

Ljubljana Stock Exchange

ANNUAL REPORT

2010



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1. INTRODUCTION

1.1. Report from the Management Board

The debt crisis and falling stock prices continued to shape trading on the Ljubljana Stock Exchange in 2010 and resulted in low turnover. The Slovene market had been hit by the financial and economic crisis with a delay and is now struggling out of it at a slower pace than other developed markets. Nevertheless it has also witnessed positive change in 2010: with Xetra being launched and new international trading members having joined the Slovene stock exchange, market liquidity is expected to boost in 2011.

The total LJSE turnover in 2010 amounted to EUR 493 million and turnover without blocks to EUR 356 million, which is a decrease of 25 per cent compared to 2009. The majority of turnover comprised equity deals (73 per cent), while bonds and investment funds contributed a further 22 and 5 per cent, respectively. The most traded stock in 2010 was pharmacist Krka, which generated 50 per cent of all equity transactions. Prime Market has remained LJSE's top market segment, having listed eight blue chips that together contributed 80 per cent of all equity deals in the past year.

Aside from fruit and vegetable wholesaler Agrogorica, new listings to LJSE in 2010 were mainly bank bonds, which were issued in the total nominal value of EUR 2.74 billion. The total LJSE equity market capitalization dropped to a strong EUR 7 billion, mainly on the back of stock price decreases: in 2010 blue chip index SBI TOP dropped by 13.5 per cent.

Unfavourable market conditions highlighted the urgency for the Slovene market to restructure and reposition itself. This is what we focused on in 2010. Together with market participants we adopted the Slovene Capital Market Strategy, which provides an action plan for rebuilding investor confidence and for stimulating supply and demand. One of the key tools it proposes is the implementation of pension accounts (P accounts) into the third pillar of the pension system. P accounts can significantly contribute to funding the growth of the domestic economy as well as support the financial system. In November 2010 the Ljubljana Stock Exchange publicly invited authorities to launch the third pillar of the pension system and the initiative has been gaining support from prominent capital market stakeholders since.

The Strategy further underlines the importance of consistent compliance with international standards and practices, and emphasizes the urge of opening up to foreign investors. Having launched the international trading platform Xetra in December 2010 the LJSE has actualized one of its top strategic priorities by integrating the Slovene market into international capital markets. Ease of access to Slovene products has since attracted new international banks to enter the Slovene market. In December we admitted two new trading members, both renowned investment banks, Raiffeisen Centrobank AG and KBC Securities.

We also conducted a comprehensive international promotion of the Slovene market and our top products. In cooperation with partners we organized the largest number of road shows so far. Prime Market companies were showcased for investors at events in Ljubljana (twice), London, Vienna, and – for the first time – New York, where we hosted the road show together with Slovene broker Alta. In association with Thompson Reuters we also held our first webcast, while the Slovene capital market was presented to international readers in the Institutional Investor and the Financial Times. Our proactive targeted approach has already shown results, as the number of foreign market data users of services by data vendors is increasing.

2010 has also seen us introduce new services for listed companies. After having obtained the licence from the Securities Market Agency we launched a central storage of regulated information, the INFO STORAGE. This is the Slovene so-called officially appointed mechanism where stock market issuers can post regulated information and therefore comply with the regulations on disclosure to the public, vendors and regulator in a

simple and efficient manner. Investors and the remaining public can use the electronic system INFO STORAGE website to access all regulated information published by listed companies. There were over 2,000 regulated information posts made into INFO STORAGE in 2010.

The ongoing internal restructuring of the Ljubljana Stock Exchange continued in 2010, when we focused on our core business and transferred some of our internationally-oriented operations to the CEESEG, which can conduct these activities more efficiently and successfully at regional level. The operations that we handed over include international marketing, sale of market data, acquisition of new international trading members and stock index licensing. We, however, still operate the LJSE market and facilitate the development and launch of new products, manage relations with all Slovene market stakeholders, conduct local marketing activities and push the strategic development of the Slovene capital market.

Despite the persisting difficult market situation and comprehensive project activities undertaken in the past year, the LJSE has recorded better results in 2010 than in 2009. With total revenues lower than those in 2009 by 2 per cent and total expenses lower by 18 per cent, we generated a profit of EUR 117,188. The financial results of a market operator largely depend on the income from trading fees, which amounted to EUR 586,000 in 2010, which is a drop by a bit less than 25 per cent compared to the figures for 2009. We made up for the deficit by generating more revenues in other areas, mainly market data sale, and by further streamlining, by laying off four employees and cutting salaries, which helped cut labour costs by slightly more than 25 per cent compared to 2009.

We expect the situation on the domestic capital market to improve in 2011. Analysts forecast economic growth, while companies speak of enhanced operating results and higher profits. Additionally, the Slovene blue chips will be able to realize their full potential through the Slovene market's ongoing international integration, due to Xetra and on account of the advantages of LJSE being a member of the CEESEG, where portfolio investors and a wide pool of international banks transact a daily EUR 250 million worth of deals. All of this will also give the market a liquidity boost.

Our main priority for 2011 is to improve services on the operative level. This includes trading sessions extended from 9.00 to 17.00, active market promotion and further internal restructuring of the company. On the strategic level we will support the development of the third pillar of the pension system as well as encourage further privatization of state-owned enterprises and new IPOs, and push for deeper integration into the CEESEG. If we are successful, these activities will reinstate domestic demand in the long term, increase trading volumes and enhance price formation, so that companies have a better chance of drawing funds through the capital market.

Ljubljana, February 2011

Ljubljana Stock Exchange Management Board

Andrej Šketa,
President of the Management Board

mag. Polona Peterle,
Member of the Management Board

1.2. Report from the Supervisory Board

Within its powers and competences, the Ljubljana Stock Exchange Supervisory Board monitored 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.

The Supervisory Board has six members. The current members are:

- **Heinrich Schaller**, President,
- **Milana Lah**, Deputy President,
- **Johannes Schönegger**, Member,
- **Boris Pesjak**, Member,
- **dr. Filip Ogris Martič**, Member,
- **mag. Barbara Meža**, Member, employee representative.

In the past year, the Supervisory Board met for four regular and one correspondence meeting. Members regularly attended the meetings and actively participated in discussions on all items on the agenda. The materials were always provided a week before the meeting, which gave us sufficient time to carefully study all the documents.

Work of the Supervisory Board in 2010

In line with the set strategy we focused most on strengthening the international competitive edge of the company. We closely monitored the key project of 2010, the implementation of Xetra, as well as watched the company change its cost structure and supervised risk management. We also reviewed the business and financial plan for 2011 and discussed the Slovene Capital Market Strategy.

The following highlights can be singled out to illustrate the work of the Supervisory Board in 2010:

- we reviewed and adopted the Ljubljana Stock Exchange Annual Report 2009 as well as the other proposed materials for the June 2010 General Meeting;
- at each meeting we looked at recent financial reports, compliance reports, Xetra project status reports, trading, listing and delisting reports, while the Management Board promptly informed us of its risk management strategy, internal controls and other significant events relevant for the company's operations;
- we were promptly informed of the Xetra project status and the progress of its final implementation in December 2010;
- we discussed the Slovene Capital Market Strategy and LJSE's other activities aimed at improving market quality and enhancing liquidity;
- we approved the Management Board's proposals on changing the memberships of the Board of Members and Board of Issuers, as well as appointed the Ljubljana Stock Exchange Arbitration tribunal for a new term.

The debt crisis left a mark on the company's results for 2010: lower trading volumes caused lower income from trading fees. However, the company ended the year with profit, which was due to new sources of revenue, changed structure of expenses and streamlining. The Management Board was quick to respond to the changed business circumstances and efficient in proposing adequate measures to the Supervisory Board to cope with the situation in due time. Despite the difficult financial environment in Slovenia and abroad the Management Board was successful in implementing all required measures and launching trading system Xetra. This has opened LJSE's business onto the international market and has thus established the necessary conditions for international trading members and new investors to enter the Slovene market. All of these activities were supported by international marketing efforts, where the LJSE cooperated with the CEESEG, and were undertaken in line with the Slovene Capital Market Development Strategy, which is a

strategy aligned between the LJSE and its most important stakeholders. To sum up, the Ljubljana Stock Exchange Management Board was successful in its work in 2010, both with respect to the business and financial restructuring of the company as well as with respect to its integration into the CEESEG and its strategic positioning in Slovenia.

Given the above we consider the work of the Supervisory Board as a whole and the work of its individual members to have been successful, professional and efficient. We also consider the cooperation of the Management and Supervisory Boards to have been good.

Annual Report

The Supervisory Board reviewed the Ljubljana Stock Exchange Annual Report 2010 and the Auditor's Report at its periodic meeting on 22 March 2011.

Pursuant to the resolution adopted at the last General Meeting, the financial statements have been audited by KPMG Slovenija, 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 Slovene Companies Act and accounting standards.

The unqualified opinion of auditors KPMG Slovenija, d. o. o., the fact that the company's operation results and cash flows are compliant with the Slovene Accounting Standards, along with the statements of the company's Management that all significant facts related to the operations of the Ljubljana Stock Exchange in 2010 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 2010. The auditor had informed us of the course of the audit and answered our questions. 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 in the presence of the auditor, and decided at our meeting on 22 March 2011 to endorse the Ljubljana Stock Exchange Annual Report 2010.

Proposal for the distribution of accumulated profit

Net profit for 2010 amounts to EUR 117,188.38 and consists of net profit for the period in the amount of EUR 113,482.05, deferred tax assets in the amount of EUR 2,037.93 and derecognition of deferred tax liabilities in the amount of EUR 1,668.40. Pursuant to the resolution adopted by the Management Board and approved by the Supervisory Board, 50 per cent of net profit for 2010, which is EUR 58,594.19, will be credited to other revenue reserves. The remaining net profit of EUR 58,594.19, together with the transferred revaluation surplus in the amount of EUR 6,673.60, constitutes accumulated profit. Accumulated profit for 2010 thus amounts to EUR 65,267.79. The Management Board and Supervisory Board have proposed to credit the entire accumulated profit for 2010 to other revenue reserves.

The Supervisory Board unanimously adopted its report for 2010 at its periodic meeting on 22 March 2011.

Heinrich Schaller,
President
Ljubljana Stock Exchange Supervisory Board

1.3. Company profile

1.3.1. Business

The Ljubljana Stock Exchange is a joint stock company founded to foster the matching of supply and demand in securities trading and 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 maximize the company's value for shareholders in the long-term, parallel to ensuring the development, stability and safety of the Slovene regulated market and consistent compliance 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 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 Agency's authorisation;
- publishing securities prices;
- providing information on the supply, demand, market value, and other information on securities;
- analytic research work in the financial market;
- providing IT services to support trading;
- operating the Slovene MTF;
- operating the Slovene OAM (officially appointed mechanism);
- selling and maintaining the software developed for the purposes of providing its services.

1.3.2. Basic information

- Company name: Ljubljanska borza, d. d., Ljubljana (English: Ljubljana Stock Exchange Inc., short: LJSE)
- Registered office: Slovenska cesta 56, Ljubljana, Slovenia
- Incorporation: 26 December 1989
- Share capital: EUR 1,400,893.01
- Shareholders: CEESEG AG as the majority owner (holding 81.01 per cent) and minor shareholders
- Business activity code: 67.110
- Registration no.: 5316081
- VAT ID no.: SI59780061
- Size: large company (Article 55 of the Slovene Companies Act ZGD-1)
- Bank account no.: 03100 1006373354
- Financial year: calendar year
- No. of employees on 31 December 2010: 21
- The company was entered into the register of companies under reg. no. 1/04218/00 at the District Court of Ljubljana, with resolution nr. SRG 1558/90 dated 1 March 1990
- Status: regulated market of the European Union (Prime, Standard and Entry Market)

1.4. Mission, vision and strategic objectives

1.4.1. Mission

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

1.4.2. Vision

To be a modern and efficient Slovene regulated market operator, integrated into the regional CEE market.

1.4.3. Strategy and strategic objectives

When taking office in 2009 the Management Board had set the following strategic objectives for its term 2009–2014:

- enhance the liquidity of the domestic market,
- become internationally comparable and visible,
- attract more international investors and members,
- sustain the high level of market quality and regulation,
- support primary market development,
- establish a partnership with listed companies and member firms, and
- increase the company's efficiency and business performance.

1.5. Corporate Governance Statement

The Ljubljana Stock Exchange (LJSE) 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 Slovene Corporate Governance Code, 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.

LJSE bodies are:

- 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 LJSE's governance but make indirect contributions to its reaching its objectives and strategy.

1.5.1. Comply or Explain Statement

The LJSE is a private joint-stock company whose core business is organizing securities trading as stipulated by the Slovene Markets in Financial Instruments Act. Consequently the LJSE is not bound to include into its business report a corporate governance statement in the scope stipulated by Article 70 (5) of the Slovene Companies Act.

As at 31 December 2010, the LJSE had one majority owner (the Vienna Stock Exchange within the holding company CEESEG AG holds a 81.01 per cent stake) and only 10 minority shareholders. These specifics of the LJSE ownership structure have had a decisive impact on the company's governance.

Notwithstanding the above, the LJSE is one of the three signatories of the Slovene Corporate Governance Code and has thus actively striven to implement the Code into business practice, inter alia by improving and supplementing its own system of corporate governance.

The new and revised Corporate Governance Code took effect on 1 January 2010, changing the content as well as the structure of the previous document. Having co-authored it, the LJSE believes that these changes, which introduce certain corporate governance institutes that are new to the Slovene business world, can increase the transparency of operations in public companies and improve their corporate governance practice.

The present Comply or Explain Statement as well as the below explanations of deviations from the Code have been drawn up with reference to the Code that was adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers Association of Slovenia on 8 December 2009 and took effect on 1 January 2010. The Code is available in Slovene and English on the LJSE website.

The previous Comply or Explain Statement showed that the LJSE deviated in no significant respect from the provisions of the Code, while the minor deviations were on account of the company's specific position. The below explanations focus on certain items of the Code with which the LJSE corporate governance system was not fully harmonised in the period from 1 January 2010 to the day when this statement is being written, thus 1 February 2011.

Section 2

Code's recommendation

The management board works together with the supervisory board in drawing up and adopting a Corporate Governance Policy ("CG Policy"), thereby laying down the major guidelines of corporate governance as compliant with the company's long-term objectives. The CG Policy is communicated to the stakeholders by being published on the corporate website.

Deviation explained

The LJSE Management Board has drawn up a CG Policy for 2011, which the Supervisory Board is to review at its meeting at the beginning of 2011. Pursuant to the Code's recommendation the CG Policy has taken into account the company's development needs and specifics such as size and business. Given that the LJSE is a private company and has a specific shareholding structure, the adopted CG Policy will not be publicly posted on the LJSE website.

Section 5.9

Code's recommendation

If the general meeting is to adopt a resolution on having reviewed the annual financial statements, or if the general meeting has the power to endorse the financial statements, a representative of the company's certified auditor is summoned to the meeting.

Deviation explained

The certified auditor authorized to audit the LJSE financial statements was not present at the General Meeting, but he was present at the Supervisory Board meeting that reviewed the Annual Report for 2009.

Sections 8 (par. 2) and 17.2

Code's recommendation

The two Sections stipulate that members of the supervisory board should sign a statement on meeting the individual requirements with respect to criteria of independence from Appendix C3 of the CG Code, and that such a statement should be made available on the company's website.

Deviation explained

As the LJSE has not yet complied with these provisions of the CG Code, it hereby provides disclosure with respect to potential conflicts of interests of some of its Supervisory Board Members.

Due to the sale of the majority stake in the LJSE to the Vienna Stock Exchange, the structure of the company's Supervisory Board changed in 2009. The Board is still composed of persons related either to member firms or listed companies, while one Member is a representative of LJSE employees, as evident from the table below.

Members of the Ljubljana Stock Exchange Inc. Supervisory Board in 2010

Heinrich Schaller (President)	Joint CEO of Wiener Börse AG and Member of the Management Board in holding company CEESEG AG, the majority (81.01 per cent) owner of LJSE
Milana Lah (Deputy President)	President of the Management Board in Probanka, d. d., a LJSE member firm and company listed on the LJSE Standard Market
Boris Pesjak	President of the Management Board in Factor banka, d. d., a LJSE member firm
Filip Ogris Martič	Corporate finance and CG consultant for ECOVIS* CF CONFIDAS d.o.o., before Member of the Management Board in Telekom Slovenije, d. d., a company listed on the LJSE Prime Market
Johannes Schönegger	Head of International Business Development at Wiener Börse AG, the majority (81.01 per cent) owner of LJSE
Barbara Meža (since 1 Jan. 10)	Assistant Director in Development and Marketing at the Ljubljana Stock Exchange (employee representative)

Conflicts of interests on the Supervisory Board are avoided by complying with the LJSE Supervisory Board Rules of Procedure, which include a provision on excluding a Member from the Supervisory Board in case of a conflict of interests. The competences of the LJSE Supervisory and Management Boards are now stipulated so that decision-making on the Supervisory Board cannot lead to a conflict of interests due to links with LJSE member firms, listed companies or due to adopting the LJSE Fee Schedules.

Section 9

Code's recommendation

Once a year, the supervisory board assesses its composition, operations and potential conflicts of interests of its individual members, as well as the board's functioning – collectively and of its individual members – and its cooperation with the management board.

Deviation explained

Given the nature and ownership specifics of the LJSE, which is a private company, the decision for the Supervisory Board to assess its composition, operations and other circumstances – in a manner stipulated by the Code – has not been adopted yet.

Sections 20–23

Deviations explained

With regard to matters stipulated in Sections 20–23 of the Code relating to the public disclosure of information by public companies, it should be noted that the LJSE is a private company and therefore informs its shareholders directly. It also regularly reports to the Securities Market Agency. The public is informed in accordance with the provisions of the Markets in Financial Instruments Act and executive regulations, which mostly relate to the regular operations of the LJSE as a securities market operator.

1.5.2. Internal control system and risk management

Internal control system

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 Slovene stock market operator meets all the requirements with respect to the general organizational 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 organization 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

Risk management at the LJSE is related to strategic, financial, operational and IT risks.

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 drew up the document the LJSE Risk Management in 2009 and 2010 and presented it to the Supervisory Board for review. The document recognizes the following main risks facing the LJSE: legislative changes preventing capital market development; low interest value of key LJSE products for investors; pressure from members and listed companies for the LJSE to drop its fees; high initial costs of implementing Xetra along with revenue benefits only after 2011; general project risks associated with the implementation of Xetra ; facilitating employee satisfaction, etc.

The LJSE has reacted to the recognized risks by preparing a new Capital Market Strategy, which was adopted in October 2010, by making the implementation of Xetra its top priority, by strengthening its international marketing activities, by setting aside adequate finances to implement Xetra, by linking performance bonuses for employees to the successful implementation of Xetra, etc. The company's revenues depend on external factors related to the above mentioned risks, and this situation will persist. On account of restrictive planning, comprehensive cost-cutting and foreseeable project costs, however, the

company's expenses remain more or less fixed. The realization of our financial plan therefore depends mainly on external factors, especially those that affect trading volumes.

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 two key IT systems. The LJSE also devotes a lot of attention to employee training and awareness-raising, an adequate and efficient organization of work, division of competences, well-defined and documented decision-making procedures, as well as closely monitors compliance with regulations.

The LJSE draws up its mid-term and annual internal audit plan on the basis of the thus recognized and assessed operational risks. In the past year most attention was devoted to operational risks related to the INFO STORAGE service and to the posting of issuers' publications, as well as to the process of ensuring business continuity and, additionally, to examining the LJSE's readiness to migrate to Xetra. There were no significant deviations from expectations, and thus no increased operational risk detected, nor any greater inaccuracies in the operations of its IT systems.

Internal audit

Pursuant to the provisions of the Charter on Internal Audit Activity, adopted by the Supervisory Board, and the Rulebook on LJSE Internal Audit Activities, adopted by the Management Board, 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 is based on the adopted Internal Audit Midterm and Annual Plan for the period 2009–2011, which is in turn based on the Risk Assessment and the Internal Audit Annual Plan.

Internal audit at the LJSE looks especially at the processes of market operation and trading (focusing on the stock exchange trading system software) 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 Chief Audit Executive's Annual Internal Audit Plan Status Report at the end of the year.

1.5.3. Other data (as at 31 December 2010)

Substantial direct and indirect holding of securities

Holding company CEESEG AG, Vienna, Austria ("CEESEG") holds 81.01 per cent of all LJSE shares (27,197 shares), which it obtained in a bid for LJSE in 2008.

Holders of securities with special control rights

LJSE shares have no special control rights attached to them.

Limited voting rights

On the basis of the resolution issued by the Securities Market Agency (admin. code N-Pre-48/08-ODL-(808) dated 16 December 2008), the Vienna Stock Exchange (and holding company CEESEG) cannot exercise its rights from the 27,197 shares of the Ljubljana Stock Exchange it holds (81.01 per cent interest) until such time as it makes a takeover bid for the LJSE pursuant to the Slovene Takeovers Act or until it disposes of so many shares to reduce its shareholding below the takeover threshold.

Explanation of relations of the LJSE with controlling company CEESEG AG

In the business year 2010 the LJSE did not enter into any transactions with the controlling company CEESEG AG or any of its associated companies (Vienna Stock Exchange, etc) nor has it acted or failed to act at the initiative and in the interest of these companies in a way that could cause deprivation to the LJSE.

LJSE rules on amendments of its Articles of Association

Amendments and supplements of the LJSE Articles of Association are subject to the LJSE General Meeting (GM), 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 2/3 majority of the share capital present.

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

As stipulated by the Articles of Association, the Management Board consist of the President and Member of the Management Board, who jointly represent the LJSE in legal transactions. Neither may be authorized for individual representation of the LJSE and the entirety of its business operations and activities. The Management Board adopt resolutions unanimously and is not authorized to acquire or dispose of own shares.

1.5.4. General Meeting and rights of shareholders

The General Meeting is the company's highest body. It is composed of LJSE shareholders, who are individuals and companies. 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 company's share capital totals EUR 1,400,893.01 and is distributed into 33,571 ordinary registered no par value dematerialised shares of the same class, as recorded in the KDD securities registry.

Pursuant to the law and the company's Articles of Association, LJSE shares give their owners:

- the right to participate in the governance of the company,
- the right to dividends,
- the pre-emptive right to purchase a proportional amount of shares in case of a capital increase,
- the right to an appropriate portion of the remaining assets in case of liquidation or bankruptcy proceedings.

The GM is convened by the LJSE Management Board at least once a year, usually after having drawn up the annual report. 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 and the General Meeting Rules of Procedure.

Competences of the GM are stipulated in Article 24 of the LJSE Articles of Association. The main are:

- adopting the LJSE Articles of Association and amendments thereof,
- nominating and recalling Members of the Supervisory Board,
- discharging Members of the Management Board and Supervisory Board from responsibility,
- deciding on measures for share capital increases and decreases,
- appointing auditors,
- passing votes of no confidence to Members of the Management Board,
- issuing and withdrawing shares.

The 26th GM was the only GM in 2010. It was held on 12 July 2010, when shareholders:

- reviewed the Annual Report for 2009 and decided on discharging the Management Board and Supervisory Board from responsibility,
- decided on Supervisory Board remuneration,
- decided on amendments of the LJSE Articles of Association, and
- appointed the auditor for 2010.

1.5.5. Management Board

The LJSE Management Board consists of the President and Member. A person may be appointed into the Management Board provided they meet the following conditions: they have adequate theoretical knowledge and practical skills to manage the stock exchange, they had never been finally sentenced for a criminal offence as stipulated by the law, and they had obtained the Securities Market Agency's permission to be on the LJSE Management Board. The LJSE Management Board is appointed by the Supervisory Board. The Management Board is elected for a five-year renewable term.

The post on the Management Board may end prior to expiration of the term of office: at the request of the Member in question; if discharged by the Supervisory Board; in case the GM passes a vote of no confidence; if other business or economic reasons favour such a decision; if so provided for by law.

The LJSE Management Board has the following main tasks:

- to manage and represent the LJSE,
- to implement the company's development and operations strategy,
- to ensure compliance with the provisions of the Markets in Financial Instruments Act,
- to organize and provide for a smooth workflow at the LJSE, etc.

Members of the LJSE Management Board

Andrej Šketa, President of the Management Board

Andrej Šketa has been on the Ljubljana Stock Exchange Management Board since 2004, during which time he has gained valuable experience in the operations and development of the LJSE. From 1994, when he joined the company's expanded management, he has worked in practically all LJSE business areas, with special emphasis on day-to-day management and supervision of the regulated market, development of trading infrastructure, managing development projects in Slovenia and regional development projects within South East Europe, as well as organization of LJSE operations. He took office as President of the Management Board on 3 April 2009.

Polona Peterle, Member of the Management Board

Polona Peterle has worked at the Ljubljana Stock Exchange for the past 11 years. Prior to taking office on the Management Board she was Director for five years and in charge of the main LJSE areas of business: trading, listing and monitoring of listed companies, surveillance, analytics, as well as product development and capital market promotion. Her core areas of expertise include trading mechanisms, corporate governance and reporting of listed companies. She took office as Member of the Management Board on 6 June 2009.

1.5.6. Supervisory Board

The Supervisory Board is composed of six Members, of which five 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

The GM may discharge the elected Members of the Supervisory Board before their term of office expires, whereby the resolution on such a discharge is adopted by a min. 3/4 majority of the votes cast. The employees' representative may be discharged before their term of office expires only pursuant to the provisions of the Co-Determination Act.

The main task of the Supervisory Board is to supervise the company's operations and conduct of business. The Board also appoints the Management Board, the Board of Issuers, the Board of Members and the LJSE Arbitration Tribunal.

Representatives of shareholders

- Heinrich Schaller (President) – Joint CEO in Wiener Börse AG and CEESEG AG
- Milana Lah (Deputy President) – Member of the Management Board in Probanka, d. d.
- Boris Pesjak (Member) – President of the Management Board in Factor banka, d. d.
- Filip Ogris Martič (Member) – Corporate finance and corporate governance consultant for ECOVIS* CF CONFIDAS d.o.o.
- Johannes Schönegger (Member) – Head of International Business Development at Wiener Börse AG

Representative of LJSE employees

- Barbara Meža (Member) – Assistant Director in Development and Marketing at the LJSE

The Supervisory Board may establish special Supervisory Board committees, either for the entire term of the Board or only when difficult issues 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.

1.5.7. Board of Members and Board of Issuers

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

Their main tasks are especially: identifying significant capital market issues related to member firms and listed companies; monitoring development trends related to stock exchange trading systems, clearing and settlement and financial products (Board of Members) as well as trends in the areas of corporate governance, transparency of operations and disclosure of regulated information (Board of Issuers); along with other tasks, such as mutual informing about topical problems, providing the LJSE with opinions and initiatives regarding further development, etc.

The two Boards are composed of at least five but not more than eight members each, appointed among representatives of LJSE member firms and listed companies as well as renowned experts on capital markets, by the Supervisory Board at the proposal of the Management Board. They are appointed for a three-year term and do not represent any member firm or listed company in particular, but act on behalf of all member firms and companies, and work in the best interest of all listed companies and towards capital market development.

Composition of the Board of Members

- dr. France Arhar, President of the Management Board in UniCredit Banka Slovenija, d. d.
- Gregor Hudobivnik, Member of the Management Board in Abanka Vipava, d. d.
- mag. David Benedek, Member of the Management Board in Nova Ljubljanska banka, d. d.
- mag. Gvido Jemenšek, Member of the Management Board in Raiffeisen Banka, d. d.
- Igor Štemberger, President of the Management Board in Ilirika BPH, d. d.
- Ani Klemenčič, Executive Director in GBD Skupina, finančna družba, d. d.
- Bogdan Pušnik, Executive Director in ALTA Skupina, upravljanje družb, d. d.
- dr. Draško Veselinovič, Member of the Board of Directors & CEO in KD Group, d. d.

Composition of the Board of Issuers

- Mirjana D. Perko, Member of the Management Board in Gorenje, d. d.
- Brane Kastelec, Director of Finance in Krka, d. d.
- mag. Melita Kolbezen, Member of the Management Board in Poslovni sistem Mercator, d. d.
- mag. Alenka V. Težak, Management Board Consultant in Petrol, d. d.
- dr. Jožko Peterlin, Member of the Management Board in Telekom Slovenije, d. d.
- Igor Muhič, Investment Banking Director in Nova KBM, d.d.
- Igor Stebernak, Member of the Management Board in Zavarovalnica Triglav, d.d.

1.5.8. Corporate governance in CEESEG

After the Vienna Stock Exchange bought the majority stake of the LJSE in 2008, the LJSE became a subsidiary of the holding company CEESEG AG, which was established in January 2010. CEESEG AG holds 100 per cent of the operative company Wiener Börse AG as well as an 81.01 per cent stake in the Ljubljana Stock Exchange. CEESEG AG also holds 50.45 per cent in the Budapest Stock Exchange and 92.74 per cent in the Prague Stock Exchange.

CEESEG AG is responsible above all for strategic and financial management as well as for the administration of investments, while the business operations within the holding company are the task of the four subsidiaries.

1.5.9. External audit

The auditors of the company's financial statements are KPMG Slovenija, d. o. o., Ljubljana. The LJSE has taken into account the Corporate Governance Code's and Securities Market Agency's recommendations to hire another auditor every five years.

2. BUSINESS REPORT

2.1. Macroeconomic assessment of Slovenia in 2010¹

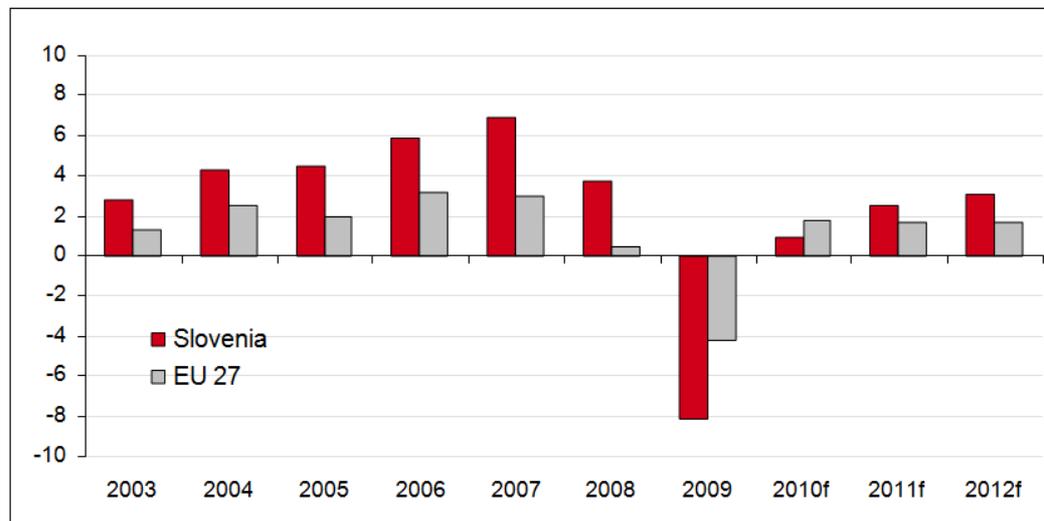
Basic macroeconomic indicators for Slovenia										
	2003	2004	2005	2006	2007	2008	2009	forecast		
	2010	2011	2012							
Real GDP growth (%)	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	0.9	2.5	3.1
GDP per capita (EU27=100)	83.0	86.0	87.0	88.0	89.0	91.0	86.0			
Government debt (% of GDP)	27.5	27.2	27	26.7	23.4	22.5	35.4	37.9	42.1	39.9
Current deficit (% of GDP)	-2.7	-2.2	-1.4	-1.3	0.0	-1.8	-5.8	-5.6		
Inflation (year-end)	4.6	3.2	2.3	2.8	5.6	2.1	1.8	1.9	2.2	2.3
Registered unemployment	10.9	10.3	10.2	9.4	7.7	6.7	9.1	10.7	11.0	10.6

Source: IMAD, SORS, Eurostat

GDP growth

On account of the international economic and financial crisis the Slovene GDP had slipped by 8.1 per cent in 2009, while forecasts for 2010 are more encouraging and anticipate a GDP growth of 0.9 per cent (source: IMAD). The Slovene economy is responding well to international stimuli, where demand for higher exports is strengthening, while at home the wider construction industry as well as labour market trends are continuing to stall the recovery. Provided that domestic spending continues and the relatively strong demand for exports persists, economic growth could increase to 2.5 per cent in 2011 and to 3.1 per cent in 2012. The main risks threatening the forecast GDP growth are a potential slowdown in global economic activity and deterioration in financial markets.

Real GDP growth during 2003–2009 and forecasts for 2010–2012



Source: Eurostat, IMAD

Unemployment

2010 continued to witness growing unemployment rates both in Slovenia and the European Union, still reflecting the economic crisis. The number of persons in employment continues to decrease, as registered unemployment in Slovenia reached 110,000. IMAD has estimated that this might in part be a reaction to the expected pension reform. Unemployment had been increasing continuously since June 2008.

¹ Source: Institute of Macroeconomic Analysis and Development (IMAD), Statistical Office of the Republic of Slovenia (SORS)

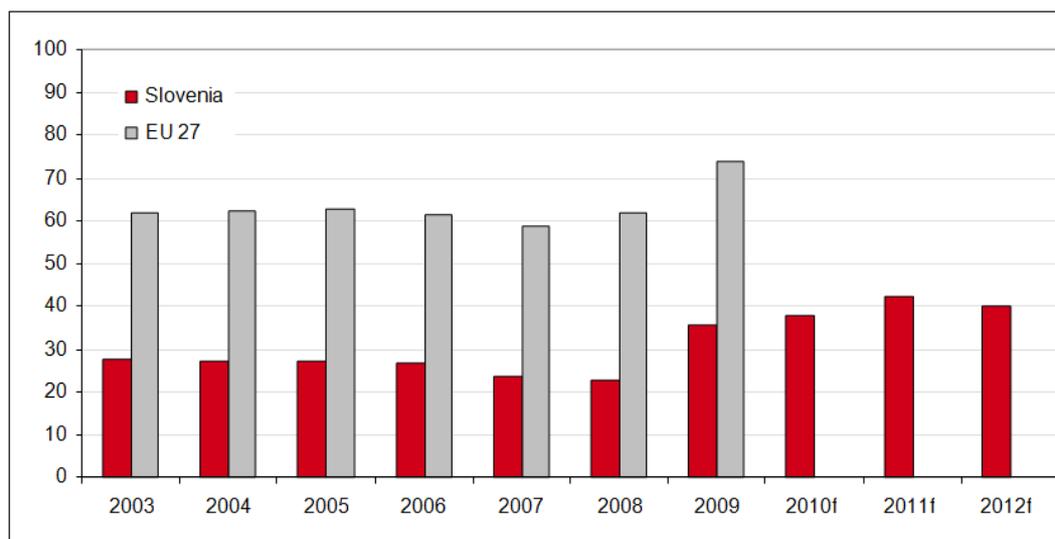
Inflation

The Slovene inflation levels in 2010 were relatively low, but nevertheless among the highest in the euro zone, which was due to the economic policy measures as well as higher fuels prices and increased excise duties. At year-end annual inflation totalled 1.9 per cent (1.8 per cent in 2009), while the average annual inflation amounted to 1.8 per cent (0.9 per cent in 2009). Price movements in 2010 largely reflected oil price movements and weak economic activity. The prices of fuels and excise goods (tobacco, alcohol) is also where the inflation in Slovenia and the inflation in the euro zone differ most.

Government debt, current deficit

The international economic and financial crisis has strongly deteriorated public finances across most EU Member States. The situation has deteriorated the most in those Member States that had difficulties with public finances even before the crisis (Greece, United Kingdom) and in those that the crisis had hit the hardest (Spain, Ireland, the Baltic states). 12 Member States have recorded a government debt higher than 60 per cent of their 2009 GDP. Despite increases, Slovenia's government debt remains relatively low compared to the EU average (35.4 per cent). The rising current deficit in Slovenia comes as a result of less collected taxes and higher social contributions.

Government debt as % of GDP in 2003–2009 and forecasts for 2010–2012 (comparison of EU27 and Slovenia)



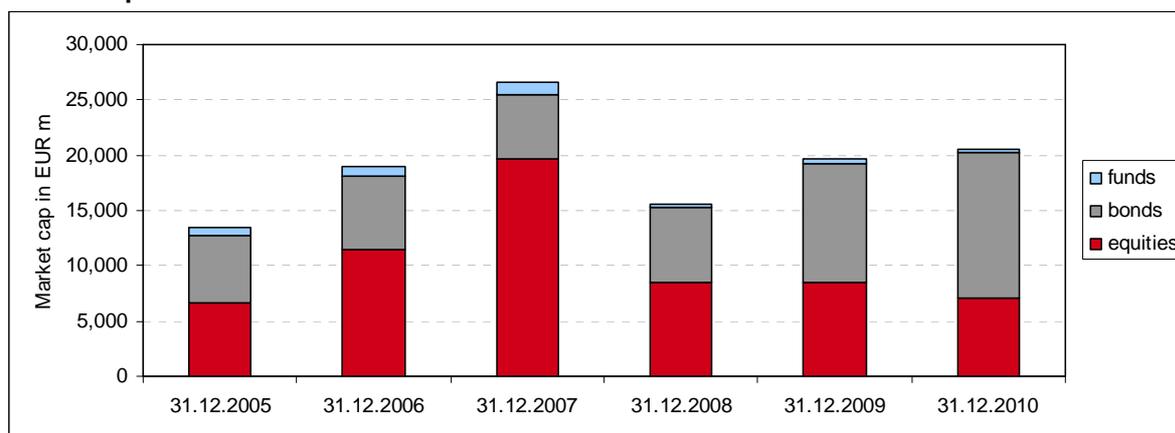
Source: Eurostat

2.2. Trading on the Ljubljana Stock Exchange in 2010

2010 was marked by lower trading volumes, mainly on account of lower liquidity due to the global financial and economic crisis. Equity market capitalization (investment funds excluded) decreased compared to 2009, having amounted to EUR 7,027.9 million at the end of December, which stands for 19.5 per cent of Slovenia's 2010 GDP (2009 Q4 – 2010 Q3: EUR 35,949.0 million, source: SORS).

The total number of companies listed on the LJSE Prime and Standard Market remained unchanged in 2010. On the Entry Market there were six delistings, either due to delisting from the regulated market or bankruptcy proceedings, and there was one new listing. Close-end funds ID Krona Senior and Zvon Ena ID were converted into open-end funds and therefore delisted. Two ETFs were delisted from the Fund Market.

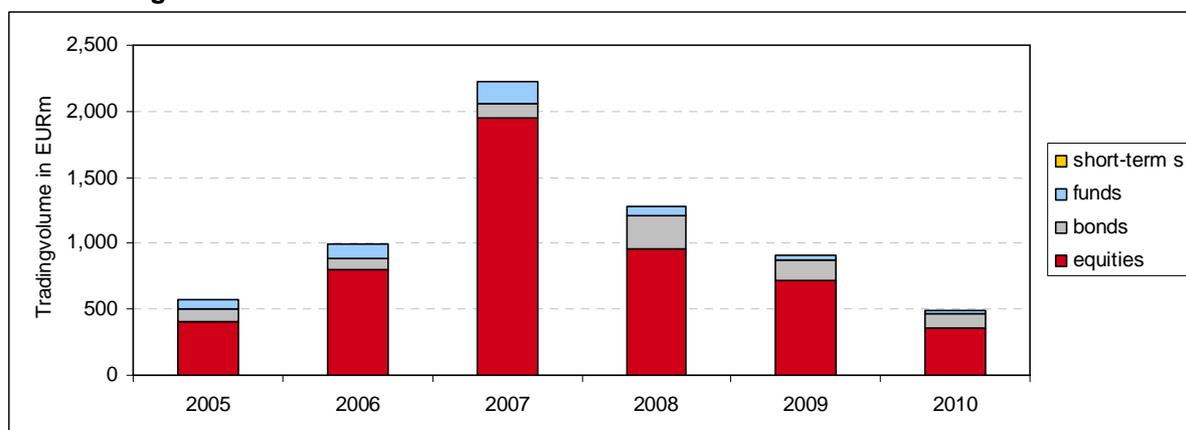
Market capitalization 2005–2010



Source: LJSE

There were EUR 492.54 million worth of deals transacted at the LJSE in 2010, which is a decrease of 45.52 per cent on 2009. Trading volume without blocks amounted to EUR 356 million, a drop of 25 per cent on 2009. 73.3 per cent of the total traded volume in 2010 constituted equity deals, followed by transactions in bonds of 22.1 per cent and trades in investment funds of 4.6 per cent. Prime Market lists eight blue chips and stands for 58.5 per cent of the total LJSE traded volume. The segment of equity deals decreased by approx. 6.4 of a percentage point in the total structure of turnover in 2010 while deals in bonds and funds were on a rise.

LJSE trading volume 2005–2010



Source: LJSE

The most traded share of 2010 was again pharmacist Krka, which accounted for 50.0 per cent of the total equity turnover. Other larger contributors to the overall turnover structure were retail chain Mercator (7.1 per cent), telecommunications operator Telekom Slovenije (5.8 per cent), energy retailer Petrol (5.0 per cent) and insurer Zavarovalnica Triglav (4.8 per cent). On the bond market it was Slovenska odškodninska družba 2nd issue and bank bond NLB 15th issue that had the highest turnover.

Most traded shares in 2010

Most traded shares	Volume	No. of trades	Market capitalization as at 31 Dec. 2010
KRKA	180,231,692	34,217	2,230,074,254
MERCATOR	25,481,784	3,613	593,797,430
TELEKOM SLOVENIJE	20,824,938	5,216	562,051,108
PETROL	18,145,589	4,390	567,473,872
ZAVAROVALNICA TRIGLAV	17,264,227	3,353	400,252,281
Other	98,843,693	51,123	2,674,243,191
TOTAL	360,791,924	101,912	7,027,892,136

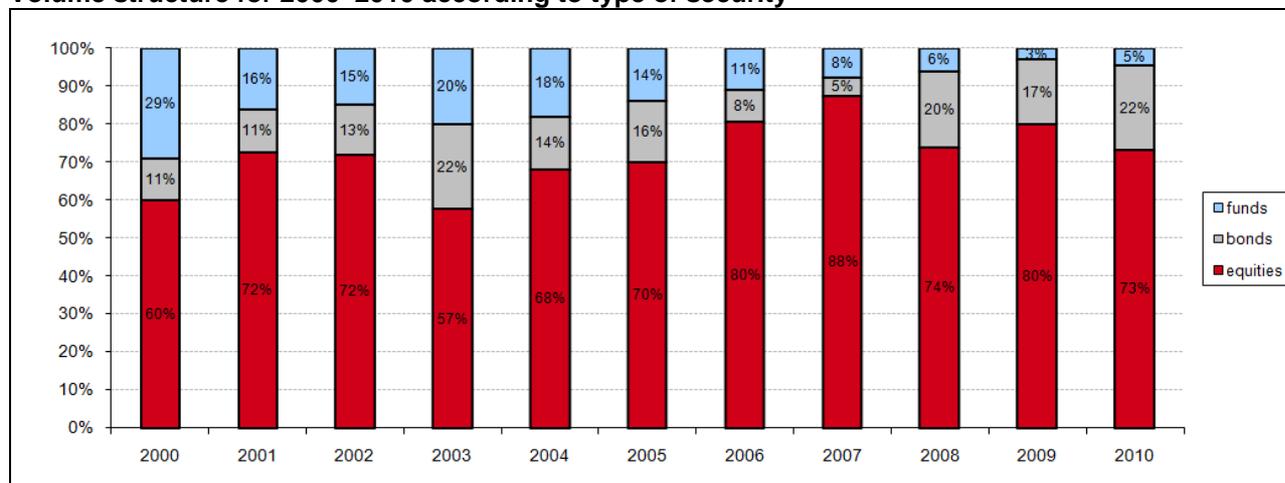
Source: LJSE

Volume structure in 2010 according to markets

Market	Volume	Share
PRIME MARKET SHARES	503,180,344	55.7 %
STANDARD MARKET SHARES	191,113,840	21.1 %
ENTRY MARKET SHARES	25,515,642	2.8 %
BONDS	156,344,455	17.3 %
OPEN-END FUNDS	5,316,616	0.6 %
CLOSED-END INVESTMENT FUNDS	22,550,235	2.5 %
TREASURY BILLS	0	0.0 %
TOTAL	904,021,131	100.00%

Source: LJSE

Volume structure for 2000–2010 according to type of security



Source: LJSE

Trading members

In 2010 the Slovene capital market witnessed positive change. After the introduction of Xetra new international members joined membership of the LJSE, which has built expectations of higher liquidity in 2011. At year end 2010 the LJSE had 25 trading members of which 3 were foreign remote members. On account of Xetra we expect further remote members to join the LJSE in the course of 2011. Both new trading members that joined the LJSE at the end of 2010, Raiffeisen Centrobank AG and KBC Securities, are remote members. A prominent new Slovene trading member is Alta Invest, which is a new broker that emerged after three former brokers (Publikum, Poteza and Medvešek Pušnik BPH) had merged. In 2010 Alta Invest generated 10 per cent of the total LJSE traded volume.

The majority of deals in 2010 were executed by Slovene trading members. The end-client data kept by the Central Securities Clearing Corporation KDD show that an average 21 per cent of all deals on the LJSE over the past years were concluded on behalf of foreign investors. The trading member that executed most deals in 2010 is Unicredit, which contributed 14.4 per cent of the total traded volume, followed by Alta Invest on 10.0 per cent and Ilirika on 9.9 per cent. The total volume structure is not particularly fragmented, as the top ten members generated 78.6 per cent of the total volume.

Volume structure in 2010 according to trading members

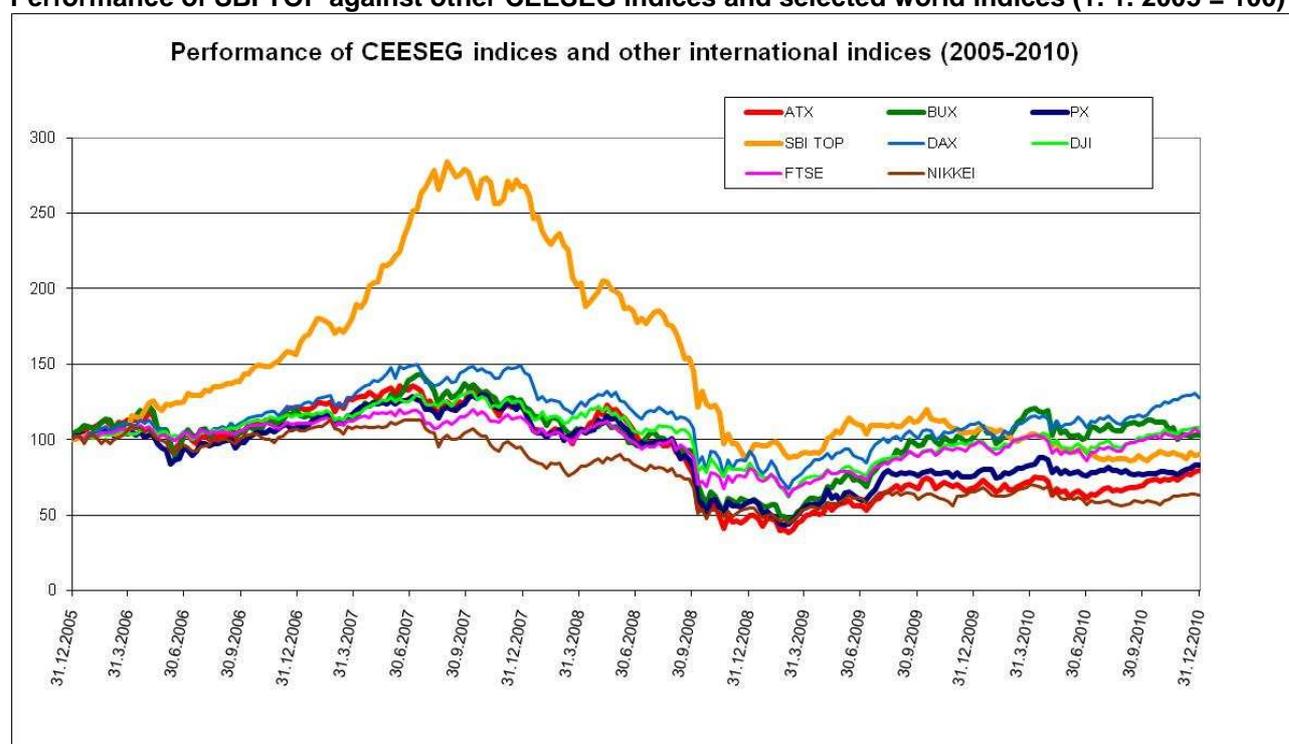
Trading member	Volume	Share
UNICREDIT BANK	142,216,608	14.4 %
ALTA INVEST	98,515,802	10.0 %
ILIRIKA	97,271,854	9.9 %
PERSPEKTIVA BPD	84,281,262	8.6 %
ABANKA VIPA	83,789,616	8.5 %
Others	479,004,142	48.6 %
TOTAL	985,079,283	100.00 %

Source: LJSE

Indices

The LJSE blue chip index SBI TOP, which advanced by 15.0 per cent in 2009, did not reflect the positive trends witnessed by foreign markets, having dropped by 13.47 per cent since the beginning of the year. On the last trading day in 2010 SBI TOP stopped at 850.35 points.

Performance of SBI TOP against other CEESEG indices and selected world indices (1. 1. 2005 = 100)



2.3. Main LJSE events in 2010

2.3.1. Chronology of events

1 January	The new Slovene Corporate Governance Code entered into force after being adopted by the Ljubljana Stock Exchange, the Managers' Association of Slovenia and the Slovene Directors' Association at the end of 2009.
22 March	The LJSE blue-chip index SBITOP became the LJSE benchmark index. The former LJSE benchmark index SBI20, which had been renamed LJSE Composite, was terminated.
1 April	LJSE launched the officially appointed mechanism INFO STORAGE, a new information system for the central storage of regulated information published by all listed companies.
April	The Board of Members and Board of Issuers became operational. The objective of these new bodies operating under the LJSE has been to advance the development of the Slovene capital market. The two Boards initiated a strategic discussion on the future role and importance of the capital market, which was further fuelled by the published study "Development opportunities on the capital market in Slovenia following the financial crisis".
6–7 May	The 27 th annual Ljubljana Stock Exchange Conference was held in Portorož.
10 May	With a view to promoting Slovenia's leading listed companies and attracting local investors the Ljubljana Stock Exchange and Central Securities Clearing Corporation KDD in cooperation with partners held a Slovene Capital Markets Day in Ljubljana. 11 leading listed companies participated in the event, including appliance maker Gorenje, logistics company Intereuropa, pharmacist Krka, port operator Luka Koper, retailer Mercator, bank Nova Kreditna banka Maribor, energy distributor Petrol, reinsurer Pozavarovalnica Sava, holding company Sava, telecommunication operator Telekom Slovenije and insurer Zavarovalnica Triglav.
19 October	An international promotion of Slovene and Austrian listed companies was held in London in cooperation with Unicredit Bank. Of the 13 attending listed companies, eight were from Slovenia (Gorenje, Krka, Mercator, NKBM, Petrol, Sava Re, Telekom Slovenije and Zavarovalnica Triglav).
3 November	LJSE published the Slovene Capital Market Development Strategy, which had been prepared in cooperation with capital market participants. The Strategy provides answers to the changed economic and financial circumstances revealed by the crisis, which had highlighted the hidden weaknesses of the Slovene economy and which a better developed capital market can help solve. The Strategy proposes measures for boosting investor confidence, increasing market quality, and stimulating demand and supply, which – in the right combination – can play a major supporting role in restructuring the Slovene economy.
5 November	New LJSE Rules were published to account for the changes in market organization and operation, which had resulted from the implementation of Xetra. The new Rules align stock market segments, both on the international level as well as within the CEESG, mainly with respect to the most important LJSE products, Prime Market shares.
8 November	The fifth regional investor conference "SEE Regional Capital Markets Conference" was held in Vienna by the stock exchanges of Ljubljana, Zagreb, Sarajevo, Banja Luka, Macedonia, Belgrade, Montenegro and NEX. The stock exchanges from Sofia and Bucharest additionally took part in the

Conference for the first time.

- 8 November LJSE proposed the introduction of pension accounts in the third pillar of the pension system. P accounts stimulate private pension saving, increase the chances for financing the growth of the domestic economy and have a positive impact on financial markets. In the long run P accounts foster sustainable development by taking off some of the burden from the first pillar pension budget and thus by reducing labour costs, which currently present too large a burden for companies. P accounts are one of the key measures proposed by the Slovene Capital Market Development Strategy, which is gaining wide support from all capital market stakeholders.
- 1 December An important international remote member, the Brussels-based KBC Securities, was admitted to membership of the LJSE.
- 6 December LJSE started trading on Xetra® and thus became integrated into the international capital market. Xetra is the leading international trading platform used by over 250 financial firms and over 4,800 stock brokers, with investors having direct access to the system from 18 countries in Europe and one in the Middle East. Xetra is the ideal trading platform for the stock exchange group CEESEG, where a single trading platform is crucial for the future development and integration of the Group's markets.
- 6 December Another important international remote member, the Vienna-based Raiffeisen Centrobank AG (RCB), was admitted to membership of the LJSE.
- 16 December The Portal prize 2010 went to pharmacist Krka. Portal is awarded to listed companies for exemplary IR and CG efforts. The special prize for substantial headway in IR went to retailer Mercator.

2.3.2. Market development and important activities

Implementation of Xetra

In December 2010 the Ljubljana Stock Exchange completed one of its most important projects by successfully launching the Xetra trading system. Xetra is a state-of-the-art internationally acknowledged trading platform used by stock exchanges worldwide. Migration to Xetra has been a key strategic objective of the CEESEG, and in addition to the Vienna Stock Exchange the LJSE is the first of the partner stock exchanges to have implemented it.

The new trading system was introduced in close cooperation with all LJSE trading members and other market players, especially the Securities Market Agency, which fostered its successful completion.

Xetra does not only mean a change of technology, but represents the vehicle for a further structural development of the investment services provided by the LJSE and its trading members. Now that the LJSE has become accessible to international traders and investors, market liquidity is expected to increase and new services and instruments will be easier to develop and catch on. Trading system Xetra is therefore a significant contribution to the long-term development of the Slovene capital market, providing a basis for improving its international competitiveness.

New remote members entering the Slovene market

Two new international remote members joined membership of the LJSE in 2010, the Vienna-based Raiffeisen Centrobank AG and the Brussels-based KBC Securities NV. The two renowned international banks have enhanced the international profile and visibility of the LJSE market.

Both new members joined the LJSE after the implementation of Xetra, which shows how much Xetra contributed to opening up our market.

We expect further new remote members to join membership in 2011. Capitalizing the positive effects of Xetra, new foreign members can potentially increase our international visibility and boost market liquidity.

New listings

Listing trends in 2010 were similar to those in previous years. The bond market was again the most dynamic, as it listed two government bonds, six bank bonds and one corporate bond, in the total nominal value EUR 2.7 billion. On the elementary segment of the equity market, Entry Market, three companies were delisted on account of AGM resolutions on delisting from the regulated market and another three were delisted due to bankruptcy or merger with another company. Entry Market also recorded one new listing, fruit and vegetable wholesaler Agrogorica, d. d., Šempeter pri Gorici.

New index methodology

In 2010 the Ljubljana Stock Exchange adjusted its index methodology in order to clearly highlight its indices' main purpose and make them more marketable.

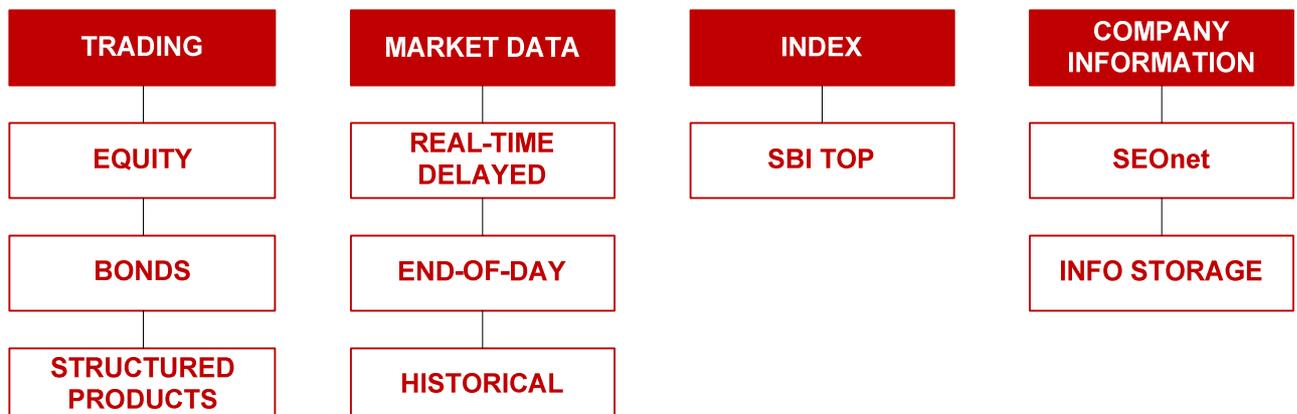
In line with the new positioning strategy blue chip index SBI TOP was brought into the spotlight in March 2010. It thus became the leading LJSE index, while remaining an underlying for derivative financial instruments by continuing to track LJSE's top and most liquid securities. The SBI TOP index methodology was adjusted accordingly and aligned with CEESEG standards.

March 2010 also saw benchmark index SBI 20 change its name to LJSE Composite and become a total market index. But as SBI TOP became established as the leading LJSE index, LJSE Composite lost its main informative value and therefore the LJSE stopped calculating it in October 2010.

2.3.3. New LJSE services

Having introduced Xetra and reorganized its stock market (there are now three main LJSE markets with sub segments) the LJSE has radically transformed its core business of securities trading.

Aside from trading in securities the LJSE also provides investors with market data, either directly or indirectly through vendors. These are the services and products provided by the LJSE:



A new LJSE service is related to the officially appointed mechanism (OAM) INFO STORAGE, which was introduced in 2010 when the LJSE became the operator of the Slovene OAM – a system for the central storage of regulated information published by listed companies. Together with the SEO system INFO STORAGE on the one hand provides investors with information, while on the other hand it helps issuers comply with the statutory requirement of serving publications to the Security Market Agency and the LJSE. When companies publish an announcement in INFO STORAGE, the publication is namely considered served.

INFO STORAGE holds the companies' inside and other information, while announcements made by companies and the LJSE are available through the SEO system. Both are available to investors and the public free of charge on their websites, through the RSS feed and by subscribing to e-mail notices.

2.3.4. Market promotion at home and abroad, and international cooperation

Marketing market data and indices

LJSE market data are available to vendors from the CEESE Group. Data vendors can receive the market data of all four CEESEG stock exchanges as well as four additional stock exchanges and three energy exchanges by entering into a single market data agreement and receiving them via the ADH Data Feed. 36 vendors received LJSE market data at year-end 2010, whereby 18 vendors received real-time data and others received delayed or end-of-day data.

At the end of 2010 we sold one licence for the use of SBI TOP as underlying for the structured notes »VBAG ALTA SVK 90 per cent GARANT 2010–2015« with a maturity period of five years, which the issuer listed on the Vienna Stock Exchange.

Road shows at international financial centres and in Ljubljana

In light of the pending implementation of Xetra, which was a signal to international investors that the Slovene market would soon be easier to access, we further scaled up our promotion activities for Prime Market Companies across international financial centres. The foremost objective was to showcase the Slovene blue chips, their operations and plans to the domestic and international investment public.

We held the fifth consecutive annual Slovene Capital Markets Day in Ljubljana, which attracted 10 per cent more investors than in the previous year. 11 blue chips (appliance maker Gorenje, logistics company Intereuropa, pharmacist Krka, port operator Luka Koper, retailer Mercator, bank Nova KBM, energy distributor Petrol, reinsurer Pozavarovalnica Sava, holding company Sava, telecommunication operator Telekom Slovenije and insurer Zavarovalnica Triglav) spoke of their business and held an average 8.5 one-on-one meetings with institutional investors.

For the first time we addressed investors using new technologies. In September we held a webcast – a road show on the Internet, which was broadcast live and then the recording was available to investors for six months afterwards. This is a very efficient IR tool, as it reaches all investors around the world equally. The participating blue chips were Gorenje, Luka Koper, Nova KBM and Petrol. The live version had an audience of some 100 investors and analysts, while an additional 50, of which a half were from outside Slovenia, watched the recording later.

Our market is again becoming more interesting to foreign investors. In the second half of the year we took our top companies to investor conferences in London, Vienna and New York, while in December we held another one-on-one event for them in Ljubljana to account for the rising investor demand. The LJSE also took part in the regional road show held by the stock exchanges of South East Europe, which was again a

huge success with visitors. For the first time we also presented ourselves to the American audience as we took part in the Vienna Stock Exchange road show together with our trading member Alta in New York.

Promotion of Slovene capital market and blue chips in international media

Together with the CEESE Group the LJSE has approached international readers in a more in-depth manner. A 12 page spread was published on the CEESEG in the September global edition of the Institutional Investor, presenting the Group's objectives and advantages on the regional market as well as its four markets. The Slovene market was promoted chiefly with respect to its potentials due to the ongoing implementation of Xetra. The global issue reaches the senior management of international financial institutions, corporations and asset managers.

The 12 November edition of the Financial Times contained a four page supplement about Slovenia »Doing Business in Slovenia«. The supplement included an advert saying that the LJSE is migrating to Xetra and that it will therefore become more comparable and easier to access from outside Slovenia. The ad was targeted at international investors and potential remote members. The piece on Slovenia was included in the global edition and thus reached 800,000 businessmen and decision makers across Europe and 1.9 million of readers outside Europe.

Portal prize for achievements in the areas of CG and IR

In 2010 the Ljubljana Stock Exchange awarded its 15th annual Portal prize, which goes to companies for exemplary CG and IR efforts. The winner was selected among all LJSE Prime and Standard Market companies traded between October 2009 and September 2010, by a 12-member assessment board composed of investors, analysts, the press and LJSE. In a two-level assessment process the board rated companies according to 10 criteria related to quality of disclosure, corporate governance, communication strategy and investor relations.

The 2010 assessment period was again marked by fierce economic conditions and the companies therefore had to invest additional efforts into corporate communication and corporate governance. Timely disclosure of quality information, equal treatment of all stakeholders and appropriate corporate governance in such circumstances posed a special challenge for everyone, and companies coped with it more or less successfully. The assessment board awarded the 2010 Portal prize to the Novo mesto-based pharmacist Krka, d. d., which had thus won the Portal prize for the fourth consecutive year.

Several shortlisted companies were rated very close to the winning company, with Poslovni sistem Mercator, d. d. Ljubljana being most visible. Mercator was recognized by the assessment board as having made the largest headway in IR in 2010. Taking an active approach it demonstrated how well planned guidelines and a clever strategy blend into a whole that shapes a company's quality IR strategy.

2.3.5. Ljubljana Stock Exchange events

With a view to promoting the Slovene securities market, the Ljubljana Stock Exchange has been organizing various events for its target audience. The LJSE has become the hub of the financial world in Slovenia by organizing the traditional capital markets event in Portorož. The event not only has an educational edge, providing the latest on trends and key dilemmas of market development, but enables an exchange of ideas and encourages networking. In May we held the 27th annual Ljubljana Stock Exchange Conference, where speakers talked about the »integration of the Slovene capital markets« to 200, mainly Slovene, participants. The objective of the LJSE Conference is to provide the industry with an annual event and stir development in the capital markets by motivating all stakeholders. The Conference calls attention to best practice solutions, expertise and experience as well as connects people, ideas and new projects.

The LJSE also focused on other forms of addressing its key stakeholders, trying to advocate change and strengthen its relations with them. We held a workshop for listed companies, talking about disclosure and IR, while for trading members we organized several formal meetings to discuss open matters as well as got together with all of them for an informal sports event and socializing.

At the end of the year we held, together with partners, the traditional New Year reception for the senior management of capital market participants. The event was attended by the most visible representatives from the Slovene corporate world, including the Minister of Economy Darja Radič, who addressed the guests and presented LJSE's two awards to listed companies – the Portal prize honouring exemplary CG and IR, and the award for most improved IR.

2.3.6. Market surveillance and best market practices

Monitoring member firms and trades

Pursuant to the Slovene Markets in Financial Instruments Act and LJSE Rules, the LJSE monitors member firms and trades with the intention of detecting breaches of LJSE Rules and Instructions for trading, disorderly market conditions and acts of market abuse.

In 2010, the LJSE reviewed 26 trading supervision examination reports. Based on these examinations, it issued 13 reports on completed examinations or notices on suspicious trades and forwarded them to the Securities Market Agency.

By monitoring stock exchange trading and co-shaping legitimate market practices the LJSE is making a valuable contribution to enhancing market integrity and confidence in the regulated capital market, whereby each year member firms are seen to successfully implement good market practices.

Counselling and support to listed companies

The LJSE continued to provide Prime and Standard Market companies with advice on disclosure and corporate governance. In support of recent good practice and changes within the CEESEG the LJSE again updated its main document for these topics, the LJSE Guidelines on Disclosure for Listed Companies. CEESEG is aligning the disclosure guidelines for Prime Market companies at group level, which the LJSE has already completed. The two major novelties for issuers are the mandatory publication of the financial calendar and interim reports drawn up pursuant to IAS 34.

To help its companies the LJSE promptly provided the requisite information on correct disclosure. In September we held a training session for Prime and Standard Market issuers, informing them of the new trading system Xetra, changes in the area of disclosure, and the changing EU legislation and practices, as well as talking about what sort of information analysts need to prepare quality company analyses.

Six companies asked for individual meetings, so the LJSE held one-on-one sessions with them.

To encourage good practices and improvements the LJSE Portal prize assessment board provided all listed companies with guidelines on CG and IR. The guidelines stress the importance of companies' clearly outlining their strategy, current position, plans and future objectives. The board recommends that companies disclose their plans despite uncertainty and despite the possibility that they might not realize them. The board singled out the annual report as especially important and instructed companies that it should clearly explain the reasons for all their business decisions. Prompt disclosure of inside information and operating results was also pointed out as being of key importance. The Portal prize assessment board has advised all companies to use contemporary methods of communicating with investors and shareholders, including their websites which can easily become an interactive tool.

Support to trading members

In a large segment of what it does the LJSE works closely with its trading members. In addition to the regular daily market operations we provide our members with support in implementing new procedures and practices.

In 2010 our support to members was mainly related to the implementation of Xetra. We helped them upgrade their information systems and automate their operations. The LJSE provides assistance to its members in several other areas, too, including liquidity providing and new issues and listings.

2.4. Human resource management

Employment

The LJSE responded to the difficult economic situation by adjusting its HR strategy. The reduced scope of the company's operations called for streamlining; the total number of staff decreased by seven in 2010.

The LJSE started the year with 3 employees less and during the year one employee's employment contract terminated. In the course of internal restructuring certain members of staff with the requisite skills and motivation took the opportunity to grow personally and professionally by participating in LJSE's single most important project of 2010 – the implementation of Xetra.

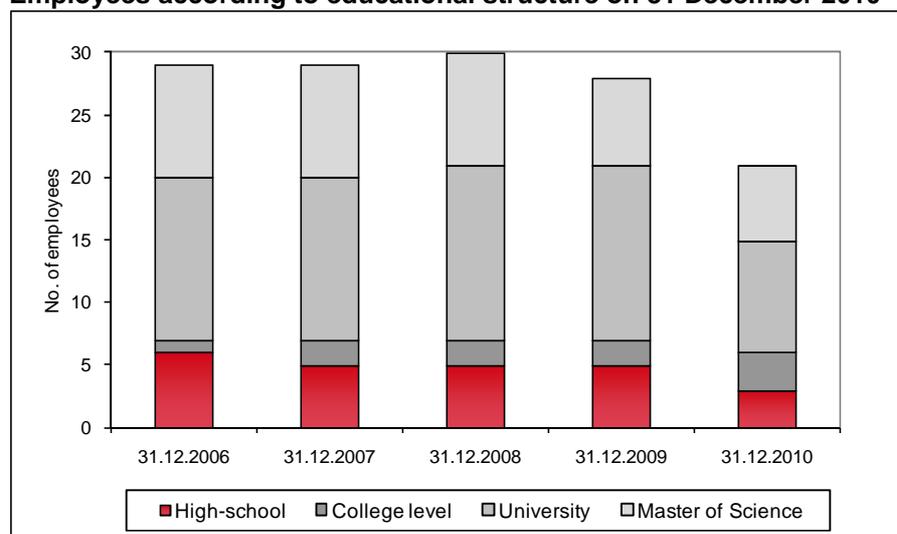
At year-end 2010 the LJSE had 21 employees.

Demographic and educational structure

The average age of the company's employees is 38.6 years, whereby 76 per cent are women and 24 per cent men.

At the end of 2010, the employees' educational structure was as follows: 3 employees (14 per cent) with high school education, 3 employees (14 per cent) with a college-degree-equivalent education, 8 employees (38 per cent) with university-equivalent education, and 7 employees (34 per cent) with a Master of Science.

Employees according to educational structure on 31 December 2010



Source: LJSE

Training

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 expert training and education and therefore give them the opportunity to grow and advance both personally and professionally. They show that they value knowledge highly by enrolling into study programmes to obtain higher degrees of education, whereby LJSE supports their efforts by partly funding their scholarships. In addition, senior staff has been taking part in workshops to improve their communication skills, team work and project work, and strengthen their personal development. The LJSE has spent 1.4 per cent of operating revenue on 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 LJSE employees conduct annual interviews with their superiors.

Staff motivation

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

Since 2001 the LJSE 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 LJSE considers a safe and healthy working environment for its employees of great importance. We realize 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 is faced with. In accordance with the 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.

Employee communication

The LJSE invests special efforts into communicating with employees. We regularly inform them of the company's strategy and development activities both inside the company and in the capital markets. Since we are a small group, communication is personal and efficient. We hold assemblies with employees several times a year and discuss daily matters by e-mail. At the CEESEG level we also started an internal bulletin in 2010, which comes out in four editions a year. It presents all four stock exchanges and their employees in the various departments, therefore bringing information about the other members of the Group to all of us. Employees at the LJSE also confide in the employees' representative, who is a member of the LJSE Supervisory Board.

Social responsibility

The LJSE acknowledges its responsibility toward the environment in which it operates. Each year we receive numerous requests for sponsorship of 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 LJSE 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.

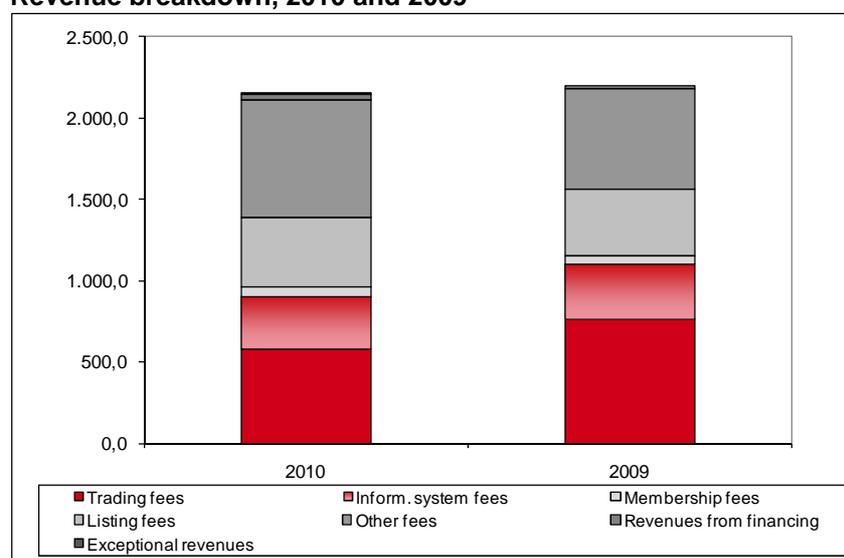
2.5. Performance analysis and value generation

Ljubljana Stock Exchange operations in 2010

Despite the difficult situation in the capital markets in 2010, the LJSE results are relatively good. From January to December 2010 the LJSE generated a gross profit of EUR 113,482.

2.5.1. Revenues

Revenue breakdown, 2010 and 2009



Compared to the same period in 2009, total revenues dropped by 2.4 per cent and amount to EUR 2,151,696. As much as EUR 1,389,853 or 64.6 per cent of total revenues come from the company's core business, i.e. trading fees, the use of the information system, membership fees and listing fees. In 2009 the core business generated 71.1 per cent of total revenues.

■ Revenues from trading fees

Trading volumes were rather weak in 2010. Revenues from trading fees amount to EUR 585,988 and stand for 27.2 per cent of total revenues. Compared to 2009 this is a drop of EUR 182,455 or 23.7 per cent.

■ Revenues from the use of the information system

They stand for 15.1 per cent of total revenues, which is EUR 324,207.

On 31 December 2010, LJSE members used 4.2 workstations each on average, while on 31 December 2009 the figure was 3.3. After having launched information system Xetra the LJSE offered its members the service Integral Access, which provides 4 J-Trader workstations, and the service Extended Integral Access, which provides members a total of 10 J-Trader workstations each. After Xetra became operational in December 2010, 20 LJSE trading members entered into the agreement on Integral Access and one decided for Extended Integral Access.

■ **Revenues from membership fees**

They amount to EUR 58,743 and stand for 2.7 per cent of total revenues. After merging into one firm three brokers terminated their membership of the LJSE, while three new members, of which two are remote members, joined the LJSE. On 31 December 2010 the LJSE had 25 members.

■ **Revenues from listing fees**

Listing fees generated EUR 420,915 worth of revenues. In addition to new listings, which generated EUR 25,570, this also includes annual maintenance fees for listed securities (Prime Market, Standard Market and Entry Market shares, bonds and structured products) in the amount of EUR 355,326; revenues from fees for adopting decisions on listing expansions, on delistings and on suspensions of trading, which contributed EUR 23,600; and revenues in the amount of EUR 16,419 generated by the daily publication of closed-end fund book values, open-end fund NAV and index values.

■ **Revenues from SEOnet and INFO STORAGE services**

SEOnet contributed EUR 247,422, which stands for 11.5 per cent in the overall revenue structure and is an increase by 22.3 per cent on 2009.

On 1 April 2010 the LJSE began operating the officially appointed mechanism (OAM) for the central storage of regulated information, INFO STORAGE. Using the criteria of cost accounting, which serve to allocate revenues, expenses, assets and liabilities, INFO STORAGE recorded a loss of EUR 32,796 in 2010.

On 31 December 2010, the LJSE had service management agreements concluded with 95 clients, whereby 86 were for SEO and INFO STORAGE services, three were for INFO STORAGE services and six were for SEO services. At year-end 2009 we had 94 effective service management agreements.

■ **Revenues from trade publication**

Revenues from the publication of trades in listed shares executed off-exchange amount to EUR 22,218.

■ **Revenues from the LJSE Conference and other seminars**

The LJSE Conference generated EUR 39,176, which stands for 1.8 per cent of total revenues.

■ **Revenues from data dissemination**

Data dissemination generated 7.4 per cent of total revenue, totalling EUR 104,523. Compared to the figure for 2009 this is a drop by 35.9 per cent, which comes as a result of the LJSE having transferred its data dissemination to non-Slovene vendors to the Vienna Stock Exchange on 1 April 2010.

■ **Revenue sharing with the Vienna Stock Exchange**

Under the agreement of revenue sharing, the LJSE transferred data dissemination and index licensing to the Vienna Stock Exchange on 1 April 2010. Its share of data dissemination revenues in 2010 amount to EUR 134,381 and index licence fees to EUR 2,500.

■ **Revenues from IT services**

IT services generated EUR 88,681, a decrease by 3.7 per cent on 2009. IT revenues include revenues from observer workstations (EUR 44,628), revenues from electronic services access fees (EUR 40,517) and revenues from the BorzaNET services (EUR 3,536).

■ **Revenues from licence fees**

Revenues from licence fees for using LJSE indices contributed EUR 1,000.

■ Revenues from road shows

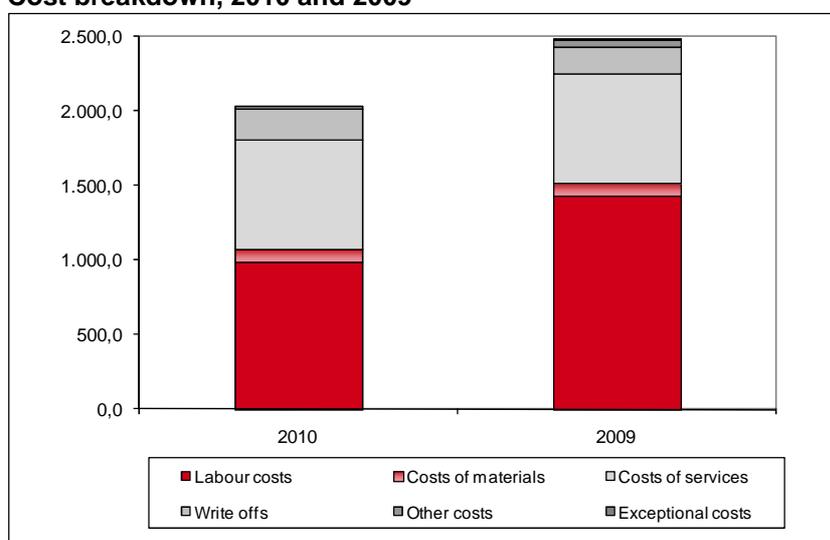
For the Slovene Capital Markets Day road shows held in Ljubljana, London and Vienna, including the webcast and other promotions, the LJSE made EUR 77,670.

■ Other revenues

The LJSE generated 11,072 worth of other revenues. Trade cancellations and modifications generated EUR 2,408, adopting decisions on admissions and suspensions of members firms and brokers generated EUR 3,280, revenue from market data generated EUR 1,730, revenue from leases generated EUR 1,965, revenue from collected written down receivables contributed EUR 1,204, while there were an additional EUR 485 worth of other revenues.

2.5.2. Expenses

Cost breakdown, 2010 and 2009



Total expenses for 2010 amount to EUR 2,038,214, which is a drop of 17.8 per cent compared to the previous year. The bulk of expenses are operating expenses, while financing expenses and extraordinary expenses represent only a small segment. EUR 2,038,194 worth of operating expenses includes labour costs (48.4 per cent), costs of services (36.3 per cent) and amortization costs for long-term assets and property, plant and equipment (9.8 per cent).

■ Labour costs

On 31 December 2010, the Ljubljana Stock Exchange employed a total of 21 people (one employee was on maternity leave), or 20.16 employees considering hours worked. The company's costs of salaries for 2010 amount to EUR 985,929. Labour costs have always accounted for over 50 per cent of the company's operating expenses and have been reduced to 48.4 per cent for the first time in 2010.

A part of the wages paid consists of performance allowances for employees. The costs of variable salaries paid in 2010 amount to EUR 83,564. While having reduced salaries, an additional EUR 21,813 was spent on rewarding the staff for successfully implementing Xetra. Labour costs also include EUR 11,247.46 worth of severance pay to a former employee who was let go for business reasons.

■ Costs of material

Costs of material amount to EUR 88,518 and include EUR 38,829 of energy costs, EUR 7,732 of expert literature and subscription costs, EUR 8,445 of stationery costs, EUR 6,850 of costs for LJSE publications, EUR 8,865 of costs for organizing the LJSE Conference and EUR 17,796 of other costs of material.

■ Costs of services

Costs of services amount to EUR 740,725. The largest items are the costs of fixed asset maintenance (EUR 90,731), the costs of business premises maintenance (EUR 41,928), the costs of leases and rents (EUR 68,939), the costs of business trips (EUR 24,942), advertising and entertainment costs (EUR 48,960), the costs of services by natural persons (EUR 54,389), the costs of counselling services (EUR 142,301), the costs of using Xetra and FIX (EUR 19,241), the costs of training (EUR 28,928), banking and insurance charges (EUR 9,269), postal and telephone costs (EUR 65,306), road show costs (EUR 31,703), costs of services for the LJSE Conference (EUR 28,800), the costs of surveillance over stock exchange operations (EUR 72,000) and the costs of other services (EUR 13,288).

2.5.3. Financial highlights

	2006	2007	2008	2009	in EUR 2010
1. Called-up capital	1,400,893	1,400,893	1,400,893	1,400,893	1,400,893
2. Equity	3,259,389	4,235,583	3,074,092	2,799,384	2,919,660
3. Assets	3,941,291	5,129,928	3,490,039	3,182,051	3,337,526
4. Revenues (total)	3,618,720	4,828,557	3,203,369	2,203,819	2,151,696
- revenues from trading fees	1,710,316	3,094,810	1,530,794	768,442	585,987
- other revenues	1,908,404	1,733,747	1,672,575	1,435,377	1,565,709
5. Costs (total)	2,791,659	2,891,598	2,759,719	2,479,947	2,038,214
- labour costs	1,692,155	1,707,598	1,600,291	1,435,068	985,928
- other costs	1,099,504	1,184,000	1,159,428	1,044,878	1,052,286
6. EBITDA	947,132	2,036,989	523,704	-104,726	280,663
7. Operating profit / loss (EBIT)	773,919	1,859,993	351,020	294,268	80,302
8. Profit / loss before tax	827,061	1,936,959	443,650	-276,128	113,482
9. Taxes	224,069	458,486	100,003	-6,589	-3,706
10. Net profit / loss for the period	605,993	1,485,199	349,869	-269,539	117,188
11. Nr. of shares	33,571	33,571	33,571	33,571	33,571
12. Book value on 31 Dec. (capital / no. of shares)	97.09	126.17	91.57	83.39	86.97
13. Dividend payment per share	21.92	44.24	-	-	-
14. No. of employees by hours worked	26.06	26.59	27.03	25.34	20.62
15. No. of employees on 31 December	31	31	31	25	21

Notes 14. and 15.: one employee was on maternity leave

EBITDA, operating profit plus amortization, has surged from the previous year in which the company recorded a loss, and amounts to EUR 280,663 for 2010, having been fuelled by lower labour cost growth.

Total profit, or earnings before tax, amounts to EUR 113,482.

Total assets on 31 December 2010 amount to EUR 3,337,526, an increase of 5 per cent on year-end 2009.

		2010	2009
Financing state ratios			
Equity financing rate	(capital / liabilities)	87.48	87.97
Long-term liabilities rate	(non-current liabilities + current liabilities) / liabilities	12.15	10.85
Long-term financing rate	(capital + long-term debts) / liabilities	89.25	89.86
Equity rate	share capital / capital	47.98	50.04
Investments ratios			
Operating fixed assets rate	tang. fix. assets (after carrying am. of oper. fixed a.) / assets	77.39	69.43
Long-term assets rate	(tangible fixed assets + non-current investments + non-current receivables) / assets	77.82	69.81
Short-term assets rate	(oper. assets + current investments + deferred items) / assets	22.18	30.19
Horizontal financial structure ratios			
Equity to operating fixed assets	capital / tang. fix. assets (after carrying am. of oper. fix assets)	1.13	1.27
Immediate solvency ratio	liquid assets / current liabilities	1.24	2.15
Quick ratio	(liquid assets + current receivables) / current liabilities	1.94	3.12
Current ratio	liquid assets / current liabilities	1.94	3.12
Operating efficiency ratios			
Operating efficiency ratio	operational revenue / operational expenditure	1.04	0.88
Total efficiency ratio	revenue / expenditures	1.05	0.89
Profitability ratios			
Return on equity	total profit in financial year / average capital	3.97	-9.40
Net return on equity - ROE	net profit in financial year / average capital	2.28	0.00

Financing state ratios. They show that there is a high level of equity present in the company. The same as in 2009 equity represents 87.9 per cent of all liabilities. This means that the company finances the predominant share of assets from its own funds, which points to a high level of financial independence. Debts stand for only 12.5 per cent of all liabilities.

Investment ratios. They show non-current assets to be higher in relative terms than current assets. Non-current assets represent 77.4 per cent of all assets.

Horizontal financial structure ratios. The equity to operating fixed assets rate illustrates that the company has had an adequate equity cover both in 2010 and 2009. Non-current assets are covered by the company's own funds in full, as both of the stated financial periods show an excess of equity capital cover, namely by 13 per cent in 2010 and by 27 per cent in 2009. The high values point to a prudent financial policy that reduces operational risk. Compared to 2009 the equity to operating fixed assets rate has dropped by 11.0 per cent in 2010. This was on account of extensive investments into Xetra.

A review of all liquidity ratios shows that in 2010 we had excess liquid assets required to cover our current liabilities, which has allowed us to cover our liabilities in full. This means that the company is financially viable, as our current assets account for short-term financing sources in full. The current ratio reveals that current assets are financed from current liabilities. Its value has decreased compared to 2009, when it was 3, and now amounts to less than 2; however this still means that the company's level of solvency is good.

Operating efficiency ratios. The total operating efficiency ratio shows that the company operated with profit in 2010, with revenues exceeding expenditures by 5 per cent. In contrast, the company ended 2009 with a loss, with revenues having come short of expenditures by 11 per cent. The operating efficiency ratio shows that the company's core business is returning a profit, with revenues exceeding expenditures by 4 per cent.

In 2009 the company's core business generated a loss, whereby revenues came short of expenditures by 12 per cent.

Profitability ratios. The company's 2010 year-end profit makes its business economically viable. In 2010 ROE was 2.3 per cent, while in 2009 the company recorded a loss.

The above ratios illustrate that the company's operations in 2010 were relatively stable. Given the year-end profit the results have improved compared to 2009.

2.6. Objectives and plans for 2011

The economic and financial crisis remains a prominent reason for the stalling stock market and current price trends. We expect that the difficult economic situation will continue to shape the business of the LJSE, trading members and listed companies in 2011. However, even though the positive effects of development activities and corporate restructurings are not anticipated to come into full swing before 2012, a slight rebound is expected on the Slovene capital market as soon as in 2011. Due to an improved macroeconomic outlook, upgraded stock market infrastructure and trading system Xetra, as well as due to new international trading members having joined the LJSE, we expect foreign investors to show a greater interest in the Slovene market, which will enhance the market's liquidity.

The Slovene Capital Market Development Strategy, which the Ljubljana Stock Exchange adopted in 2010, highlights several strategic development activities for the company in 2011, including: the development of the third pillar of the pension system, further privatization of state-owned enterprises and new IPOs, achieving better price formation and higher trading volumes by involving all stakeholders into price formation, as well as setting the level and pushing for deeper integration into the CEESEG. Provided we are successful, these activities can reinstate long-term domestic demand, increase trading volumes and enhance price formation, so that companies have a better chance of drawing funds through the capital market.

Our main activities planned for 2011 are:

- Stable and efficient day-to-day market operations
- Strategic development activities
 - Supporting the introduction of individual pension accounts (P accounts)
 - Improving price formation by involving all stakeholders into price formation
 - Supporting further privatization of state-owned enterprises and new IPOs
- Active international market promotion within CEESEG
 - Acquisition of new remote trading members
 - International road shows for Prime Market companies
- Better services
 - Trading hours extended from 9.00 to 17.00
 - Facilitating capital increases through rights issues
- Integration within CEESEG
 - Launch of regional CEESEG membership for trading members
 - Launch of C&S at regional CEESEG level
- Internal restructuring and streamlining of the LJSE

**3. AUDITED ANNUAL FINANCIAL STATEMENTS OF COMPANY LJUBLJANA STOCK EXCHANGE FOR
FINANCIAL YEAR ENDED 31 DECEMBER 2010**

3.1. Management responsibility for the financial statements

The Management Board hereby endorses the financial statements of the Ljubljana Stock Exchange for the financial year ended 31 December 2010, 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 Slovene 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.

Ljubljana Stock Exchange

Polona Peterle
Member of the Management Board

Andrej Šketa
President of the Management Board

3.2. Balance Sheet

		in €	
	<i>Notes</i>	31 Dec. 2010	31 Dec. 2009
ASSETS		3,337,525.74	3,182,050.84
Non-current assets		2,597,175.25	2,221,392.19
Intangible assets and long-term deferred and accrued items	3.7.7.1.	676,479.14	310,571.52
Property, plant and equipment	3.7.7.2.	1,906,547.30	1,898,709.79
Deferred tax assets	3.7.7.3.	14,148.81	12,110.88
Current assets		672,397.47	889,648.51
Current investments	3.7.7.4.	244,463.76	440,388.37
Current operating receivables	3.7.7.5.	241,044.35	276,554.01
Cash and cash equivalents	3.7.7.6.	186,889.36	172,706.13
Short-term deferred costs and accrued revenues	3.7.7.7.	67,953.02	71,010.14
EQUITY AND LIABILITIES		3,337,525.74	3,182,050.84
Equity	3.7.7.8.	2,919,659.54	2,799,384.45
Called-up capital		1,400,893.01	1,400,893.01
Capital surplus		462,775.02	462,775.02
Revenue reserves		754,910.86	696,316.67
Revaluation surplus		235,812.86	239,399.75
Retained earnings		0.00	0.00
Net profit or loss for the period		58,594.19	0.00
Transfer of revaluation surplus		6,673.60	0.00
Provisions and long-term accrued costs and deferred revenues	3.7.7.9.	1,156.00	2,156.00
Non-current liabilities		58,953.23	59,849.95
Deferred tax liabilities	3.7.7.10.	58,953.23	59,849.95
Current liabilities		346,695.37	285,471.90
Current financial liabilities	3.7.7.11.	8,381.77	8,381.77
Current operating liabilities	3.7.7.12.	338,313.60	277,090.13

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

3.3. Income Statement 2010

in €

	Notes	2010	2009
Net sales revenues	3.7.8.1.	2,115,327.53	2,182,886.00
Net sales revenues from domestic market		1,896,610.01	2,086,659.63
Net sales revenues from abroad		218,717.52	96,226.37
Other operating revenue		3,169.33	0.00
OPERATING EXPENSES	3.7.8.2.		
Costs of goods, material and services	3.7.8.2.1.	829,243.31	811,301.32
Costs of materials used		88,518.21	85,843.66
Costs of services		740,725.10	725,457.66
Labour costs	3.7.8.2.2.	985,928.83	1,435,068.49
Costs of wages and salaries		767,971.12	949,265.66
Pension insurance costs		16,169.97	120,991.03
Other social insurance costs		124,643.35	90,407.47
Other labour costs		77,144.39	274,404.33
Write-downs	3.7.8.2.3.	207,754.96	189,541.65
Depreciation and amortisation		200,360.91	177,324.28
Revaluation operating expenses associated with intangible fixed assets and property, plant and equipment		0.00	7,895.01
Revaluation operating expenses associated with operating current assets		7,394.05	4,322.36
Other operating expenses	3.7.8.2.4.	15,267.32	41,242.54
OPERATING PROFIT OR LOSS		80,302.44	-294,268.00
Financial revenue from investments	3.7.8.3.	29,402.24	19,547.18
Financial revenue from loans given		0.00	0.00
Financial revenue from operating receivables	3.7.8.4.	1,505.67	1,377.31
Financial expenses for financial liabilities		0.00	0.00
Financial expenses for operating liabilities	3.7.8.5.	12.14	244.20
PROFIT OR LOSS FROM ORDINARY ACTIVITIES		111,198.21	-273,587.71
Other revenue	3.7.8.6.	2,291.59	8.13
Other expenses	3.7.8.7.	7.75	2,548.53
EXTRAORDINARY PROFIT OR LOSS		2,283.84	-2,540.40
Income tax	3.7.8.8.	0.00	0.00
Deferred taxes		3,706.33	6,588.97
NET PROFIT OR LOSS FOR THE PERIOD	3.7.8.9.	117,188.38	-269,539.14

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

3.4. Statement of Comprehensive Income

in €

	<i>Notes</i>	2010	2009
Net profit or loss for the period		117,188.38	-269,539.14
Changes in revaluation reserves related to intangible assets and property, plant and equipment		0.00	0.00
Changes in revaluation reserves related to short-term investments		3,086.71	-5,167.96
Profit or loss from translation differences		0.00	0.00
Other components of comprehensive income		0.00	0.00
Total comprehensive income for the period	<i>3.7.8.10.</i>	120,275.09	-274,707.10

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

3.5. Cash Flow Statement for the period 01 Jan.–31 Dec. 2010

	2010	in € 2009
A. Cash flows from operating activities		
a) Income Statement items	292.624,91	-110.456,00
Operating revenue	2.120.788,45	2.182.894,13
Financial revenue from operating receivables	1.505,67	1.377,31
Operating expenses excluding depreciation and amortisation	1.829.669,21	2.294.727,44
Income taxes and other taxes not included in operating expenses	0,00	0,00
b) Changes of net operating assets in Balance Sheet items	66.478,86	115.307,16
Opening less closing operating receivables	32.290,03	137.336,58
Opening less closing deferred costs and accrued revenue	3.057,12	16.832,46
Opening less closing deferred tax assets	-2.037,93	-4.837,15
Closing less opening operating debts	58.193,30	-54.097,58
Closing less opening accrued items and provisions	-24.126,94	23.219,82
Closing less opening deferred tax liabilities	-896,72	-3.146,97
c) Net cash from operating activities (a + b)	359.103,77	4.851,16
B. Cash flows from investing activities		
a) Cash receipts from investing activities	226.945,47	35.232,18
Interest received	24.927,02	14.903,11
Cash receipts from disposal of intangible assets	0,00	0,00
Cash receipts from disposal of property, plant and equipment	0,00	14.060,00
Cash receipts from disposal of non-current assets	0,00	0,00
Cash receipts from disposal of current assets	202.018,45	6.269,07
b) Cash disbursements from investing activities	-571.866,01	-95.870,01
Cash disbursements to acquire intangible assets	-456.111,15	-90.719,68
Cash disbursements to acquire property, plant and equipment	-115.754,86	-5.150,33
Cash disbursements to acquire non-current investments	0,00	0,00
Cash disbursements to acquire current investments	0,00	0,00
c) Net cash from investing activities (a + b)	-344.920,54	-60.637,83

(continued)

	in €	
	2010	2009
C. Cash flows from financing activities		
a) Cash receipts from financing activities	0.00	0.00
Capital increase	0.00	0.00
Tax prepayment		0.00
Cash proceeds from increase in long-term financial liabilities	0.00	0.00
Cash proceeds from increase in short-term financial liabilities	0.00	0.00
b) Cash disbursements from financing activities	0.00	0.00
Interest paid	0.00	0.00
Cash repayments of equity	0.00	0.00
Cash repayments of long-term financial liabilities	0.00	0.00
Cash repayments of short-term financial liabilities	0.00	0.00
Dividends paid	0.00	0.00
c) Net cash from financing activities (a + b)	0.00	0.00
D. Net cash and cash equivalents as at end of period	186,889.36	172,706.13
Net increase in cash and cash equivalents (Ac+Bc+Cc)	14,183.23	-55,786.67
Cash and cash equivalents as at beginning of period	172,706.13	228,492.80

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

3.6. Statement of Changes in Equity

3.6.1. Statement of Changes in Equity for 2010

in €

	Share capital	Capital surplus			Revenue reserves		Revaluation surplus	Net profit / loss			Total equity
		Payments over book value at disposal of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves	Other reserves		Retained earnings	Net profit / loss for the period	Transferred revaluation surplus	
A.1. Balance at 31 Dec. 2009	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	86,919.56	239,399.75	0.00	0.00	0.00	2,799,384.45
A.2. Balance at 1 Jan. 2010	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	86,919.56	239,399.75	0.00	0.00	0.00	2,799,384.45
B.1. Changes in equity - transactions with controlling company											
Dividends paid											0.00
Bonus to MB and SB members*											
Other changes in equity											0.00
B.2. Total comprehensive income for the year 2010											
Net profit / loss for the period									117,188.38		117,188.38
Changes in revaluation surplus related to intangible assets											
Changes in revaluation surplus related to PPE*											0.00
Changes in revaluation surplus related to short-term investments							3,086.71				3,086.71
Other components of comprehensive income							-6,673.60			6,673.60	0.00
B.3. Changes in equity											
Allocation of residual net profit for 2010 into other equity components under resolution of MB and SB						58,594.19			-58,594.19		0.00
Allocation of a part of net profit into additional provisions under resolution of MB and SB											
Settlement of loss as equity deduction item											
Other changes in equity											0.00
C. Balance at 31 Dec. 2010	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	145,513.75	235,812.86	0.00	58,594.19	6,673.60	2,919,659.54
ACCUMULATED PROFIT FOR 2010	-	-	-	-	-	-	-	0.00	58,594.19	6,673.60	65,267.79

* PPE: property, plant and equipment; MB: Management Board, SB: Supervisory Board

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

The company had recorded no accumulated profit in 2009 and therefore at the AGM on 12 July 2010 shareholders only reviewed the results.

Net profit for financial year 2010 amounts to EUR 117,199.38. It consist of net profit for financial year 2010 in the amount of EUR 113,482.05, deferred tax assets in the amount of EUR 2,037.93 and derecognition of deferred tax liabilities in the amount to EUR 1,668.40. In compliance with the Management Board resolution and with the consent of the Supervisory Board 50 % of net profit for 2010 in the amount of EUR 58,594.19 is being allocated to other revenue reserves. Residual net profit in the amount of EUR 58,594.19 together with transferred revaluation surplus in the amount of EUR 6,673.60 constitute accumulated profit. Accumulated profit for financial year 2010 amounts to EUR 65,267.79. The Management and Supervisory Boards propose that the entire 2010 accumulated profit be allocated to other revenue reserves.

Share book value as at 31 December 2010 was EUR 86.97.

3.6.2. Statement of Changes in Equity for 2009

in €

	Share capital	Capital surplus			Revenue reserves			Revaluation surplus	Net profit / loss			Total equity
		Payments over book value disposal of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves	Other reserves	Retained earnings		Net profit / loss for the period	Transferred revaluation surplus		
A.1. Balance at 31 Dec. 2008	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	0.00	251,157.89	0.00	343,361.76	6,506.76	3,074,091.55	
A.2. Balance at 1 Jan. 2009	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	0.00	251,157.89		343,361.76	6,506.76	3,074,091.55	
B.1. Changes in equity - transactions with controlling company												
Dividends paid											0.00	
Bonus to MB and SB members*												
Other changes in equity											0.00	
B.2. Total comprehensive income for the year 2009												
Net profit / loss for the period									-269,539.14		-269,539.14	
Changes of revaluation surplus related to intangible assets												
Changes of revaluation surplus related to PPE*											0.00	
Changes of revaluation surplus related to short-term investments							-5,167.96				-5,167.96	
Other components of comprehensive income							-6,590.18			6,590.18	0.00	
B.3. Changes in equity												
Decrease in equity - loss of 2009 settled against other equity components						-262,948.96			269,539.14	-6,590.18	0.00	
Allocation of a part of net profit to other revenue reserves under resolution of AGM							349,868.52		-343,361.76	-6,506.76	0.00	
Settlement of loss as equity deduction item												
Other changes in equity												
C. Balance at 31 Dec. 2009	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	86,919.56	239,399.75	0.00	0.00	0.00	2,799,384.45	
ACCUMULATED PROFIT FOR 2009	-	-	-	-	-	-	-	0.00	0.00	0.00	0.00	

* MB: Management Board, SB: Supervisory Board; PPE: property, plant and equipment

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

3.7. Notes to financial statements

3.7.1. Taxation

The company is a taxable person:

- under the Corporate Income Tax Act (Official Gazette RS No 40/04, 139/04, 17/05, 108/05, 117/06, 90/07, 56/08, 76/08, 92/08, 5/09, 96/09, 110/09 and 43/10),
- under the Value Added Tax Act (Official Gazette RS No 89/98, 17/00, 30/01, 103/01, 67/02, 114/04, 108/05, 21/06, 117/06, 52/07, 33/09 and 85/09),
- under the Rules on the Implementation of the Value Added Tax Act (Official Gazette RS No 4/99, 45/99, 59/99, 110/99, 17/00, 19/00, 27/00, 22/01, 28/01, 54/01, 106/01, 79/02, 54/04, 122/04, 60/05, 117/05, 1/06, 10/06, 141/06, 120/07, 21/08, 123/08, 105/09 and 27/10),
- under the Tax Administration Act (Official Gazette RS No 57/04, 139/04, 114/06 and 40/09) and

- under the Tax Procedure Act (Official Gazette RS No 54/04, 139/04, 56/05, 96/05, 100/05, 21/06, 117/06, 24/08, 125/08, 85/09, 110/09, 1/10 and 43/10).

3.7.2. Financial statements for 2009

The financial statements for 2009 were audited and given an unqualified opinion by KPMG Slovenija d. o. o.

3.7.3. Basis of presentation

In compiling the Balance Sheet as at 31 December 2010, the Income Statement and the Cash Flow Statement for 2010, Slovene Accounting Standards (SAS) and the following basic accounting principles were considered:

- going concern,
- true and fair presentation, in the conditions of changing euro values and prices,
- consistency and constancy of valuations,
- strict adherence to the principle of accounting on an accrual basis,
- revenues and expenditures were recognized in the financial statements for the respective year ended,
- individual items of assets and liabilities are valued independently.

3.7.4. Relations with other companies

The company has no participating interests in other companies, neither directly not through other entities acting on behalf of the company.

3.7.5. Recording items

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.

3.7.6. 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.

3.7.6.1. Intangible assets

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

Intangible assets are recognised at cost value.

The revaluation of intangible assets is a change of their carrying amount. Impairment losses of intangible assets are recognised as the revaluated operating expense associated with intangible assets.

3.7.6.2. 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.

Property, plant and equipment are valued at cost. In 2007 the company changed its accounting principle for valuing the building. To present the real value of property, it revaluated the building and associated land at fair value as at 1 July 2007.

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. If subsequently incurred costs related to property, plant or equipment extend the asset's useful life, they initially reduce the asset's value adjustment recognised thus far.

If the market costs of property, plant and equipment fall, the company reduces the recognised cost values of its property, plant and equipment as well as reduces proportionately the relevant value adjustment.

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 property, plant and equipment

As at 31 December 2010 the company estimated there to be no objective evidence that any assets are impaired.

3.7.6.3. Depreciation

Intangible assets and property, plant and equipment are amortized or depreciated independently, using the straight-line depreciation method.

Land is not depreciated.

Depreciation rates:

	Rate of amortization or depreciation (in %)			
	For fixed assets, with amortization period started before 1 Jan. 2003	For fixed assets, with amortization period started after 1 Jan. 2003	For fixed assets, with amortization period started after 1 Jan. 2007	Changes of depreciation rate due to new valuation method from 1 Jul. 2007
Construction work	2.0	2.0	2.0	2,685
Computer equipment	20.0 - 40.0	40.0	4.0	
Furniture and other equipment	30.0 - 40.0	25.0	25.0	
Motor vehicles	3.	40.675,0	20.0	
Intangible assets	33.3	20.0		
Software			20.0	
Licences			20.0	

3.7.6.4. *Investments*

Upon initial recognition, investments of all types are measured at fair value. For investments not given under financial assets measured at fair value through profit or loss, the initially recognised value is increased by transaction costs directly related to the acquisition of the investment. The cost value of investments equals the amount paid. Non-current and current investments are given separately, and are upon initial recognition grouped into:

- investments in loans;
- investments available for sale.

As a rule, the company groups investments into current investments available for sale recognised directly in equity. Revenue due to change in fair value is recognised as the revaluation surplus, which can be negative.

Interest accrued under the effective interest rate is recognised in the Income Statement. Interest from investments acquired before 1 January 2006 is in the Income Statement recognised under the nominal interest rate. The effect of recognising interest under the effective interest rate was estimated as insignificant.

3.7.6.5. *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.

3.7.6.6. *Cash in hand*

Only cash is recognised as cash in hand. Other monetary values are treated as short-term deferred costs.

3.7.6.7. *Cash and cash equivalents*

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.

3.7.6.8. *Equity*

Total equity is distributed into share capital, share premium amount, amounts from the simplified decrease in share capital, general equity revaluation adjustment, reserves, net profit from previous periods, revaluation surplus and revaluation surplus adjustment, and transferred revaluation surplus. Share capital is recognised in the national currency.

3.7.6.9. Provisions and long-terms provisions

Provisions and long-term provisions include long-term deferred revenues 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. Long-term provisions refer to deferred revenues from LJSE support to IT integration of the securities markets of South East Europe, which will cover the anticipated expenses of the relevant project within a period longer than one year, and to deferred revenue from licence agreements.

3.7.6.10. 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).

3.7.6.11. Short-term accrued and deferred items

Deferred costs and accrued revenues include deferred costs (expenses) and temporarily accrued revenues. Short-term deferred costs include amounts that do not upon incurrence burden the company's activity. The temporarily accrued revenues are incurred when the Income Statement recognises revenue that has not yet been received or charged for.

Accrued costs and deferred revenues include accrued costs (expenses) and short-term deferred revenues. Accrued costs include costs expected but not yet incurred and refer to the period of the Income Statement. Short-term deferred revenues are incurred when the company's services had been charged for but not yet rendered. Revenues can also be deferred for a short term when at the time of sale it is still doubtful whether they will be received.

3.7.6.12. 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. Revenue is recognised once the services are rendered.

Financial revenue is revenue from investments. It is incurred from non-current and current investments as well as from receivables. 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. 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 revenues for the period.

3.7.6.13. 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, labour costs 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.

3.7.6.14. Taxes

Income tax is charged on the basis of revenues and expenses given in the Income Statement pursuant to the temporary tax legislation. Income tax is charged at the tax rate of 20 per cent from the tax base. Due to tax loss carryover (loss of 2009) and other tax benefits the company's tax base for 2010 had been reduced by EUR 174,411.29.

Charged income tax takes account of deferred tax assets for temporary differences in taxation, whose effects are recognised in the Income Statement.

3.7.7. Balance Sheet

3.7.7.1. Intangible assets:

EUR 676,479.14

in €

	31 Dec. 2010	31 Dec. 2009
Long-term property rights	1,091,339.00	607,154.45
Intangible assets under construction	0.00	28,073.40
Long-term deferred costs	8,479.78	5,449.61
Accumulated amortization of intangible assets	-423,339.64	-330,105.94
Carrying amount	676,479.14	310,571.52

Intangible assets as at 31 December 2010 include software licences for data processing, with carrying amount of EUR 667,999.36, and long-term deferred costs in the amount of EUR 8,479.78.

All intangible assets have finite useful lives.

Movements of intangible assets in 2010

	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
Cost of purchase				
Balance as at 31 Dec.2009	607,154.45	5,449.61	28,073.40	640,677.46
Increase - additional procurement	484,184.55	3,512.73	461,926.99	949,624.27
Decrease - eliminations	0.00	482.56	490,000.39	490,482.95
Balance as at 31 Dec.2010	1,091,339.00	8,479.78	0.00	1,099,818.78
Accumulated amortisation				
Balance as at 31 Dec.2009	330,105.94			330,105.94
Annual amortisation	93,233.70			93,233.70
Balance as at 31 Dec.2010	423,339.64			423,339.64
Carrying amount				
Balance as at 31 Dec.2009	277,048.51	5,449.61	28,073.40	310,571.52
Balance as at 31 Dec.2010	667,999.36	8,479.78	0.00	676,479.14

Procured property rights in 2010 refer to purchases of software for information system Xetra in the amount of EUR 456,926.49.

3.7.7.2. *Property, plant and equipment:*

EUR 1,906,547.30

in €

	31 Dec. 2010	31 Dec. 2009
Building	1,895,510.00	1,895,510.00
Accumulated depreciation of building	-158,731.31	-113,379.51
Other property, plant and equipment	1,277,540.27	1,202,311.52
Property, plant and equipment under construction	0.00	0.00
Accumulated depreciation of property, plant and equipment	-1,107,771.66	-1,085,732.22
Carrying amount	1,906,547.30	1,898,709.79

As at 31 December 2010, the item property, plant and equipment included the current value of the building (EUR 1,736,778.69) and the current value of other property, plant and equipment (EUR 169,768.61).

Due to the need for a real presentation of assets, the company has, after initial recognition, revalued the building and associated land from 1 July 2007 under the SAS 1.28.b revaluation method of carrying amount. After the appraisal from a certified appraiser, the building's cost value increased by EUR 318,414.08 and depreciation adjustment in the amount of EUR 509,195.76 was eliminated. With useful life remaining unchanged and applying the straight-line depreciation method, the depreciation rate increased from 2.0 per cent to 2.685 per cent. 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 2010 would total EUR 1,447,569.61.

Movements of property, plant and equipment in 2010

in €

	Buildings	Equipment	Small tools	Equipment under construction	Total property, plant and equipment
Cost of purchase					
Balance as at 31 Dec.2009	1,895,510.00	1,202,311.52	0.00	0.00	3,097,821.52
Increase - add. procurement		115,754.86	1,115.90	117,841.77	234,712.53
Decrease - eliminations		40,526.11	1,115.90	117,841.77	159,483.78
Strengthening					
Impairment					
Balance as at 31 Dec.2010	1,895,510.00	1,277,540.27	0.00	0.00	3,173,050.27
Accumulated depreciation					
Balance as at 31 Dec.2009	113,379.51	1,085,732.22			1,199,111.73
Annual depreciation	45,351.80	62,565.55			107,917.35
Decrease - eliminations		40,526.11			40,526.11
Increase - additional					
Balance as at 31 Dec.2010	158,731.31	1,107,771.66		0.00	1,266,502.97
Carrying amount					
Balance as at 31 Dec.2009	1,782,130.49	116,579.30	0.00	0.00	1,898,709.79
Balance as at 31 Dec.2010	1,736,778.69	169,768.61	0.00	0.00	1,906,547.30

Additional procurement of property, plant and equipment refers to the purchase of equipment required for migration to Xetra (EUR 91,897.06), computer equipment (EUR 19,760.09) and other equipment (EUR 1,416.47).

Eliminations refer to the elimination of property, plant and equipment from books of account under the resolution of the Inventory Commission. The value of appertaining land has been recognised under SAS 1.52, increasing the value of the building. None of the assets from this group have legal restrictions imposed or are pledged as a guarantee. As at 31 December 2010, the company has no financial obligations for obtaining property, plant or equipment.

3.7.7.3. *Deferred tax assets:* **EUR 14,148.81**

Deferred tax assets in the amount of EUR 14,148.81 are recognised for all deductible temporary differences that arise between the depreciation for property rights, charged at their rate of 20 per cent, and tax depreciation in the amount of 10 per cent, and for the formed allowance for bad receivable.

3.7.7.4. *Current investments:* **EUR 244,463.76**

	31 Dec. 2010	31 Dec. 2009
Other current investments recognised directly in equity	244,463.76	440,388.37
Total	244,463.76	440,388.37

in €

Pursuant to SAS 3, investments are classified into available-for-sale investments. Due to fair value adjustment, a conversion to lower fair value was made as at 31 December 2010, for the effective purpose of which a revaluation surplus (EUR 12,585.87) was formed along with a reversed revaluation surplus related to the sale of bonds RS62 (EUR 6,647.84) and a revaluation surplus due to lower fair value as at 31 Dec. 2010 (EUR 2,079.64) and an allowance for revaluation surplus relating to deferred tax (EUR 1,329.57).

Investments into precious metals refer to two gold bars the Exchange received as a gift. The decrease in current investments in 2010 is due to the sale of the bond RS62 and due to the reversed revaluation surplus, while the increase is due to accrued interest.

Movement of current investments in 2010

in €

	Investments into precious metals	Bonds	Total
Cost of purchase			
Balance as at 31 Dec.2009	383.12	438,314.63	438,697.75
Annual decrease		203,631.55	203,631.55
Revaluation owing sale		5,634.52	
Annual increase (accrued interest)		15,896.11	15,896.11
Annual decrease (interest)		21,540.50	21,540.50
Strengthening (revaluation surplus)		12,585.87	
Derecognition of revaluation surplus		2,079.64	2,079.64
Derecognition of revaluation surplus due to disposal		6,647.84	
Balance as at 31 Dec.2010	383.12	238,531.60	231,501.45
Revaluation surplus			
Balance as at 31 Dec.2009		1,690.62	1,690.62
Revaluation surplus		12,585.87	12,585.87
Derecognition of revaluation surplus		6,647.84	6,647.84
Revaluation surplus - negative		2,079.64	2,079.64
Balance as at 31 Dec.2010		5,549.01	5,549.01
Fair value			
Balance as at 31 Dec.2009	383.12	440,005.25	440,388.37
Balance as at 31 Dec.2010	383.12	244,080.61	244,463.73

Financial risks are managed through a conservative investment policy, since most of our investments include government and bank bonds.

3.7.7.5. Current operating receivables:

EUR 241,044.35

in €

	31 Dec. 2010	31 Dec. 2009
Current trade receivables	190,627.23	162,098.79
Current operating receivables from others	50,417.12	114,455.22
Total	241,044.35	276,554.01

Current operating receivables include current trade receivables, in the amount of EUR 190,627.23, and current operating receivables from others, in the amount of EUR 50,417.12. The latter refer to advances given and current receivables from others.

■ Current trade receivables:

EUR 190,627.23

in €

	31 Dec. 2010	31 Dec. 2009
Current receivables from residents	106,305.86	139,135.90
Doubtful and disputable receivables from residents	8,328.62	9,925.62
Current receivables from non-residents	84,321.37	22,962.89
Doubtful and disputable receivables from non-residents	0.00	166.92
Allowance for bad receivables	-8,328.62	-10,092.54
Total	190,627.23	162,098.79

Current receivables from residents are receivables from trading fees, in the amount of EUR 51,456.16, and receivables from other services, in the amount of EUR 54,849.70.

Doubtful and disputable receivables in the amount of EUR 8,328.62 represent receivables overdue by min. three months, which had not been settled by the end of January 2011 and which are subject to recovery either through debit notes or litigation. Pursuant to the agreement on out-of-court settlement made with company Jelen d. d. and after due receivables were settled, we granted a EUR 2,289.73 discount on the residual receivables. Pursuant to the court bringing the liquidation of Hipotekarna banka d. d. Brežice to a close, the related EUR 3,514.00 worth of receivables were finally written down of the books of account, and the same was done for the EUR 166.92 worth of receivables due from Thomson Reuters and for EUR 431.55 worth of receivables from penalty interest.

■ **Short-term advances given: EUR 1,000.00**

Short-term advances given, in the amount of EUR 1,000.00, refer to an advance payment for the purchase of a company vehicle.

■ **Current operating receivables from others: EUR 49,417.12**

	in €	
	31 Dec. 2010	31 Dec. 2009
Current interest receivables	1,212.26	1,460.28
Allowance for bad receivables from financing activities	-772.30	-1,038.63
Other current receivables	48,977.16	112,411.57
Total	49,417.12	112,833.22

Short-term interest receivables refer to interest receivable from deposits placed with SKB bank for December 2010 in the amount of EUR 226.36, which were fully paid in January 2011, pursuant to the deposit agreement, and to interest for late payment of invoices, in the amount of EUR 985.90.

The allowance for interest receivables in 2010 refers to late interest receivables in the amount of EUR 772.30.

Other current receivables refer to input VAT in the amount of EUR 47,467.87: to VAT receivables from invoices for December 2010, in the amount of EUR 27,952.87, to input VAT receivables after final deduction in the amount of EUR 19,515.00, and to other receivables, in the amount of EUR 1,509.29.

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

■ **Receivables according to period of maturity**

in €

	Non past due	Due less than 30 days	Due less than 60 days	Due less than 90 days	Due less than 120 days	Due over 120 days	Total
Current receivables from residents - trading fees	51,456.16						51,456.16
Current receivables from residents - others	53,286.03	1,413.67			150.00		54,849.70
Current receivables from residents - doubtful		13.20	198.00		4,193.18	3,924.24	8,328.62
Current receivables from non-residents	84,321.37						84,321.37
Current receivables from non-residents - doubtful							0.00
Current interest receivables	226.36						226.36
Current default interest receivables	139.39					74.21	213.60
Current default interest receivables - doubtful		19.64		40.76	431.06	280.84	772.30
Total	189,429.31	1,446.51	198.00	40.76	4,774.24	4,279.29	200,168.11

The majority of receivables, both trade receivable and interest receivables, are non past due receivables, which represent 94.6 per cent of all receivables. For claims overdue by over 120 days and those 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 by the end of January 2011.

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.

The company does not hedge its receivables.

3.7.7.6. *Cash and cash equivalents:*

EUR 186,889.36

in €

	31 Dec. 2010	31 Dec. 2009
Cash in hand	20.86	193.01
Bank balance:	186,868.50	172,513.12
Current account	716.66	5,611.28
Redeemable EUR deposit	186,151.84	166,901.84
Total	186,889.36	172,706.13

The deposit interest rate is 2.0 per cent nominally.

3.7.7.7. *Deferred costs and accrued revenues:*

EUR 67,953.02

in €

	31 Dec. 2010	31 Dec. 2009
Short-term deferred costs	49,014.12	51,697.63
Short-term accrued revenues	18,938.90	19,312.51
- listing maintenance fees for bonds	18,938.90	19,312.51
Total	67,953.02	71,010.14

Short-term deferred costs refer to the lease of Microsoft Office in the amount of EUR 30,448.84, the lease of the IBM licence in the amount of EUR 4,093.84, voluntary health insurance for employees in the amount of EUR 5,141.97 and pension insurance in the amount of EUR 1,318.58, paid subscription fee for expert literature in the amount of EUR 1,808.87, costs of renewed licences in the amount of EUR 2,317.41, car insurance for company vehicles in the amount of EUR 594.03, and other short-term deferred costs in the amount of EUR 3,290.58. These costs relate to financial year 2011.

Accrued revenues refer to listing maintenance fees for government bonds (issuer Republika Slovenija) for 2010, in the amount of EUR 18,938.90. The listing maintenance fees will be charged in 2011 after one year of listing. Other issuers are charged with listing maintenance fees (for shares and bonds) for the term of each calendar year.

3.7.7.8. *Equity:*

EUR 2,919,659.54

in €

	31 Dec. 2010	31 Dec. 2009
Called-up capital	1,400,893.01	1,400,893.01
Capital surplus	462,775.02	462,775.02
- payments over carrying amount in disposal of own shares	142.74	142.74
- amounts from simplified decrease of share capital	364,569.77	364,569.77
- general equity revaluation adjustment	98,062.51	98,062.51
Revenue reserves	754,910.86	696,316.67
- statutory reserves	609,397.11	609,397.11
- other reserves	145,513.75	86,919.56
Revaluation surplus	235,812.86	239,399.75
- revaluation surplus relating to buildings	289,217.08	297,559.08
- revaluation surplus relating to short-term investments	5,549.01	1,690.62
- allowance for revaluation surplus assoc. with deferred tax assets	58,953.23	59,849.95
Retained earnings	0.00	0.00
Net profit or loss for the period	58,594.19	0.00
Retained revaluation surplus	6,673.60	0.00
Total	2,919,659.54	2,799,384.45

■ **Share capital:**

EUR 1,400,893.01

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

■ **Capital surplus:** **EUR 462,775.02**
in €

	31 Dec. 2010	31 Dec. 2009
Capital surplus:		
- payments over carrying amount in disposal of own shares	142.74	142.74
- amount from simplified decrease of share capital	364,569.77	364,569.77
- general equity revaluation adjustment	98,062.51	98,062.51
Total	462,775.02	462,775.02

General equity revaluation adjustment refers to share capital revaluation back to 2001. In the years 2002, 2003, 2004 and 2005, there was no general equity revaluation, because in 2002, 2003, 2004 and 2005 the euro appreciated against the Slovene tolar by less than 5.5 per cent. There was also no equity revaluation in 2006, since the euro appreciated against the Slovene tolar by less than 5.5 per cent.

If we revaluated the income amount in 2010 in order to maintain the purchasing power of capital due to advances in consumer prices, the equity revaluation adjustment would amount to EUR 151,902.71, and the profit to EUR 59,641.85.

■ **Revenue reserves:** **EUR 754,910.86**
in €

	31 Dec. 2010	31 Dec. 2009
Statutory reserves	609,397.11	609,397.11
Other revenue reserves	145,513.75	86,919.56
Total	754,910.86	696,316.67

Following the resolution adopted by the Management Board and with the consent of the Supervisory Board, 50.0 per cent of net profit for 2010, which is EUR 58,594.19, was allocated to other revenue reserves.

■ **Revaluation surplus:** **EUR 235,812.86**
in €

	31 Dec. 2010	31 Dec. 2009
Revaluation surplus related to buildings	289,217.08	297,559.08
Revaluation surplus related to short-term investments	5,549.01	1,690.62
Allowance for revaluation surplus relating to deferred tax assets	-58,953.23	-59,849.95
Total	235,812.86	239,399.75

As at 1 July 2007, the company recognised the building and associated land under the revaluation model and converted it to fair value. To effect the conversion to higher fair value, a building revaluation surplus was formed in the amount of EUR 318,414 and allowance for revaluation surplus relating to deferred tax assets in the amount of EUR 64,058. As at 31 December 2010, the revaluation surplus totalling the depreciation of revaluated amount (EUR 8,342.00) was carried into the income amount, and the deferred tax liabilities were decreased by EUR 1,668.40.

Investments into bonds listed on the Ljubljana Stock Exchange were measured at fair value as at the Balance Sheet date, thus at the price of the last trading day in 2010.

3.7.7.9. Provisions and long-term provisions:

EUR 1,156.00

in €

	31 Dec. 2010	31 Dec. 2009
Other provisions for long-term deferred revenue	1,156.00	2,156.00
Total	1,156.00	2,156.00

Long-term provisions from long-term deferred revenue refer to deferred revenue from LJSE support to information interconnectivity of securities markets of South East Europe and to deferred revenue from licence agreements.

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.

3.7.7.10. Deferred tax liabilities:

EUR 58,953.23

in €

	31 Dec. 2010	31 Dec. 2009
Deferred tax liabilities	58,953.23	59,849.95
Total	58,953.23	59,849.95

Deferred tax liabilities are recognised in the revaluation of the building and in the revaluation of current investments to fair value.

Deferred tax liabilities for 2010 were calculated at the rate of 20 per cent as this is the tax rate that has been effective since 2010, which is the year for which we expect the revaluation amounts to affect the tax base.

3.7.7.11. Current financial liabilities:

EUR 8,381.77

in €

	31 Dec. 2010	31 Dec. 2009
Other current financial liabilities	8,381.77	8,381.77
Total	8,381.77	8,381.77

The company has current financial liabilities on account of unpaid dividends to its shareholder, which was not entitled to dividend payments at the time of dividend distribution. Retained dividends refer to unpaid dividends from profit for financial years 2000 to 2007.

3.7.7.12. Current operating liabilities:

EUR 338,313.60

in €

	31 Dec. 2010	31 Dec. 2009
Current operating liabilities	212,254.45	149,605.86
Current operating liabilities for advances	1,515.00	1,164.94
Other current operating liabilities	124,544.15	126,319.33
Total	338,313.60	277,090.13

Current operating account payable in the amount of EUR 212,254.45 refer to current accounts payable to residents in the amount of EUR 66,197.30, current accounts payable to non-residents in the amount of EUR 115,878.93, and current liabilities for accrued services, in the amount of EUR 30,178.22.

Current liabilities for advances in the amount of EUR 1,515.00 refer to the advances on SEOnet fees.

Other current operating liabilities in the amount of EUR 124,544.15 refer to liabilities to employees (EUR 83,218.59), liabilities to the government and other institutions (EUR 38,922.26) and other current liabilities (EUR 2,403.30).

■ **Current operating liabilities to employees include:**

	in €	
	31 Dec. 2010	31 Dec. 2009
Liabilities for net wages and wage substitutes	41,883.74	37,383.71
Liabilities for contributions for gross wages and wage substitutes	19,021.82	16,896.84
Liabilities for taxes for gross wages and wage substitutes	19,002.11	15,287.48
Liabilities for other receipts from employment relationship	3,310.92	29,874.97
Liabilities for taxes for other receipts from employment relationship	0.00	1,552.13
Total	83,218.59	100,995.13

The balance of liabilities to employees as at 31 December 2010 includes wages and salaries payable for December 2010.

■ **Current operating liabilities to government and other institutions include:**

	in €	
	31 Dec. 2010	31 Dec. 2009
Liabilities for VAT payable	23,346.34	7,753.00
Liabilities for payer's contributions	13,901.09	12,309.47
Liabilities for payroll tax	0.00	0.00
Liabilities for income tax	0.00	0.00
Other current liabilities to the government and other institutions	1,674.83	4,232.18
Total	38,922.26	24,294.65

Liabilities for VAT payable refer to the company's liability to settle the difference between VAT payable and input VAT for December 2010.

Liabilities for payer's contributions (EUR 13,901.09) refer to the wages payable for December 2010.

We have no liabilities for income tax.

Other current liabilities to the government and other institutions refer to the liabilities for additional pension insurance in the amount of EUR 1,318.58 and contribution for tax and contributions from meeting attendance fees in the amount of EUR 356.25.

■ Other current liabilities

in €

	31 Dec. 2010	31 Dec. 2009
Liabilities from wages and salaries deductions	1,225.77	1,238.33
Other current liabilities	1,177.53	-208.78
Total	2,403.30	1,029.55

3.7.7.13. Accrued costs and deferred revenues:

EUR 11,061.60

in €

	31 Dec. 2010	31 Dec. 2009
Accrued costs	11,061.60	35,188.54
Total	11,061.60	35,188.54

Accrued costs refer to the audit of the financial statements for 2010 in the amount of EUR 3,754.08, and the audit of risk management in compliance with the Code of Conduct in the amount of EUR 7,307.52.

3.7.7.14. Off-balance-sheet liabilities and receivables

As at 31 December 2010 the company recognized no off-balance-sheet liabilities or receivables.

3.7.8. Income Statement

3.7.8.1. Revenues:

EUR 2,151,696.36

	2010		2009	
	Amount (in €)	in %	Amount (in €)	in %
I. Operating revenues	2,118,496.86	98.5	2,182,886.00	99.1
a. Revenues from core business	1,389,853.22	64.6	1,567,763.96	71.1
- from trading fees	585,987.80	27.2	768,442.44	34.9
- from information system	324,206.72	15.1	333,760.00	15.1
- from membership fees	58,743.28	2.7	58,125.00	2.6
- from listing fees	420,915.42	19.6	407,436.52	18.5
b. Other revenues	728,643.64	33.9	615,122.04	27.9
- from SEOnet and INFO STORAGE	247,421.97	11.5	202,234.89	9.2
- from trade publications	22,217.87	1.0	23,387.00	1.1
- from seminars	39,175.95	1.8	53,671.86	2.4
- from data dissemination	104,523.23	4.9	163,150.15	7.4
- from revenues sharing with WBAG	136,880.90	6.4	0.00	0.0
- from IT services	88,681.40	4.1	92,083.13	4.2
- from licence fees	1,000.00	0.0	25,166.65	1.1
- from other LJSE services	77,670.00	3.6	11,250.00	0.5
- other revenues	11,072.32	0.5	44,178.36	2.0
II. Financial revenues	30,907.91	1.4	20,924.49	0.9
III. Extraordinary revenues	2,291.59	0.1	8.13	0.0
Total	2,151,696.36	100.0	2,203,818.62	100.0

Total revenues amount to EUR 2,151,696.36. Sales revenues amount to EUR 2,118,496.86, which is 98.5 per cent of total revenue and down 10.8 per cent on plans. Revenues from the company's core business stand for 64.6 per cent (EUR 1,389,853.22) of total sales revenues, while other operating revenues amount to 33.9 per cent (EUR 728,643.64). Financial revenues amount to EUR 30,907.91, standing for 1.4 per cent of total revenues.

3.7.8.2. Expenses:

EUR 2,038,214.31

	2010		2009	
	Amount (in €)	in %	Amount (in €)	in %
I. Operating expenses	2,038,194.42	100.0	2,477,154.00	99.9
- costs of materials	88,518.21	4.3	85,843.66	3.5
- costs of services	740,725.10	36.3	725,457.66	29.3
- labour costs	985,928.83	48.4	1,435,068.49	57.9
- write-downs	207,754.96	10.2	189,541.65	7.6
- other operating expenses	15,267.32	0.7	41,242.54	1.7
II. Financial expenses	12.14	0.0	244.20	0.0
III. Extraordinary expenses	7.75	0.0	2,548.53	0.1
Total	2,038,214.31	100.0	2,479,946.73	100.0

All expenses for financial year 2010 refer to the operating expenses.

3.7.8.2.1. Costs of materials and services:

EUR 829,243.31

in €

	31 Dec. 2010	31 Dec. 2009
Costs of materials	88,518.21	85,843.66
Costs of power supply	38,829.28	40,935.30
Costs of office supplies, expert literature and publications	16,177.49	25,024.28
Other costs of materials	33,511.44	19,884.08
Costs of services	740,725.10	725,457.66
Costs of transportations services	14,107.47	11,832.14
Maintenance costs	151,899.61	129,305.92
Leases and rents	68,938.87	84,722.19
Reimbursements of labour-related costs	13,834.43	14,620.45
Cost of payment transactions and insurance premiums	9,269.35	9,116.40
Costs of intellectual and personal services	168,229.10	171,590.89
Advertising and entertainment costs	48,960.51	77,073.06
Costs of services by natural persons not rendering services	54,388.65	32,412.34
Costs of other services	211,097.11	194,784.27
Total	829,243.31	811,301.32

The majority of the costs of materials refer to energy and fuel costs (EUR 38,829.28), costs of spare parts for property, plant and equipment and material for maintaining property, plant and equipment (EUR 7,073.42), write-off of small tools (EUR 1,097.19), costs of stationery (EUR 8,445.41), costs of expert literature (EUR 2,206.06), costs of subscription fees (EUR 5,526.02), costs for LJSE publications (EUR 6,850.49), costs of materials for the LJSE Conference (EUR 8,864.97) and other costs of materials (EUR 9,625.37).

Costs of transportation refer to airline ticket costs (EUR 9,529.03) and other transportation costs (EUR 4,578.44).

Maintenance costs refer to costs of services related to the maintenance of property, plant and equipment (EUR 90,730.76) and costs of services for building maintenance (EUR 41,928.08).

Leases and rents include the costs of renting business premises in the basement of the building, parking space leases and occasional leases of conference rooms for meetings with members and issuers, press conferences and seminars, as well as other leases (licence lease, lease of a safe, lease of a line).

Costs of intellectual and personal services refer to auditor costs (EUR 38,168.32), health service costs (EUR 1,349.52), attorney and public notary costs (EUR 23,961.29), education and training costs (EUR 25,927.63), costs of translation services (EUR 18,754.59), costs of safety at work (EUR 1,005.11), and costs of other intellectual services (EUR 59,062.64).

Advertising and entertainment costs include costs of entertainment (EUR 37,071.69), advertising costs (EUR 2,787.89), media watch costs (EUR 3,932.93), sponsorship costs (EUR 3,168.00) and donation costs (EUR 2,000.00).

Costs of services by natural persons refer to costs of student employment (EUR 19,997.70), costs of authors' fees (EUR 18,271.95), costs of meeting attendance fees (EUR 15,405.00), and other costs (EUR 714.00). Costs of meeting attendance fees (EUR 14,080.00) refer to Supervisory Board meeting attendance fees (EUR 3,190.00) and to reimbursement for holding office (EUR 10,890.00). The attendance fees to five Supervisory Board members were payable for four Supervisory Board meetings held in 2010. Costs of meeting attendance fees in the amount to EUR 1,325.00 refer to meeting attendance fees to members of the LJSE Board of Members.

Costs of other services refer to costs for surveillance over LJSE operations (EUR 72,000.00), costs of the Securities Market Agency (EUR 1,200.00), costs of the LJSE Conference (EUR 25,592.20), costs of the investor conference Slovene Capital Markets Days (EUR 31,703.18), postal and telephone costs (EUR 65,305.84), costs of subscription fees to Internet pages and other data access fees (EUR 2,524.36), and other costs (EUR 12,771.53).

3.7.8.2.2. Labour costs:

EUR 985,928,83

in €

	31 Dec. 2010	31 Dec. 2009
Costs of wages and salaries	767,971.12	949,265.66
Costs of pension insurance	78,491.65	117,683.87
- contributions for pension and disability insurance	62,321.68	99,099.78
- costs of additional pension insurance	16,169.97	18,584.09
Costs of social security	67,871.48	90,407.47
- contributions for health insurance, employment and parental protection	62,321.68	83,571.61
- costs of voluntary insurance	5,549.80	6,835.86
Other labour costs	71,594.59	277,711.49
- commuting, meals allowance, holiday allowance, benefits	59,887.13	70,392.08
- other employer's tributes from wages and salaries	0.00	4,978.01
- other personal remunerations	460.00	20,076.11
- severance pay	11,247.46	182,265.29
Total	985,928.84	1,435,068.49

The company Ljubljana Stock Exchange employed a total of 21 people in 2010 (1 employee was on maternity leave) or 20.16 people considering hours worked, and its costs of wages and salaries (gross wages and wage substitutes) amount to EUR 985,928.83.

3.7.8.2.3. Write-downs: EUR 207,754.96

Write-downs refer to amortisation statement of account of intangible assets and depreciation statement of account of property, plant and equipment (EUR 200,360.91), and to revaluation operating expenses associated with current assets (EUR 7,394.05).

■ Depreciation and amortisation: EUR 200,360.91
 Depreciation costs include the amortisation of intangible assets (EUR 93,233.70), building depreciation (EUR 45,351.80) and depreciation of property, plant and equipment (EUR 61,775.41).

■ Revaluation operating expenses associated with current assets: EUR 7,394.05
 Revaluation if operating expenses from operating current assets refer to allowance for bad receivables, which are formed for receivables overdue by 90 days and for doubtful receivables.

3.7.8.2.4. Other operating expenses: EUR 15,267.32

Other operating expenses include membership fees paid (EUR 1.146,80), tax for use of building land (EUR 7,276.28), court and administrative fees (EUR 371.60), and other expenses (EUR 6,472.64).

3.7.8.2.5. Costs by functional groups
 All costs refer to costs of general activities.

3.7.8.3. Financial revenues from investments: EUR 29,402.24

	in €	
	31 Dec. 2010	31 Dec. 2009
Interest received	19,283.35	19,547.18
Revaluation surplus	0.00	0.00
Revenues from disposal of investments	10,118.89	0.00
Total	29,402.24	19,547.18

Interest received includes interest from the redeemable bank deposit (EUR 3,379.58) and interest from bonds (EUR 15,896.1).

Revenues from disposal of investments refer to proceeds from selling bonds RS62 at a price higher than cost value.

Investments in foreign currency are revaluated applying the Bank of Slovenia middle exchange rate as at the Balance Sheet date, whereas they cannot be higher than market exchange rates.

3.7.8.4. Financial revenues from operating receivables: EUR 1,505.67

Financial revenues from operating receivables refer to payable late interest for overdue liabilities for LJSE services, interest revenues for the reserve fund and positive exchange differences.

3.7.8.5. *Financial expenses from operating liabilities:*

EUR 12.14

in €

	31 Dec. 2010	31 Dec. 2009
Interest expenses	0.50	16.71
Exchange differences	11.64	227.49
Total	12.14	244.20

Exchange differences refer to the restatements of operating debt denominated in foreign currency.

3.7.8.6. *Other revenues:*

EUR 2,291.59

Other revenues refer to the EUR 2,250.00 worth of collected receivables for which an allowance for bad receivables had been formed, reimbursement of paid court fees (EUR 371.60) and cent balance (EUR 5.59).

3.7.8.7. *Other expenses:*

EUR 7.75

Other expenses refer to late interest for overdue taxes and contributions (EUR 1.89) and cent balance (EUR 5.86).

3.7.8.8. *Income tax:*

EUR 0.00

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

Income tax is charged on the basis of revenues and expenses given in the Income Statement pursuant to the temporary tax legislation. Income tax is charged at the tax rate of 20 per cent from the tax base. Due to tax loss carryover on account of the EUR 156,241.31 of loss recorded in 2009 and other tax benefits in the amount of EUR 18,169.97 the company's tax base for 2010 had been reduced by EUR 174 thousand and therefore there is no income tax liability in 2010.

In establishing income tax, deferred tax assets for temporary differences were found, in the amount of EUR 2,037.93, while deferred tax liabilities in the amount of EUR 1,668.40 were reversed, which increases net profit for financial year.

Deferred taxes

		Deferred tax amount (in EUR)	Tax rate (in %)
Revenues	2,151,696.36		
Expenses	2,038,214.31		
Difference	113,482.05		
Non-tax-deductible expenses	-60,929.24		
Tax base	174,411.29		
Decrease of tax base and tax relief	-174,411.29		
Tax base	0.00		
Accrued expenses			
- provisions for expenses	12,883.78	2,576.76	
	7,896.83	1,579.37	20%
	4,986.95	997.39	20%

Additionally, revaluation of the building to fair value resulted in the recognition of a deferred tax liability increasing the revaluation surplus, in the amount of EUR 57,843.42, while the revaluation of current investments to fair value also resulted in the recognition of a deferred tax liability increasing the revaluation surplus, in the amount of EUR 1,109.81.

3.7.8.9. *Net profit for financial year:*

EUR 117,188.38

The total profit for financial year 2010 amounts to EUR 117,188.38. It consists of net profit for the period (EUR 113,482.05), deferred tax assets (EUR 2,037.93) and derecognized deferred tax liabilities (EUR 1,668.40). Transferred revaluation surplus amounts to EUR 6,673.60. In compliance with a Management Board resolution and with the consent of the Supervisory Board, 50 per cent of net profit for 2010, which is EUR 58,594.19, is being allocated to other revenue reserves.

Basic earnings per share (EPS) amounts to EUR 3.49.

Accumulated profit amounts to and was established thus:

in €

	2010	2009
A. Net profit / loss for financial year	123,861.98	-262,948.96
1. Net profit / loss	117,188.38	-269,539.14
2. Retained revaluation surplus	6,673.60	6,590.18
B. Retained earnings	0.00	0.00
D. Reversal of revenue reserves	0.00	262,948.96
1. Other revenue reserves	0.00	262,948.96
E. Additional revenue reserves	-58,594.19	0.00
1. Other revenue reserves	-58,594.19	0.00
F. Accumulated profit	65,267.79	0.00

3.7.8.10. *Total comprehensive income:*

EUR 120,275.09

Total comprehensive income for financial year 2010 amounts to EUR 120,275.09 and consists of EUR 117,188.38 of net profit for the period increased by EUR 3,086.71 of revaluation of investments.

3.8. Income Statement for INFO STORAGE

On 1 April 2010 the Ljubljana Stock Exchange became the operator of the officially appointed mechanism for the central storage of regulated information called INFO STORAGE. Using the criteria of cost accounting, which serve to allocate revenues, expenses, assets and liabilities, INFO STORAGE recorded a loss of EUR 32,795.90 over the nine months of its operations in 2010.

in €

REVENUES / EXPENSES	2010 Apr - Dec
REVENUES	83,210.20
Revenues from INFO STORAGE services	83,210.20
EXPENSES	116,006.10
Labour costs	54,624.89
Costs of materials	4,388.66
Costs of services	45,759.46
Depreciation and amortisation	10,838.88
Other operating expenses	394.21
OPERATING PROFIT / LOSS	-32,795.90

50 per cent of amortization and depreciation of intangible non-current assets and property, plant and equipment used for both INFO STORAGE and SEOnet is charged to the INFO STORAGE cost sheet.

With respect to functional groups all INFO STORAGE costs refer to costs of general activities.

3.9. Management Board remuneration in 2010

In 2010 the Management Board received remuneration in the following amounts:

in €

Remuneration	Andrej Šketa, MP President		Polona Peterle, MB Member	
	gross	net	gross	net
Fixed salary	77,780.52	41,250.96	64,519.32	33,719.77
Variable salary	6,500.00	3,195.57	5,400.00	2,696.43
Benefits	1,239.35		270.63	
Other	2,111.76		2,489.16	585.72
Total	87,631.63	44,446.53	72,679.11	37,001.92

3.10. Supervisory Board remuneration in 2010

In 2010 the Supervisory Board received remuneration in the following amounts:

in €

Members	Meeting attendance fee		Fee for performing function		Total	
	gross	net	gross	net	gross	net
Heinrich Schaller, President	0.00	0.00	0.00	0.00	0.00	0.00
Milana Lah, Deputy President	530.00	387.50	2,650.00	1,937.50	3,180.00	2,325.00
Other members						
Boris Pesjak	212.00	155.00	2,120.00	1,550.00	2,332.00	1,705.00
dr. Filip Ogris Martič	800.00	620.00	2,000.00	1,550.00	2,800.00	2,170.00
Johannes Schönegger	800.00	620.00	2,000.00	1,550.00	2,800.00	2,170.00
Barbara Meža	848.00	620.00	2,120.00	1,550.00	2,968.00	2,170.00
Total	3,190.00	2,402.50	10,890.00	8,137.50	14,080.00	10,540.00

3.11. Audit costs

The audit of financial statements for financial year 2010 amounted to EUR 7,572.07, while the audit of the company's risk management pursuant to the Code of Conduct totalled EUR 7,307.52. Internal auditing costs for financial year 2010 amount to EUR 20,603.73 and the costs of examining the criteria for cost account amount to EUR 2,685.00. The company's books of account do not record any cost of tax counselling.

3.12. Cash Flow Statement

Based on Balance Sheet data as at 31 December 2009 and as at 31 December 2010, and based on the Income Statement for 2010 as well as considering other relevant data from internal sources, relating to revenues and expenses, the Cash Flow Statement was drawn up under version II of SAS 2006.

3.13. Events after balance sheet date

There were no events after the Balance Sheet date that would require a revision of the financial statements or special disclosure.



Independent Auditor's Report

To the Shareholders of Ljubljanska borza, d.d., Ljubljana

We have audited the accompanying financial statements of the company Ljubljanska borza, d.d., Ljubljana, which comprise the balance sheet as at 31 December 2010, the income statement and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovene Accounting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ljubljanska borza, d.d., Ljubljana as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Other matters

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

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

Blanka Mernik, B.Sc.Ec.

Certified Auditor

Marjan Mahnič, B.Sc.Ec.

Certified Auditor

Partner

Ljubljana, 4 March 2011

KPMG Slovenija, d.o.o.

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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. This translation is provided for reference purposes only and is not to be signed.

4. FURTHER INFORMATION

4.1. Ljubljana Stock Exchange trading members

<p>Abanka Vipa, d. d. Slovenska cesta 58 1517 Ljubljana, Slovenia +386 1 471 81 83 http://www.abanka.si info@abanka.si</p>	<p>Alta Invest, d. d. Železna cesta 18 1000 Ljubljana, Slovenia +386 1 320 03 90 http://www.alta.si info@alta.si</p>
<p>Argonos, BPH, d. o. o. Puharjeva 2 1000 Ljubljana, Slovenia +386 1 470 48 05 http://www.argonos.si info@argonos-bph.si</p>	<p>Banka Koper, d. d. Pristaniška ulica 14 6502 Koper, Slovenia +386 5 666 13 54 http://www.banka-koper.si info.borza@banka-koper.si, info@banka-koper.si</p>
<p>BKS Bank AG, Bančna podružnica Dunajska cesta 161 1102 Ljubljana, Slovenia +386 1 589 09 26 www.bksbank.si info@bksbank.si</p>	<p>Certius BPH, d. o. o. Šmartinska 152 1000 Ljubljana, Slovenia +386 1 540 42 04 http://www.certius.com info@certius.com</p>
<p>Deželna banka Slovenije, d. d. Kolodvorska 9 1000 Ljubljana, Slovenia +386 1 472 72 60 http://www.dbs.si info@dbs.si</p>	<p>ecetra Central European e-Finance AG (brokerjet) Mariahilfer Strasse 121B 1060 Vienna, Austria For Slovenia: +386 1 58 32 295 www.brokerjet.si si.info@brokerjet.si, mojca.makuc@brokerjet.si</p>
<p>Erste Group Bank AG Graben 21 1000 Vienna, Austria</p>	<p>Factor banka, d. d. Tivolska cesta 48 1000 Ljubljana, Slovenia +386 1 230 66 12 http://www.factorb.si info@factorb.si, borza@factorb.si</p>
<p>GBD, Gorenjska borzno posredniška družba, d. d. Koroška cesta 5 4000 Kranj, Slovenia +386 4 280 10 00 http://www.gbd.si info@gbd.si</p>	<p>Gorenjska banka, d. d. Bleiweisova 1 4000 Kranj, Slovenia +386 4 208 43 28 http://www.gbkr.si info@gbkr.si</p>
<p>Hypo Alpe-Adria-Bank, d. d. Dunajska cesta 117 1000 Ljubljana, Slovenia +386 1 580 42 74 http://www.hypo-alpe-adria.si matjaz.klemencic@hypo.si, investment.banking@hypo.si</p>	<p>Ilirika borzno posredniška hiša, d. d. Slovenska cesta 54 a 1000 Ljubljana, Slovenia +386 1 300 22 60 http://www.ilirika.si splosni.predal@ilirika.si</p>
<p>KBC Securities NV Havenlaan 12 1080 Brussels, Belgium</p>	<p>KD Banka d. d. Neubergerjeva 30 1000 Ljubljana, Slovenia</p>

+ 32 2 429 13 04 http:// www.kbcsecurities.be geert.vandenbergh@kbcsecurities.be	+386 5922 01 00 http://www.kdb.si info@kdb.si
Moja delnica BPH, d. d. Dunajska 20 1000 Ljubljana, Slovenia +386 1 433 11 55 http://www.moja-delnica.si stranke@moja-delnica.si	Nova Kreditna banka Maribor, d. d. Ulica Vita Kraigherja 4 2505 Maribor, Slovenia +386 2 229 27 38 http://www.nkbm.si sib@nkbm.si
Nova Ljubljanska banka, d. d. Trg republike 2 1000 Ljubljana, Slovenia +386 1 476 52 09 http://www.nlb.si info@nlb.si, borza@nlb.si, mitja.tomazincic@nlb.si	Perspektiva, borzno posredniška družba, d. d. WTC, Dunajska 156 1000 Ljubljana, Slovenia +386 1 568 82 25 http://www.perspektiva.si info@perspektiva.si
Primorski finančni center Interfin, d. o. o. Pristaniška 12 6000 Koper, Slovenia +386 5 663 31 00 http://www.pfci.si pfci@pfci.si	Probanka, d. d. Trg Leona Štuklja 12 2000 Maribor, Slovenia +386 2 252 05 57 http://www.probanka.si borza@probanka.si
Raiffeisen Banka, d. d. Zagrebška cesta 76 2000 Maribor, Slovenia +386 2 229 32 96 http://www.raiffeisen.si ib@raiffeisen.si	Raiffeisen Centrobank AG Tegetthoffstraße 1 A-1015 Vienna, Austria + 43 1 51520 ext. 607 http:// www.rcb.at office@rcb.at
SKB banka, d. d. Ajdovščina 4 1513 Ljubljana, Slovenia +386 1 471 50 71 http://www.skb.si borut.medvesek@skb.si	UniCredit Banka Slovenija, d. d. Šmartinska cesta 140 1000 Ljubljana, Slovenia +386 1 587 64 42 http://www.unicreditbank.si ib@unicreditgroup.si

4.2. Ljubljana Stock Exchange Prime Market and Standard Market companies

PRIME MARKET

	Company	Type of share	Ticker	Industry
1	Gorenje Velenje	ordinary registered	GRVG	Household appliances
2	Intereuropa Koper	ordinary registered	IEKG	Logistical services
3	Krka tovarna zdravil Novo mesto	ordinary registered	KRKG	Manufacturing of pharmaceuticals
4	Luka Koper	ordinary registered	LKPG	Transshipment, warehousing and other port services
5	Poslovni sistem Mercator	ordinary registered	MELR	Retail sales, agro-food industry and agriculture services
6	Nova KBM	ordinary registered	KBMR	Banking
7	Petrol Ljubljana	ordinary registered	PETG	Retail of petroleum products
8	Telekom Slovenije	ordinary registered	TLSG	Telecommunications

STANDARD MARKET

	Company	Type of share	Ticker	Industry
1	Abanka Vipava	ordinary registered	ABKN	Banking
2	Aerodrom, Ljubljana	ordinary registered	AELG	Airport services
3	Delo Prodaja, Ljubljana	ordinary registered	DPRG	Newspaper retail and distribution
4	Etol, Celje	ordinary registered	ETOG	Processing of aromas and essential oils
5	Iskra Avtoelektrika	ordinary registered	IALG	Manufacturing of electric equipment for automotive and other industries
6	Istrabenz Koper	ordinary registered	ITBG	Holding corporation
7	Kompas MTS	ordinary registered	MTSG	Catering, retail and border-tourist services
8	Mlinotest Ajdovščina	ordinary registered	MAJG	Agro-foods industry
9	Nika investiranje in razvoj Brežice	ordinary bearer	NIKN	Financial consultancy and services
10	Pivovarna Laško	ordinary registered	PILR	Beverage production
11	Pozavarovalnica	ordinary	POSR	Reinsurance

	Sava	registered		
12	Probanka, Maribor	ordinary registered	PRBP	Banking
13	Salus Ljubljana	ordinary bearer	SALR	Rubber and chemical industry
14	Sava, Kranj	ordinary registered	SAVA	Holding corporation
15	Terme Čatež	ordinary registered	TCRG	Medical rehabilitation and tourism
16	Zavarovalnica Triglav	ordinary registered	ZVTG	Insurance
17	Žito, Ljubljana	ordinary registered	ZTOG	Food industry

4.3. Who is who at the Ljubljana Stock Exchange

President of the Management Board
Andrej Šketa

Member of the Management Board
mag. Polona Peterle

Market Operations, Director
Helena Ulaga Kitek

Development and Marketing, Director
mag. Nina Vičar

IT, Director
mag. Lovro Kink

Finance and Accounting, Director
Mojca Jovičević

Management Board Cabinet / PR, Head
mag. Mojca Mele

CONTACT INFO

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