



ZAGREBAČKA
BURZA

Zagreb Stock Exchange

ANNUAL REPORT

ON COMPANY STATUS AND BUSINESS ACTIVITIES IN 2022

Zagreb, April 2023

The report in PDF format is an unofficial report, while the official version of the annual report, in accordance with the Capital Market Act, is available in a single electronic reporting format (ESEF – European Single Electronic Format).

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.

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1 MANAGEMENT REPORT

1.1 A word by the Management Board

It is difficult to imagine at this time that 2022 marked a third year of the pandemic, with the greatest number of COVID-19 cases recorded globally since the emergence of the new virus, as well as the fact that the WHO has not yet declared the end of the pandemic.

Nevertheless, all those events weighing on us for a few years pale by comparison to Russia's war of aggression on Ukraine, whose onset almost coincided with a two-year anniversary of the pandemic declaration. Over a very short spell, global economy and the world in general faced a highly unpredictable scenario.

Those are the circumstances in which, in March 2022, the Zagreb Stock Exchange celebrated 30 years since the first transaction while also embarking on and completing a number of projects aimed at improving services on the capital market not only in Croatia but in the region as well.

The year saw numerous events gathering around 1,000 persons. The Zagreb and the Ljubljana Stock Exchange held two of their investment conferences, attracting around 300 participants, including analysts and investors from the region as well as those from Austria, the Czech Republic, Estonia, Germany, Poland, Spain, Turkey, Great Britain, the United States and Japan. In addition, the Zagreb Stock Exchange organised its own webcast, aimed primarily at presenting Prime Market companies along with companies trading in other market segments.

In 2022, the Zagreb Stock Exchange was again among more than 100 exchanges around the world to mark the International Women's Day by symbolically ringing the bell for the start of trading. Key messages regarding the position of women were communicated on this occasion, particularly the role that the business and financial sector may have in empowering women, as an important global sustainable development goal.

In an effort to bring financial topics even closer to the general public, the first half of the year saw the Zagreb Stock Exchange publish a brand-new edition of its three-part video series entitled ZSE Stock Talk, launched a year earlier and featuring prominent figures addressing current finance, economics, capital market and other topics.

In June, the Croatian Financial Services Supervisory Agency, the Central Depository and Clearing Company and the Zagreb Stock Exchange held their 13th round of annual education for 110+ representatives of the issuers whose shares are admitted to trading on the Exchange's regulated market.

This year's edition of the "Challenge of Change" conference – as the most significant financial conference in Croatia and the region, which is organised jointly by the Zagreb Stock Exchange and the Association of Pension Fund Management and Pension Insurance Companies since 2012 – was held in Dubrovnik for the first time with a record attendance of nearly 450 participants.

The ZSE Academy, the largest provider of financial education services in Croatia and the region, marked its 12th year of operation. To date, it has provided training for more than 10,000 participants through almost 100 different training programmes developed, with a series of free classes for young people which were delivered to 5,000+ individuals. For the ninth year running, the ZSE Academy also marked the Global Money Week, which has reached over 53 million participants since its launch among

children and young people worldwide. The ZSE Academy's own Global Money Week to date have brought together 1,000+ pupils and students from all around Croatia and abroad.

The year was also active in terms of new listings, with two new shares (*Mon Perin d.d.* and *Quattro logistika d.d.*) admitted to trading on the regulated market, along with six listings after a capital increase and five bond listings. The admission to trading of a first "green" bond, issued by *Meritus ulaganja d.d.*, was a particular novelty on the market.

In terms of technological developments, the year was marked by the implementation of a number of projects aimed at further improving the quality of capital market services, both in the Croatian and in the Slovenian market. In addition to two trading system upgrades and intensive use of technology for business development purposes, further improvements were made to the LEI service and a surveillance system was developed internally. Simultaneously, the Zagreb Stock Exchange was a service provider to the Ljubljana Stock Exchange for a number of different technological services, primarily in relation to the development of new reports, migration of historical data and integration of various services provided by both exchanges.

The Zagreb Stock Exchange LEI service ended the year with a total of nearly 1,800 LEIs under management, with its quality scoring an exceptionally high 99-100% according to the performance criteria of the Global LEI Foundation.

Efforts were made to further develop the Progress Market, as one of the first SME Growth Markets in Europe, and the Funderbeam South-East Europe company focusing on fund raising for companies in their early development stages through campaigns which have raised almost EUR 10 million for Croatian start-ups to date.

Over the course of the year, the Zagreb Stock Exchange made several acquisitions of Macedonian Stock Exchange shares, ultimately becoming the largest shareholder of this regionally significant exchange with a 29.98% holding. The two stock exchanges have enjoyed a highly successful collaboration, exchanging know-how, experiences and best practices for a number of years and in a number of different areas in order to increase visibility of the regional market on the global investment map.

Most of the year was marked strongly by preparations for the adoption of the euro, as not the third but rather the fourth currency in the history of Exchange operations because the Yugoslav dinar was still the valid currency in circulation at the time of its registration in July 1991. The introduction of the kuna in 1994 coincided with a first upsurge in activity on the Zagreb Stock Exchange, which set up its first electronic trading system amid keen public interest in the capital market that same year.

We believe that currency risk elimination will be an important factor in generating potential interest in our market, while also boosting investor trust in the market and providing a window of opportunity for an improvement of its investor base at potentially lower financing costs. This is indeed the deepest form of European integration, enabled through a series of steps, which may serve to bring about nothing but benefits for Croatia given the thorough and systematic preparation efforts on the part of all stakeholders in the process. Moreover, the country's euro area entry facilitates an integration into global economic networks, while the "safety net" provided by the euro area itself gives investors a measure of assurance that Croatia may resort to other solutions in case of financial needs, thus providing an additional protective layer to our economy and financial market.

In 2022, the Zagreb Stock Exchange fully justified its position as a regional leader by continuing to provide superior quality products and services in a bid to strengthen the very market capacity and cater to the needs of shareholders, investors, issuers, member firms and all other stakeholders for

efficient, transparent and cost-effective capital market services. None of this would be possible without excellent cooperation with the Regulator, member firms, issuers, capital market infrastructure providers and other stakeholders.

New challenging circumstances await us in 2023 without a doubt. However, a stronger, more resilient and robust Zagreb Stock Exchange, as well as and the Croatian capital market as a whole, stand ready in the face of such challenges to keep operating as key mechanisms in the service of economic growth.

With this in mind, we will press on with the development of all projects already embarked on, as well as new ones, to create an environment in which local companies will have room for growth and development and the market can seize the opportunity to increase its value, thus adding to the value of the Croatian economy as a whole.

1.2 ZSE Key Performance Indicators in 2022

In 2022, operating revenues increased by +6% compared to 2021, amounting to HRK 15,333 thousand. Compared to 2021, the increase in new listings during 2022 brought in an increase in sales revenue of +7%. Other operating income increased by HRK +181 thousand, primarily due to increased other income, which includes income from associated companies and income assigning and administering LEIs.

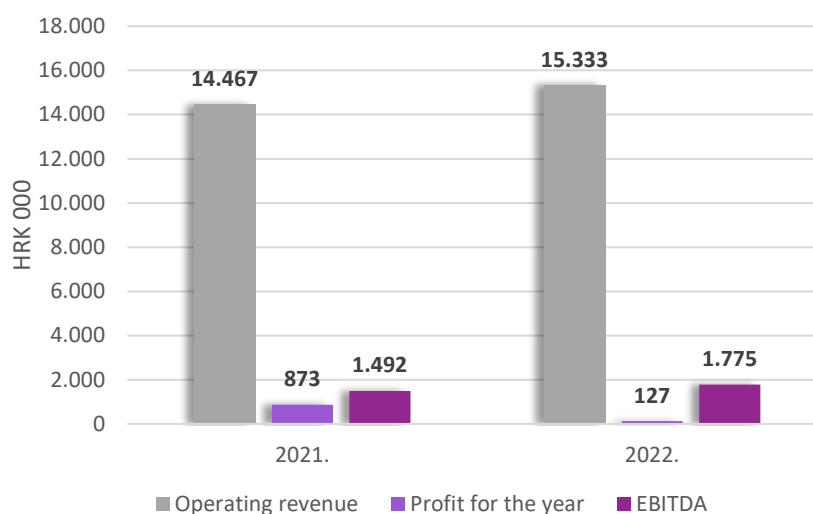


Figure 1: Operating revenue, profit for the year and EBITDA

In 2022, operating expenses increased by just over +5% when compared to 2021, primarily caused by an increase in depreciation, higher software costs and an increase in rent and staff costs. The year 2022 was thus concluded with an operating profit of HRK 416 thousand, a negative net financial result of HRK -405 thousand and a net profit of HRK 127 thousand. Operating profit before interest, taxes, depreciation and amortization in 2022 amounts to a significant HRK 1,775 thousand, which is an increase of almost +19% compared to 2021.

HRK 000	2021	2022	change
Share capital	46,357	23,179	-50.00%
Capital and reserves	43,328	43,844	1.19%
Total assets	51,422	51,464	0,08%
Operating revenue	14,467	15,333	5.99%
<i>Sales revenue</i>	<i>9,582</i>	<i>10,269</i>	<i>7.17%</i>
<i>Other operating income</i>	<i>4,885</i>	<i>5,066</i>	<i>3.71%</i>
Operating expenses	14,157	14,919	5.38%
<i>Staff costs</i>	<i>7,117</i>	<i>7,559</i>	<i>6.21%</i>
<i>Depreciation and amortization</i>	<i>1,183</i>	<i>1,359</i>	<i>14.88%</i>
<i>Other costs</i>	<i>5,857</i>	<i>6,001</i>	<i>2.46%</i>
EBIT	310	416	34.19%
EBITDA	1,492	1,775	18.96%
Net financial result	563	-405	-171.94%
EBT	873	11	-98.74%
Income tax credit	0	-116	
Profit for the year	873	127	-85.47%
Number of shares (in thousands)	4,636	2,318	-50.00%
Number of employees	26	25	-3.85%

Table 1: Main business indicators

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

Zagreb Stock Exchange shares were listed on the regulated market (Official market segment) in August 2016. In accordance with the Resolution of the General Assembly of the Exchange dated June 14, 2022, a corporate action of reducing the share capital by merging the Company's shares in a ratio of 2:1 was carried out. After the share capital reduction, issued share capital of Zagreb Stock Exchange amounts to HRK 23,178,000 and it is divided into 2,317,850 ordinary shares. On October 3, 2022, Zagreb Stock Exchange initiated a Share Buy-back Program, which will last until October 2, 2023. According to the Program, the Exchange plans to buy-back a maximum of 10,000 shares, and has assigned a total of HRK 500,000 HRK to the Program. By the end of 2022, the Exchange acquired a total of 5,500 of own shares.

From 1 January 2022 to 31 December 2022, Zagreb Stock Exchange's share reached a total orderbook turnover of HRK 414,552.

Symbol	ZB-R-A
ISIN	HRZB00RA0003
Number of listed shares	2,317,850
Total turnover (HRK)	414,552
Total trading volume	18,325
Highest price (HRK)	28,00
Lowest price (HRK)	10,10
Last price (HRK)	27,60
Average daily turnover (HRK)	6,795.93

Table 2: ZB-R-A share in 2022

The ZB-R-A stock price reached its peak on December 1, 2022 in the amount of HRK 28.00, while it fell to its lowest level on February 22, 2022, when it was priced at HRK 10.00.

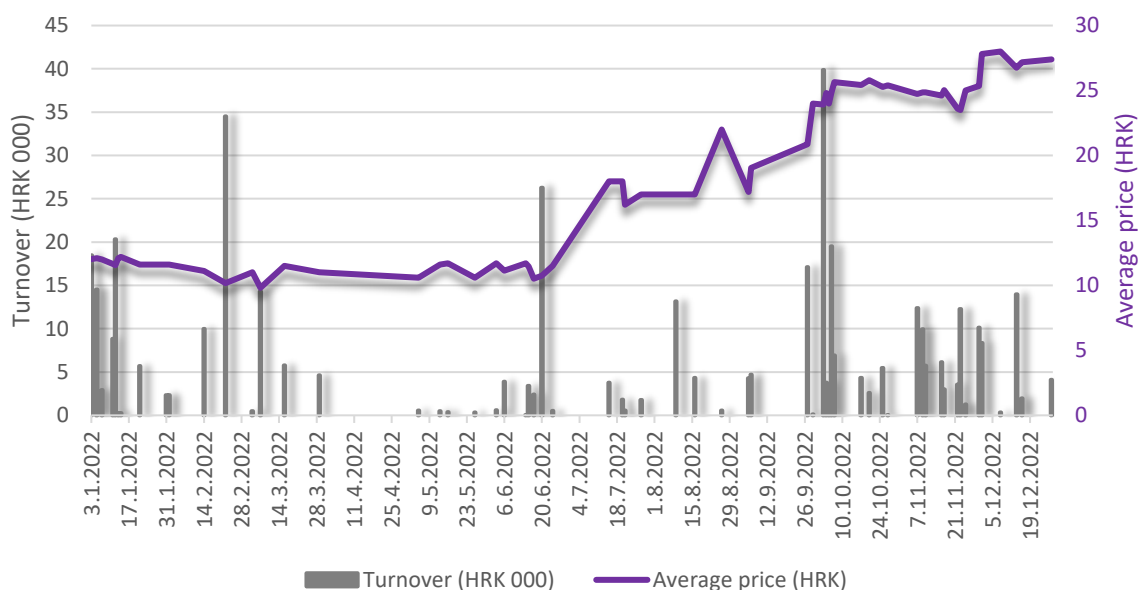


Figure 2: Turnover and average price ZB-R-A stock in 2022

1.2.2 Ownership structure of the issuer Zagreb Stock Exchange

A total of 184 shareholders were noted in the ownership structure of the Zagreb Stock Exchange on 31 December 2022.

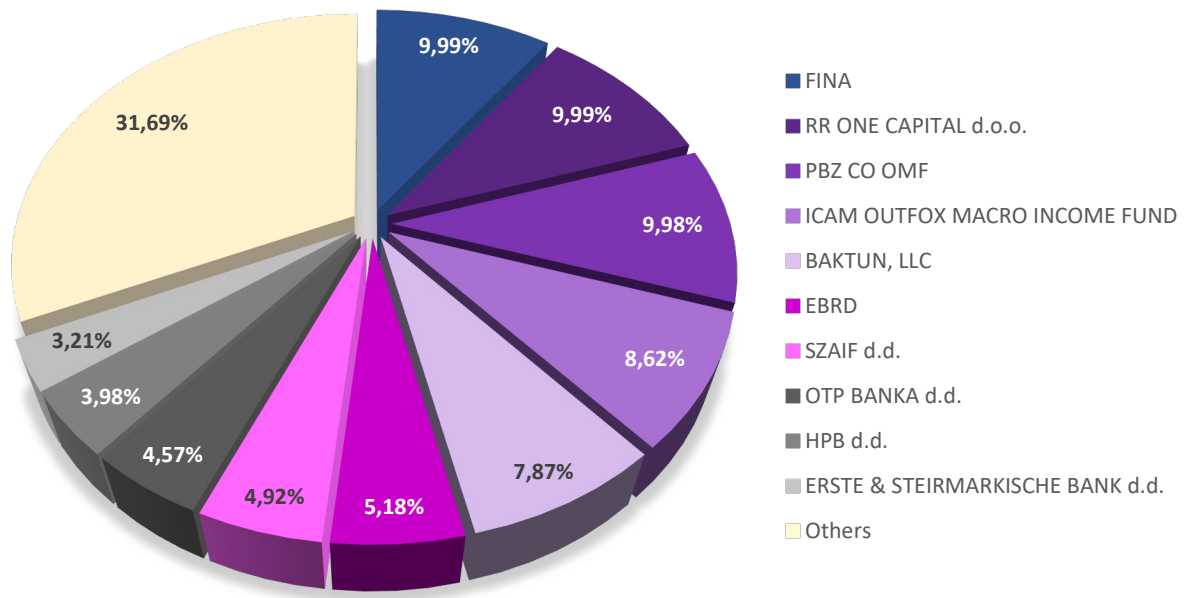


Figure 3: Ownership structure on 30 December 2022

1.3 Financial results and business operations in 2022

In 2022, the Company generated a total of HRK 15,333 thousand of operating revenues, which is HRK +867 thousand or +6% more than in the previous year when they amounted to HRK 14,466 thousand. Compared to 2021, sales revenues increased from HRK 9,582 to HRK 10,267 thousand, i.e., by a significant HRK +686 thousand or +7.16%. The increase in sales revenue is primarily the result of an increase in revenue from trading commissions, which, following a higher turnover in securities compared to 2021, reached HRK 3,730 thousand (HRK +365 thousand or +11% more compared to 2021 when they amounted to HRK 3,365 thousand). Following the higher number of newly listed securities than in the previous year, income from quotation fees in 2022 amounted to HRK 1,184 thousand, which is HRK +229 thousand or +24.11% more than in 2021. Within sales revenues, income from quotation maintenance increased to HRK 5,161 thousand (an increase of HRK +99 thousand or +2% compared to 2021, when they amounted to HRK 5,062 thousand) and revenues from membership fees reduced to the amount of HRK 194 thousand (2021: HRK 200 thousand). Compared to 2021, other operating income increased by HRK +181 thousand or +3.7%, i.e., from HRK 4,885 to HRK 5,066 thousand. This increase in other operating income is due to the growth of revenue from assigning and administering LEIs, which amounted to HRK 488 thousand (HRK +119 thousand or +32.25%), income from seminars which amounted to HRK 819 thousand (HRK +44 thousand or +6%) and income from associated

companies, which marked a significant increase by HRK +290 thousand or +204% and amounted to HRK 432 thousand. In 2022, other income increased by HRK +41 thousand, or +5.69% and amount to HRK 762 thousand (2021: HRK 721 thousand).

Normalizing of business operations after the pandemic, in 2022 the Company's total operating expenses increased, notably due to rising expenses caused by high inflation levels. Total operating expenses increased by HRK +759 thousand (+5.37%) compared to 2021 and amounted to HRK 14,916 thousand (2021: HRK 14,157 thousand). The increase in operating expenses was mostly due to the increase depreciation (HRK +176 thousand or +14.88%, i.e., from HRK 1,182 to HRK 1,358 thousand), the growth of which is mostly due to purchase of needed IT equipment, and an increase of other costs (HRK +239 thousand or +13%). Increase of other costs was prompted by an increase of fees and charges by HRK +187 thousand or 57.01%, or from HRK 328 to HRK 515 thousand, and an increase in utilities by HRK +40 thousand, or 34.19% (from HRK 117 thousand to HRK 157 thousand). Staff costs increased by HRK +442 thousand or +6.21% (from HRK 7,117 to HRK 7,559 thousand), and are the result of a necessary wages correction done in January 2022.

The Company's operating profit in 2022 amounted to HRK 416 thousand, while in the previous year the operating profit amounted to HRK 310 thousand (HRK +106 thousand or +34.19%). Financial revenues and financial expenses dropped significantly, so in 2022 financial revenues amounted to HRK 492 thousand (HRK -590 thousand or -54.5%) and financial expenses amounted to HRK 897 thousand (HRK +378 thousand). Changes in the movement of financial revenues are primarily the result of negative yields from bond funds that the Company invested in.

Considering all the above, the Company's net profit in 2022 amounts to HRK 127 thousand, which is HRK -746 thousand (-85.47%) less than in 2021, when the Company's net profit amounted to HRK 873 thousand. Operating profit before interest, taxes, depreciation and amortization is positive and in 2022 amounts to HRK 1,775 thousand, i.e., HRK +282 thousand more than in 2021.

In 2022, in order to preserve the value of its assets, the Company invested its available cash in bond funds and bank deposits. At the end of 2022, the Company's free assets amounted to HRK 14,070 thousand (units in investment funds and cash in the bank).

1.4 Business analysis

1.4.1 Total operating revenues

Total operating revenues in 2022 amount to HRK 15,335 thousand and are higher by HRK +866 thousand or +6% compared to 2021 when they amounted to HRK 14,467 thousand. The largest increase in revenue was recorded in revenue from quotation maintenance (HRK +188 thousand or +4%), and the largest decrease in revenue from the trading commissions (HRK -571 thousand or -14.5%).

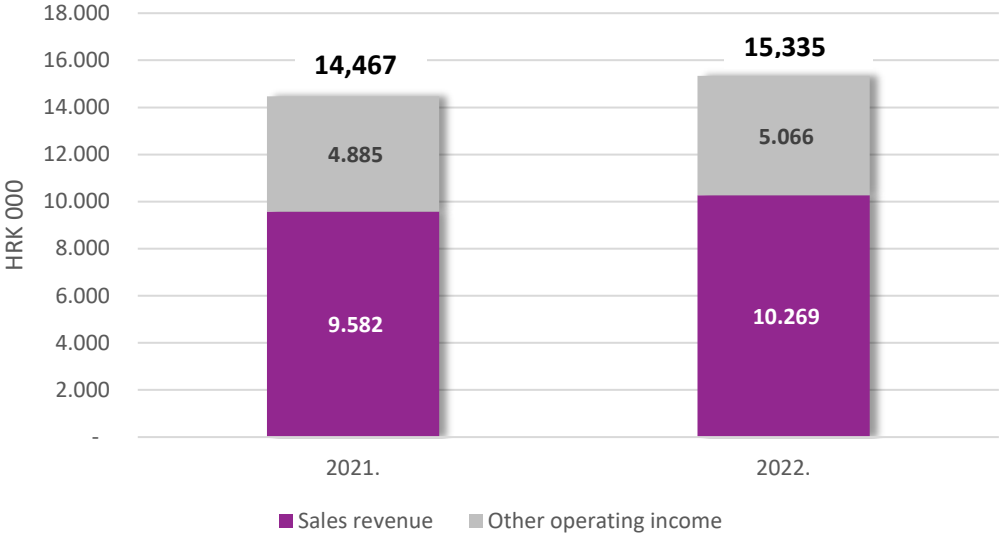


Figure 4: Operating revenue

As in the previous year, in 2022 the largest share in operating revenues had income from quotation maintenance (34%) and revenues from trading commissions (24%).

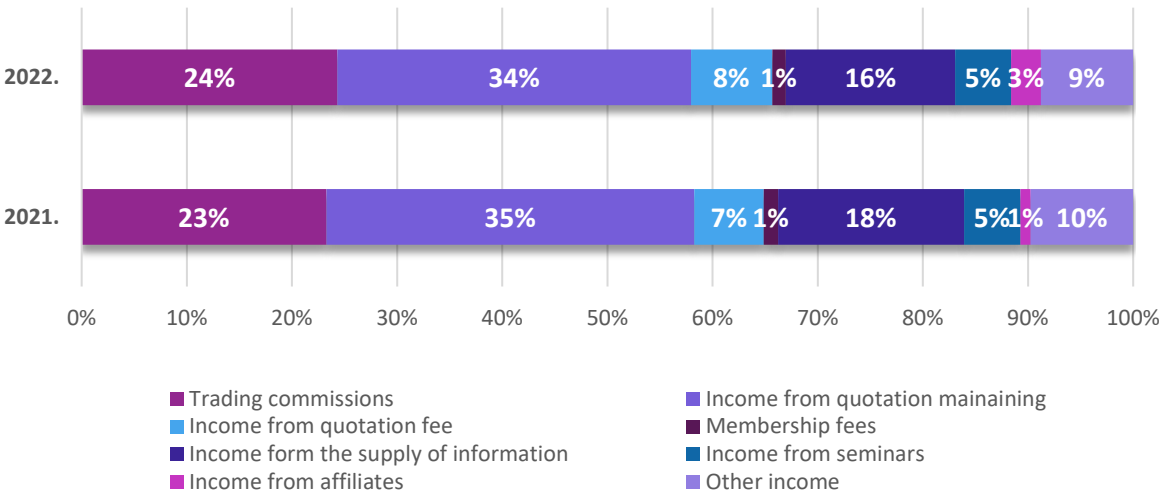


Figure 5: Operating revenue structure

Trading commissions and membership fees

In 2022, HRK 3,730 thousand was generated on the basis of trading commissions, which is HRK +365 thousand or +11% more compared to 2021, when they amounted to HRK 3,365 thousand. At the end of 2022, the Exchange had a total of 13 members, the same as in 2021, but membership fees revenues are lower by HRK 6 thousand or -3% and amount to HRK 194 thousand.

Revenue from quotation maintenance

Revenue from quotation maintenance increased from HRK 5,062 to HRK 5,161 thousand (HRK +99 thousand or +2%). At the end of 2022, 92 stocks (2021: 98), 30 bonds (2021: 32), 14 treasury bills (2021: 0) and 2 ETFs (2021: 2) were listed on the Regulated Market.

Revenue from quotation fees

In 2022, revenue from quotation fees increased from HRK 955 to HRK 1,184 thousand (HRK +229 thousand or +24%) compared to the previous year. In 2022, two new stocks, five bonds and fourteen treasury bills were listed, while in 2021, three stocks and seven bonds were listed.

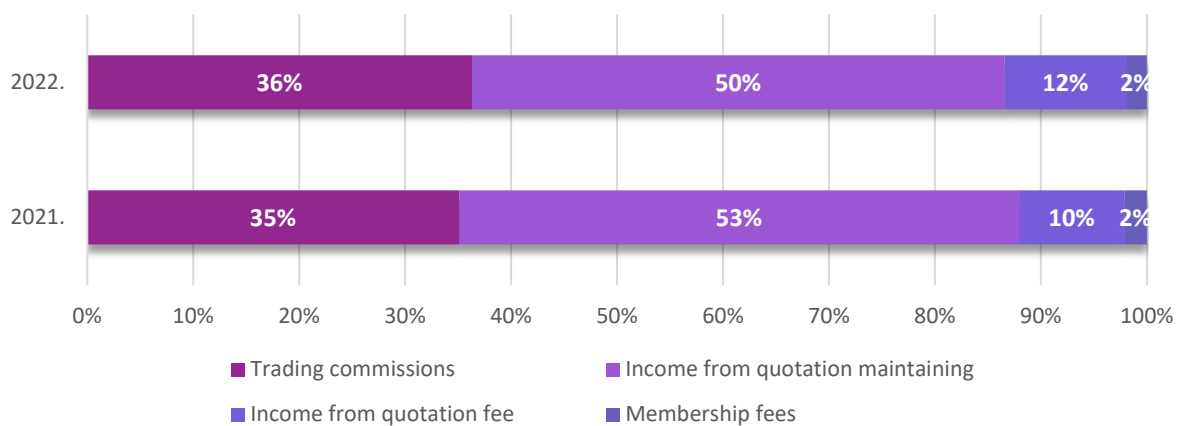


Figure 6: Sales revenue structure

Other operating income

Other operating income increased by HRK +181 thousand or +3.71% compared to 2021 (from HRK 4,885 to HRK 5,066 thousand) due to the growth of revenue from affiliates amounting to HRK 432 thousand (HRK +290 thousand or +204.23%), increase in revenues from seminars amounting to HRK 819 thousand (HRK +44 thousand or +5.68%), and other revenues that increased by HRK +41 thousand or +5.69% and amounted to HRK 762 thousand. Within other operating income, only income from the sale of information decreased (HRK -90 thousand or -3.52%, i.e., from HRK 2,559 to HRK 2,469 thousand). Revenues from the supply of information have the largest share in other operating income (49%), which also includes income from real-time data distribution rights paid by members.

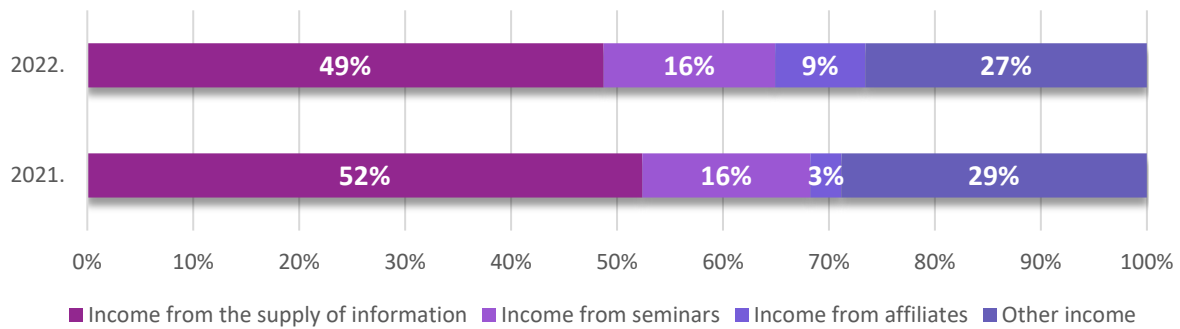


Figure 7: Other operating income structure

1.4.2 Total operating expenses

Total operating expenses in 2022 amounted to HRK 14,919 thousand, which is an increase of HRK +762 thousand or +5.38% (in 2021 they amounted to HRK 14,157 thousand).

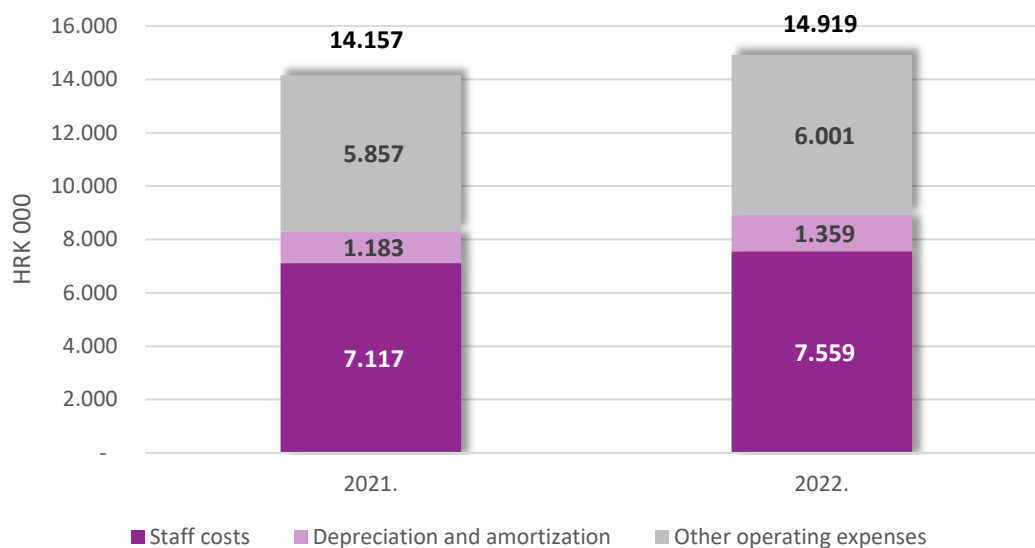


Figure 8: Operating expenses structure

As already mentioned, the significant growth of operating expenses in 2022 is mainly related to the normalization of part of the business after the two pandemic years of 2020 and 2021. At the end of 2022, the Company had one less employee than at the end of the previous year, but the necessary wage correction made in January of 2022 caused an increase in staff costs from HRK 7,117 to HRK 7,559 thousand (HRK +442 thousand or +6.21%). Depreciation increased by HRK +176 thousand or almost +15% (from HRK 1,182 to HRK 1,358 thousand).

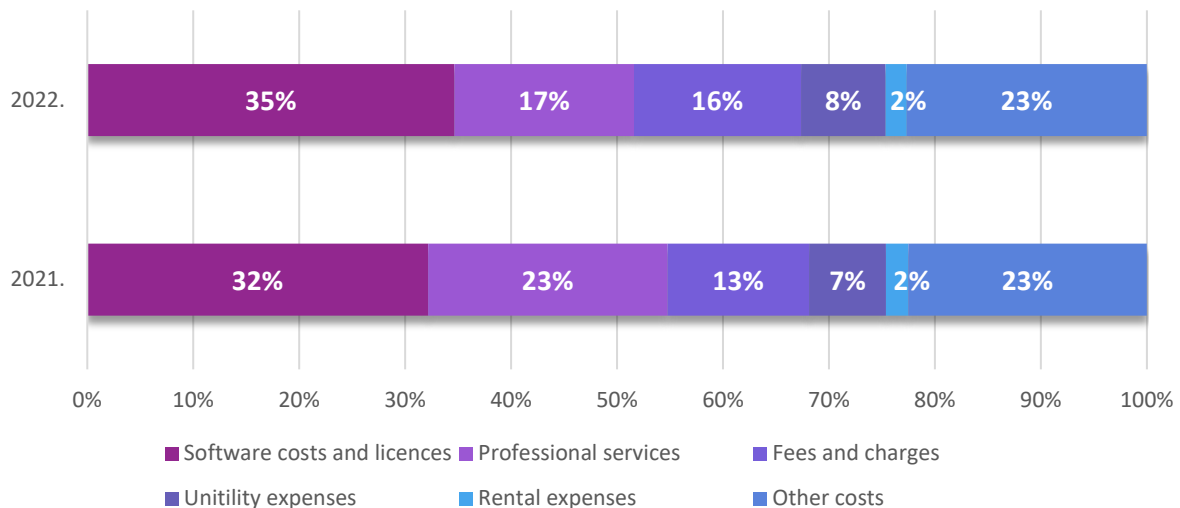


Figure 9: Other operating expenses structure

Other operating expenses increased from HRK 5,857 to HRK 6,001 thousand (HRK +144 thousand or +2.46%) and contributed the most to the increase in total operating expenses. Among them, the most significant is the increase in the costs of fees and charges from HRK 328 to HRK 515 thousand (HRK +187 thousand or +57%) and the increase in the software costs and licenses from HRK 1,885 to HRK 2,080 thousand (HRK +195 thousand or +10.34%) which have the largest share in other operating expenses (35%).

1.4.3 Net profit for the period

In 2022, the net profit for the period amounted to HRK 127 thousand; a decrease of HRK -745 thousand or -85.47% compared to the previous year when net profit amounted to HRK 873 thousand. Besides the decrease in trading commissions (-3.52%), which traditionally accounts for about 50% of sales revenue and about 18% of total revenue, revenue from quotation fees also increased significantly (+23.98%). In 2022 the Company increased revenues from other bases, where it is necessary to highlight revenues from assigning and administering LEIs which amounted to HRK 488 thousand, revenues from affiliates which amounted to HRK 432 thousand and revenues from seminars in the amount of HRK 819 thousand. In 2022, the Company had a negative net financial result in the amount of HRK -405 thousand. In 2022, all large losses carried forward from previous years have expired and the conditions for recording deferred tax assets based on temporary tax differences have been met, which originate from reducing the value of shares obtained in pre-bankruptcy/bankruptcy procedures to a lower value, as well as reducing the value of shares in funds to a lower value. For this reason, deferred tax assets have been calculated at the amount of HRK 116 thousand. Through revaluation of shares of Macedonian Stock Exchange that the Company purchased in the previous period, other comprehensive income in 2022 amounted to HRK 529 thousand.

Operating profit before interest, taxes, depreciation and amortization increased compared to the previous year (HRK +282 thousand) and in 2022 amounted to a significant HRK 1,775 thousand.



Figure 10: Net profit for the year and EBITDA

1.4.4 The Company's Assets

As of 31 December 2022, the total assets of the Company amounted to HRK 51,463 thousand, which is +0.08% more than on the last day of 2021.

HRK 000	2021.	2022.	change
Non-current assets	26,669	35,157	31.8%
Current assets	24,752	16,307	-34.1%
<i>Inventories</i>	6	0	-100%
<i>Trade receivables</i>	2,328	2,134	-8.3%
<i>Financial assets</i>	14,479	8,977	-38%
<i>Short-term deposits</i>	4,506	61	-98.6%
<i>Cash and cash equivalents</i>	3,361	5,032	49.7%
<i>Prepaid expenses</i>	71	103	45.1%
Total assets	51,422	51,463	0.08%
Equity	43,329	43,884	1.2%
Long term obligations	2,227	1,737	-22%
Current liabilities	5,866	5,833	-0.3%
Total equity and liabilities	51,422	51,463	-0.1%

Table 3: Balance Sheet on 31 December

The structure of the balance sheet has changed slightly compared to 2021. On the assets side, non-current assets increased their share in the total assets, while on the liabilities side the share of long-term obligations decreased, and the share of short-term liabilities remained unchanged.

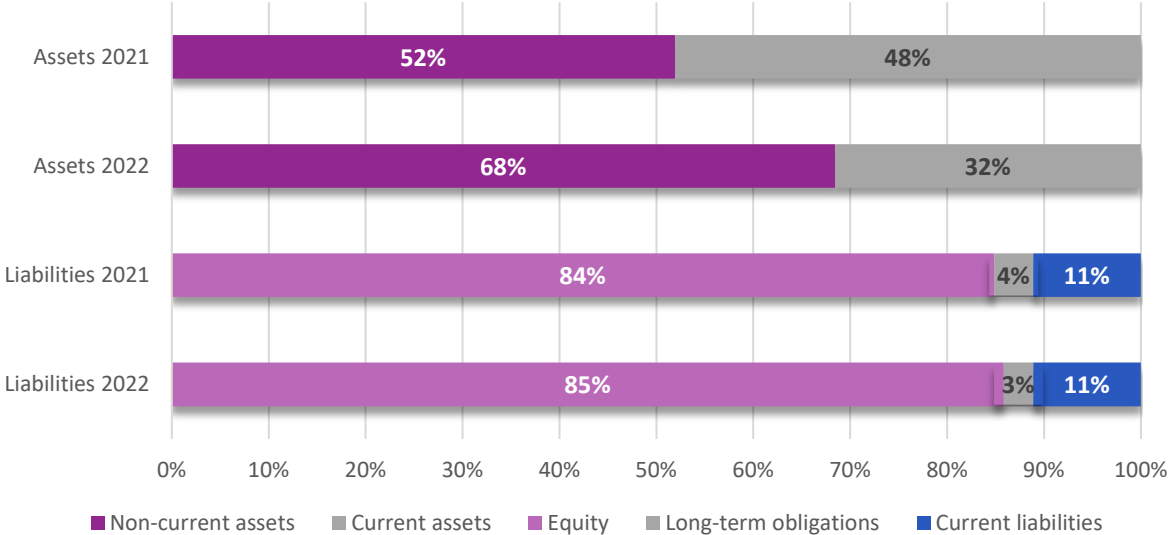


Figure 11: Assets and Liabilities Structure

1.5 Significant events after the end of the financial year

In the first month of 2023, the Company continued its successful business operations from the end of the previous year. The introduction of euro as the official currency was achieved without difficulties. Due to the financial results achieved in 2022, the successful beginning of 2023, and the projections for the remainder of 2023, the Company’s Management Board believes that the unlimited continuation of business is not threatened.

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

The long-term effects may affect business volume, cash flows and profitability. Regardless of the aforementioned, on the date of publishing of these financial reports, the Company continues to meet its obligations and therefore applies the principle of indefinite operations as an accounting basis for the preparation of financial statements.

1.6 Expected development of the Company

In 2023, the Company will continue to focus on restoring confidence and raising Corporate Governance standards and reporting on a regulated market. The Company will also focus on greater promotion of existing issuers, with a focus on Prime Market. The Company will continue internal development of IT services that will be used by the Zagreb and Ljubljana Stock Exchanges, and thus further reduce the need for external suppliers.

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

1.7 Research and Development activities

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

The Exchange also participated in the CCP implementation project for the Republic of Croatia and successfully implemented new trading system releases and other infrastructure optimization activities.

In 2022, the Exchange carried out extensive work and preparations for the introduction of euro as the official currency of Republic of Croatia from 1 January, 2023.

1.8 Information on repurchase of own shares

In the corporate action of reducing the share capital by merging the Company's shares, the Exchange acquired 32 of its own shares. In the Share Buy-back Program which started on October 3, 2022 until the end of 2022, the Exchange acquired a total of 5,500 of own shares. On December 31, 2022, the Exchange owns a total of 5,532 of own shares, which make up for 0.2387% of the Exchange's total issued share capital.

1.9 Subsidiaries of the Company

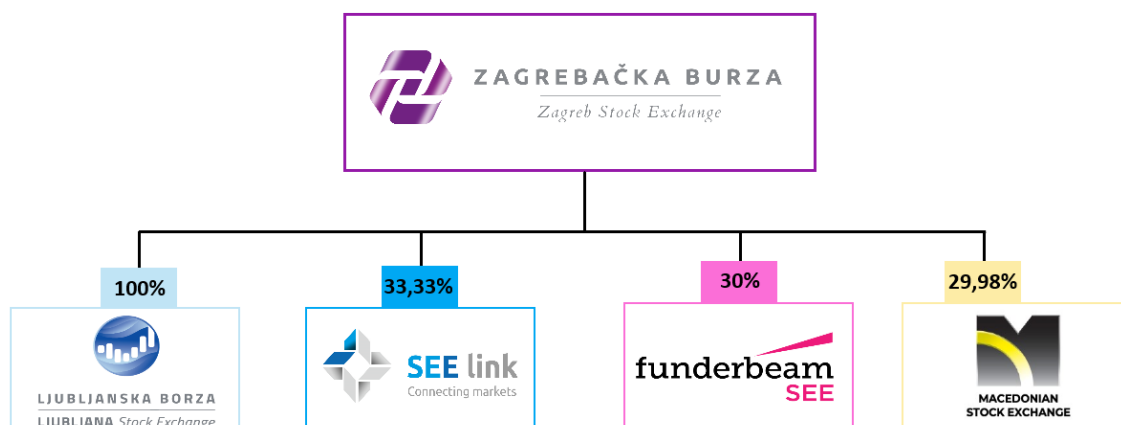


Figure 12: Subsidiaries of the Company

On 30 December 2015, the Zagreb Stock Exchange took over a 100% participation in company Ljubljana Stock Exchange Inc. The issued share capital of Ljubljana Stock Exchange on 31 December 2022 is EUR 1,401,000, and the Zagreb Stock Exchange participates with 100%. Ivana Gažić, President of the Management Board of the Zagreb Stock Exchange, is the President of the Supervisory Board of the Ljubljana Stock Exchange, and the members of the Supervisory Board as of 31 December 2022 are Tomislav Gračan, Member of the Management Board of the Zagreb Stock Exchange, and Matko Maravić, Member of the Supervisory Board of the Zagreb Stock Exchange.

SEE Link d.o.o. is a company seated in Skopje established by the Bulgarian, Macedonian and Zagreb Stock Exchanges in May 2014 with the aim of setting up the regional infrastructure for trading in securities listed in those three exchanges, holding equal equity participations. The issued share capital of SEE LINK is 80,000 EUR and Zagreb Stock Exchange participates with 33.33%. Manyu Moravenov, Executive Director of the Bulgarian Stock Exchange, is the President of the Supervisory Board of SEE Link. Ivana Gažić, President of the Management Board of the Zagreb Stock Exchange, and Ivan Steriev, President of the Management Board of the Macedonian Stock Exchange, are members of the Supervisory Board of SEE Link.

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

On December 31 of 2022, Zagreb Stock Exchange owns a total of 837 shares, or 29.98% of issued share capital of Macedonian Stock Exchange.

1.10 Financial instruments

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

1.11 Business operation risks

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

1.12 Zagreb Stock Exchange in 2022

Despite positive market sentiment at the year start, the following months brought diverging trends. Even though the 2022 stock orderbook turnover decreased compared to 2021, total orderbook turnover was all-round almost +16% higher, market activity was strong throughout the year amid keen investor interest, ample investment opportunities and compelling investment stories.

In 2022, the orderbook turnover amounted to HRK 1,915 million, -24% less than in 2021. Increased daily turnovers in securities were recorded from the end of February 2022, relating to the start of the war in Ukraine. From the total orderbook turnover in 2022, HRK 1,713 million relates to shares, HRK 125 million to bonds, while ETFs, which marked a two-year anniversary in November 2022, had a significant turnover of HRK 76 million. The equity block turnover amounted to a significant HRK 1,043 million (2021: HRK 577 million), while the debt block turnover was not recorded.

HRK mil.	2018	2019	2020	2021	2022
Orderbook turnover	2,266	2,472	2,578	1,962	1,915
<i>Stocks</i>	1,579	2,179	2,300	1,739	1,713
<i>Bonds</i>	686	293	256	177	125
<i>ETFs</i>	-	-	22	45	76
Total Block Turnover	588	523	551	578	1,043
<i>Equity Block Turnover</i>	542	523	551	527	1,043
<i>Debt Block Turnover</i>	46	-	-	50	0
Total Turnover	2,854	2,994	3,129	2,540	2,959

Table 13: ZSE securities turnover

Securities turnover

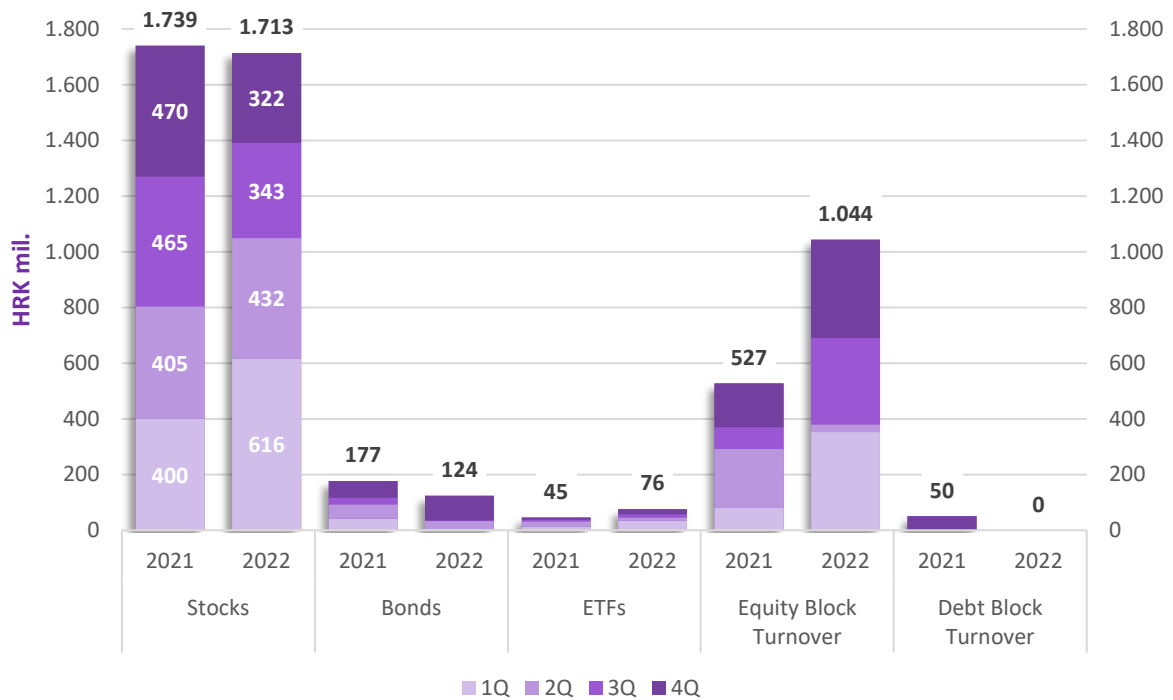


Figure 13: ZSE turnover by type of security

Compared to the end of 2021, the market value measured by market capitalization as of 31 December 2022 has decreased by HRK -15 billion or -5.51% in total, with the market capitalization of the Prime Market lower by -9.21%, the Official Market by -2.98%, and the market capitalization of ETFs by -10.89%. The data points to an uncertainty on the market following the start of the war in Ukraine at the end of February of 2022.

	2021.	2022.	change	2021.	2022.	change
Market Capitalization (HRK)				Number of listed securities		
Stocks	139,352,326,167	135,773,934,068	-2.57%	98	92	-6.06%
<i>Prime Market</i>	<i>31,342,835,154</i>	<i>28,456,038,856</i>	<i>-9.21%</i>	<i>6</i>	<i>6</i>	<i>0.00%</i>
<i>Official Market</i>	<i>50,325,878,835</i>	<i>48,827,067,652</i>	<i>-2.98%</i>	<i>23</i>	<i>20</i>	<i>-13.04%</i>
<i>Regular Market</i>	<i>57,683,612,178</i>	<i>58,490,827,560</i>	<i>1.40%</i>	<i>69</i>	<i>66</i>	<i>-4.35%</i>
Bonds	134,549,299,989	123,037,418,589	-8.56%	32	30	-6.25%
ETFs	63,216,843	56,334,398	10.89%	2	2	0.00%
TOTAL	273,964,842,999	258,867,687,055	-5.51%	132	124	-6.06%

Table 5: Market Capitalization and number of listed securities

Compared to 31 December 2021, at the end of 2022, a total of three shares were listed less on the Regular Market and three shares less on the Official Market, while the number of shares listed on the Prime Market remained unchanged.

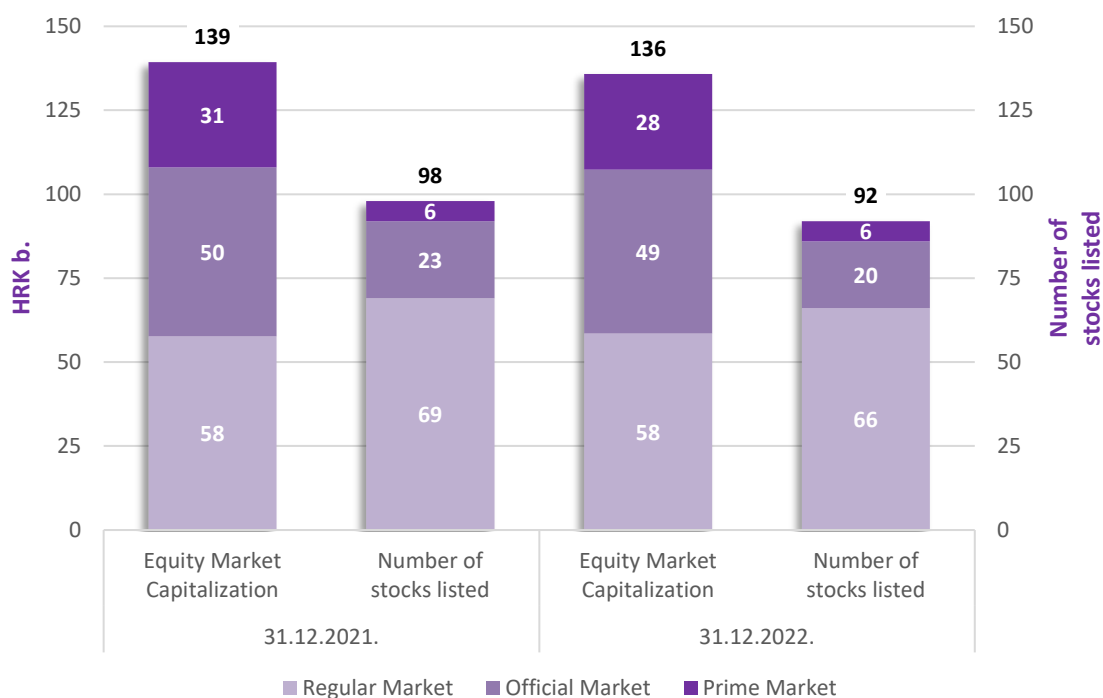


Figure 14: Equity Market Capitalization and number of stocks listed

A comparison of data for 2022 with data from the previous year shows a negative trend among indices as well. After a good start of the year, the values of indices start declining in May 2022, with their lowest values recorded in November. At the end of 2022 the values of indices stabilize and return to their previous values from July of 2022. With the exception of CROBEXtransport, which increased for a significant +52.45%, almost all other equity indices dropped compared to the closing value on 31 December 2021; CROBEX10 (-8.41%) and CROBEXtr (-6.54%). Regional index ADRIaprime reduced by -8.16%. Following the global trend of declining bond indices, both of Zagreb Stock Exchanges' bond indices CROBIS and CROBIStr recorded double-digit declines at the end of 2022 (CROBIS: -12.6%, CROBIStr: -10.48%).

Index	31.12.2021	31.12.2022	change	Turnover (HRK) 2021	Turnover (HRK) 2022	change
CROBEX	2,079.35	1,979.88	-4.78%	1,399,889,320	1,434,832,092	2.50%
CROBEXtr	1,441.05	1,415.96	-1.74%	1,399,889,320	1,434,832,092	2.50%
CROBEX10	1,262.31	1,156.15	-8.41%	1,099,034,169	1,048,498,101	-4.60%
CROBEX10tr	1,293.33	1,222.39	-5.49%	1,099,034,169	1,048,498,101	\
CROBEXprime	1,220.29	1,149.64	-5.79%	749,544,419	694,488,058	-7.35%
CROBEXplus	1,230.38	1,360.86	10.60%	1,394,946,800	1,397,923,407	0.21%
CROBEXindustrija	1,121.90	1,048.52	-6.54%	225,404,583	231,559,239	2.73%
CROBEXkonstrukt	478.85	554,21	15.74%	54,113,520	19,288,531	-64.36%
CROBEXnutris	773.75	726.50	-6.11%	303,885,082	260,853,728	-14.16%
CROBEXtransport	809.49	1,234.04	52.45%	162,758,728	197,128,293	
CROBEXturist	3,591.00	3,526.57	-1.79%	244,945,580	254,594,329	3.94%
CROBIS	110.56	96.63	-12.60%	5,600,804,076	5,318,085,346	-5.05%
CROBIStr	188.22	168.49	-10.48%	5,600,804,076	5,318,085,346	-5.05%
ADRIaprime	1,418.59	1,302.88	-8.16%	\	\	\

Table 6: Indices - value and turnover

The most traded share in 2022 was that of Podravka d.d., followed by Hrvatski telekom d.d., Valamar Riviera d.d., Atlantska plovidba d.d., and Preferred Stock of Adris grupa d.d. Almost half of the orderbook turnover is concentrated in the first 5 most liquid stocks.

Rank	Ticker	Issuer	Turnover (HRK)	Turnover share
1	PODR	PODRAVKA d.d.	177,975,808	10.39%
2	HT	HT d.d.	176,477,085	10.30%
3	RIVP	Valamar Riviera d.d.	163,435,182	9.56%
4	ATPL	ATLANTSKA PLOVIDBA d.d.	138,113,305	8.06%
5	ADRS2	ADRIS GRUPA d.d.	87,744,983	5.12%
		Others	970,002,340	56.60%
TOTAL			1.713,748,702	100.00%

Table 7: Turnover of the 5 most liquid stocks in 2022

At the end of 2022, the Exchange had 13 members, and the top five members of the Exchange with the highest turnover in 2022 are listed in the following table:

Rank	Member	Turnover (HRK)	Turnover share
1	INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O.	2,111,351,904	35.66%
2	ERSTE&STEIERMARKISCHE D.D.	844,805,697	14.27%
3	PRIVREDNA BANKA ZAGREB D.D.	671,076,937	11.33%
4	FIMA-VRIJEDNOSNICE D.O.O.	556,212,578	9.39%
5	ZAGREBAČKA BANKA D.D.	455,951,032	7.70%
	Ostali	1,282,060,275	21.66%
UKUPNO		5,921,458,423	100.00%

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

The turnover of the first five members of the Exchange accounts for slightly more than 80% of the total turnover.

1.12.1 Support for members

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

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

1.12.2 Support for issuers

Zagreb Stock Exchange offers advisory and professional support to all issuers listed on the Regulated or Progress market, and works closely with issuers regarding their compliance with the provisions of the Capital Market Act, EU Directive 596/2014, the Rules of the Exchange and other regulations. The Exchange also monitors if issuers and their listed securities meet the conditions for listing on the Regulated Market, and if the issuers fulfill their obligations defined in the Rules of the Exchange.

Every year, the Exchange organizes a joint education for the issuers on the Regulated Market in cooperation with the Croatian Financial Services Supervisory Agency and the Central Depository and Clearing Company. Participation in the education is free, and is highly recommended to all issuers since it covers trending topics on the capital market.

The Exchange licenses 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.

The Zagreb Stock Exchange strategy, among other things, includes continuous education of issuers in order to increase the level of transparency and Corporate Governance in all market segments, especially following the significant change to the Exchange Rules in December 2019, regarding the supervising of issuers in terms of fulfilling post-listing obligations.

1.13 Internal controls and risk management system

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Based on the risk assessment results, main areas that will be covered by internal audit procedures and measures that will prevent the occurrence of risky events have been established.

Risk monitoring is not separated and entrusted to Company's independent organizational unit, but to one or more Company's departments, depending on the type of risk. Therefore, every employee of the Exchange is included in Company's risk management.

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

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


Ivana Gažić
President of the Management Board


ZAGREBAČKA BURZA d.o.o.
Zagreb


Tomislav Gračan
Member of the Management Board

2 Statement on the application of the Corporate Governance Code

Pursuant to provision of Article 272, paragraph, in conjunction with provision of Article 250a, paragraph 4 of the Companies Act (Official Gazette no. 111/93, 34/99, 52/00, 118/03, 107/07, 148/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19 and 34/22; hereinafter: CA) and provision of Article 22 of the Accounting Act (Official Gazette no. 78/15, 134/15, 120/16, 116/18, 42/20, 47/20; hereinafter: AA), the Management Board of company ZAGREB STOCK EXCHANGE Inc., Zagreb, Ivana Lučića 2a (hereinafter: the Company), on 26 April 2023, 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 2022 the Company essentially complied with and implemented recommendations established by the Code, publishing all information as envisaged by the positive regulations as well as information that are in the interest of Company's shareholders. Detailed explanations regarding minor deviations from the recommendations of the Code are presented by the Company in the Annual Questionnaire that is provided.
3. In accordance with Code requests, and pursuant to provisions of the Companies Act and Capital Market Act (Official Gazette no. 65/18, 17/20; hereinafter: CMA), the Supervisory Board conducts internal supervision of the Company by conducting regular controls of prepared reports. Members of the Supervisory Board receive on regular basis detailed information on management and work of the Company. All issues under the competence of the Supervisory Board, as prescribed by the CA, CMA and Articles of Association of the Company, are discussed and decided upon in the Supervisory Board meetings. Supervisory Board Report is part of the Company's Annual Report presented to the General Assembly. In addition, the Supervisory Board performs internal controls and supervision through Audit Board that provides expert support to the Supervisory Board and the Management Board in the efficient execution of obligations relating to corporate governance, risk management, financial reporting and control of the Company. The Management Board is bound to monitor that the Company keeps business books and other books and business documents, prepares book-keeping documents, provides realistic assessments of the assets and liabilities, drafts financial and other reports in accordance with accounting regulations and standards and applicable laws and regulations.
4. Top ten shareholders on 31 December 2022:

	Shareholder	No. of shares	Ownership share
1	FINA	231,553	9.9900%
2	RR ONE CAPITAL d.o.o.	231,553	9.9900%
3	PBZ CO OMF	231,400	9.9834%
4	ICAM OUTFOX MACRO INCOME FUND	199,750	8.6179%
5	BAKTUN, LLC	182,478	7.8727%
6	EBRD	120,000	5.1772%
7	SZAIF d.d.	114,000	4.9184%
8	OTP BANKA d.d.	105,900	4.5689%
9	HPB d.d.	92,300	3.9821%
10	ERSTE & STEIRMARKISCHE BANK d.d.	74,400	3.2099%
	Others	734,516	31.6895%
	Total	2,317,580	100.0000%

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

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

In the corporate action of reducing the share capital by merging the Company's shares, the Exchange acquired 32 of its own shares. In the Share Buy-back Program which started on October 3, 2022 until the end of 2022, the Exchange acquired a total of 5,500 of own shares. On December 31, 2022, the Exchange owns a total of 5,532 of own shares, which make up for 0.2387% of the Exchange's total issued share capital.

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 on 31 December 2022 consists of the following members:

- Matko Maravić, President
- Dražen Čović
- Tomislav Jakšić
- Enrique Bernardo Mariano, deputy President
- Silvije Orsag
- Ivan Sardelić

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

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

- Matko Maravić,
- Enrique Bernardo Mariano,
- Silvije Orsag.

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

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

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

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

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

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

Pursuant to provisions of Article 250a, paragraph 4 and Article 272, paragraph of the CA, and Article 22 of the AA, this Statement is a special section and integral part of the Company's Annual Report for 2022.


Ivana Gažić
President of the Management Board


ZAGREBAČKA BURZA d.o.o.
Zagreb


Tomislav Gračan
Member of the Management Board

Responsibilities of the Management Board for the Annual report

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

The Management Board has 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.

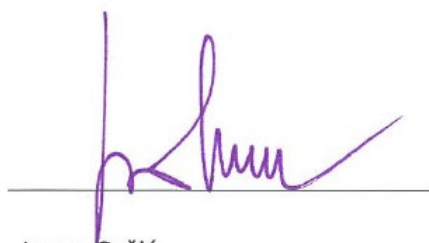
The Management Board is responsible for selecting suitable accounting policies to conform to applicable accounting standards and then applying them consistently; making judgments and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is 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 the Corporate Governance Code, as required by the Croatian Accounting Act (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20), and the rest of other information (together "other information").

The Management Board is responsible for the submission of the Annual report to the Supervisory Board which includes the 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 and other information are approved by the Management Board on 26 April 2023 and are signed and verified for submission to 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



Independent Auditor's Report

To the Shareholders of Zagreb Stock Exchange, Inc.

Report on the audit of the separate financial statements

Our opinion

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

Our opinion is consistent with our additional report to the Audit Committee dated 20 April 2023.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of comprehensive income for the year ended 31 December 2022;
 - the separate statement of financial position as at 31 December 2022;
 - the separate statement of changes in equity for the year then ended;
 - the separate statement of cash flows for the year then ended; and
 - the notes to the separate financial statements, which include significant accounting policies and other explanatory information.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2022 to 31 December 2022.



Our audit approach

Overview

Materiality	<ul style="list-style-type: none"> Overall Company materiality: HRK 437 thousand, which represents 1% of net asset
Key audit matters	<ul style="list-style-type: none"> Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall Company materiality	HRK 437 thousand
How we determined it	1% of net asset
Rationale for the materiality benchmark applied	<p>We chose net assets as the benchmark because the Company is a public service provider, and its operations are guided by the principles of the protection of public interest and the stability of the capital market rather than profitability.</p> <p>We chose 1% which is consistent with quantitative materiality thresholds used for public service providers.</p>



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of revenue</i></p> <p>Refer to Note 4 to the separate financial statements under heading Sales revenue and Note 3 under heading Significant accounting policies for further information.</p> <p>The Company has recognized revenues of HRK 10,269 thousand for the period ended 31 December 2022.</p> <p>Although the transactions within the revenue streams are unified and revenue recognition is not complex, we focused on this area due to the higher risk and significance of these items to the Company's separate financial statements.</p>	<p>Our audit approach to revenue was based on test of operating effectiveness of controls and substantive audit testing of transactions as described below.</p> <p>On the sample basis, we compared the recognised revenues with the invoices issued to the customers.</p> <p>We reconciled the selected sample of invoices with the supporting documentation, i.e., contracts with customers and the service price list.</p> <p>We performed test of operating effectiveness of controls and recalculated on a sample basis the revenue from commissions by multiplying the trading volume with the fee percentage charged. We reconciled the trading volume with data provided by the external services provider, and we reconciled the fee percentage with the service price list.</p> <p>We also traced the selected sample of revenue transactions to the bank statements to confirm the revenues were received.</p> <p>We have assessed the disclosures related to revenue in the financial statements, with respect to their adequacy and compliance with the IFRS requirements.</p>

Reporting on other information

Management is responsible for the other information. The other information comprises the Management Report, Corporate Governance Statement and the Forms prepared in accordance with Regulatory Requirements included in the separate Annual Report, but does not include the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate 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. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.



Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the separate financial statements are prepared is consistent, in all material respects, with the separate financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

Auditor's responsibilities for the audit of the separate financial statements

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

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

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



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the separate 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 independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 14 June 2022 by the shareholders' resolution. This is our first year of audit.

Other legal and regulatory requirements

Pursuant to Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) ("Ordinance"), the Company's Management Board prepared statements shown in the section Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) under headings Balance sheet, Profit and loss, Statement of cash flows - indirect method and Statement of changes in equity for the year ended 31 December 2022 ("Forms"), together with information on the reconciliation of the Forms with the Company's separate financial statements prepared in accordance with the International Financial Reporting Standards adopted in the European Union. Preparation of these Forms is the responsibility of the Company's Management Board, and the Forms are not an integral part of these separate financial statements but contain information in accordance with Ordinances. Financial information in the Forms is derived from the separate financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted in European Union presented on pages 36 to 76 and adjusted in accordance with the Ordinances.



Report on compliance of the format of the separate financial statements with the requirements of the European Single Electronic Format (“ESEF”) Regulation

We have been engaged based on our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the separate financial statements included in the attached electronic file ZSEInc-2022-12-31, (hereinafter: the financial statements) of the Company for the year ended 31 December 2022 (the “Presentation of the Financial Statements”).

Description of a subject matter and applicable criteria

The Presentation of the Financial Statements has been prepared by the management of the Company to comply with the requirements of Article 462 paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20 and 83/21) (the “Capital Market Act”) and with the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”). Those regulations require that:

- the financial statements included in the separate Annual Report, have been prepared in the XHTML format;
- the data included in the separate financial statements required by the ESEF Regulation and Capital Market Act have been marked up and all the markups meet the following requirements:
 - the XBRL markup language has been used,
 - the core taxonomy elements listed in the ESEF Regulation with the closest accounting meaning have been used, unless an extension taxonomy element was created in accordance with Annex IV of the ESEF Regulation,
 - the markups comply with the common rules on markups under the ESEF Regulation.

The requirements described above determine the basis for application of the Presentation of the Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

The Company’s management is responsible for the Presentation of the Financial Statements in accordance with the ESEF Regulation and the Capital Market Act. In addition, the Company’s management is responsible for maintaining an internal control system that reasonably ensures the preparation of the Presentation of the Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation and the Capital Market Act, whether due to fraud or error.

Those charged with governance are responsible for overseeing the process of preparing the Presentation of the Financial Statements in the ESEF format as part of the financial reporting process.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion, based on the audit evidence obtained, whether the Presentation of the Financial Statements complies, in all material respects, with the requirements of the ESEF Regulation and the Capital Market Act. We conducted a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Financial Statements is prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect a material misstatement (significant non-compliance with the requirements).



Procedures performed

The nature, timing and extent of the procedures selected are matters for the professional judgment of the auditor.

As part of the selected procedures, we performed in particular the following procedures:

- read the requirements of the ESEF Regulation and the Capital Market Act;
- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Financial Statements, including the preparation of the XHTML format and marking up the separate financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the separate financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the Presentation of the Financial Statements for the year ended 31 December 2022 included in the above stated attached electronic file complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

Our conclusion is not an opinion on the true and fair presentation of the financial statements presented in electronic format. In addition, we do not express any form of assurance on the other information disclosed in the documents in the ESEF format.

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
26 April 2023

This version of our 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 of our report takes precedence over this translation.

Unconsolidated statement of comprehensive income

	Note	2022	2021
		'000 kn	'000 kn
Sales revenue	4	10,269	9,582
Other operating income	5	5,066	4,885
Staff costs	6	(7,559)	(7,117)
Depreciation and amortization	10,11,12	(1,359)	(1,183)
Other operating costs	7	(6,001)	(5,857)
Loss from operations		416	310
Financial income	8	433	1,044
Financial expenses	8	(93)	(59)
Net gains (losses) from fair value from financial assets through profit and loss	8	(717)	(399)
Net foreign exchange gain/(loss)	8	(28)	(23)
Net financial income (expenses)		(405)	563
Profit before tax		11	873
Income tax expense	9	116	-
Profit for the year		127	873
Other comprehensive income, net of income taxes			
<i>Items that cannot be reclassified to income statement</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income	13	529	-
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		656	873
Basic and diluted profit per share (HRK)	21	0.06	0.38

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

Unconsolidated statement of financial position

	Note	2022	2021
		‘000 kn	‘000 kn
Assets			
Non-current assets			
Equipment	10	1,585	1,183
Intangible asset	11	1,657	919
Right-of-use assets	12	2,505	3,020
Investment in subsidiary	13	19,125	19,125
Investment in associate and joint venture	14	9,504	275
Financial assets at fair value through other comprehensive income	15 a	197	1,681
Long term deposits	19	250	250
Loans given to related parties	18	218	217
Deferred tax assets	9	116	-
Total non-current assets		35,157	26,670
Current assets			
Trade receivables and other assets	16	2,035	2,328
Contract assets		99	-
Financial assets at fair value through profit or loss	15b	8,977	14,479
Short-term deposits	19	61	4,506
Cash and cash equivalents	17	5,032	3,362
Inventories		-	6
Prepaid expenses		103	71
Total current assets		16,307	24,752
Total assets		51,464	51,422
Equity, reserves and liabilities			
Equity and reserves			
Issued share capital	20	23,179	46,357
Share premium		13,860	13,860
Legal reserves		141	141
Own shares	20	(139)	-
Other reserves	20	6,147	-
Reserve - fair value financial assets		529	-
Accumulated profit (loss)		127	(17,029)
Total equity and reserves		43,844	43,329
Long term liabilities			
Lease liabilities	12	1,737	2,227
Total long term liabilities		1,737	2,227
Current liabilities			
Trade and other payables	22	1,510	1,581
Lease liabilities	12	701	700
Contractual liabilities	23	3,6723	3,585
Total current liabilities		5,883	5,866
Total equity, reserves and liabilities		51,464	51,422

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

Unconsolidated statement of changes in equity and reserves

	Issued capita	Share premium	Legal reserves	Own shares	Other reserves	Reserve – fair value	Accumulat ed profit (loss)	Total
	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
As at 1 January 2021	46,357	13,860	141	-	-	-	(17,902)	42,456
Current year profit	-	-	-	-	-	-	873	873
<i>Total other comprehensive income</i>	-	-	-	-	-	-	873	873
As at 31 December 2021	46,357	13,860	141	-	-	-	(17,029)	43,329
Current year profit	-	-	-	-	-	-	127	127
Other comprehensive income (Note 15)	-	-	-	-	-	529	-	529
<i>Total other comprehensive income for the period</i>	-	-	-	-	-	529	127	656
Other equity movements								
- decrease of issued capital (Note 20 a)	(23,178)	-	-	-	23,178	-	-	-
- covering the transferred loss from other reserves (Note 20 b)	-	-	-	-	(17,029)	-	17,029	-
- acquisition of own shares (Note 20 c)	-	-	-	(139)	(2)	-	-	(141)
<i>Total other equity movements</i>	<i>(23,178)</i>	<i>-</i>	<i>-</i>	<i>(139)</i>	<i>6,147</i>	<i>-</i>	<i>17,029</i>	<i>(141)</i>
As at 31 December 2022	23,179	13,860	141	(139)	6,147	529	127	43,844

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

Unconsolidated statement of cash flows

	Note	2022	2021
		'000 kn	'000 kn
Cash flow from operating activities			
Profit before tax		11	873
Depreciation and amortization	10,11,12	1,359	1,183
Unrealized (profit)/loss from financial assets at fair value through profit and loss	8	629	187
Unrealized loss from financial assets at fair value through other comprehensive income	8	88	224
Impairment of trade receivables	16	-	82
Dividends income	8	(420)	(1,011)
Interest income	8	(7)	(11)
Interest expense	8,12	93	59
Net foreign exchange loss/(profit)		28	10
Other adjustments		2	33
Cash flow before changes in operating assets and liabilities		1,783	1,629
Changes in operating assets and liabilities			
Decrease/(increase) in trade receivables		189	292
(Increase)/decrease in prepaid expenses		(32)	15
Inventory reduction		6	-
(Decrease) / increase in liabilities to suppliers and other liabilities		(72)	(60)
Increase in contractual obligations and accrued expenses		86	52
Change in operating assets and liabilities		177	299
Interest paid		(93)	(59)
Income tax	9	-	-
Net cash inflow/(outflow) from operating activities		1,867	1,869
Cash flow from investing activities			
Cash outflow for purchase of tangible long term assets	10	(860)	(757)
Cash outflow for purchase of intangible long term assets	11	(887)	(76)
Cash outflow for purchase of financial assets at fair value through profit and loss		(754)	-
Cash outflow for purchase of financial assets at fair value through other comprehensive income		-	-
Cash outflow for investments in associated companies	13	(7,217)	-
Cash outflow for bank deposits		(61)	-
Cash inflow from refund of deposits		4,506	(3,185)
Cash inflow from sale of financial assets at fair value through profit and loss		5,539	3,692
Cash outflow for acquisition of own shares	20	(139)	-
Dividends received	8	420	1,011
Interest received	8	7	11
Net cash (outflow)/inflow from investing activities		554	696
Cash flow from financing activities			
Repayment of lease liabilities	12	(738)	(842)
Net expenditures on financing activities		(738)	(842)
Net (decrease)/increase in cash and cash equivalents		1,683	1,723
Cash and cash equivalents at the beginning of the year		3,362	1,639
Effects of exchange rate changes on cash and cash equivalents		(13)	-
Cash and cash equivalents at the end of the year	17	5,032	3,362

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

Notes to the financial statements

1 Reporting entity

Zagrebačka burza d.d. ("Zagreb Stock Exchange" or "the Company") is domiciled in Republic of Croatia and registered at the Commercial Court in Zagreb on 5 July 1991. The address of the Company's registered office is Eurotower, 22nd floor, Ivana Lučića 2a/22, Zagreb, Croatia. During 2022, there were no changes in the name of the Company or any other way of designating the reporting entity.

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

At the year end the Company was owned by 203 shareholders (31 December 2021: 199 shareholders). The Company does not have an ultimate parent company.

As of 31 December 2022, and 31 December 2021 the Zagreb Stock Exchange is the owner of Ljubljanska borza d.d. ("Ljubljana Stock Exchange") and has an investment in a joint venture SEE Link d.o.o. Skopje, Republic of North Macedonia and an investments in the associate companies Makedonska Berza a.d., Skopje, Republic of North Macedonia and Funderbeam South-East Europe d.o.o., Zagreb, Croatia.

The activities of the Company are regulated by Croatian Agency for Supervision of Financial Services – Hrvatska agencija za nadzor financijskih usluga ("HANFA").

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

2 Basis for preparation

a) Statement of compliance

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

These financial statements were authorized for issue by the Management Board on 26 April 2023 for submitting for approval by the Supervisory Board.

b) Adoption of new or amended standards and interpretations of International Financial Reporting Standards

The following amendments to the existing standards, in effect as of 1 January 2022, are adopted by the EU, but had no significant effect on the Company:

- Revenue before intended use, Onerous contracts - contract fulfillment costs, Reference to the Conceptual Framework - narrow scope additions to IAS 16, IAS 37 and IFRS 3 and Annual Improvements to IFRS for the cycle from 2018 to 2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (published on May 14, 2020, and effective for annual periods beginning on or after January 1, 2022).
- Lease relief in the context of the COVID-19 pandemic - Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

Notes to the financial statements (continued)

2 Basis for preparation (continued)

c) *New standards and amendments*

Several new standards and interpretations have been published that are mandatory for annual periods beginning on or after January 1, 2023, that have been adopted by the EU and that the Company has not previously adopted.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and 2. IFRS Practice Statements (IFRS Practice Statement 2): Disclosure of accounting policies (published on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Transitional option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)

Unless otherwise stated above, the new standards and interpretations are not expected to significantly affect the Company's financial statements.

Several new standards and interpretations have been published that are mandatory for annual periods beginning on or after January 1, 2023, or later, which have not been adopted by the EU and which the Company has not previously adopted.

- IFRS 14, Deferred Recognition of Revenue and Expenses in the Regulated Price System (issued on January 30, 2014 and effective for annual periods beginning on or after January 1, 2016).
- Sale or entry of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 16 Leases: Lease liability in a sale-leaseback transaction (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as short-term or long-term - Amendments to IAS 1 (originally published on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024).

Unless otherwise stated above, the new standards and interpretations are not expected to significantly affect the Company's financial statements.

Notes to the financial statements (continued)

2 Basis for preparation (continued)

d) Basics of measurement

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

e) Functional and presentation currency

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

f) 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 the reported amounts of assets and liabilities, income and expenses.

Estimates and related assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances and the information available at the date of preparation of the financial statements. Their result represents the basis for determination of book value of assets and liabilities which is not easily identifiable from other sources. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized in the period in which the estimate is changed and in future periods, if the change affects them as well.

Information on significant sources of uncertainty and key judgments in applying accounting policies that have a significant effect on the amounts reported in the financial statements are described in Note 26.

g) Foreign currency conversion

Transactions in foreign currencies are converted into the functional currency at the exchange rate valid on the day of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to functional currency at the rate of exchange at the date of reporting. Foreign exchange gains or losses on monetary items represent the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and year-round payments, and the amortized cost in the foreign currency at the rate of exchange at the date of reporting.

Non-monetary assets and liabilities measured at fair value in foreign currency are translated to functional currency at the rate of exchange at the date on which their fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the rate of exchange at the date of the transaction.

Foreign exchange differences arising from translation of foreign currency into functional currency are recognized in the income statement.

Alongside Croatian kuna, the most significant currency of Company's assets and liabilities is Euro. The exchange rate used for conversion on 31 December 2022 was 1 EUR = HRK 7.5345 (31 December 2021: 1 EUR = 7.517174 HRK).

Notes to the financial statements (continued)

3 Significant accounting policies

a) **Equipment and intangible assets**

Equipment mainly includes computers and office equipment, furniture and telephone equipment. Intangible assets include licenses for computer programs capitalized on the basis of costs incurred in acquiring and putting into use of a particular program.

Recognition and measurement

Equipment and intangible assets are stated at historical cost reduced by accumulated depreciation and impairment losses. Historical cost includes costs that are directly attributable to the acquisition of the asset.

Subsequent costs

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

Amortization / Depreciation

Amortization / depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of certain items of property and equipment. Assets under construction are not depreciated.

The estimated useful lives are shown below and have not changed from the previous year:

Computers and office equipment	4-7 years
Office furniture and equipment	5-7 years
Computer programs	2-5 years
Investments in other people's property	rental period

Depreciation methods and useful lives are reviewed, and modified if appropriate, at each reporting date. The carrying amount of an asset is reduced 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 the income statement.

b) **Financial instruments**

Classification

Classification categories

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

- The purpose of the business model is to hold assets to collect contractual cash flows; and
- The contractual terms of financial assets assume cash flows that are solely repayments of principal and interest (SPPI), on certain dates.

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

b) Financial instruments (continued)

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 measured at fair value through profit or loss (FVTPL):

- the purpose of the business model is to hold assets to collect contractual cash flows and sell financial assets; and
- contractual terms of financial assets assume cash flows that are solely repayments of principal and interest (SPPI), on certain dates.

Upon initial recognition of investments in equity instruments that are not held for trading, the Company may irrevocably choose to disclose subsequent changes in fair value through other comprehensive income. This choice is made on the basis of individual investment.

Financial assets at fair value through profit or loss

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

In addition, on initial recognition, the Company may irrevocably measure financial assets at fair value through profit or loss, although it meets the requirements for measurement at amortized cost or at fair value through other comprehensive income, if this eliminates or significantly reduces accounting mismatches that would the opposite arose.

Financial obligations

The Company measures all financial liabilities 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 asset management business model.

Business model evaluation

Business models indicate the way in which a group of financial assets is managed jointly 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 the performance of which is measured at fair value are measured at fair value through profit or loss because they are not held for the purpose of collecting contracted cash flows or 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 on the trade date, i.e., the date on which the Company commits to purchase or sell the asset. Loans and receivables and other financial liabilities measured at amortized cost are recognized when the financial asset is transferred to the borrower, or the liability is received from the lender.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

b) Financial Instruments (continued)

Recognition and derecognition (continued)

The Company derecognizes a financial asset (in whole or in part) when the rights to receive cash flows from the financial asset expire or when it loses control over the contractual rights to the financial asset. This occurs when the Company substantially transfers all risks and rewards of ownership to another entity or when rights are exercised, transferred or expired. The Company ceases to recognize financial liabilities only when they cease to exist, i.e., when they are fulfilled, canceled, expired or significantly changed (10% change test). If the terms of the financial liability change, the Company will derecognize that liability and begin recognizing the new financial liability with the new terms.

Cumulative gain or loss recognized in comprehensive income from equity securities under the FVOCI option is not recognized in the income statement upon derecognition of such securities. All interest on transferred financial assets that meet the conditions for derecognition is recognized by the Company as a separate asset or liability.

Investments in shares listed and described in Note 15 a) are valued under the FVOCI option. In accordance with IFRS 9, the Company decided to value these investments in shares under the FVOCI option as it does not hold these shares for trading. The fair values of these investments are disclosed in Note 15 a).

Initial and subsequent measurement

Financial assets and liabilities are initially recognized at fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs for financial assets at fair value through profit or loss are recognized immediately as profit or loss, while for other financial instruments they are amortized. All financial assets at fair value through profit or loss are subsequently stated at fair value. Loans and receivables are stated at amortized cost reduced by impairment losses and other financial liabilities at amortized cost. Amortized cost is calculated using the effective interest rate 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.

Principles of measuring fair value

The fair value of financial assets at fair value through profit or loss is the quoted market price in an active market at the reporting date, net of selling expenses. The Company reviews each financial instrument separately to determine whether the financial instrument is quoted in an active market.

Fair value levels

The Company uses following levels to determine the fair value of financial instruments:

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

Level 2: other techniques in which all parameters that have a significant effect on fair value are visible, either directly or indirectly,

Level 3: techniques that use data that have a significant impact on determining fair value and that are not based on visible market data.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

b) Financial instruments (continued)

Impairment of financial assets

Financial instruments

For credit exposures for which there has been no significant increase in credit risk since initial recognition, expected credit losses are recognized for credit losses arising from the probability of default in the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, an adjustment is required for expected credit losses over a lifetime, regardless of the time of borrowing. For trade receivables and contractual assets, the Company applies a simplified approach to the calculation of expected credit losses and therefore does not monitor changes in credit risk but recognizes impairment based on lifelong expected credit loss at the end of each reporting period.

The Company writes off financial assets when there are indications that the debtor is in serious financial difficulty, that there is no realistic prospect of recovery or that the debtor is likely to go bankrupt or otherwise undergo financial reorganization or restructuring. Depreciated financial assets may still be subject to collection activities of the Company.

Expected credit losses on trade receivables are estimated on the basis of the arrears matrix, taking into account the historical experience of the occurrence of the default status of the debtor and the analysis of the current financial position of the debtor.

In estimating expected credit losses, the Company considers reasonable information that is relevant and available. This includes quantitative and qualitative information and analysis, based on the Company's historical experience and informed creditworthiness assessment, including information relating to the future.

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

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

Measuring expected credit losses

Expected credit losses are estimates of the weighted probabilities of credit losses. Credit losses are measured as the present value of all cash losses (the difference between the cash flows to which the Company is entitled under the contract and the cash flows that the Company expects to actually receive). Expected credit losses are discounted at the effective interest rate of the financial assets in question.

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

Trade receivables, other assets, short-term deposits with banks and loans granted to associates

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

Investments in funds

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

Trade and other payables

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)

c) Impairment of non-financial assets

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

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

Depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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. An impairment loss is recognized in the income statement.

The recoverable amount of equipment and intangible assets is the higher of net selling price and the asset's value in use. For the purpose of determining impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash-generating units'). In estimating value in use, the present value of estimated future cash flows is calculated 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 suffered impairment are reviewed for possible reversal of the impairment loss at each reporting date. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount, but not exceeding the carrying amount of the asset that does not exceed the carrying amount that would have been determined, net of depreciation, had there been no impairment.

d) Leases

Entity is a lessor

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

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

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

Assets given under operating lease are depreciated over their expected useful life in the same way as other similar assets.

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

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

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

d) Leases (continued)

The Company assesses whether it is a lease agreement or whether the contract contains a lease, at the beginning of the contract. The Entity shall disclose the right-to-use assets and the corresponding lease liability with regard to all leases in which it is lessee, except for short-term leases (defined as leases with a duration of 12 months or less) and leases of low value assets (such as tablets and personal computers, office furniture and telephones). For such leases, the Entity rectilinearly recognizes rental payments as operating expenses for the duration of the lease, unless another systematic basis better reflects the time dynamics of spending the economic benefits of the assets held in the lease.

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

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

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

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

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

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

d) Leases (continued)

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

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

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

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

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

e) Cash and cash equivalents

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

f) Earnings per share

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

g) Employee benefits

i) 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.

ii) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

g) Employee benefits (continued)

ii) Termination benefits (continued)

redundancy. Termination benefits for voluntary redundancies are recognized if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

iii) Short-term employee benefits

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

h) Taxation

Income tax charge is based on taxable profit for the year and comprises of 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 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 be applied to taxable profit in the years in which those temporary differences are expected to be realized, or settled, based on tax rates enacted 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.

The company forms a tax liability in accordance with Croatian law. The income tax rate for 2022 is 18% (2021: 18%).

i) Provisions

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

Restructuring

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

j) Issued share capital, premiums and reserves

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

j) Issued share capital, premiums and reserves (continued)

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 reserves until the total of legal reserves and capital reserves reach 5% of issued share capital. The legal reserve can be used for covering current and prior period losses in the amount of up to 5% of issued share capital.

k) Revenue

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

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

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

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

l) Financial income

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

m) Dividend income

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

n) Investments in subsidiaries

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

o) Investments in associates and joint ventures

Associates are entities in which the Company has significant influence but no control. A significant influence is the power to participate in the financial and operating policies of entity in which the investment is made but does not constitute control or joint control of those policies.

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

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

Notes to the financial statements (continued)

4 Sales revenue

	2022	2021
	'000 kn	'000 kn
Commissions	3,730	3,365
Revenue from quotation maintaining	5,161	5,062
Revenue from quotation fee	1,184	955
Membership fees	194	200
Total sales revenue	10,269	9,582

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

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

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

The time schedule for recognizing sales revenue is as follows:

	Commissions	Income from quotation maintaining	Income from quotation fees	Membership fees	Total
2022	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Sales revenue	3,730	5,161	1,184	194	10,269
<i>Time schedule of income</i>					
- at a point of time	3,730	-	-	-	3,730
- over a time		5,161	1,184	194	6,539
	3,730	5,161	1,184	194	10,269
2021					
Sales revenue	3,365	5,062	955	200	9,582
<i>Time schedule of income</i>					
- at a point of time	3,365	-	-	-	3,365
- over a time	-	5,062	955	200	6,217
	3,365	5,062	955	200	9,582

Notes to the financial statements (continued)

5 Other operating income

	2022	2021
	'000 kn	'000 kn
Income from sale of information	2,469	2,559
Income from seminars	819	775
Income from OTC services	619	485
Income from LEI	488	369
Income from related parties	432	142
Other sales income	25	24
Income from collected previously corrected receivables	96	195
Income from reversal of provisions	-	124
Other income	118	212
Total other operating income	5,066	4,885

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

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

The revenues from related parties consists of revenues from providing the technical support in software maintenance and other business activities.

The time schedule of recognition of other business income from contracts with customers is as follows:

	Income from sale of information	Income from seminars	Income from OTC services	Prihodi od LEI	Income from related parties and other sales income	Total
2022	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn	'000 kn
Other operating income	2,469	819	619	488	457	4,852
<i>Time schedule of income</i>						
- at a point of time	-	819				819
- over a time	2,469		619	488	457	4,033
	2,469	819	619	488	457	4,852
2021						
Sales revenue	2,559	775	485	369	165	4,353
<i>Time schedule of income</i>						
- at a point of time	-	775				775
- over a time	2,559		485	369	165	3,578
	2,559	775	485	369	165	4,353

Notes to the financial statements (continued)

5 Other operating income (continued)

5 a) Assets and liabilities under contracts with clients

	2022	2021
	'000 kn	'000 kn
Contract assets		
Contract assets from sale of information	99	-
	99	-
Contract liabilities from quotation maintenance (Note 4)	2,826	2,744
Contract liabilities from quotation fees (Note 4)	372	491
Other contract liabilities (Note 4 and 5)	474	350
	3,672	3,585

i) Income recognized on the basis of a contract liabilities

The overview below presents the amounts of income recognized in the current reporting period, which refer to contract liabilities from previous years:

	2022	2021
	'000 kn	'000 kn
Recognized income included in the contract liabilities at the beginning of the period:		
Contract liabilities from quotation maintenance	2,744	2,816
Contract liabilities from quotation fees	491	362
Other contract liabilities	350	357
	3,585	3,535

6 Staff costs

	2022	2021
	'000 kn	'000 kn
Net salaries	4,172	3,903
Payroll contributions	2,216	2,049
Payroll taxes and surtaxes	883	858
Other staff costs	288	307
	7,559	7,117

Notes to the financial statements (continued)

6 Staff costs (continued)

At the end of 2022, the company had 25 employees (2021: 26). Staff costs include HRK 1,121 thousand (2021: HRK 1,101 thousand) of paid contributions to mandatory pension funds out of which HRK 309 thousand relates to Pillar II (2021: HRK 290 thousand). Contributions are calculated as a percentage of the employee's gross salary. In 2022, bonuses in the amount of HRK 256 thousand were paid out (2021: HRK 403 thousand).

7 Other operating expenses

	<u>2022</u>	<u>2021</u>
	'000 kn	'000 kn
Costs of software and licenses	2,080	1,885
Professional services	942	1,322
Other fees and charges	515	328
Utility expenses	478	425
Fees to regulator	432	455
Post and telephone services	186	184
Maintenance of office and equipment expenses	157	117
Entertainment	136	70
Rent of premises	120	124
Business travel	107	38
Costs for seminars and marketing	193	15
Write-off of intangible assets	1	3
Impairment of trade receivables	-	82
Other expenses	654	809
Total other operating expenses	<u>6,001</u>	<u>5,857</u>

Other expenses in the amount of HRK 654 thousand relate to maintenance costs, material and energy costs, insurance costs, and other costs.

The fee for auditing the Company's financial statements amounted to HRK 173 thousand (2021: HRK 101 thousand).

Other services refer to accounting services, legal services and other external services.

Notes to the financial statements (continued)

8 Financial income and expenses

a) Financial income

	2022	2021
	'000 kn	'000 kn
Dividend income	420	1,011
Interest income	10	15
Other financial income	3	18
Total financial income	433	1,044

b) Financial expense

Interest expense	(93)	(59)
	(93)	(59)
Unrealized net losses from financial assets at fair value through profit and loss	(629)	(187)
Realized net losses from financial assets at fair value through profit and loss	(88)	(212)
Net loss from financial assets at fair value through profit or loss	(717)	(399)
Net loss on foreign exchange differences	(28)	(23)
Net financial result	(405)	563

9 Income tax

a) Income tax

	2022	2021
	'000 kn	'000 kn
<i>Current income tax expense</i>		
Total income tax expense	-	-
	-	-
<i>Deferred taxes</i>		
Increase of deferred tax assets for temporary tax differences	(116)	-
	(116)	-
	(116)	-
Total income tax expense	(116)	-

Notes to the financial statements (continued)

9 Income tax (continued)

b) Reconciliation of accounting profit and current income tax liability	2022	2021
	'000 kn	'000 kn
Profit before taxes	11	873
Tax calculated at 18% (2021: 18%)	2	157
Non-deductible tax expenses	25	40
Increase of fair value of financial assets at fair value through other comprehensive income	95	-
Non-taxable income	(120)	(226)
Tax losses not recognized as deferred tax assets	-	29
Used losses from previous years that were not recognized as deferred tax assets	(118)	-
Total income tax	(116)	-

c) Deferred tax assets

In previous years, the Company did not recognize deferred tax assets based on tax losses carried forward for temporary tax reasons as it was uncertain whether said assets would be compensated in future periods. The majority of the tax losses carried forward expired in 2022 and it became certain that in the future periods the Company will be able to recover the deferred tax assets from temporary differences. The Company recognized deferred tax assets as of December 31, 2022 as follows:

	Financial assets	Operating lease (IFRS 16)	Provisions	Total
	'000 kn	'000 kn	'000 kn	'000 kn
1 January 2022				
Increase in deferred tax assets recognized in the profit and loss	87	1	28	116
31 December 2022	87	1	28	116

d) Tax losses carried forward

At the end of 2022 the gross tax losses in the amount of HRK 297 thousand are available for decrease of future taxable profits of the Company. The tax loss can be transferred by the Company and is subject to review from Ministry of finance. The Company did not recognize deferred tax assets based on carried forward tax losses, as it is uncertain when sufficient taxable profit will be generated in the future.

Notes to the financial statements (continued)

9 Income tax (continued)

d) Tax losses carried forward (continued)

As at 31 December, the gross tax losses available for transfer expire as follows:

	<u>2022</u>	<u>2021</u>
	'000 kn	'000 kn
Up to 1 year	135	3,221
Up to 2 years	-	135
Up to 3 years	-	-
Up to 4 years	162	-
Up to 5 years	-	162
Total tax loss available to be carried forward	<u>297</u>	<u>3,518</u>

The tax return was prepared in accordance with legally prescribed methodology. According to tax regulations, the tax administration may review the Company's books and records at any time during a 3 year period after the end of the year in which the tax liability is stated. The company's management is not aware of any circumstances that could lead to significant omissions in this regard.

Notes to the financial statements (continued)

10 Equipment

	Computer equipment	Furniture and other equipment	Leasehold improvements	Total
	'000 kn	'000 kn	'000 kn	'000 kn
Purchase value				
On January 1, 2021	5,232	2,180	1,272	8,685
Increases	280	221	256	757
As of December 31, 2021	5,512	2,401	1,528	9,441
On January 1, 2022	5,512	2,401	1,528	9,441
Increases	824	36	-	860
As of December 31, 2022	6,336	2,437	1,528	10,301
Accumulated depreciation				
On January 1, 2021	(4,558)	(2,173)	(1,209)	(7,940)
Depreciation expense	(211)	(49)	(58)	(318)
As of December 31, 2021	(4,769)	(2,222)	(1,267)	(8,258)
On January 1, 2022	(4,769)	(2,222)	(1,267)	(8,258)
Depreciation expense	(266)	(110)	(82)	(458)
As of December 31, 2022	(5,035)	(2,332)	(1,349)	(8,716)
Net book value				
As of December 31, 2021	743	179	261	1,183
As of December 31, 2022	1,301	105	179	1,585

Notes to the financial statements (continued)

11 Intangible assets

	Computer programs	Assets in progress	Total
	'000 kn	'000 kn	'000 kn
<i>Purchase value</i>			
On January 1, 2021	2,103	219	2,322
Increase	31	45	76
As of December 31, 2021	2,134	264	2,398
On January 1, 2022	2,134	264	2,398
Increase	649	238	887
As of December 31, 2022	2,783	502	3,285
<i>Accumulated depreciation</i>			
On January 1, 2021	(1,351)	-	(1,351)
Depreciation expense	(128)	-	(128)
Balance as of 31 December 2021	(1,479)	-	(1,479)
On January 1, 2022	(1,479)	-	(1,479)
Depreciation expense	(149)	-	(149)
Balance as of 31 December 2022	(1,628)	-	(1,628)
Net book value			
As of December 31, 2021	655	264	919
As of December 31, 2022	1,156	501	1,657

Notes to the financial statements (continued)

12 Right-of-use assets

	Real estate	Equipment	In total
	'000 kn	'000 kn	'000 kn
Purchase value			
On January 1, 2021	1,542	176	1,718
Increases	3,283	195	3,478
Write-off	(1,542)	(69)	(1,611)
As of December 31, 2021	3,283	302	3,585
On January 1, 2022	3,283	302	3,585
Increases	-	240	240
Write-off	-	(125)	(125)
As of December 31, 2022	3,283	417	3,700
Accumulated depreciation			
On January 1, 2021	(1,322)	(74)	(1,396)
Depreciation expense	(665)	(72)	(737)
Write-off	1,542	26	1,568
As of December 31, 2021	(445)	(120)	(565)
On January 1, 2022	(445)	(120)	(565)
Depreciation expense	(657)	(95)	(752)
Write-off	-	122	122
As of December 31, 2022	(1,102)	(93)	(1,195)
Net book value			
As of December 31, 2021	2,838	182	3,020
As of December 31, 2022	2,181	324	2,505

Right-of-use assets related to leases refer to the lease of several personal vehicles (3-5 years) and real estate (up to 5 years). The weighted average incremental rate applied to lease liabilities recognized in the statement of financial position at the date of initial application is 4.2%.

Amounts recognized in the statement of comprehensive income:	2022	2021
	'000 kn	'000 kn
Depreciation expense on right-of-use assets	753	737
Interest on business leases	93	59
Costs related to right-of-use assets	148	138

Notes to the financial statements (continued)

12 Right-of-use assets (continued)

The movements of liabilities for operating leases based on IFRS 16 was as follows:

	<u>31.12.2022</u>	<u>31.12.2021</u>
	'000 kn	'000 kn
<i>Balance as of January 1</i>		
Long term liabilities for operating lease	2,229	33
Short term liabilities for operating lease	699	272
	<u>2,928</u>	<u>305</u>
<i>Changes during the year</i>		
Increase during the year	239	3,478
Repayments during the year	(738)	(842)
Foreign exchange differences	10	(14)
Balance as of December 31	<u>2,439</u>	<u>2,927</u>

Discounted liabilities under operating leases mature as follows:

	<u>31.12.2022</u>	<u>31.12.2021</u>
	'000 kn	'000 kn
Within a year	701	700
In the second year	726	605
In the third year	748	686
In the fourth year	262	706
In the fifth year	2	230
After five years	-	-
In total	<u>2,439</u>	<u>2,927</u>

Contractual payment of liabilities under operating leases in the following years:

	<u>31.12.2022</u>	<u>31.12.2021</u>
	'000 kn	'000 kn
Within a year	773	728
In the second year	773	723
In the third year	771	723
In the fourth year	265	723
In the fifth year	2	232
After five years	-	-
In total	<u>2,584</u>	<u>3,129</u>

Notes to the financial statements (continued)

13 Investments in subsidiaries

	2022	2021
	'000 kn	'000 kn
Investment in Ljubljana Stock Exchange	19,125	19,125
Total investments in subsidiaries	19,125	19,125

The summary of financial data for the Ljubljana Stock Exchange is as follows:

	2022	2021
	'000 kn	'000 kn
Fixed assets	8,736	8,621
Current assets	12,301	11,825
<i>Of which cash and cash equivalents</i>	8,699	8,248
Total assets	21,037	20,446
Long-term liabilities	575	517
Short-term liabilities	1,833	1,573
<i>Of which Short-term financial liabilities</i>	29	28
Total liabilities	2,408	2,090
Total revenue	13,296	11,490
Interest income	6	8
Interest expense	6	8
Profit tax	113	104
Profit for the period	799	316

Notes to the financial statements (continued)

14 Investments in associates and joint ventures

	<u>31.12.2021</u>	<u>31.12.2020</u>
	'000 kn	'000 kn
Investment in Macedonian Stock Exchange AD, the Republic of North Macedonia	9,229	-
Investment in SEE Link d.o.o., the Republic of North Macedonia	202	202
Investment in Funderbeam South-East Europe Ltd., the Republic of Croatia	73	73
Total investment in associates and joint venture	<u>9,504</u>	<u>275</u>

Macedonian Stock Exchange

As of 31 December 2021, the Company held 7.05% of shares of Macedonian Stock Exchange d.d. The investment is reported as of 31 December 2021 under the position of non-current financial assets at fair value through other comprehensive income (Note 15). During 2022, the Company acquired additional shares of the aforementioned company. As of 8 July 2022, the Company exceeded the 20% of the shares, thus gaining a significant influence but not control over the Macedonian Stock Exchange. Investment is reclassified from financial assets through other comprehensive income to investments in associates. As of December 31, 2022, the Company holds a 30% stake in the associated company. As of the day preceding the acquisition of a qualified share in the associated company, the Company recorded reserves from changes in fair value through other comprehensive income in the amount of HRK 529,000 in 2022. For the acquisition of shares in 2022, the Company paid HRK 7,217 thousand.

The summary of financial data for Macedonia Stock Exchange is as follows:

	<u>31.12.2022</u>	<u>30.6.2022</u>
	'000 kn	'000 kn
Ownership share	30%	21%
Fixed assets	16,562	16,699
Current assets	6,838	7,404
<i>Of which cash and cash equivalents</i>	147	765
Total assets	<u>23,400</u>	<u>24,103</u>
Long term liabilities	-	-
Short-term liabilities	635	1,537
<i>Of which Short-term financial liabilities</i>	-	-
Total liabilities	<u>635</u>	<u>1,537</u>
Total revenue	6,751	3,838
Amortization	431	164
Net interest expense	170	108
Profit tax	-	-
Profit / (loss) of the period	<u>1,557</u>	<u>1,678</u>

SEE Link d.o.o.

SEE Link d.o.o is a joint venture (the Company has 1/3 ownership) founded in 2014. During 2015, each of the three owners paid the additional HRK 177 thousand to increase the share capital of SEE Link d.o.o.

Notes to the financial statements (continued)

14 Investments in associates and joint ventures (continued)

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

	<u>2022</u>	<u>2021</u>
	<u>'000 kn</u>	<u>'000 kn</u>
Ownership share	33,33%	33,33%
Fixed assets	141	185
Current assets	516	502
<i>Of which cash and cash equivalents</i>	284	177
Total assets	657	687
Long term liabilities	-	-
Short-term liabilities	264	258
<i>Of which Short-term financial liabilities</i>	-	-
Total liabilities	264	258
Total revenue	182	566
Amortization	44	141
Net interest expense	-	1
Profit tax	-	-
Profit / (loss) of the period	(34)	90

Funderbeam South-East Europe d.o.o.

Funderbeam South-East Europe d.o.o. is an associated company founded in 2017. During 2018, the year in which business operations started, the Company paid an additional HRK 44.8 thousand to increase the share capital of Funderbeam South-East Europe d.o.o. In 2020, the Company acquired a new share in the amount of HRK 28.4 thousand. The ownership share as of December 31, 2022 is 30% (December 31, 2021: 30%).

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

	<u>2022</u>	<u>2021</u>
	<u>'000 kn</u>	<u>'000 kn</u>
Ownership share	30%	30%
Fixed assets	128	156
Current assets	124	43
<i>Of which cash and cash equivalents</i>	117	43
Total assets	252	199
Long term liabilities	926	225
Short-term liabilities	289	1.081
<i>Of which Short-term financial liabilities</i>	225	924
Total liabilities	1,215	1,306
Total revenue	614	179
Net interest income / (expense)	(21)	(24)
Profit tax	35	-
Profit / (loss) of the period	19	(115)

Notes to the financial statements (continued)

15 Financial assets

	2022	2021
	'000 kn	'000 kn
a) Financial assets at fair value through comprehensive income		
Investments in stocks	197	1,681
In total	197	1,681

Investments in equity instruments in the amount of HRK 197 thousand (31 December 2021: HRK 1,681 thousand) relate to planned long-term investments.

As at 31 December 2021, the Company has 197 shares in Macedonian Stock Exchange Inc., which represented 7.05% of the capital of that Company in the amount of HRK 1,484 thousand. During 2022, the Company acquired additional shares of the aforementioned company by which it exceeded the 20% of the shares and investment is reclassified to investments in associates (Note 14.).

Shares in the amount of HRK 197 thousand relate to the share in capital of the company Središnje klirinško depozitarno društvo d.d. (SKDD).

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

	2022	2021
	'000 kn	'000 kn
b) Financial assets at fair value through profit or loss		
Shares in open - end investment funds	8,977	14,479
In total	8,977	14,479

Shares in open-end investment funds are classified as fair value level 1 as at 31 December 2022 and 31 December 2021.

16 Trade receivables and other assets

	2022	2021
	'000 kn	'000 kn
Trade receivables	1,422	3,086
Prepayments made	2	14
Other assets	589	575
Receivables from the state for overpaid taxes, contributions and benefits	22	8
Value adjustment	-	(1,355)
In total	2,035	2,328

Notes to the financial statements (continued)

16 Trade and other receivables (continued)

Impairment of trade receivables

	2022	2021
	'000 kn	'000 kn
Balance as of January 1	(1,355)	(1,675)
Impairment recognized during the year	-	(82)
Write-off	1,259	3
Collection of previously reduced receivables	96	399
In total	-	(1,355)

The Company's management made an estimate that there is a very low probability of collection of previously corrected receivables and made a decision to write off all previously corrected receivables on December 31, 2022. At the reporting date, the Company had uncorrected overdue receivables in the amount of HRK 317 thousand (31 December 2021: HRK 320 thousand). Taking into account the historical experience of the occurrence of the default status of the debtors and the analysis of the current financial position of the debtors, it is not expected that credit losses will occur.

31 December 2022

	Not due	<90
('000 kn)	receivables	
Trade receivables - gross amount	1,093	328
Contractual assets – gross amount	99	
<i>Total</i>	<i>1,192</i>	<i>328</i>
Expected credit losses	-	-
Trade receivables and other assets - net amount	1,192	328
Rate of expected credit losses	-	-

31 December 2021

	Not due	<90	90 - 120	> 120
('000 kn)	receivables			
Trade receivables and other assets - gross amount	1,411	317	20	1,338
Expected credit losses	-	-	(17)	(1,338)
Trade receivables and other assets - net amount	1,411	317	3	-
Rate of expected credit losses	-	-	85%	100%

17 Cash and cash equivalents

	2022	2021
	'000 kn	'000 kn
Giro account in foreign currency (EUR)	111	1,241
Giro account in foreign currency (MKD)	47	1,703
Giro account in local currency	4,874	417
Cash on hand	-	1
Total cash and cash equivalents	5,032	3,362

Notes to the financial statements (continued)

18 Loans given to associate

	2022	2021
	'000 kn	'000 kn
Loans given to associate	218	217
Total	218	217

Loans given to associate refer to loans granted to Funderbeam South-East Europe d.o.o. in the amount of HRK 218 thousand (2021: HRK 217 thousand), with a one-time payment upon maturity.

19 Deposits

	2022	2021
	'000 kn	'000 kn
Long term guarantee deposit	250	250
Short term deposits with banks	61	4,506
Total	311	4,756

20 Issued share capital

Share number movement:

	Number of shares	Nominal value in HRK	Share capital in HRK '000
January 1, 2021	4,635,700	10	46,357
December 31, 2021	4,635,700	10	46,357
January 1, 2022	4,635,700	10	46,357
Regular decrease of issued share capital and consolidation of shares	(2,317,850)	10	(23,178)
December 31, 2022	2,317,850	10	23,179

a) *Ordinary shares and reduction of issued share capital*

All issued shares are authorized and fully paid ordinary shares. On 31 August 2016, all issued shares were listed on the Official Market of the Zagreb Stock Exchange. As at 31 December 2022, the Company had 184 shareholders (31 December 2021: 199 shareholders) with ownership interests in the Company ranging between 0.01% and 9.99%.

Notes to the financial statements (continued)

20 Issued share capital (continued)

Based on the Decision of the Company's Assembly dated June 14, 2022, the share capital of the Company is reduced in a regular procedure for the purpose of transferring HRK 23,178,500.00 to other reserves of the Company. By undertaking the share capital reduction, the nominal value per share is reduced to the amount which is lower than the minimum nominal amount permitted under Article 163(2) of the Companies Act. Hence, the share capital is reduced in a regular procedure through a consolidation of shares (reverse split), in accordance with Article 342(4) of the Companies Act. The shares are consolidated at a ratio of 2:1 by issuing to each shareholder 1 registered share with a nominal value of HRK 10.00 for 2 shares outstanding.

b) Covering the transferred loss from other reserves

On June 30, 2022, the Management Board of the Company, based on Article 7 of the Company's Statute, made a decision on covering the transferred loss in the amount of HRK 17,029 thousand from the funds of other reserves.

c) Own shares

In accordance with the Resolution of the General Assembly of the Company dated June 14, 2022, by which the Company's Management Board is authorized to acquire up to 10,000 own shares during a period of 5 years from the date of the adoption of that Resolution, the Company launched the Own Shares Buy-Back Program starting as of October 3, 2022 and lasting until October 2, 2023 at the latest. Until December 31, 2022 the Company acquired 5,500 own shares and together with 32 own shares acquired in the process of regular decrease of the issued share capital, as of December 31, 2022 the Company holds 5,532 own shares. The average price of the shares acquired amounts to HRK 24.92 per share with the range from HRK 23.54 to HRK 27.81 per share. The costs of acquisition of own shares as of December 31, 2022 amounts to HRK 134 thousand.

The movements of own shares was as follows:

	Number of shares	Acquisition costs '000 kn
1 January 2022	-	-
Acquisition in 2022	5,532	139
As of December 31, 2022	5,532	139

21 Earnings per share

The calculation of earnings per share as of December 31, 2022, is as follows:

	31.12.2022	31.12.2021
Net profit for the year ('000 kn)	128	873
Weighted average number of ordinary shares over the period	2,316,878	2,317,850
Basic and diluted earnings per share (kn)	0.06	0.38

Notes to the financial statements (continued)

21 Earnings per share (continued)

The calculation of earnings per share as of December 31, 2021, as published in the financial statements for the year ended as of December 31, 2021, was based on the profit of HRK 873 thousand and the weighted average number of ordinary shares of 4,635,700 and amounted to HRK 0.19 per share. Due to the consolidation of shares in 2022 in the process of regular decrease of issued share capital (Note 20) by which the shares are consolidated at a ratio of 2:1, the comparative data for the year 2021 was calculated on the basis of the weighted average number of ordinary shares for the year 2021, as it would have been if the consolidation of shares had taken place in the year 2021.

Diluted earnings per share are equal to the baseline as there is no potential dilution effect from any instruments.

22 Trade and other payables

	2022	2021
	'000 kn	'000 kn
Trade payables	564	787
Liabilities toward employees	331	327
VAT liabilities	79	-
Other current liabilities	536	467
Total trade and other payables	1,510	1,581

23 Financial instruments - risk exposure

Interest rate risk

The Company does not have significant amounts of interest-bearing assets with variable interest rates. The most significant interest-bearing asset is a loan given to an associate in the amount of HRK 217 thousand. The Company has no interest-bearing liabilities. The impact of changes in market interest rates on the profit and loss account of the market is therefore assessed as not significant.

Currency risk

As of December 31, 2022, the Company has the assets and liabilities denominated in foreign currencies as presented below. Assets and liabilities in EUR as of December 31, 2022, were translated to HRK applying the fixed conversion rate. Since EUR becomes the functional currency from January 1, 2023, and all assets and liabilities in HRK will be converted into EUR using a fixed conversion rate, the Company considers that as of December 31, 2022, it is not exposed to currency risk for assets and liabilities denominated in EUR.

	31 December 2022		31 December 2021		+/- 1% HRK'000
	EUR'000	HRK'000	EUR'000	HRK'000	
Cash (Note 17)	15	111	165	1,241	12
Trade receivables (Note 16)	103	776	105	787	8
	118	887	270	2,028	20
Trade payables (Note 22)	(23)	(170)	(3)	(26)	-
	95	717	267	2,002	20
Net impact prior to corporate income tax					20
Net impact after corporate income tax					20

Notes to the financial statements (continued)

23 Financial instruments - risk exposure (continued)

Currency risk (continued)

In addition to asset and liabilities denominated in EUR, as of December 31, 2022, the Company has HRK 47 thousand (2021: HRK 1,703 thousand) of funds on the bank account denominated in MKD. There is no significant exposure to currency risk per MKD.

Credit risk

The largest exposure to credit risk is as follows:

	31 December 2022	31 December 2021
	'000 kn	'000 kn
Cash and cash equivalents (excluding cash on hand) (Note 17)	5,032	3,362
Trade receivables and other assets	2,134	2,328
Guarantee deposits	4,506	4,506
Loans given to an associate	217	217
In total	11,889	10,413

The Company generally does not take collateral, due to nature of its business. Apart from loans to associates and cash in domestic banks (Notes 17 and 18), the Company did not have a significant concentration of credit risk at the reporting date. The Company's credit risk is mitigated by depositing funds in various domestic banks with credit ratings from A+ to Baa+.

Concentration of credit risk of net trade receivables:

	31 December 2022		31 December 2021	
	'000 kn	%	'000 kn	%
Companies	558	39	625	36
Institutional investors and brokers	863	61	1,098	64
	1,421	100	1,723	100

Price risk

Price risk is a risk that the value of a financial instrument will fluctuate due to changes in market prices, caused by investment-specific factors, its issuer or factors affecting all instruments traded on the market. The Company's investments in open-end investment funds are measured at fair value with changes in fair value recognized in the income statement. Accordingly, such changes in market conditions will directly affect gains and losses on financial instruments recognized in the income statement.

The Company's price risk is mitigated through the diversification of the portfolio of investments in different types of open-end investment funds, managed by different investment companies, and investments in money market funds. Assuming that all other variables remained unchanged, a decrease / increase in the market price of investment fund shares of - / + 1% on the reporting date results in a decrease / increase in profit before tax of HRK 90 thousand (2021: HRK 145 thousand).

Notes to the financial statements (continued)

23 Financial instruments - risk exposure (continued)

Liquidity risk

The Company has no loans received. All trade payables range from 0 to 3 months. Liabilities for renting property refer to renting several passenger cars for a period of 3 to 5 years and real estate for a period of up to 5 years. The undiscounted maturity of operating lease liabilities is disclosed in Note 12. Cash and cash equivalents and financial assets at the reporting date are significantly higher than liabilities. Financial liabilities, which include trade and other payables, deferred income and accrued expenses, have a maturity of up to one year.

24 Related parties

The Company defines a related party as a person directly related to its major shareholders, its subsidiary, joint venture and associate, members of the Supervisory Board and the Management Board and other executive management (together "key management"); close family members of key management; members of the Management Board and members of their immediate families, in accordance with the provisions set out in International Accounting Standard 24 "Related Party Disclosures" (IAS 24).

During 2022, Zagreb Stock Exchange generated revenues from Ljubljana Stock Exchange in the amount of HRK 432 thousand (2021: HRK 142 thousand) and expenses in the amount of HRK 2 thousand (2021: HRK 3 thousand). Receivables from Ljubljana Stock Exchange as of December 31, 2022, amount to HRK 27 thousand (31 December 2021: HRK 6 thousand) and liabilities to HRK 2 thousand (31 December 2021: HRK 3 thousand).

During 2022, Zagreb Stock Exchange generated revenues from the company Funderbeam South-East Europe in the amount of HRK 24 thousand (2021: HRK 14 thousand). Receivables from Funderbeam South-East Europe as of 31 December 2022 amount to HRK 246 thousand (31 December 2021: HRK 238 thousand).

During 2022, Zagreb Stock Exchange had expenses from SEE Link in the amount of HRK 34 thousand (2021: HRK 32 thousand). Liabilities to SEE Link as at 31 December 2022 amount to HRK 7 thousand (December 31, 2021: HRK 7 thousand).

Compensation paid to key management during the year amounted to HRK 1,886 thousand (2021: HRK 1,969 thousand), of which HRK 75,000 refers to payments into the second pension pillar. The Company did not pay remuneration to the members of the Supervisory Board.

25 Segment reporting

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

26 Significant accounting estimates and assumptions

Management makes estimates and assumptions related to future events. Therefore, accounting estimates rarely correspond to actual results. Estimates and judgments that may have an effect on significant changes in the amounts of assets and liabilities within the next financial year are set out below.

Notes to the financial statements (continued)

26 Significant accounting estimates and assumptions (continued)

Investing in subsidiaries, associates and joint ventures

The Company measures investments in subsidiaries, associates and joint ventures at acquisition cost reduced by impairment of investments in separate financial statements. After initial recognition, the Company examines whether it is necessary to recognize an additional impairment of investment in associate or joint venture. At the reporting date, the Company determines whether there is objective evidence that investment in associate or joint venture is impaired. If an impairment exists, the Company calculates the amount of impairment loss as a difference between the recoverable amount and the carrying amount of the associate or joint venture and presents it in the statement of comprehensive income. If the recoverable amount of an investment is lower than its carrying amount, the Company recognizes an impairment loss. Management believes that there are no indications of impairment at the reporting date based on the analysis performed. Investments in subsidiaries, associates and joint ventures are disclosed in Notes 13 and 14. In 2022 and 2021, the Management Board estimated that the recoverable amount of the investment was not lower than the carrying amount, therefore, there was no impairment.

Notes to the financial statements (continued)

27 Capital management

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

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

The self-financing indicator is as follows:

	31 December 2022	31 December 2021
	'000 HRK	'000 HRK
Total capital (capital and reserves)	43,844	43,329
Total assets	51,464	51,422
Indicator of own financing	85%	84%

The Company finances 85% of its total assets from its own sources. Accordingly, 15% of total assets is financed from outside sources (2021: 16%).

The fair values of financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long term fixed rate and variable rate receivables are evaluated by the Company based on parameters such as interest rates and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

Fair value of available for sale financial assets is derived from quoted market prices in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on a discounted cash flow. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Notes to the financial statements (continued)

27 Capital management (continued)

Fair value hierarchy

The Company uses following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique based on the lowest level input that is significant to the fair value determination:

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 on the market, 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.

As of December 31, 2022, the Company held the following financial assets measured at fair value:

31 December 2022

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income (Note 15)	-	-	197	197
Financial assets at fair value through profit or loss (Note 15)	8,977	-	-	8,977
Total	8,977	-	197	9,174

As of December 31, 2021, the Company held the following financial assets measured at fair value:

31 December 2021

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income (Note 15)	-	-	1,681	1,681
Financial assets at fair value through profit or loss (note 15)	14,479	-	-	14,479
Total	14,479	-	1,681	16,160

Notes to the financial statements (continued)

28 Events after the balance sheet date

Based on the Decision of the Government of the Republic of Croatia regarding the announcement of the introduction of the euro as the official currency in the Republic of Croatia (Official Gazette 85/22), the euro becomes the official monetary unit and legal tender in the Republic of Croatia on January 1, 2023. The fixed conversion rate is set at HRK 7.53450 for one euro.

The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an event after the balance sheet date that requires reconciliation.

There were no other events after the balance sheet date that would have had a significant impact on the financial statements as of or for the period then ended.

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

In the long run, the consequences can affect business volume, cash flows and profitability. Regardless of the above mentioned, at the date of issue of these financial statements, the Company continues to meet its maturity obligations and therefore continues to apply the going concern principle as the accounting basis for the preparation of financial statements.

Zagreb Stock Exchange Inc., Zagreb
*Forms in accordance with the Ordinance on the Structure and Content of
Stock Exchange Annual Financial Statements (Official Gazette 25/19)
for the year ended 31 December 2022*

**Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual
Financial Statements (Official Gazette 25/19)**

General information for issuers

Zagreb Stock Exchange Inc., Zagreb
Forms in accordance with the Ordinance on the Structure and Content of
Stock Exchange Annual Financial Statements (Official Gazette 25/19)
for the year ended 31 December 2022

Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) (continued)

Submitter: Zagreb Stock Exchange Inc.

Balance sheet as of December 31, 2022 (in HRK)

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
ASSETS			
FIXED ASSETS 002+003+009+012	1	26,669,627	35,157,663
I INTANGIBLE ASSETS	2	918,751	1,656,564
II TANGIBLE ASSETS 004+...+008	3	4,202,560	4,090,566
1 Land and buildings	4	2,837,671	2,181,140
2 Computer equipment	5	742,389	1,300,110
3 Other tangible assets	6	362,186	430,804
4 Leasehold improvements	7	260,314	178,512
5 Assets under construction	8	-	-
III FIXED FINANCIAL ASSETS 010+011	9	21,548,316	29,294,065
1 Investments in associates, subsidiaries and joint ventures	10	19,400,367	28,629,446
2 Financial assets at amortised cost	11	2,147,949	664,619
DEFERRED TAX ASSETS	12	-	116,468
B CURRENT ASSETS 014+020+024	13	24,681,493	16,104,336
I RECEIVABLES 015+...+019	14	2,334,007	2,034,195
1 Trade receivables	15	1,722,654	1,393,557
2 Receivables from employees and members of the undertaking	16	524	262
3 Receivables from government and other institutions	17	8,284	22,294
4 Receivables from connected undertakings	18	5,638	27,388
5 Other receivables	19	596,907	590,694
III SHORT-TERM FINANCIAL ASSETS 021+...+023	20	18,985,735	9,037,888
1 Financial assets at amortised cost	21	4,506,448	61,297
2 Financial assets at fair value through other comprehensive income	22	-	-
3 Financial assets at fair value through statement of profit or loss	23	14,479,287	8,976,591
III CASH AND CASH EQUIVALENTS	24	3,361,751	5,032,253
C PREPAID EXPENSES AND ACCRUED INCOME	25	70,962	201,462
D TOTAL ASSETS 001+013+025	26	51,422,082	51,463,461
E OFF-BALANCE SHEET ITEMS	27	-	-

Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) (continued)

Submitter: Zagreb Stock Exchange Inc.

Balance sheet as of December 31, 2022 (in HRK) (continued)

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
LIABILITIES			
A CAPITAL AND RESERVES 029+030+031+036+037+038	28	43,327,531	43,844,176
I INITIAL CAPITAL	29	46,357,000	23,178,500
II CAPITAL RESERVES	30	13,860,181	13,860,181
III PROFIT RESERVES 032+...+035	31	141,000	6,678,216
1 Legal reserves	32	141,000	141,000
2 Reserves for treasury shares	33	-	(138,703)
3 Fair value reserves	34	-	528,686
4 Other reserves	35	-	6,147,233
IV RETAINED PROFIT OR LOSS BROUGHT FORWARD	36	(17,903,905)	-
V PROFIT OR LOSS FOR THE YEAR	37	873,255	127,279
VI NON-CONTROLLING INTEREST	38	-	-
B PROVISIONS	39	-	-
C SHORT-TERM LIABILITIES 041+...+046	40	2,280,408	2,210,979
1 Liabilities for advance payments	41	119,079	3,761
2 Trade payables	42	665,933	558,305
3 Liabilities to employees	43	328,099	331,206
4 Taxes, contributions and similar liabilities	44	219,642	327,315
5 Liabilities to connected undertakings	45	2,631	1,978
6 Other short-term liabilities	46	945,024	988,414
D LONG-TERM LIABILITIES	47	2,228,710	1,737,061
E DEFERRED TAX LIABILITY	48	-	-
F ACCRUALS AND DEFERRED INCOME	49	3,585,433	3,671,245
G TOTAL LIABILITIES 028+039+040+047+048+049	50	51,422,082	51,463,461
H OFF-BALANCE SHEET ITEMS	51	-	-
Appendix to the balance sheet (position for consolidated financial statements)			
I Capital and reserves 053+054	52	-	-
1 Attributable to owners of the parent	53	-	-
2 Attributable to non-controlling interest	54	-	-

Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) (continued)

Submitter: Zagreb Stock Exchange Inc.

Profit and loss for the period from January 1, 2022 to December 31, 2022 (in HRK)

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
A OPERATING INCOME 002+009	1	14,466,716	15,333,260
I Sales revenue 003+...+008	2	9,581,722	10,267,682
1 Commissions and membership fees	3	3,565,653	3,923,380
2 Listing maintenance fees	4	5,062,436	5,160,759
3 Income from quotation maintenance	5	953,633	1,183,543
4 Income from auctions	6	-	-
5 Income from memberships	7	-	-
6 Revenue from assigning and administering LEIs	8	-	-
II Other operating income 010+...+012	9	4,884,994	5,065,578
1 Income from application programming interface (API) services	10	-	-
2 Income from the supply of information	11	2,558,845	2,469,108
3 Other income	12	2,326,149	2,596,470
B OPERATING EXPENSES 014+017+021+022+023+026+027	13	14,157,183	14,916,860
I Material costs 015+016	14	4,224,084	4,185,062
1 Costs of raw materials	15	443,314	452,392
2 Other external costs	16	3,780,770	3,732,670
II Staff costs 018+...+020	17	6,810,830	7,271,707
1 Net salaries and wages	18	3,902,837	4,172,302
2 Tax and contributions from salary costs	19	1,979,230	2,098,166
3 Payroll contributions	20	928,763	1,001,239
III Depreciation	21	1,182,749	1,358,771
IV Other costs	22	1,821,570	2,061,145
V Value adjustment 024+025	23	81,873	-
1 fixed assets (other than financial assets)	24	-	-
2 current assets (other than financial assets)	25	81,873	-
VI Provisions	26	-	-
VII Other operating expenses	27	36,077	40,175
C FINANCIAL INCOME 029+...+034	28	1,082,737	492,151
1 Interest, exchange rate differences, dividends and similar income from relations with related parties	29	958,785	420,719
2 Interest, exchange rate differences, dividends and similar income from relations with third parties	30	105,838	68,659
3 Income share from associates and participating interests	31	-	-
4 Unrealised gains (income) from financial assets	32	-	-
5 Profit from reversal of provisions for impairment for expected credit losses	33	-	-
6 Other financial income	34	18,114	2,773

Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) (continued)

Submitter: Zagreb Stock Exchange Inc.

Profit and loss for the period from January 1, 2022 to December 31, 2022 (in HRK) (continued)

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
D FINANCIAL EXPENSES 036+...+040	35	519,015	897,740
1 Interest, exchange rate differences and other expenditures with related parties	36	189	669
2 Interest, exchange rate differences and other expenses from relations with third parties	37	107,068	178,536
3 Unrealised losses (expenses) from financial assets	38	411,758	718,535
4 Loss on impairment for expected credit losses	39	-	-
5 Other financial expenses	40	-	-
E TOTAL INCOME 001+028	41	15,549,453	15,825,411
F TOTAL EXPENDITURE 013+035	42	14,676,198	15,814,600
G Share in profit/loss of associates and subsidiaries	43	-	-
H PRE-TAX PROFIT OR LOSS 041-042+043	44	873,255	10,811
I INCOME TAX	45	-	(116,468)
J PROFIT OR LOSS FOR THE PERIOD 044-045	46	873,255	127,279
1 Change in revaluation reserves (property, plant, equipment and intangible assets)	47	-	-
2 Actuarial gains/losses on defined benefit pension plans	48	-	-
3 Unrealised gains/losses on financial assets at fair value through other comprehensive income	49	-	528,686
4 Gains/losses on hedging instruments in a cash flow hedge	50	-	-
5 Gains/losses arising from translation of financial statements relating to foreign operations	51	-	-
6 Income tax on other comprehensive income	52	-	-
K OTHER COMPREHENSIVE INCOME 047+...+052	53	-	528,686
TOTAL COMPREHENSIVE INCOME 046+053	54	873,255	655,965
M RECLASSIFICATION ADJUSTMENTS	55	-	-
Appendix **			
Attributable to owners of the parent	56	-	-
Attributable to non-controlling interest	57	-	-

Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) (continued)

Submitter: Zagreb Stock Exchange Inc.

Statement of cash flows - indirect method for the period from January 1, 2022 to December 31, 2022 (in HRK)

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1 Pre-tax profit	1	873,255	10,811
2 Depreciation	2	1,182,749	1,358,771
3 Increase in short-term liabilities	3	-	-
4 Decrease in short-term receivables	4	315,757	188,792
5 Decrease in inventories	5	-	-
6 Loss on impairment for expected credit losses	6	-	-
7 Other cash flow increase	7	575,343	908,578
I Total cash flow increase from operating activities 001+...+007	8	2,947,104	2,466,952
1 Decrease in short-term liabilities	9	60,426	72,398
2 Increase in short-term receivables	10	-	-
3 Increase in inventories	11	-	-
4 Profit from reversal of provisions for impairment for expected credit losses	12	-	-
5 Other cash flow decrease	13	1,085,927	539,786
II Total cash flow decrease from operating activities 009+...+013	14	1,146,353	612,184
CASH FLOW FROM INVESTMENT ACTIVITIES			
1 Cash receipts from sale of fixed tangible and intangible assets	15	-	-
2 Cash receipts from sale of equity instruments and debt instruments	16	7,598	-
3 Interest received	17	68,931	6,677
4 Dividends received	18	1,011,123	420,403
5 Other cash receipts from investment activities	19	3,684,057	10,044,703
III Total cash receipts from investment activities 015+...+019	20	4,771,709	10,471,783
1 Cash payments for the purchase of fixed tangible and intangible assets	21	832,518	1,746,443
2 Cash payments for the acquisition of equity financial instruments and debt financial instruments	22	1,174,366	8,110,352
3 Other cash payments from investment activities	23	2,000,000	61,297
IV Total cash payments from investment activities 021+...+023	24	4,006,884	9,918,092

**Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual
 Financial Statements (Official Gazette 25/19) (continued)**

Submitter: Zagreb Stock Exchange Inc.

**Statement of cash flows - indirect method for the period from January 1, 2022 to December 31, 2022 (in
 HRK) (continued)**

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
CASH FLOW FROM FINANCING ACTIVITIES			
1 Cash receipts from the issue of equity financial instruments and debt financial instruments	25	-	-
2 Cash receipts from credit principals, debentures, loans and other borrowings	26	-	-
3 Other cash receipts from financing activities	27	-	-
V Total cash receipts from financing activities 025+...+027	28	-	-
1 Cash payments for credit principals and bonds	29	-	-
2 Cash payments for dividends	30	-	-
3 Cash payments for finance lease	31	-	-
4 Cash payments for the redemption of treasury shares	32	-	-
5 Other cash payments from financing activities	33	841,893	737,957
VI Total cash payments from financing activities 029+...+033	34	841,893	737,957
VII Cash and cash equivalents at the beginning of period	35	1,638,068	3,361,751
VIII Increase of cash and cash equivalents	36	1,723,683	1,670,502
IX Decrease of cash and cash equivalents	37	-	-
X Cash and cash equivalents at the end of period	38	3,361,751	5,032,253

Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) (continued)

Submitter: Zagreb Stock Exchange Inc.

Statement of changes in equity for the period from January 1, 2022 to December 31, 2022 (in HRK)

Item	ADP	Attributable to owners of the parent				Profit or loss for the year (period)	Retained profit or loss brought forward	Fair value reserves	Other revaluation reserves	Attributable to non-controlling interests	Total capital and reserves
		Subscribed capital	Capital reserves	Profit reserves							
	1	2	3	4	5	6	7	8	9	10	11
Balance on the first day of the previous business year		1	46,357,000	13,860,181	141,000	1,874,402	(19,778,307)	-	-	-	42,454,276
Change in accounting policies	2	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	3	-	-	-	-	-	-	-	-	-	-
Balance on the first day of the previous business year (restated)		4	46,357,000	13,860,181	141,000	1,874,402	(19,778,307)	-	-	-	42,454,276
Profit or loss for the period	5	-	-	-	-	873,255	-	-	-	-	873,255
Unrealised gains or losses on financial assets at fair value through other comprehensive income	6	-	-	-	-	-	-	-	-	-	-
Other changes in equity unrelated to owners	7	-	-	-	-	-	-	-	-	-	-
Total directly recognized income and expenses of the previous year (previous year periods)	8	-	-	-	-	873,255	-	-	-	-	873,255
Increase/decrease of subscribed capital	9	-	-	-	-	-	-	-	-	-	-
Other contributions by owners	10	-	-	-	-	-	-	-	-	-	-
Payment of share in profit/dividend	11	-	-	-	-	-	-	-	-	-	-
Other distribution to owners	12	-	-	-	-	(1,874,402)	1,874,402	-	-	-	-
Balance on the last day of the previous business year reporting period		13	46,357,000	13,860,181	141,000	873,255	(17,903,905)	-	-	-	43,327,531

Forms in accordance with the Ordinance on the Structure and Content of Stock Exchange Annual Financial Statements (Official Gazette 25/19) (continued)

Submitter: Zagreb Stock Exchange Inc.

Statement of changes in equity for the period from January 1, 2022 to December 31, 2022 (in HRK) (continued)

Item	ADP	Attributable to owners of the parent			Profit or loss for the year (period)	Retained profit or loss brought forward	Fair value reserves	Other revaluation reserves	Attributable to non-controlling interests	Total capital and reserves	
		Subscribed capital	Capital reserves	Profit reserves							
	1	2	3	4	5	6	7	8	9	10	11
Balance on the first day of the current business year	14	46,357,000	13,860,181	141,000	873,255	(17,903,905)	-	-	-	43,327,531	
Change in accounting policies	15	-	-	-	-	-	-	-	-	-	
Correction of prior period errors	16	-	-	-	-	-	-	-	-	-	
Balance on the first day of the current business year (restated)	17	46,357,000	13,860,181	141,000	873,255	(17,903,905)	-	-	-	43,327,531	
Profit or loss for the period	18	-	-	-	127,279	-	-	-	-	127,279	
Unrealised gains or losses on financial assets at fair value through other comprehensive income	19	-	-	-	-	-	528,686	-	-	528,686	
Other changes in equity unrelated to owners	20	-	-	-	-	-	-	-	-	-	
Total directly recognized income and expenses of the current year (current period)	21	-	-	-	127,279	-	528,686	-	-	655,965	
Increase/decrease of subscribed capital	22	(23,178,500)	-	6,147,850	-	17,030,650	-	-	-	-	
Other contributions by owners	23	-	-	-	-	-	-	-	-	-	
Payment of share in profit/dividend	24	-	-	-	-	-	-	-	-	-	
Other distribution to owners	25	-	-	(139,320)	(873,255)	873,255	-	-	-	(139,320)	
Balance on the last day of the current business year reporting period	26	23,178,500	13,860,181	6,149,530	127,279	-	528,686	-	-	43,844,176	

Notes to the annual financial statements – GFI

1. Reporting entity

Zagreb Stock Exchange Inc. (“the Company”) is a joint stock company domiciled in Republic of Croatia and was registered at the Commercial Court in Zagreb on 5 July 1991 under the number (MBS) 0800034217. The personal identification number of the Company (OIB) is 84368186611. The address of the Company’s registered office is Eurotower, 22nd floor, Ivana Lučića 2a/22, Zagreb, Croatia.

2. Basis of preparation and significant accounting policies

Basis for preparation

Financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Separate 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.

Detailed information on the basis of preparation of the financial statements are provided in Note 2 to the separate financial statements presented in the Annual Report on Company Status and Business Activities in 2022 available on the internet page www.zse.hr (further: the Company’s Annual Report).

Significant accounting policies

Financial statements for the reporting period are prepared applying the same accounting policies as in the latest separate financial statements for 2022 available on the internet page www.zse.hr.

Disclosure of additional information required by IFRSs that are not presented elsewhere in the separate statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity

Additional information required by IFRSs that are not presented elsewhere in the separate statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity are disclosed in the Company’s Annual Report as published on the internet page www.zse.hr.

3. Financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided

The Company does not have financial commitments, guarantees or contingencies that are not included in the balance sheet as of December 31, 2022, nor has issued securities.

4. Amount of advance payments and loans granted to the members of administrative, management and supervisory bodies

The Company did not give advances or approved loans to members of administrative, management and supervisory bodies during 2022 or 2021.

5. Amount and nature of individual items of income or expenditure which are of exceptional size or incidence

Details on the income or expenditure which are of exceptional size or incidence are presented in the Notes to the audited financial statements in the Company’s Annual Report (www.zse.hr).

6. Liabilities falling due after more than five years, as well as debts covered by valuable security provided by the Group

At the balance sheet date, the Company does not have liabilities falling due after more than five years.

At the balance sheet date, the Company does not have debts covered by valuable securities provided by the Group.

Notes to the annual financial statements – GFI (continued)

7. Average number of employees during the reporting period

The average number of the employees during the reporting period of 2022 is 25.

8. Capitalized costs of salaries during the reporting period

The Company did not capitalize the cost of salaries during the reporting period.

9. Amount of salaries and remunerations approved for the business year to members of administrative, management and supervisory bodies

The amount of salaries and remunerations approved for the year 2022 to the members of the administrative, management and supervisory bodies due to their responsibilities and all obligations arising from or agreed upon in connection with the retirement of the former members of these bodies are published in Note 25 Related parties in the Company's Annual Report (www.zse.hr).

10. Average number of employees by category and personnel costs related to the business year

The Company does not divide employees into categories. During 2022, the Company had an average of 25 employees. The income of employees for 2022 broken down into net salaries and wages, the costs of taxes and contributions from salaries, contributions to salaries and other salary expenses that do not include reimbursements of expenses are published in Note 6 Personnel expenses in the Company's Annual Report (www.zse.hr).

11. Deferred taxes

Provisions for deferred taxes, balance of deferred taxes at the beginning and the end of the reporting period, as well as movement of those positions during the reporting period:

	1.1.2022	Increase	Decrease	31.12.2022
	kn'000	kn'000	kn'000	kn'000
Deferred tax assets	-	116	-	116
Deferred tax liabilities	-	-	-	-
	<u>-</u>	<u>116</u>	<u>-</u>	<u>116</u>

12. Name and registered office of each of the companies in which the issuer, either itself or through a person acting in their own name but on the issuer's behalf, holds a participating interest, showing the amount of capital held, the amount of total capital and reserves, and profit or loss

Information on investments in companies in which the Company holds a participating share in the capital are presented in Notes "Investments in subsidiaries" and "Investments in associates and joint ventures" (GFI: "Investments in associates, subsidiaries and joint ventures").

13. Number and nominal value of shares subscribed during the reporting period within the limits of the authorised capital

There were no shares subscribed during the reporting period within the limits of the authorised capital.

Based on the Decision of the Company's Assembly dated June 14, 2022, the share capital of the Company is reduced in a regular procedure for the purpose of transferring HRK 23,178,500.00 to other reserves of the Company. By undertaking the share capital reduction, the nominal value per share is reduced to the amount which is lower than the minimum nominal amount permitted under Article 163(2) of the Companies Act. Hence, the share capital is reduced in a regular procedure through a consolidation of shares (reverse split), in accordance with Article 342(4) of the Companies Act. The shares are consolidated at a ratio of 2:1 by issuing to each shareholder 1 registered share with a nominal value of HRK 10.00 for 2 shares outstanding.

Notes to the annual financial statements – GFI (continued)

14. Existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they give

The Company has no participation certificates, convertible debentures, warrants, options or similar securities or rights.

15. Name, registered office and legal form of each of the companies in which the issuer has unlimited liability

The Company has no shares in companies having unlimited liability.

16. Name and registered office of the company which draws up consolidated financial statements for the reporting period of the largest group of companies of which the issuer forms part as a controlled group member

The Company is the final parent company and is not a controlled member of any group.

The Company prepares consolidated financial statements that are available for use on the internet page www.zse.hr.

17. Name and registered office of the company which draws up consolidated financial statements for the reporting period of the smallest group of companies of which the issuer forms part as a controlled group member and which is also included in the group of companies referred to in point 13.

The Company is the final parent company and is not a controlled member of any group.

18. Place where copies of the consolidated financial statements referred to in points 16 and 17 may be obtained

The Company prepares consolidated financial statements that are available for use on the internet page www.zse.hr.

19. Proposed distribution of profits

The proposal on the distribution of profits for 2022 is attached to the Company's Annual Report, which is published on the website www.zse.hr.

20. Nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company of those arrangements, provided that the risks or rewards of such arrangements are material and to the extent that disclosure of such risks or rewards is necessary to assess the issuer's financial position

The Company has no arrangements that are not included in the presented unconsolidated financial statements.

21. Nature and the financial effect of significant events arising after the balance sheet date which are not reflected in the profit and loss account or the balance sheet

Significant events arising after the balance sheet date are presented in Notes to the Company's Annual Report as published on the internet page www.zse.hr

22. Net income broken down by segments

The Company generates all its revenues in Croatia, and for reporting purposes, the entire business represents one business segment.

23. Total amount of compensation to the auditor for the reporting year

The amount of the auditor's fee for the statutory audit of annual financial statements and the amount of other fees to the auditor is published in the notes to the unconsolidated financial statements in the Company's Annual Report.

Reconciliation of the GFI-POD Balance sheet and unconsolidated balance from audited financial statements for the year 2022

Balance sheet item (IFRS)	Notes	Amount (000 kn)	Balance sheet item (GFI)	AOP	Amount (000 kn)
ASSETS					
Long term assets		35,157	A FIXED ASSETS	1	35,157
Intangible assets	11	1,657	I INTANGIBLE ASSETS	2	1,657
			II TANGIBLE ASSETS	3	4,090
Property and equipment	10	1,585	1 Land and buildings	4	2,181
Assets with right of use	12	2,505	2 Computer equipment	5	1,299
			3 Other tangible assets	6	431
			4 Leasehold improvements	7	179
		4,090			4,090
		29,294	III FIXED FINANCIAL ASSETS		29,294
Investment in subsidiary	13	19,125	1 Investments in associates, subsidiaries and joint ventures	10	28,629
Investment in associate and joint venture	14	9,504			
		28,629			28,629
Financial assets at fair value through other comprehensive income	15a	197	2 Financial assets at amortised cost (long term)	11	665
Long term deposits	19	250			
Investment in subsidiary	18	218			
		665			665
		29,294			29,294
Deferred tax assets	9	116	DEFERRED TAX ASSETS	12	116
CURRENT ASSETS					
		16,204	B CURRENT ASSETS	13	16,203
			I RECEIVABLES	14	2,133
Trade receivables	16	1,422	1 Trade receivables	15	1,492
			2 Receivables from employees and members of the undertaking	16	-
Other assets	16	613	3 Receivables from government and other institutions	17	22
			4 Receivables from connected undertakings	18	27
Contract assets		99	5 Other receivables	19	592
		2,134			2,133

Zagreb Stock Exchange Inc., Zagreb
Forms in accordance with the Ordinance on the Structure and Content of
Stock Exchange Annual Financial Statements (Official Gazette 25/19)
for the year ended 31 December 2022

Reconciliation of the GFI-POD Balance sheet and unconsolidated balance from audited financial statements for the year 2022 (continued)

Balance sheet item (IFRS)	Notes	Amount (000 kn)	Balance sheet item (GFI)	AOP	Amount (000 kn)
		9,038	III SHORT-TERM FINANCIAL ASSETS	20	9,038
Short-term deposits		61	1 Financial assets at amortised cost	21	61
Financial assets at fair value through profit or loss		8,977	3 Financial assets at fair value through statement of profit or loss	23	8,977
		9,038			9,038
Cash and cash equivalents		5,032	III CASH AND CASH EQUIVALENTS	24	5,032
Prepaid expenses		103	C Prepaid expenses and accrued income	25	103
TOTAL ASSETS		51,464	D TOTAL ASSETS	26	51,463
CAPITAL AND LIABILITIES					
Capital and reserves		43,844	A CAPITAL AND RESERVES	28	43,844
Issued share capital		23,179	I INITIAL CAPITAL	29	23,179
Share premium		13,860	II CAPITAL RESERVES	30	13,860
			III PROFIT RESERVES	31	6,678
Legal reserves		141	1 Legal reserves	32	141
Own shares		(139)	2 Reserves for treasury shares	33	(139)
Fer value reserves		529	3 Fair value reserves	34	529
Other reserves		6,147	4 Other reserves	35	6,147
Accumulated profit (losses)		127	IV Retained profit or loss brought forward	36	-
			V Profit or loss for the year	37	127
		43,844			43,844
Long term liabilities		1,737	D LONG-TERM LIABILITIES	47	1,737
Long term lease liabilities		1,737	Long term liabilities	47	1,737
		1,737			1,737
Short term liabilities		2,211	C SHORT TERM LIABILITIES	40	2,211
Trade and other payables		1,510	1 Advance payments received	41	4
Short term financial liabilities		701	2 Trade payables	42	558
			3 Liabilities to employees	43	331
			4 Taxes, contributions and similar liabilities	44	327
			5 Liabilities to related parties	45	2
			6 Other short-term liabilities	46	989
		2,211			2,211
Contract liabilities		3,672	Accruals and deferred income		3,672
		3,672			3,672
Total equity and liabilities		51,464			51,464

Reconciliation of the GFI-POD Profit and loss account and unconsolidated other comprehensive income from audited financial statements for the year 2022

P&L item (IFRS)	Amount	P&L item (GFI)	Amount
Operating revenues	15,335	A OPERATING INCOME	15,334
Sales revenue	4 10,269	I Sales revenue	2 10,268
Other operating income	5 4,578	II Other operating income	9 5,066
Revenue from LEI	5 488		
	15,335		15,334
Operating expenses	14,919	B OPERATING EXPENSES	14,917
Staff costs	6 7,559	II Staff costs	17 7,271
Other employee costs (GFI AOP 22)	6 (288)		
	7,271		7,271
	6,001		6,287
Other operating expenses	6,001	I Material costs	14 4,185
Expenses reported under Staff costs	288	IV Other costs	22 2,062
	0	VII Other operating expenses	27 40
	6,289		6,287
Depreciation and amortization	1,359	III Depreciation	21 1,359
Net finance income	(405)	Net finance income	(406)
Financial income	13	C FINANCIAL INCOME	28 492
Dividend income	420	D FINANCIAL EXPENSES	35 (898)
Financial expense	(93)		0
Net losses from changes in fair value of financial assets through profit and loss	(717)		0
Net foreign exchange gain/(loss)	(28)		0
Profit before tax	11	H PRE-TAX PROFIT OR LOSS	11
Income tax expense	(116)	I INCOME TAX	45 (116)
Profit for the year	127	J PROFIT OR LOSS FOR THE PERIOD	46 127
Total other comprehensive profit	529	K OTHER COMPREHENSIVE INCOME	53 529
Total comprehensive profit for the year	656	TOTAL COMPREHENSIVE INCOME	54 656



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Zagreb Stock Exchange

Pursuant to Articles 300.a, 300.b, 300.c and 300.d of the Companies Act (Official Gazette, Nos. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19 and 34/22), the Management Board of the Zagreb Stock Exchange, Inc. with its registered office in Zagreb, Ivana Lučića 2a/22 (hereinafter: the Exchange), on 26 April 2023, passed the following

DECISION

1. Separated and consolidated financial statements for the year ended 31 December 2022 are determined, and the Reports by the certified auditor PWC Ltd., Zagreb for the year ended 31 December 2022 are accepted.
2. The documents referred to in item 1 of this Decision together with the report on the state of the Exchange shall be submitted to the Supervisory Board of the Exchange for approval and, upon approval, shall be deemed determined by the Management Board and the Supervisory Board of the Exchange and sent to the General Assembly of the Exchange.
3. This Decision shall be published as an integral part of the 2022 Annual Report.
4. This Decision comes into force as of the day of its passing.

Mark: OU/2023 – 043

Ivana Gažić

President of the Management Board



ZAGREBAČKA BURZA d.d.
Zagreb

Tomislav Gračan

Member of the Management Board



ZAGREBAČKA
BURZA

Zagreb Stock Exchange

Pursuant to Articles 220., 222., 222.a and 300.b of the Companies Act (Official Gazette, Nos. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19 and 34/22), the Management Board of the Zagreb Stock Exchange, Inc. with its registered office in Zagreb, Ivana Lučića 2a/22 (hereinafter: the Exchange), on 26 April 2023, passed the following

DECISION

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

„PROPOSAL

of the Decision on the use of profits for the year 2022

I.

It is established that in the financial year ending 31/12/2022, the Exchange made a net profit of HRK 127,276.19 or EUR 16,892.45 (fixed conversion rate of 1 euro = 7.53450 HRK).

II.

The amount of net profit referred to in point I of this Decision shall be allocated to retained earnings.

III.

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

2. This Proposal shall be referred for the approval to Supervisory Board of the Exchange and referral to the General Assembly of the Exchange as a joint proposal of the Management Board and the Supervisory Board of the Exchange.
3. This Decision shall be published as an integral part of the 2022 Annual Report.
4. This Decision shall enter into force on the day of its adoption.

Mark: OU/2023 – 044

Ivana Gažić

President of the Management Board



ZAGREBAČKA BURZA d.d.
Zagreb

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Tomislav Gračan

Member of the Management Board