ZAGREB STOCK EXCHANGE IN THE YEAR 2022

ZAGREBAČKA BURZA
Zagreb Stock Exchange

STATEMENT OF 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 logostika 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.

TRADING IN 2022

The year got off to an excellent start in terms of trading statistics and market liveliness, only for the month of February to bring about intensive trading with the onset of the war in Ukraine, resulting in index and market capitalisation corrections. Still, the rest of the year was marked by mostly positive sentiment, ending with a -1.5% correction in order book trading turnover and a total turnover exceeding that of the previous year by as much as 16.5%. Substantial growth was recorded in ETF turnover, seeing a 68.4% surge compared to 2021.

Market value as measured by market capitalisation saw a correction, measuring -2.6% in the case of shares.

The performance of indices varied, ranging between-8.4% recorded by CROBEX10 and +52.5% in the case of CROBEXtransport.

However, generally speaking, there is reason to be satisfied with our capital market given that local indices retreated much less strongly than the most important global exchange indices, with the affected markets experiencing some of their biggest drops since 2008.