ANNUAL REPORT

ON STATUS AND BUSINESS ACTIVITIES OF THE GROUP IN 2020

Zagreb, April 2021

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

Content

1 MANAGEMENT REPORT

1.1 Introduction

In 2020, the Zagreb Stock Exchange Group (hereinafter: the Group) recorded the following significant business events:

- On January 7, 2020, the Zagreb Stock Exchange made a decision on termination of the listing of the stocks of HOTELI BRELA d.d., HOTEL TUČEPI d.d. and ZLATNI RAT HOTELI d.d. due to merging the said companies with the joint-stock company SUNCE HOTELI d.d., which led to terminating the Issuer and the financial instrument.

- On January 8, 2020, the stock of ALPHA ADRIATIC d.d. has been moved to a lower market segment, from Official to Regular Market of the Zagreb Stock Exchange.

- On January 10, 2020, the Zagreb Stock Exchange made a decision on termination of the listing of the stocks of AGROMEĐIMURJE d.d. following the decision of the General Assembly to withdraw all stocks from listing on the regulated market.

- On January 16, 2020, the Zagreb Stock Exchange made a decision on termination of the listing of the stocks of TERMES GRUPA d.d. following the decision of the General Assembly to withdraw all stocks from listing on the regulated market.

- In January 2020, a campaign for the company STEMI was completed on the Funderbeam SEE platform, raising EUR 318,000.

- On March 3, 2020, two new bonds of the Ministry of Finance of the Republic of Croatia were listed on the Official Market of the Zagreb Stock Exchange.

- On March 6, 2020, the “Ring the bell for gender equality” event was attended by the President of the Republic of Croatia, Mr. Zoran Milanović, and a significant media presence of the event and the Zagreb Stock Exchange was achieved.

- On March 16, 2020, following the opinion of the Market Protection Measures Committee, the level of severity and effects of breaches of the Exchange Rules on investors and the proper functioning of the market, the Zagreb Stock Exchange made a decision on the termination of the listing of the following Agrokor d.d. issuer's stocks: BELJE d.d., JAMNICA d.d., LEDO d.d., PIK-VINKOVCI d.d., TISAK d.d., VUPIK d.d. and STAR d.d.

- As of March 16, 2020, the Zagreb and Ljubljana Stock Exchange has been operating out of the office. The offices of the exchanges are closed until further notice, and business is regularly carried out at secondary locations and employees work from home. The objective of the Management Boards of both exchanges is to ensure continuous trading throughout the trading day, as long as objective circumstances permit. The decision was made in order to protect the health of employees and clients as well as the long-term sustainability of the business. On May 4, 2020, the Zagreb Stock Exchange started operating in two teams in such a way that the first team works in the offices of the Zagreb Stock Exchange for one week, and the second team works in secondary locations during that time. The Ljubljana Stock Exchange started operating in two teams on May 11, 2020. In accordance with favorable epidemiological conditions, on May 18, 2020, all employees of the Ljubljana Stock Exchange began working in offices, while the operations of the Zagreb Stock Exchange began to take place again at the primary location on June 1, 2020. Due to the worsening of epidemiological conditions, the Zagreb Stock Exchange returned to work in teams at the beginning of July 2020, and full-time work from home started on October 26, 2020. The Ljubljana Stock Exchange started working in teams on September 21, and on October 19, 2020, moved to full-time work from home.

- On March 20, 2020, following the opinion of the Market Protection Measures Committee, the level of severity and effects of breaches of the Exchange Rules on investors and the proper functioning of the market, the Zagreb Stock Exchange made a decision on the termination of the listing of ELEKTROPROMET d.d.

- On March 23, 2020, the Ljubljana Stock Exchange hosted a webcast called Presenting Slovenian Listed Companies Online.

- On April 21, 2020, the Zagreb Stock Exchange successfully completed the annual accreditation process for a local operator LEI (Local Operating Unit (LOU)) by the Global Legal Entity Identifier Foundation (GLEIF), which once again confirmed the quality Exchange services as a local operator of LEI tags.

- On April 30, 2020, the shares of HELIOS FAROS d.d. were listed on the Regular Market of the Zagreb Stock Exchange.

- On May 6, 2020, a new bond of the Ministry of Finance of the Republic of Croatia was listed on the Official Market of the Zagreb Stock Exchange.

- On May 20, 2020, issuers from the Zagreb Stock Exchange, namely AD Plastik, Arena Hospitality Group, Ilirija and Zagreb Stock Exchange, and the issuer SavaRe from the Ljubljana Stock Exchange, were included in the EBRD analysis program aimed at increasing the public availability of analytical materials for small and medium enterprises listed on regional stock exchanges.

- On May 28, 2020, the Ljubljana Stock Exchange held a webcast entitled "Where to make money in times of crisis."

- On June 9, 2020, the shares of THE GARDEN BREWERY d.d. were listed on the Regular Market of the Zagreb Stock Exchange.

- On June 10, 2020, the 11th annual training for issuers was held, organized by the Zagreb Stock Exchange, the Croatian Financial Services Supervisory Agency and the Central Depository and

Clearing Company, and the educational meeting was held virtually for the first time, with a record 160 representatives.

- On July 6, 2020, the General Assembly of the Zagreb Stock Exchange was held at which the Annual Financial Statements and consolidated financial statements of the Exchange for 2019 were presented, decisions were made on the use of profit generated in 2019, on granting discharge to the members of the Management Board and the Supervisory Board for 2019, and on the appointment of the Stock Exchange auditor for 2020.

- On 24 August 2020, the General Assembly of the Ljubljana Stock Exchange was held, at which the Annual Financial Statements and consolidated financial statements of the Exchange for 2019 were presented, decisions were made on the use of profit generated in 2019, on granting discharge to the members of the Management Board and the Supervisory Board for 2019, and on the appointment of the Stock Exchange auditor for 2020.

- On September 2, 2020, the Ljubljana Stock Exchange held a webcast entitled "Presentation of Slovenian listed companies".

- On September 29, 2020, the Zagreb and Ljubljana Stock Exchange signed an annex to the main framework agreement with the Vienna Stock Exchange which extends the use and maintenance of the Xetra T7 trading system, index calculation, member connection services with the trading system, etc.

- At the end of October 2020, in accordance with all epidemiological measures, a traditional joint conference of the Zagreb Stock Exchange and UMFO was held, with 250 participants, and the introductory speech was given by the Minister of Finance, Governor, President of the Hanfa, family and social policy.

- In November 2020, the "PRIME Plus" investor conference was held, in which, in addition to issuers from the PRIME market of the Zagreb Stock Exchange, issuers from the Macedonian Stock Exchange also participated for the first time.

- The last quarter of 2020 was very active in the area of listing and delisting, so:
    - on October 1, shares of Modra špilja d.d. and Vis d.d. were listed on the Regular Market of the Zagreb Stock Exchange,
    - on October 14, HT transited to the Prime Market, and became the sixth share in the highest segment of the Zagreb Stock Exchange,
    - on October 22, shares of Terra Medirerrane d.d. were delisted,
    - on November 13, two ETFs, 7CRO and 7SLO, were listed on the Regular Market of the Zagreb Stock Exchange and are also the first ETFs listed in the history of the Zagreb Stock Exchange,
    - on December 11, bonds of Atlantic Grupa d.d. were listed on the Official Market,
    - on December 16, shares of Hoteli Vodice d.d. were delisted,
    - on December 17, bonds of Atlantic Grupa d.d. were delisted,
    - on December 21, bonds of the Jadran-galenski Laboratory were delisted,

- on December 22, shares of DTR d.d. were delisted,
- on December 28, bonds of Samoborka d.d. were listed on the Regular Market,
- on December 30, shares of Hotel Maestral d.d. were delisted,
- on December 31, shares of Istra d.d. were delisted.

- In December 2020, the traditional awards ceremony of the Zagreb Stock Exchange was held, as well as the investor conference of the Ljubljana Stock Exchange together with the award ceremony - for epidemiological reasons in an online format.

1.2 Group's Key Performance Indicators in 2020

In 2020, operating revenues increased by +5.3% compared to 2019, amounting to HRK 23,311 thousand. The operating revenues increase is a consequence of the sales revenue increase, which increased by HRK +3,194 thousand (+21.18%) and amounted to HRK 18,273 thousand, within which the largest increase was recorded in trading commissions (HRK +1,410 thousand or +20,1%).

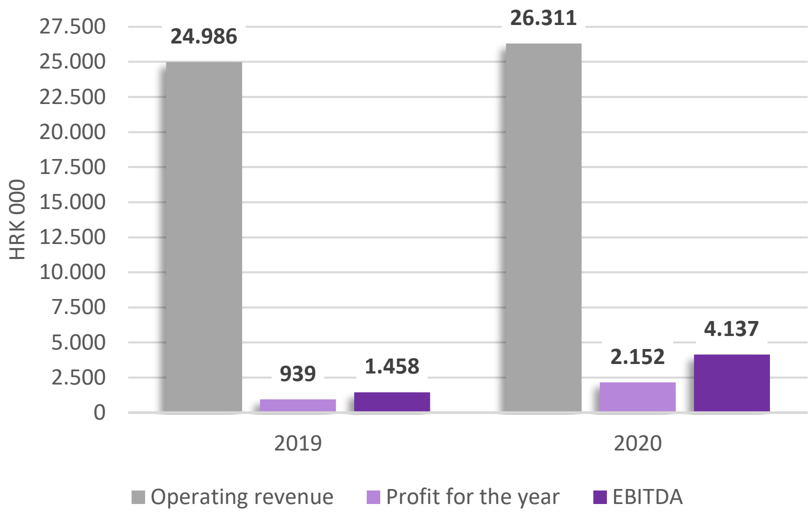

Figure 1: Operating revenue, profit for the year and EBITDA

Besides the operating revenues increase, large operating expenses decrease and a positive net financial result affected the net profit increase by HRK +1,303 thousand or +126.14% compared to the year before. Operating profit before interest, taxes, depreciation and amortization in 2020 amounts to HRK 4,137 thousand, which is an increase of HRK +2,679 thousand or +183.74% compared to 2019.

HRK 000	2019	2020	change
Capital and reserves	40.540	42.931	5,90%
Total assets	48.707	51.095	4,90%
Operating revenue	**24.986**	**26.311**	**5,30%**
Sales revenue	*15.079*	*18.273*	*21,18%*
Other operating income	*9.907*	*8.038*	*-18,87%*
Operating expenses	**-25.401**	**-24.147**	**-4,94%**
Staff costs	*-11.160*	*-12.466*	*11,70%*
Depreciation and amortization	*-1.873*	*-1.973*	*5,34%*
Other costs	*-12.368*	*-9.708*	*-21,51%*
EBIT	**-415**	**2.164**	
EBITDA	**1.458**	**4.137**	**183,74%**
Net financial result	1.373	198	-85,58%
Share of profit (loss) of equity accounted investees	75	-26	-134,67%
EBT	**1.033**	**2.336**	**126,14%**
Income tax credit	-94	-184	95,74%
Profit for the year	**939**	**2.152**	**129,18%**
Other comprehensive income	96	239	148,96%
Total comprehensive profit for the year	**1.035**	**2.391**	**131,01%**

Table 1: Main business indicators

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

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

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

Table 2: ZB-R-A stock in 2020

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

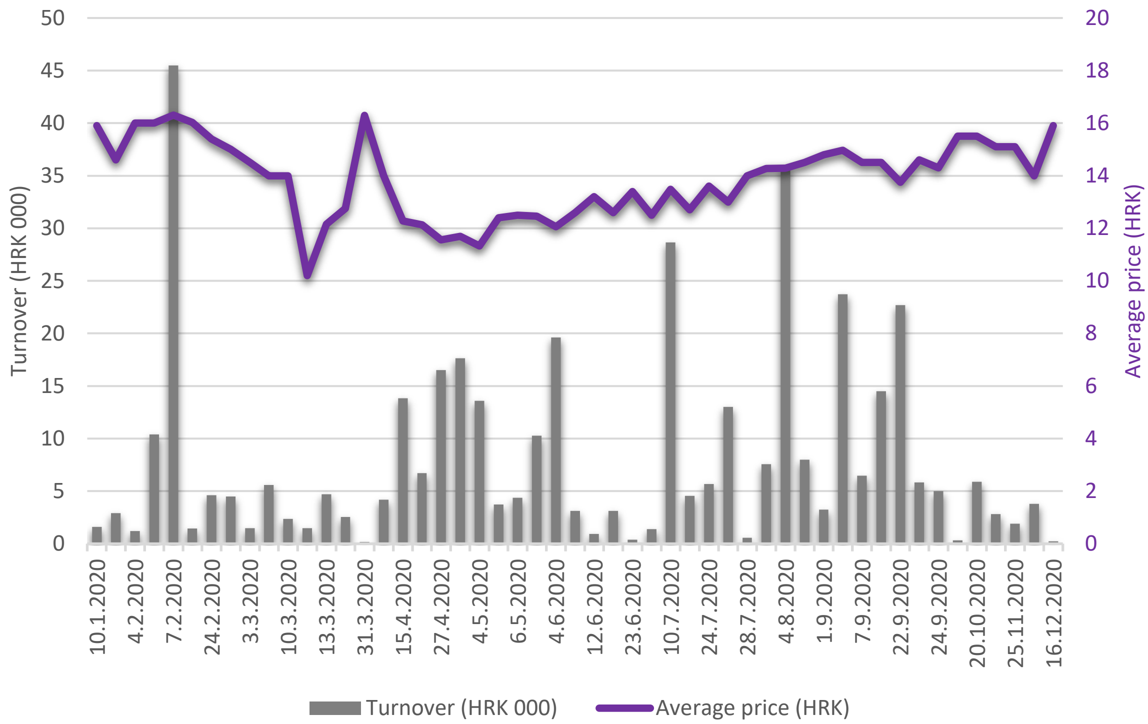

Figure 2: Turnover and average price ZB-R-A stock in 2020

1.2.2 Ownership structure of the issuer Zagreb Stock Exchange

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

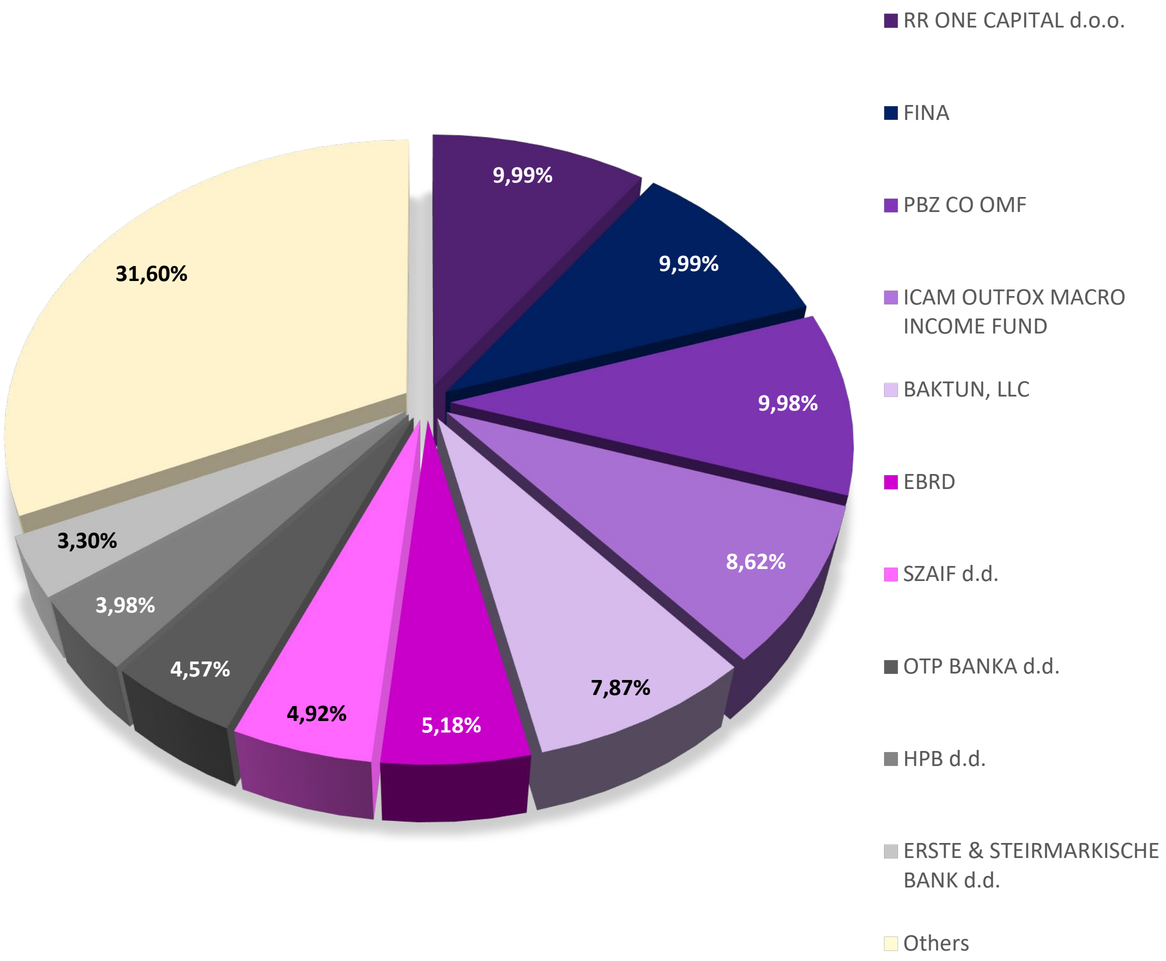

Figure 3: Ownership structure on 31 December 2020

1.3 Financial results and business operations of the Group in 2020

In 2020, the Group realized a total of HRK 26,311 thousand of operating revenues, which is HRK +1,325 thousand or +5,3% more than in 2019 when they amounted to HRK 24,986 thousand. Compared to the previous year, sales revenues increased from HRK 15,079 to HRK 18,273 thousand, i.e., by a significant HRK +3,194 thousand, with the largest increase within sales revenues recorded by the main source of income, trading commissions (increase from HRK 7,015 to HRK 8,425 thousand, i.e., HRK +1,410 thousand or +20.1%), which was greatly influenced by the increased volume of trade from the end of February to the end of April 2020 on the Zagreb and Ljubljana Stock Exchanges (from May 2020, the turnover on the Zagreb Stock Exchange started decreasing and approaching average values over the past few years while the turnover on the Ljubljana Stock Exchange remained above average). Income from quotation maintaining increased from HRK 6,506 to HRK 7,705 thousand, i.e., by HRK +1,199 thousand or +18.4%, and in addition to a larger number of newly listed securities than in the previous year, income from quotation fee also increased (increase from HRK 1,119 to HEK 1,692 thousand, i.e., by HRK +573 thousand or +51.2%). Revenue from membership fees increased slightly from HRK 439 thousand in 2019 to HRK 451 thousand in 2020 (HRK +12 thousand or +2.7%). Compared to 2019, in 2020, other operating revenues fell by a total of HRK -1,869 thousand (a decrease from HRK 9,907 to HRK 8,038 thousand, or -18.87%). A significantly lower amount of other operating revenues in 2020 compared to the previous year, is mainly due to a smaller number of seminars, which is why revenues from seminars were missing in one part (in 2019, revenues from seminars amounted to HRK 1,687 thousand). However, despite the COVID-19 crisis, the Group organized training through online platforms and in 2020 generated a small but significant income from seminars in the amount of HRK 773 thousand. Within other operating revenues, revenues from the supply of information decreased from HRK 6,002 to HRK 5,877 thousand (HRK -125 thousand or -2.1%), other revenues decreased from HRK 2,215 to HRK 1,388 thousand; HRK -827 thousand or -37.3 %), while revenues from the sale and rental of equipment were absent (in 2019 they amounted to HRK 3 thousand).

The Group's total operating expenses in 2020 amount to HRK 24,147 thousand, which is a decrease of HRK -1,254 thousand or -4.94% compared to 2019, when operating expenses amounted to HRK 25,401 thousand. This significant decline in operating expenses is directly related to the changed mode of work due to the coronavirus pandemic, primarily working from home. The decrease in operating expenses was mostly due to the decrease in other operating expenses (HRK -2,660 thousand or -21.5%, i.e., from HRK 12,368 to HRK 9,708 thousand), which was due to the decrease in the costs of professional services (translation, legal, notary and consulting services) by HRK -644 thousand or -38%, i.e., from HRK 1,696 to HRK 1,052 thousand, and a decrease in fees and charges by HRK -457 thousand or -34% (decrease from HRK 1,343 to HRK 886 thousand). Within other operating expenses, it is necessary to state the decrease in the following expenses: travel business expenses (HRK -207 thousand), seminar and marketing expenses (HRK -138 thousand), representation (HRK -116 thousand), impairment of trade receivables (HRK -102 thousand), software costs and licenses (HRK -75 thousand), utility expenses (HRK -32 thousand) and postal and telephone services (HRK -4 thousand). Staff costs increased by HRK +1,306 thousand or +11.7% (from HRK 11,160 to HRK 12,466 thousand), which is within the plan, and depreciation by HRK +100 thousand or +5.34% (from HRK 1,873 to HRK 1,973 thousand).

In 2020, the Company's operating profit amounts to HRK 2,164 thousand, while in the previous year the operating loss amounted to HRK -415 thousand. The net financial result in 2020 amounts to HRK 198 thousand (a decrease of HRK -1,175 thousand or -85.58% compared to 2019), and the share of profit (loss) in the joint venture and associated companies amounts to HRK -26 thousand; HRK -101 thousand or -134.67% less compared to the previous year (2019: HRK 75 thousand).

Considering all the above and income tax in the amount of HRK -184 thousand (2019: HRK -94 thousand), the Group's net profit in 2020 amounts to HRK 2,152 thousand, which is HRK +1,213 thousand (+129.18%) more than in 2019, when the Group's net profit amounted to HRK 939 thousand. Adding net profit to other comprehensive income in the amount of HRK 239 thousand (2019: HRK 96 thousand), the Group's total comprehensive income for 2020 amounts to HRK 2,391 thousand (2019:

HRK 1,035 thousand). Operating profit before interest, taxes, depreciation and amortization in 2020 amounts to HRK 4,137 thousand, or HRK +2,679 thousand more than in 2019.

1.4 Business analysis

1.4.1 Total operating revenues

In 2020, total operating revenues amount to HRK 26,311 thousand and are higher by HRK +1,325 thousand or +5.3% compared to 2019 when they amounted to HRK 24,986 thousand. The largest income increase was realized in income from trading commission (HRK +1,410 thousand or +20.1%).

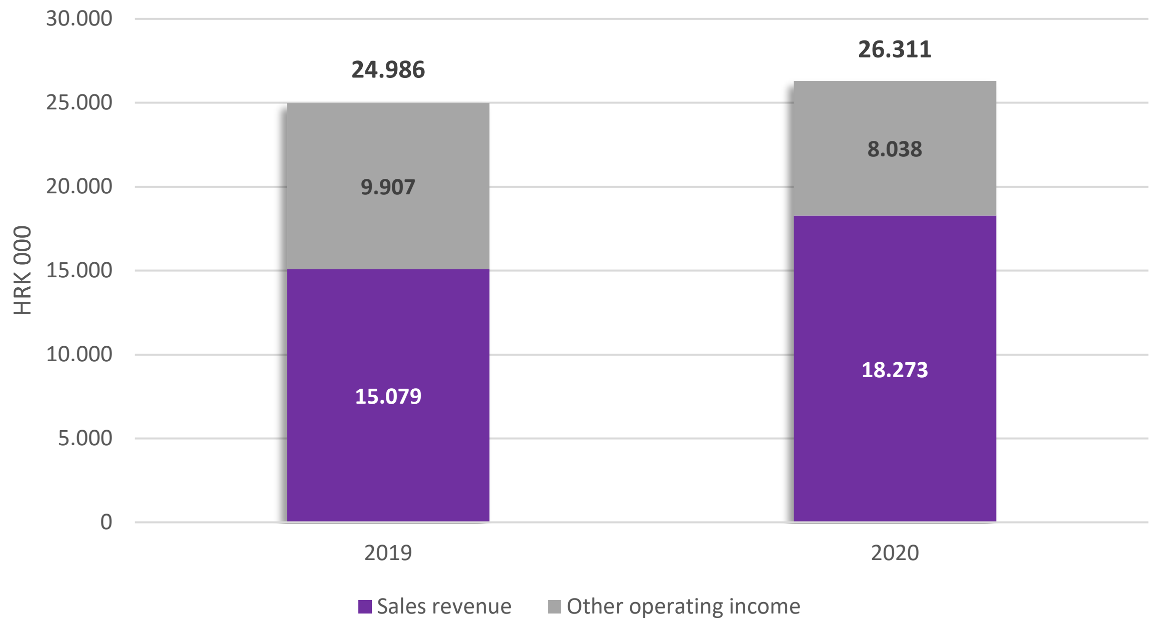

Figure 4: Operating revenue

As in the previous year, in 2020, the largest share in operating revenues had income from trading commissions (32%) and income from quotation maintaining (29%).

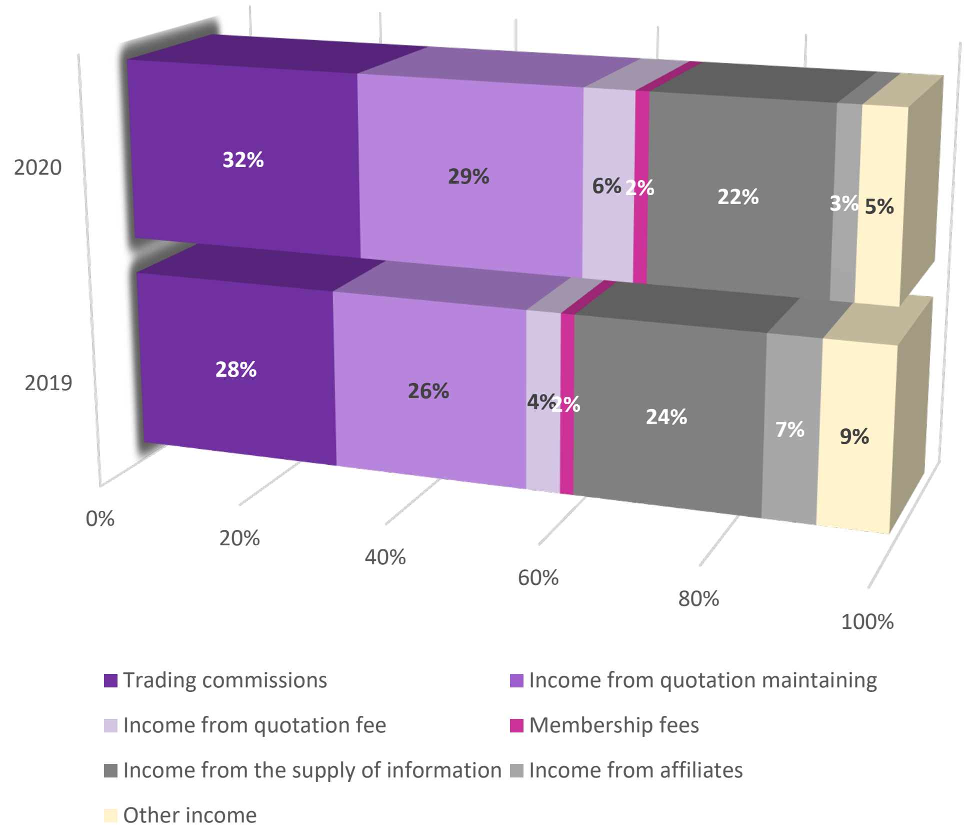

Figure 5: Operating revenue structure

Trading commissions and membership fees

Under the influence of the increased volume of securities trading on the Zagreb Stock Exchange from the end of February to the end of April 2020, and on the Ljubljana Stock Exchange even later, trading commissions increased from HRK 7,015 to HRK 8,425 thousand, i.e., by HRK +1,410 thousand or +20,1% compared to 2019. Revenues from membership fees are higher by only HRK +12 thousand or +2.7% and amount to HRK 451 thousand. At the end of 2020, the Zagreb Stock Exchange had a total of 14 members (2019: 15 members), and the Ljubljana Stock Exchange had 9 members (2019: 11 members).

Income from quotation maintaining

Income from quotation maintaining increased from HRK 6,506 to HRK 7,705 thousand (HRK +1,199 thousand or +18.4%), which is a consequence of the increase in prices for quotation maintaining at the last change in the Price List in August 2019. At the end of 2020, 104 shares were listed on the Zagreb Stock Exchange, fifteen or -12.61% fewer listed shares compared to the previous year, while 27 shares were listed on the Ljubljana Stock Exchange, two or -6.9% less than 2019.

Income from quotation fee

In 2020, income from quotation fee increased from HRK 1,119 to HRK 1,692 thousand (HRK +573 thousand or +51.1%) compared to the previous year. As with the income from quotation maintaining, the income from quotation fee increase is mostly the effect of the last change of the Price List in August 2019.

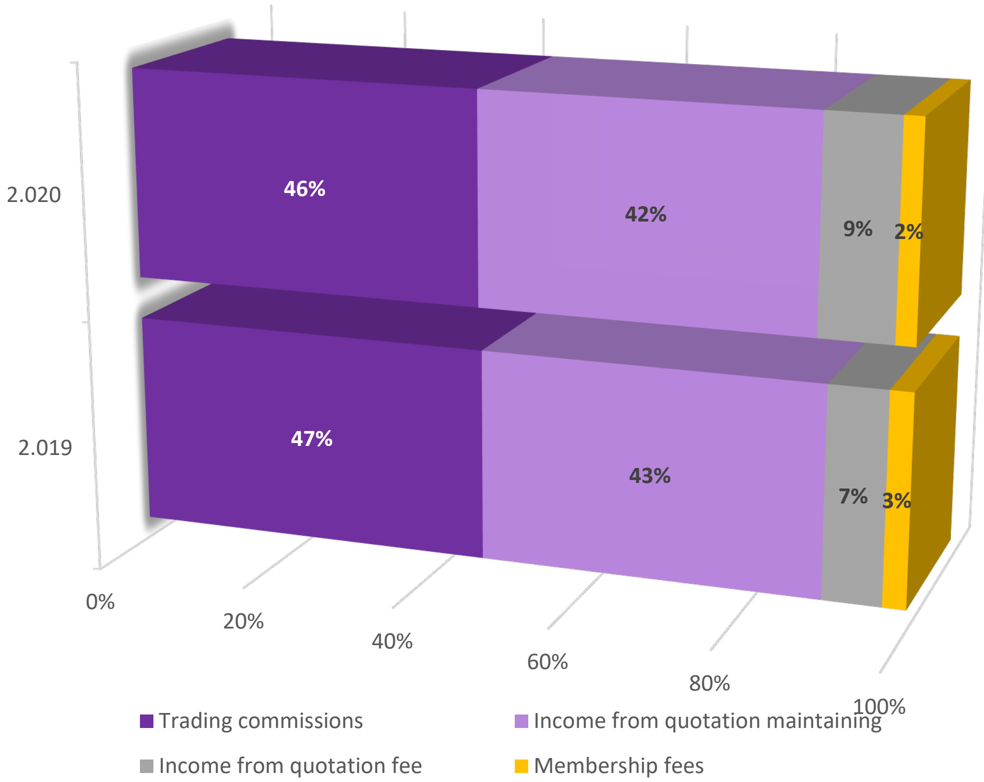

Figure 6: Sales revenue structure

Other operating income

Other operating income fell considerably by HRK -1,869 thousand or -18.9% compared to 2019 (from HRK 9,907 to HRK 8,038 thousand), mainly due to reduced income from seminars (HRK -914 thousand or -54.2%). However, despite the COVID-19 crisis due to which it was difficult to hold the usual number of seminars and due to which, in one part, income from seminars were missing, the Group organized seminars through online platforms and in 2020 generated a smaller but significant income from seminars in the amount of HRK 773 thousand. Income from the supply of information has the largest share in other operating revenues (73.12%), and they decreased by HRK -125 thousand or -2.1% (from HRK 6,002 to HRK 5,877 thousand). This includes income from real-time data distribution rights paid by members. Besides income from seminars, other income (HRK -827 thousand or -37.3%, i.e., from HRK 2,215 to HRK 1,388 thousand), which includes income from subsequently collected receivables, income from various fees, income from fines and other determining income, also decreased, while in 2020 there were no revenues from the sale and rental of equipment (2019: HRK 3 thousand).

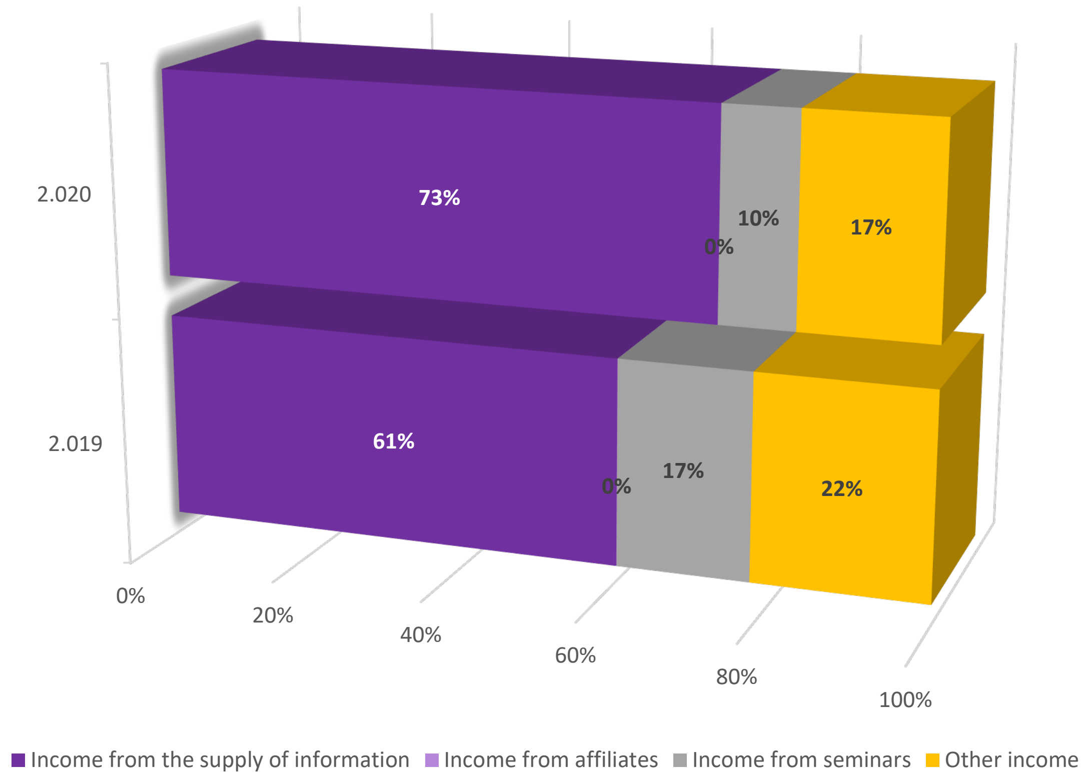

Figure 7: Other operating income structure

1.4.2 Total operating expenses

In 2020, total operating expenses amounted to HRK 24,147 thousand, a decrease of HRK -1,254 thousand or -4.94% (in 2019 they were HRK 25,401 thousand).

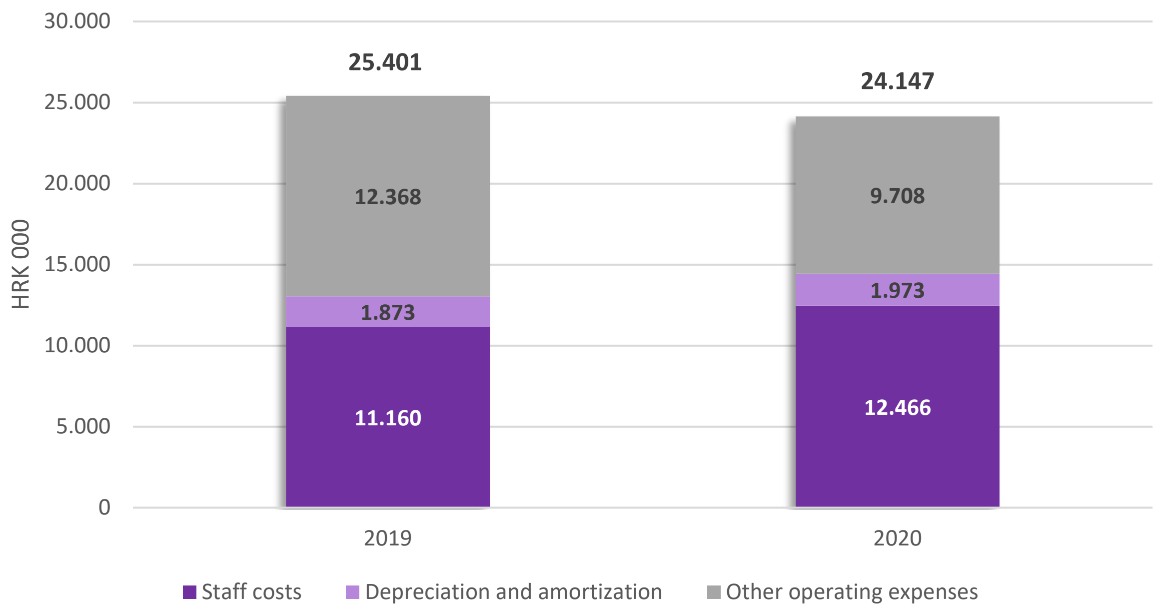

Figure 8: Operating expenses

As already mentioned, this significant decline in operating expenses is mainly related to the changed mode of work due to the COVID-19 crisis, primarily working from home. The decline in total operating expenses was influenced by the decline in other operating expenses (HRK -2,660 thousand or -21.5%, i.e., from HRK 12,368 to HRK 9,708 thousand), the decline of which was mostly caused by a reduction in the costs of professional services (translation, legal, notary and consulting services) by HRK -644 thousand or -38%, i.e., from HRK 1,696 to HRK 1,052 thousand, and by a decrease in fees and commissions by HRK -457 thousand or -34% (decrease from HRK 1,343 to HRK 886 thousand). In addition to the above, other operating expenses included: travel business expenses (HRK -207 thousand), seminar and marketing expenses (HRK -138 thousand), entertainment (HRK -116 thousand), impairment of trade receivables (HRK -102 thousand), software costs and licenses (HRK -75 thousand), utility expenses (HRK -32 thousand) and postal and telephone services (HRK -4 thousand). Within the planned, staff costs increased (HRK +1,306 thousand or +11.7%, i.e., from HRK 11,160 to HRK 12,466 thousand), while depreciation increased by HRK +100 thousand or +5.34% compared to 2019 (from HRK 1,873 to HRK 1,973 thousand).

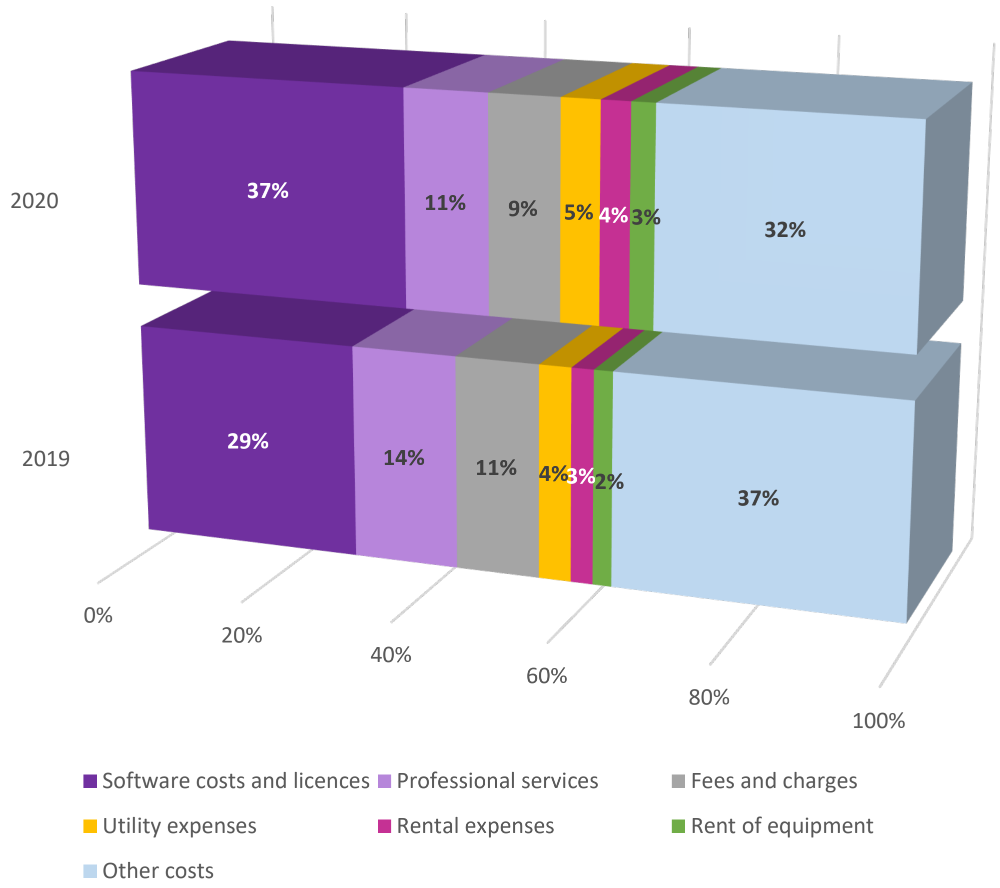

Figure 9: Other operating expenses structure

1.4.3 Net profit for the period

In 2020, the net profit for the period amounted to HRK 2,152 thousand; an increase of HRK +1,213 thousand or +129.18% compared to the previous year when net profit amounted to HRK 939 thousand. In addition to the increase in the most important income, that of commissions (+20.1%), which traditionally accounts for about 45% of consolidated sales revenue and about 30% of total consolidated income, the Group increased income from other bases. Income from quotation maintaining of HRK 7,705 thousand, revenues from the supply of information of HRK 5,877 thousand, income from quotation fee of HRK 1,692 thousand, and a positive net financial result of HRK 198 thousand should be highlighted.

Operating profit before interest, taxes, depreciation and amortization increased significantly compared to the previous year (HRK +2,679 thousand) and in 2020 amounted to HRK 4,137 thousand, mostly as a result of a large increase in the Group's operating profit (HRK +2,579 thousand).

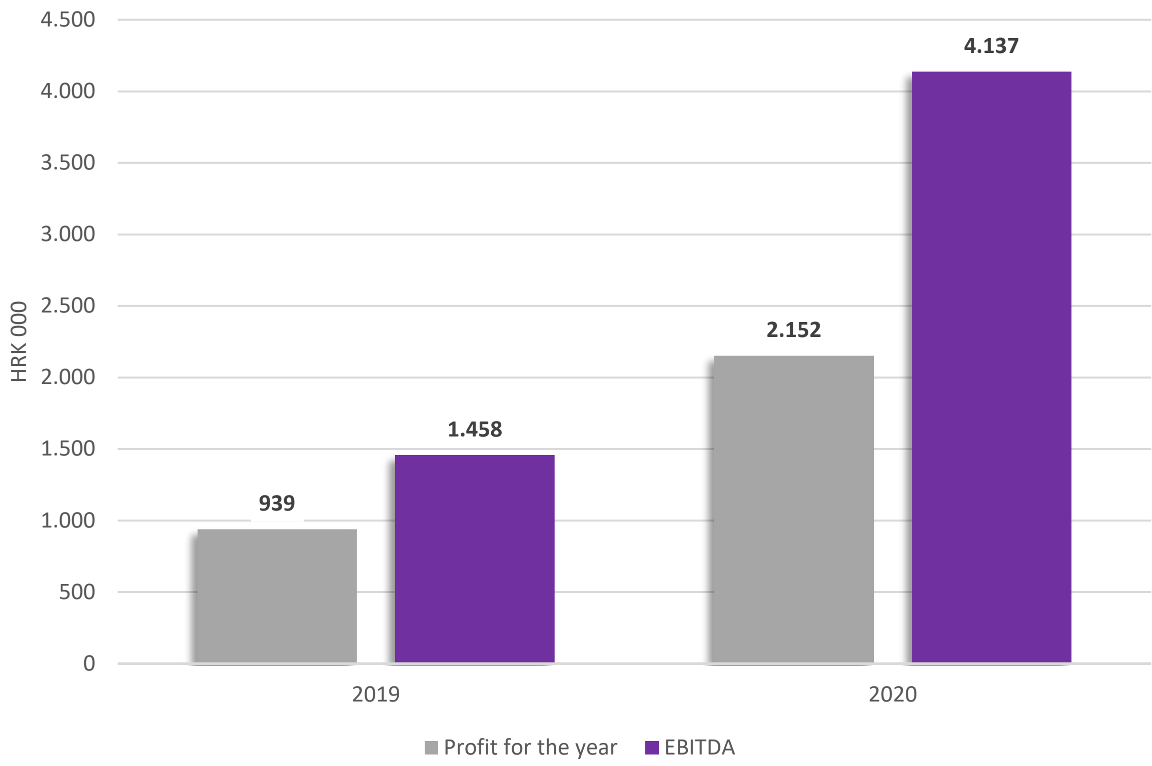

Figure 10: Net profit for the period and EBITDA

1.4.4 The Group's Assets

As of December 31, 2020, the Group's total assets amounted to HRK 51,095 thousand, which is +4.9% more than in 2019.

HRK 000	2019	2020	change
Non-current assets	**14.982**	**15.620**	**4,26%**
Current assets	**33.725**	**35.475**	**5,19%**
Inventories	*7*	*6*	*-14,29%*
Trade receivables	*4.414*	*3.696*	*-16,27%*
Financial assets	*19.583*	*17.774*	*-9,24%*
Short-term deposits	*1.492*	*4.011*	
Cash and cash equivalents	*7.594*	*9.324*	*22,78%*
Prepaid expenses	*635*	*664*	*4,57%*
Total assets	**48.707**	**51.095**	**4,90%**
Equity	**40.540**	**42.931**	**5,90%**
Long term obligations	**859**	**582**	**-32,25%**
Current liabilities	**7.308**	**7.582**	**3,75%**
Total equity and liabilities	**48.707**	**51.095**	**4,90%**

Table 3: Balance Sheet on 31 December

The structure of assets and liabilities did not change significantly compared to 2019. Only a slight increase in the share of equity versus long-term and current liabilities on the liabilities side can be seen.

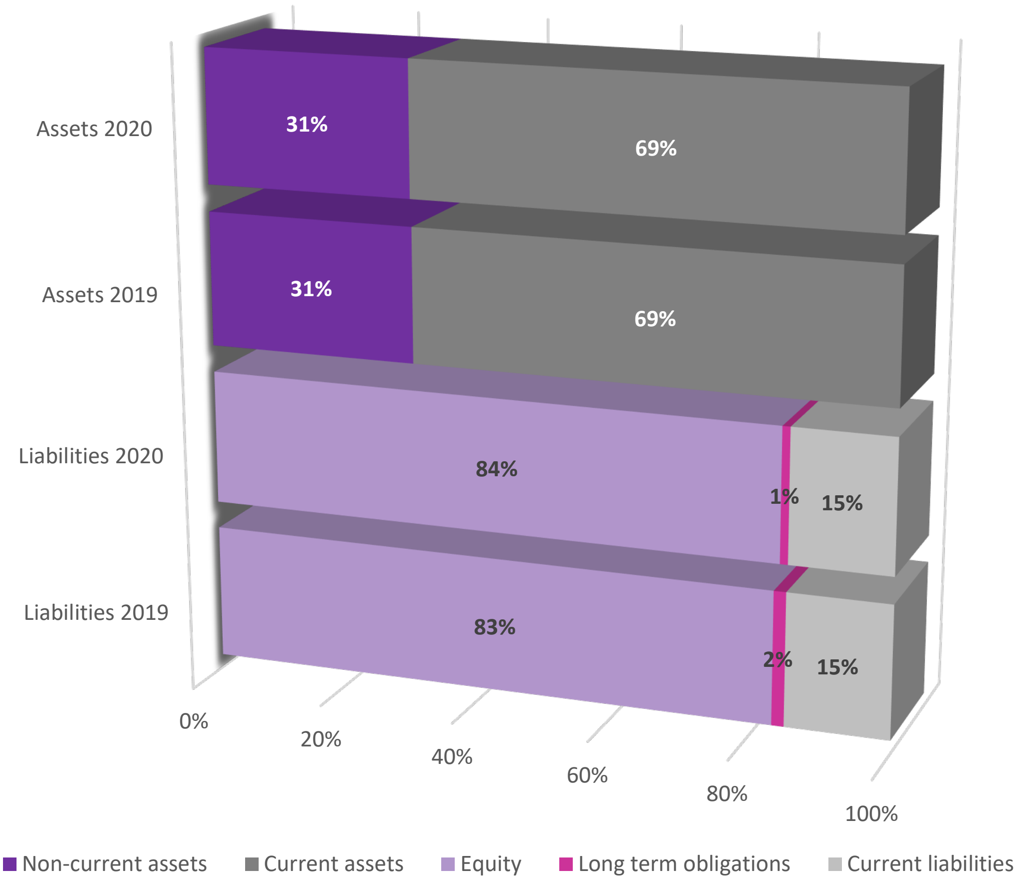

Figure 11: Assets and Liabilities Structure

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.

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

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

1.6 Expected development of the Group

In 2021, 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.

1.8 Information on repurchase of own shares

As of December 31, 2020, the companies in the Group held no own shares.

The companies in the Group did not acquire own shares between 1 January 2020 and 31 December 2020.

1.9 Zagreb Stock Exchange Group

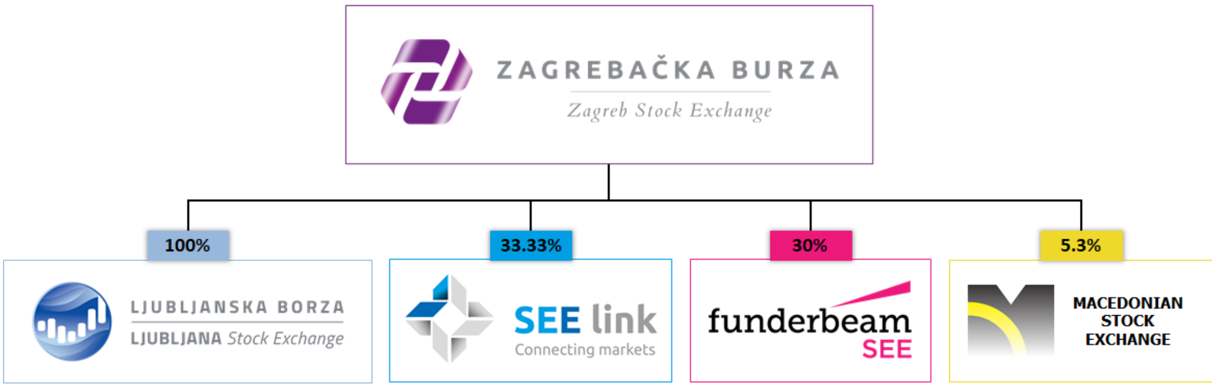

Figure 12: Zagreb Stock Exchange Group

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 2019 is EUR 1,401,000, and the Zagreb Stock Exchange participates with 100%.

Ivana Gažić, President of the Management Board of the Zagreb Stock Exchange, is the President of the Supervisory Board of the Ljubljana Stock Exchange, and the members of the Supervisory Board as of

31 December 2020 are Tomislav Gračan, Member of the Management Board of the Zagreb Stock Exchange, and Matko Maravić, Member of the Supervisory Board of the Zagreb Stock Exchange.

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

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

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

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

1.10 Financial instruments

The 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 2020

1.12.1 Zagreb Stock Exchange in 2020

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

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

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

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

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

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

Table 4: ZSE turnover (2016 - 2020)

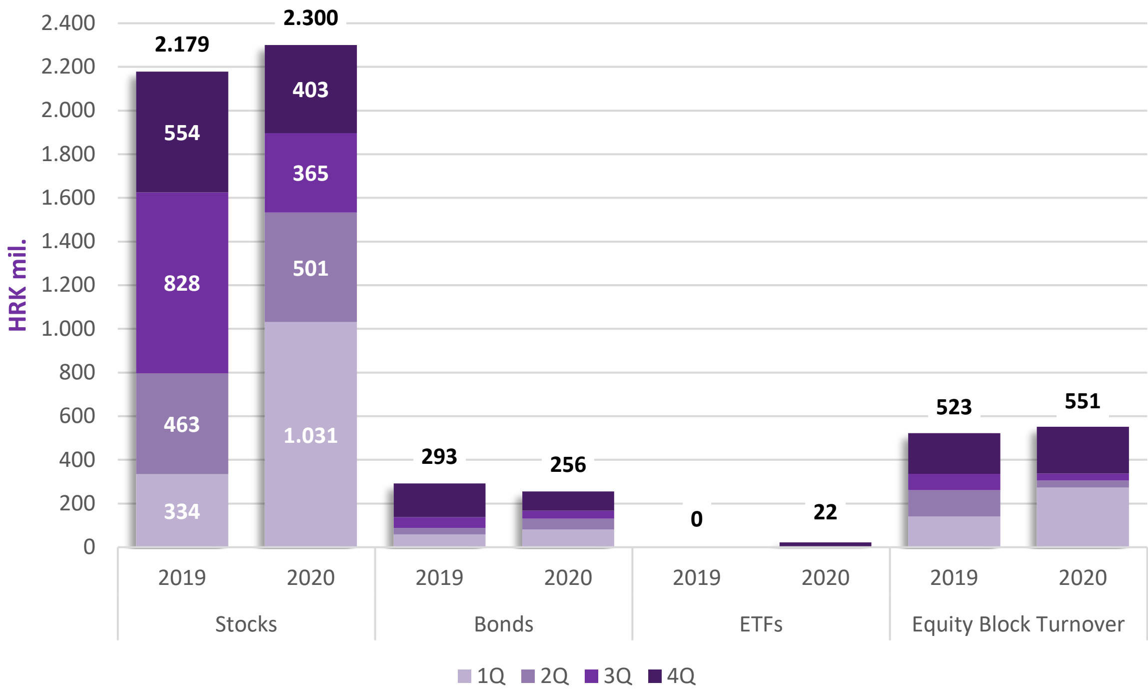

Figure 13: ZSE turnover by type of security (2015 - 2019)

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

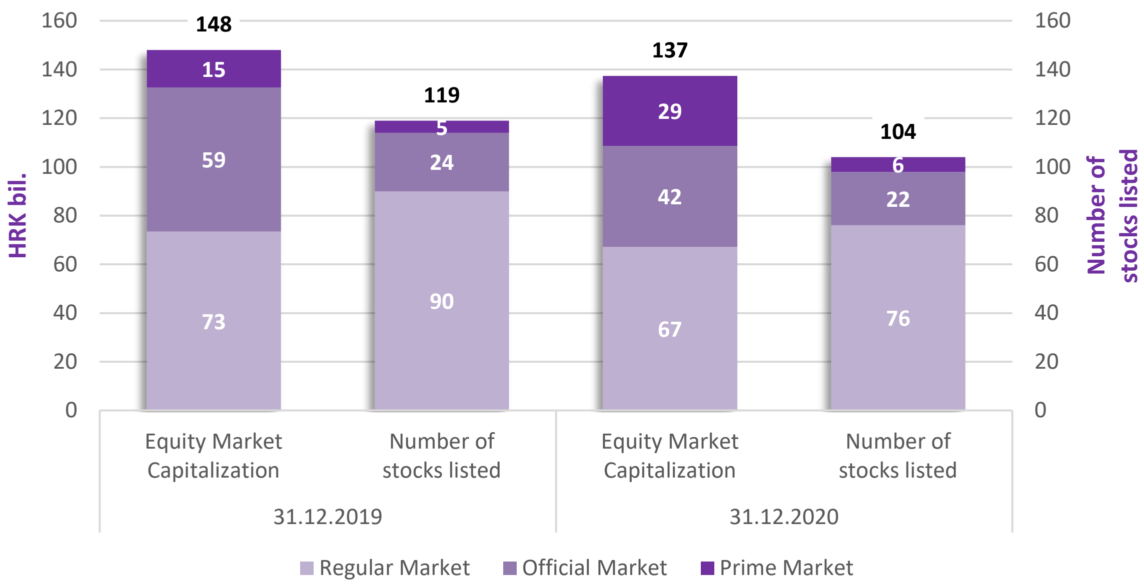

Figure 14: Market capitalization (2020 vs. 2019)

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

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

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

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

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

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

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

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

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

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

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

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

1.12.2 Ljubljana Stock Exchange in 2020

Total turnover on the Ljubljana Stock Exchange in the 2020 increased by +21.68% compared to 2019. As in Croatia, the increase in turnover is influenced by the appearance of Covid-19 in Slovenia, with equity turnover reaching almost EUR 400 million in 2020 (+31.12% increase over previous year when equity turnover reached just over EUR 300 million), while bond turnover amounted to EUR 2 million (a decrease of -92,64% compared to 2019 when it amounted to EUR 25 million).

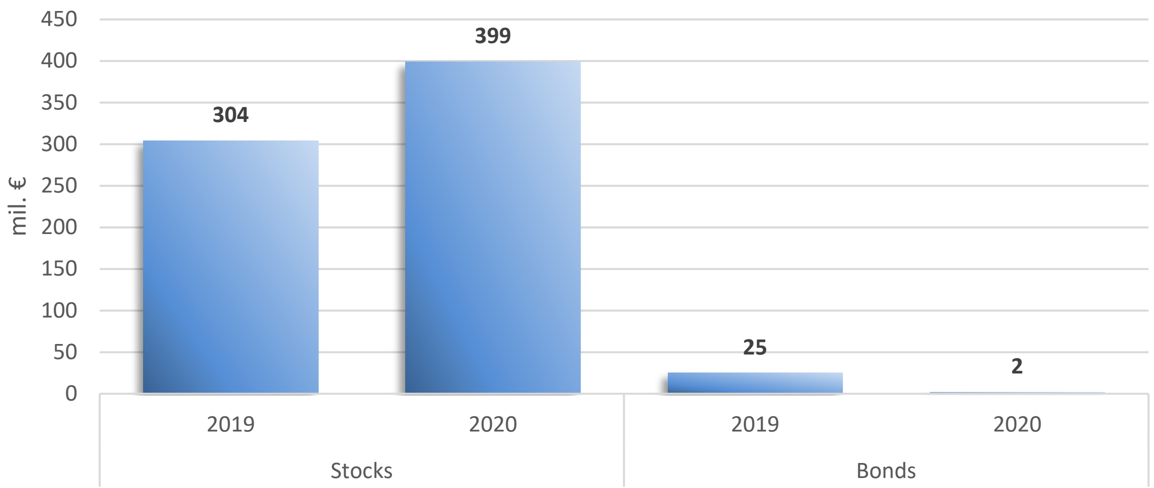

Figure 15: LJSE turnover by type of security (2015 - 2019)

Compared to December 31, 2019, the Equity Market Capitalization fell by -2.1% and as of December 31, 2020, amounted to EUR 6.92 billion. From the last value on December 31, 2019, the SBI TOP index fell by -2.78%.

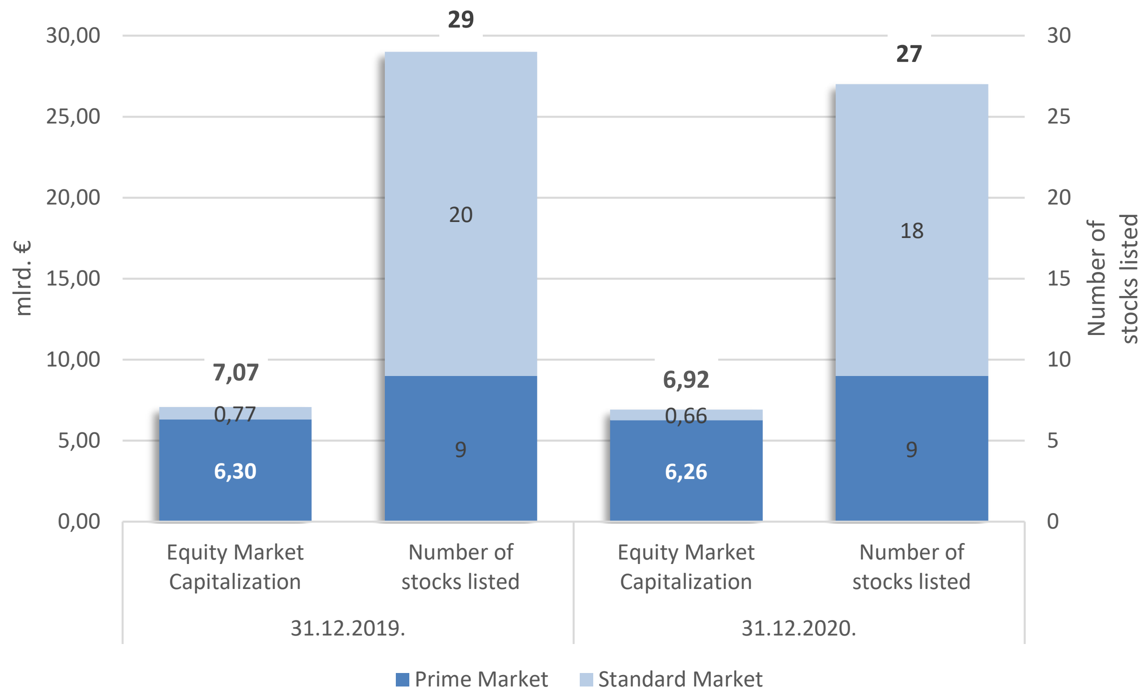

Figure 16: Market capitalization (2020 vs. 2019)

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.

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

1.13 Internal controls and risk management system

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

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

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

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

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

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

- Risk management policy,
- Information system risk management,
- Self-assessment procedure for compliance with Art. 48. MIFID II,

- The procedure for admission to membership and termination of membership, which contains the annual evaluation of the members of the Exchange,
- Service agreements management procedure.

The internal auditor, Antares revizija d.o.o., compiles the following documents:
- Strategic internal audit plan,
- Annual internal audit plan.

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

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

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

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

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

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

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

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

Ivana Gažić
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; hereinafter: CA) and provision of Article 22 of the Accounting Act (Official Gazette no. 78/15, 134/15, 120/16, 116/18, 42/20, 47/20; hereinafter: AA), the Management Board of company ZAGREB STOCK EXCHANGE Inc., Zagreb, Ivana Lučića 2a (hereinafter: the Company), on 26 April 2021, issued the following

STATEMENT
on the application of the Corporate Governance Code

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

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

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

4. Top ten shareholders on 31 December 2020

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

Pursuant to the Articles of Association of the Company, shareholder's voting rights are not limited to 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 2020, the Company did not acquire own shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ivana Gažić
President of the Management Board

ZAGREBAČKA BURZA d.d.
Zagreb

Tomislav Gračan
Member of the Management Board

Responsibilities of the Management Board for the Annual report

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

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

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

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

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

The financial statements set on pages 36 to 81 and other information, set out on pages 1 to 28, are approved by the Management Board on 26 April 2021 and are signed and verified for the Supervisory Board.

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

ZAGREBAČKA BURZA d.d.
Zagreb

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

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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 2020, consolidated statement of comprehensive income, consolidated statement of changes in equity and reserves 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 2020, 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' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key Audit Matters (continued)

<table>
<tr><th>Revenue recognition</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">According to the disclosures made in Note 4, the total revenue of the Group for the financial year amount to HRK 18,273 thousand (2019: HRK 15,079 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 performance. The Group generates revenue from trading commissions, fees for maintenance of quotations, quotations fees and membership fees. Revenue is recognized in accordance with IFRS 15 "Revenue from Contracts with Customers", according to performance obligations at point in time and performance obligations over time.

Process of revenue recognition is highly automated and is it mainly based on the application of published fees to trading volume or number of quoted securities.

Given the high degree of reliance on information systems, implemented automatic controls in revenue recognition and possible impact of inaccurate revenue calculation, we have concluded that revenue recognition is a key audit matter</td><td>We audited implementation of IFRS 15 requirements by performing the following audit procedures:
• We reviewed and verified whether the accounting policies for revenue recognition have been applied in accordance with IFRS 15 „Revenue from Contracts with Customers". We evaluated the disclosures in the Annual Report and compliance with IFRS 15;
• We gained an understanding of the process, control environment and internal controls established by the Management in the revenue recognition business process;
• We assessed the structure and effectiveness of the automatic and manual internal controls established by the Management in the revenue recognition business process, including assessments of design and implementation of identified internal controls relevant to the revenue recognition process. Based on the results of internal control tests, we determined the scope and types of tests to verify accuracy and period of revenue recognition;
• We have conducted audit procedures of testing, i.e. testing the details of data used in revenue recognition to verify accuracy, occurrence and recognition in an adequate period.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key Audit Matters (continued)

<table>
<tr><th>Valuation of goodwill</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">As at 31 December 2020, the stated amount of goodwill in relation to the acquisition of Ljubljanska borza d.d was HRK 1,187 thousand. Relevant accounting standards require that goodwill is tested, at least annually, for impairment. Accounting policies for goodwill are disclosed in Note 3 a) and Note 3 b).</td></tr>
<tr><td>The assessment of the recoverability of goodwill is performed using the discounted cash flow method. It requires use of significant estimates in determining the future business performance of cash-generating units to which goodwill is allocated.

Management's recoverability assessment includes significant estimates that primarily relate on key assumptions regarding revenue growth rates, market trends, operating margins, terminal growth rate, and discount rate used in future cash flow projections. The main assumptions used by Management are explained in detail in Note 25 “Key accounting estimates and assumptions”.

Accordingly, we have concluded that valuation of goodwill is a key audit matter</td><td>In testing recoverability of goodwill, we assessed the appropriateness of identifying cash-generating units in the allocation of goodwill and focused on key Management assumptions. In the process of verifying the credibility of the assumptions underlying the calculation of the recoverable amount of goodwill, we have critically reviewed, assessed and concluded on the assumptions underlying the assessment that the Group applies.

The audit procedures we have applied include:
Critical assessment of the compliance of the model applied by management in calculating the recoverable amount of individual cash-generating units with the requirements of IAS 36 „Impairment of Assets“;
Validation of input assumptions for calculating discount rates and then recalculating discount rates and terminal growth rate;
Analysing projections of future cash flows embedded in models to confirm their feasibility, justification and sustainability with respect to the macroeconomic environment and expected future results of cash-generating units;
Testing the accuracy of Management's projections by comparing cash flow projections, which included assumptions about revenue growth and operating margins, with results from prior periods;
Assessment of a Group analysis of the sensitivity of the impairment test to the assumptions that have the greatest possible effect on the test results;
Assessment of the Group's disclosures regarding cash-generating units and key assumptions used in testing goodwill recoverability.</td></tr>
</table>

Deloitte.

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 Annual Report, but does not include the financial statements and our auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report and Corporate Governance Statement 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 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 financial statements, we have not identified material misstatements in the other information.

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

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

In preparing the financial statements, Management is responsible for assessing the 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 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 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 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.

Deloitte.

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 06 July 2020 to perform audit of accompanying financial statements. Our total uninterrupted engagement has lasted 2 year and covers period 1 January 2019 to 31 December 2020.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Group on 26 April 2021 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, expect for those mentioned within the annual report.

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

Domagoj Vuković
Director and Certified auditor

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

26 April 2021

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

Consolidated Statement of comprehensive income

	Notes	**2020.**	**2019.**
		‘000 kn	**‘000 kn**
Income statement			
Sales revenue	4	18,273	15,079
Other operating income	5	8,038	9,907
Staff costs	6	(12,466)	(11,160)
Depreciation and amortization	10,11,2	(1,973)	(1,873)
Other operating expenses	7	(9,708)	(12,368)
Operating profit/(loss)		**2,164**	**(415)**
Financial income	8a	192	1,453
Financial expense	8b	(36)	(65)
Dividend income		55	-
Net foreign exchange gain/(loss)		(13)	(15)
Net finance income		**198**	**1,373**
Participation in joint venture and participating interest		(26)	75
Profit before tax		**2,336**	**1,033**
Income tax expense	*9a*	(184)	(94)
Profit for the year		**2,152**	**939**
Other comprehensive income			
Foreign currencies transactions - exchange differences on foreign operations		246	96
Actuarial losses		(7)	-
Total comprehensive income for the year		**2,391**	**1,035**
Basic and diluted loss per share (in HRK)		0.52	0.22

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

Consolidated Statement of financial position

	Note	31.12.2020	31.12.2019
		'000 kn	**'000 kn**
Assets			
Non-current assets			
Property and equipment	10	8,695	8,578
Intangible assets	11	1,603	1,782
Goodwill	11	1,187	1.168
Assets with right to use	12	558	1,305
Investment in associate and joint venture	13	115	117
Financial assets at fair value through other comprehensive income	14a	1,302	1,302
Long term deposits	16b	1,757	250
Loans receivable to associates		217	217
Deferred tax assets	9	186	263
Total non-current assets		**15,620**	**14,982**
Current assets			
Trade receivables and other assets	15	3,696	4,414
Prepaid expenses and accrued income		664	635
Financial assets at fair value through profit or loss	14b	17,774	19,583
Short-term deposits	16a	4,011	1,492
Cash and cash equivalents	17	9,324	7,594
Inventories		6	7
Total current assets		**35,475**	**33,725**
Total assets		**51,095**	**48,707**

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**	**31.12.2020.**	**31.12.2019.**
		'000 kn	**'000 kn**
Equity and reserves			
Issued share capital	18	46,357	46,357
Share premium		13,860	13,860
Legal reserves		141	141
Accumulated losses		(20,360)	(21,299)
Result for the period		2,152	939
Revaluation reserves		947	947
Actuarial losses		(7)	-
Translation reserves		(159)	(405)
Total equity and reserves		**42,931**	**40,540**
Long term liabilities			
Long term financial liabilities		247	568
Bonus/severance provision for Ljubljana stock exchange d.d. and other provisions		118	103
Deferred tax liabilities	9	189	188
Total long term liabilities		**554**	**859**
Current liabilities			
Trade and other payables		2,685	2,553
Short term financial liabilities		300	768
Deferred income and accrued expenses		4.625	3,987
Total current liabilities		**7,610**	**7,308**
Total equity and liabilities		**51,095**	**48,707**

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	Share premium	Legal reserves	Accumulated loss	Result for the period	Revaluation reserves	Pension liabilities / fair value adjustment	Translation reserve	Total
As at 1 January 2019	**46,357**	**13,860**	**141**	**(21,638)**	**190**	**1,096**	**-**	**(501)**	**39,505**
Transfer to accumulated loss	-	-	-	339	(190)	(149)	-	-	-
Profit for the year	-	-	-	-	939	-	-	-	**939**
Other comprehensive income	-	-	-	-	-	-	-	96	**96**
Total comprehensive (loss) for the year	**-**	**-**	**-**	**-**	**939**	**-**	**-**	**96**	**1,035**
As at 31 December 2019	**46,357**	**13,860**	**141**	**(21,299)**	**939**	**947**	**-**	**(405)**	**40,540**
Transfer to accumulated loss	-	-	-	939	(939)	-	-	-	**-**
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**	**(20,360)**	**2,152**	**947**	**(7)**	**(159)**	**42,931**

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

Consolidated Statement of cash flows

	Note	**2020**	**2019**
Cash flow from operating activities		**'000 kn**	**'000 kn**
Profit before tax		**2,335**	**939**
Adjustments:			
Depreciation and amortization	10, 11, 12	1,973	1,873
Unrealised and realized gains from financial assets at fair value through profit or loss	8	(34)	(1,210)
Unrealised losses on FA at fair value through OCI		-	468
Realised gains on sale of financial assets		(82)	(364)
Movement in impairment allowance for trade receivables		159	(144)
Dividend income		(54)	-
Interest income	8	(59)	(221)
Interest expense	8	36	65
Net foreign exchange (gains)/losses		(203)	15
Write-offs		-	33
Loss (profit) from joint venture		25	(75)
CIT		169	55
Other income			
Cash flow before changes in operating assets and liabilities		**4,265**	**1,528**
Changes in operating assets and liabilities			
Decrease / (Increase) in trade receivables		647	(192)
Increase in prepaid expenses		-	(174)
Increase trade and other payables		1	63
Increase in deferred income and accrued expenses		652	272
Change in operating assets and liabilities		**1,300**	**1,497**
Income tax paid		-	-
Net cash (outflow) from operating activities		**5,565**	**1,497**

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

Consolidated Statement of cash flows (continued)

	Note	2020.	2019.
		'000 kn	**'000 kn**
Cash flow from investing activities			
Purchase of equipment		(896)	(138)
Proceeds from sale of equipment		-	3.353
Purchase of software		(121)	(788)
Purchases of financial assets		(500)	(2,573)
Disposals of units in open investment funds		2,342	320
Sale of the financial assets		82	-
Proceed from short-term deposits		-	2,590
Investments in short-term deposits		(2,500)	-
Proceeds from long-term deposits		(1,531)	1,549
Dividends received		54	-
Interest paid		(36)	(65)
Interest received		59	221
Net cash inflow from investing activities		**(3,047)**	**4,469**
Cash flow from financing activities			
Payments IFRS 16		(788)	(760)
Long term loans payment		-	(56)
Net cash inflows from financing activities		**(788)**	**(816)**
Net increase in cash and cash equivalents		**1,730**	**5,150**
Cash and cash equivalents at the beginning of the year		7,594	2,444
Cash and cash equivalents at the end of the year	*16*	**9,324**	**7,594**

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

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

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

At 29 July 2016 General Assembly made a decision to split 46,357 ordinary shares of nominal value of HRK 1,000 into 4,635,700 ordinary shares of nominal value of HRK 10. The decision was effective as of 11 August 2017.

At 31 August 2017 all of the 4,635,700 issued ordinary shares were listed to the Official Market of Zagreb Stock Exchange.

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 has also foreign joint venture SEE Link d.o.o., Skopje, Republic of 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 Consolidated Financial Statements. Zagrebačka burza d.d. prepares separate financial statements, which are published as a separate document.

2 Basis of preparation

a) Statement of compliance

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

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

b) Adoption of new and amended International Financial Reporting Standards

Standards and Interpretations effective for the current period

The following new standards and amended existing standards issued by the International Accounting Standards Board and interpretations published by the International Accounting Standards Board ("IASB") and adopted by the European Union are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements"** and IAS 8 "Accounting policies, Changes in Accounting Estimates, Errors" – Definition of means, adopted by the EU on 29 November 2019. (effective for annual periods beginning on or after 1 January 2020)

Notes to the consolidated financial statements (continued)

2 Basis of preparation (continued)

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

- **Amendments to IAS 3 "Business Combinations" –** Definition of business, adopted by the EU on 21 April 2020. (effective for business combinations for which the acquisition date is on or after the start of the first annual reporting period starting on or after 1 January 2020 and for acquisitions of funds that occur on or after the start of that period)
- **Amendments to IFRS 9 "Financial Instruments",** IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform, adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 "Leases" -** Lease relief in the context of the COVID-19 pandemic (adopted by the EU on 9 October 2020, effective latest by 1 June 2020 for annual periods beginning on or after 1 January 2019),
- **Amendments to the reference to the Conceptual Framework in IFRS,** adopted by the EU on 29 November 2019. (effective for annual periods beginning on or after 1 January 2020).

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

2 Basis of preparation (continued)

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts",** including changes made to IFRS 17 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IAS 1 "Presentation of Financial Statements" -** Classification of short-term and long-term liabilities (effective for annual periods starting on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plant and Equipment" -** Income before intended use (effective for annual periods starting on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" -** Harmful contracts – Costs of fulfilling contractual obligations (effective for annual periods starting on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations" -** References to the Conceptual Framework amending IFRS 3 (effective for annual periods starting on or after 1 January 2022),
- **Amendments to IFRS 10 "Consolidated Financial Statements"** and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments of various standards due to revision of IFRS from 2018. – 2020. -** resulting from the project of annual completion of IFRS (IFRS 1, IFRS 9, IFRS 16 and MRS 41), primarily to address inconsistencies and clarifications of the text (Modifications to IFRS 1, IFRS 9 and MRS 41 in force for annual periods starting on or after 1 January 2022). The modification of IFRS 16 applies exclusively to an illustrative example, therefore no effective date is specified.).

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

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

Notes to 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 2020 was EUR 1 = HRK 7.53689 (31 December 2019: EUR 1 = HRK 7.44258).

Notes to the consolidated financial statements (continued)

2 Basis of preparation (continued)

i) 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)

b) 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.

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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

b) Property, equipment and intangible assets (continued)

Goodwill (continued)

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.

c) 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 2020, 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.

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**

31 December 2019	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)	19,583	-	-	19,583
Total	**19,583**	**-**	**1,302**	**20,885**

Notes to the consolidated financial statements (continued)

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 100% 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.

Entity is a lessee

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

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

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

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

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

e) Leases (continued)

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

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

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

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

The 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 Entity bears the costs of dismantling and removing the leased assets, renovating the place where the property is located, or returning the underlying assets to the state required under the terms of the lease, the provision shall be 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

e) Leases (continued)

Right-of-use assets are depreciated through the lease period or life of use, whichever is shorter. If, on the basis of the lease, ownership of the underlying property is transferred or if the cost of the right-of-use property reflects that the 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 Entity applies IAS 36 to determine whether the value of the right-to-use property is impaired or whether any impairment losses have been calculated for it, as described in the policy "Real estate, plant and equipment".

Variable rents that do not depend on the index or rate are not covered by the measurement of the lease able and the right-to-use assets. Related payments are 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 Entity didn't use that practical solution. For a contract containing a lease-related component and one or more additional non-lease-related components, the Entity is required to distribute the non-rental fee under the contract to each component relating to the lease based on the relative standalone price of that component and the total standalone price of non-rental components.

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 plans

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

i) Termination benefits

Termination benefits are 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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

h) Employee benefits (continued)

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.

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.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

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.

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 26.

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	**2020.**	**2019.**
	'000 kn	**'000 kn**
Commissions	8,425	7,015
Income from quotation maintaining	7,705	6,506
Income from quotation fee	1,692	1,119
Membership fees	451	439
Total sales revenue	**18,273**	**15,079**

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

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

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

5 Other operating income	**2020.**	**2019.**
	'000 kn	**'000 kn**
Income from sale of information	5,877	6,002
Sale and lease of equipment	-	3
Income from seminars	773	1,687
Other income	1,388	2,215
Total operating income	**8,038**	**9,907**

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 International Financial Reporting Standard 15 is HRK 24,923 thousand (2019: HRK 22,771 thousand).

Total recognized revenue from performance obligations at point in time is HRK 9,198 thousand (2019: HRK 8,702 thousand). Total recognized revenue from performance obligations over time is HRK 15,725 thousand (2019: HRK 14,069 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	**2020**	**2019**
	'000 kn	**'000 kn**
Salaries		
Net salaries	8,029	7,028
Payroll contributions	2,718	2,578
Payroll taxes and surtaxes	974	1,013
Total salaries	**11,721**	**10,619**
Other staff costs	745	541
Total staff costs	**12,466**	**11,160**

The number of employees at the end of 2020 was 36 (2019: 39). Staff costs include HRK 1,764 thousand (2019: HRK 1,671 thousand) of defined pension contributions paid into obligatory pension funds, Contributions are calculated as a percentage of employees' gross salaries. In 2020 bonus payments in Ljubljanska borza d.d. amounted to HRK 249 thousand (2019: HRK 298 thousand), In 2020, HRK 550 thousand bonus was paid to the Zagrebačka burza d,d, (2019: HRK 220 thousand).

7 Other operating expenses	**2020.**	**2019.**
	'000 kn	**'000 kn**
Software and licences	3,560	3,635
Professional services	1,052	1,696
Rent of premises	362	351
Post and telephone services	294	298
Utility expenses	480	512
Fees and charges	886	1,343
Entertainment	69	185
Business travel	38	245
Intangible assets write-off	88	33
Impairment of trade receivables	286	388
Impairment of debt securities classified as available for sale	-	468
Costs for organization of seminars and marketing	13	151
Other expenses	2,580	3,062
Total other operating expenses	**9,708**	**12,368**

Other expenses in the amount of HRK 2,580 thousand relate to the costs of lecturers (natural persons) and other fees to those persons, maintenance costs, costs of materials and energy, insurance costs, and other expenses,

Notes to the consolidated financial statements (continued)

8 Financial income and expense

	2020.	2019.
	'000 kn	**'000 kn**
a) Financial income		
Net gains (losses) from financial assets at fair value through profit or loss	34	1,210
Interest income	48	221
Other financial income	110	22
Total financial income	**192**	**1,453**
b) Financial expense		
Interest expense	(36)	(7)
Total financial expenses	**(36)**	**(7)**

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

9 Income tax	**2020.**	**2019.**
	‘000 kn	**‘000 kn**
a) Income tax		
Current income tax expense	(97)	(18)
Deferred income tax	(76)	(24)
Total income tax	**(184)**	**94**

b) Reconciliation of accounting profit and current income tax liability

	2020.	**2019.**
	‘000 kn	**‘000 kn**
Profit before tax	**2,336**	**1,033**
Tax calculated at 18% (2019: 18%)	421	186
Effects of different tax rates	8	2
Tax non-deductible expenses	57	104
Non-taxable income	(197)	(128)
Use of tax losses	(98)	-
Tax losses from Zagrebačka burza d.d. not recognized as deferred tax assets	(220)	(153)
Consolidation adjustments	126	107
Income tax	**97**	**118**

c) Tax losses carried forward

Gross tax losses arising from Zagrebačka burza d.d. amounting to HRK 7,028 thousand are available for offset against the future taxable profits of the Company at the end of 2020. A tax loss may be carried forward by the Company and 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 2020 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 184 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 92 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:

Effective income tax rate	**2020.**	**2019.**
	'000 kn	**'000 kn**
Up to 1 year	3,672	2,329
Up to 2 year	3,221	3,672
Up to 3 year	135	3,221
Up to 4 year	-	135
Up to 5 year	-	-
Total tax loss available for transfer	**7,028**	**9,357**

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

Deferred tax assets/liabilities

At 31 December 2020 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 2019.	80	11	183	-	274
(Decrease)/Increase in deferred tax assets recognized in the income statement	10	3	(34)	10	(11)
31 December 2019.	**90**	**14**	**149**	**10**	**263**
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**

Deferred tax liabilities

	Fair value adjustment of property
1 January 2019	**223**
Decrease of deferred tax liability recognized through other comprehensive income	(35)
31 December 2019	**188**
Decrease of deferred tax liability recognized through other comprehensive income	1
31 December 2020	**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 2019.	**10,875**	**4,509**	**2,412**	**1,272**	**54**	**19,122**
Additions	-	30	(420)	-	20	**138**
Disposals	(2,859)	-	-		(74)	**(3,353)**
Effects of movements in exchange rate	(311)	-	(11)	-	-	**(322)**
As at 31 December 2019.	**7,705**	**4,539**	**2,069**	**1,272**	**-**	**15,585**
As at 1 January 2020.	**7,705**	**4,539**	**2,069**	**1,272**	**-**	**15,585**
Additions	-	702	5	-	(138)	**-**
Transfer	-	-	138	-	138	**845**
Disposals	-	-	(9)	-	-	**(9)**
Effects of movement in exchange rate	96	-	31	-	-	**127**
As at 31 December 2020.	**7,801**	**5,241**	**2,235**	**1,272**	**-**	**16,549**
Accumulated depreciation						
As at 1 January 2019.	**(345)**	**(4,243)**	**(1,113)**	**(1,146)**	**-**	**(6,847)**
Charge for the year	(338)	(136)	(260)	(32)	-	**(766)**
Disposals	247	-	420	-	-	**667**
Effects of movement in exchange rate	(59)	-	(2)	-	-	**(61)**
As at 31 December 2019.	**(495)**	**(4,379)**	**(955)**	**(1,178)**	**-**	**(7,007)**
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 December 2020.	**(847)**	**(4,566)**	**(1,232)**	**(1,209)**		**(7,854)**
Net book value at						
31 December 2019.	**7,210**	**160**	**1,114**	**94**	**-**	**8,576**
31 December 2020.	**6,954**	**675**	**1,003**	**63**	**-**	**8,695**

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 2019.	**2,185**	**201**	**1,168**	**-**	**3,554**
Additions	548	21	-	219	**788**
Write-offs	-	(3)	-	-	**(3)**
Effect of movement in exchange rate	(7)	-	-	(1)	**(8)**
At 31 December 2019.	**2,276**	**219**	**1,168**	**218**	**4,331**
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**
Accumulated amortization					
At 1 January 2019.	**(1,034)**	**-**	**-**	**-**	**(1,034)**
Change for the year	(349)	-	-	-	**(349)**
Write-offs	-	-	-	-	**-**
Effect of movement in exchange rate	2	-	-	-	**2**
At 31 December 2019.	**(1,381)**	**-**	**-**	**-**	**(1,381)**
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)**
Net book value					
At 31 December 2019.	**1,345**	**219**	**1,168**	**218**	**2,950**
At 31 December 2020.	**1,161**	**224**	**1,187**	**218**	**2,789**

Notes to the consolidated financial statements (continued)

12 Right-of-use assets

	Buildings	Land	Equipment	Total
	HRK '000	HRK '000	HRK '000	HRK '000
Cost				
Initial recognition on 1 January 2019	1,542	292	228	2,062
At 1 January 2019	**1,542**	**292**	**228**	**2,062**
Additions	-	-	-	-
Revaluation	-	-	-	-
Write-offs	-	-	-	-
Effects of movement in exchange	-	**1**	-	1
At 31 December 2019	**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**
Accumulated amortization				
At 1 January 2019	-	-	-	**-**
Charge for the year	(661)	(29)	(68)	**(758)**
Write-offs	-	-	-	**-**
Effects of movements in exchange	-	-	-	**-**
At 31 December 2019	**(661)**	**(29)**	**(68)**	**(758)**
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)**
Net book value at				
31 December 2019	**881**	**264**	**160**	**1.305**
31 December 2020	**220**	**236**	**102**	**558**

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%. The total cash outflow for lease of right-of-use assets in 2020 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:	**2020.**
Depreciation expense on right-of-use assets	758
Interest expense on lease liabilities	56
Expense relating to short-term leases	760

Lease liabilities are due and payable as follows:

	31 December 2020
Within a year	2
In the second year	-
In the third year	-
In the fourth year	-
In the fifth year	-
After fifth year	-
Total	**2**

As of 1 January 2020, the Company initially recognised lease liabilities to the amount of HRK 1,336 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:

	1.1.2020
	'000 HRK
Operating lease commitment as 31,12,2019 as disclosed in the Group's financial statements	1,336
Discounted using the incremental borrowing rate at 1,1,2020	1,336
Finance lease liabilities recognized as at 31,12,2019	1,336
Recognition exemption for:	
- short term leases	-
- leases of low value assets	-
Extension and termination options reasonably certain to be exercised	.
Lease liabilities recognised at 1,1,2020	1,336

Notes to the consolidated financial statements (continued)

13 Investment in associate and joint venture

	31 December 2020 '000 HRK	31 December 2019 '000 HRK
Investment in SEE Link d.o.o. (33,33%)	115	117
Investment in Funderbeam South-East Europe d.o.o. (30%)	-	-
Total investment in associates and joint venture	**115**	**117**

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

	Company	Country	Native of business	Holding 2020 %	Holding 2019 %
Joint venture	SEE Link d.o.o.	North Macedonia	stock-exchange order routing	33,3	33,3
Associate	Funderbeam SEE d.o.o.	Croatia	finance intermediary	30	20

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

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

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

Notes to 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 2020 was 30% (31 December 2019: 20%) after increasing the amount of investment remained at 20%.

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

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

14 Financial asset

	31 December 2020	31 December 2019
	'000 HRK	'000 HRK
Investments in bonds	-	197
Expected credit losses for bonds	-	(197)
Investments in shares	1,302	1,302
Total	**1,302**	**1,302**

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

	31 December 2020	31 December 2019
	'000 HRK	'000 HRK
Balance at 1 January	197	197
Expected credit losses	(197)	-
Total	**-**	**197**

Notes to the consolidated financial statements (continued)

14 Financial assets (continued)

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

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

From 18 December 2019 to 31 December 2020 there was no trading in shares of the Macedonian Stock Exchange AD therefore, the Management Board considers that the quoted price reflects the fair value of the said investment.

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

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

	31 December 2020	**31 December 2019**
	‘000 HRK	**‘000 HRK**
b) Financial assets at fair value through profit or loss		
Shares in open-ended investment funds	**17,774**	19,583
Total	**17,774**	**19,583**

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

Notes to the consolidated financial statements (continued)

15 Trade receivables

	31 December 2020	31 December 2019
	‘000 HRK	‘000 HRK
Trade receivables	5,097	5,696
Given advances	45	13
Other assets	618	722
Impairment allowance	(2,064)	(2,017)
Total	**3,696**	**4,414**

The movement of the impairment of trade receivables

	31 December 2020	31 December 2019
	‘000 HRK	‘000 HRK
Balance at 1 January	(2,017)	(2,174)
Impairment losses recognized during the year	(317)	(388)
Write off	5	8
Impairment of receivable	265	537
Total	**(2,064)**	**(2,017)**

At the reporting date, the Group had overdue receivables not impaired in the amount of HRK 250 thousand (31 December 2019: HRK 1,221 thousand), The Management considers that receivables are fully recoverable.

	Not past due	< 90	90 - 120	> 120
Trade receivables and other assets - gross amount	2,783	220	46	2,042
Expected credit loss	-	(32)	(20)	(2,006)
Trade receivables and other assets - net amount	2,783	188	26	36
Expected credit loss rate	0%	(15%)	(43%)	(98%)

Notes to the consolidated financial statements (continued)

16 a Short term deposits

	31 December 2020 '000 HRK	31 December 2019 '000 HRK
Short term deposits with maturity over 3 months	4,011	1,492
Total short-term deposits	**4,011**	**1,492**

16 b Long-term deposits

	31 December 2020 '000 HRK	31 December 2019 '000 HRK
Long term deposits	1,757	250
Total long term deposits	**1,757**	**250**

Most significant long-term deposit as at 31 December 2020 refers to a deposit in the amount of EUR 200 thousand in one business bank in Slovenia approved for 2 years at an interest rate of 0,45%.

17 Cash and cash equivalents

	31 December 2020 '000 HRK	31 December 2019 '000 HRK
Gyro account in foreign currency (EUR)	8,698	7,308
Gyro account in domestic currency	619	282
Cash in hand	7	4
Total	**9,324**	**7,594**

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 2019	4,635,700	10	46,357
31 December 2019	**4,635,700**	**10**	**46,357**
1 January 2020	4,635,700	10	46,357
31 December 2020	**4,635,700**	**10**	**46,357**

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

Notes to the consolidated financial statements (continued)

19 Earnings per share

Calculation of profit per share as at 31 December 2020 was based on the profit of HRK 2,152 thousand and a weighted average number of ordinary shares outstanding of 46,357,000 calculated as follows:

	31 December 2020	31 December 2019
	'000 HRK	**'000 HRK**
Net profit/(loss) for the period (HRK '000)	2,152	939
Weighted average number of ordinary shares during the period	4,635,700	4,635,700
Basic and diluted profit/(loss) per share (in HRK)	**0.46**	**0.20**

Diluted 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 2020	31 December 2019
	'000 HRK	**'000 HRK**
Trade payables	1,154	1,383
VAT liability	205	191
Other short-term payables	1,326	979
Total trade and other payables	**2,685**	**2,553**

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

21 Contractual liabilities

	31 December 2020	31 December 2019
	'000 HRK	**'000 HRK**
Contractual liabilities from quotation maintaining	4,625	3,574
Contractual liabilities from initial listings fees	-	11
Other contractual liabilities	-	18
Total contractual liabilities	**4,625**	**3,603**
Provisions for expenses for which no invoice has been received	-	384
Provisions for bonuses and severances of Ljubljanska borza	-	-
Total provisions	-	384
Total contractual liabilities and provisions	**4,625**	**3,987**

Notes to the consolidated financial statements (continued)

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 1,065 thousand (2019: HRK 32 thousand) of the funds on the gyro account denominated in euro, trade receivables in amount of HRK 212 thousand and HRK 3 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 2020 HRK '000	**31 December 2019 HRK '000**
Cash and cash equivalents (excluding cash in hand)	9,317	7,590
Short-term deposits	4,011	1,492
Trade receivables and other assets	5,760	6,431
Guarantee deposits	-	250
Long-term deposits	1,757	-
Loans given to related party	217	217
Total	**21,062**	**15,980**

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.

Notes to the consolidated financial statements (continued)

22 Financial instruments – risk exposures (continued)

Price risk

Price risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or by factors affecting all instruments traded in the market. The 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 178 thousand (2019: HRK 196 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 2020, the Zagreb Stock Exchange d.d. generated revenue from Funderbeam South-East Europe d.o.o. in the amount of HRK 5 thousand (2019: HRK 6 thousand). Receivables from Funderbeam South-East Europe d.o.o. on 31.12.2020 amounts to HRK 230 thousand (31 December 2019: HRK 226 thousand).

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

Remuneration to Management Board throughout the year was (both Zagrebačka burza d.d. i Ljubljanska borza d.d.) HRK 3,116 thousand (2019: HRK 3,173 thousand). The total remuneration of Supervisory Board members amounted to HRK 47 thousand (2019: HRK 47 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	2019 Reportable segments total	Adjustments	Consolidations totals
External revenue	14,250	10,880	25,130	(144)	24,986
Staff costs	(6,760)	(4,400)	(11,160)	-	(11,160)
Depreciation and amortization	(1,077)	(796)	(1,873)	-	(1,873)
Other operating expenses	(7,044)	(5,461)	(12,465)	97	(12,368)
Financial income	1,855	19	1,874	(421)	1,453
Financial expense	(54)	(11)	(65)	-	(65)
Net foreign exchange loss	(15)	-	(15)	-	(15)
Segment (loss)/profit before tax	**1,195**	**231**	**1,426**	**(393)**	**1,033**
Segment income tax	-	(68)	(68)	(26)	(94)
Segment (loss)/profit for the year	**1,195**	**163**	**1,358**	**(419)**	**939**
Capital expenditure	**76**	**837**	**913**	**-**	**603**

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**	**1.172**	**3.046**	**(709)**	**2.362**
Segment income tax	-	204	204	(20)	184
Segment (loss)/profit for the year	**1.874**	**1.376**	**3.251**	**(730)**	**2.546**
Capital expenditure	**774**	**392**	**1.166**	**(181)**	**985**

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 2020 amounts to HRK 2,064 thousand (31 December 2019: HRK 2,017 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 184 thousand (2019: HRK 94 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 7,028 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)	42,931	40,540
Total assets	51,095	48,707
Equity to assets	**84%**	**83%**

84% of the total assets of the Group is financed from own resources, accordingly, 16% of the assets are financed from foreign sources (2019: 17%).

27 Audit fees

The fees for the audit of Group financial statements amounted to HRK 158 thousand (2019: HRK 159 thousand).

During the year, the external auditor has provided non-audit services in the amount of HRK 47 thousand (2019: HRK 47 thousand). In accordance with the EU Regulation, the services provided during 2020 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.

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.

Acquisition of additional stake in Macedonian stock exchange

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