ZAGREBAČKA
BURZA
Zagreb Stock Exchange

ANNUAL REPORT

ON COMPANY STATUS AND BUSINESS ACTIVITIES IN 2018

Zagreb, April 2019

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

Contents

1 MANAGEMENT REPORT

1.1 A word by the Management Board

Like the previous year, the beginning of 2018 was marked by positive sentiment: total turnover in January was 44.4% better on a monthly level, with both market capitalization and index values on the rise. Thereafter, investor sentiment wavered, but a number of activities were undertaken in a bid to strengthen the local capital market and introduce new products and services, improve the current offering and create some new opportunities for investors as well as issuers.

In 2018 the capital market continued operating in challenging circumstances, marked by high regulatory demands and specific economic and political surroundings. Despite the difficulties, the Zagreb Stock Exchange kept its position as a regional market leader and one of the most important parts of economic growth, as well as maintained high levels of product and service quality with the goals of empowering the market, tending to the needs of shareholders, investors, issuers, members and interested parties. Our work was aimed at raising levels of transparency, maintaining a positive impact on investor trust, liquidity and raising the value of the market as a whole.

The new Exchange Rules have changed the Leading Market listing conditions, the most demanding market segment of the Stock Exchange. The purpose of these changes was to ensure even greater levels of transparency and corporate governance standards and potentially positively impact the stock price and liquidity based on the higher level of information required to make investment decisions. During 2018, four issuers joined the Leading Market: the first was Atlantic Grupa d.d. and by the end of the year Arena Hospitality Group d.d., AD Plastik d.d. and Podravka d.d. joined.

Work on the development of corporate governance in Croatia remains a continuous focus of the Exchange. Therefore, the Exchange and the Croatian Financial Services Supervisory Agency, supported by the European Bank for Reconstruction and Development (EBRD), launched a project of revising their joint Code of Corporate Governance. As a part of this project and with technical support of the EBRD, corporate governance education will also be provided through the ZSE Academy to the companies listed on the Zagreb Stock Exchange.

Early on in the year, Hanfa authorized the new Exchange activity – publication of trade reports on behalf of investment firms as a formal prerequisite for the Exchange to introduce the so-called APA service. Said information is published via an approved publication arrangement (APA), as required for investment firms by the capital market regulatory framework to improve efficiency, resilience and integrity of financial markets. At the same time, the APA is aimed at improving the quality of trade transparency information published in the OTC space, thus contributing significantly to ensuring that such information is published in a way that facilitates its consolidation with other data. The Zagreb Stock Exchange is one of a handful of European exchanges authorized to provide the APA service.

In May 2018 Zagreb was the venue of the fifth annual Slovenian and Croatian Investment Days, at which 11 Croatian and five Slovenian companies held almost 200 meetings with the representatives of 25 investment firms and banks from Croatia, the Czech Republic, Estonia, Great Britain, Hungary and Slovenia.

In June, the Zagreb Stock Exchange joined the Federation of European Securities Exchanges (FESE) in a bid to be actively involved in formulating the regulations that affect the operation of smaller exchanges.

The Croatian Financial Services Supervisory Agency (Hanfa), the Central Depository and Clearing Company and the Zagreb Stock Exchange held their ninth annual education round in Zagreb intended for the companies whose shares are listed on the Zagreb Stock Exchange's regulated market. Each year it gathers around 100 representatives of listed companies which were once again presented with the novelties in the sphere of capital market regulation and other related topics.

A seventh joint Zagreb Stock Exchange and fund industry Challenge of Change Conference was held traditionally in October. As a central gathering of the Croatian and regional financial community, this event has brought together almost 30 speakers and some 450 participants from all branches of the financial industry from Croatia, its region and the world. The conference is co-organized by the Zagreb Stock Exchange and the Association of Pension Fund Management and Pension Insurance Companies.

The Croatian Banking Association (HUB) and the ZSE Academy recognized the need for business cooperation to provide for specialized training to the employees of HUB's member banks in the area or investment services and capital market in general. Towards the end of the year, Hanfa issued a positive opinion on the Exchange's educational programs and examinations in the delivery of training to bank staff for typical conduct/scenarios in the distribution of non-complex financial instruments, in accordance with the provisions of the Ordinance on qualifications and HR requirements for the provision of investment services.

November saw the launch of Burzin brief (the Exchange brief), a new Zagreb Stock Exchange communication platform, designed as a venue for discussion of crucial topics for the economy of Croatia and the region as well as of important global trends and technological innovations that will form the capital market and affect a wider social context. Burzin brief is available in Croatian on zse-blog.info and via the Zagreb Stock Exchange website www.zse.hr.

The Zagreb Stock Exchange Awards were presented traditionally in December for the seventh year in a row in a total of seven categories. Statistical criteria as well as the overall contribution to capital market education and development were covered in a bid to strengthen the visibility of the capital market and its active participants among the financial and general public by recognizing, supporting and awarding excellence.

Early October saw the end of the CE Enter, an alternative market established in May 2016 as a continuation of the then outgoing multilateral facility (MTF) managed by the Exchange from the year 2009. The Exchange now intends to manage an MTF with considerably higher corporate governance and transparency standards, namely the trading platform named Progress. The process facilitating the fund-raising for SMEs is also strongly supported by the European Union through its regulations, focusing on the platforms such as Progress as a financing model which provides easier access by

SMEs to capital they require for further growth and development. In 2018, the first issuer was admitted to trading on the Progress Market, with several other companies also expressing their interest. Over the course of the year, the Progress Market was presented in several Croatian cities through a series of events and activities, addressing the challenges faced by this sector in its search for capital and the way in which the Progress Market can facilitate access to funding to such companies. In addition, Progress ended the year with a total of 20 advisers – 12 for the Croatian and eight for the Slovenian market – whose role it is to provide professional support to candidate companies seeking admission to trading in that very process as well as after the admission to trading.
Since the launch in September 2016 of Funderbeam South-East Europe, a company in which the Zagreb Stock Exchange holds a 20 % interest, approximately EUR 2.5 mil. in funding has been raised via this global platform for Croatian start-ups and small and medium-sized enterprises. After the initial investment phase, shares in those companies have also been traded successfully by investors via the Funderbeam trading platform thanks to an innovative system based on block-chain technology.

Funderbeam and Progress projects are part of the development-oriented strategy of the Zagreb Stock Exchange aimed at creating such conditions that will allow companies in all stages of their growth to secure capital necessary for further growth, thus helping to foster a positive environment for enterprises, economic growth and employment.

Over the course of the year, the ZSE Academy has delivered training to approximately 1,000 individuals, of whom around 70 % of participants, primarily higher education and secondary school students, received some form of educational content free of charge. Once again, the Academy has taken active part in marking the World and European Money Week – a global event aimed at raising awareness of the importance of financial literacy among younger generations, involving almost 8 million children and young people. Among other activities during the Money Week, the Academy was visited by more than 200 pupils and students from several Croatian cities as well as from the Netherlands and the United States. More than 7,700 participants have undertaken various educational activities at the Academy since its establishment in 2010, with free training courses provided to some 5,200 of them, predominantly the young.

For the first time, the Zagreb Stock Exchange joined the global initiative Ring the Bell for Gender Diversity as one of 60-odd exchanges symbolically ringing the bell for the start of trading on the International Women's Day in a bid to support the efforts aimed at strengthening the awareness of the role that the business and financial sector may play in contributing to gender diversity as a global sustainable development goal. On the occasion, the start of trading was marked by the croatian Minister of Finance Zdravko Marić.

The Zagreb Stock Exchange LEI Service, as one of just 30-odd entities globally accredited for LEI assignment, has reached its 1,000-mark for the LEIs it administers. Meanwhile, the Global LEI Foundation has assessed the LEI Service performance with a high score of 99.98-100 per cent for service quality.

1.2 ZSE Key Performance Indicators in 2018

Operating revenues in 2018 amounted to HRK 13.3 mil, down -4.65% compared to the 2017. Revenue reduction largely due to the lower trading fees, is mostly canceled from earnings from other bases.

Operating profit before interest, taxes, depreciation and amortization in 2018 is positive and it amounted to HRK 384 thousand while in 2017 was negative and amounted to HRK -3,079 thousand.

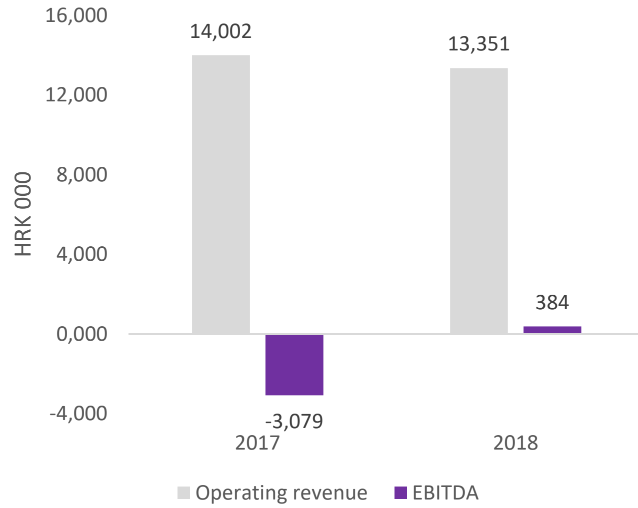

Figure 1. Operating revenue and EBITDA in 2017 and 2018

(000 HRK)	2018	2017
Issued share capital	46,357	46,357
Total equity	39,386	38,363
Total assets	43,527	42,390
Operating revenues	13,351	14,002
- revenue	8,673	9,351
- other operating income	4,678	4,651
Operating expenses	13,335	18,326
- staff costs	6,274	6,348
- depreciation and amortization	368	1,245
- other operating expenses	6,693	10,733
EBIT	16	-4,324
EBITDA	384	-3,079
Profit / loss before tax	1,310	-3,753
Income tax expense	0	0
Profit / loss for the year	1,310	-3,753
Issued shares	4,635,700	4,635,700
Nominal value on 31 December	10.00	10.00
Cash dividend	1,245	0
Number of employees	24	24

Table 1. Main business indicators in 2017 and 2018

1.2.1 Trading and price of ZB-R-A stock of 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 46,357,000 and it is divided into 4,635,700 ordinary shares. From 1 January 2018 to 31 December 2018 orderbook turnover in the amount of 20,507,144.00 HRK was reached.

Symbol	**ZB-R-A**
ISIN	HRZB00RA0003
Number of listed shares	4,635,700
Total turnover (HRK)	20,507,114.00
Total trading volume	1,283,309
Highest price (HRK)	16.70
Lowest prices (HRK)	10.00
Last price (HRK)	16.00
Average daily turnover (HRK)	336,182.20
Average daily number of transactions	4

Table 2. ZB-R-A stock in 2018

Price of ZB-R-A stock peaked on 20 September 2018 in the amount of 16.70 HRK, while the lowest price occurred on 27 April and 6 June 2018 in the sum of 10.00 HRK.

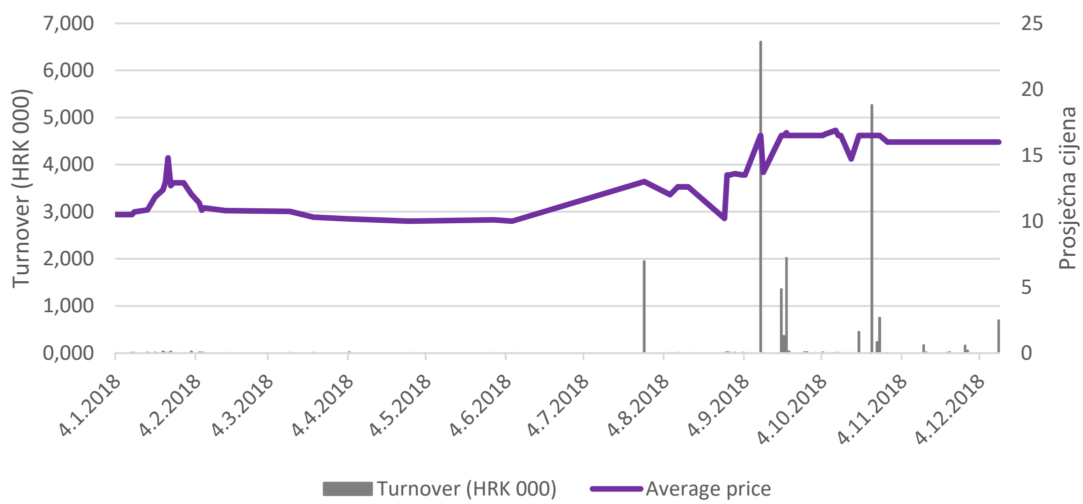

Figure 2. Turnover and average price ZB-R-A stock in 2018

Total of 217 shareholders were noted in the ownership structure of the Zagreb Stock Exchange on 31 December 2018.

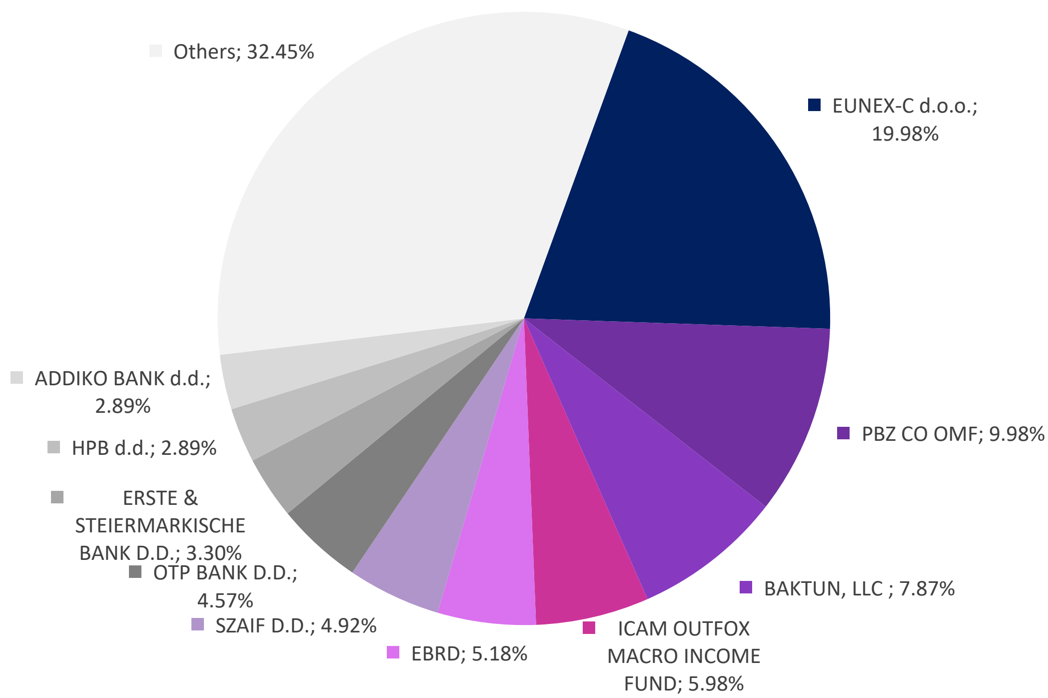

Figure 3. Ownership structure on 31 December 2018

1.3 Financial results and business operations in 2018

In 2018, the Zagreb Stock Exchange realized HRK 13,351 thousand in operating income, which is a decrease of -4.65% compared to 2017.

The highest revenue growth was recorded at seminar revenues (+158%). Besides them, revenues from the supply of information (+45%), revenues from quotation fees (+40%) and revenues from quotation maintaining (+2%) also grew. Other revenues increased by a significant 81%.

The drop in revenues is most noticeable in commissions that are down by -23%, while the membership fees are down by -5%. Revenues from API services and sale and lease of equipment are completely absent which is related to the transition to the new Xetra trading system, on July 1, 2017, when these revenues ceased to exist. In addition, in 2018 there was no income from grant in contrast to 2017 when EBRD funds were received. The loss of income from commissions and membership fees due to significant fall in turnover is canceled by other sources of income that the Company achieves.

Total 2018 operating expenses amounted to HRK 13,335 thousand, down by -27.23% compared to 2017. The biggest impact on the aforementioned decrease was the decrease in the software costs and licenses by -62%, or HRK 2,700 thousand, which is shown in other operating expenses (down by -

38% compared to 2017). The highest percentage decline was the depreciation and amortization (-70%). Except that, staff costs slightly decreased by -1%.

The financial income of the Exchange in 2018 increased by +129% compared to 2017 and amounted to HRK 1,299 thousand, which included a dividend from the Ljubljana Stock Exchange in the amount of HRK 1,245 thousand.

Taking all this into consideration, the total result of the Company in 2018 amounted to HRK 1,310 thousand which is HRK 5,063 thousand higher than the previous year when it was negative and amounted to HRK -3,753 thousand. Operating profit before interest, taxes, depreciation and amortization in 2018 is positive and it amounted to HRK 384 thousand.

During 2018, the Zagreb Stock Exchange invested its available cash funds in investment funds (money market and bond funds) and deposits (a vista and fixed-term) in order to preserve the value of its assets. The available cash funds of the Exchange stood at HRK 19,774 thousand (units in investment funds, deposits and cash in bank) at the end of 2018.

1.4 Businesss analysis

1.4.1 Total operating revenues

Total operating revenues in 2018 amounted to HRK 13.3 mil, which is a -4.65% decrease compared to the 2017. The highest revenue growth was achieved in seminar revenues (+158%).

Largest stake in operating revenues stems from quotation maintaining fees (31.5%), which surpassed revenue from commissions which made up the largest part of total operating revenues in 2017 (25% in 2018).

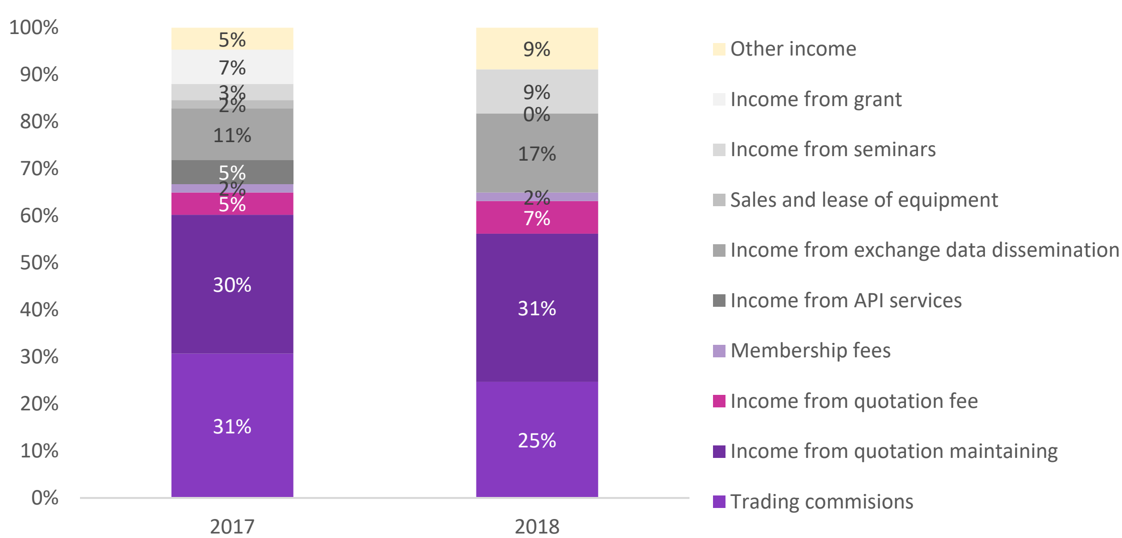

Figure 4. Total operating revenues structure in 2017 and 2018

Commissions and membership fees

Comparing 2018 with 2017, revenues from commissions and membership fees decresead by HRK 1,012 thousand, i.e. -22%. At the end of 2018, there were a total of 15 members on the Exchange..

API membership fees

Due to the reasons mentioned above, in 2018, revenues from API services and sales and rental of equipment were not realized.

Quotations maintenance fees

In 2018, revenues from maintenance of quotations fees increased by +1.6% compared to 2017 and amounted to HRK 4,204 thousand. At the end of 2018, total of 132 stocks were listed on the Regulated market which is -4% less in comparison to the previous year.

Listing fees

An increase of +40.5% in revenues from listing fees which amounted to HRK 929 thousand was recorded in 2018.

Since 2018, there has been a change in the recognition of these revenues due to the change in IFRS 15. In 2018, the Company has charged HRK 1,344 thousand of total listing fees, of which HRK 929 thousand is recognized in Income Statement for 2018, and HRK 415 thousand will be recognized during the remaining deferred period. The listing fee received in 2017 in the amount of HRK 287 thousand was recognized during 2018.

Exchange data dissemination fees

Compared to 2017, revenues from exchange data dissemination fees increased by HRK 697 thousand, or by +45% in 2018. This includes the revenue from the right to distribute real-time data that is paid by members, which has replaced revenue from the API service.

Academy and conference revenues

Revenues from the Zagreb Stock Exchange Academy and organized conferences amounted to HRK 1,253 thousand in 2018, representing an increase of +158% compared to the previous year. Significant increase in these revenues was generated by the implementation of education according to the template.

Income from grant

In 2018 there was no income from grant in contrast to 2017 when EBRD funds were received.

Other operating revenues

Total other operating revenues in 2018 have reached HRK 1,185 thousand. This amount represents an increase of +81% over the previous year, and such a large increase can be attributed to an increase in revenues from LEI assignement and revenues from OTC data disclosure / APA. The Company generated a total of HRK 457 thousand from the LEI assignement, and HRK 392 thousand from OTC data disclosure service.

1.4.2 Total operating expenses

Total 2018 operating expenses amounted to HRK 13,333 thousand, a decrease of -27.23% compared to 2017.

Amortization was reduced by a significant -70%, since in 2017 the intangible assets of the previously used trading system were fully amortized. In addition, other operating expenses decreased by -38%, while staff costs fell by -1% compared to 2017.

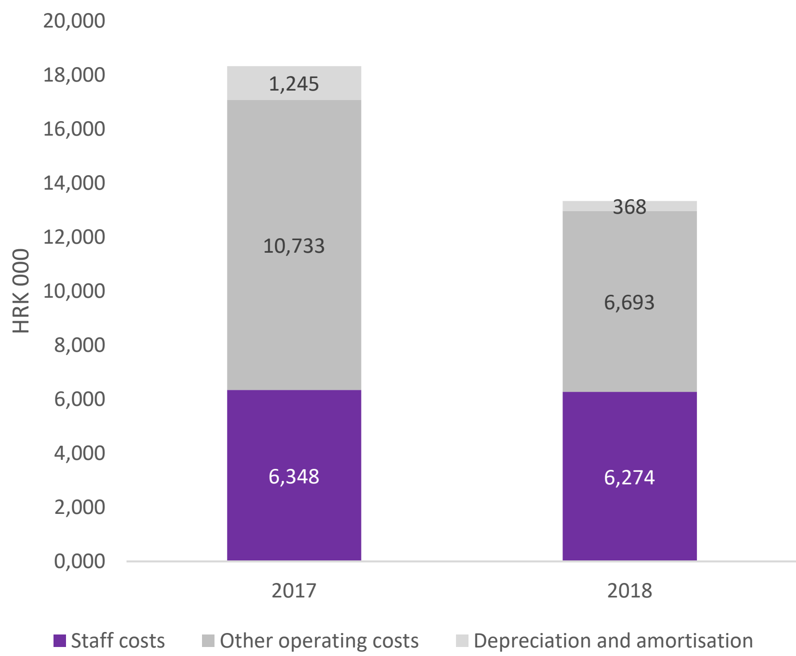

Figure 5. Total operating costs in 2017 and 2018

The decrease in other operating costs (-38%) in 2018, compared to the previous year was mainly influenced by the decrease in the software cost and licenses (-62%) due to the transition to the new trading system, and the associated lower cost of discarded intangible assets (-93%). It is important to note that in 2017 this cost was considerably higher due to the overlap of the costs of the old and new trading system in one part of the year, resulting in the payment of double costs. Costs of postal and telephone services (-52%), professional services (-34%), utility expenses (-12%), fees and charges (-9%) and rental expenses (-4%) also recorded a decrease. Impairment (available for sale bonds and trade receivables) fell by -52%. To a lesser extent, the costs of business travel, equipment rental and other expenses increased.

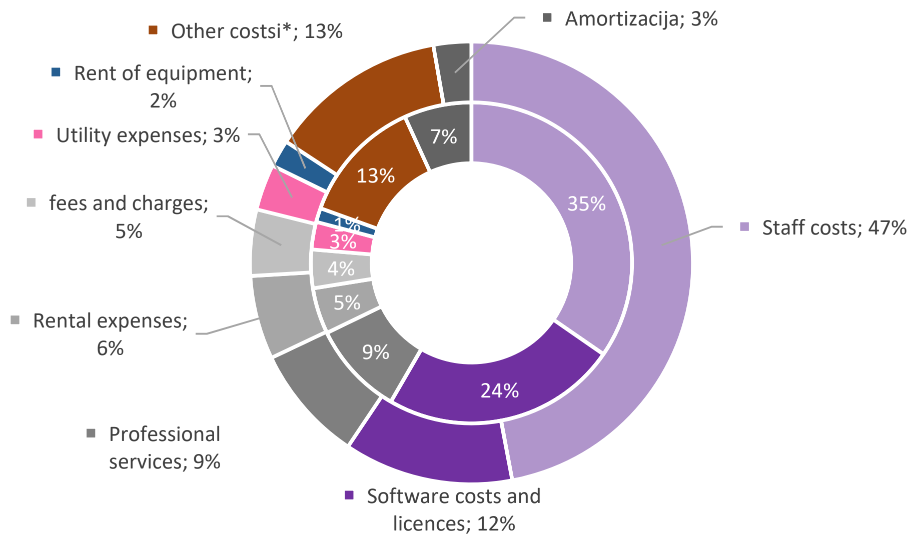

Figure 6. Operating costs structure in 2017 and 2018

1.4.3 Net profit / loss for the year

In 2018, net profit for the period was HRK 1,310 thousand, an increase of HRK 5,063 thousand compared to the previous year. Although revenues from trading feess declined by nearly a quarter of 2017, the Exchange replaced this loss with income from other bases. It is necessary to emphasize the increase of the revenues from seminars (+158%) and the increase of financial revenues (+129%) in which the dividend received from the Ljubljana Stock Exchange was included. On the other hand, a significant increase in net profit was also affected by a reduction in the operating cost, primarily the software costs and licenses (-62%) shown in other operating costs.

Operating profit before interest, taxes, depreciation and amortization in 2018 is positive and it amounted to HRK 384 thousand while in 2017 was negative and amounted to HRK -3,079 thousand. The effects of IFRS-15 resulted in a lower profit of HRK 128 thousand compared to the profit that would have been recognized in accordance with IAS 18.

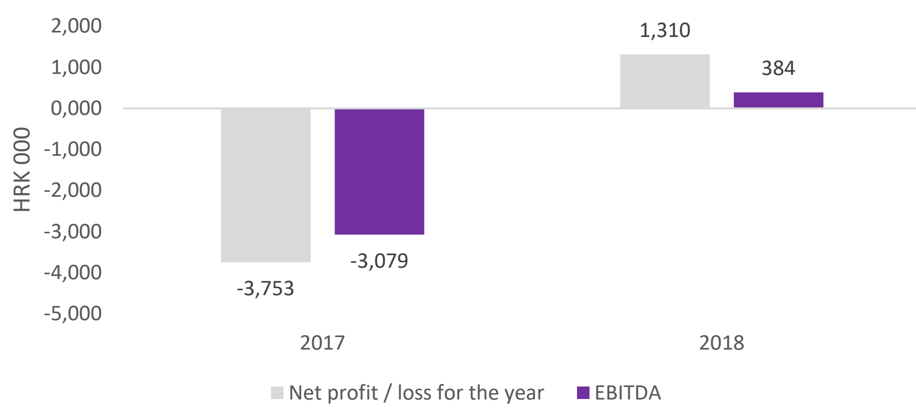

Figure 7. Net profit / loss for the year and EBITDA in 2017 and 2018

1.4.4 Zagreb Stock Exchange Assets

On 31 December 2018, total assets of the Zagreb Stock Exchange amounted to HRK 43.5 mil, which is an increase of +2.7% compared to the previous year.

(000 HRK)	2018	2017
ASSETS		
Total non-current assets	21,071	21,332
Total current assets	22,456	21,058
Total assets	**43,527**	**42,390**
EQUITY AND LIABILITIES		
Total equity	39,386	38,363
Current liabilities	4,141	4,027
Total equity and liabilities	**43,527**	**42,390**

Table 3. Assets and liabilities in 2017 and 2018

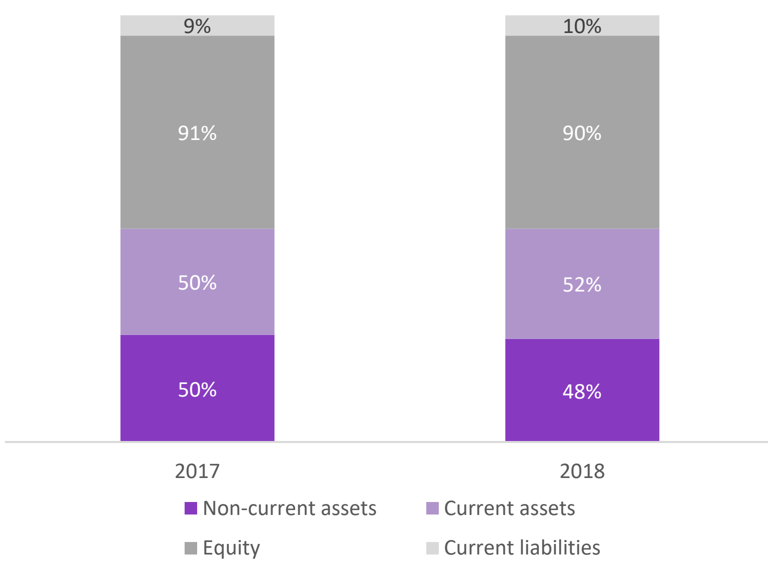

Figure 8. Assets and liabilities in 2017 and 2018

1.5 Significant events after the end of the financial year

There were no significant events after the end of the financial year that affected the reported results.

1.6 Expected development of the company

In 2019, the Company will continue to focus on restoring confidence and raising Corporate Governance standards and reporting on a regulated market. The Company will also focus on greater promotion of existing issuers, with a focus on Prime Market.

The Company will 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).

By the end of 2019, extensive activities regarding moving to a new version of the T7 trading system will be ended.

1.7 Research and Development activities

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

1.8 Acqusition of own shares

Zagreb Stock Exchange was not the owner of its own shares on 31 December 2018. In 2018, the Exchange did not acquire its own shares.

1.9 The existence of company subsidiary

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 seeting 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%.

Ivana Gažić is the President of the Supervisory Board of SEE LINK. Ivan Steriev, CEO of the Macedonian Stock Exchange is a member of the Supervisory Board and Ivan Takev, CEO of the Bulgarian Stock Exchange is also a member of the Supervisory Board.

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 2018 is EUR 1,401,000, and the Zagreb Stock Exchange participates with 100%.

Ivana Gažić is the President of the Supervisory Board, while Patricia Bakšaj, Director of Legal Affairs and Compliance, Zagreb Stock Exchange, Tomislav Gračan, Member of the Management Board, Zagreb Stock Exchange, and Darja Jermaniš, Director of Market Operations, Ljubljana Stock Exchange are the memebers of the Supervisory Board.

Funderbeam South-East Europe d.o.o. is a company that the Exchange fonded in 2016 together with company Funderbeam Ventures OÜ. The issued share capital of the company on 31 December 2018 is 244,000 HRK, and the Exchage participates with 20%.

1.10 Financial instruments

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

1.11 Business operation risks

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

1.12 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, assesing, 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:

- Strategic internal audit plan,
- Annual internal audit plan,
- Risk management policy,
- Service agreements management procedure.

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 (within the Department of Legal Affairs and Compliance) and internal audit performed by the independent company Antares revizija d.o.o.

Ivana Gažić
President of the Management Board

Tomislav Gračan
Member of the Management Board

ZAGREBAČKA BURZA d.d.
Zagreb
2

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, hereinafter: CA) and provision of Article 22 of the Accounting Act (Official Gazette no. 78/15, 134/15 i 120/16, hereinafter: AA), the Management Board of company ZAGREB STOCK EXCHANGE Inc., Zagreb, Ivana Lučića 2a (hereinafter: the Company), on 26 April 2019, 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 2018 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, 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, Capital Market Act 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 2018.

	Shareholder	No. of shares	Equity in %
1.	EUNEX-C d.o.o.	926,212	19.9800
2.	PBZ CO OMF	462,800	9.9834
3.	BAKTUN, LLC	364,957	7.8727
4.	ICAM OUTFOX MACRO INCOME	277,100	5.9775
5.	EBRD	240,000	5.1772
6.	SZAIF d.d.	228,000	4.9184
7.	OTP BANK d.d.	211,800	4.5689
8.	ERSTE & STEIRMARKISCHE BANK d.d.	152,800	3.2962
9.	HPB d.d.	133,800	2.8863
10.	ADDIKO BANK d.d.	133,800	2.8863
	Others	1,504,431	32.0000
	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 2018 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:

- Dubravko Štimac, President
- Borislav Centner, Deputy President
- Dunja Babić
- Tomislav Jakšić
- 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:

- Dubravko Štimac,
- Borislav Centner,
- 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 2018.

Ivana Gažić
President of the Management Board

Tomislav Gračan
Member of the Management Board

ZAGREBAČKA BURZA d.d.
Zagreb
2

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

3 Zagreb Stock Exchange in 2018

The optimistic start of the year and a positive Q4 trend did not suffice, however, to improve statistics overall compared to those of the previous year. With the total turnover in January up 44.4% on that in December 2017, driving both market capitalization and index values higher, February witnessed a renewed trading suspension of the shares of member companies of the Agrokor concern, so the market plodded on against a backdrop of predominantly negative investor sentiment that was not reversed until very late in the year.

Order book trading turnover in shares shrank 39.8% against an 86.6% increase of that in bonds, resulting in a 24.2% decline in order book trading turnover whereas total turnover ended 22% lower than in 2017.

HRK m	2015	2016	2017	2018
Orderbook turnover	2,580	2,400	2,989	2,266
Stocks	2,206	1,909	2,621	1,579
Bonds	295	438	368	686
Rights	-	-	-	-
Commercial bills	-	-	-	-
Structured products	79	52	-	-
ETFs	-	-	-	-
Block turnover	749	1,465	670	588
Block turnover Equity	541	1,209	589	542
Block turnover Debt	208	255	81	46
Total turnover	**3,330**	**3,864**	**3,660**	**2,854**

Table 4. ZSE turnover (2015 – 2018)

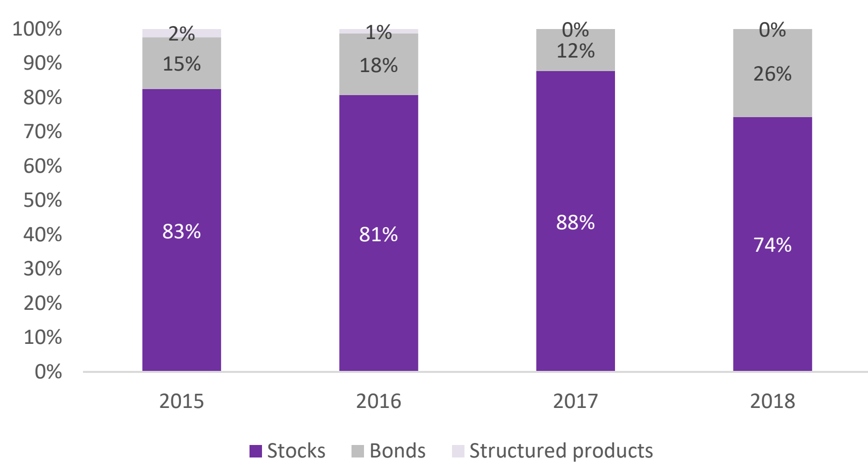

Figure 9. ZSE turnover by type of security (2015 – 2018)

While market capitalisation in bonds grew +3%, market capitalisation in shares declined at a rate of -4% compared to 2017.

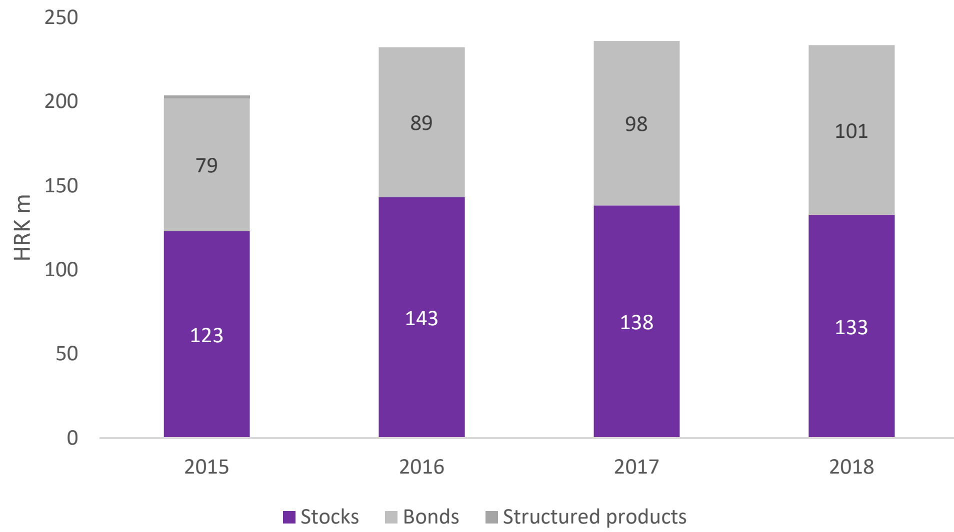

Figure 10. Market capitalization (2015 – 2018)

Indices closed the year mostly in red: CROBEXtransport suffered the biggest loss (-38.23 %) and CROBEXnutris (6.07 %) was the only index to record growth at an annual level.
CROBEX and CROBEX10 corrected some 5 %, while a drop of 2.8 % in CROBEXtr, which includes dividend payments, testified to not such a poor year considering the total return on the shares and the state of markets around the world.

Index	2018	2017	%
CROBEX	1,748.81	1,842.87	-5.10%
CROBEXtr	1,129.13	1,161.71	-2.80%
CROBEX10	1,017.07	1,076.86	-5.55%
CROBEXplus	947.63	1,082.17	-12.43%
CROBEXindustrija	853.81	1,130.91	-24.50%
CROBEXkonstrukt	496.32	535.23	-7.27%
CROBEXnutris	498.62	470.10	6.07%
CROBEXtransport	791.07	1,280.65	-38.23%
CROBEXturist	3,538.52	3,623.65	-2.35%
CROBIS	110.99	110.98	0.01%
CROBIStr	174.21	167.25	4.16%

Table 5. Indices in 2017 and 2018

The most liquid stock in 2018 was the stock of Valamar Riviera d.d., with almost 17.3% of total turnover while five most traded stocks count for 51% of turnover (RIVP, HT, ADRS2, PODR, ATGR).

Symbol	Issuer	Turnover (HRK)
RIVP	Valamar Riviera d.d.	273,128,564
HT	HT d.d.	217,440,040
ADRS2	ADRIS GRUPA d.d.	134,165,722
PODR	PODRAVKA d.d.	109,665,365
ATGR	ATLANTIC GRUPA d.d.	74,669,330
	Others	770,117,053
TOTAL		1,579,186,074

Table 6. Turnover of the 5 most liquid stocks in 2018

At the end of 2018, the Exchange had 15 members and top five members with the biggest turnover in 2018 are shown in the following table:

Rank	Member	Total turnover (HRK)	Market share (%)
1.	INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O.	1,553,579,835	27.02
2.	PRIVREDNA BANKA ZAGREB D.D.	853,518,114	14.85
3.	ERSTE&STEIERMARKISCHE D.D.	716,940,822	12.47
4.	ZAGREBACKA BANKA D.D.	608,398,775	10.58
5.	HITA VRIJEDNOSNICE D.D.	469,134,133	8.16
6.	Others	2,363,606,608	26.92

Table 7. Turnover of the first 5 members of the Stock Exchange in 2018

Around 73% of total turnover came from top five members.

3.1 Support for the members and issuers

3.1.1 Support for the 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.

3.1.2 Support for the issuers

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

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

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

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, 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 28 to 65 and other information, set out on pages 1 to 18, are approved by the Management Board on 26 April 2019 and are signed and verified for the Supervisory Board.

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

Ivana Gažić
President of the
Management Board

Tomislav Gračan
Member of the
Management Board

ZAGREBAČKA BURZA d.d.
Zagreb
2

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

Independent Auditors' report to the shareholders of Zagrebačka burza d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Zagrebačka burza d.d. ("the Company"), which comprise the separate statement of financial position of the Company as at 31 December 2018, and the separate statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2018 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

This version of the independent Auditors' 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

Independent Auditors' report to the shareholders of Zagrebačka burza d.d.

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

Key Audit Matters (continued)

Revenue recognition

Sales revenue for 2018: HRK 8,637 thousand (2017: HRK 9,351 thousand).

Refer to page 37 (Significant accounting policies) and page 40 (Sales revenue).

Key audit matter	How our audit addressed the matter
The Company earns sales revenues from service fees, which primarily include trading commissions, listing maintenance, as well as initial listing service and membership fees. These revenues are generally recognised as the related services are performed, generally when the underlying transactions occur, or, in the case of the listing maintenance or membership fees, on a systematic basis over the year. The process of revenue recognition is highly automated as it is mainly based on the application of fees from the published tariff on the underlying trading volumes or a number of quoted securities. Contracts entered into by the Company are of limited complexity and variety. However, there are a large number of transactions to be processed by the Company's IT systems. As such revenue recognition is an area of audit focus. Additionally, IFRS 15 'Revenue from contracts with customers', came into effect from 1 January 2018, which had impact on recognition of initial listing service fees which were under previous standard IAS 18 recognised when the services occurred, and under IFRS 15 over the period over which the customer has a material right to services rendered. Given the above involved judgment applied by the management, it is considered to be our key audit matter.	Our audit procedures included the following: - Understanding of the processes and controls associated with the revenue cycle; - Assisted by our own IT specialists, testing selected automated controls over the integrity of transfers of transaction volumes between the Company's trading and reporting systems, as well as general IT controls; - Assessing the Company's revenue recognition policies against the requirements of relevant financial reporting standards; - Assessing the Company's revised accounting policy for revenue recognition and compliance with the new accounting standard and the IFRIC view on treatment of initial listing service fee, specifically on determination whether the above service represents separate performance obligation and whether there is a material right to the customer to renew the contract; - For a sample of trading commission transactions, testing the recognition of related revenue by reference to the appropriate fees derived from the published tariff and the number of underlying transactions or volumes of quoted securities derived from the stock exchange trading system; - For a sample of customer contracts, testing the revenue from membership fees by inspecting contractual terms and independently recalculating the amount of revenue by reference to those terms; - For all clients newly listed in 2018, independently recalculating the amount of quotation fees revenue by applying the published tariff; - Inspecting manual journal entries posted to revenue accounts focusing on unusual and irregular items, or entries modified subsequent to the balance sheet date; - Assessing the disclosures within the Annual Report and for compliance with the requirements of IFRS 15;

This version of the independent Auditors' 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

Independent Auditors' report to the shareholders of Zagrebačka burza d.d.

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

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Company but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act,
- the specific information in the Corporate Governance Statement required by Article 22, paragraph 1, items 3 and 4 of the Accounting Act ("relevant sections of the Corporate Governance Statement") has been prepared in accordance with the requirements of Article 22 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and the relevant sections of the Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report and the relevant sections of the Corporate Governance Statement have been prepared, in all material respects, in accordance with the requirements of Articles 21 and 22 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

Independent Auditors' report to the shareholders of Zagrebačka burza d.d.

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

This version of the independent Auditors' 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

KPMG

Independent Auditors' report to the shareholders of Zagrebačka burza d.d.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 11 June 2018 to audit the financial statements of Zagrebačka burza d.d. for the year ended 31 December 2018. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2016 to 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 26 April 2018;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. Further, we have not provided any non-audit services to the Company and its controlled entities which are not reported in the Management report and the financial statements. We also remained independent of the Company in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Katarina Kecko.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

KPMG Croatia
d.o.o. za reviziju
Eurotower, 17. kat
Ivana Lučića 2a, 10000 Zagreb

26 April 2019

Katarina Kecko
Director, Croatian Certified Auditor

This version of the independent Auditors' 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

Separate Statement of comprehensive income
for the year ended 31 December

	Notes	**2018 HRK'000**	**2017 HRK'000**
Income statement			
Sales revenue	*4*	8,673	9,351
Other operating income	*5*	4,678	4,651
Staff costs	*6*	(6,274)	(6,348)
Depreciation and amortization	*10,11*	(368)	(1,245)
Other operating expenses	*7*	(6,693)	(10,733)
Operating profit/(loss)		**16**	**(4,324)**
Financial income	*8*	1,299	568
Financial expense	*8*	-	(1)
Net foreign exchange (loss)/gain		(5)	4
Net finance income		**1,294**	**571**
Profit/(Loss) before tax		**1,310**	**(3,753)**
Income tax expense	*9a*	-	-
Profit/(Loss) for the year		**1,310**	**(3,753)**
Other comprehensive income, net of tax		-	-
Total comprehensive profit/(loss) for the year		**1,310**	**(3,753)**
Basic and diluted profit/(loss) per share (in HRK)	*20*	**0.28**	**(0.81)**

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

Separate Statement of financial position
as at 31 December

	Notes	**2018 HRK'000**	**2017 HRK'000**
Assets			
Non-current assets			
Equipment	*10*	400	532
Intangible assets	*11*	631	850
Investment in subsidiary	*12*	19,125	19,125
Investment in associate and joint venture	*13*	251	206
Financial assets at fair value through other comprehensive income	*14a*	197	-
Financial assets available for sale	*14b*	-	197
Guarantee deposits		250	249
Borrowings to related parties	*17*	217	173
Total non-current assets		**21,071**	**21,332**
Current assets			
Trade receivables and other assets	*15*	2,588	1,856
Financial assets at fair value through profit or loss	*14c*	17,693	18,217
Cash and cash equivalents	*16*	2,081	883
Inventories		7	10
Prepaid expenses		87	92
Total current assets		**22,456**	**21,058**
Total assets		**43,527**	**42,390**
Equity and liabilities			
Equity			
Issued share capital	*18*	46,357	46,357
Share premium		13,860	13,860
Legal reserves		141	141
Accumulated loss		(20,972)	(21,995)
Total equity		**39,386**	**38,363**
Current liabilities			
Trade and other payables	*20*	1,373	1,316
Contractual liabilities	*21*	2,768	
Deferred income and accrued expenses	*22*	-	2,711
Total current liabilities		**4,141**	**4,027**
Total equity and liabilities		**43,527**	**42,390**

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

Separate Statement of changes in equity

	Issued share capital HRK'000	Share premium HRK'000	Legal reserves HRK'000	Accumulated loss HRK'000	Total HRK'000
As at 1 January 2017	**46,357**	**13,860**	**141**	**(18,242)**	**42,116**
Total comprehensive loss for the year	**-**	**-**	**-**	(3,753)	**(3,753)**
As at 31 December 2017	**46,357**	**13,860**	**141**	**(21,995)**	**38,363**
First time adoption effect of IFRS 15	**-**	**-**	**-**	(287)	**(287)**
As at 1 January 2018, adjusted	**46,357**	**13,860**	**141**	**(22,282)**	**38,076**
Total comprehensive gain for the year	**-**	**-**	**-**	1,310	**1,310**
As at 31 December 2018	**46,357**	**13,860**	**141**	**(20,972)**	**39,386**

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

Separate Statement of cash flows
for the year ended 31 December

	Notes	2018 HRK '000	2017 HRK '000
Cash flow from operating activities			
Gain/(Loss) before tax		**1,310**	**(3,753)**
Adjustments:			
Depreciation and amortization	_10,11_	368	1,245
Unrealised gains from financial assets at fair value through profit or loss	_8_	24	(557)
Movement in impairment allowance for trade receivables	_7_	132	230
Impairment of available for sale bonds	_7_	-	44
Dividend income	_8_	(1,245)	-
Interest income	_8_	(55)	(11)
Net foreign exchange losses/(gains)		5	(4)
Provisions for unused holidays		26	(7)
Write-offs		33	674
Other adjustments		(23)	(34)
Cash flow before changes in operating assets and liabilities		**575**	**(2,173)**
Changes in operating assets and liabilities			
Decrease/(Increase) in trade receivables		(858)	1,551
Decrease in prepaid expenses		5	3,342
Decrease in inventories		3	4
Increase/(Decrease) in trade and other payables		90	(4,118)
Decrease in contractual liabilities and accrued expenses		(289)	(1,509)
Change in operating assets and liabilities		**(1,049)**	**(741)**
Income tax			-
Net cash (outflow) from operating activities		**(474)**	**(2,903)**
Cash flow from investing activities			
Investment in associate		(45)	-
Purchase of equipment	_10_	(39)	(183)
Purchase of software	_11_	-	(293)
Purchase of units in open investment funds		-	(23,474)
Disposal of units in open investment funds		500	13,902
Proceed from investments in short-term deposits		-	2,000
Dividends received		1,245	-
Interest received		55	16
Net cash inflow / (outflow) from investing activities		**1,716**	**(8,032)**
Cash flow from financing activities			
Granted loans		(44)	(173)
Net cash inflows from financing activities		**(44)**	**(173)**
Net increase in cash and cash equivalents		**1,198**	**(11,108)**
Cash and cash equivalents at the beginning of the year		883	11,991
Changes in exchange rates on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	_17_	**2,081**	**883**

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

Notes to the separate 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 217 shareholders (*31 December 2017:* 279 *shareholders*). The Company does not have an ultimate parent company.

As at 31 December 2017 and 31 December 2018 the Zagreb Stock Exchange d.d. is the owner of Ljubljanska borza d.d. Ljubljana, Slovenia and has an investment in a joint venture SEE Link d.o.o. Skopje, Republic of Macedonia. As at 31 December 2018, the Zagreb Stock Exchange d.d. has an investment in the associate company Funderbeam South-East Europe d.o.o., Zagreb, Croatia.

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

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

2 Basis of preparation

a) Statement of compliance

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

These are the first financial statements of the Company that include the first application of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Assets. Changes in accounting policies are explained in Note 3.

These financial statements were authorised for issue by the Management Board on 26 April 2018 for approval by the Supervisory Board.

b) Basis of measurement

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

Notes to the financial statements (continued)

2 Basis of preparation (continued)

c) *Functional and presentation currency*

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

d) *Use of estimates and judgments*

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

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

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

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

e) *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 end of the year.

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 Company has assets and liabilities is Euro. The exchange rate used for translation on 31 December 2018 was EUR 1=HRK 7.417575 (31 December 2017: EUR 1=HRK 7.513648).

Notes to the financial statements (continued)

3 Significant accounting policies

a) New Standards, Interpretations and Amendments to published Standards Accepted by the European Union

The Company has initially applied IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments as of January 1, 2018. Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Company's financial statements for the year ended 31 December 2017.

Due to the transition method chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated.

IFRS 15 Revenue from contracts with customers

On 1 January 2018, the Company adopted IFRS 15 ‘Revenue from contracts with customers’ (IFRS 15).

Under IFRS 15, revenue is recognized according to the form of transfer of goods and services to customers. The amount recognized should reflect the amount the entity expects to be entitled to in return for those products and services.

The Company adopted IFRS 15, using the cumulative effect method, by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance at January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18, Revenue.

The impact of adopting the new standard has been reflected through transition adjustments to the Company’s opening accumulated losses at the start of the current year, as presented in the consolidated statement of changes in equity. The table below provides a summary of the impact at the date of transition:

HRK ‘000

	As at 31 December 2017	Re-measurement	New Classification according to IFRS 15	**As at 1 January 2018**
Deferred income and accrued expenses	**2,711**	287	(2,998)	**-**
Contractual liabilities	**-**	-	2,998	**2,998**
Accumulated loss	**(21,995)**	(287)	-	**(22,282)**

The effect of initially applying IFRS 15 is attributed to the timing of recognition of initial listing fees. Under IFRS 15, revenue is recognized when performance obligations have been satisfied. The identification of performance obligations and determining the timing of when performance obligations are satisfied, either at a point in time or over time, requires judgement.

Until 31 December 2017, the initial listing fees for securities were each accounted for as a separate performance obligation, and revenue was recognised when (or as) the promised service was transferred to the customer and the customer obtained control of such service. More specifically, this was the point in time when the initial listing took place. Under IFRS 15, the Company determined that the initial listing service and the initial year sustaining service contain one single performance obligation, and therefore concluded that the initial listing fee should be deferred over a period over which the customer has a material right to the services rendered.

There were no other changes to the recognition of revenue as a result of applying IFRS 15.

In 2018, the Company received HRK 1,344 thousand of total initial listing fees, of which HRK 929 thousand was recognised in profit or loss for the year 2018, with the balance of HRK 415 thousand to be recognised over the remaining deferral period. Initial listing fees received in 2017 in the amount of HRK 278 thousand were recognised during 2018. The effects of IFRS-15 resulted in a lower profit of HRK 128 thousand compared to the profit that would have been recognized in accordance with IAS 18.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

a) *New Standards, Interpretations and Amendments to published Standards Accepted by the European Union (continued)*

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Details of the new significant accounting policies and the nature and effects of changes in the previous period are listed below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

According to IFRS 9, derivative instruments embedded in contracts that result in a financial asset according to the standard are not separated from the contract. Instead, the hybrid financial instrument as a whole is assessed at the initial classification. IFRS 9 largely retains the existing requirements of IAS 39 related to the classification and measurement of financial liabilities.

Subsequent measurement of financial assets is as follows:

Financial assets at amortized cost are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is decreased by impairment losses. Interest income, foreign exchange differences and allowances are recognized in the income statement. Any gain or loss is recognized in the income statement.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including all interest income or dividends, are recognized in the income statement.

Financial assets at amortized cost of the Company as at 31 December 2018 include: Trade and other receivables, loans and cash and cash equivalents. They are classified as loans and receivables under IAS 39 and are now classified as assets held at amortized cost.

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model also applies to financial assets at amortised cost, certain loan commitments and financial guarantee contracts valued through other comprehensive income, but not to equity investments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company adopted IFRS 9, using the cumulative effect method, by recognizing the cumulative effect of initially applying IFRS 9 as an adjustment to the opening balance at January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 39.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

a) New Standards, Interpretations and Amendments to published Standards Accepted by the European Union (continued)

IFRS 9 Financial Instruments (continued)

The following table shows the original measurement categories in accordance with IAS 39 and the new categories of measurements in accordance with IFRS 9 for the financial assets and financial liabilities of the Company as of January 1, 2018.

in thousand HRK	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Borrowings to related parties	Loans and receivables	Amortized cost	173	173
Trade receivables	Loans and receivables	Amortized cost	1,789	1,789
Cash and cash equivalents	Loans and receivables	Amortized cost	883	883
Guarantee deposits	Loans and receivables	Amortized cost	249	249
Units in open investment funds	Fair value through profit and loss	Fair value through profit and loss	18,217	18,217
Investment in bonds	Available for sale	Fair value through other comprehensive income	-	-
Investment in equity instruments	Available for sale	Fair value through other comprehensive income	197	197
Total financial assets			**21,508**	**21,508**
Financial liabilities				
Trade Payables	Other financial liabilities	Other financial liabilities	535	535
Total financial liabilities			**535**	**535**

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

b) Equipment and intangible assets

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

Recognition and measurement

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

Subsequent costs

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

Depreciation and amortization

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

The estimated useful economic lives are as follows:

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

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments

Policy applicable from 1 January 2018

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 amortized 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;
- The contractual terms of a financial asset presuppose cash flows that are solely principal and interest payments (SPPI), at specific dates.

This category includes: loans and 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 presuppose cash flows that are solely principal and interest repayment (SPPI), at specific dates.

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

This category includes bonds of the Republic of Croatia.

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.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) _Financial instruments (continued)_

Policy applicable from 1 January 2018 (continued)

Classification (continued)

Financial assets at fair value through profit or loss (continued)

In addition, at initial recognition, the Company may irrevocably evaluate 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 contrary.

As at 31 December 2018, financial assets at fair value through profit or loss refer to investments in open-end investment funds.

Financial liabilities

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

Reclassification

Financial assets are not reclassified after initial recognition, except in the period after the change in the financial 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 Company assumes the obligation to buy or sell the assets. Loans and receivables and other financial liabilities that are valued at amortized cost are recognized at the time the financial asset is transferred to the borrowers or liabilities received from the lender.

The Company ceases to 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 Company substantially transfers all the risks and rewards of ownership to another business entity or when the rights have been exercised, ceded or expired. The Company ceases to recognize financial liabilities only when they cease to exist, ie when they are met, cancelled or expired. If the terms of the financial liability change, the Company will cease to recognize this obligation and start recognizing the new financial liability with the new terms.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Policy applicable from 1 January 2018 (continued)

Recognition and derecognition (continued)

From 1 January 2018, any cumulative gain or loss recognized in the comprehensive income from equity securities under FVOCI 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.

Initial and subsequent measurements

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

Fair value measurement principles

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

Fait value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

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.

Policy applicable before 1 January 2018

Classification and recognition

The Company classifies financial assets in the following categories: financial assets and liabilities at fair value through profit or loss; loans and receivables; and financial assets at fair value through comprehensive income. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Policy applicable before 1 January 2018 (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets which are classified as held for trading or, on initial recognition, designated by the Company as at fair value through profit or loss. The Company does not apply hedge accounting.

Trading assets are those that the Company acquires or incurs principally for the purpose of sale and repurchase in the near term or held as part of a portfolio which is managed for the purpose of making profit in the short term. Those include investments in open-ended investment funds.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables comprise guarantee deposits with banks classified as “guarantee deposits”, “short-term deposits”, “trade receivables and other assets” and “borrowings to related parties”.

Financial assets at fair value through comprehensive income

Financial assets at fair value through comprehensive income relate to equity and debt securities. Financial assets at fair value through comprehensive income are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at fair value, unless there is no reliable measure of fair value.

Recognition and de-recognition

Purchases and sales of financial assets at fair value through profit or loss and financial assets at fair value through comprehensive income are recognized on the settlement date. Loans and receivables and other financial liabilities carried at amortized cost are recognized when financial assets are placed with borrowers or received from lenders.

The Company derecognizes financial assets when the contractual rights to receive cash flows from the financial asset have expired or when it loses control over the contractual rights on those financial assets. This occurs when the Company transfers substantially all the risks and rewards of ownership to another entity or when the rights are realized, surrendered or have been expired.

Financial assets at fair value through profit or loss and financial assets at fair value through comprehensive income cease to be recognized at the settlement date. Loans and receivables are derecognized on the date of the transfer of funds by the Company.

Financial liabilities are derecognized when the financial liability ceases to exist, i.e. when obligations per liability have been fulfilled, cancelled or the liability has expired. If the terms of a financial liability change, the Company will cease recognizing the liability and will immediately recognize a new financial liability, with new terms and conditions.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Policy applicable before 1 January 2018 (continued)

Initial and subsequent measurement

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuing of the financial asset or financial liability.

After initial recognition the Company measures financial instruments at fair value through profit or loss and financial assets available for sale at their fair value, without any deduction for selling costs. Equity securities classified as fair value through comprehensive income that are not quoted on an active market and whose fair value cannot be reliably determined are stated at cost less impairment.

Loans and receivables are measured at amortized cost less impairment losses. Financial liabilities other than those at fair value through profit or loss are measured at amortized cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and they are amortized using the effective interest rate of the instrument.

Gains and losses from a change in the fair value of financial assets at fair value through profit or loss are recognized in the income statement.

Gains and losses from subsequent measurement

Gains and losses from a change in the fair value of financial assets through comprehensive income are recognized in other comprehensive income. For monetary assets at fair value through comprehensive income, impairment losses, foreign exchange rate gains and losses, interest income and amortization of premium or discount using the effective interest method are recognized in income statement.

Gains or losses arising from financial assets and financial liabilities carried at amortized cost are included in profit or loss over the period of amortization, using the effective interest rate method. Gains or losses may also be recognized in profit or loss when the financial instrument is derecognized or when its value is impaired.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Impairment of financial assets applicable from 1 January 2018

Financial instruments

The Company recognizes impairment losses based on expected credit losses related to financial assets measured at amortized cost and contractual assets.

Impairment of trade receivables is always measured in the total amount of expected credit loss in the total economic life of the asset concerned.

When estimating expected credit losses, the Company considers reasonable and substantiated information that is relevant and available at no additional cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience and credit rating assessment, including information related to the future.

The Company considers that the risk of a financial asset is high if more than 120 days have elapsed since the date of its maturity. Such property is impaired in full.

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following:

- the likelihood that the debtor will enter bankruptcy or other form of financial reorganization or restructuring; or
- significant financial difficulties of the debtor.

The Company considers that a financial asset is not recoverable if it is unlikely that the debtor will fulfil his obligations to the Company completely without the Company having to initiate actions such as the use of a collateral asset (if any). The maximum period to be taken into account when estimating expected credit loss is the maximum contracted period during which the Company is exposed to credit risk.

Measurement of Expected credit losses

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Impairment of financial assets applicable before 1 January 2018

At each reporting date the Company assesses whether there is objective evidence that the financial assets which are not classified as financial assets at fair value through profit or loss have been impaired. Financial assets are impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on estimated future cash flows.

The Company considers evidence of impairment on an asset-by-asset basis.

Objective evidence that financial assets are impaired include default or delinquency of a borrower, restructuring of a loan, or an advance received by the Company under the terms which the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets, such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company of the similar assets.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and recorded in an allowance account against relating asset. Interest income on the impaired asset continues to be recognized as unwinding of discount. When a subsequent event causes the decrease of the amount of impairment loss, the loss is reversed in income statement.

For investments classified as assets at fair value through comprehensive income, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the assets are impaired. If any such indication exists for financial assets at fair value through comprehensive income, the cumulative loss, measured as the difference between the acquisition cost and the current fair value on that financial asset is removed from other comprehensive income and recognized in income statement.

If, in a subsequent period, the fair value of a debt instrument classified as fair value through comprehensive income increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through income statement. Any subsequent recovery in the fair value of an impaired equity security at fair value through comprehensive income is recognized in other comprehensive income, not in income statement.

Trade receivables, other assets and short-term deposits with banks

Trade receivables, other assets and short-term deposits with banks 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 close ended funds are classified as financial assets at fair value through profit or loss and are carried at fair value.

Trade payables and other liabilities

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

d) Impairment of non-financial assets

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

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

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

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

The recoverable amount of equipment and intangible assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing the amount of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows available (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Non-financial assets that have been impaired are reviewed for reversals of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

e) Leases

At the reporting date the Company does not have any finance leases.

All other leases are operating leases, and assets leased by the Company as lessee are not recorded in the Company's statement of financial position. Payments made under operating leases are recognized in income statement on a straight-line basis over the term of the lease.

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

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

ii) Short-term employee benefits

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

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. No deferred tax assets or liabilities were recognised at the reporting date.

The Company provides for tax liabilities in accordance with Croatian law. Income tax rate for 2018 is 18% (2017: 18%).

j) Provisions

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

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided by the Company.

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-in amount (net of transaction costs) and nominal value of the issued shares upon initial issue of shares. Any profit for the year after appropriations is transferred to retained earnings.

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

l) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of the services in the ordinary course of the Company’s activities, as follows: 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.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

l) Revenue (continued)

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.

As noted in Note 3a), revenues from initial listing fees are deferred from January 1, 2018 to periods through which the client has a material right to the service. These revenues were recognized as one-off at the time the services were provided in accordance with IAS 18 by 1 January 2018.

Finance 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.

m) Investment in associates and joint ventures

The Company's investment in its associates and joint ventures is accounted for in separate financial statements using cost method.

After initial recognition, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the statement of comprehensive income.

n) Standards, interpretations and amendments to published standards that are not yet effective and were not used in preparation of these financial statements

Several new and altered Standards and Interpretations have been issued by the International Accounting Standards Board ("IASB") and its International Financial Reporting Interpretations Committee but are not applicable to entities reporting under IFRS as adopted by EU, for the year ended 31 December 2018, and have not been applied in preparation of these financial statements.

IFRS 16

The Company is required to apply IFRS 16 Leases from January 1, 2019, and it is necessary to assess the first-time adoption effect of IFRS 16 on the Company's financial statements. The final impact of the first-time adoption effect may differ as new accounting policies are subject to change until the first financial statements which will include the first-time adoption date are issued.

IFRS 16 was issued in January 2016 and supersedes IAS 17 Leases and related interpretations. IFRS 16 prescribes the principles for recognising, measuring, presenting and issuing leases and requires that lessees take into account all leases within a single accounting model similar to the financial leasing model under IAS 17. The new Standard introduces a number of limited scope exceptions for lessees which include - leases where the underlying asset has a low value ('small-ticket' leases, eg personal computers), and short-term leases (12 months or less). At the beginning date of the lease, the lessee will recognize the obligation to pay the lease as a liability and the rights to use the asset in question as an asset during the lease period.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The effects of the new standard arise from lease of business premises and vehicles. There is no significant impact of the new standard expected on the Company's net assets.

Notes to the financial statements (continued)

4 Sales revenue

	2018 HRK '000	2017 HRK '000
Commissions	3,295	4,294
Income from quotation maintaining	4,204	4,138
Income from quotation fee	929	661
Membership fees	245	258
Total sales revenue	**8,673**	**9,351**

Commissions are charged from members based on value of realized transactions at the time of execution of the transaction.

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.

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.

5 Other operating income

	2018 HRK '000	2017 HRK '000
Income from application programming interface services	-	704
Income from the supply of information	2,240	1,543
Sale and lease of equipment	-	243
Income from seminars	1,253	486
Income from subsidies	-	1,021
Other income	1,185	654
Total other operating income	**4,678**	**4,651**

6 Staff costs

	2018 HRK '000	2017 HRK '000
Salaries		
Net salaries	3,359	3,385
Payroll deductions	944	1,020
Payroll contributions	1,897	1,867
Total salaries	**6,200**	**6,272**
Other staff costs	74	76
Total staff costs	**6,274**	**6,348**

The number of employees at the end of 2018 was 24 (2017: 24). Staff costs include HRK 1,008 thousand (2017: HRK 989 thousand) of defined pension contributions paid into obligatory pension funds. Contributions are calculated as a percentage of employees' gross salaries. In 2018 no bonuses were paid (2017: HRK 359 thousand).

Notes to the financial statements (continued)

7 Other operating expenses

	2018 **HRK '000**	2017 **HRK '000**
Software and licences	1,649	4,349
Professional services	1,137	1,732
Rent of premises	815	849
Post and telephone services	168	351
Utility expenses	447	510
Fees and charges	645	712
Rent of equipment	264	260
Entertainment	129	122
Business travel	197	129
Write off of intangible assets	42	613
Impairment of debt securities available for sale	-	44
Impairment of trade receivables	132	230
Other expenses	1,068	832
Total other operating expenses	**6,693**	**10,733**

8 Financial income and expense

	2018 **HRK '000**	**2017** **HRK '000**
a) Financial income		
Net (losses)/gains from financial assets at fair value through profit or loss	(24)	557
Interest income calculated using the effective interest rate method	55	11
Subsidiary dividend income	1,245	-
Other financial income	23	-
Total financial income	**1,299**	**568**
b) Financial expense		
Interest expense	-	(1)
Total financial expense	**-**	**(1)**
Net financial result	**1,299**	**567**

Notes to the financial statements (continued)

9 Income tax expense

a) Income tax expense

	2018 HRK '000	2017 HRK '000
Current income tax expense	-	-
Deferred income tax	-	-
Total income tax expense	-	-

b) Reconciliation of accounting profit and current income tax liability

	2018 HRK '000	2017 HRK '000
Loss before tax	**1.310**	**(3,753)**
Tax calculated at 18% (2017: 20%)	246	(676)
Tax non-deductible expenses	36	56
Non-taxable income	(296)	(7)
	(24)	**(627)**
Tax losses not recognised as deferred tax assets	24	627
Tax losses carried forward	-	-
Income tax expense	-	-
Effective income tax rate	n/a	n/a

c) Tax losses carried forward

Gross tax losses amounting to HRK 10,363 thousand are available for offset against the future taxable profits of the Company at the end of 2018. A tax loss may be carried forward by the Company for five years subsequent to the year in which it arose, subject to review by the Ministry of Finance. At the end of 2017 the Company had HRK 11,182 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 2018 the Company did not recognize deferred tax assets in respect of temporary differences (unused holiday provisions, receivables impairment allowances) and carried forward tax losses, 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 Company will re-evaluate assumptions for the recognition of deferred tax assets.

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

	2018 HRK '000	2017 HRK '000
Up to 1 year	1,006	692
Up to 2 years	2,329	1,006
Up to 3 years	3,672	2,329
Up to 4 years	3,221	3,672
Up to 5 years	135	3,483
Total tax loss available to be carried forward	**10,363**	**11,182**

Notes to the financial statements (continued)

10 Property and equipment

	Computers	Furniture and other equipment	Leasehold improvements	Total
	HRK '000	HRK '000	HRK '000	HRK '000
Cost				
At 1 January 2017	**6,201**	**2,296**	**1,118**	**9,615**
Additions	8	21	154	183
Write-offs	(622)	(24)	-	(646)
At 31 December 2017	**5,587**	**2,293**	**1,272**	**9,152**
At 1 January 2018	**5,587**	**2,293**	**1,272**	**9,152**
Additions	26	13	-	39
Write-offs	(1,104)	(121)	-	(1,225)
At 31 December 2018	**4,509**	**2,185**	**1,272**	**7,966**
Accumulated depreciation				
At 1 January 2017	**(5,740)**	**(2,240)**	**(1,100)**	**(9,080)**
Charge for the period	(118)	(33)	(11)	(162)
Write-offs	622	-	-	622
At 31 December 2017	**(5,236)**	**(2,273)**	**(1,111)**	**(8,620)**
At 1 January 2018	**(5,236)**	**(2,273)**	**(1,111)**	**(8,620)**
Charge for the period	(111)	(25)	(35)	(171)
Write-offs	1,104	121	-	1,225
At 31 December 2018	**(4,243)**	**(2,177)**	**(1,146)**	**(7,566)**
Net book value at 31 December 2017	**351**	**20**	**161**	**532**
Net book value at 31 December 2018	**266**	**8**	**126**	**400**

Notes to the financial statements (continued)

11 Intangible assets

	Software	Total
	HRK '000	**HRK '000**
Cost		
At 1 January 2017	**17,475**	**17,475**
Additions	293	293
Write-offs	(15,293)	(15,293)
At 31 December 2017	**2,475**	**2,475**
At 1 January 2018	**2,475**	**2,475**
Additions	-	-
Write-offs	(843)	(843)
At 31 December 2018	**1,632**	**1,632**
Accumulated amortization		
At 1 January 2017	**(15,246)**	**(15,246)**
Charge for the period	(1,083)	(1,083)
Write-offs	14,704	14,704
At 31 December 2017	**(1,625)**	**(1,625)**
At 1 January 2018	**(1,625)**	**(1,625)**
Charge for the period	(197)	(197)
Write-offs	821	821
At 31 December 2018	**(1,001)**	**(1,001)**
Net book value		
At 31 December 2017	**850**	**850**
At 31 December 2018	**631**	**631**

Notes to the financial statements (continued)

12 Investment in subsidiary

	31 December 2018 HRK '000	31 December 2017 HRK '000
Investment in Ljubljanska borza d.d.	19,125	19,125
Total investment in subsidiary	**19,125**	**19,125**

Zagrebačka burza d.d. acquired the Ljubljanska borza d.d. by taking over 100% of its shares from the CEE Stock Exchange Company (CEESEG) for purchase price of EUR 2,500 thousand paid in cash. The process started with exclusive negotiations with CEESEG in June 2016, continued with capital increase of the Zagrebačka burza d.d. and was completed with the approval by regulatory authorities of both countries. The process ended on 30 December 2015.

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

	31 December 2018 HRK '000	31 December 2017 HRK '000
Non-current assets	14,257	16,628
Current assets	6,298	5,462
Out of which Cash and cash equivalents	363	969
Total assets	**20,555**	**22,090**
Non-current liabilities	252	323
Current liabilities	1,966	2,284
Out of which Current financial liabilities	59	60
Total liabilities	**2,218**	**2,607**
Total revenues	**10,763**	**10,820**
Interest income	15	45
Interest expense	7	8
Income tax	126	105
Profit / (loss) for the year	**349**	**594**

Notes to the financial statements (continued)

13 Investment in associate and joint venture

	31 December 2018 HRK '000	31 December 2017 HRK '000
Investment in SEE Link d.o.o. (33.33 %)	202	202
Investment in Funderbeam South-East Europe d.o.o. (20 %)	49	4
Total investment in associates and joint venture	**251**	**206**

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:

	31 December 2018 HRK '000	31 December 2017 HRK '000
Ownership share	**33%**	**33%**
Non-current assets	1,018	1,490
Current assets	504	445
Of which Cash and cash equivalents	197	406
Total assets	**1,522**	**1,935**
Non-current liabilities	-	-
Current liabilities	1,405	1,575
Of which Current financial liabilities	-	-
Total liabilities	**1,405**	**1,575**
Total revenues	**735**	**979**
Depreciation and amortisation	452	452
Net interest (expense)/income	(1)	(1)
Income tax	-	-
Loss for the year	**(239)**	**(156)**

Notes to the financial statements (continued)

13 Investment in associate and joint venture

Funderbeam South-East Europe d.o.o. is an associate that was founded in 2016 and started its operations in 2017. 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.

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

	31 December 2018 HRK '000
Ownership share	**20%**
Non-current assets	151
Current assets	263
Out of which Cash and cash equivalents	239
Total assets	**414**
Non-current liabilities	225
Current liabilities	1,005
Out of which Current financial liabilities	914
Total liabilities	**1,230**
Total revenues	**358**
Net interest (expense)/income	(34)
Income tax	-
Loss for the year	**(890)**

The Company has assessed that it does not have control over SEE Link d.o.o. and Funderbeam South-East Europe d.o.o. in accordance with the requirement of IFRS 10.

Notes to the financial statements (continued)

14 Financial assets

	31 December 2018
	HRK '000
a) Financial assets at fair value through comprehensive income	
Investment in equity instruments	202
Investment in bonds	197
Impairment allowance for bonds	(197)
Impairment allowance for shares	(5)
Total	**197**

	31 December 2017
	HRK '000
b) Financial assets available for sale	
Investment in equity instruments	202
Investment in bonds	197
Impairment allowance for bonds	(197)
Impairment allowance for shares	(5)
Total	**197**

Movement in impairment allowance for bonds (stage 3)

	2018	2017
	HRK '000	HRK '000
Balance at 1 January	(202)	(158)
Impairment loss	-	(44)
Total	**(202)**	**(202)**

Investment in bonds relate to bond acquired for uncollected receivables. In 2017 the Company recognised impairment on these bonds, which was recorded directly in profit or loss account (Note 7), given the significant decline in value of investment.

Investment in equity instruments refers to investments that the Company intends to hold in the long term. As permitted by IFRS 9 the Company has decided, upon initial recognition, to classify these instruments as financial assets at fair value through other comprehensive income. Unlike IAS 39, the accumulated fair value reserve of these investments will never be reclassified to the income statement.

	31 December 2018	31 December 2017
	HRK '000	HRK '000
b) Financial assets at fair value through profit or loss		
Shares in open-ended investment funds	17,693	18,217
Total	**17,693**	**18,217**

Shares in open-ended investment funds are classified as fair value level 1 as at 31 December 2018 and 31 December 2017.

Notes to the financial statements (continued)

15 Trade receivables and other assets

	31 December 2018 HRK '000	31 December 2017 HRK '000
Trade receivables	3,723	3,371
Advances placed	35	44
Other assets	533	23
Impairment allowance	(1,703)	(1,582)
Total	**2,588**	**1,856**

In 2016 the Company launched SME Growth Market Project in cooperation with the European Bank for Reconstruction and Development ("EBRD"). The purpose of the grant is for consultancy services for feasibility study for SME market stock exchange. As part of the project the Company recognised amount granted by the EBRD into "other assets" and into "deferred income" in the same amount.

Movement in impairment allowance for trade receivables

	2018 HRK '000	2017 HRK '000
Balance at 1 January	(1,582)	(1,413)
Impairment loss recognised during the period	(340)	(379)
Write off	11	61
Collection of previously impaired receivables	208	149
Total	**(1,703)**	**(1,582)**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model (ECL). The new impairment model also applies to financial assets at amortized cost, contractual assets and liabilities measured at FVOCI but not to equity investments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. At the date of first-time adoption impairment losses under IFRS 9 did not have a significant impact on the impairment of trade receivables. At the reporting date, the Company had overdue receivables not impaired in the amount of HRK 540 thousand (31 December 2017: HRK 531 thousand). The Management Board considers that receivables are fully recoverable.

Overdue receivables not impaired as at 31 December 2018 (HRK '000):

< *90* days	*91-120* days	*121-180* days	*181 - 360* days	*>360* days
459	25	-	56	-

Overdue receivables not impaired as at 31 December 2017 (HRK '000):

< *90* days	*91-120* days	*121-180* days	*181 - 360* days	*>360* days
498	-	-	33	-

Notes to the financial statements (continued)

16 Cash and cash equivalents

	31 December 2018 HRK '000	31 December 2017 HRK '000
Gyro account in foreign currency (EUR)	683	740
Gyro account in domestic currency	1,396	137
Cash in hand	2	6
Total cash and cash equivalents	**2,081**	**883**

17 Borrowings to related parties

Borrowings to related parties refer to loans granted to Funderbeam South-East Europe d.o.o. in the amount of HRK 217 thousand (2017: HRK 173 thousand), with a one-time repayment upon maturity.

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 2017	4,635,700	10	46,357
31 December 2017	**4,635,700**	**10**	**46,357**
1 January 2018	4.635.700	10	46.357
31 December 2018	**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 2018 the Company had 217 shareholders (2017: 273 shareholders) with ownership interests in the Company ranging between 0.01% and 19.98%.

Notes to the financial statements (continued)

19 Loss per share

Calculation of loss per share as at 31 December 2018 was based on the loss of HRK 1,310 thousand and a weighted average number of ordinary shares outstanding of 4,635,700 calculated as follows:

	31 December 2018	**31 December 2017**
Net profit/(loss) for the period (HRK'000)	1,310	(3,753)
Weighted average number of ordinary shares during the period	4,635,700	4,635,700
Basic and diluted profit/(loss) per share (in HRK)	**0,28**	**(0.81)**

Diluted profit (loss) per share are the same as basic given there is no potential dilution effect from any instruments.

20 Trade and other payables

	31 December 2018 HRK '000	**31 December 2017 HRK '000**
Trade payables	501	535
VAT liability	72	30
Other short-term payables	800	751
Total trade and other payables	**1,373**	**1,316**

21 Contractual liabilities

	31 December 2018 HRK '000
Contractual liabilities from quotation maintaining	1,922
Contractual liabilities from initial listing fees	415
Other contractual liabilities	431
Total contractual liabilities	**2,768**

Notes to the financial statements (continued)

21 Contractual liabilities (continued)

The contractual liability as at 31 December 2018 is shown below:

Current liabilities	**HRK '000**
Contractual liabilities	2,768
Total	**2,768**

Contractual liabilities mostly relate to received customer fees for which services have not yet been executed. Trends of the Company's contractual liabilities in 2018 are shown below:

	HRK '000
31 December 2017	**2,711**
First time adoption effect	287
1 January 2018 (adjusted)	2.998
Income recognised in the income statement	(2.998)
Increase due to received fees (excluding amounts recognised as income during the period)	2.768
31 December 2018	**2,768**

22 Deferred income and accrued expenses

	31 December 2017 HRK '000
Deferred income from quotation maintaining	2,297
Deferred income from grant agreement	-
Other deferred income	414
Total deferred income and accrued expenses	**2,711**

23 Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018 HRK '000			**31 December 2017 HRK '000**		
	Office space	**Motor vehicles**	**Total**	**Office space**	**Motor vehicles**	**Total**
Less than one year	692	79	**771**	710	18	**728**
Between one and five years	917	228	**1,145**	234	-	**234**
More than five years	-	-	-	-	-	-
Total operating leases	**1,609**	**307**	**1,916**	**944**	**18**	**962**

Notes to the financial statements (continued)

24 Financial instruments – risk exposures

Interest rate risk

The Company does not have significant amount of variable interest-bearing assets. The most significant interest-earning assets are borrowings to related parties in 2018. The Company does not have interest-bearing liabilities. The impact of changes in market interest rates on income statement is therefore assessed as not significant.

Foreign currency risk

Except for HRK 683 thousand (2017: HRK 740 thousand) of the funds on the gyro account denominated in euro, trade receivables in amount of HRK 50 thousand and HRK 53 of trade payable denominated in euro, there are no other financial assets and liabilities denominated in foreign currency. Thus, the Company is not significantly exposed to foreign currency risk.

Credit risk

The maximum net exposure to credit risk is as follows:

	31 December 2018 HRK '000	**31 December 2017 HRK '000**
Cash and cash equivalents (excluding cash in hand)	2,079	877
Trade receivables and other assets	2,588	-
Guarantee deposits	250	1,856
Borrowings to related parties	217	249
	5,134	**2,982**

Notes to the financial statements (continued)

24 Financial instruments – risk exposures (continued)

Credit risk (continued)

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

Concentration of net trade receivables' credit risk:

	31 December 2018		31 December 2017	
	HRK '000	%	HRK '000	%
Corporate	1,183	59	854	46
Institutional investors and brokers	833	41	971	52
State	-	-	31	2
	2,016	**100**	**1,856**	**100**

Price risk

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

Price risk is mitigated by the Company through diversification of its portfolio of investments in open-ended investment funds to various types of funds, managed by different investment companies, and investing in cash funds. Assuming all other variables unchanged, a decrease/increase in the market price of units in investment funds by -/+1% at the reporting date would result in decrease/increase of profit before tax by HRK 177 thousand (2017: HRK 182 thousand).

Liquidity risk

The Company does not have interest-bearing borrowings. Cash and cash equivalents and financial assets at the reporting date significantly exceed liabilities. During the year the Company had satisfactory liquidity position. Financial liabilities which include trade and other payables, deferred income and accrued expenses have maturity up to one year.

Notes to the financial statements (continued)

25 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").

As at 31 December 2018, the Company has no obligation to key shareholders that relates to funds on transactions accounts and no obligation for rendered services. As at 31 December 2018 Zagrebačka burza d.d. had a loan to Funderbeam South-East Europe d.o.o. in the amount of HRK 217 thousand, with a one-time repayment upon maturity in 2021 (2017: HRK 173 thousand).

Remuneration to Management Board throughout the year was HRK 1,430 thousand (2017: HRK 1,658 thousand). The total remuneration of Supervisory Board members amounted to HRK 0 (2017: HRK 0).

26 Key accounting estimates and assumptions

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

Impairment of trade receivables

Trade receivables are estimated at each reporting date and are impaired according to the estimate of probability of collection. Each customer is evaluated individually based on the expected date of collection of the amount due and estimated probability of collection of the outstanding amount. The Management holds that trade receivables are stated at their recoverable amount at the reporting date.

Income tax

The Company provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities who are entitled to carry out subsequent inspections of taxpayers' records. There are different possible interpretations of tax laws; therefore, amounts in the financial statements may be changed subsequently depending on the decision of the tax authorities.

Useful life of equipment and intangible assets

The Company reviews the estimated useful lives of equipment and intangible assets at the end of each reporting period.

Investment in subsidiary, associate and joint venture

The Company carries the investment in subsidiary, associate and joint venture at cost less impairment allowance in these separate financial statements. If the recoverable amount of investment in associate is below its carrying value, the impairment is recognised. The Management considers that there are no indications of impairment at the reporting date based on the analysis performed.

Recognition of deferred tax assets

At the balance sheet date the Company did not recognise deferred tax assets related to carry forward tax losses in the amount of HRK 10,363 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.

Notes to the financial statements (continued)

26 Key accounting estimates and assumptions (continued)

Borrowings to related parties

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

Classification of investment in joint venture

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

27 Audit fees

The audit fee for the financial statements of the Company amounted to HRK 90 thousand (2017: HRK 90 thousand).

During the year, the external auditor has provided services, other than legally obligatory, related to compliance verification. In accordance with the EU Regulation, services provided during 2018 are permitted non-audit services.

28 Events after the Reporting Period

No other events or transactions have occurred since 31 December 2018 or are pending that would have a material effect on these separated financial statements at that date or for the period then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the separate financial statements.