STATEMENT OF THE MANAGEMENT BOARD

Unlike the truly turbulent year 2020, one could say that 2021 brought a certain stabilisation as everyone grew accustomed to the 'new normal'. The year got off to a fairly optimistic start with growth in statistical indicators, but a rather diverse market environment began to emerge as it progressed. All in all, however, the market certainly did not lack activity throughout the year thanks to new issues, improvements to various services and processes, as well as other steps contributing to market quality and efficiency so as to provide a better service to all its participants.

Three new issues were admitted to trading on the regulated market over the course of the year, with Span drawing the greatest interest as the first IT company to list its shares on the Exchange in 18 years, expanding the range of sectoral opportunities for investors in the local market. In addition, three other listings resulting from capital increases of respective companies were recorded, with a total of six bonds of all types (municipal, government, corporate) also admitted to trading by the end of the year.

After acquiring 5.3% of the equity in the Macedonian Stock Exchange late in 2019, the Zagreb Stock Exchange increased its holding in that exchange to 7.06% by the end of 2021. Also, the Macedonian and the Zagreb Stock Exchange entered into a Cooperation Agreement aimed at improving the expertise and professional development of the participants of Macedonia's capital market through ZSE Academy training.

The last day of August marked five years since the shares of the Zagreb Stock Exchange were admitted to trading on the regulated market managed by the Exchange. At the time, the Zagreb Stock Exchange was and still continues to be the only exchange in Central and South-Eastern Europe to have its shares admitted to trading on the regulated market. Thus, following the example of developed markets, it set new transparency standards and corporate governance criteria to further strengthen its position as a capital market leader and service provider in the wider region.

The Exchange's Progress Market, intended for SMEs, also saw plenty of activity – particularly on its Funderbeam platform, which ran successful new fund-raising campaigns for local start-ups.

The Zagreb Stock Exchange joined the UN Sustainable Stock Exchanges (SSE) initiative, aimed at promoting sustainability in capital markets. In accordance with the goals set by the initiative, it will take active part in a dialogue with the UN and other SEE members to jointly improve business practices related to environmental, social and corporate governance issues. 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 to emphasise the role that the business and financial sector may have in empowering women in key positions, as an important global sustainable development goal.

Through the ZSE Academy, we sought to enhance the level of knowledge and expertise of all capital market participants. The Academy marked the 11th year of its operations, during which training was delivered to more than 10,000 individuals. It has developed more than 80 training programmes, several of them more complex in terms of duration and scope: the investor relations programme was completed by the 11th generation of IR experts, followed by the Academy's compliance

programme, while the investment fundamentals programme completed by the 5th generation of participants.

Numerous events and investment conferences organised by the Exchange gathered more than 1,000 participants in a bid to promote not only our own but the regional market as well, while bringing together market participants and connecting them with the international investment community. The traditional Ljubljana and Zagreb Stock Exchange Investment Days, first introduced back in 2014, were held in May and marked the first time that the companies trading on the Macedonian Stock Exchange joined Slovenian and Croatian companies at the event. A total of 18 companies presented their business operations and results to a record 230+ analysts and investors from more than 20 countries, including Great Britain, the United States, Austria, Germany, Finland, Russia, Estonia, Turkey, the Czech Republic, Switzerland and others. Another edition of the investment conference, hosting more than 170 meetings between listed companies and investors in a single day, was held in December. In September, the Prime Plus investment webcast of the Zagreb Stock Exchange, involving the participation of companies listed on the Prime Market and several companies in other market segments of the Exchange, attracted more than 50 local and foreign analysts and investors.

The Croatian Financial Services Supervisory Agency (HANFA), the Central Depository and Clearing Company and the Zagreb Stock Exchange held the 12th round of their annual education, aimed at the companies whose securities are admitted to trading on the Zagreb Stock Exchange's regulated market. A hundred-odd issuer representatives in attendance learned about the novelties concerning capital market regulation and other related topics. This round focused on non-financial reporting, corporate governance and the SRD II Directive.

October saw the 'Challenge of Change' conference, traditionally organised by the Zagreb Stock Exchange and the Association of Pension Fund Management and Pension Insurance Companies. The conference brought together more than 400 financial industry participants from Croatia and its wider region and featured 20-odd prominent speakers, including Deputy Prime Minister and Finance Minister Zdravko Marić, Minister for Labour, Pension System, Family and Social Policy Josip Aladrović, chairman of HANFA's Board Ante Žigman and central bank governor Boris Vujčić. As part of the conference, the daily *Poslovni dnevnik* and the Zagreb Stock Exchange presented their awards to companies providing the best investor relations for the twelfth year running.

The Zagreb Stock Exchange LEI Service, as one of no more than 38 globally accredited LEI assignment entities, managed some 1,400 LEIs at the end of the year. According to the performance criteria of the Global LEI Foundation, the quality of the ZSE LEI Service scored an exceptionally high 99–100%.

In March, the Exchange launched a series of short-form videos entitled the ZSE Stock Talk, in which our prominent figures address current finance, economics, capital market and other current topics in order to bring the capital market and related topics closer to the general public. Marking the third year of its existence, the Zagreb Stock Exchange blog *Burzin brief* saw the publication of more than 60 texts written by local and foreign experts in the field of finance.

The 10th annual Zagreb Stock Exchange Awards, aimed at enhancing market recognition and the visibility of its active participants among the financial and general public, were presented in December to recognise, support and reward excellence. The Exchange marked the 30th anniversary of its modern-day existence by screening a documentary featuring a number of figures who played

prominent roles in the establishment of the local capital market. We would like to stress that the Zagreb Stock Exchange development over the past three decades since its establishment has always been aimed at creating a regional leader in the provision of capital market services by setting up sound and resilient market infrastructure, comparable to that of the most developed markets.

Among the projects aimed at improving trade infrastructure and raising the level of service quality for all participants, our focus this year was primarily on developing our own trading surveillance software named Zeus, as well as on formulating an Exchange strategy for the next five years. We also participated in the project of CCP implementation in Croatia, successfully delivered new trading system releases and undertook other activities for the optimisation of infrastructure which, while not always appearing obvious, contribute significantly to the quality of capital market services.

The Zagreb Stock Exchange maintained business and trading continuity through uninterrupted provision of superior quality products and services, aimed at meeting 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 have been possible without the unwavering efforts invested by all market participants, member firms and issuers in particular, as well as the excellent cooperation with the Regulator.

In the coming year, we will strive to improve our services further and continue to develop all the projects initiated, while also joining forces with the Regulator, issuers and other stakeholders to create an environment conducive to excellence, the highest ethical standards in business and corporate governance so as to contribute to increasing the value of the market as a whole and creating better investment opportunities for companies and investors.

Even with the challenging circumstances under which the capital market will certainly continue to operate in 2022, the Zagreb Stock Exchange aims to maintain its position as a regional leader and one of the mechanisms supporting economic growth. We will press on with our efforts to strengthen the very market capacity, provide for the needs of shareholders, investors, issuers, member firms and all other stakeholders, while enhancing the level of transparency and its positive impact on investor confidence, liquidity and the value of the market as a whole.

TRADING IN 2021

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

ETFs, which marked one year since their admission to trading in November, recorded substantial turnover and market capitalisation growth. Market capitalisation increased in most other segments too, with the value of Prime Market shares rising 9% compared to a year earlier and those trading on the Official Market growing as much as 21%.

Almost all indices recorded significant gains, and CROBEXtr – which also reflects dividend yield – advanced a hefty 22%, which is an excellent indicator of the return on investment for investors. Most other indices also rose at two-digit rates.

The most actively traded shares were those of the food company Podravka d.d., HT d.d. telecommunications company, Valamar Riviera d.d. hotels, shipper Atlantska Plovidba d.d. and Adris Grupa d.d., all of which recorded a turnover in the range of HRK 113–216 million.