acquisition gains or losses is recognised in the income statement and its share of their post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments (refer to accounting policy 3 c) Financial instruments) depending on the level of influence retained.

v) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

a) Property, equipment and intangible assets

Property and equipment are stated at historical cost or deemed cost less accumulated depreciation and impairment losses, except for property and land which have been measured according to the revaluation method. The latter method requires that property, whose fair value can be measured reliably, to be recognized at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of land and buildings is measured on the basis of market benchmarks, in an appraisal that is normally prepared by professionally qualified appraisers.

Subsequent cost is included in the asset's carrying amount or is recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they have incurred. Depreciation is provided on all assets except land and assets not yet brought into use on a straight-line basis at prescribed rates designed to write-off the cost over the estimated useful life of the asset.

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

Buildings	31 years
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	period of lease

When an item of property is revalued, the carrying value of that asset is adjusted to the revalued amount so that the accumulated depreciation is decreased against the gross carrying amount of the asset.

After initial recognition of property:

- if an asset's carrying amount is increased as a result of revaluation, the increase is recognized in Other comprehensive income and accumulated in equity under the revaluation reserve caption;
- if the carrying amount is decreased as a result of revaluation, the decrease is recognized in Profit or loss;
- if an asset's carrying amount is increased as a result of revaluation, the increase is recognized in Profit or loss to the extent that it reverses a revaluation decrease of the same property previously recognized in Profit or loss;
- if the carrying amount is decreased as a result of revaluation, the decrease is recognized in Other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The useful life, the residual value and amortization methods are revalued and corrected, if necessary, at each reporting date.

Goodwill

According to IFRS 3 Business Combinations, any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired on the date of the acquisition is presented as goodwill and recognised as an asset. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

a) Property, equipment and intangible assets (continued)

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or the group of cash-generating units) to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro-rata to the other assets of the unit on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

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 Groups 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

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 Group 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 2021, financial assets at fair value through profit or loss refer to investments in open-end investment funds.

Financial liabilities

Group'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, ie the date on which the Group 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 Group ceases to recognise 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 Group substantially transfers all the risks and rewards of ownership to another business entity or when the rights have been exercised, ceded or expired. The Group ceases to recognize financial liabilities only when they cease to exist, ie when they are met, cancelled, expired or significantly modified (10 per cent test). If the terms of the financial liability change, the Group 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

The Group measures investments in the shares (described in note 14 a) by FVOCI option. In accordance with IFRS 9, the Group 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 14 a).

Recognition and derecognition

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 Group assesses separately each financial instrument to determine if there is an active or inactive market for the instrument.

Fair value hierarchy

The Group 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

31 December 2021

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income (note 14)	-	-	1,681	1,681
Financial assets at fair value through profit or loss (note 14)	14,479	-	-	14,479
Total	**14,479**	**-**	**1,681**	**16,160**

31 December 2020

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income (note 14)	-	-	1,302	1,302
Financial assets at fair value through profit or loss (note 14)	17,774	-	-	17,774
Total	**17,774**	**-**	**1,302**	**19,076**

3 Significant accounting policies (continued)

c) 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, Group 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 Group'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 Group recognized a loss of 96% on all claims over 120 days because historical experience indicates that these claims are generally not recoverable.

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

The Group considers that financial assets are not recoverable if it is unlikely that the borrower will pay its obligations to the Group in full without the Group 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 Group is exposed to credit risk.

The Group 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 Group 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 consolidated financial statements (continued)

3 Significant accounting policies (continued)

c) 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.

d) Impairment of non-financial assets

The carrying amounts of the Group'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 Group 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 cost to sell or 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 consolidated financial statements (continued)

3 Significant accounting policies (continued)

e) 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 recognised 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 recognised 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 Group applies IFRS 15 to distribute the fee in accordance with the contract for each component.

The Group assesses whether it is a lease agreement or whether the contract contains a lease, at the beginning of the contract. The Group 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 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

e) Leases

The Group remeasures 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 Group 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 Group 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 recognised 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.

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 Group 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 Group 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 recognised 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 Group didn't use that practical solution. For a contract containing a lease-related component and one or more additional non-lease-related components, the Group 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

f) 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.

g) Earnings per share

The Group 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 Group 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.

h) Employee benefits

Defined contribution pension plan

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 recognised as an expense when the Group 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 recognised if the Group 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 recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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.

i) 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

i) Taxation

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.

j) Provisions

A provision is recognized if, as a result of a past event, the Group 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 Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. The Group makes no provision for future operating costs.

k) 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.

l) 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 Group recognises revenue when it transfers control of a product or service to a customer. The Group 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.

m) 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 the consolidated financial statements (continued)

3 Significant accounting policies (continued)

n) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Management Board (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The owners and the management (Chief operating decision makers –"CODM")) for the purpose of assessing performance and making resource allocations decisions identified operating segments on a geographical basis. Geographical segmentation is based on the domicile of the group subsidiaries.

The geographical information analyses the Group's revenue and non-current assets by the Group's country of domicile and other countries.

The Group does not specify any additional reportable segments per product or service type in this moment, given that it is sufficient for CODM to assess the performance and make resource allocation decision on the level of the entire group. Segment reporting analysis is presented in Note 24.

The Group has identified two primary segments: Croatia and Slovenia. The primary segmental information is based on the geographical location of business segments. Segmental results are measured at reported amounts in the financial statements.

o) Investments in associates and joint ventures

Associates are entities in which the Group 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 Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

Notes to the consolidated financial statements (continued)

4 Sales revenue	**2021**	**2020**
	‘000 HRK	**‘000 HRK**
Commissions	7,293	8,425
Income from quotation maintaining	7,847	7,705
Income from quotation fee	1,532	1,692
Membership fees	470	451
Total sales revenue	**17,142**	**18,273**

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 Prime, Official and Regular Market quotations. Quotation fees are collected from issuers of securities on the Prime, 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 Other operating income	**2021**	**2020**
	‘000 HRK	**‘000 HRK**
Income from sale of information	6,236	5,877
Income from seminars	897	773
Other income	1,564	1,388
Total operating income	**8,697**	**8,038**

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.

Total recognized revenue in accordance with IFRS 15 is HRK 24,275 thousand (2020: HRK 24,923 thousand).

Total recognized revenue from performance obligations at point in time is HRK 8,190 thousand (2020: HRK 9,198 thousand). Total recognized revenue from performance obligations over time is HRK 16,085 thousand (2020: HRK 15,725 thousand), An overview of the maturity of all accounts receivable is disclosed in note 15.

Notes to the consolidated financial statements (continued)

6 Staff costs	**2021**	**2020**
	'000 HRK	**'000 HRK**
Salaries		
Net salaries	8,284	8,029
Payroll contributions	857	2,718
Payroll taxes and surtaxes	2,823	974
Total salaries	**11,964**	**11,721**
Other staff costs	852	745
Total staff costs	**12,816**	**12,466**

The number of employees at the end of 2021 was 39 (2020: 36). Staff costs include HRK 1,239 thousand (2020: HRK 1,210 thousand) of defined pension contributions paid into obligatory pension funds, Contributions are calculated as a percentage of employees' gross salaries. In 2021 bonus payments in Ljubljanska borza d.d. amounted to HRK 783 thousand (2020: HRK 249 thousand). In 2021, HRK 450 thousand bonus was paid to Zagrebačka burza d,d, (2020: HRK 550 thousand).

7 Other operating expenses	**2021**	**2020**
	'000 HRK	**'000 HRK**
Software and licences	3,952	3,560
Professional services	1,448	1,052
Rent of premises	385	362
Post and telephone services	303	294
Utility expenses	482	480
Fees and charges	924	886
Entertainment	70	69
Business travel	101	38
Intangible assets write-off	3	88
Impairment of trade receivables	82	286
Impairment of debt securities classified as available for sale	-	-
Costs for organization of seminars and marketing	15	13
Other expenses	2,390	2,580
Total other operating expenses	**10,155**	**9,708**

Other expenses in the amount of HRK 2,390 thousand relate to 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 the consolidated financial statements (continued)

8 Financial income and expense

	2021	2020
	'000 HRK	**'000 HRK**
a) Financial income		
Net gains from financial assets at fair value through profit or loss	-	34
Interest income	22	48
Other financial income	17	110
Total financial income	**39**	**192**
b) Financial expense		
Net losses from financial assets at fair value through profit or loss	(412)	-
Interest expense	(66)	(36)
Total financial expenses	**(478)**	**(36)**

Notes to the consolidated financial statements (continued)

9 Income tax	2021	2020
	‘000 HRK	‘000 HRK
a) Income tax		
Current income tax expense	(97)	(108)
Deferred income tax	(7)	(76)
Total income tax	**(104)**	**(184)**

b) Reconciliation of accounting profit and current income tax liability

	2021	2020
	‘000 HRK	‘000 HRK
Profit before tax	**468**	**2,335**
Tax calculated at 18% (2020: 18%)	84	420
Effects of different tax rates	4	12
Tax non-deductible expenses	47	21
Non-taxable income	(58)	(139)
Use of tax losses	-	(219)
Tax losses from Zagrebačka burza d.d. not recognized as deferred tax assets	28	-
Consolidation adjustments	(1)	88
Income tax	**104**	**184**

c) Tax losses carried forward

Gross tax losses arising from Zagrebačka burza d.d. amounting to HRK 3,356 thousand are available for offset against the future taxable profits of the Company at the end of 2021. A tax loss may be carried forward by the Company and is subject to review by the Ministry of Finance. At the end of 2020 the Company had HRK 7,028 thousand of tax loss available to be carried forward to subsequent years. At both reporting dates the Company did not recognise 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 utilised.

At 31 December 2021 the Group did not recognize deferred tax assets in respect of temporary differences (receivables impairment allowances) and carried forward tax losses on Zagrebačka burza d.d., as it is uncertain if taxable profits will be available against which the deferred tax assets can be utilised. For the next reporting date, the Group will re-evaluate assumptions for the recognition of deferred tax assets.

Tax losses can’t be transferred and used within group members. Despite the existence of tax losses from previous periods, Ljubljanska borza d.d. had a current income tax expense of HRK 207 thousand, since tax losses in Slovenia can only be used up to 50% of the profit. Therefore, Ljubljanska borza d.d. took advantage of tax losses of HRK 858 thousand.

Notes to the consolidated financial statements (continued)

c) Tax losses carried forward (continued)

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

Tax loss available for transfer	**2021**	**2020**
	'000 HRK	**'000 HRK**
Up to 1 year	3,221	3,672
Up to 2 year	135	3,221
Up to 3 year	-	135
Up to 4 year	-	-
Up to 5 year	-	-
Total tax loss available for transfer	**3,356**	**7,028**

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.

Deferred tax assets/liabilities

At 31 December 2021 the Group recognised deferred tax assets arising from temporary differences (trade receivables, depreciation and tax losses carried forward) from Ljubljanska borza d.d.

Deferred tax assets

	Trade receivables	**Depreciation**	**Tax losses carried forward**	**Provisions**	**Total**
1 January 2020	90	14	149	10	263
(Decrease)/Increase in deferred tax assets recognized in the income statement	14	7	(99)	1	(77)
31 December 2020	**104**	**21**	**50**	**11**	**186**
1 January 2021	104	21	50	11	186
(Decrease)/Increase in deferred tax assets recognized in the income statement	(9)	-	-	2	(7)
31 December 2021	**95**	**21**	**50**	**13**	**179**

Notes to the consolidated financial statements (continued)

c) Tax losses carried forward (continued)

Deferred tax liabilities

	Fair value adjustment of property
1 January 2020	**189**
Decrease of deferred tax liability recognized through other comprehensive income	-
31 December 2020	**189**
Decrease of deferred tax liability recognized through other comprehensive income	-
31 December 2021	**189**

Notes to the consolidated financial statements (continued)

10 Property and equipment

	Land and property	Computers	Furniture and other equipment	Leasehold improvements	Under constructions	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Cost						
As at 1 January 2020	**7,705**	**4,539**	**2,069**	**1,272**	**-**	**15,585**
Additions	-	702	5	-	(138)	**569**
Disposals	-	-	138	-	138	**276**
Effects of movements in exchange rate	-	-	(9)	-	-	**(9)**
As at 31 December 2020	96	-	31	-	-	**127**
As at 1 January 2021	**7,801**	**5,241**	**2,235**	**1,272**	**-**	**16,549**
Additions	**7,801**	**5,241**	**2,235**	**1,272**	**-**	**16,549**
Transfer	-	280	245	256	-	781
Disposals	-	(9)	(108)	-	-	(117)
Effects of movement in exchange rate	(103)	-	76	-	-	(27)
As at 31 December 2021	**7,698**	**5,512**	**2,448**	**1,528**	**-**	**17,186**
Accumulated depreciation						
As at 1 January 2020	**(495)**	**(4,379)**	**(955)**	**(1,178)**	**-**	**(7,007)**
Charge for the year	(346)	(187)	(267)	(31)	-	**(830)**
Disposals	-	-	7	-	-	**7**
Effects of movement in exchange rate	(6)	-	(17)	-	-	**(23)**
As at 31 December 2020	**(847)**	**(4,566)**	**(1,232)**	**(1,209)**	**-**	**(7,854)**
As at 1 January 2021	**(847)**	**(4,566)**	**(1,232)**	**(1,209)**	**-**	**(7,854)**
Charge for the year	(342)	(212)	(307)	(58)	-	(919)
Disposals	-	9	113	-	-	122
Effects of movement in exchange rate	-	-	1	-	-	1
As at December 2021	**(1,189)**	**(4,769)**	**(1,425)**	**(1,267)**	**-**	**(8,650)**
Net book value at						
31 December 2020	**6,954**	**675**	**1,003**	**63**	**-**	**8,695**
31 December 2021	**6,509**	**743**	**1,023**	**261**	**-**	**8,536**

Notes to the consolidated financial statements (continued)

11 Intangible assets and goodwill

	Software	Long term deferred costs	Goodwill	Asset under construction	Total
	HRK '000	**HRK '000**	**HRK '000**	**HRK '000**	**HRK '000**
Costs					
At 1 January 2020	**2,726**	**219**	**1,168**	**218**	**4,331**
Additions	278	6	-	-	**284**
Write-offs	(604)	(4)	-	-	**(608)**
Effect of movement in exchange rate	118	3	19	-	**139**
At 31 December 2020	**2,518**	**224**	**1,187**	**218**	**4,147**
At 1 January 2021	**2,518**	**224**	**1,187**	**218**	**4,147**
Additions	320	7	-	44	371
Write-offs	-	(4)	-	-	(4)
Effect of movement in exchange rate	148	-	-	1	149
At 31 December 2021	**2,986**	**227**	**1,187**	**263**	**4,663**
Accumulated amortization					
At 1 January 2020	**(1,381)**	**-**	**-**	**-**	**(1,381)**
Change for the year	(383)	-	-	-	**(383)**
Write-offs	518	-	-	-	**518**
Effect of movement in exchange rate	(111)	-	-	-	**(111)**
At 31 December 2020	**(1,357)**	**-**	**-**	**-**	**(1,357)**
At 1 January 2021	**(1,357)**	**-**	**-**	**-**	**(1,357)**
Change for the year	(348)	-	-	-	(348)
Write-offs	-	-	-	-	-
Effect of movement in exchange rate	(155)	-	-	-	(155)
At 31 December 2021	**(1,860)**	**-**	**-**	**-**	**(1,860)**
Net book value					
At 31 December 2020	**1,161**	**224**	**1,187**	**218**	**2,789**
At 31 December 2021	**1,126**	**227**	**1,187**	**263**	**2,803**

Notes to the consolidated financial statements (continued)

12 Right-of-use assets

	Buildings HRK '000	Land HRK '000	Equipment HRK '000	Total HRK '000
Cost				
Initial recognition on 1 January 2020	1,542	293	228	2,063
At 1 January 2020	**1,542**	**293**	**228**	**2,063**
Additions	-	-	69	**69**
Revaluation	-	-	-	**-**
Write-offs	-	-	(121)	**(121)**
Effects of movement in exchange	-	2	-	**2**
At 31 December 2020	**1,542**	**295**	**176**	**2,013**
At 1 January 2021	**1,542**	**295**	**176**	**2,013**
Additions	3,285	-	195	3,480
Write-offs	(1,543)	-	(69)	(1,612)
Effects of movement in exchange	-	1	-	1
At 31 December 2021	**3,284**	**296**	**302**	**3,882**
Accumulated amortization				
At 1 January 2020	(661)	(29)	(68)	**(758)**
Charge for the year	(661)	(30)	(68)	**(759)**
Write-offs		-	62	**62**
Effects of movements in exchange		-	-	**-**
At 31 December 2020	**(1,322)**	**(59)**	**(74)**	**(1,455)**
At 1 January 2021	**(1,322)**	**(59)**	**(74)**	**(1,455)**
Charge for the year	(666)	(31)	(72)	(769)
Write-offs	1,542	-	27	1.569
Effects of movements in exchange	-	-	-	-
At 31 December 2021	**(446)**	**(90)**	**(119)**	**(655)**
Net book value at				
31 December 2020	**220**	**236**	**102**	**558**
31 December 2021	**2,838**	**206**	**183**	**3,227**

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 5 years. The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.2%. Total cash outflow for lease of right-of-use assets in 2021 amounts to HRK 760 thousand.

Notes to the consolidated financial statements (continued)

12 Assets with right of use (continued)

Amounts recognised in profit and loss:

	2021	2020
Depreciation expense on right-of-use assets	769	758
Interest expense on lease liabilities	66	56
Expense relating to short-term leases	828	760

Lease liabilities are due and payable as follows:

	31.12.2021	31.12.2020
Within a year	727	2
In the second year	616	-
In the third year	716	-
In the fourth year	736	-
In the fifth year	263	-
After fifth year	84	-
Total	**3,142**	**2**

As of 1 January 2021, the Group initially recognised lease liabilities in the amount of HRK 547 thousand.

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 recognised in the statement of financial position at the date of initial application:

	1.1.2021 ‘000 HRK
Operating lease commitment as 31.12.2020, as disclosed in the Group’s financial statements	547
Discounted using the incremental borrowing rate at 1.1.2020	
Finance lease liabilities recognized as at 31.12.2020	547
Recognition exemption for:	
- short term leases	-
- leases of low value assets	-
Extension and termination options reasonably certain to be exercised	-
Lease liabilities recognised at 1.1.2021	547

Notes to the consolidated financial statements (continued)

13 Investment in associate and joint venture

	31 December 2021 '000 HRK	31 December 2020 '000 HRK
Investment in SEE Link d.o.o. (33.33%)	146	115
Investment in Funderbeam South-East Europe d.o.o. (30%)	-	-
Total investment in associates and joint venture	**146**	**115**

As at 31 December the Group's associate and joint venture were as follows:

	Company	Country	Nature of business	Ownership share 2021 %	2020 %
Joint venture	SEE Link d.o.o.	North Macedonia	stock-exchange order routing	33.33	33.33
Associate	Funderbeam SEE d.o.o.	Croatia	finance intermediary	30	30

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:

	2021 '000 HRK	2020 '000 HRK
Share in ownership	**33%**	**33%**
Non-current assets	188	115
Current assets	510	496
Of which cash and cash equivalents	180	318
Total assets	**698**	**611**
Non-current liabilities	-	-
Current liabilities	264	265
Of which current financial liabilities	-	-
Total liabilities	**264**	**265**
Total income	**566**	**758**
Depreciation and amortization	141	461
Net interest income/(cost)	1	-
Income tax	-	-
Profit/loss for the year	**91**	**(3)**

Notes to the consolidated financial statements (continued)

13 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 2021 was 30% (31 December 2020: 30%).

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

	2021	**2020**
	'000 HRK	**'000 HRK**
Share in ownership	**30%**	**30%**
Non-current assets	156	162
Current assets	43	72
Of which cash and cash equivalents	43	72
Total assets	**199**	**234**
Non-current liabilities	225	225
Current liabilities	1,023	995
Of which current financial liabilities	924	925
Total liabilities	**1,248**	**1,220**
Total income	179	**603**
Net interest income/(cost)	(16)	(23)
Income tax	-	-
Loss for the year	**162**	**(16)**

14 Financial assets

	31 December 2021	**31 December 2020**
	'000 HRK	**'000 HRK**
a) Financial assets at fair value through other comprehensve income		
Investments in shares	2,048	1,775
Expected credit losses for shares	(367)	(473)
Total	**1,681**	**1,302**

Movement in expected credit losses of shares (stage 3):

	31 December 2021	**31 December 2020**
	'000 HRK	**'000 HRK**
Balance at 1 January	473	473
Expected credit losses	(106)	-
Total	**367**	**473**

Notes to the consolidated financial statements (continued)

14 Financial assets (continued)

Investments in equity instruments in the amount of HRK 1,681 thousand (31 December 2020: HRK 1,302 thousand) relate to planned long-term investments.

As at 31 December 2021, the Company has 197 shares in Makedonska berza AD (31 December 2020: 148 shares) in the amount of HRK 1,484 thousand (31 December 2020: HRK 1,105 thousand).

Shares in the amount of HRK 197 thousand relate to shares in capital of the company Središnje klirinško depozitarno društvo d.d. (SKDD). The Management Board of the Company concluded there was no change in fair value of these shares in 2021.

During the initial recognition, the Company has decided to classify these instruments as financial assets at fair value through other comprehensive income, in accordance with IFRS 9.

	31 December 2021	31 December 2020
	‘000 HRK	**‘000 HRK**
b) Financial assets at fair value through profit or loss		
Units in open-ended investment funds	14,479	17,774
Total	**14,479**	**17,774**

Open-end investment funds are classified as level 1 fair value as at 31 December 2021 and 31 December 2020.

15 Trade receivables

	31 December 2021	31 December 2020
	‘000 HRK	**‘000 HRK**
Trade receivables	4,794	5,097
Given advances	21	45
Other assets	760	618
Impairment allowance	(1,722)	(2,064)
Total	**3,853**	**3,696**

The movement of the impairment of trade receivables

	31 December 2021	31 December 2020
	‘000 HRK	**‘000 HRK**
Balance at 1 January	(2,064)	(2,017)
Impairment losses recognized during the year	(90)	(317)
Write off	190	5
Impairment of receivable	242	265
Total	**(1,722)**	**(2,064)**

Notes to the consolidated financial statements (continued)

15 Trade receivables (continued)

At the reporting date, the Group had overdue receivables not impaired in the amount of HRK 353 thousand (31 December 2020: HRK 250 thousand), The Management considers that receivables are fully recoverable.

	Not past due	< 90	90 - 120	> 120
Trade receivables and other assets - gross amount	3,421	338	35	1,782
Expected credit loss	-	-	(20)	(1,702)
Trade receivables and other assets - net amount	3,421	338	15	80
Expected credit loss rate	-	-	57%	96%

16 a Short term deposits

	31 December 2021	31 December 2020
	'000 HRK	'000 HRK
Short term deposits with maturity over 3 months	6,013	4,011
Total short-term deposits	**6,013**	**4,011**

16 b Long-term deposits

	31 December 2021	31 December 2020
	'000 HRK	'000 HRK
Long term deposits	-	1,757
Guarantee deposits	250	-
Total long term deposits	**250**	**1,757**

17 Cash and cash equivalents

	31 December 2021	31 December 2020
	'000 HRK	'000 HRK
Gyro account in foreign currency (EUR)	6,429	8,698
Gyro account in foreign currency (MKD)	1,703	-
Gyro account in domestic currency	3,477	619
Cash in hand	1	7
Total	**11,610**	**9,324**

Notes to the consolidated financial statements (continued)

18 Issued share capital

Share number movement:

	Number of shares	Nominal value of share capital in HRK	Issued share capital in HRK '000
1 January 2020	4,635,700	10	46,357
31 December 2020	**4,635,700**	**10**	**46,357**
1 January 2021	4,635,700	10	46,357
31 December 2021	**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 2021 the Company had 199 shareholders (31 December 2020: 196 shareholders) with ownership interests in the Company ranging between 0.01% and 9.99%

19 Earnings per share

Calculation of profit per share as at 31 December 2021 was based on the profit of HRK 364 thousand and a weighted average number of ordinary shares outstanding of 46,357,000 calculated as follows:

	31 December 2021	31 December 2020
	'000 HRK	'000 HRK
Net profit/(loss) for the period (HRK '000)	364	2,152
Weighted average number of ordinary shares during the period	4,635,700	4,635,700
Basic and diluted profit/(loss) per share (in HRK)	**0.08**	**0.46**

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

20 Trade and other payables

	31 December 2021	31 December 2020
	'000 HRK	'000 HRK
Trade payables	1,528	1,154
VAT liability	20	205
Other short-term payables	1,010	1,326
Total trade and other payables	**2,558**	**2,685**

Other short-term liabilities represent liabilities for net salaries, contributions and other liabilities to employees.

Notes to the consolidated financial statements (continued)

21 Contractual liabilities

	31 December 2021	31 December 2020
	'000 HRK	'000 HRK
Contractual liabilities from quotation maintenance	2,744	2,816
Contractual liabilities from initial quotation fees	647	546
Other contractual liabilities	394	380
Total contractual liabilities	**3,785**	**4,625**
Provisions for bonuses and severances of Ljubljanska borza	516	883
Total provisions	516	516
Total contractual liabilities and provisions	**4,301**	**4,625**

22 Financial instruments - risk exposures

Interest rate risk

The Group does not have significant amount of variable interest-bearing assets. The most significant interest-earning assets are short-term deposits in banks. The Group has no financial obligations on which it pays interest. The impact of changes in market interest rates on income statement is therefore assessed as not significant.

Foreign currency risk

Except for HRK 2,944 thousand (2020: HRK 1,065 thousand) of the funds on the gyro account denominated in euro, trade receivables in amount of HRK 782 thousand and HRK 27 thousand of trade payable denominated in euro, there are no other financial assets and liabilities denominated in foreign currency. Thus the Group is not significantly exposed to foreign currency risk.

Credit risk

The maximum net exposure to credit risk is as follow:

	31 December 2021 HRK '000	31 December 2020 HRK '000
Cash and cash equivalents (excluding cash in hand)	11,610	9,317
Short-term deposits	6,013	4,011
Trade receivables and other assets	3,853	5,760
Guarantee deposits	250	-
Long-term deposits	-	1,757
Loans given to related party	217	217
Total	**21,943**	**21,062**

Notes to the consolidated financial statements (continued)

22 Financial instruments - risk exposures (continued)

The Group generally does not take collateral due to the nature of its operations. Other than short-term deposit and cash in domestic banks (Note 16, 17), the Group did not have significant concentration of credit risk at the reporting date.

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 Group'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 Group 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 145 thousand (2020: HRK 178 thousand).

Liquidity risk

The Group 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 and plant leased to 5 years. Nondiscontinued 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.

23 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 2021, the Zagreb Stock Exchange d.d. generated revenue from Funderbeam South-East Europe d.o.o. in the amount of HRK 14 thousand (2020: HRK 5 thousand). Receivables from Funderbeam South-East Europe d.o.o. on 31.12.2021 amount to HRK 238 thousand (31 December 2020: HRK 230 thousand).

During 2021 Zagreb Stock Exchange had expenditures from SEE link d.o.o. in the amount of HRK 32 thousand (2020: HRK 27 thousand). Liabilities to SEE link d.o.o. on 31.12.2021 amounts to HRK 7 thousand (31 December 2020: HRK 0 thousand).

Remuneration to Management Board throughout the year was (both Zagrebačka burza d.d. i Ljubljanska borza d.d.) HRK 3,477 thousand (2020: HRK 3,116 thousand). The Group did not pay the remuneration to the members of the Supervisory Board (2020: HRK 0 thousand).

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 consolidated financial statements (continued)

24 Segment reporting

In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

HRK '000

	Croatia	Slovenia	2020 Reportable segments total	Adjustments	Consolidations totals
External revenue	14,770	12,035	26,805	(494)	26,311
Staff costs	(6,935)	(5,531)	(12,466)	-	(12,466)
Depreciation and amortization	(1,127)	(865)	(1,992)	19	(1,973)
Other operating expenses	(5,365)	(4,491)	(9,856)	148	(9,708)
Financial income	571	32	603	(357)	246
Financial expense	(28)	(8)	(36)	-	(36)
Net foreign exchange loss	(12)	(1)	(13)		(13)
Share in Profit (loss) in a joint venture and associates	-	-	-	(25)	(25)
Segment (loss)/profit before tax	**1,874**	**1,171**	**3,045**	**(709)**	**2,336**
Capital expenditure	**774**	**392**	**1,166**	**(181)**	**985**

HRK '000

	Croatia	Slovenia	2021 Reportable segments total	Adjustments	Consolidations totals
External revenue	14,467	11,490	25,957	(118)	25,839
Staff costs	(7,117)	(5,699)	(12,816)	-	(12,816)
Depreciation and amortization	(1,183)	(927)	(2,110)	74	(2,036)
Other operating expenses	(5,857)	(4,445)	(10,302)	146	(10,156)
Financial income	1,044	8	1,052	(957)	95
Financial expense	(471)	(7)	(478)	-	(478)
Net foreign exchange loss	(10)	(0)	(10)	-	(10)
Share in Profit (loss) in a joint venture and associates	-	-	-	30	30
Segment (loss)/profit before tax	**873**	**420**	**1,293**	**(825)**	**468**
Capital expenditure	**4,313**	**319**	**4,632**	**-**	**4,632**

Notes to the consolidated financial statements (continued)

25 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 stated in Note 15, the value adjustment on 31 December 2021 amounts to HRK 1,722 thousand (31 December 2020: HRK 2,064 thousand).

Income tax

The Group 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 104 thousand (2020: 184 thousand).

Useful life of property and equipment and intangible assets

The Group reviews the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The useful lives of equipment and intangible assets are stated in the note 3 b).

Classification of investment in joint venture

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis, in accordance with accounting policy 3 b). This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections from financial budgets approved by management and cover a period of five years.

Notes to consolidated financial statements (continued)

25 Key accounting estimates and assumptions (continued)

Goodwill

Goodwill relates entirely to goodwill arising on acquisition of the subsidiary Ljubljanska borza d.d. The Group annually performs an impairment test in order to assess whether the recoverable amount of goodwill indicates potential impairment of its carrying amount. The calculation of the recoverable amount of goodwill is based on five year plans for revenue on the Slovenian market and business plans of the subsidiary developed by the Group bearing in mind it's corporate and marketing strategy, relevant markets trends.

The calculation of the recoverable amount implies a terminal growth rate for cash flows after the projected five year period amounting to 2%. Cash flows created from such plans are discounted using the discount rate which reflects the return of the underlying asset, which is defined for the purposes of the goodwill impairment test as a weighted cost of capital for the Slovenian market.

The calculations of value in use for the cash-generating unit is most sensitive to the following assumptions:

Revenue and gross margins - Revenue and gross margins are based on average values achieved in the recent years preceding to the start of the business plan period. These are increased over the business plan period for anticipated expansion in business, synergies and efficiency improvements.

Growth rates - The business plan terminal growth rates are based on market outlook. Average revenue growth rate for business plan period is 6.17%.

Discount rates - Discount rates represent the current market assessment of the risks specific to the CGU. This is the benchmark used by the Group to assess operating performance and to evaluate future investment proposals.

Borrowings to related parties

The Group believes that the loans granted are fully recoverable and that there are no indicators of impairment at the reporting date.

Recognition of deferred tax assets

At the balance sheet date, the Group did not recognise deferred tax assets related to carry forward tax losses in the amount of HRK 3,356 thousand, as the Management has assessed that it is not probable that sufficient taxable profits will be available to utilise the deferred tax assets. This will be reassessed at the next balance sheet date. Deferred tax assets and liabilities are stated in Note 9 c).

Notes to the consolidated financial statements (continued)

26 Equity management

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

The Group monitors capital by monitoring its own finance ratios in its financial statements, this indicator is calculated as the ratio of total capital to total assets.

Equity to assets is as follows:

	31.12.2020.	31.12.2019.
	'000 HRK	'000 HRK
Total equity (equity and reserves)	43,228	42,931
Total assets	53,610	51,095
Equity to assets	**81%**	**83%**

81% of the total assets of the Group is financed from own resources, accordingly, 19% of the assets are financed from foreign sources (2020: 16%).

27 Audit fees

The fees for the audit of Group financial statements amounted to HRK 244 thousand (2020: HRK 158 thousand).

During the year, the external auditor has provided non-audit services in the amount of HRK 47 thousand (2020: HRK 47 thousand). In accordance with the EU Regulation, the services provided during 2021 represent permissible non-audited services

28 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 mentioned, 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.

Ongoing military operation in Ukraine and sanctions against the Russian Federation are affecting economies in Europe and the world. The company has no significant exposure in Ukraine, Russia and Belarus. However, the effect on the general economic situation may require a revision of certain assumptions and estimates, which may lead to significant adjustments in the carrying amount of certain assets and liabilities over the next financial year. At this stage, management cannot reliably assess the impact as new developments take place each day.

Notes to the consolidated financial statements (continued)

28 Events after the balance sheet date (continued)

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 financial statements.

29 Approval of the Management Board for issuing financial statements

The Management Board adopted the financial statements and approved their issuance on 26 April 2022.
Signed on behalf of the Management Board on 26 April 2022.

ZAGREBAČKA BURZA

Zagreb Stock Exchange

Pursuant to Articles 300.a, 300.b, 300.c and 300.d of the Companies Act (Official Gazette, Nos. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19 and 34/22), the Management Board of the Zagreb Stock Exchange, Inc. with its registered office in Zagreb, Ivana Lučića 2a/22 (hereinafter: the Exchange), on 26 April 2022, passed the following

DECISION

1. Separated and consolidated financial statements for the year ended 31 December 2021 are determined, and the Reports by the certified auditor Deloitte Ltd. Zagreb for the year ended 31 December 2021 are accepted.

2. The documents referred to in item 1 of this Decision together with the report on the state of the Exchange shall be submitted to the Supervisory Board of the Exchange for approval and, upon approval, shall be deemed determined by the Management Board and the Supervisory Board of the Exchange and sent to the General Assembly of the Exchange.

3. This Decision shall be published as an integral part of the 2021 Annual Report.

4. This Decision comes into force as of the day of its passing.

Mark: OU/2022 – 024

ZAGREBAČKA BURZA d.d.
Zagreb
1

Ivana Gažić
President of the Management Board

Tomislav Gračan
Member of the Management Board

ZAGREBAČKA BURZA

Zagreb Stock Exchange

Pursuant to Articles 220., 222., 222.a and 300.b of the Companies Act (Official Gazette, Nos. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19 and 34/22), the Management Board of the Zagreb Stock Exchange, Inc. with its registered office in Zagreb, Ivana Lučića 2a/22 (hereinafter: the Exchange), on 26 April 2022, passed the following

DECISION

1. The Management Board of the Exchange makes the following Proposal of the Decision on the use of profits:

„PROPOSAL
of the Decision on the use of profits for the year 2021

I.

It is established that the Exchange made a net profit of HRK 873.255 in the financial year ending 31/12/2021.

II.

The amount of net profit referred to in point I of this Decision shall be used for the coverage of losses carried forward from the previous period.

III.

This Decision shall enter into force on the day of its adoption."

2. This Proposal shall be referred for the approval to Supervisory Board of the Exchange and referral to the General Assembly of the Exchange as a joint proposal of the Management Board and the Supervisory Board of the Exchange.

3. This Decision shall be published as an integral part of the 2021 Annual Report.

4. This Decision comes into force as of the day of its passing.

Mark: OU/2022 – 025

ZAGREBAČKA BURZA d.d.
Zagreb
1

Ivana Gažić
President of the Management Board

Tomislav Gračan
Member of the Management Board