

Annual Report 2017

Ljubljana Stock Exchange



LJUBLJANSKA BORZA
LJUBLJANA *Stock Exchange*



TABLE OF CONTENTS

INTRODUCTION	2
LJUBLJANA STOCK EXCHANGE 2017 HIGHLIGHTS.....	3
LJUBLJANA STOCK EXCHANGE COMPANY PROFILE	4
Company ID	4
Business	4
REPORT FROM THE MANAGEMENT BOARD.....	5
REPORT FROM THE SUPERVISORY BOARD.....	7
BUSINESS REPORT.....	11
Corporate Governance Statement.....	12
General Meeting.....	12
Supervisory Board	12
Management Board	13
Board of Members and Board of Issuers	15
Statement on Compliance with the Corporate Governance Code.....	15
Internal controls and risk management.....	19
Internal audit.....	21
External audit	21
Other information (as at 31 December 2017)	21
MISSION, VISION AND STRATEGIC OBJECTIVES.....	22
Mission	22
Vision	22
Strategy and strategic objectives.....	22
BASIC MACROECONOMIC INDICATORS FOR SLOVENIA	23
LJUBLJANA STOCK EXCHANGE OPERATIONS IN 2017	23
Turnover on the Ljubljana Stock Exchange	24
LJSE Member Firms Turnover in 2017	24
The LJSE blue chip index SBI TOP.....	25
IMPORTANT LJSE ACTIVITIES IN 2017	27
Ljubljana Stock Exchange development and promotion activities in 2017	27
Market surveillance and best market practices	29
Monitoring member firms and trades	29
HUMAN RESOURCES MANAGEMENT	29
Demographics, and employees' academic profiles	30
BUSINESS OPERATIONS ANALYSIS.....	32
Ljubljana Stock Exchange operations in 2017	32
Profit or loss for the period	35
OBJECTIVES AND PLANS FOR 2018	37
FINANCIAL STATEMENTS AND DISCLOSURES	38
MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS (STATEMENT ON MANAGEMENT RESPONSIBILITY).....	39
FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017	40
INDEPENDENT AUDITOR'S REPORT	67
CONTACT INFO.....	71

INTRODUCTION



LJUBLJANSKA BORZA
LJUBLJANA *Stock Exchange*

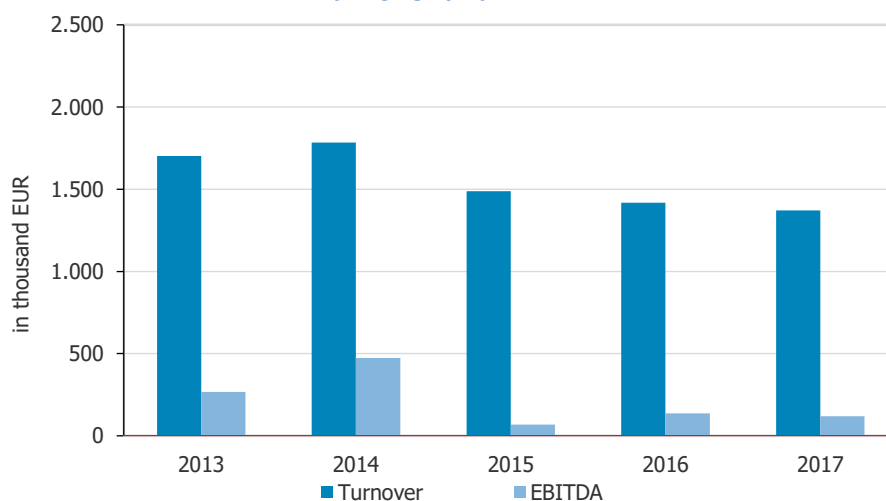


Ljubljana Stock Exchange 2017 Highlights

EUR 1,439,364
SALES REVENUE

EUR 166,103
EARNINGS BEFORE
INTEREST, TAXES,
DEPRECIATION, AND
AMORTIZATION
(EBITDA) 2017

Turnover and EBITDA



<i>(in EUR)</i> Key financial figures for the company Ljubljana Stock Exchange					
	2017	2016	2015	2014	2013
Called-up capital	1,400,893	1,400,893	1,400,893	1,400,893	1,400,893
Equity	2,591,903	2,376,378	2,286,827	2,662,479	2,382,999
Assets	2,938,150	2,654,468	2,642,682	2,896,847	2,595,175
Revenues (total)	1,445,485	1,421,246	1,493,896	1,793,547	1,716,686
- revenues from trading fees	464,127	502,011	516,571	731,374	458,472
- other revenues	981,358	919,235	977,325	1,062,173	1,258,215
Costs (total)	1,352,242	1,355,835	1,579,384	1,498,910	1,751,676
- labour costs	615,491	546,430	758,576	572,227	675,001
- other costs	736,751	809,405	820,808	926,683	1,076,675
EBITDA	119,792	137,390	68,830	470,768	166,017
Operating profit / loss (EBIT)	166,103	63,427	-90,445	285,292	-48,297
Profit / loss before tax	88,421	65,411	-85,488	294,637	-34,990
Taxes	93,243	24,140	-10,684	-15,157	3,952
Net profit / loss for the period	-13,924	89,551	-96,172	279,480	-31,039
Nr. of shares	33,571	33,571	33,571	33,571	33,571
Book value on 31 Dec. (capital / no. of shares)	77.21	70.79	68.12	79.31	70.98
Dividend payment per share in EUR	-	-	-	279,480	-
Number of employees by man-hours	11.37	9.73	10.05	10.08	12.27
Number of employees on 31st Dec	11 (+3*)	12	10	10 (+1*)	12



Ljubljana Stock Exchange Company Profile

Company ID

Name	Ljubljanska borza, d. d., Ljubljana (English: Ljubljana Stock Exchange Inc., short: LJSE)
Registered Office	Slovenska cesta 56, 1000 Ljubljana, Slovenia
Telephone	01 471 02 11
Fax	01 471 02 13
E-mail Address	info@ljse.si
Website	www.ljse.si
Incorporated on	26 December 1989
Share Capital	EUR 1,400,893.01
Shareholders	Zagrebačka burza d.d. – 100% owner
Core Business	Regulated Securities Market Operator
Business Activity Code	67.110
Registration Number	5316081
VAT Identificaiton Number	59780061
Size	Small Company (in accordance with Article 55 of the Companies Act (ZGD-1) - a large company for the purpose of preparing the books and annual report)
Companies Register Entry	1/04218/00, District Court of Ljubljana

Business

The Ljubljana Stock Exchange (hereinafter: LJSE or company) is a joint stock company founded to foster the matching of supply and demand in securities trading and in trading in other financial instruments. It ensures that transactions in securities and other financial instruments are carried out in a regulated, transparent, liquid and efficient manner, in line with the law and other regulations.

The company's objective is to maximise company value for shareholders in the long-term, parallel to ensuring the development, stability and safety of the Slovenian regulated market and complying with the regulations governing the market in financial instruments.

Transactions in securities and other financial instruments are organised pursuant to the law, the LJSE Articles of Association, the LJSE Rules, the LJSE Instructions and other LJSE acts adopted by the LJSE Management Board.

The company's Articles of Association stipulate the following as its business activities:

- Operating the stock exchange market in financial instruments for which it had obtained the Securities Market Agency's authorisation;
- Publishing securities prices;
- Providing information on the supply, demand and market value of securities, and other information on securities;
- Analytic research work in the financial market;
- Providing IT services to support trading;
- Operating the Slovenian multilateral trading facility (MTF);
- Operating the Slovenian officially appointed mechanism (OAM);
- Selling and maintaining the software developed for the purposes of providing its services.



Report from the Management Board

The Ljubljana Stock Exchange's operations in 2017 were successful. Total revenue amounted to EUR 1,445,485 and total expenses were EUR 1,352,242. The total revenues are by EUR 26,361 or 1.9% higher than planned. The overall result for 2017 is positive, reflecting the improved macroeconomic situation of the Slovenian economy, increased stock market activity and internal cost optimization of the LJSE.

Compared to 2016, total revenues increased by 3.2% and expenditure lower by 0.3%. In 2017, LJSE realized a positive cash flow of EBITDA in the amount of EUR 166,103, which is 20.9% more than in 2016. The operating result of the LJSE to a large extent depends on income from trading which amounted to EUR 464,127, 7.5% less than in 2016. Listing fees revenue and listing maintenance fees amounted to 365,960 EUR and were 5.1% higher than in the previous year. Information-communication (ICT) services related to the Xetra® and SEO systems generated EUR 181,676, which is at a comparable level as in the previous year. Revenues from market data vending was also stable compared to the previous year, in 2017 they contributed EUR 264,650 of revenues or 5.9% more than in the year before. In 2017, a major investment was made in the complete renovation of the business premises of the LJSE. The LJSE operates smoothly and without external indebtedness.

At the end of the year the LJSE had 14 employees. Despite the small number of employees, the LJSE successfully performed all tasks, which is a reflection of good internal organisation and a high level of employee efficiency and motivation. As every year also in 2016 the LJSE devoted special attention to operations compliance and in-house corporate governance, which we try to continuously upgrade according to the changing external circumstances or changed internal LJSE processes. We received no extraordinary measures from the Securities Market Agency in 2017. The LJSE is also not facing any pending complaints or legal actions filed in 2016 by capital market stakeholders.

In addition to regular market management activities, the LJSE paid a lot of attention to the implementation of the new European MiFID II and MiFIR legislation in 2017 and continued activities for the further development of the capital market in Slovenia. With this in mind, at the beginning of 2017, the new SI Enter market (MTF market) was introduced, onto which 76 new companies were listed, which enabled the increase in the transparency and quality of trading for these securities. At the end of 2017, SI Enter was upgraded with the introduction of a special segment called Progress, aimed primarily at financing small and medium-sized enterprises.


Movements on the Slovenian organized capital market resulted in a significant rise in the SBI TOP index, which rose by 12.4% in 2017. The total turnover amounted to EUR 347.4 million in 2017 and was 4.1% higher than in the previous year. As in the last few years, foreign investors dominated trading in 2017, with a 56.4% share of Prime market shares. In 2017 the trend of reducing the number of member firms and listed companies, however, on the other hand, it is a welcome finding that 3 new bonds and 3 new issues of commercial papers were listed on the LJSE.

The Exchange's operations in the following years will predominantly depend on the level of activity on the stock exchange market which in turn depends on the general economic status of Slovenia, state asset management and successful operations of listed companies. The Ljubljana Stock Exchange will, together with other capital market stakeholders, continue to carry out many activities aimed at encouraging further development and promotion of the capital market.

Ljubljana, 23 March 2018



Ljubljana Stock Exchange


Nina Vičar, MSc
Member of the Management Board




Aleš Ipavec, MSc
President of the Management Board



Report from the Supervisory Board

Within its powers and competences, the Ljubljana Stock Exchange Supervisory Board (hereinafter: Supervisory Board) monitored in 2016 the work of the Management Board and the company's operations as well as periodically examined the company's results set out in its financial statements.

In accordance with the Ljubljana Stock Exchange, Inc. Articles of Association and the resolution adopted by the General Meeting, the LJSE Supervisory Board has four members. The current composition of the Supervisory Board members and their functions are:

- **Mrs Ivana Gažić**, MSc, President of the Supervisory Board,
- **Mrs Patricia Bakšaj**, Deputy President of the Supervisory Board,
- **Mr Tomislav Gračan**, Member of the Supervisory Board,
- **Mrs Darja Jermaniš**, MSc, Member of the Supervisory Board – employee representative.

In 2017, the Supervisory Board met at three regular and five correspondence meetings. The Management Board sent the materials for the Supervisory Board sessions seven days before the session.

Work of the Supervisory Board in 2017

In 2017 the Supervisory Board dealt most with past and current business and on strengthening the company's international competitiveness. The Supervisory Board closely monitored the corporate governance as well as rationalisation and compliance of company's operations. The Supervisory Board supervised changes in the company's organisational setup, human resources and risk management. It also adopted the Business and Financial Plan for 2017 and 2018.

The following highlights can be singled out to illustrate the work of the Supervisory Board in 2017:

- The Supervisory Board reviewed and adopted the Ljubljana Stock Exchange 2016 Annual Report as well as materials for the General Meetings;
- At each meeting the Supervisory Board looked at recent financial reports, compliance reports, trading, listing and delisting reports and reports on members firms. The Management Board also promptly informed the Supervisory Board of its risk management strategy, internal controls and other significant events relevant for the company's operations;
- in the area of internal audit, the Supervisory Board reviewed and gave its consent to the conclusion of the contract with the external provider of the internal audit services, discussed and gave its consent to the the annual audit plan for 2017, regularly monitored the reports on the performed internal audits in accordance with the adopted annual plan of the internal audit tasks for 2017 and the implementation recommendations of the internal auditors and discussed the annual report on the work of the internal audit, to which it had no comments. The Supervisory Board notes that the internal audit carried out its tasks under the annual plan for 2017, with several recommendations. All relevant recommendations, for which the deadline for implementation is December 31, 2017, are realized. Other recommendations will be realized in 2018;
- The Supervisory Board monitored the rationalisation and optimisation of the company's operations due to changes in the external environment.
- The Supervisory Board reviewed and adopted the Ljubljana Stock Exchange 2018 Business Plan;
- The Supervisory Board, in accordance with its jurisdiction, concluded individual contracts with the Management Board of the Ljubljana Stock Exchange;
- The Supervisory Board gave its consent to the project of renovation of the Ljubljana Stock Exchange business premises and sale or lease of two floors of business premises;



Performance and Remuneration of the Management Board

The Supervisory Board regularly monitored the work of the Management Board, and in particular, in detail at the regular meeting, when it determined the variable part of the salary in accordance with the employment contract and the accepted remuneration method, taking into account the profit or loss of the LJSE. The Supervisory Board's assessment is that the management in the year 2017 performed well, and the achieved business result is higher than planned. A large part of the activities of the Management Board was focused on actions in new areas, the implementation of new requirements in the regulatory field, and the enhancement of the status and visibility of the LJSE.

Self-evaluation of the Supervisory Board

The Ljubljana Stock Exchange used equal or comparable concepts of corporate governance and supervision of operations and similar approaches to its clients and stakeholders as its parent company, i.e. the Zagreb Stock Exchange, which has a 100% ownership stake in the Ljubljana Stock Exchange. This was also reflected in the representation in the Supervisory Board, which comprised three representatives of the Zagreb Stock Exchange.

All Supervisory Board members had years of experience in the field of stock exchanges and capital markets, had good knowledge of the situation in the Slovene capital market, some members were licenced subjects. One member of the Supervisory Board is also an employee representative. In light of the above, Supervisory Board assesses that the composition of the Supervisory Board with regards to representativeness, experience and professional competence was adequate.

Members regularly attended the meetings and actively participated in discussions on all items on the agenda.

We also consider the cooperation of the Management and Supervisory Boards to have been good. Good cooperation between both bodies was also the result of appropriate planning, which is also reflected in the successful achievement of operational and strategic objectives.

In cases where business issues were related to cooperation with the parent company, the resolutions of the Supervisory Board were appropriate and cost-effective and were not adopted to the detriment of the Ljubljana Stock Exchange or the Slovenian capital market. The Supervisory Board did not address issues regarding the regulation of the organized market, which, according to the Financial Instruments Market Act, falls under the responsibility of the Ljubljana Stock Exchange Management Board.

Annual Report 2016

The Supervisory Board reviewed the 2016 Ljubljana Stock Exchange Annual Report, together with the Auditor's Report, at its periodic meeting on 26 April 2017.

Pursuant to the resolution adopted at the company's 35th General Meeting in June, the financial statements for 2016 were audited by KPMG Slovenia, d. o. o.

The Annual Report that the Management Board presented to the Supervisory Board for review and approval is well drawn-up and contains all the relevant components, supplements and disclosures stipulated by the Slovenian Companies Act and accounting standards.



The unqualified opinion of auditors KPMG Slovenia, d. o. o., Ljubljana, the fact that the company's operation results and movement of cash flows are compliant with the Slovenian Accounting Standards, along with the statements of the company's management saying that all significant facts related to the operations of the Ljubljana Stock Exchange in 2016 have been disclosed and adequately argued, ensure that the financial statements are in all respects a true and fair reflection of the financial position of the Ljubljana Stock Exchange as at 31 December 2016. The Supervisory Board had no comments to the Auditor's Report and content of the Annual Report.

We have studied the content of the Annual Report and the Auditor's Report with due diligence and decided at our meeting on 26 April 2017 to formally adopt the 2016 Ljubljana Stock Exchange Annual Report.

Report and Explanations with Respect to Relations between the Ljubljana Stock Exchange and Controlling Company Zagreb Stock Exchange or its affiliate company

The Supervisory Board discussed the auditor's conclusion about the limited assurance for the report on relations between the Ljubljana Stock Exchange and controlling company the Zagreb Stock Exchange and its affiliate company for 2017 (hereinafter: Report on Affiliated Companies) which states that the contracts concluded with the Zagreb Stock Exchange in 2017, namely the Service Level Agreement and the Data vending Cooperation agreement, and the registration of the LEI code does not in any way mean a deprivation for the Ljubljana Stock Exchange and does not in any way mean that the Exchange would not receive the appropriate refund, but with the additional optimization of operations, the possibilities for developing the services of the LJSE and the creation of additional revenues in the coming years increase. In the circumstances known to it at the time when the legal transaction was committed or the act was committed or abandoned, the exchange was not disadvantaged in any of the said legal transactions.

The Supervisory Board addressed the Report on Affiliated Companies together with the auditor's report on the financial statements on its regular meeting held on 5 April 2018.

Report Affiliated Companies was audited by auditors from KPMG Slovenija, d. o. o.

Report Affiliated Companies is appropriately prepared and contains all components, explanations and disclosures prescribed by the Companies Act (ZGD-1). The auditing company KPMG Slovenija, d. o. o. issued a favourable opinion on the Report.

The Supervisory Board has no additional comments to the statement of the management that in relations with the controlling company the Zagreb Stock Exchange or its affiliate companies no transactions were entered into which would cause deprivation to the Ljubljana Stock Exchange.

Approval of Annual Report 2017 proposal and Settlement of profit for 2016

The Members of the Supervisory Board were regularly informed about the operations of the Ljubljana Stock Exchange at regular meetings of the Supervisory Board. The management reported on all interim reports. The Supervisory Board discussed preliminary financial statements for 2017 at its 19th regular meeting of 30 January 2018.

The members of the Supervisory Board received the proposal of the Annual Report for the financial year 2017 on 29 March 2018 and discussed it at its 20th regular meeting of 5 April 2018.



Based on the proposal of the Annual Report and the report of the audit company, the Supervisory Board assessed that the annual report of the Management Board credibly reflects the events and comprehensive information on the operations of the Ljubljana Stock Exchange in 2017 and upgrades the information that it regularly received during the business year. As no comments were received on the proposal of the Annual Report and the Audit Report, the report proposal was unanimously approved at the body's regular meeting on 5 April 2018. With this, the Annual Report was formally adopted in accordance with the provisions of Article 282 of the Companies Act and the Articles of Association of the Ljubljana Stock Exchange.

In 2017, the Ljubljana Stock Exchange achieved net profit of EUR 79,319.27, consisted by the net profit for the current year in the amount of EUR 83,323.72, newly formed deferred tax assets in the amount of EUR 319.84 and 4.324,29 EUR of consumption of deferred tax assets. According to the decision of the Management Board and with the consent of the Supervisory Board, the total net profit for the financial year remains undistributed and, together with the accumulated profit in the amount of EUR 89,550.98, constitutes the accumulated profit. Thus, the distributable profit for the financial year 2017 is EUR 168,870.25. The Management Board and the Supervisory Board propose to allocate the reported accumulated profit for 2017 in order to pay dividends to the shareholder.

Mrs Ivana Gažić, MSc
President of the Supervisory Board

A handwritten signature in black ink, appearing to be 'Ivana Gažić', written over a faint horizontal line.

BUSINESS REPORT



LJUBLJANSKA BORZA
LJUBLJANA *Stock Exchange*



Corporate Governance Statement

The Ljubljana Stock Exchange (hereinafter: LJSE or company) is a private joint-stock company, which complies with and implements the corporate governance principles arising out of legal norms, the company's internal acts and established best practices. Being one of the authors of the Slovenian Corporate Governance Code, the LJSE has actively striven to implement corporate governance principles into business practice as well as improved and supplemented its own system of governance by applying the relevant principles of best practice.

The company is operated by a two-tier system of governance, where the Management Board runs the business and is monitored by the Supervisory Board.

The LJSE has the following corporate bodies:

- The General Meeting,
- The Management Board, and
- The Supervisory Board.

The company's Articles of Association also provide for two additional bodies, the Board of Members and the Board of Issuers, which have no direct influence on the LJSE governance but make indirect contributions to its reaching its objectives and strategy through their counselling functions.

General Meeting

The General Meeting is the company's highest body. It is composed of LJSE shareholders. The right to take part and vote at a GM goes to all shareholders that are recorded as holders in the central registry of dematerialized securities (Central Securities Clearing Corporation or "KDD") at the end of the fourth day prior to the General Meeting (record date).

The GM is convened by the LJSE Management Board at least once a year, usually after having drawn up the annual report. The general meeting at which appropriation of distributable profit and the discharge of liability are decided shall be held within eight months of the end of the financial year. The GM constitutes a quorum if at least one half of all shareholders with voting rights are represented at the meeting. Each ordinary no par value share carries one vote. The exercise of voting rights is stipulated in the LJSE Articles of Association.

There was one General Meetings held in 2017.

The 37th GM as at 14 June 2017:

- Reviewed the Annual Report for 2016 and decided on discharging the Management Board and Supervisory Board from responsibility;
- Appointed the auditor for 2017;
- Decided on the remuneration of the Supervisory Board members.

Supervisory Board

The Supervisory Board is composed of four to seven members, of which all except one are elected by the GM and one represents LJSE employees. All Supervisory Board members have equal rights and obligations unless otherwise specified by the Articles of Association, and are appointed for a four-year term.



Their course of action is stipulated in the Supervisory Board Rules of Procedure.

Supervisory Board supervises the conduct of company's operations and business in accordance with current legislation, LJSE Articles of Association and these Rules of Procedure selects and appoints members of the Management Board. In accordance with the provisions of the Articles of Association, it also gives its consent to the Management Board of the company for the adoption of the annual business and financial plan and company's strategy. Boards meets at least four times in a year.

The work of the Supervisory Board is carried out in accordance with the legislation, recommendations of professional associations, in particular the Slovenian Directors' Association, and other recommendations of good practice, in particular the Corporate Governance Code for Public Limited Companies.

Supervisory Board remuneration does not directly depend on the company's performance, and it is disclosed under Supervisory Board Remuneration in 2017, in the Notes to the Financial Statements.

Members of the Supervisory Board, with their actions, take into account the objectives of the company and subordinate them to possible other personal or individual interests of third parties. All members of the Supervisory Board filled out a questionnaire on conflicts of interest. The conduct of members in case of conflict of interests is defined in the Rules of Procedure of the Supervisory Board.

The work of the Supervisory Board in 2017 is outlined in more detail in the report of the Supervisory Board.

Shareholder representatives

- Mrs Ivana Gažić, MSc, President of the Supervisory Board,
- Mrs Patricia Bakšaj, Deputy President of the Supervisory Board,
- Mr Tomislav Gračan, MSc, Member of the Supervisory Board.

LJSE employees' representative

- Mrs Darja Jermaniš, MSc, Member of the Supervisory Board – director of Market Operations.

The Supervisory Board may establish special Supervisory Board committees, either for the entire term of the Board or to account for difficult issues that call for efficient solutions. The types of such committees, their composition and nomination of committee members are stipulated in the Supervisory Board Rules of Procedure. The Supervisory Board did not constitute any permanent committees of the Supervisory Board; in 2016, in the field of corporate governance, the Nomination Committee was temporarily appointed in order to appoint the members of the Management Board of the Ljubljana Stock Exchange.

Management Board

The LJSE Management Board consists of the President and Member, and is appointed by the Supervisory Board. The Management Board is elected for a maximum of five-year renewable term.

The LJSE Management Board has the following main tasks:

- Management and representation of the LJSE,
- Implementation of the company's development and operations strategy,
- Ensuring compliance with the provisions of the Markets in Financial Instruments Act,
- Organising and providing for a smooth workflow at the LJSE,



- Preparing programme and financial objectives of the Exchange's operations, etc.,
- Acts with the care of a conscientious and honest businessman and guards business secrets.

The functioning of the Management board and the division of the fields, tasks and responsibilities between individual members is laid down in the Rules of Procedure of the Management Board. In accordance with the Organization Rules and the Rules of Procedure of the Management Board, the members of the Management Board also have operational tasks in the field of management, meaning each member of the Management Board is responsible for a certain number of organizational units, which enables direct cooperation between the Management Board and the directors of the organizational units.

The payments, reimbursements and other benefits received by the LJSE Management Board are stipulated in their employment contracts as entered into between the Supervisory Board and each Management Board member, and in a small part directly depend on the company's performance. All payments, reimbursements and other benefits are disclosed in the Notes to the Financial Statements under Management Board Remuneration in 2017.

On the basis of Article 321 of the Slovenian Financial Instruments Market Act (ZTFI) and with reference to the mutatis mutandis application of the provisions of Articles 48 and 52 of the Slovenian Banking Act (Z-Ban-2), the Supervisory Board adopted in 2011 the General Principles on the LJSE Remuneration Policy, which stipulate the remuneration policy for the Management Board.

A member of the Management Board must disclose to the Supervisory Board any potential conflict of interest and inform the other member of the Management Board about it. None of the Ljubljana Stock Exchange Management Board is a member of the supervisory bodies of other companies.

Members of the Management Board

- Aleš Ipavec, MSc, President of the Management Board

Aleš Ipavec has been an employee of the Ljubljana Stock Exchange since August 2016. He began his term-of-office as President of the Ljubljana Stock Exchange on 1 September 2016 for a four-year term, i.e. until 31 August 2020. Before becoming President of the Ljubljana Stock Exchange, Aleš Ipavec, Master of Economic Sciences, worked for Hypo Alpe-Adria Bank where he held various management positions, such as Head of Treasury Sales and Director of Financial Markets and Balance Sheet Management. In 2015 he became the Director of Financial Controlling, Treasury and Balance Sheet Management. He has rich experience predominantly from the field of banking and trading in securities, which he obtained in his more than 13-year-long career, which he began in Abanka Vipava and continued in Hypo Alpe-Adria Bank.

- Nina Vičar, MSc, Member of the Management Board

She has been with the Ljubljana Stock Exchange since 2005. After having joined the senior management team in 2008 she has mainly been in charge of trading, market operation, relations with trading members, market surveillance, development of LJSE services and attracting new remote members, as well as running marketing activities, and event management. She worked on several development projects and coordinated the implementation of the then new trading system, Xetra® and she also covers the area of compliance of the Exchange's operations. She is a member of the expert committee for amendments to legislation at the Ministry of Finance and a member of the expert group for T2S implementation. She initially took office as Member of the Management Board on 15



May 2013, while her current four-year term started on 1 September 2016 and will end on 31 August 2020.

Board of Members and Board of Issuers

The Board of Members and Board of Issuers are the Ljubljana Stock Exchange counselling bodies composed to discuss significant expert and development matters related to the Ljubljana Stock Exchange member firms and listed companies as well as the regulated securities market in Slovenia. They cooperate with the Ljubljana Stock Exchange Supervisory Board and Management Board.

The two Boards are composed of at least five but not more than eight members each and are appointed by the Supervisory Board at the proposal of the Management Board among representatives of the Ljubljana Stock Exchange member firms and listed companies as well as renowned capital market experts.

Composition of the Board of Members:

- France Arhar (president), PhD, Director, The Bank Association of Slovenia (until 31 December 2017),
- Simon Mastnak, MSc, Executive Director, ALTA Skupina d. d.,
- Boštjan Herič, MSc, Executive Director for Financial Markets, Abanka Vipava, d. d.,
- Igor Štemberger, President of the Management Board, Ilirika BPH d. d., Ljubljana,
- Andrej Meža, Director of Investment banking and custodian services sector, NLB, d. d.

Composition of the Board of Issuers:

- Uroš Ivanc (president), MSc, Member of the Management Board, Zavarovalnica Triglav, d. d.,
- Aleš Aberšek, Member of the Management Board, CFO, Telekom, d. d.,
- Brane Kastelec, MSc, Director of Finance, Krka, d. d.
- Peter Groznik, Member of the Management Board, Gorenje, d. d. (until 28 March 2017),
- Jožica Turk, Management Board's executive assistant for corporate finance, Gorenje, d. d. (since 28 March 2017),
- Mateja Treven, MSc, Member of the Management Board, Pozavarovalnica Sava, d. d. (until 31 December 2017),
- Tadeja Šteharik, MSc, Director of Business Support, Petrol, d. d.

Corporate Governance in the Group

As at 30 December 2015 the Ljubljana Stock Exchange is in 100% ownership of the Zagreb Stock Exchange.

In addition to being the 100% owner of the Ljubljana Stock Exchange in 2017, the Zagreb Stock Exchange was also a 33.33% owner of the Company SEE link d. o. o., which was founded in May 2014 in cooperation with the Bulgarian and Macedonian Stock Exchange, which have the same share of ownership in the company. ZSE is also a 20% owner of the company Funderbeam South-east Europe d.o.o.

Statement on Compliance with the Corporate Governance Code

The LJSE is a private joint-stock company whose core business is operating the regulated securities market, for which it had obtained authorization from the Agency. LJSE operates the regulated securities market in compliance with the Slovenian Financial Instruments Market Act and other regulations.



In accordance with Article 70 (5) of Companies Act (hereafter ZGD-1), as part of the business report the Ljubljana Stock Exchange also includes the Statement on Compliance with the Code.

As at 31 December 2017, the LJSE had one shareholder (100%), namely the company Zagrebačka burza, d.d., Ivana Lučića 2a, 10000 Zagreb, Croatia (hereafter: Zagreb Stock Exchange), which acquired its share from CEESEG AG on 30 December 2015. The change in ownership has an effect on the corporate governance of the Ljubljana Stock Exchange.

The Exchange as a co-signatory of the Corporate Governance Code (hereafter: Code) actively strives to encourage compliance with the Code and its corporate governance principles in business practice and also improves its own corporate governance system according to the best practices principle. Therefore, the Exchange decided to voluntarily apply the Code, which was adopted on 8 December 2009 and entered into use on 1 January 2010 and based on which the Corporate Governance Statement is drawn up. The Code is publicly available on the Exchange's website in the Slovenian and English languages.

The Exchange has no substantial deviations from the Code, whereas certain minor deviations are mainly a result of its special status. Under individual items of the Code below, the reasons for certain minor deviations from the Code's recommendations in 2017 are listed with which the Exchange's corporate governance system was not compliant in the period from 1 January 2017 until the adoption of this 2017 Annual Report. On 1 January 2017 a new renovated Corporate Governance Code entered into use, which was jointly drawn up and adopted by the Ljubljana Stock Exchange Inc. and the Slovenian Directors' Association and includes certain substantive and structural amendments, which the Exchange will strive to implement in 2018 in accordance with its special status.

Item 2

Recommendation:

The Management Board, together with the Supervisory Board, draws up and adopts the Corporate Governance Policy ("CG Policy"), which sets out the main directions of the company's management, taking into account the set long-term objectives of the company. The CG Policy is communicated to the stakeholders by being published on the corporate website.

Explanation of derogation:

In 2017 the Management Board did not adopt a Corporate Governance Policy as it underwent a change in ownership at the beginning of the year and the new Management Board was appointed in September 2016, hence, main corporate governance guidelines need to be adjusted to new business challenges identified by the new Management Board. The CG Policy will be together with the Supervisory Board adopted in 2018.

Items 4, 9 and 10

Recommendation:

The Management Board, together with the Supervisory Board, draws up and adopts the Diversity Policy, which shall be implemented in relation to representation in the company's management and bodies of supervision.

Explanation of derogation:



In 2017, the Exchange Management Board did not adopt a Diversity Policy, so its implementation has not yet begun. LJSE de facto already has a balanced representation of both genders in the management and supervisory bodies. The Management Board, together with the Supervisory Board, will form a Diversity Policy in 2018.

In relation to Items 9 and 10, LJSE only derogates with regard to the Diversity Policy, in the composition and appointment, and in the procedure for selecting candidates for the members of the Supervisory Board, since it follows its adopted Policy for Assessing the Suitability of the Members of the Management Board and the Supervisory Board.

Items 11, 22 and 23

Recommendation:

These three items refer to Supervisory Board's signing of a Statement of Independence, disclosing their meeting of the criteria for Conflict of Interest, stated in Attachement B of the Code. Such signed statements are then posted on the company's website.

Explanation of derogation:

The LJSE has not yet complied with the provision of the Code, which refers to the signing and publishing of the statement on complying with criteria regarding conflict of interest, stated in Attachement B, due to which it discloses potential conflicts of interest of certain Supervisory Board members below.

Upon the Zagreb Stock Exchange's 100% ownership takeover, representatives of the Zagreb Stock Exchange were appointed as members of the Supervisory Board – capital representatives. There are no more supervisory board members who would be linked to either member firms or issuers and one member is an employee representative. The composition can be seen in the below table.

Ljubljana Stock Exchange Supervisory Board members in 2017

Ivana Gažić, MSc (President)	President of the Management Board of the Zagreb Stock Exchange, which is a 100% owner of the Ljubljana Stock Exchange
Patricia Bakšaj (Deputy President)	Director of Legal and General Affairs Department on the Zagreb Stock Exchange, which is a 100% owner of the Ljubljana Stock Exchange
Tomislav Gračan, MSc	Member of the Management Board of the Zagreb Stock Exchange, which is a 100% owner of the Ljubljana Stock Exchange
Darja Jermaniš, MSc	Director of the Market Operations at the Ljubljana Stock Exchange (employee representative)

In the process of appointing new Supervisory Board members all conditions and criteria stipulated for members of a management body by ZGD-1 and Banking Act were abided by and fit & proper assessment was carried out. In addition, the Securities Market Agency also supervises the adequacy and suitability of the Supervisory Board members.

The manner of avoiding conflicts of interest is stipulated in the Rules of Procedure of the Supervisory Board, which includes a provision on exclusion of an individual Supervisory Board member due to a conflict of interest. A possible conflict of interest is determined upon the adoption of each individual Supervisory Board resolution.



Item 12.4.

Recommendation:

Once a year, the Supervisory Board or the Management Board of the Company, reviews the report of the Workers' Council on the status of employee participation in management and gives a feedback of the report. In the report it also takes up a position on the proposed measures in the report.

Explanation of derogation:

The Supervisory Board does not review the said report, but it does have a member who is a dedicated representative of the Worker's Council.

Item 14

Recommendation:

Once a year, the Supervisory Board evaluates its composition, operations, potential conflicts of interests of individual members and the functioning of the Supervisory Board as well as cooperation with the Management Board. In the evaluation process, the work of committees of the Supervisory Board shall also be evaluated.

Explanation of derogation:

With respect to the nature and specific ownership structure of the LJSE as an unlisted/non-public joint-stock company and due to the fact that the Supervisory Board has operated in this composition for only a short period of time, a decision on assessing its composition, operations and other circumstances of its operation according to the recommendation of the Code was not made.

Item 16

Recommendation:

On the basis of the proposal of the Management Board, the Supervisory board appoints a Supervisory Board secretary, who takes minutes, attends to the archives, offers organizational support to the board and provides advice on governance matters. Members of the board can also consult with the secretary outside supervisory board meetings.

Explanation of derogation:

With respect to the size and organisation of the Exchange, the Supervisory did not appoint its own secretary. The tasks of the secretary, related to the attendance and preparation of minutes, are performed by the Member of the Management Board or the Head of the Management Board Cabinet, whereas the President of the Management Board of the Exchange is responsible for communication between the Exchange and the Supervisory Board with regards to corporate matters.

Items 27 – 30: Transparency of Operations

Recommendation:

Recommendations in these items refer to the LJSE's communication strategy, informing of general public, public disclosure of important information and the publication of the management statement.

Explanation of derogation:



Of the matters from items 27 – 30 of the Code, which refer to joint stock company's disclosure and informing the public, the Ljubljana Stock Exchange as a non-public joint-stock company mainly informs its shareholder directly and Securities Market Agency. The Exchange provides information to the public in accordance with the provisions of Financial Instruments Market Act and executive acts, which mainly refer to regular operations of the Exchange as a securities market operator.

Internal controls and risk management

Internal controls and risk management

Pursuant to the provisions of the Markets in Financial Instruments Act and the Securities Market Agency's Resolution on Detailed Organisational Requirements for Operating a Stock Exchange Market, the LJSE as the Slovenian stock market operator meets all the requirements with respect to the general organisational standards and its governance system.

The LJSE had covered its business areas in its internal acts and processes adopted pursuant to the criteria stipulated in the Agency Resolution on Quality Standards for Operating the Stock Market. In this respect the LJSE has implemented a reliable governance system and pursues, in line with the annual plan, activities to enhance the organisational structure of the company as well as to develop and implement improvements in the area of efficient risk management processes and internal controls.

With respect to process control and internal control the LJSE has documented all its relevant processes, responsibilities and risks. The key processes are clustered into a special Process, Source and Risk Model, which provides an integral insight into LJSE operations according to a selected dimension and a quick understanding of the competences and organisation of the LJSE, as well as offers an insight into its processes for internal and external stakeholders. The model may be upgraded for the purposes of systematic valuations and risk reporting. All this facilitates prompt and more transparent internal auditing. Risk management at the LJSE is related to strategic, financial, operational and IT risks related to the use of information technology.

The LJSE manages risk at two levels: the Management Board makes general assessments and assumes the main strategic and financial risks as well as operational and IT risks, while the agents of the main LJSE processes make more detailed assessments and further assume the key operational risks.

To this end the Management Board prepared a special document "Instructions for Risk Management" in 2014, and presented it to the Supervisory Board for review. The document recognizes the following main risks facing the LJSE: operational non-compliance, inadequacy of operation and regulatory non-compliance. The main strategic risks in the event of a major decrease in the number of listed companies and members include the long-term risk of the adequacy of the company's existing business model, with respect to which we are drawing up the requisite strategic and operational plans and making sure they are being implemented.

The agents of the main LJSE processes make detailed assessments of the main operational risks and react to them by managing 12 important areas, which in turn consist of 10 key processes with which the LJSE functions as the market operator of a regulated, orderly and efficient securities market, and 2 key IT systems. The LJSE also devotes a lot of attention to employee training and awareness-raising, an adequate and efficient organisation of work, division of competences, well-defined and documented decision-making procedures, as well as closely monitors compliance with regulations.



Thus recognised and assessed operational risks are appropriate basis for drawing up the LJSE's mid-term and annual internal audit plan. The LJSE performed its services in a distributed environment, thus on external locations (VSE, KDD, SRC). The emphasis was on:

- Optimisation of work, transparency of documentation storage and custody when using web solution SharePoint, and on supplementing and verifying documentation, especially that pertaining to business continuity;
- Amending Security Policies from the point of view of ensuring business continuity according to the changed architecture and
- Adequacy of security policy performance plan, management of information systems and knowledge and capacity of employees to perform the needed procedures.

No significant deviations from the expected practices and thus no increased operational risk were detected.

The LJSE activities in the field of corporate governance include adoption of the Code of Ethics and Professional standards in 2012 and new Rules of Procedure of the LJSE Management Board in 2016, which regulate in detail the management of potential conflicts of interest and relations with the parent company.

The system of internal controls and risk management in the financial accounting field is tailored to the size and organisation of the company where there is little division of labour and many functions are combined. The company has established an effective system of internal controls to ensure that the financial information is timely, complete, truthful and credible, which is defined by the Accounting Rules and Instructions and Procedures of Internal Control (hereafter: Rules) in the financial accounting field. Financial monitoring is performed as financial monitoring of data during their entry and processing. Internal controls are performed before each recording of business events in such a way as to verify the accuracy and completeness of the disclosed events.

Individual control processes and procedures are, for example, various control activities carried out in the fields of:

- development and adoption of bookkeeping documents;
- recording of business events in the books;
- payroll and other employee benefits;
- cash register operations;
- documentation preparation for the execution of the annual inventory of assets and liabilities;
- implementation and monitoring of payment transactions and reporting on the state of liquidity to the Management Board.

Basic control procedures, which relate primarily to the control of the correctness of business events and data, comprise:

- initial recording of business events, powers and responsibilities of persons who initiate and authorise business events (powers and responsibilities are clearly defined by the Rules);
- completeness of capturing and processing of business events and data;
- accuracy of business events monitoring.

In addition to preventive (direct) controls, which are carried out in advance, also ex-post controls (indirect) are carried out.



For the purpose of risk management in the financial and accounting field, the company has established a register of risks. Due to the established effective system of internal controls, which ensures that financial information is timely, complete, truthful and credible, the probability that individual risks occur is small.

Internal audit

Pursuant to the provisions of the Charter on Internal Audit, confirmed by the Management and Supervisory Boards, the LJSE organizes its internal audit by contracting two external experts in internal auditing and by engaging the in-house Chief Audit Executive.

Internal audit was based on the adopted Internal Audit Midterm Plan for the current and following year, which is in turn based on the Risk Assessment and the Internal Audit Annual Plan for the period.

Within the framework of internal audit LJSE looks especially at the processes of market operations and trading (focusing on the stock exchange trading system Xetra® software solutions) and at the process of ensuring business continuity. Internal audit also regularly examines whether the recommendations are being implemented, and assesses the Management Board's measures to mend the established deficiencies and improve operations. All these activities are promptly communicated to the Management and Supervisory Boards and aggregately presented in the Annual Internal Audit Plan at the end of the year and to the External Audit as a summary at the end of the year.

External audit

Our financial statements for 2017 are being audited by the auditor KPMG Slovenija, d. o. o.. Our company complies with the Corporate Governance Code, and with the Securities Market Agency's recommendations to hire another auditor every five years.

Other information (as at 31 December 2017)

- Substantial direct and indirect holding of securities

The Zagreb Stock Exchange Inc., Ivana Lučića 2a, 10000 Zagreb, Croatia, holds 100% of all Ljubljana Stock Exchange shares.

- Holders of securities with special control rights

The Ljubljana Stock Exchange shares have no special control rights attached to them.

- Limited voting rights

The Ljubljana Stock Exchange shares with ticker symbol LSER have no limitations on voting rights.

- Explanation of relations of the Ljubljana Stock Exchange with controlling company Zagreb Stock Exchange

In the financial year 2017 the Ljubljana Stock Exchange did not enter into any transactions with the controlling company Zagreb Stock Exchange or any with it affiliated companies nor has it acted or failed to act at the initiative and in the interest of these companies in a way that would cause deprivation to the Ljubljana Stock Exchange or which would mean that the Ljubljana Stock Exchange would not receive the appropriate repayment. The Ljubljana Stock Exchange further states that the contracts concluded with the Zagreb Stock Exchange in 2017, namely Service Level Agreement and Data vending Cooperation Agreement, do not in any way imply a deprivation of the Ljubljana Stock Exchange or that the Ljubljana Stock Exchange would not have received the appropriate repayment, but further optimizes operations that



increase the possibilities for the development of the Ljubljana Stock Exchange and the creation of additional revenue in the coming years. In the circumstances known to it at the time when the legal transaction was committed or the act was committed or abandoned, the Ljubljana Stock Exchange received appropriate repayment and was not deprived of any legal transaction.

- LJSE rules on amendments of its Articles of Association

Amendments and supplements of the Ljubljana Stock Exchange Articles of Association are subject to the Ljubljana Stock Exchange General Meeting, pursuant to the law. Articles of Association stipulate that a GM resolution on amendments and supplements can be adopted provided it is supported by a two-thirds majority of the share capital present.

- Powers of members of the company management (especially issue or purchase of own shares)

As stipulated by the Ljubljana Stock Exchange Articles of Association, the Management Board consists of the President and Member of the Management Board, who jointly represent the Ljubljana Stock Exchange in legal transactions. Neither of them may be authorised to individually represent the Ljubljana Stock Exchange and the entirety of its business operations and activities. The Management Board adopts resolutions unanimously and is not authorised to acquire or dispose of own shares.

Mission, vision and strategic objectives

Mission

The mission of the Ljubljana Stock Exchange is to ensure a secure, transparent, efficient and successful operation of the regulated segment of the Slovene capital market.

Vision

Being a modern and efficient operator of the Slovene regulated capital market as part of the Central and East European regional market.

Strategy and strategic objectives

Upon taking office the Management Board set the following strategic goals:

- maintaining a high level of quality, organization and regulation of the market;
- for further growth of the capital market and increase of liquidity of the local market:
 - establishing a "LJSE Partner Program" for systematic acquisition of new products on the stock exchange;
 - establishing a new market – SI ENTER for trading in unlisted securities;
 - listing new securities on the stock exchange market;
 - development and establishment of infrastructure for small enterprises (Funderbeam) and start-ups;
 - finding new financial resources through the promotion of long-term saving schemes;
 - joint activities for the development and promotion of the capital market with all market stakeholders;
- achieving international comparability and recognition of the market through regional integration with the Zagreb Stock Exchange as the new 100% owner of the LJSE;
- enhancing the LJSE's reputation;
- supporting the development of the primary market;
- increasing the efficiency and performance of the LJSE's operations.

Basic macroeconomic indicators for Slovenia

	2012	2013	2014	2015	2016	forecast		
						2017	2018	2019
Real GDP growth (%)	-2.7	-1.1	3.1	2.3	3.1	4.4	3.9	3.2
GDP per capita (PPS EU27=100) ¹	82	81	83	83	83			
Government debt (% of GDP)	53.8	70.4	80.3	82.6	78.5			
Current deficit (% of GDP)	-4.0	-14.7	-5.3	-2.9	-1.9			
Inflation (year-end) ²	2.7	0.7	0.2	-0.5	0.5	1.7	1.9	2.1
Registered unemployment	12.0	13.1	13.1	12.3	11.2	9.5	8.7	8.4

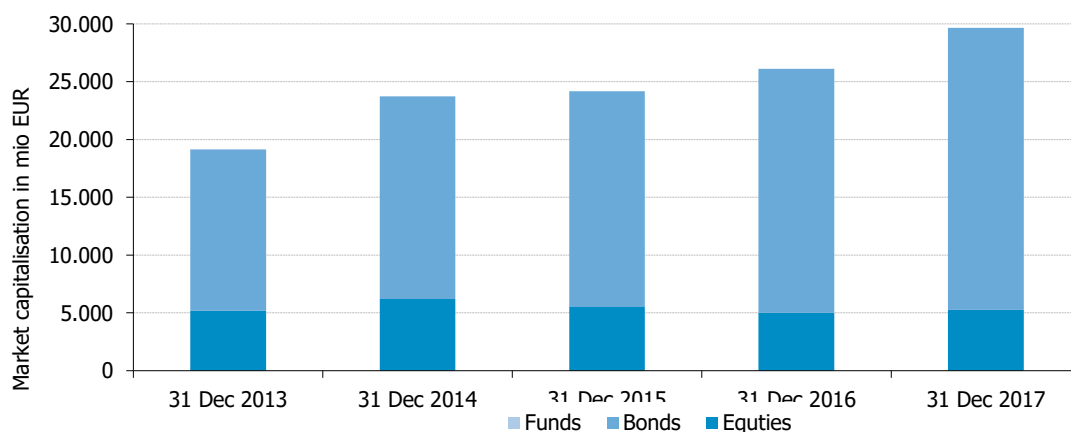
Ljubljana Stock Exchange operations in 2017

The Ljubljana Stock Exchange took measures to create a positive atmosphere in 2017, as evident by an increase in traffic compared to 2016. The SBI TOP index closed positive positively for the second year in a row, growing by 12.4%.

Market capitalisation

Share market capitalisation increased by 5.5% compared to 2016, amounting to EUR 5,273.9 million at the end of December 2017, accounting for 12.4% of the GDP for the previous year (Q4 2016 – Q3 2017: EUR 42,430.8 million, Source: SORS). This increase is mainly due to the increase in the share prices on the organized market. There was no change in the number of Prime Market listed companies 2017. As a result of the delisting from the organized market, the sale of state ownership, bankruptcy or restructuring, 3 companies were delisted from the Entry Markt. The value of market capitalization of bonds reached 15.5% growth compared to 2016.

Market capitalisation 2013 – 2017



Source: Ljubljana Stock Exchange

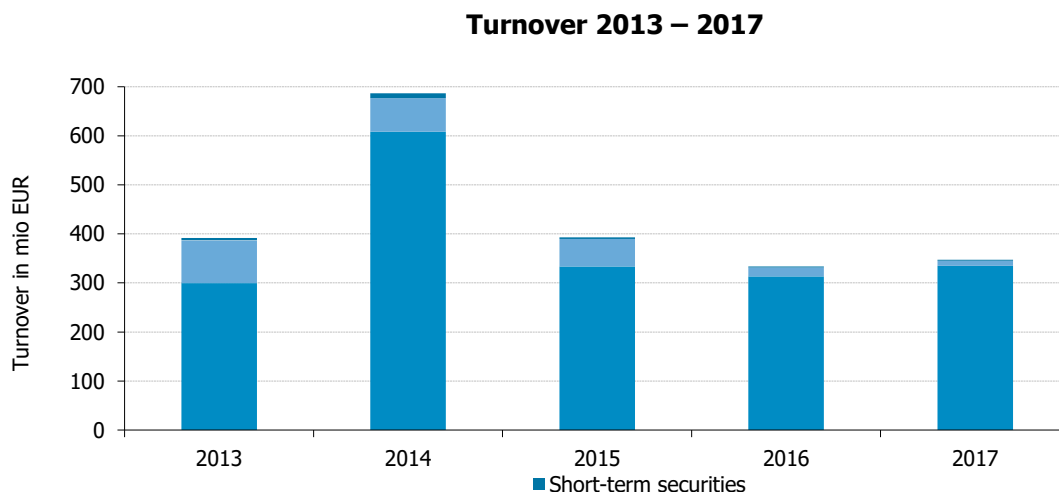
¹ Measured in Purchasing Power Standard (PPS)

² Measure of inflation is consumer price index Sources: Institute of Macroeconomic Analyses and Development (IMAD), Statistical Office of the Republic of Slovenia (SORS)



Turnover on the Ljubljana Stock Exchange

The total turnover on the Ljubljana Stock Exchange amounted to EUR 347.4 million in 2017, while turnover without bundles amounted to EUR 243.5 million, which is 7.6% less turnover without bundles compared to 2016. The largest turnover was in shares, EUR 334.6 million or 96.3% of total turnover. The structure of turnover is followed by bonds with 3.1% and short-term debt securities with a 0.6% share of turnover.



Source: Ljubljana Stock Exchange

In 2017 the share of trades in equities experienced the most substantial change in the total turnover structure and was up 2.5%, whereas the share of bonds decreased by 2.5%. In 2017 ordinary trades represented 70.1% of all on-exchange deals (78.9% in 2016). Average daily turnover totalled EUR 1.4 million (EUR 1.3 million in 2016), with 205 recorded trades per day on average (339 in 2016).

LJSE Member Firms Turnover in 2017

The trading member with the highest turnover in 2017 was ALTA Invest, d. d., which contributed 29.9% of the total turnover, followed by Interkapital vrijednosni papiri with 11.1% of total turnover and Raiffeisen Centrobank AG, contributing 9.3% and WOOD & Company Financial Services, a.s, contributing 9.0%. The turnover structure of member firms remains similar to 2016, as top 5 member firms generated 67.5% of the total turnover. At the end of 2017 the LJSE had 14 member firms, which includes 4 remote members, which generated 34.4% of all stock exchange turnover in 2017.

Member Firm	Turnover in 000 EUR	Share
ALTA INVEST	207,465,461	29.9%
INTERKAPITAL VRIJEDNOSNI PAPIRI	76,830,283	11.1%
RAIFFEISEN CENTROBANK	64,752,748	9.3%
WOOD & COMPANY FINANCIAL SERVICES	62,815,312	9.0%
ILIRIKA BORZNO POSREDNIŠKA HIŠA	56,967,013	8.2%
OSTALI	226,058,233	32.5%
TOTAL	694,889,050	100%

Source: Ljubljana Stock Exchange



Most traded equities on the LJSE in 2017

The most traded stock in 2017 was once more pharmacist Krka (KRKG) from the Prime Market, which generated 42.3% of all equity turnover. The runner-up in terms of turnover was insurer Zavarovalnica Triglav (ZVTG), which generated 12.2% of all equity turnover, while the oil and gas provider Petrol d. d. (PETG) came third generating 10.6%. On the bond market it was SIJ 5th issue (SIJ5) that had the highest turnover.

Most Traded Equities	Turnover in 000 EUR	Number of Transactions	Market Capitalisation in EURm as of 31 December 2017
Krka	141,399	10,501	1,886
Zavarovalnica Triglav	40,921	8,745	657
Petrol	35,466	4,922	729
Cinkarna Celje	27,012	4,027	177
Luka Koper	26,333	3,201	426
Other	63,438	17,793	1,400
TOTAL	334,568	49,189	5,274

Source: Ljubljana Stock Exchange

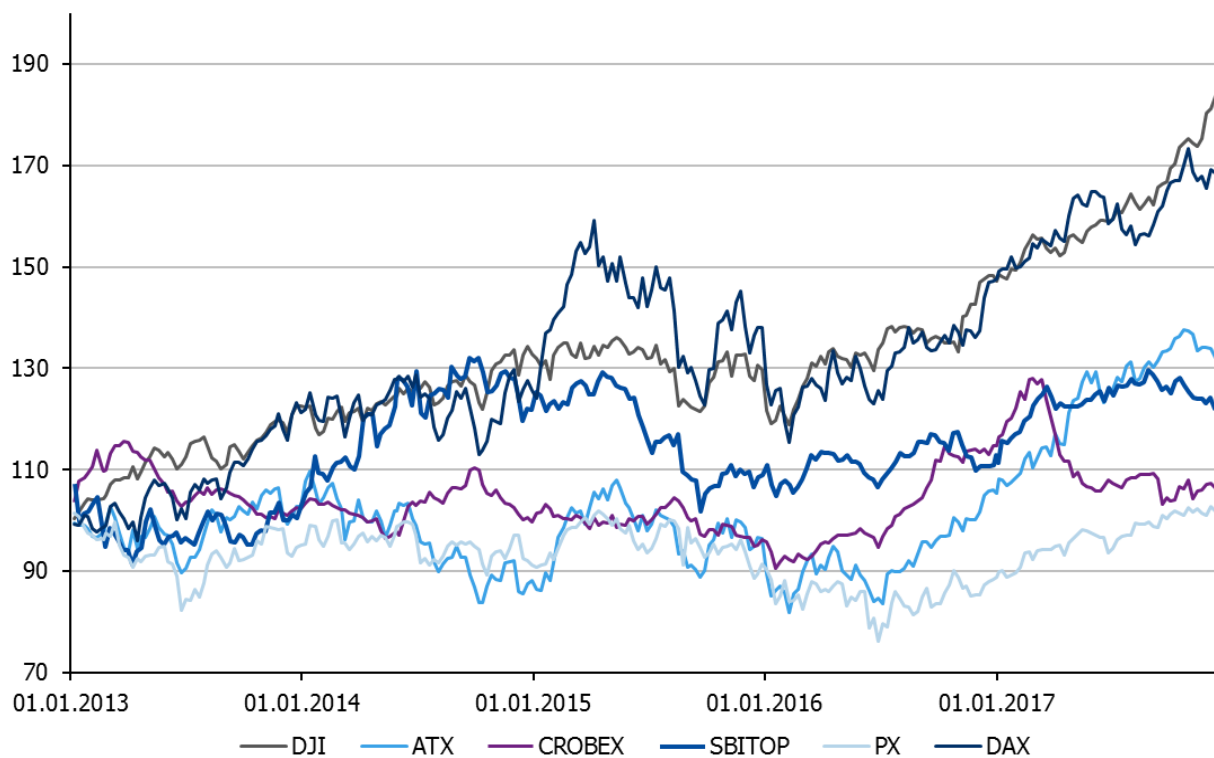
LJSE turnover structure according to markets in 2017

Market	Turnover	Share
Equities – Prime Market	299,228,019	86.1%
Equities – Standard Market	5,090,966	1.5%
Equities – Entry Market	30,249,053	8.7%
Bonds	10,669,064	3.1%
Treasury Bills	0	0.0%
Commercial Papers	2,207,424	0.6%
TOTAL	347,444,525	100%

Source: Ljubljana Stock Exchange

The LJSE blue chip index SBI TOP

The LJSE blue chip index SBI TOP was up 12.4% in 2017, standing at 806.52 points on the last trading day. The graph below gives the performance of SBI TOP against selected world indices in EUR (31 Dec 2012 = 100).



Source: Ljubljana Stock Exchange



Important LJSE activities in 2017

Ljubljana Stock Exchange development and promotion activities in 2017

Quarter	Activity
1Q 2017	Accepting a new Member Firm InterCapital to trading
	Implementation of the new Code for Corporate Governance of Publically listed Companies
	Implementation of the SI Enter Market (MTF market)
	Support and sponsorship of the Moje Finance project: "Financial Literacy of Youth"
	Beginning of Funderbeam SEE cooperation
	Funderbeam Round Table
	LSEG & CEE Conference in London, organised by London Stock Exchange and InterCapital
2Q 2017	Issuing of publication »A Guide for Investors«
	Open Doors Week
	34. Financial Conference in Portorož in co-organisation with Finance Daily
3Q 2017	Investor Day of the Ljubljana and Zagreb Stock Exchanges
	Webcast »Slovenian Listed Companies Online«
	Issuing of publication »Partner Programme«
4Q 2017	Issuing of publication »SI ENTER Market«
	Webcast »Slovenske borzne družbe online«
	Issuing of publication »Slovenian Capital Markets«
	Expansion of the SI ENTER Market with the PROGRESS subsegment
	Xetra trading system upgrade
	Investor Day of the Ljubljana Stock Exchange
	Pre-New Year's reception for members of the Slovene financial markets' senior management
	Conferring of Ljubljana Stock Exchange awards to the best listed companies and member firms
	New Ljubljana Stock Exchange Rules and Instructions
	New SI ENTER Rules
	Preparation for the MiFID II / MiFIR implementation

Domestic and international market promotion and international cooperation

In 2017 the Ljubljana Stock Exchange successfully carried out or cooperated in a series of promotion activities.

Osnovni program je zajemal naslednje aktivnosti:

- One investment conference in Ljubljana, Slovenia;
- One investment conference in Zagreb in cooperation with the Zagreb Stock Exchange;
- Two webcasts "Slovenian Listed Companies Online";
- Five roadshows abroad (London, Bucharest, Stegersbach, Belgrade, Prague);
- General promotion of the Slovenian capital market and our blue chips in local as well as international media;
- Conferral of awards to the best issuers and member firms;
- Issuing capital market promotion publications;
- Supporting international analyses by providing market trading data.



Investment conferences in 2017 where the Ljubljana Stock Exchange listed companies participated

Event	Venue and Date	Organised By
LSEG & CEE Conference	London, England 27 March 2017	London Stock Exchange and InterCapital
Investor Day of the Ljubljana and Zagreb Stock Exchanges	Zagreb, Croatia 25 and 26 May 2017	Ljubljana Stock Exchange and Zagreb Stock Exchange
Webcast »Slovenian Listed Companies Online«	Ljubljana, Slovenia 14 June 2017	Ljubljana Stock Exchange
Wood's Frontier Investor Days	Bucharest, Romania 6 – 8 September 2017	Wood & Co.
Webcast »Slovenian Listed Companies Online«	Ljubljana, Slovenia 13 September 2017	Ljubljana Stock Exchange
Investor Conference Erste Group	Stegersbach, Austria 9 and 10 October 2017	Erste Group Bank
Investment Conference of the Ljubljana Stock Exchange	Ljubljana, Slovenia 23 November 2017	Ljubljana Stock Exchange
Investment Conference of Wood & Co.	Prague, Czech Republic 5 – 8 December 2017	Wood & Co.

Other events in 2017 organised by the Ljubljana Stock Exchange

Event	Venue and Date
Funderbeam Round Table	Ljubljana, 15 March 2017
Open Doors Week	Ljubljana, 27 – 29 March 2017
Financial Conference in co-organisation with Finance Daily	Portorož, 9 and 10 May 2017
Pre-New Year's networking event in co-organisation with KDD – Bowling	Ljubljana, 24 November 2017
Pre-New Year's reception for members of the Slovene financial markets' senior management in co-organisation with KDD and with an awards ceremony for issuers and member firms	Ljubljana, 7 December 2017

Other activities, media promotion and publications

- In 2017 the following publications were updated or issued anew with a view to promoting the capital market and our listed companies:
 - Guide for Investors 2017 (publication in Slovene);
 - Slovenian Capital Market (Slovenian and English versions);
 - Publication for Partner Programme;
 - Publication for SI ENTER Market;
 - Monthly and annual statistical reports.
- We also strive to continuously educate the youth about the Slovenian capital market. If approached by educational establishments, we give students free educational seminars about the Ljubljana Stock Exchange at our premises.
- We supported and sponsored the Moje Finance project: 'Financial Literacy of Youth'.



Market surveillance and best market practices

Monitoring member firms and trades

Pursuant to the Slovenian Financial Instruments Market Act, the LJSE monitors member firms and trades with the intention of detecting breaches of the LJSE Rules (disorderly market conditions, market abuses). In 2017 the LJSE reviewed 22 trading supervision examination reports and, based on these examinations, it issued 6 reports on completed examinations or notices on suspicious trades, and forwarded them to the Securities Market Agency.

Support to trading members

The LJSE cooperates closely with its trading members, both in regular daily market operations as well as in implementing changes and novelties to securities trading.

Counselling and support to listed companies

In 2017 the Ljubljana Stock Exchange offered counselling and support to issuers of securities listed on the stock exchange market on how to ensure compliance with the Rules and other Ljubljana Stock Exchange Acts and legislation concerning financial instruments market. Besides that the Ljubljana Stock Exchange also counsels Prime and Standard Market companies with respect to disclosure and corporate governance. At the special request of several issuers the Ljubljana Stock Exchange organized individual one-on-one sessions with them.

Due to the new EU legislation (MiFID II/MiFIR) adopted in 2017 LJSE checked the acquisition of LEI Codes by issuers in both the stock market and the SI ENTER market. In the last amendments and supplements to the Rules of the Ljubljana Stock Exchange in 2017, the Exchange also included provisions that determine the new segmentation in shares – only Prime and Standard Market (enters into use as of 3 January 2018).

Human Resources Management

The primary objective, which the Exchange strives to achieve in the field of human resource management, is forming an optimal personnel and educational structure of employees. The basic areas of human resource management, aside from a prudent employment policy, include the provision of efficient remuneration and promotion system, concern for continuing education, training and development of employees and monitoring employee satisfaction.

Concern for good interpersonal relations, quality of life and work, optimal working conditions, interesting work challenges, social security and care for safe working environment are the foundation of a stimulating working environment in which we can connect individuals' goals and needs with the goals of the company. Together we are building a culture of mutual trust, respect, cooperation and team work, continuous learning and responsible and effective work. We strive to ensure that all our activities reflect the responsibility of employees and the values we are committed to.

Employees

At the end of 2017, 14 employees (of whom 3 are on maternity leave) were employed by the Ljubljana Stock Exchange, which is three more than the year before.

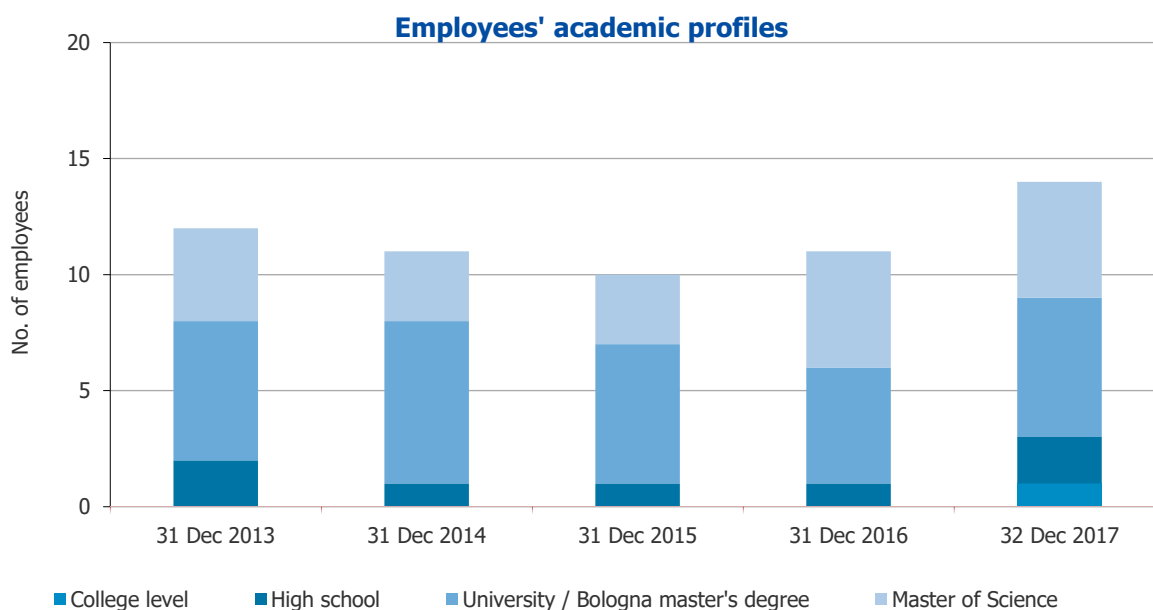


In 2017, employment on the Ljubljana Stock Exchange was more intense compared to previous years, due to the expansion of activities and the substitutions of employees due to longer absence. LJSE recruited three temporary employees, namely the Head of Legal Affairs, the Head of the Management Board Cabinet, and Head of Market Operations due to temporarily increased workload and the replacement of the director of the sector. Furthermore, two workers have been employed indefinitely, one in the field of information technology, and one as the head of Development and Sales. The reduction in the number of employees in the previous year, when employment of two employees ended, was the result of finding challenges elsewhere and the cessation of needs for performing certain tasks.

Demographics, and employees' academic profiles

The average age of the company's staff is 41.8 years, whereby 64.0% are women and 36.0% men.

At the end of 2017, the employees' educational profiles were as follows: 1 employee (7%) has a high school degree, 2 employees (14%) had a college-equivalent degree, 6 employees (43%) had a bachelor's degree or bologna master's degree, and 5 employees (36%) had a master's degree.



Staff training and development

Fast development in all areas requires employees to constantly upgrade their expertise. Since there is no development without knowledge we try to offer our staff training and education in accordance with the business process needs and therefore give them the opportunity to grow and advance both personally and professionally. The LJSE has spent 0.7% of operating revenue on staff training.

An important tool that enables efficient leadership and personal development of our employees is the annual interview, at which each employee and their superior define the objectives for the following year, set the priorities and discuss mutual expectations both with respect to the employee's work and personal development. On the basis of these discussions they plan future trainings and upgrades of expertise and skills. All Exchange employees conduct annual interviews with their superiors.



Staff motivation

The Exchange has been providing for the quality of life of all its employees for several years. We have been promoting a healthy lifestyle and bonding at sports and social events.

Since 2001 the Exchange has been investing additional optional pension insurance premiums on behalf of its employees with the Skupna pokojninska družba d. d. pension fund, thereby increasing the long-term social security of its employees.

A safe and healthy environment

The Exchange considers a safe and healthy working environment for its employees to be of great importance. We realise that such an environment is a prerequisite for efficient and quality work, and we have therefore worked toward further reducing all risks resulting from work processes that our staff are faced with. Consistent with our Health and Safety Statement and Risk Assessment, the LJSE regularly sends its employees to health inspections, while it also provides them with good working conditions and periodically (once a year) carries out lighting and microclimate readings along with potential dangerous airborne substance measurements. Good psychophysical well-being and a favorable psychosocial climate are guaranteed by open communication between employees; in addition in 2017 we have upgraded the system of health promotion with healthy nutrition.

Communicating with employees

At the Ljubljana Stock Exchange we also pay special attention to the communication with our employees. We take care of responsible and ethical communication and encourage communication at all levels. Thus, we create a productive working environment, increase the sense of belonging, build a culture of mutual trust and respect, continuous learning and responsible and effective work. Because the company employs a smaller number of employees, communication can therefore be more personal and effective.

Employee meetings with the Management Board are held several times a year, where the President and the Member of the Management Board inform the employees about the business results in the past year, the plans for the current year, the strategy of the company with development activities, both within the company, the capital market and other current information. Communication is also carried out through an employee's representative, who is also a member of the Supervisory Board of the company.

Social corporate responsibility

The Exchange acknowledges its responsibility toward the environment in which it operates. Each year we receive numerous requests to sponsor sports, humanitarian and education programmes, and we always support some of them. At the end of the year we provide donations mainly to societies cooperating with institutions in an effort to help children with special needs and the underprivileged. We also fund projects that raise awareness about the capital markets in Slovenia.

In addition, the Exchange has been a year-long active supporter of projects and activities aimed at improving corporate governance in Slovenia, as this promotes one of the key strategic objectives of the company and the entire capital market, i.e. working towards a high quality regulated market.

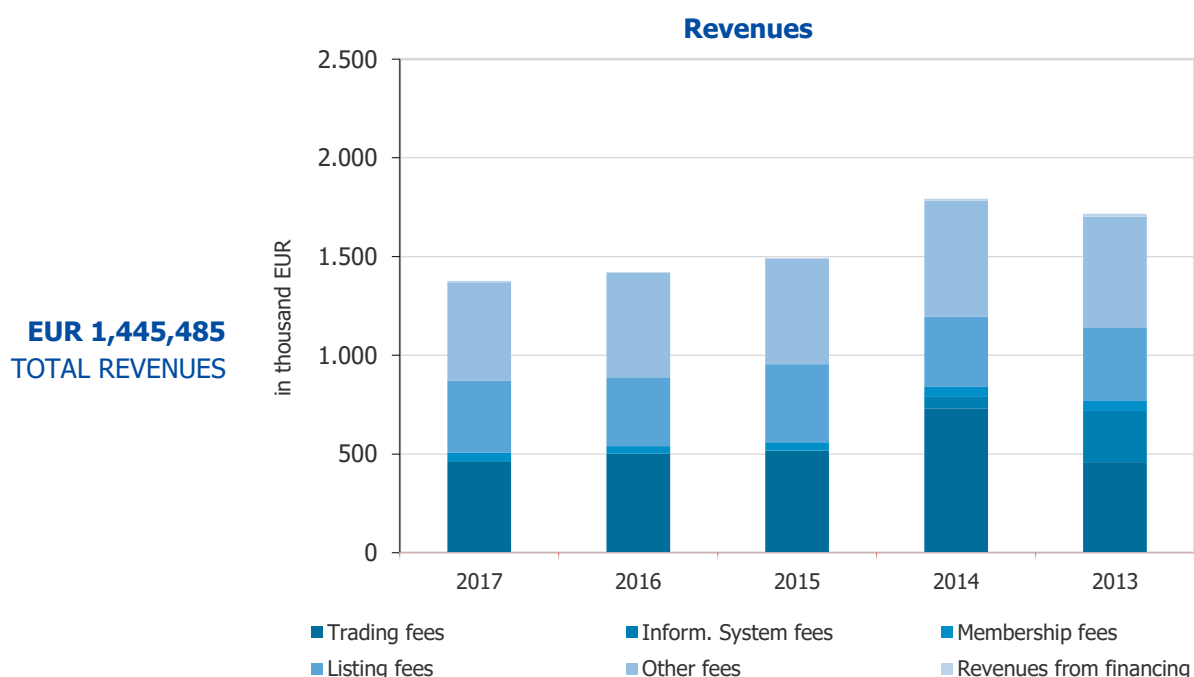


Business operations analysis

Ljubljana Stock Exchange operations in 2017

In 2017, the pace of economic growth continued in both, Europe and Slovenia; whereas on the other hand, the capital market was affected by the terrorist attacks in Europe and other developments in the political field. Despite the fact that the turnover on the Ljubljana Stock Exchange in comparison to the year before was somewhat lower, we can conclude that the Ljubljana Stock Exchange successfully concluded the business year. The overall result for 2017 is positive, reflecting the improved macroeconomic situation of the Slovenian economy, stock market activities and internal cost optimization of LJSE.

Revenues



Compared to the same period in 2016, total revenue was up by 1.7% and amounted to EUR 1,445,485.

As much as EUR 872,087 of total revenue comes from the company's core business, i.e. trading fees, membership fees and listing fees.

Over the past five years the share of revenue from our core business has ranged from 63.9% in 2015 to 66.8% in 2012, when it reflected the high income from trading fees. In 2017 revenue from our core business represents 60.3% of operating revenue.

- *Revenue from trading fees*

Compared to previous years, with the exception of 2014 when the turnover was considerably higher compared to previous years, turnover in 2017 was relatively good. Revenue from trading fees thus amounted to EUR 464,127, which is 33.7% of total revenue and represents a decrease by EUR 45,049, or 7.5%, from 2016.



- *Membership fees*

They amounted to EUR 42,000 and represent 3.1% of total revenue. In 2017 membership status terminated for one member firm. On 31 December 2017 the LJSE thus had 14 members.

- *Revenue from listing fees*

Listing fees generated EUR 365,960 of revenue. In addition to new listings, which generated EUR 13,7000, this also includes annual maintenance fees for listed securities (Prime Market, Standard Market and Entry Market shares and bonds) in the amount of EUR 336,360; revenue from fees for adopting decisions on listing expansions, on delistings and on suspensions of trading, which contributed EUR 15,900. Compared to 2016 revenues, the revenues in 2017 are 5.1% higher or EUR 17,718 higher.

- *Revenue from SEOnet and INFO STORAGE services*

Revenue from SEOnet and INFO STORAGE services amounts to EUR 181,676, representing 13.2% of total revenue, which is a decrease of 0.8% compared to 2016.

- *Revenue from trade publication*

Revenue from the publication of trades in listed shares executed off-exchange amounted to EUR 6,057 in 2017.

- *Revenue from the co-organisation of the Conference*

The co-organization of the Financial Conference with the Business Daily Finance, generated EUR 14,771 of revenue, which in the total revenue structure represents a 1.1% share.

- *Revenue from data dissemination*

Data dissemination generated 4.6% of total revenue, totalling EUR 63,295.

- *Revenue sharing with the Vienna Stock Exchange*

Under the agreement on sharing revenue, the LJSE transferred data dissemination and index licensing to the Vienna Stock Exchange on 1 April 2010. In 2014 the LJSE also agreed on reporting corporate actions. Thus, its share of data dissemination revenue in 2017 amounted to EUR 201,355 and corporate actions reporting revenue to EUR 838. In the structure of revenues represented 14.7% of total revenues.

- *Revenues from rental of premises*

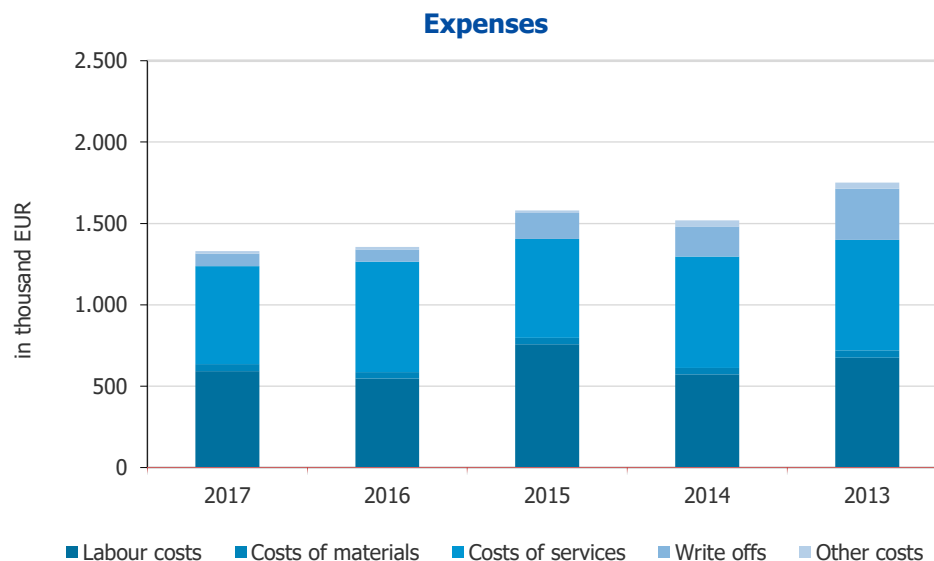
Revenues from rental of business premises amount to EUR 7,528.

- *Other operating revenues*

Other revenues are realized in the amount of EUR 90,757, of which EUR 69,122 relates to the abolition of the decrease in the revaluation of a business building previously recognized in profit or loss.

Expenses

EUR 1,352,242
TOTAL EXPENSES



Total expenses amounted to EUR 1,352,242, down 0.3% compared to 2016.

Most of the expenses are operating expenses, while financing expenses and extraordinary expenses represent only a small segment.

In recent years the employee benefits cost ranged from representing 38.2% of total expenses in 2014, when it reflected further layoffs and wage decreases, to representing 48.0% of total expenses in 2015 due to one-off expenses of forming provisions for severance pays. In 2016 labour costs represent 45.5% of all costs.

Costs of materials and services represent 47.7% and write-offs 5.7%.

- *Employee benefits cost*

On 31 December 2016, the Ljubljana Stock Exchange had 14 employees or 11.37 employees considering the hours worked. The company's costs of salaries for 2017 amount to EUR 615,491, which is 45.5% of total expenses.

Salaries include bonus payments. Variable remuneration paid for business performance in 2017 amounted to EUR 45,926. In addition, the employee benefits cost also includes EUR 5,595 of unspent 2017 annual leave costs and EUR 16,022 of unpaid bonuses to the Management Board for 2017.

- *Costs of materials*

Costs of materials amount to EUR 43,041 and include EUR 22,653 of energy costs, EUR 7,423 of expert literature and subscription costs, EUR 6,408 of stationery costs and EUR 6,557 of other costs of materials.

- *Costs of services*

Costs of services amount to EUR 601,622. The largest items are the costs of business premises maintenance (EUR 31,589), leases and rents (EUR 28,872), advertising and entertainment costs (EUR 37,096), the costs of services by natural persons (EUR 26,674), counselling services (EUR 41,576), the costs of IT services

(EUR 292,459), postal and telephone costs (EUR 16,082), and the costs of surveillance over stock exchange operations (EUR 73,800).

- *Depreciation and amortisation*

Depreciation and amortisation cost amounts to EUR 71,204. It refers to EUR 19,869 of amortization of intangible fixed assets, EUR 35,351 of depreciation of the building and EUR 15,984 of depreciation of equipment and other tangible assets. On average, the proportion of written off intangible fixed assets is 96.6%, thus the proportion of carrying intangible assets is 6.4%. On average, the proportion of written off equipment and other tangible assets is 61.5%, thus the proportion of carrying equipment and other tangible assets is 38.5%.

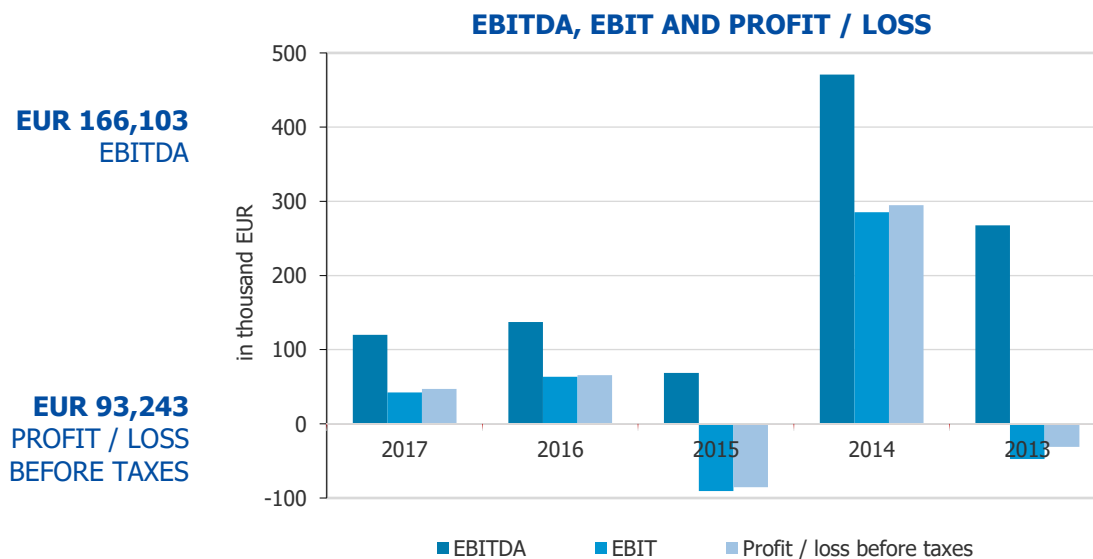
- *Other operating costs*

Other operating costs amounted to EUR 13,268.

- *Revaluatory operating expenses*

Revaluatory operating expenses in the amount of EUR 6,478 refer to expenses from allowances for bad receivables.

Profit or loss for the period



EBITDA, calculated as operating profit, increased by depreciation costs, was higher by 20.9% in comparison with the previous year, amounting to EUR 166,103.

EBIT was EUR 88,421, and profit before taxes amounts to EUR 93,243.



Assets

EUR 2,939,649
ASSETS

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Non-current assets	2,212,907	1,407,843
Current assets	671,222	1,188,894
Deferred costs and accrued revenue	55,520	57,731
Total assets	2,939,649	2,654,468
Equity	2,591,903	2,376,378
Non-current liabilities	43,394	18,375
Current liabilities	224,507	196,880
Short term accrued costs and deferred revenue	79,845	62,835
Total equity and liabilities	2,939,649	2,654,468

Performance indicator

Ratio	2017	2016	2015	2014	2013
Financing state ratios					
Equity financing rate	88.17	89.52	86.52	91.94	91.82
Long-term liabilities rate	9.11	8.11	4.49	6.59	6.58
Long-term financing rate	89.65	90.22	86.52	92.82	92.86
Equity rate	54.05	58.95	61.31	52.80	58.79
Investments ratios					
Operating fixed assets rate	65.43	51.40	50.48	50.36	61.42
Long-term assets rate	66.77	53.04	51.14	50.70	62.49
Short-term assets rate	24.72	46.96	48.86	49.30	35.28
Horizontal financial structure ratios					
Equity to operating fixed assets	1.35	1.74	1.71	1.83	1.50
Immediate solvency ratio	2.13	5.14	9.12	6.25	4.58
Quick ratio	2.99	6.04	10.38	7.23	5.36
Current ratio	2.99	6.04	10.38	7.23	5.36
Operating efficiency ratios					
Operating efficiency ratio	1.07	1.05	0.94	1.17	0.97
Total efficiency ratio	1.07	1.05	0.95	1.18	0.98
Profitability ratios					
Net return on equity - ROE	3.24	3.84	0.00	11.45	0.00



Objectives and plans for 2018

The Ljubljana Stock Exchange's main objective in 2018 will again be stable management and operations of the stock exchange market and operation compliance in all areas of the Exchange's operations. In addition, the Exchange's objectives will be oriented towards various activities aimed at encouraging further development and promotion of the capital market, which will be carried out in broader and close cooperation with capital market stakeholders.

For the year 2018, it is expected that the activities on the stock market will be positive, mainly due to the improved macroeconomic situation in Slovenia and the successful operation of listed companies. Further growth of the capital market is primarily seen in the search for new financial resources through the promotion of long-term savings schemes, the sale of shares of state-owned companies through the market and through joint activities for the development and promotion of the capital market by all market stakeholders.

In 2018, within the Exchange's infrastructure, the Exchange intends to intensify activities for acquisition of new issuers to either of the stock markets by implementing a new programme "LJSE Partner Programme". The Exchange also wishes to encourage the liquidity providing services on the part of member firms, which would, through continuous supply, enhance the quality of the stock exchange market. The Exchange will continue with promotional activities of the capital market and promotion of individual listed companies, which it will upgrade with additional marketing approaches and new educational and marketing events for the public and market participants.

The objectives for the First and Standard Market comprise one IPO and two bonds or one commercial record any other financial instrument. Goals for the Progress market are set at 10 advisers, two IPOs and two bonds, commercial record any other financial instrument. The aim is also to obtain the status of SME Growth Market and to constructively coordinate with the ATVP. Specific tailoring is also desirable, such as, for example, Green bonds for green land. The Partner Program aims at at least ten companies to the first generation. In the future, the product is planned to be expanded to the Partner Program Start Up for start ups, where the price is lower, the workshops and consulting hours are less, and the content is also adapted). Funderbeam targets 2 unions and 3 interested companies for crowdfunding. The promotion will take place through conferences and direct interactions, in connection with the of Progress/Partner Program.

Also expected in the future are the positive effects as a result of regional integration with the Zagreb Stock Exchange. It is expected that the new regional cooperation with the Zagreb Stock Exchange will bring certain new synergy effects and opportunities for the further development of the market, which will consequently have a positive effect on the LJSE operations.

Our main activities planned for 2018 are:

- Stable and efficient day-to-day operation of the market;
- Acquisition of new products for the SI ENTER Market;
- Establishment of "LJSE Partner Programme" for a systematic acquisition of products on the LJSE;
- Promotion of performing activities of liquidity provision;
- Local and international market promotion (roadshows);
- Cooperation in development and promotion projects with the Zagreb Stock Exchange;
- Promotion of measures for further Slovenian capital market development (sale of state's ownership share through the market; encouraging long-term savings, etc.).

FINANCIAL STATEMENTS AND DISCLOSURES



LJUBLJANSKA BORZA
LJUBLJANA *Stock Exchange*



Management responsibility for the financial statements (Statement on Management Responsibility)

The Management Board hereby endorses the financial statements of the Ljubljana Stock Exchange for the financial year ended 31 December 2017, with notes thereto, along with the accounting guidelines of the annual report.

We hereby reaffirm our responsibility for a fair presentation of the financial statements in accordance with the Slovenian Accounting Standards. The Management Board confirms that suitable accounting policies were adhered to and that accounting valuations were conducted sensibly and according to the precautionary principle. The financial statements have been produced on the basis of going concern.

The Management Board is responsible for the appropriate management of accounts, for the adoption of the measures required to safeguard company assets, and for the prevention of exposure to fraud and other irregularities.


Nina Vičar, MSc
Member of the Management Board


Ljubljana Stock Exchange


Aleš Ipavec, MSc
President of the Management Board



Financial statements for the financial year 2017

Balance sheet as at 31 Dec 2017

(in EUR)		31 Dec 2017	31Dec 2016
ASSETS		2,939,649	2,654,468
Non-current assets		2,212,907	1,407,843
Intangible assets and long-term deferred and accrued items	1.1	114,144	78,872
Property, plant and equipment	1.2	1,809,253	1,285,457
Long term investments	1.3	250,000	0
Deferred tax assets	1.4	39,510	43,514
Current assets		671,222	1,188,894
Current investments	1.5	350,383	600,383
Current operating receivables	1.6	192,255	177,563
Cash and cash equivalents	1.7	128,584	410,947
Short-term deferred costs and accrued revenues	1.8	55,520	57,731
EQUITY AND LIABILITIES		2,939,649	2,654,468
Equity	1.9	2,591,903	2,376,378
Called-up capital		1,400,893	1,400,893
Capital surplus		462,775	462,775
Revenue reserves		423,159	423,159
Revaluation surplus		136,206	0
Retained earnings		89,551	0
Net profit or loss for the period		79,319	89,551
Provisions and long-term accrued costs and deferred revenues	1.10	0	0
Non-current liabilities	1.11	43,394	18,375
Non-current financial liabilities		11,444	18,375
Deferred tax liabilities		31,949	0
Current liabilities	1.12	224,507	196,880
Current financial liabilities		8,048	8,038
Short-term trade payables		216,458	188,842
Short-term accrued costs and deferred revenues	1.13	79,845	62,835

Notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.



Income statement for the year ended 31 Dec 2017

(in EUR)		2017	2016
Sales revenues	2.1	1,350,905	1,380,295
Sales revenues from domestic market		1,004,184	1,054,235
Sales revenues from abroad		346,721	326,059
Other operating revenue	2.1.1.	88,459	38,278
OPERATING EXPENSES	2.2		
Costs of goods, material and services	2.2.1	644,663	719,417
Costs of materials used		43,041	39,842
Costs of services		601,622	679,575
Labour costs	2.2.2	615,491	546,430
Costs of wages and salaries		492,988	439,178
Pension insurance costs		12,909	10,737
Other social insurance costs		70,826	65,583
Other labour costs		38,768	30,932
Write-downs	2.2.3	77,682	73,963
Depreciation and amortisation		71,204	58,775
Revaluatory operating expenses associated with intangible assets and property, plant and equipment		0	0
Revaluatory operating expenses associated with operating current assets		6,478	15,188
Other operating expenses	2.2.4	13,268	15,335
OPERATING PROFIT OR LOSS		88,260	63,427
Financial revenue from other investments		2,345	1,079
Financial revenue from operating receivables		3,596	1,591
Financial expenses for other financial liabilities		1,117	562
Financial expenses for trade payables and bills payable		2	125
PROFIT OR LOSS FROM ORDINARY ACTIVITIES		93,082	65,411
Other revenue		180	3
Other expenses		18	3
PROFIT OR LOSS BEFORE INCOME TAXES		161	0
Income tax	2.3	-9,919	0
Deferred taxes		-4,004	24,140
NET PROFIT OR LOSS FOR THE PERIOD	2.4	79,319	89,551

Notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.



Statement of comprehensive income for the year ended 31 Dec 2017

(in EUR)		2017	2016
Net profit or loss for the period		79,319	89,551
Changes of intangible assets and property, plant and equipment revaluation surplus		136,206	0
Changes of short-term investment revaluation surplus		0	0
Profit or loss of result from translation of financial statement in foreign currencies		0	0
Other components of comprehensive income		0	0
Total comprehensive income for the period	2.5	215,525	89,551

Notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.



Cash flow statement for the year ended 31 Dec 2017

(in EUR)	2017	2016
A. Cash flows from operating activities		
a) Income Statement items	151,447	206,666
Operating revenue	1,369,818	1,418,403
Financial revenue from trade payables	3,596	-28
Operating expenses excluding depreciation and amortisation	-1,208,043	-1,235,849
Income taxes and other taxes not included in operating expenses	-13,924	24,140
b) Changes of net operating assets in Balance Sheet items	-53,728	-216,335
Change in trade receivables	-34,790	-41,155
Change in deferred costs and accrued revenue	149	-307
Change in deferred tax assets	4,004	-24,140
Change in operating debts	27,616	70,286
Change in accrued items and provisions	-50,708	-221,019
Change in deferred tax liabilities	0	0
c) Net cash from operating activities (a + b)	97,719	-9,669
B. Cash flows from investing activities		
a) Cash receipts from investing activities	2,814	630
Interest received	2,281	487
Proceeds from disposal of intangible assets	0	0
Proceeds from sale of property, plant and equipment	533	143
Proceeds from disposal of non-current assets	0	0
Proceeds from disposal of current assets	0	0
b) Cash disbursements from investing activities	-390,933	-660,958
Purchase to acquire intangible assets	-53,079	-32,798
Purchase of property, plant and equipment	-337,854	-28,160
Payments in connection with non-current investments	0	0
Payments in connection with current investments	0	-600,000
c) Net cash from investing activities (a + b)	-388,119	-660,328
C. Cash flows from financing activities		
a) Cash receipts from financing activities	0	0
Capital increase	0	0
Proceeds from increase in financial liabilities	0	0
b) Cash disbursements from financing activities	8,037	562
Interest paid	0	0
Repayment of equity	0	0
Repayment of financial liabilities	8,037	562
Dividends paid	0	0
c) Net cash from financing activities (a + b)	8,037	562
D. Net cash and cash equivalents as at end of period	128,584	410,947
Net increase in cash and cash equivalents (Ac+Bc+Cc)	-282,364	-669,435
Cash and cash equivalents as at beginning of period	410,947	1,080,382

Notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.



Statement of changes in equity for 2017

(in EUR)	Called-up capital	Capital surplus			Revenue reserves	Revaluation reserves	Retained earnings	Net profit / loss	Total equity
	Share capital	Payments over carrying amount in redemption of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves			Net profit / loss for the period	
A.1. Balance at 31 Dec 2016	1,400,893	143	364,570	98,063	423,159	0	89,551		2,376,378
Backward calculations									
Retrospective adjustments									
A.2. Balance at 1 Jan 2017	1,400,893	143	364,570	98,063	423,159	0	89,551		2,376,378
Total comprehensive income for B.2. 2017									
Profit / loss for the period								79,319	79,319
Changes in revaluation surplus related to intangible assets						136,206			136,206
Changes in revaluation surplus related to investments									0
Other components of comprehensive income									0
B.3. Changes in equity									
Capital decrease (settlement of loss for 2015 from other components of equity)									0
C. Balance at 31 Dec 2017	1,400,893	143	364,570	98,063	423,159	136,206	89,551	79,319	2,591,903
ACCUMULATED PROFIT FOR 2017	-	-	-	-	-	-	89,551	79,319	168,870

Statement of changes in equity for 2016

(in EUR)	Called-up capital	Capital surplus			Revenue reserves	Retained earnings	Net profit / loss	Total equity
	Share capital	Payments over carrying amount in redemption of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves		Net profit / loss for the period	
A.1. Balance at 31 Dec 2015	1,400,893	143	364,570	98,063	423,159	0	0	2,286,827
Backward calculations								
Retrospective adjustments								
A.2. Balance at 1 Jan 2016	1,400,893	143	364,570	98,063	423,159	0	0	2,286,827
Total comprehensive income for B.2. 2016								
Profit / loss for the period							89,551	89,551
Changes in revaluation surplus related to intangible assets								0
Changes in revaluation surplus related to investments								0
Other components of comprehensive income								0
B.3. Changes in equity								
Capital decrease (settlement of loss for 2015 from other components of equity)								0
C. Balance at 31 Dec 2016	1,400,893	143	364,570	98,063	423,159	0	89,551	2,376,378
ACCUMULATED PROFIT FOR 2016	-	-	-	-	-	-	89,551	89,551

Notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.





Notes to financial statements

Statement of compliance

The financial statements of the company are prepared in accordance with the Companies Act (ZGD-1) and Slovenian Accounting Standards (SRS 2016).

Basis of presentation

In compiling the Financial Statements were considered:

- Basic accounting principles:
 - Adherence to the principle of accounting on an accrual basis, and
 - Going concern;
- The qualitative characteristics of financial statements (understandability, relevance, reliability and comparability).

Relations with other companies

The company has no participating interests in other companies, neither directly nor through other entities acting on behalf of the company.

As at 31 December 2017, the LJSE had one shareholder (100%), namely Zagrebačka burza, d.d., Ivana Lučića 2a, 10000 Zagreb, Hrvatska. Joint Annual Report for 2017 will be possible to obtain at the registered office of the owner.

Measuring Grounds

In preparing the enclosed financial statements and notes to financial statements, the historical cost convention was adhered to, except for the building with associated land, which was valued according to the principle of fair value.

Functional and Presentation Currency

The financial statements are drawn up in Euro, i.e. in the functional currency of the Ljubljana Stock Exchange, Inc.

Important Accounting Principles

In recognizing and valuating items, the provisions of the SAS were adhered to as a rule, except in valuating items for which the SAS allow for different valuation methods, where the company used the principles described below.

Intangible assets and long-term deferred costs and accrued revenues

The company's intangible assets include long-term property rights and long-term deferred costs and accrued revenue.



After initial recognition intangible assets are recognised at cost value. These assets are measured at cost value less accumulated amortization.

Amortization of intangible assets is provided on a straight-line basis.

Amortization rates:

	Rate in %
Intangible assets	20.0
Software	20.0
Licences	20.0

The amortization period and amortization method for an intangible asset with finite useful life is reviewed at least at each financial year-end. If the asset's expected useful life differs significantly from previous estimates, the amortisation period changes accordingly.

The value of an intangible asset is also estimated on the reporting date to assess whether there are objective indications of impairment. For an intangible asset with indefinite useful life and/or for an intangible asset not yet in use, its recoverable amount is calculated once a year irrespective of whether indications of impairment exist or not.

Impairment losses are recognised in the Income Statement as revaluation operating expenses associated with intangible assets.

Reversed impairment losses for intangible assets are only recognised if their recoverable amount increases and this increase can be objectively related to an event after the recognition of loss. Impairment losses are reversed only up to the carrying amount that would be recognised after deducting accumulated depreciation if no impairment losses had been recognised in previous periods.

Long term deferred costs and accrued revenues refer to long-term deferred costs.

Property, plant and equipment

The company's property, plant and equipment item includes: building and associated land, equipment and small tools with useful lives of over a year and cost values of up to EUR 500 each.

Property, plant and equipment that meet the criteria for recognition are initially recognised at cost value, composed of the purchase price and all costs of preparing the asset for its intended use.

After initial recognition, items of property, plant and equipment are measured at cost value, apart from the building and associated land, which are measured at revaluatuion. If subsequently incurred costs related to property, plant or equipment increase the asset's future benefits as compared to previous evaluations, they increase its cost value.

As at 1 July 2007 the company, presents the building with its associated land after the initial recognition in accordance with the revaluation model in accordance with SAS 1.33.



Each item of property, plant and equipment is depreciated separately, using the straight-line depreciation method.

Land is not depreciated.

Depreciation rates:

	Rate in %
Buildings	3.15
Computers	20.0 – 40.0
Furniture and other equipment	25.0
Vehicles	20.0

Depreciation of an item of property, plant and equipment obtained in the current year begins on the first day of the following month after it has become available for use. Assets in the course of construction or manufacturing are not depreciated until they are available for use.

An asset's residual value and remaining useful life are examined on the reporting date, and adjusted accordingly if expectations differ from previous estimates.

Property, plant and equipment are examined every year for indications of impairment. If any such indications exist, an estimate of the recoverable amount is made, which is the higher of its net selling price less the cost of selling, and value in use. If an asset's recoverable amount exceeds its carrying amount, the asset is not impaired.

If the carrying amount of an asset or a group of assets exceeds their recoverable amount, the company reduces the recognised cost values of its property, plant and equipment as well as proportionately reduces the relevant impairment loss.

Reversed impairment losses for property, plant and equipment are only recognised if their recoverable amount increases and this increase can be objectively related to an event after the recognition of loss. Impairment losses are reversed only up to the carrying amount that would be recognised after deducting accumulated depreciation if no impairment losses had been recognised in previous periods.

Property, plant and equipment disposed of or destroyed are no longer recorded on books of account, since no benefits can be expected of them. Any incurred profits increase operating revenues and any incurred losses increase operating expenses.

Revaluation of the building with associated land

More important assets are assessed for impairments separately. At least every five years or, in case of external indications of impairment, even more often, the company commissions a certified appraiser to appraise its property.

If the revaluation increases the building's carrying amount, the increase is credited directly to Equity, under the item revaluation surplus. It is transferred to the Income Statement gradually or when the asset is derecognised. The decrease of carrying amount to fair value is recognised in the Income Statement. The



decrease of carrying amount due to revaluation is debited directly to Equity, under the item revaluation surplus, to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

In 2017, the company obtained a statement on the fair value of the building and its associated land.

On the basis of the acquired fair value statement by an authorized real estate appraiser, LJSE adjusted the carrying amount of the property at fair value value on 31 December 2017 with the elimination of the decrease from the previous impairment in the amount of EUR 69,121.92 and by excluding the depreciation adjustment to the cost of the purchase or revalued cost of the building in the amount of 142,107.80 EUR; then the net amount was revalued to a new fair value of EUR 168,154.99, which became the new revalued value from which amortization is calculated. With the unchanged useful life and using the straight-line method, the depreciation rate increased from 3.150% to 3.537%.

Receivables

Receivables of all types are initially recognised at amounts stipulated in the relevant documents, under the assumption they will be collected. Receivables denominated in foreign currency are converted at the Bank of Slovenia middle exchange rate at the end of the period, and any translation difference is recognised as financial revenue or expenditure.

Subsequent increases or decreases of receivables increase the relevant operating (or financial) revenue or expenses.

Allowances for bad receivables are formed when their collection is doubtful, if we have information of the poor financial condition of the buyer or of the compulsory settlement or liquidation of the buyer. As dictated by experience from previous accounting periods and considering expectations, allowances for bad receivables are mandatorily formed at the end of each financial year. Allowances for bad receivables are formed for the entire amount of outstanding receivables, for all receivables not settled within 90 days after they were due.

Cash and cash equivalents

Cash and cash equivalents include cash on bank accounts and cash in hand.

Cash and cash equivalents denominated in the national currency are recognised at nominal value. Foreign currency and foreign exchange is converted into the national currency as at the day received, applying the exchange rate as of that day. The foreign currency account balance is converted at the middle exchange rate as at the day of the Balance Sheet. The exchange rate difference is recorded under financial revenue or expenses.

Equity

Total equity is distributed into share capital, share premium amount, amounts from the simplified decrease of share capital, reserves generated as a result of valuation at fair value, transferred net profit and net profit for the financial year. The share capital is kept in the national currency.

Provisions and long-term accrued costs and deferred revenues



Provisions and long-term accrued costs and deferred revenues include long-term deferred revenue that will cover the anticipated expenses within a period longer than one year. When services are charged, therefore, they are not included into the Income Statement, since at the time there is no need to settle those expenses.

Provisions are defined for present liabilities which stem from obligating past events and are expected to be settled at a time period which is not certain and in the amount which can be reliably estimated. The purpose of provisions is to collect amounts in the form of accrued costs or expenses, which will in the future enable the company to cover the then incurred costs or expenses.

Liabilities

Current and non-current liabilities of all types are initially recognised in the amounts stipulated by the relevant documents, assuming that creditors will demand their execution.

Current liabilities may subsequently increase or decrease, directly or independently of executed payment, by an amount agreed with the creditor. Subsequent increases of current liabilities increase the relevant operating (or financing) expenses (costs).

Short-term accrued and deferred items

Active short-term accrued and deferred items include short-term deferred costs (expenses) and temporarily accrued revenue. Short-term deferred costs include amounts that do not upon incurrence burden the company's activity and do not affect the Income Statement. Temporarily accrued revenue is incurred when the Income Statement recognises revenue that has not yet been received or charged for. The recognition of short-term accrued revenue and deferred costs in the books of account and the Balance Sheet is reversed when their possible incurrence no longer exists or when short-term accruals and deferrals are no longer needed. Short-term deferred costs (expenses) are converted into accrued costs (expenses) when they are recognised in the Income Statement.

Accrued expenses extinguish when the relevant liability is recognised or payment is made. Short-term accrued revenue extinguishes when the relevant receivable is recognised or payment is received.

Accrued costs, accrued expenses and deferred revenue include accrued costs (expenses) and short-term deferred revenue. Accrued costs include costs expected but not yet incurred and refer to the period of the Income Statement. Short-term deferred revenue is incurred when the company's services had been charged for but not yet rendered. Revenue can also be deferred for a short term when at the time of sale it is still doubtful whether it will be received. The recognition of short-term accrued costs and deferred revenue in the books of account and the Balance Sheet is reversed when their possible incurrence no longer exists or when short-term deferrals and accruals are no longer needed. Short-term accrued costs (expenses) subsequently take the place of the actual incurred costs (expenses) of the same type, and are thus no longer included in the Income Statement for the relevant financial year. Short-term deferred revenue is transformed into accrued revenue when the relevant services have been rendered, or when they become eligible for inclusion into the Income Statement and the relevant costs have to be covered.



During the year and upon drawing up the financial statements, the company verifies whether it is justified and necessary to recognise short-term accruals and deferrals. In estimating the accuracy of their value, we take into account the potential changes caused by events after their recognition.

Recognition of revenue

Operating revenue is sales revenue and other operating revenue related to products and services.

Operating revenue is composed of the disposable value of rendered services in the accounting period in which the services are rendered by reference to the stage of completion of the transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

Financial revenue is revenue from investments. It is incurred from non-current and current investments. It consists of accrued interest, exchange differences related to investments, surplus of disposal price over their carrying amount in disposals of non-current and current investments, as well as revaluatory financial revenue. Interest income is recognised upon incurrence, i.e. when charged, using the effective interest rate method. They are only recognised when there is no doubt about their amount or recoverability.

Other revenue consists of exceptional items that increase the company's revenue for the period.

Recognition of expenses

Expenses include costs and expenses of commercial, administrative and other tasks, along with costs related to the sale of products and services, as well as operating expenses from revaluation of fixed and current assets. Expenses are fully recognised as operating expenses in the period in which they are incurred. Upon initial recognition, expenses are categorised according to type, as costs of materials, costs of services, depreciation costs, employee benefits cost and costs of amounts due, irrespective of income.

Financial expenses include expenses for financial activities and expenses for investment. They consist of exchange differences, shortage of disposal price compared to their carrying amounts in disposals of non-current investments, as well as financial expenses from revaluation.

Other expenses consist of exceptional items that decrease the company's revenue for the period.

Taxes

Tax expense includes accrued income tax and deferred tax.

Income tax is charged on the basis of revenues and expenses given in the Income Statement pursuant to the temporary tax legislation.

Deferred tax is provided on all temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts. Deferred tax assets or liabilities are recognised as revenues or expenses in the Income Statement.

The company forms deferred tax assets for all deductible temporary differences – arising from asset impairment, temporarily non tax deductible amortisation and unused tax loss - to the extent that it is probable that taxable profit will be available

Cash flow statement

Based on Balance Sheet data as at 31 December 2016 and as at 31 December 2017, and based on the Income Statement for 2017 as well as considering other relevant data from internal sources, relating to revenue and expenses, the Cash Flow Statement was drawn up under version II of SAS 2016.

1. Balance sheet

1.1. Intangible assets

EUR 114,144

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Long-term property rights	1,228,184	1,152,262
Intangible assets under construction	9,402	32,245
Long-term deferred costs	25,566	23,504
Accumulated amortization of intangible assets	-1,149,008	-1,129,140
Carrying amount	114,144	78,872

Intangible assets as at 31 December 2017 include recognised rights for the use of software for the computerized processing of data with a carrying amount of EUR 79,176, intangible assets in production in the amount of EUR 9,402 and long-term deferred costs (expenses) and accrued revenues in the amount of EUR 25,566.

All intangible assets have finite useful lives.

Movements of intangible assets in 2017:

<i>(in EUR)</i>	Buildings	Equipment	Small tools	Equipment under preparation	Total PPE
Cost of purchase					
Balance as at 31 Dec 2016	1,274,258	699,624	0	9,687	1,983,569
Additions	260,403	87,139	0	77,610	425,151
Elimination of the impairment loss	69,122	0	0	0	69,122
Transfer	0	0	0	87,297	87,297
Disposals	142,108	321,140	0	0	463,247
Enhancement	168,155	0	0	0	168,155
Balance as at 31 Dec 2017	1,629,830	465,623	0	0	2,095,453
Accumulated depreciation					
Balance as at 31 Dec 2016	106,757	591,355	0	0	698,112
Annual depreciation	35,351	15,984	0	0	51,335
Disposals	142,108	321,140	0	0	463,247
Enhancement	0	0	0	0	0
Impairment	0	0	0	0	0
Balance as at 31 Dec 2017	0	286,200	0	0	286,200
Carrying amount					



Balance as at 31 Dec 2016	1,167,501	108,269	0	9,687	1,285,457
Balance as at 31 Dec 2017	1,629,830	179,423	0	0	1,809,253

Additions in long-term property rights in 2017 refer to the upgrade of software for issuers' announcements, which cost EUR 6,999, to the upgrade of BorzaNet software, which cost EUR 45,751, and others in the amount of EUR 328.

As at the Balance Sheet date the company has liabilities from purchases to acquire intangible assets in the amount of EUR 10,629.

Long-term deferred costs (expenses) and accrued revenues include deferred costs of rent of digital certificates and brand patent in the total amount of EUR 967, and payments to reserve fund in the amount of EUR 24,599.

1.2. Property, plant and equipment

EUR 1,809,253

(in EUR)	31 Dec 2017	31 Dec 2016
Building	1,629,830	1,274,258
Accumulated depreciation of building	0	-106,757
Other property, plant and equipment	465,623	699,624
Property, plant and equipment under construction	0	9,687
Accumulated depreciation of property, plant and equipment	-286,200	-591,355
Carrying amount	1,809,253	1,285,457

As at 31 December 2017, the item property, plant and equipment (PPE) included the current value of the building (EUR 1,629,830) and the current value of other PPE (EUR 179,423).

In 2017 a renovation of business premises was carried out in the total amount of 260.403 EUR. Due to the increase in the value of the building on the basis of renovation and changes in market in relation to the acquired appraisal in 2016, a new valuation was obtained at the end of 2017.

If the building and associated land were recognised at the cost model, the carrying amount of the building and associated land as at 31 December 2017 would have totalled EUR 1,448,920.

Movements of property, plant and equipment (PPE) in 2017:

(in EUR)	Buildings	Equipment	Small tools	Equipment under preparation	Total PPE
Cost of purchase					
Balance as at 31 Dec 2016	1,274,258	699,624	0	9,687	1,983,569
Additions	260,403	87,139	0	77,610	425,151
Elimination of the impairment loss	69,122				69,122
Transfer				87,297	87,297
Disposals	142,108	321,140	0	0	463,247
Enhancement	168,155	0	0	0	168,155
Impairment	0		0	0	0
Balance as at 31 Dec 2017	1,629,830	465,623	0	0	2,095,453



Accumulated depreciation

Balance as at 31 Dec 2016	106,757	591,355	0	0	698,112
Annual depreciation	35,351	15,984	0	0	51,335
Disposals	142,108	321,140	0	0	463,247
Enhancement	0	0	0	0	0
Impairment	0	0	0	0	0
Balance as at 31 Dec 2017	0	286,200	0	0	286,200
Carrying amount					
Balance as at 31 Dec 2016	1,167,501	108,269	0	9,687	1,285,457
Balance as at 31 Dec 2017	1,629,830	179,423	0	0	1,809,253

New purchases of PPE include purchase of office equipment in the amount of EUR 60,155, IT equipment in the amount of EUR 12,101 and other equipment in the amount of EUR 5,354.

Eliminations refer to the sale of PPE and elimination of operating fixed assets from bookkeeping records pursuant to the resolution adopted by the inventory commission.

None of the assets from this group have legal restrictions imposed or are pledged as a guarantee.

As at the Balance Sheet date the company has no liabilities from purchases to acquire property, plant and equipment.

1.3. Long term investments

EUR 250,000

The long-term bank deposit in the amount of EUR 250,000 is deposited at a commercial bank in Slovenia for two years and an interest rate of 0.45% in nominal terms.

(in EUR)	31 Dec 2017	31 Dec 2016
Other loans to third parties	250,000	0
Total	250,000	0

1.4. Deferred tax assets

EUR 39,510

Deferred tax assets in the amount of EUR 39,510 are recognised on all deductible temporary differences arising from the difference between the depreciation charge for the building, in the amount of 3.15%, and tax-deductible amortisation, in the amount of 3.00%, as well as for impairments of trade receivables, and unused tax loss.

Deferred taxes are charged at the rate of 19% at which it is expected that the deferred tax assets will also be settled.

(in EUR)	31 Dec 2017	31 Dec 2016
Deferred tax assets	39,510	43,514
Total	39,510	43,514

Movement of long term deferred tax assets in 2017



<i>(in EUR)</i>	Difference between depreciation charged (20%) and tax-deductible depreciation (10%)	Impairment of trade receivables	Unused tax loss	Total
As at 31 December 2016	1,074	12,624	29,816	43,514
Newly formed in 2017	320	0	0	320
Used in 2017	0	-3,831	-493	-4,324
As at 31 December 2017	1,394	8,793	29,322	39,510

1.5. Current investments

EUR 350,383

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Investments into precious metals	383	383
Short-term third party loans	350,000	600,000
Total	350,383	600,383

A short-term deposit of EUR 350,000 is deposited at one of the commercial banks in Slovenia for a fixed term and at a 0.1% nominal interest rate for a period of 9 months and an interest rate of 0.20% for a bond for a period of one year.

Investments into precious metals refer to two gold bars the Exchange.

1.6. Short-term trade receivables

EUR 192,255

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Trade receivables	150,432	166,446
Receivables due from other entities	41,823	11,117
Total	192,255	177,563

• Trade receivables

EUR 150,432

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Trade receivables due from residents	74,650	90,996
Doubtful and disputable trade receivables from residents	43,206	62,464
Trade receivables due from non-residents	75,782	75,879
Doubtful and disputable trade receivables from non-residents	220	220
Allowance for bad receivables	-43,426	-63,114
Total	150,432	166,446

• Receivables due from other entities

EUR 41,823

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Short-term advanced paid	1,318	0
Interest receivables	2,999	3,966
Default interest receivable	-2,855	-3,328
Receivables due from other entities	40,361	10,480



Total	41,823	11,117
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Other short-term receivables refer to input VAT in the amount of EUR 26,622, namely to VAT receivables from invoices for December 2017, to receivables from paid advance payments for corporation tax in the amount of EUR 771, to receivables from advances paid for the income tax of legal entities in the amount of EUR 9,919, and to other receivables, in the amount of EUR 3,049.

The company has no claims with its Management Board members, employees with special powers or Supervisory Board members.

• **Short-term receivables by maturity (gross trade receivables, advances and interest)**

(in EUR)	Non past due	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	More than 120 days	Total
Trade receivables due from residents – trading fees	31,015						31,015
Trade receivables due from residents – other	38,542	720	360	360	146	3,507	43,635
Trade receivables due from residents – doubtful						43,206	43,206
Trade receivables due from non-residents	75,782						75,782
Trade receivables due from non-residents – doubtful						220	220
Other short-term advances and overpayments	1,318						1,318
Interest receivable	144						144
Default interest receivable	0						0
Default interest receivable – doubtful	0					2,855	2,855
Total	146,801	720	360	360	146	49,788	198,174

The majority of receivables, both trade receivables and interest receivables, are non-past due receivables, which represent 74.1% of all receivables. For claims overdue by over 90 days and for doubtful claims and for claims in cases of compulsory settlement or bankruptcy, we formed allowances. In forming allowances, we considered all claims not settled within 90 days and all payments received until the February 2018.

In the field of credit risk, the company follows the established procedure of collecting trade receivables, which ensures that the majority of our outstanding receivables are settled.

Review of corrections in value adjustments of receivables in 2017:

(in EUR)	Receivables kto 129	Receivables kto 159	Total
As at 31 December 2016	62,684.42	3,757.67	66,442.09
- written off receivables for which a correction was made	6,478.10	0.00	6,478.10
(booking 129/120 and 159/150)			0.00



- recovered receivables for which a correction was made (adjustment)	19,258.81	903.13	20,161.94
+ additional increase in value adjustment	6,478.10	0.00	6,478.10
Status of the Adjustment as of 31 December 2017	43,425.61	2,854.54	46,280.15

The company does not hedge its receivables.

1.7. Cash and cash equivalents

EUR 128,584

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Cash in hand	59	233
Bank balance:	128,525	410,714
Current account	24,045	22,345
Redeemable EUR deposit	104,480	388,369
Total	128,584	410,947

We have redeemable deposits placed in commercial banks in Slovenia at the interest rate of 0.01% to 0.05% at the beginning of the year. The interest rate later gradually decreased and amounted at the end of 2017 from 0.002% to 0.01%.

1.8. Short-term deferred costs and accrued revenue

EUR 55,520

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Short-term deferred costs	31,432	30,606
Short-term accrued revenues	24,088	27,125
- listing maintenance fees for bonds	24,088	27,125
Total	55,520	57,731

Short-term deferred costs refer to the lease of the licenses in the amount of EUR 17,723, costs of the company's property insurance in the amount of EUR 5,368 and other in the amount of EUR 8,341. These costs relate to financial year 2018.

Accrued revenue refers to listing maintenance fees for government bonds (issuer Republika Slovenija) for 2017, in the amount of EUR 24,088. The listing maintenance fees will be charged in 2018 after one year of listing. Other issuers are charged with listing maintenance fees (for shares and bonds) for the term of each calendar year.

1.9. Equity

EUR 2,591,903

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Called-up capital	1,400,893	1,400,893
Capital surplus	462,775	462,775
- Payments over carrying amount in disposal of own shares	143	143
- Amounts from simplified decrease of share capital	364,570	364,570
- General equity revaluation adjustment	98,063	98,063
Revenue reserves	423,159	423,159

- Statutory reserves	423,159	423,159
- Other reserves	0	0
Revaluation surplus	136,206	0
- Building revaluation surplus	168,155	0
- Allowance for revaluation surplus relating to deferred tax assets	-31,949	0
Retained earnings	89,551	0
Net profit or loss for the period	79,319	89,551
Total	2,591,903	2,376,378

• **Share capital**

EUR 1,400,893

Share capital consists of 33,571 regular no par value shares.

• **Capital surplus**

EUR 462,775

(in EUR)	31 Dec 2017	31 Dec 2016
Payments over carrying amount in disposal of own shares	143	143
Amount from simplified decrease of share capital	364,570	364,570
General equity revaluation adjustment	98,062	98,062
Total	462,775	462,775

The general equity revaluation adjustment refers to the revaluation of share capital back to 2001.

• **Revenue reserves**

EUR 423,159

(in EUR)	31 Dec 2017	31 Dec 2016
Statutory reserves	423,159	423,159
Other revenue reserves	0	0
Total	423,159	423,159

• **Revaluation surplus**

EUR 136,206

(in EUR)	31 Dec 2017	31 Dec 2016
Building revaluation surplus	168,155	0
Allowance for revaluation surplus relating to deferred tax assets	-31,949	0
Total	136,206	0

As at 31 December 2017, the company carried out the fair price revaluation of the business premises. Revaluation reserves from revaluation of buildings in the amount of EUR 168,155 in revaluation reserves and deferred tax revaluation reserve in the amount of EUR 31,949 are formed for the effect of the conversion to a higher fair value.

1.10. Provisions, and long-term accrued costs and deferred revenue

EUR 0

The company formed no provisions for terminal leave pay or long-service benefits, because it estimated their amount to be insignificant. Payable discount values of terminal leave pays and long-service benefits namely amount to less than 5 per cent of company capital.

1.11. Long-term liabilities

EUR 43.394

(in EUR)	31 Dec 2017	31 Dec 2016
Non-current financial liabilities	11,444	18,375
Deferred tax liabilities	31,949	

Total	43,394	18,375
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Long-term financial liabilities in the amount of EUR 11,444 refer to the purchase of a company car on the basis of a financial lease.

Deferred tax liabilities are recognized under the revaluation reserve, which relates to the revaluation of a building to fair value in 2017.

1.12. Short-term liabilities EUR 224,507

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Short-term financial liabilities	8,048	8,038
Payables to suppliers	135,334	140,425
Payables from advances	2,298	317
Other trade payables	78,827	48,100
Total	224,507	196,880

Short-term financial liabilities in the amount of EUR 8,048 refer to current portion of finance lease for the purchase of a company car.

Other short-term operating liabilities relate to short-term liabilities to employees in the amount of EUR 44,866, short-term operating liabilities on the basis of advances in the amount of EUR 2,298 and other short-term operating liabilities in the amount of EUR 5,561.

• **Payables to employees include:** EUR 44,866

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Payables from net wages and wage compensations	20,474	18,500
Payables from contributions for gross wages and wage compensations	9,105	8,534
Payables from taxes for gross wages and wage compensations	7,380	6,888
Payables from other earnings from employment	1,302	1,474
Payables from payer's contributions	6,606	6,216
Total	44,866	41,613

• **Payables to the government and other institutions include:** EUR 28,400

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Payables from VAT	15,700	4,711
Payables from income tax	9,919	0
Other payables to the government and other institutions	2,781	961
Total	28,400	5,672

1.13. Short-term accrued costs and deferred revenue EUR 79,845

<i>(in EUR)</i>	31 Dec 2017	31 Dec 2016
Accrued costs	79,845	59,835
Short-term deferred revenues	0	3,000
Total	79,845	62,835



Accrued costs refer to the costs of the financial statements audit for 2017, which amount to EUR 3,500, to the costs of a risk management audit and audit of compliance with the Code of Conduct, in the amount of EUR 4,265, to the costs of the review report on affiliated subjects, in the amount of EUR 1,615, to the costs of unused annual leave for 2017, in the amount of EUR 5,595, to the obligations arising from bonuses to the employees and the Management Board for 2017, in the amount of EUR 61,948, and other accrued costs in the amount of EUR 2,922.

1.14. Off-balance-sheet liabilities and receivables

As at 31 December 2017 the company recognised no off-balance-sheet liabilities or receivables. No company's assets are used for insurance and are free from all charges.



2. Income statement

2.1. Revenues

EUR 1,445,485

	2017		2016	
	in EUR	in %	in EUR	in %
I. Operating revenue	1,439,364	99.6	1,418,572	99.8
a. Revenue from core business	872,087	60.3	888,377	62.5
- Trading fees	464,127	32.1	502,011	35.3
- Membership fees	42,000	2.9	38,125	2.7
- Listing fees	365,960	25.3	348,242	24.5
b. Other revenue	567,276	39.2	530,195	37.3
- SEOnet and INFO STORAGE services	181,676	12.6	183,184	12.9
- Trade publication	6,057	0.4	7,618	0.5
- Seminars	14,771	1.0	11,578	0.8
- Data dissemination	63,295	4.4	65,400	4.6
- Revenues sharing with WBAG	202,193	14.0	185,345	13.0
- Revenues from organizing events	1,000	0.1	1,000	0.1
- Other	98,285	6.8	76,070	5.4
II. Financial revenue	5,941	0.4	2,670	0.2
III. Extraordinary revenue	180	0.0	3	0.0
Total	1,445,485	100.0	1,421,246	100.0

2.1.1. Other operating revenues

EUR 88,459

(in EUR)	2017	2016
Revenues from rental of premises	7,528	0
Revenues from dissolved provisions	11,205	37,349
Revenues from revaluation (previous impairment)	69,122	0
Revenues from sale of fixed assets	533	143
Other revenues	71	786
Total	88,459	38,278



2.2 Expenses

EUR 1,352,242

	2017		2016	
	in EUR	in %	in EUR	in %
I. Operating expenses	1,351,104	99.9	1,355,145	99.9
- Costs of material	43,041	3.2	39,842	2.9
- Costs of services	601,622	44.5	679,575	50.1
- Labour costs	615,491	45.5	546,430	40.3
- Write-offs	77,682	5.7	73,963	5.5
- Other operating expenses	13,268	1.0	15,335	1.1
II. Financial expenses	1,119	0.1	687	0.1
III. Extraordinary expenses	18	0.0	3	0.0
Total	1,352,242	100.0	1,355,835	100.0

All expenses for financial year 2017 refer to operating expenses.

2.2.1. Costs of material and services

EUR 644,663

(in EUR)	2017	2016
Costs of material	43,041	39,842
Power supply	22,653	21,933
Office supplies, expert literature and publications	13,830	13,772
Costs of LJSE publications	1,835	1,090
Drugi stroški materiala	4,722	3,048
Costs of services	601,622	679,575
Transportation	2,729	2,402
Maintenance costs	133,701	152,416
Leases and rents	228,420	275,939
Reimbursements of labour-related costs	5,487	4,910
Payment transactions and insurance premiums	10,436	10,865
Intellectual and personal services	50,496	72,669
Advertising and entertainment	37,096	29,258
Services by individuals without a registered business	26,674	20,232
Costs of other services	106,583	110,884
Total	644,663	719,417

2.2.2. Employee benefits cost

EUR 615,491

(in EUR)	2017	2016
Wages and salaries	492,988	439,178
Pension insurance	51,835	46,782
- Pension and disability insurance contributions	38,926	36,045
- Additional pension insurance	12,909	10,737
Social security	35,634	32,834
- Health insurance, employment and parental protection contributions	31,900	29,539

- Voluntary health insurance	3,733	3,295
Other labour costs	35,035	27,636
- Commuting, meals allowance, holiday allowance, benefits	35,035	27,636
Total	615,491	546,430

The company employed a total of 14 people in 2017. This equals 11.37 people considering hours worked. The total costs of wages and salaries (gross wages and wage contributions) amount to EUR 615,491.

2.2.3. Write-offs

EUR 77,682

(in EUR)	2017	2016
Depreciation and amortisation	71,204	58,775
Revaluatory operating expenses associated with operating current assets	6,478	15,188
Total	77,682	73,963

• Depreciation and amortization

EUR 71,204

(in EUR)	2017	2016
Amortisation of intangible assets	19,869	12,739
Building amortisation	35,351	34,832
Depreciation of property, plant and equipment	15,984	11,205
Total	71,204	58,775

• Revaluation operating expenses associated with current assets

EUR 6,478

Revaluation operating expenses associated with current assets refer to allowances for bad receivables which are formed for receivables overdue by 90 days and for doubtful receivables, both in the total amount of EUR 6,478.

2.2.4. Other operating expenses

EUR 13,268

(in EUR)	2017	2016
Other operating expenses	9,887	11,855
- Membership fees	1,831	1,632
- Tax paid for using building land	7,891	7,858
- Cost of court and administrative fees	165	215
- Humanitarian contributions	0	2,150
- Other expenses	3,381	3,479
Total	13,268	15,335

2.2.5. Expenses by function

All expenses refer to the expenses incurred in the course of general activities.

2.3. Income tax

EUR 9,919

Income tax is levied on the basis of revenue and expenses in the Income Statement, which are pursuant to the Slovenian regulations reduced by deduction items and increased by addition items.

In 2017, the tax base was established in the amount of EUR 112,443. For the year 2017, the company exempts tax relief in the amount of EUR 57,638 and covering the tax loss of EUR 2,597. This way, the tax

base for 2017 amounts to EUR 52,207 and the tax on profit in the amount of EUR 9,919. The effective tax rate for 2017 is 8.8%.

When calculating the net profit or loss for the accounting period, deferred tax receivables in the amount of EUR 320 are recognized and deferred tax assets for temporary differences in the amount of EUR 4,324 are eliminated, which reduces the net profit for the financial year.

Income tax charged:

(in EUR)	2017	2016
Profit / loss before tax	93,243	-85,488
Tax incentives and premiums	-38,439	214,160
- Tax relief	-57,638	-19,858
- Tax premiums	0	250,874
deductions relief	19,200	-16,856
Tax loss covering	-2,597	-74,264
Tax base	52,207	54,408
Tax rate	19%	19%
Tax charged	9,919	9,249

2.4. Net profit for the year

EUR 79,319

The net profit for the 2017 financial year amounts to EUR 79,319. It consists of EUR 90,159 net profit for the period, EUR 320 of newly formed deferred tax assets and EUR 4,324 of the use of deferred tax assets. Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net profit for 2017 remains unallocated and together with the retained earnings in the amount of EUR 89,551, forms an accumulated profit. Thus, the accumulated profit for the financial year 2017 is EUR 168,870. The Management Board and the Supervisory Board propose to allocate the reported accumulated profit for 2017 in order to pay dividends to the shareholder.

Accumulated profit:

(in EUR)	2017	2016
A. Net profit or loss of the financial year	79,319	89,551
1. Net profit or loss	79,319	89,551
	0	0
B. Retained earnings		
	89,551	0
C. Reversal of revenue reserves		
1. Statutory reserves	0	0
E. Accumulates profit or loss	168,870	89,551



2.5. Total comprehensive income for the period

EUR 215,525

Total comprehensive income for financial year 2017 amounts to EUR 215,525 and consists of net profit for the financial year in the amount of EUR 79,319 and revaluation surplus in the amount of EUR 136,206.

3. Management Board remuneration in 2017

In 2017 the Management Board received remuneration in the following amounts:

<i>(in EUR)</i>	Mr Aleš Ipavec, Msc President	Mrs Nina Vičar, Msc Member
Fixed pay (gross)	80,000	60,555
Variable pay (gross)	7,727	11,292
Fringe benefits	7,711	3,211
Other earnings and reimbursements	2,326	2,246
Additional pension insurance	2,819	2,819
Total	100,583	80,123

4. Supervisory Board remuneration in 2017

In 2017 the Supervisory Board received remuneration in the following amounts:

<i>(in EUR)</i>	Fee for holding office (gross)
- Mrs Ivana Gažič, Msc, President	1,800
- Patricija Bakšaj, Deputy President	1,500
- other members:	
Mr Tomislav Gračan, Msc	1,500
Mrs Darja Jermaniš, Msc	1,500
Total	6,300

5. Audit costs

The financial statements audit for financial year 2017 amounted to EUR 7,000 – inclusive of VAT, the audit of the company's risk management and compliance with the Code of Conduct totalled EUR 4,265, and the costs of audit of the Report on Relations with Affiliated Parties amounted to EUR 1,616. Internal audit costs for financial year 2016 amounted to EUR 7,900, the company does not show the costs of tax advice in 2017.

6. Related party transactions

The company undertook business with the controlling company on the basis of concluded contracts by using market prices for services.



Statement of receivables from and liabilities to related parties as at 31 December 2017:

(in EUR)	31 December 2017	31 December 2016
Receivables from companies in the group		
ZSE	/	/
SEE Link	/	/
Liabilities to companies in the group		
ZSE	/	/
SEE Link	0	6.726

In 2017 the actual revenues and actual expenses were realised in the amount of:

(in EUR)	2017	2016
Sales revenues in the group		
ZSE	/	/
SEE Link	/	/
Purchase of materials and services		
ZSE	45	/
SEE Link	14.760	8.884

7. Events after the reporting period

There were no events after the reporting period that would require a revision of the financial statements or special disclosures.

INDEPENDENT AUDITOR'S REPORT



LJUBLJANSKA BORZA
LJUBLJANA *Stock Exchange*



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Independent Auditor's Report

To the owner of LJUBLJANSKA BORZA d.d. Ljubljana

Opinion

We have audited the financial statements of the LJUBLJANSKA BORZA d.d. Ljubljana ("the Company"), which comprise the statement of financial position as of 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards (2016).

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 Responsibility for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

Management is responsible for other information. The other information comprises the Business Report included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we considered whether the Business Report includes the disclosures required by the Company's Act (hereafter referred to as "the applicable legal requirements").

The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene and is not to be signed. This translation is provided for reference purposes only.

KPMG Slovenija, podjetje za revidiranje, d.o.o., slovenska družba
z omejeno odgovornostjo in članica KPMG mreže neodvisnih družb
članic, ki so povezane s švicarskim združenjem KPMG International
Cooperative ("KPMG International").

TRR: SI 56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
šl. reg. vl.: 081/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556



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

- the information given in the Business Report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report and other information that we obtained prior to the date of this auditors report. We have nothing to report in this respect.

Responsibility of Management and Those Charged with governance for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovene Accounting Standards (2016), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using of 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 Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

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our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those charged with governance 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.

On behalf of the auditing company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Katarina Gašperin
Certified Auditor

Barbara Kunc
Certified Auditor
Partner

Ljubljana, 26 March 2018

KPMG Slovenija, d.o.o.
7

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