



LJUBLJANA STOCK EXCHANGE

Ljubljana Stock Exchange

ANNUAL REPORT

2014



cee stock exchange group

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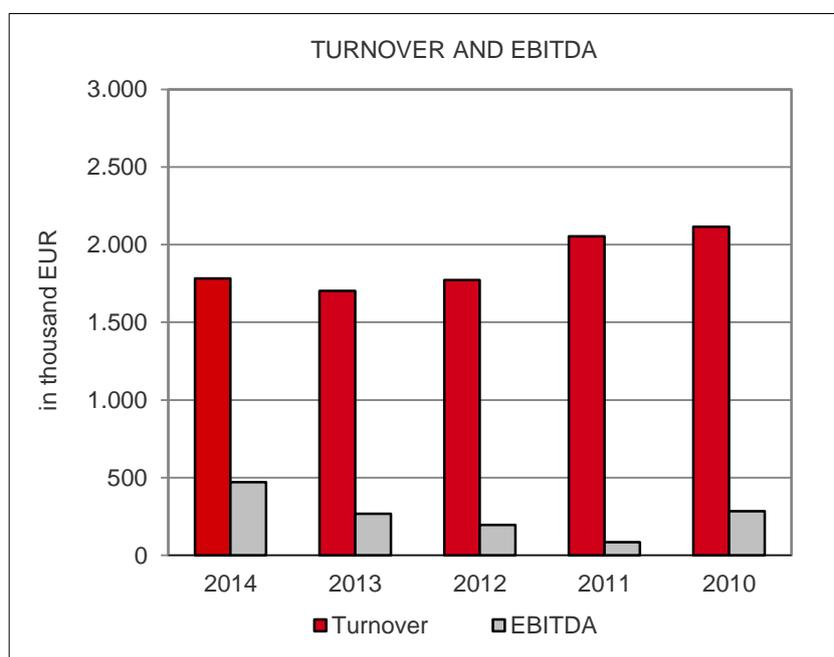
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INTRODUCTION

Ljubljana Stock Exchange 2014 highlights

Sales revenue was down 4.8% in 2014.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) were EUR 470,768, up 75.9%.



(in EUR)	Key financial figures for the company Ljubljana Stock Exchange				
	2014	2013	2012	2011	2010
Called-up capital	1,400,893	1,400,893	1,400,893	1,400,893	1,400,893
Equity	2,662,479	2,382,999	2,598,176	2,738,703	2,919,660
Assets	2,896,847	2,595,175	3,058,854	3,138,049	3,337,526
Revenues (total)	1,793,547	1,716,686	1,788,277	2,075,350	2,151,696
- revenues from trading fees	731,374	458,472	450,062	542,728	585,988
- other revenues	1,062,173	1,258,215	1,338,215	1,532,622	1,565,708
Costs (total)	1,498,910	1,751,676	1,852,297	2,253,577	2,038,214
- labour costs	572,227	675,001	717,812	891,097	985,929
- other costs	926,683	1,076,675	1,134,485	1,362,480	1,052,285
EBITDA	470,768	166,017	194,787	84,004	280,663
Operating profit / loss (EBIT)	285,292	-48,297	-78,836	-193,960	80,302
Profit / loss before tax	294,637	-34,990	-64,020	-178,227	113,482
Taxes	-15,157	3,952	-5,556	2,704	-3,706
Net profit / loss for the period	279,480	-31,039	-69,576	-175,523	117,188
Nr. of shares	33,571	33,571	33,571	33,571	33,571
Book value on 31 Dec. (capital / no. of shares)	79.31	70.98	77.39	81.58	86.97
Dividend payment per share in EUR	-	-	-	-	-
Number of employees by man-hours	10.08	12.27	13	16.11	20.62
Number of employees on 31 th Dec	10 (+1*)	12	16	17	21

* worker on maternity leave

Ljubljana Stock Exchange company profile

Company ID

Name	Ljubljanska borza, d. d., Ljubljana (English: Ljubljana Stock Exchange Inc., short: LJSE)
Registered office	Slovenska cesta 56, 1000 Ljubljana, Slovenia
Telephone	+386 1 471 02 11
Fax	+386 1 471 02 13
E-mail	info@ljse.si
Website	www.ljse.si
Incorporated on	26 December 1989
Share capital	EUR 1,400,893.01
Shareholders	CEESEG AG – 100% owner
Core business	Regulated securities market operator
Business activity code	67.110
Registration no.	5316081
VAT identification no.	59780061
Size	Small company
Companies register entry	1/04218/00, District Court of Ljubljana

Business

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

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

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

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

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

Report from the Management Board

The Ljubljana Stock Exchange's operations in 2014 were very successful. Total revenue amounted to EUR 1,793,547, up 5%, and total expenses were EUR 1,498,910, down 14%. The result for 2014 is therefore positive and exceeded the result anticipated in the business plan. The good result is a consequence of a better macroeconomic picture of the Slovenian economy and a more lively activity on the market due to privatisation processes and related expectations.

The 2014 EBITDA cash flow was positive at EUR 470,768. This is an increase by 76% compared to 2013. The company made no major investments in 2014, as they had all been undertaken in previous years. This enabled us to run stable day-to-day operations with practically no external indebtedness.

The LJSE's operations depend to a great extent on the trading fees revenue; these amounted to EUR 731,374 in 2014, up 60% from 2013. Listing fees revenue and listing maintenance fees revenue amounted to EUR 354,962, down 3% from 2013. Information-communication (ICT) services related to the Xetra® and SEO systems generated EUR 306,375, which is 43% less than in 2013. Lower revenue from ICT services is the result of the LJSE trading members' transition to the direct use of the Vienna Stock Exchange's IT services related to Xetra®, which replaced the LJSE services. Revenues from market data vending remained stable in 2014 and generated EUR 250,130.

We undertook aggressive cost cutting throughout 2014, driving down the costs of materials by 10% and the employee benefits cost by 15%. Costs of services remained on the same level as in 2013.

We further optimised the company's internal organisation last year. Due to certain employees' long term absence, last year's activities were in fact performed by 10.8 employees by man-hours, which is effectively 2.19 employees by man-hours less than in 2013. Despite the reduction in the number of employees, LJSE successfully performed all tasks, which is a reflection of good internal organisation and a high level of employee efficiency and motivation.

In 2014 we carried out important optimisation of internal processes in the areas of market operations and, through outsourcing, also IT. By way of systems integration and outsourcing we will achieve simpler management of systems and processes, which will add to better cost efficiency and will facilitate risk management.

In 2014 we devoted special attention to operations compliance and in-house corporate governance, which we try to continuously upgrade according to the changing external circumstances or changed internal LJSE processes. In relation to operating the stock exchange market, new Ljubljana Stock Exchange Rules and Instructions were adopted. We received no extraordinary measures from the Securities Market Agency in 2014. The LJSE is also not facing any pending complaints or legal actions filed in 2014 either by regulated market stakeholders or other business partners.

We were actively engaged in cooperation with the other CEESEG stock exchanges. Together we implemented a regular upgrade of the Xetra® trading system, and completed the project of integration of our electronic services within the CEESEG. As a result, all our trading members are now leasing the electronic services supporting their access to and use of the trading system Xetra® directly from the Vienna Stock Exchange. Integration activities are set to continue also in the future.

The LJSE maintains the status of an international market, as the share of turnover generated by international investors remains considerable. Their share in the annual equity turnover of our most prominent listed companies exceeded 40% in the last five years, while their share before the Xetra®

implementation in 2010 had never exceeded 30%. Generating 45% of buy-side turnover and 40% on the sell-side, international investors represented a very important group of active investors on the Prime Market. The share of Slovenian individual investors noticeably increased in 2014 while the share of Slovenian institutional investors remained largely unchanged.

The Slovenian benchmark index SBI TOP ended the year – for the third consecutive time – with an increase, its 2014 annual rise being 19.6%. Share market capitalisation was also up, totalling EUR 6,214.0 million. Moreover, there was a considerable improvement in market liquidity in 2014. Total turnover on the LJSE in 2014 amounted to EUR 686.3 million, up 75.2% compared to 2013. Without block trades total turnover was EUR 460.1 million, up 49.9%. The majority of turnover comprised equity deals, which amounted to EUR 608.1 million, or 88.6% of the total turnover. According to turnover structure, bonds follow with a 10.1% and commercial papers with a 1.3% share in the total turnover. The most traded share in 2014 was again Krka (KRKG) from the Prime Market, which generated 27.0% of the total equity turnover.

In addition to increased turnover, an encouraging trend in the last years is also the increasingly wider range of investment opportunities. The LJSE witnessed eight new bond listings last year, with the total issue value of EUR 3,671.8 million. In addition, there were seven capital increases in the total amount of EUR 214.5 million – including new issues of two Prime Market companies, home appliance maker Gorenje and retailer Mercator –, and five new commercial paper issues in the total amount of EUR 190.0 million. Commercial papers are becoming an increasingly interesting financial instrument.

Promotion activities aimed at increasing the visibility of Prime Market companies continued in 2014. All prominent listed companies participated in LJSE's promotional and investment events, designed as a series of meetings between companies and investors. In 2014 we expanded the scope of activities and cooperated with new international partners in promoting our market and companies, among which the Zagreb Stock Exchange, Wood & Co. and Erste Group need to be mentioned.

2014 was also marked by a further consolidation of trading members. The LJSE had 17 members at the end of last year, four of them remote members. A sizeable portion of the total turnover by international investors is generated via Slovenian brokers, which hold an 87.4% market share. The share of remote brokers in the total turnover remains stable in 2014 at 12.6%. The leading financial intermediary in terms of total turnover is ALTA Invest, which accounted for 27% of the total turnover on the LJSE in 2014.

The economic situation continues to have a strong impact on trading on the Ljubljana Stock Exchange. On the one hand the continuation of the privatisation processes and related occasional increased activity on the market can be expected in the coming years, while on the other hand the coming years are likely to impose additional strains on our business, especially due to financial industry consolidation and the numbers of our listed companies and trading members decreasing.

Ljubljana, 20 February 2015

Ljubljana Stock Exchange

Nina Vičar, MSc
Member of the Management Board

Andrej Šketa,
President of the Management Board

Report from the Supervisory Board

Within its powers and competences, the Ljubljana Stock Exchange Supervisory Board (hereinafter: Supervisory Board) monitored in 2014 the work of the Management Board and the company's operations as well as periodically examined the company's results set out in its financial statements.

In accordance with the Ljubljana Stock Exchange, Inc. Articles of Association and the resolution adopted by the General Meeting, the LJSE Supervisory Board has four members.

The current members and their functions are:

- **Petr Koblic**, President,
- **Michael Buhl**, Deputy President,
- **Bernhard Stamm**, MSc, member,
- **Urška Podboršek**, member – employee representative.

In 2014, the Supervisory Board met at four regular and three correspondence meetings.

Work of the Supervisory Board in 2014

In line with the set strategy we focused most on strengthening the company's international linking. We closely monitored the corporate governance as well as rationalisation and compliance of company's operations. We supervised changes in the company's organisational setup, human resources and risk management. We also reviewed the business and financial plan for 2015.

The following highlights can be singled out to illustrate the work of the Supervisory Board in 2014:

- Corporate governance:
 - We reviewed and adopted the Ljubljana Stock Exchange 2013 Annual Report as well as materials for the June 2014 General Meeting;
- Monitoring the compliance of company's operations:
 - At each meeting we looked at recent financial reports; compliance reports; Xetra® upgrade reports; LJSE – VSE integration status reports; trading, listing and delisting reports. The Management Board also promptly informed us of its risk management strategy, internal controls and other significant events relevant for the company's operations;
- We discussed the LJSE's position in terms of competition and looked at its efforts towards a further alignment with international markets within the CEESEG Group, aimed at improving market quality and enhancing liquidity;
- We monitored the rationalisation and optimisation of the company's operations due to the decrease in revenue and changes in the external environment.

Improved macroeconomic picture of Slovenian economy and increased activity on the capital market due to privatisation processes and related expectations in 2014 were reflected in the LJSE's operations: increased turnover resulted in increased revenue from trading fees. LJSE thus finished the year 2014 with a profit. Despite internal restructuring, the company's main activities were successfully performed:

- Successful implementation of a major Xetra® upgrade;
- All Xetra® IT services are performed by the Vienna Stock Exchange in the same way as for all other exchanges in the CEESEG group;
- Stable and smooth regular operations of the LJSE;
- Promotion activities which the Exchange performs in order to increase visibility of the Slovenian stock exchange companies.

Self-evaluation of the Supervisory Board

LJSE is part of the CEESEG Group and in 100% ownership of the parent company. Therefore LJSE uses equal or comparable technology and similar approaches to its clients and stakeholders as other members of the CEESEG Group. This is also reflected in the representation in the Supervisory Board, which comprises three representatives of its parent company CEESEG AG of whom two are representatives of the Vienna Stock Exchange. All Supervisory Board members have years of experience in the field of stock exchanges and capital markets, have good knowledge of the situation in the Slovene capital market, some members are licenced subjects. One member of the Supervisory Board is also an employee representative. In light of the above, Supervisory Board assesses that the composition of the LJSE Supervisory Board with regards to representativeness, experience and professional competence is adequate.

Members regularly attended the meetings and actively participated in discussions on all items on the agenda. The materials were normally provided a week before the meeting, which gave us sufficient time to carefully study all the documents.

Given the above we consider the work of the Supervisory Board as a whole as well as 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. Good cooperation between both bodies is also the result of appropriate planning, which is also reflected in the successful achievement of operational and strategic objectives.

Among members of the LJSE Supervisory Board a potential conflict of interest was recognised in one instance which was related to the business cooperation with the Vienna Stock Exchange. With regards to the instance of the potential conflict of interest all relevant measures were taken. In cases where business issues related to cooperation within the CEESEG, either with partner or parent companies, resolutions of the Supervisory Board were appropriate and cost-effective and were not adopted to the detriment of the LJSE or Slovenian capital market. The LJSE Supervisory Board did not address issues regarding the regulation of the organized market, which, according to the Markets in Financial Instruments Act, falls under the responsibility of the LJSE Management Board.

Annual Report

The Supervisory Board reviewed the 2014 Ljubljana Stock Exchange Annual Report, together with the Auditor's Report, at its periodic meeting on 27 March 2015.

Pursuant to the resolution adopted at the company's last General Meeting, the financial statements for 2014 have been audited by KPMG Slovenia d. o. o.

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

The unqualified opinion of auditors KPMG Slovenia, d. o. o., Ljubljana, the fact that the company's operation results and movement of cash flows are compliant with the Slovenian Accounting Standards, along with the statements of the company's management saying that all significant facts related to the operations of the Ljubljana Stock Exchange in 2014 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 2014. The Supervisory Board had no comments to the Auditor's Report and content of the Annual Report.

We have studied the content of the Annual Report and the Auditor's Report with due diligence and decided at our meeting on 27 March 2015 to formally adopt the 2014 Ljubljana Stock Exchange Annual Report.

Accumulated profit distribution proposal

The net profit for the 2014 financial year amounts to EUR 279,480.22. It consists of EUR 286,678.05 of net profit for the period, EUR 2,305.58 of newly formed deferred tax assets and EUR 9,503.41 of consumption of deferred tax assets. Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net profit remains unallocated and makes up accumulated profit. The accumulated profit for the financial year thus amounts to EUR 279,480.22. The Management Board and the Supervisory Board propose that the accumulated profit for 2014 remains unallocated.

The Supervisory Board unanimously adopted its report for 2014 at its periodic meeting on 27 March 2015.

Petr Kobic
President of the Ljubljana Stock Exchange Supervisory Board

BUSINESS REPORT

Corporate Governance Statement

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

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

The LJSE has the following corporate bodies:

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

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

The LJSE is a private joint-stock company whose core business is operating the regulated securities market, for which it had obtained authorization from the Agency. LJSE operates the regulated securities market in compliance with the Slovenian Markets in Financial Instruments Act and other regulations. Being a private joint-stock company, LJSE is not bound to include into its business report a corporate governance statement in the scope stipulated by Article 70 (5) of the Slovenian Companies Act.

As at 31 December 2014, the LJSE had one shareholder (100%), namely the holding company CEESEG AG, Wallnerstrasse 8, Vienna, Austria. Group annual report can be obtained at the owner's registered office.

General Meeting

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 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.

There was one General Meeting held in 2014.

The 31st GM as at 9 June 2014:

- Reviewed the Annual Report for 2013 and decided on discharging the Management Board and Supervisory Board from responsibility,
- Decided on Supervisory Board remuneration,
- Appointed the auditor for 2014.

Supervisory Board

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

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

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 and the Board of Members.

Supervisory Board remuneration does not directly depend on the company's performance, and it is disclosed under Supervisory Board Remuneration in 2014, in the Notes to the Financial Statements.

Shareholder representatives

- Petr Kobic (President), President of the Prague Stock Exchange Management Board and Joint CEO of CEESEG AG;
- Michael Buhl (Deputy President), Joint CEO of Wiener Börse AG and CEESEG;
- Bernhard Stamm (member), Head of Finance, HR & Facility Management at Wiener Börse AG.

LJSE employees' representative

- Urška Podboršek (member), Head of Legal Affairs.

The Supervisory Board may establish special Supervisory Board committees, either for the entire term of the Board or to account for difficult issues that call for efficient solutions. The types of such committees, their composition and nomination of committee members are stipulated in the Supervisory Board Rules of Procedure.

Management Board

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

The LJSE Management Board has the following main tasks:

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

Members of the 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 managing the company's operations. His current three-year term of office as President of the Management Board began on 1 September 2013.

■ Nina Vičar, MSc, Member of the Management Board

She has been with the Ljubljana Stock Exchange since 2005. After having joined the senior management team in 2008 she has been mainly in charge of trading, market operation, relations with trading members, market surveillance, development of LJSE services and attracting new remote members, as well as running marketing activities, and event management. She worked on several development projects and coordinated the implementation of the then new trading system, Xetra®. She initially took office as Member of the Management Board on 15 May 2013, while her current three-year term started on 1 September 2013.

The payments, reimbursements and other benefits received by the LJSE Management Board are stipulated in their employment contracts as entered into between the Supervisory Board and each Management Board member, and do not directly depend on the company's performance. All payments, reimbursements and other benefits are disclosed in the Notes to the Financial Statements under Management Board Remuneration in 2014.

On the basis of Article 321 of the Slovenian Markets in Financial Instruments Act (ZTFI) and with reference to the *mutatis mutandis* application of the provisions of Articles 73 and 74 of the Slovenian Banking Act (Z-Ban 1), the Supervisory Board adopted in 2011 the General Principles on the LJSE Remuneration Policy, which stipulate the remuneration policy for the Management Board.

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.

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

In 2012 mandate ended for most members of the Boards, therefore, the Supervisory Board appointed new members in December 2012.

Composition of the Board of Members:

- France Arhar (President), PhD, Director, The Bank Association of Slovenia,
- Aleš Škerlak (Deputy President), Executive Director, ALTA Skupina, upravljanje družb, d. d.,
- Igor Štemberger, President of the Management Board, Ilirika BPH, d. d.,

- Igor Stebernak, Member of the Management Board, Abanka Vipava, d. d.,
- Polona Čeč, President of the Supervisory Board of the Stock Exchange Members' Association, Factor Banka, d. d.,
- Gregor Bajraktarevič, Director of Investment Banking, NLB, d. d.

Composition of the Board of Issuers:

- Benjamin Jošar (President), Member of the Management Board, Zavarovalnica Triglav, d. d.,
- Alenka Vrhovnik Težak (Deputy President), Management Boards Adviser, Petrol d. d.,
- Brane Kastelec, Director of Finance, Krka, d. d.,
- Peter Groznik, PhD, Member of the Management Board, Gorenje, d. d.,
- Zoran Janko, Member of the Management Board, Telekom Slovenije, d. d.,
- Mateja Treven, MSc, Member of the Management Board, Pozavarovalnica Sava, d. d.,
- Dean Čerin, Executive Director of Finance and Risk Management, Mercator, d. d.

Corporate governance in the Group

After the Vienna Stock Exchange acquired the majority stake in the LJSE in 2008, the LJSE became a member of the holding company CEESEG AG, which was incorporated in January 2010. After being issued approval by the Slovenian Securities Market Agency, CEESEG AG published at the end of 2011 a takeover bid to purchase all shares of the Ljubljana Stock Exchange. After the successful completion of the takeover bid in 2011 and the squeeze-out of minority shareholders in 2012, CEESEG AG became a 100% owner of the LJSE. In addition to holding a 100% stake in the LJSE, the holding company CEESEG AG also holds a 100% stake in the Vienna Stock Exchange, a 50.45% stake in the Budapest Stock Exchange and a 92.74% stake in the Prague Stock Exchange.

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

Internal controls 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 Slovenian stock market operator meets all the requirements with respect to the general organisational standards and its governance system.

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

With respect to process control and internal control the LJSE has documented all its relevant processes, responsibilities and risks. The key processes are clustered into a special Process, Source and Risk Model, which provides an integral insight into LJSE operations according to a selected dimension and a quick

understanding of the competences and organisation of the LJSE, as well as offers an insight into its processes for internal and external stakeholders. The model may be upgraded for the purposes of systematic valuations and risk reporting. All this facilitates prompt and more transparent internal auditing.

Risk management

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

The LJSE manages the risks through the quality of internal business environment, employees' high level of knowledge and experience and control environment. Risk monitoring and assessment is performed for every important business activity and/or programme area (project) as well as for LJSE's capacity to perform these tasks.

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. The process of risk management is performed regularly in the event of changes, new projects or activities, and periodically with the assessment timeframe of up to six subsequent months. The Supervisory Board is also regularly presented with the LJSE's risk management process.

To this end the Management Board prepared the document LJSE Risk Management in 2014 and 2015, and presented it to the Supervisory Board for review. The document recognizes the following main risks facing the LJSE: changes in Slovenia unfavourable to the capital market; government measures affecting issuers and capital market participants; outsourcing of IT services; and employee satisfaction.

The main strategic risks in the event of a major decrease in the number of listed companies and members include the long-term risk of the adequacy of the company's existing business model, with respect to which we are drawing up the requisite strategic and operational plans and making sure they are being implemented.

Our management of strategic risks is outlined in the 2015 Business and Financial Operations Plan, which was adopted, and thereafter approved by the Supervisory Board in 2014. For 2015 and with a goal to focus on ensuring stable operations on the market, LJSE anticipated further optimisation of our core business through the optimisation of our business functions and market operation functions, through the transfer of all IT services, as well as through a further rationalization of the company's operations and through a continued integration into the CEESEG. The nature and scope of the LJSE's operations are influenced by changing market conditions and the general economic situation in Slovenia, in combination with the use of CEESEG services. In order to buffer the negative impacts, lower expected revenue must necessarily be coupled with a restructuring and optimization of our work processes. The LJSE's revenue depends mainly on external factors, related to the above mentioned risks. However our expenses are – due to restrictive planning, widely applied cost cutting and expected project costs – more or less fixed. The actualization of our financial plan therefore depends mostly on external factors, especially those affecting the volume of stock trading.

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

The LJSE draws up our mid-term and annual internal audit plan on the basis of the thus recognised and assessed operational risks. In the past year most attention was devoted to operational risks related to information system management, i.e. adequacy of discontinuation of the use of information sources and their outsourcing; and operational risks related to market management, i.e. integrity and adequacy of the changes pertaining to the process of the business continuity provision in relation to other key processes; and adequacy of the new organisation from the perspective of ensuring efficient organisation of work and adequate definition of competences and responsibilities of those employees performing tasks in this area. There were no significant deviations from expectations, and thus no increased operational risk detected.

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

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

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

In 2014 the external quality assessment of the internal audit and of the compliance of the internal audit activities with all International Standards for the Professional Practice of Internal Auditing, internal Principles of the Code and the Code of Ethics of Internal Auditors was performed.

External audit

Our financial statements for 2014 are being audited by the auditor KPMG Slovenija, d. o. o., Ljubljana. Our company complies with the Corporate Governance Code, and with the Securities Market Agency's recommendations to hire another auditor every five years.

Other information (as at 31 December 2014)

Substantial direct and indirect holding of securities

Holding company CEESEG AG, Wallnerstrasse 8, Vienna, Austria (CEESEG) holds 100% of all LJSE shares (33,571), which it obtained in the 2008 Wiener Börse bid for the LJSE and in the subsequent 2011 takeover bid and 2012 squeeze-out.

Holders of securities with special control rights

LJSE shares have no special control rights attached to them.

Limited voting rights

LJSE shares with ticker symbol LSER have no limitations on voting rights.

Explanation of relations of the LJSE with controlling company CEESEG AG

In the business year 2014 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, pursuant to the law. Articles of Association stipulate that a GM resolution on amendments and supplements can be adopted provided it is supported by a two-thirds majority of the share capital present.

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

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

Mission, vision and strategic objectives

Mission

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

Vision

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

Strategy and strategic objectives

When taking office, the Management Board set the following strategic objectives:

- Enhance the liquidity of the domestic market;
- Become internationally comparable and visible;
- 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.

Basic macroeconomic indicators for Slovenia

	2009	2010	2011	2012	2013	Forecast		
						2014	2015	2016
Real GDP growth (%)	-7.8	1.2	0.6	-2.6	-1.0	2.0	1.6	1.6
GDP per capita (PPS EU27=100) ¹	86	84	84	84	83			
Government debt (% of GDP)	34.5	37.9	46.2	53.4	70.4			
Current deficit (% of GDP)	-6.1	-5.7	-6.2	-3.7	-14.6			
Inflation (year-end) ²	1.8	1.9	2.0	2.7	0.7	0.6	1.1	1.3
Registered unemployment	9.1	10.7	11.8	12.0	13.1	13.1	13.0	12.7

Notes: ¹Measured in Purchasing Power Standard (PPS) ²Measure of inflation is consumer price index

Sources: Institute of Macroeconomic Analyses and Development (IMAD), Statistical Office of the Republic of Slovenia (SORS)

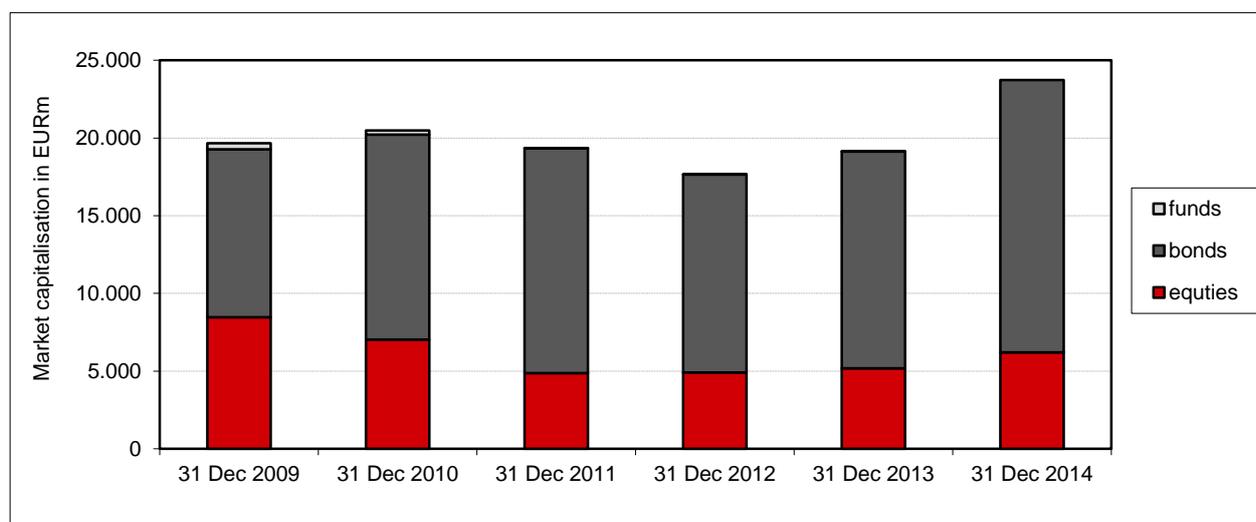
Ljubljana Stock Exchange operations in 2014

2014 was a year of considerable growth. The SBI TOP index turned positive for the year for the third consecutive time, and both the share market capitalisation and the total turnover increased, the latter by remarkable 75.2% in comparison to 2013.

Share market capitalisation was up 20.1% from 2013 and amounted to EUR 6,214.0 million at the end of December, representing 16.8% of Slovenia's 2013 GDP (Q4 2013–Q3 2014: EUR 37,044.0 million, according to SORS). The increase is a result of share price advances and capital increases. There were no changes in the total number of listed companies on the Prime and Standard Markets in 2014. Due to a withdrawal from the regulated market or bankruptcy of the companies, four companies were delisted from the Entry Market.

Moreover, bond market capitalisation increased significantly, which was up 25.5% from 2013. This is due to eight new bond listings, with the total issue value of EUR 3,671.8 million, and five capital increases, in the total amount of EUR 316.9 million.

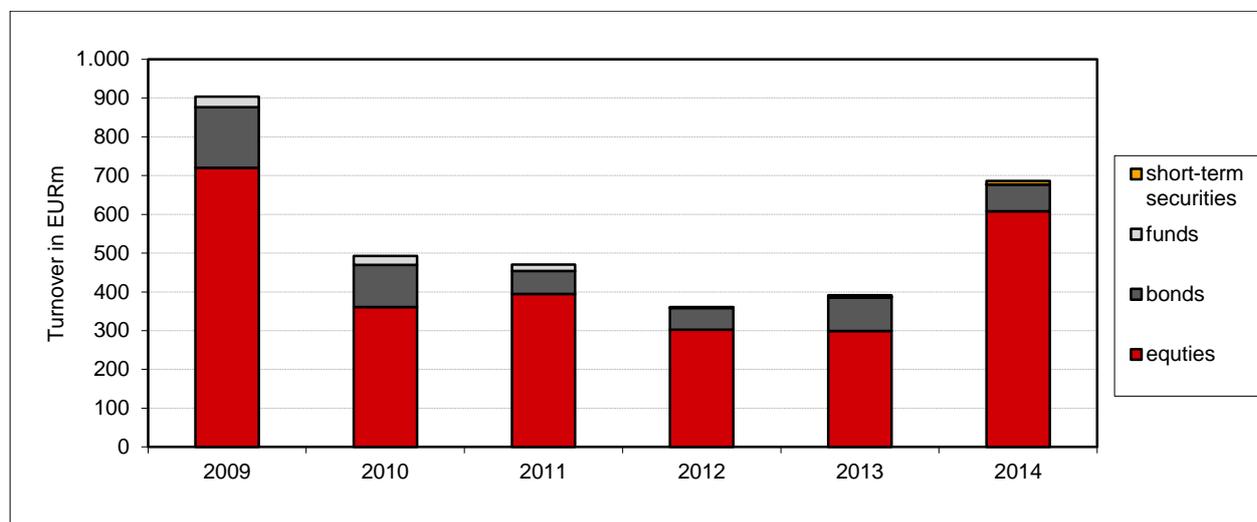
LJSE market capitalisation 2009–2014



Source: Ljubljana Stock Exchange

In 2014 the total LJSE turnover amounted to EUR 686.3 million and turnover without blocks amounted to EUR 460.1 million, up 49.9% from 2013. The majority of turnover comprised equity deals, EUR 608.1 million (88.6% of the total turnover), followed by bonds with 10.1% share, commercial papers with 1.3% share, treasury bills with 0.02% share and investment funds with 0.002% share in the total turnover.

LJSE turnover 2009–2014



Source: Ljubljana Stock Exchange

In 2014 the share of trades in equities experienced the most substantial change in the total turnover structure and was up 12.2 percentage points. In 2014 ordinary trades represented 67.0% of all on-exchange deals (78.3% in 2013). Average daily turnover totalled EUR 2.8 million (EUR 1.6 million in 2013), with 300 recorded trades per day on average (213 in 2013).

The trading member with the highest turnover in 2014 was ALTA Invest, d. d. which contributed 27.3% of the total turnover, followed by Ilirika borzno posredniška hiša, d. d., with 11.8% and Perspektiva, d. d., with 10.6%. The turnover structure by member firms is not particularly fragmented, as the top 10 members generated 88.7% of the total turnover. At the end of 2014 the LJSE had 17 member firms, which includes 4 remote members, which generated 12.6% of all stock exchange turnover in 2014.

LJSE turnover structure in 2014 according to member firms

Member	Turnover in 000 EUR	Share
ALTA INVEST	374,885	27.3%
ILIRIKA BORZNO POSREDNIŠKA HIŠA	162,135	11.8%
PERSPEKTIVA	145,516	10.6%
NOVA LJUBLJANSKA BANKA	120,043	8.7%
NOVA KREDITNA BANKA MARIBOR	102,401	7.5%
OTHERS	467,682	34.1%
Total (17)	1,372,663	100.0%

Source: Ljubljana Stock Exchange

The most traded stock in 2014 was again pharmacist Krka (KRKG) from the Prime Market, which generated 27.0% of all equity turnover. The runner-up in terms of turnover was the electrical equipment company Letrika (IALG), which generated 11.1% of all equity turnover, while brewery company Pivovarna

Laško (PILR) came third with 8.9%. On the bond market it was Slovenska odškodninska družba 2nd issue that had the highest turnover.

Most traded equities on the LJSE in 2014

Most traded equities	Turnover in 000 EUR	Number of transactions	Market capitalisation in EURm as of 31 Dec 2014
KRKA	164,287	17,589	1,954
LETRIKA	67,418	1,697	101
PIVOVARNA LAŠKO	54,285	5,384	202
HELIOS	49,064	295	/ ¹
TELEKOM SLOVENIJE	46,494	6,352	948
OTHERS	226,517	42,313	3,008
Total	608,064	73,630	6,214

Note: ¹Data is not available as the share was no longer listed on the LJSE as at 31 December 2014.

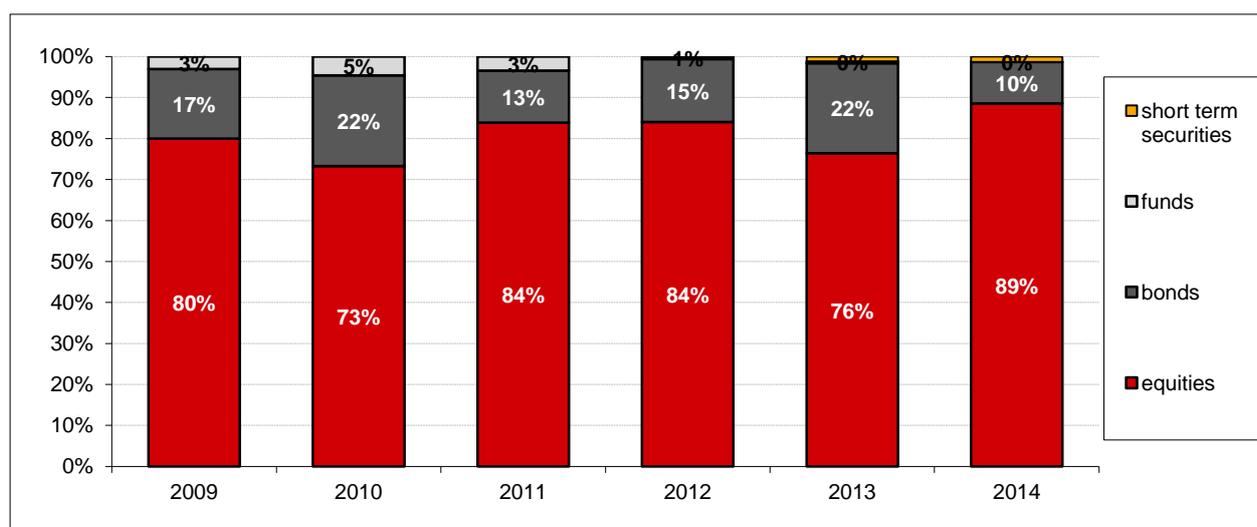
Source: Ljubljana Stock Exchange

LJSE turnover structure according to markets in 2014

Market	Turnover	Share
EQUITIES - PRIME MARKET	375,338,037	54.7%
EQUITIES - STANDARD MARKET	155,610,475	22.7%
EQUITIES - ENTRY MARKET	77,115,884	11.2%
BONDS	69,033,093	10.1%
COMMERCIAL PAPERS	9,053,335	1.3%
TREASURY BILLS	169,504	0.02%
FUNDS	11,161	0.002%
Total	686,331,489	100.00%

Source: Ljubljana Stock Exchange

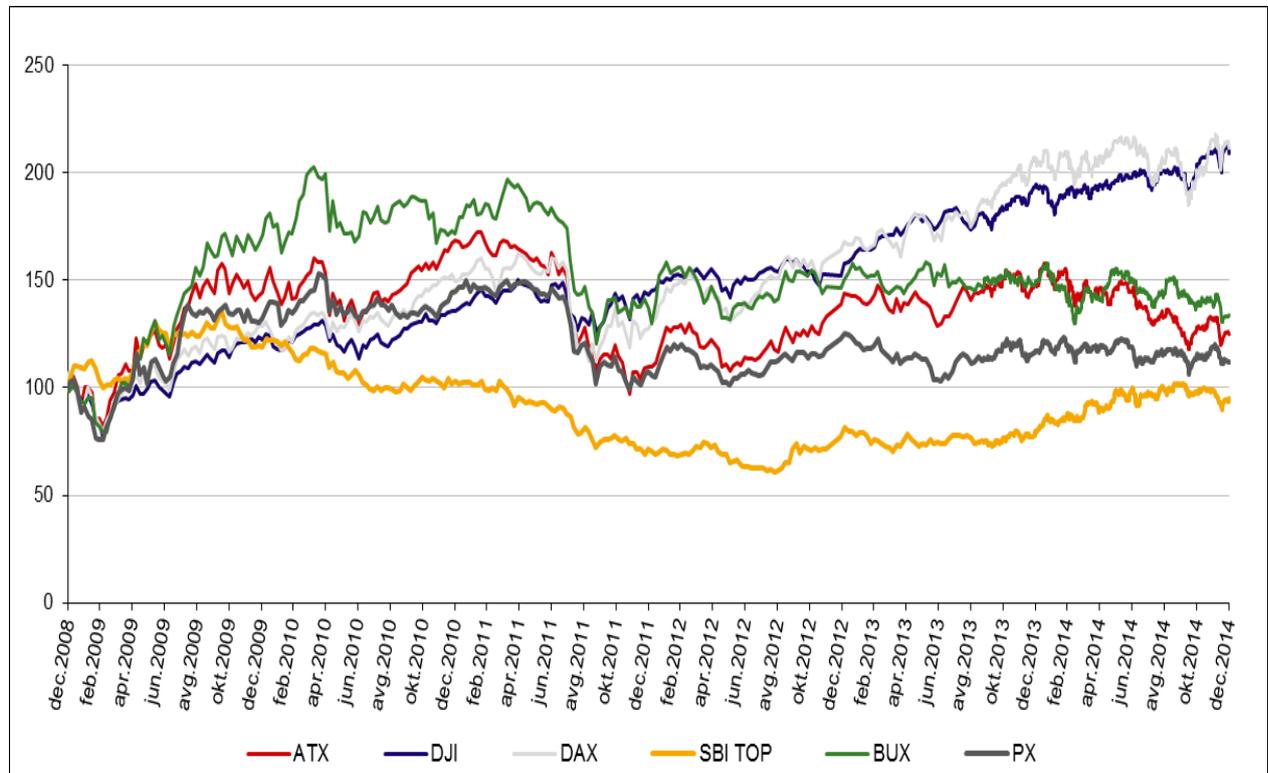
LJSE turnover structure 2009–2014 according to type of security



Source: Ljubljana Stock Exchange

SBI TOP index turned positive for the year, rising 19.6% year-on-year, and stood at 784.12 points on the last trading day of 2014. The chart below gives the performance of SBI TOP against selected world indices in EUR (31 Dec 2008 = 100).

Comparison of selected world indices performance (31 Dec 2008–31 Dec 2014)



Source: Ljubljana Stock Exchange

LJSE activities in 2014

In 2014 the Ljubljana Stock Exchange was active in the following areas:

- Day-to-day operation of the market and infrastructure;
- Market promotion (local and international investment conferences, traditional Financial Conference, redefinition and upgrade of the LJSE Portal prize for listed companies, promotional publications, ads, sponsorships);
- Internal optimisation of operations;
- Market development (Xetra® trading system upgrade, revamp of monthly short and comprehensive statistics, a change in the trading method of debt securities, a change in trading schedules, broadening of price intervals, modifications in trading safeguards, prolongation of the contract for the provision of INFO STORAGE with the Securities Market Agency, integration of Xetra® IT services within the CEESEG group);
- Compliance activities:
 - New LJSE Rules;
 - New Instructions for Stock Market Issuers;
 - New Trading Instructions, Instructions for the Index, Liquidity Criteria, Price List and other Statistical Data, Instructions for Admission and Monitoring of Member Firms and Traders, Instructions for Liquidity Providers;

- Corporate governance (Board of Members annual meeting and Board of Issuers annual meeting);
- New Instructions for Risk Management;

LJSE promotion and development activities in 2014

Quarter	Activity
1Q2014	Board of Issuers and Board of Members annual meetings
	New LJSE Rules
	New Instructions for Stock Market Issuers
	New Trading Instructions, Instructions for the Index, Liquidity Criteria, Price List and other Statistical Data, Instructions for Liquidity Providers
	New Rules of Procedure of the LJSE Management Board
	Adoption of the Policy on the assessment of the suitability of members of the Management and Supervisory Board
2Q2014	Prolongation of the contract for the provision of INFO STORAGE with the Securities Market Agency
	New Rules of Procedure of the LJSE Supervisory Board
	Investment Conference of the Ljubljana and Zagreb Stock Exchanges in Zagreb
	31 st Financial Conference in Portorož
	Integration of Xetra® IT services within the CEESEG group
3Q2014	Support and sponsorship of the Moje Finance project: 'Financial Literacy of Youth'
4Q2014	Revamp of monthly short and comprehensive statistics
	New LJSE Rules
	New Trading Instructions
	New Instructions for Admission and Monitoring of Member Firms and Traders
	Sponsorship and participation in the Investors' Conference of the Erste Group Bank in Stegersbach
	Xetra® trading system upgrade (15.0)
	Roadshow in New York (in cooperation with the Vienna Stock Exchange and Auerbach Grayson)
	Investment Conference of the Ljubljana Stock Exchange in Ljubljana
	Participation in the Investment Conference of the Wood & Co. in Prague
	Support of the book by dr. Ivan Turk "Nekdaj običajne obveznice in delnice v obliki listin na območju Slovenije"
	Pre-New Year's reception for members of the Slovene financial markets' senior management

Domestic and international market promotion, and international cooperation

In 2014 the LJSE successfully carried out a series of promotion activities.

The basic programme included the following:

- One investment conference in Ljubljana;
- One investment conference in Zagreb in cooperation with the Zagreb Stock Exchange;
- Four roadshows abroad (Mamaia, Stegersbach, New York, Prague);

- General promotion of the Slovenian capital market and our blue chips in local as well as international media;
- Issuing capital market promotion publications;
- Supporting international analyses by providing market trading data.

Investment conferences in 2014

Event	Venue and date	Organised by
Investment Conference of the Ljubljana and Zagreb Stock Exchanges	Zagreb, Croatia, 6 May 2014	Ljubljana and Zagreb Stock Exchanges
Wood's Frontier Conference	Mamaia, Romania, 27 June 2014	Wood & Co. Fondul Proprietatea
Erste Group Bank AG Investors Conference 2014	Stegersbach, Austria, 8 - 10 October 2014	Erste Group Bank AG
Roadshow in New Yorku with the Vienna Stock Exchange and Auerbach Grayson	New York, USA, 24 November 2014	Vienna Stock Exchange and Auerbach Grayson
Investment Conference of the Ljubljana Stock Exchange	Ljubljana, Slovenia, 27 November 2014	Ljubljana Stock Exchange
'Wood's Winter Wonderland	Prague, Czech Republic, 1 – 5 December 2014	Wood & Co.

Other LJSE events in 2014

Event	Venue and date
Financial Conference	Portorož, 13 – 14 May 2014
Pre-New Year's reception for members of the Slovene financial markets' senior management	Ljubljana, 16 December 2014

Other activities, media promotion and publications

- In April 2014 the LJSE prepared a new publication in the English language 'Slovenian Capital Market', which focuses on Slovenian capital market overview and presentation of the most prominent and liquid companies on the LJSE.
- The following publications were updated or issued anew with a view to promoting the capital market and our listed companies:
 - Guide for Investors 2014 (publication in Slovene);
 - IPREO;
 - Monthly, half-year and annual statistical reports. In October the monthly statistics in the Slovenian and English languages were revamped.
- We continued with the project of redefining the renown LJSE Portal prize for exemplary CG and IR practices in order to strengthen its promotion potential with respect to the Prime Market and the Slovenian capital market in general. The revamp completed in April 2014; however, due to shortage in resources the new prizes could not be conferred in 2014 despite general support by the interest groups and associations, which were intended to participate in the selection of winners and in awarding of prizes. LJSE will continue to search for suitable arrangements to carry out all needed activities.
- We have been sending out quarterly market reports (Market Quarterly) to all international investors in the CEESEG and to all international media (PR Newsflash).

- We also strive to continuously educate the youth about the Slovenian capital market. If we are approached by educational establishments, we give students free educational seminars about the LJSE at our premises.
- We supported the book by Dr. Ivan Turk “Nekdaj običajne oveznice in delnice v obliki listin na območju Slovenije”.
- We supported and sponsored the Moje Finance project: ‘Financial Literacy of Youth’.

Market surveillance and best market practices

Monitoring member firms and trades

Pursuant to the Slovenian Markets in Financial Instruments Act, the LJSE monitors member firms and trades with the intention of detecting breaches of the LJSE Rules (disorderly market conditions, market abuses). In 2014 the LJSE reviewed 24 trading supervision examination reports and, based on these examinations, it issued 14 reports on completed examinations or notices on suspicious trades, and forwarded them to the Securities Market Agency.

Support to trading members

The LJSE cooperates closely with its trading members, both in regular daily market operations as well as in implementing changes and novelties to securities trading. We offered additional support to our trading members in 2014 during a regular upgrade of the trading system Xetra® and with respect to the optimization of electronic services and infrastructure. The latter was completed at the CEESEG level in the first quarter of 2014. The optimization resulted in our trading members connecting to the electronic services directly via the Vienna Stock Exchange, bringing savings and keeping the members’ level of electronic services practically intact.

Counselling and support to listed companies

The LJSE cooperated with issuers regarding the execution of the LJSE decision procedures in respect of their securities, listed on the exchange market. Besides that LJSE also counsels Prime and Standard Market companies with respect to disclosure and corporate governance. At the special request of several issuers the LJSE organized individual one-on-one sessions with them.

The LJSE supported listed companies by promptly providing all the requisite information regarding listing of their securities on the exchange market.

Human resource management

In 2014 the LJSE covered all its HR needs within the company, and invested into quality and efficient staff development. We made sure our employees’ work environment was healthy and safe, and encouraged them to undergo additional training, seeing that in these difficult and rapidly changing times it is only well qualified, creative and loyal staff that can guarantee the company’s long-term stability.

Employees

We responded to the difficult economic situation by adjusting our HR policy. A further decrease in the number of employees, with one employment relationship terminating in 2014, was the result of finding new challenges elsewhere.

On account of cost rationalisation the recruiting of new staff from the external market was limited. Short term recruiting was approved exceptionally in the area where we had no adequate in-house staff that could be delegated to the new post. LJSE did not reach the planned number of employees for 2014, which was nine. At the end of 2014 LJSE had 11 employees (of whom one employee was on maternity leave), which is two less than a year ago.

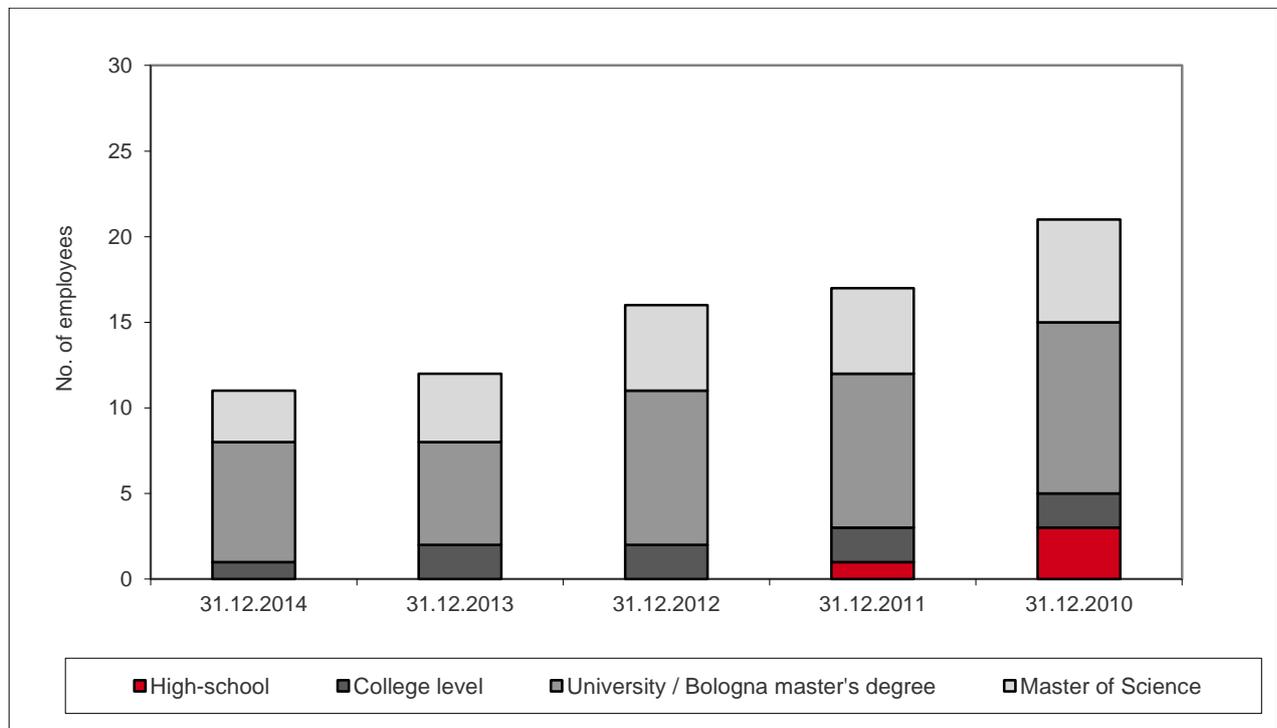
In 2014 LJSE hired two employees for a fixed-term employment: one employee in the field of legal affairs for replacement of the Head of Legal Affairs due to a prolonged absence and one employee in the Management Board Cabinet due to a temporary increase in the workload. In the course of internal restructuring certain members of staff with the requisite skills and motivation took the opportunity to grow personally and professionally by taking on new assignments, which is why we did not hire any new employees to replace the ones that had left.

Demographics, and employees' academic profiles

The average age of the company's staff is 39.4 years, whereby 84.6% are women and 15.4% men.

At the end of 2014, the employees' educational profiles were as follows: 1 employee (9%) had a college-equivalent degree, 6 employees (64%) had a bachelor's degree or bologna master's degree, and 3 employees (27%) had a master's degree.

Employees' academic profiles on 31 December 2014



Staff training and development

Fast development in all areas requires employees to constantly upgrade their expertise. Since there is no development without knowledge we try to offer our staff 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 academic degrees, whereby the LJSE supports them by funding their tuition fees. The LJSE has spent 0.5% of operating revenue on staff training.

An important tool that enables efficient leadership and personal development of our employees is the semi-annual and 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 to be of great importance. We realise that such an environment is a prerequisite for efficient and quality work, and we have therefore worked toward further reducing all risks resulting from work processes that our staff are faced with. Consistent with our Health and Safety Statement and Risk Assessment, the LJSE regularly sends its employees to health inspections, while it also provides them with good working conditions and periodically (once a year) carries out lighting and microclimate readings along with potential dangerous airborne substance measurements.

Communicating with employees

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 team, 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 member 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 corporate responsibility

The LJSE acknowledges its responsibility toward the environment in which it operates. Each year we receive numerous requests to sponsor sports, humanitarian and education programmes, and we always support some of them. At the end of the year we provide donations mainly to societies cooperating with

institutions in an effort to help children with special needs and the underprivileged. We also fund projects that raise awareness about the capital markets in Slovenia.

In addition, the 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.

Business operations analysis

Ljubljana Stock Exchange operations in 2014

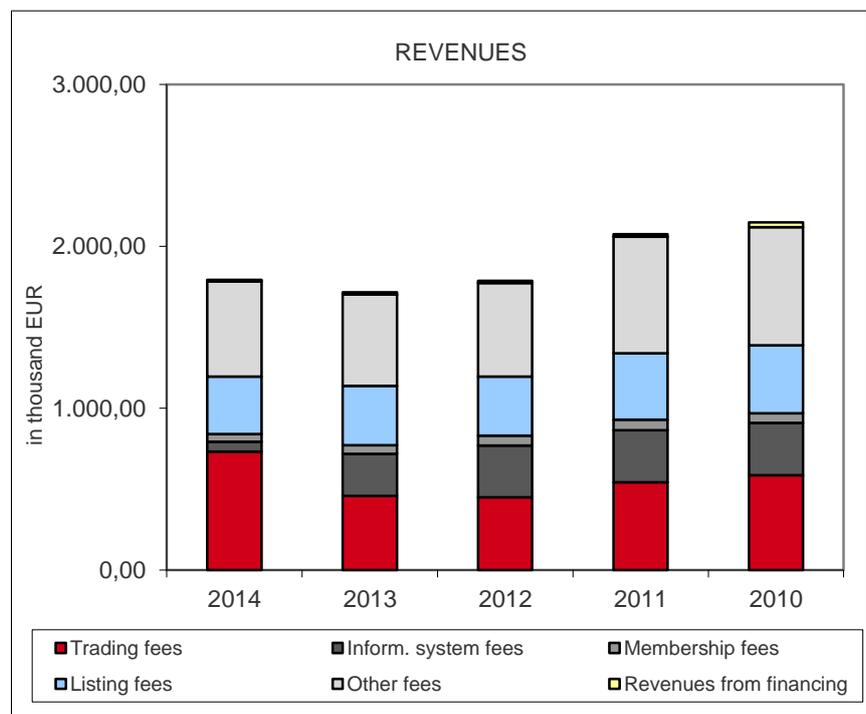
The Slovenian macroeconomic exposure and risks stabilised in 2014, which, together with expectations related to the privatisation, increased the activity on the capital market. LJSE thus had an increase in turnover on the stock market and for the first time after 2010 also profit. In the period from January to December 2014 the LJSE generated a gross profit of EUR 294,637.00.

Revenue

Compared to the same period in 2013, total revenue was up 4.5% and amounted to EUR 1,793,547.

As much as EUR 1,195,099 of total revenue comes from the company's core business, i.e. trading fees, the use of the information system, membership fees and listing fees.

Over the past five years the share of revenue from our core business has ranged from 64.5% in 2010 and 2011 to 66.8% in 2012, when it reflected the high income from trading fees. In 2014 revenue from our core business represents 66.6% of operating revenue.



■ Revenue from trading fees

Compared to previous years, stock turnover in 2014 was higher in relative terms. Revenue from trading fees amounted to EUR 731,374, which is 40.8% of total revenue and represents an increase by EUR 272,903, or 59.5%, from 2013.

■ *Revenue from the use of the information system*

They represent 3.4% of total revenue, which is EUR 61,680. Lower revenue from the use of the information system is the result of the LJSE's trading members transition to the direct use of the Vienna Stock Exchange Xetra® IT services from 1 April 2014 onwards, which replaced the LJSE services.

■ *Membership fees*

They amounted to EUR 47,083 and represent 2.6% of total revenue. In 2014 four members terminated their membership of the LJSE. On 31 December 2014 the LJSE thus had 17 members.

■ *Revenue from listing fees*

Listing fees generated EUR 354,962 of revenue. In addition to new listings, which generated EUR 29,424, this also includes annual maintenance fees for listed securities (Prime Market, Standard Market and Entry Market shares and bonds) in the amount of EUR 300,205; revenue from fees for adopting decisions on listing expansions, on delistings and on suspensions of trading, which contributed EUR 25,200; and revenue in the amount of EUR 1133 generated by the daily publication of open-end fund NAV.

■ *Revenue from SEOnet and INFO STORAGE services*

SEOnet contributed EUR 220,321, representing 12.3% of total revenue, which is an increase of 1.1 percentage point compared to 2013.

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 revenue, expenses, assets and liabilities, INFO STORAGE recorded a loss of EUR 10,341 in 2014.

On 31 December 2014, the LJSE had service management agreements concluded with 69 clients, whereby 66 were for SEO and INFO STORAGE services and 3 were for SEO services alone. At year-end 2013 we had 72 effective service management agreements concluded with clients.

■ *Revenue from trade publication*

Revenue from the publication of trades in listed shares executed off-exchange amounted to EUR 11,131 in 2014.

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

The co-organization of the Financial Conference, the organisation of which was taken over by the Business Daily Finance, generated EUR 8,591 of revenue, which in the total revenue structure represents a 0.5% share.

■ *Revenue from data dissemination*

Data dissemination generated 3.8% of total revenue, totalling EUR 68,100.

■ *Revenue sharing with the Vienna Stock Exchange*

Under the agreement on sharing revenue, the LJSE transferred data dissemination and index licensing to the Vienna Stock Exchange on 1 April 2010. Its share of data dissemination revenue in 2014 amounted to EUR 182,030 and index licence fees to EUR 750.

■ *Revenue from IT services*

The LJSE generated EUR 55,874 from its IT services. Revenue from IT services includes revenue from the use of IT services by trading members in the amount of EUR 24,374, which LJSE provided until 1 April 2014, and revenue from providing Xetra® support to the Vienna Stock Exchange in the amount of EUR 31,500.

■ *Revenue from roadshows*

It refers to the co-financing of two investment conferences in Slovenia, a Vienna Stock Exchange roadshow, the promotion of Prime Market companies at the financial conference *Kapital 2013*, and other general promotions. The total amount is EUR 4,500.

■ *Other operating revenue*

The LJSE generated EUR 36,713 of other revenue in 2014.

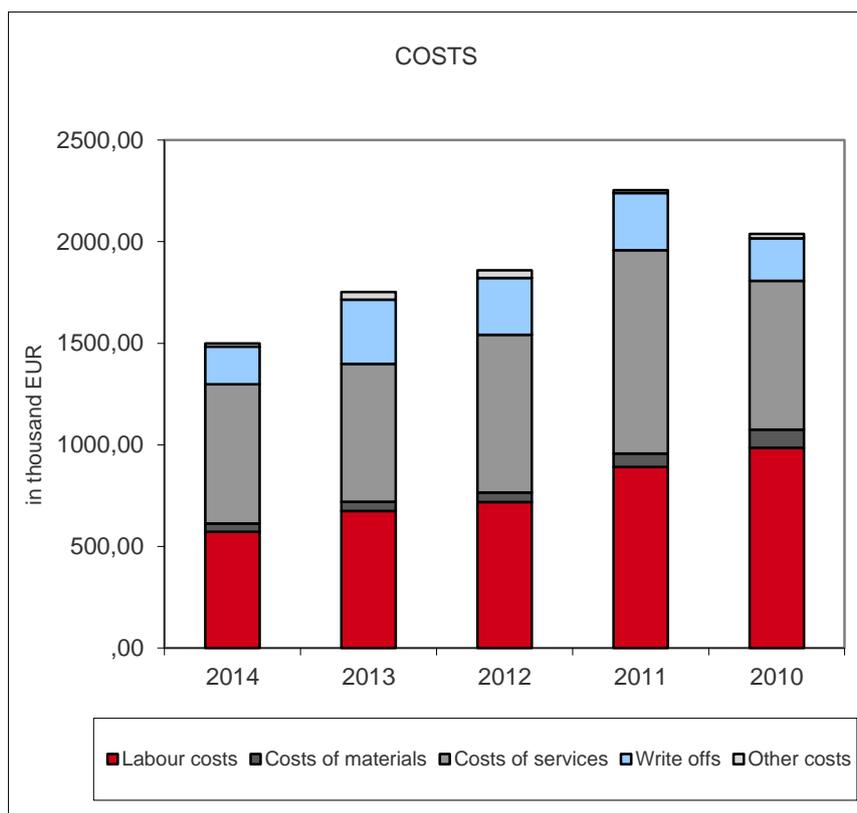
Expenses

Total expenses amounted to EUR 1,498,910, down 14.4% compared to 2013.

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

In recent years the employee benefits cost ranged from representing 38.2% of total expenses in 2014, when it reflected further layoffs and wage decreases, to representing 39.5% of total expenses back in 2010.

Costs of materials and services represent 48.4% and write-offs 12.4%. The share of the latter decreased by 5.6 percentage points in 2014 compared to the year before when LJSE adjusted the building's carrying value to fair value.



■ *Employee benefits cost*

On 31 December 2014, the Ljubljana Stock Exchange had 11 employees (of whom one employee is on maternity leave) or 10.08 employees considering the hours worked. The company's costs of salaries for 2014 amount to EUR 572,227, which is 38.2% of total expenses.

Salaries include bonus payments. Variable remuneration paid in 2014 amounted to EUR 48,025. In addition, the employee benefits cost also includes EUR 8,761 of unspent 2014 annual leave costs.

■ *Costs of materials*

Costs of materials amount to EUR 40,786 and include EUR 28,081 of energy costs, EUR 5,204 of expert literature and subscription costs, EUR 5,204 of stationery costs, EUR 669 of costs of LJSE publications and EUR 1,221 of other costs of materials.

■ *Costs of services*

Costs of services amount to EUR 684,561. The largest items are the costs of business premises maintenance (EUR 36,715), leases and rents (EUR 43,009), the costs of business trips (EUR 14,563), advertising and entertainment costs (EUR 27,815), the costs of services by natural persons (EUR 26,275), counselling services (EUR 95,282), the costs of IT services (EUR 301,564) which refers to the use of the system Xetra and FIX in the amount of EUR 192,427 as well as other IT services in the amount of EUR 109,137, postal and telephone costs (EUR 25,761), and the costs of surveillance over stock exchange operations (EUR 72,000).

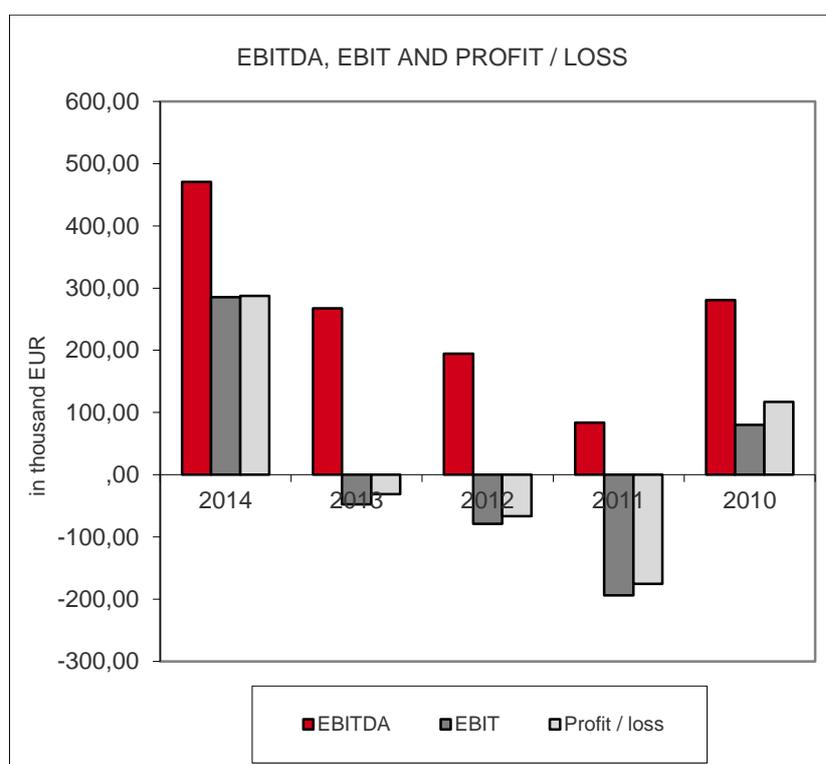
■ *Other operating costs*

Other operating costs amounted to EUR 15,850.

Profit or loss for the period

EBITDA was substantially up compared to 2013, amounting to EUR 470,768.

EBIT was EUR 285,292, and profit before taxes amounts to EUR 294,637.



Assets

On 31 December 2014 total assets amounted to EUR 2,896,847, up 12% compared to the year-end of 2013.

(in thousand EUR)	31.12.2014	31.12.2013
Non-current assets	1,474.10	1,621.80
Current assets	1,375.15	915.60
Defferede costs and accrued revenue	47.59	57.80
Total assets	2,896.85	2,595.20
Equity	2,662.48	2,383.00
Provisions, and long-term accrued costs and deferred revenue	25.54	26.80
Current liabilities	192.03	170.70
Short term accrued costs and deferred revenue	16.80	14.70
Total equity and liabilities	2,896.85	2,595.20

Performance indicators

Ratio	2014	2013	2012	2011	2010
Financing state ratios					
Equity financing rate	91.91	91.82	85.02	87.27	87.48
Long-term liabilities rate	6.63	6.58	10.80	12.30	12.15
Long-term financing rate	92.79	92.86	89.51	89.06	89.25
Equity rate	52.62	58.79	53.57	51.15	47.98
Investments ratios					
Operating fixed assets rate	50.17	61.42	69.48	76.29	77.39
Long-term assets rate	50.89	62.49	70.30	76.77	77.82
Short-term assets rate	49.11	35.28	29.70	23.23	22.18
Horizontal financial structure ratios					
Equity to operating fixed assets	1.83	1.50	1.22	1.14	1.13
Immediate solvency ratio	6.20	4.58	2.37	1.59	1.24
Quick ratio	7.16	5.36	3.00	2.03	1.94
Current ratio	7.16	5.36	3.00	2.03	1.94
Operating efficiency ratios					
Operating efficiency ratio	1.17	0.97	0.96	0.91	1.04
Total efficiency ratio	1.18	0.98	0.97	0.92	1.05
Profitability ratios					
Return on equity	11.31	-1.01	-2.42	-6.30	3.97
Net return on equity - ROE	11.08	0.00	0.00	0.00	2.28

Objectives and plans for 2015

We expect the LJSE operations in 2015 to be stable as the macroeconomic picture of Slovenia improved and a continuation of the privatisation processes of large state-owned companies can be expected. The announced privatisation can increase market activity; however, the effects will mainly be short term and periodic. The expectations related to privatisation can thus cause occasional high price volatility and higher liquidity fluctuations of securities. In the long term, however, negative effects will probably prevail as the domestic financial industry will consolidate further, resulting in the decrease in the number of trading members and listed companies.

The Ljubljana Stock Exchange sees the main opportunity for further capital market growth and development in searching for new financial resources or in the sale of the existing stakes through the market, especially in those instances where the state will sell smaller stakes or where the state will keep a certain share in the ownership and search for new financial investors among institutional investors. Further increase in the participation of international investors and harmonisation with the international standards of CEESEG can also have positive effects.

Our main activities planned for 2015 are:

- Stable and efficient day-to-day operation of the market;
- Completion of our internal restructuring and work process optimization;
- Continuation of centralisation of the provision of certain services within the CEESEG;
- Local and international market promotion (roadshows);
- Promoting privatisation of state-owned companies through IPOs or SPOs.

The negative expectations about trends in the coming years demand we constantly adjust the LJSE's operations. The decreasing numbers of local trading members and listed companies will have a negative impact on our fixed revenue from listing fees, membership fees and IT fees. It is therefore of paramount importance that market liquidity improves, so that our revenue from trading fees increases.

FINANCIAL STATEMENTS AND DISCLOSURES

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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 2014, with notes thereto, along with the accounting guidelines of the annual report.

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

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

Ljubljana Stock Exchange

Nina Vičar, MSc
Member of the Management Board

Andrej Šketa,
President of the Management Board

Financial statements for the financial year 2014

Balance sheet as at 31 Dec 2014

(in EUR)			
	Notes	31 Dec 2014	31 Dec 2013
ASSETS		2.896.847	2.595.175
Non-current assets		1.474.102	1.621.835
Intangible assets and long-term deferred and accrued items	1.1	140.999	251.294
Property, plant and equipment	1.2	1.312.293	1.342.534
Deferred tax assets	1.3	20.809	28.007
Current assets		1.375.153	915.580
Current investments	1.4	383	383
Current operating receivables	1.5	185.458	134.519
Cash and cash equivalents	1.6	1.189.312	780.678
Short-term deferred costs and accrued revenues	1.7	47.592	57.759
EQUITY AND LIABILITIES		2.896.847	2.595.175
Equity	1.8	2.662.479	2.382.999
Called-up capital		1.400.893	1.400.893
Capital surplus		462.775	462.775
Revenue reserves		519.331	519.331
Retained earnings		0	0
Net profit or loss for the period		279.480	0
Provisions and long-term accrued costs and deferred revenues	1.9	25.542	26.759
Non-current liabilities		0	0
Deferred tax liabilities	1.10	0	0
Current liabilities		192.030	170.717
Short-term trade payables	1.11	192.030	170.717
Short-term accrued costs and deferred revenues	1.12	16.795	14.699

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

Income statement for the year ended 31 Dec 2014

(in EUR)			
	Notes	2014	2013
Sales revenues	2.1	1.757.400	1.701.374
Sales revenues from domestic market		1.400.703	1.419.840
Sales revenues from abroad		356.697	281.535
Other operating revenue		25.710	0
OPERATING EXPENSES	2.2		
Costs of goods, material and services	2.2.1	725.348	723.938
Costs of materials used		40.786	45.443
Costs of services		684.561	678.495
Labour costs	2.2.2	572.227	675.001
Costs of wages and salaries		430.835	491.753
Pension insurance costs		49.720	62.444
Other social insurance costs		32.555	40.019
Other labour costs		33.575	76.526
Provisions		25.542	4.259
Write-downs	2.2.3	185.476	315.129
Depreciation and amortisation		168.687	214.313
Revaluatory operating expenses associated with intangible assets and property, plant and equipment		0	80.207
Revaluatory operating expenses associated with operating current assets		16.790	20.609
Other operating expenses	2.2.4	15.850	35.603
OPERATING PROFIT OR LOSS		284.209	-48.297
Financial revenue from investments	2.3	8.208	12.423
Financial revenue from trade receivables	2.4	1.140	2.098
Financial expenses for financial liabilities	2.5	0	2.000
Financial expenses for trade payables	2.6	3	1
PROFIT OR LOSS FROM ORDINARY ACTIVITIES		293.554	-35.776
Other revenue	2.7	1.088	791
Other expenses	2.8	6	5
PROFIT OR LOSS BEFORE INCOME TAXES		1.083	786
Income tax	2.9	-7.959	0
Deferred taxes		-7.198	3.952
NET PROFIT OR LOSS FOR THE PERIOD	2.10	279.480	-31.037

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

Statement of comprehensive income for the year ended 31 Dec 2014

(v EUR)			
	<i>Notes</i>	2014	2013
Net profit or loss for the period		279,480	0
Changes of intangible assets and property, plant and equipment revaluation surplus		0	-206,901
Changes of short-term investment revaluation surplus		0	-139
Total comprehensive income for the period	2.11	279,480	-207,040

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

Cash flow statement for the year ended 31 Dec 2014

(in EUR)	2014	2013
A. Cash flows from operating activities		
a) Income Statement items	453,400	317,213
Operating revenue	1,758,499	1,702,165
Financial revenue from trade payables	1,140	1,262
Operating expenses excluding depreciation and amortisation	-1,306,239	-1,386,214
Income taxes and other taxes not included in operating expenses	0	0
b) Changes of net operating assets in Balance Sheet items	-28,796	-229,892
Change in trade receivables	-65,217	26,840
Change in deferred costs and accrued revenue	9,603	-5,477
Change in deferred tax assets	7,198	-2,752
Change in operating debts	18,741	-116,083
Change in accrued items and provisions	879	-86,972
Change in deferred tax liabilities	0	-45,448
c) Net cash from operating activities (a + b)	424,604	87,320
B. Cash flows from investing activities		
a) Cash receipts from investing activities	11,617	433,676
Interest received	8,417	14,155
Proceeds from sale of property, plant and equipment	3,200	14,850
Proceeds from disposal of current assets	0	404,671
b) Cash disbursements from investing activities	-27,588	-10,729
Purchase to acquire intangible assets	-14,420	-9,946
Purchase of property, plant and equipment	-13,168	-783
c) Net cash from investing activities (a + b)	-15,970	422,948
C. Cash flows from financing activities		
a) Cash receipts from financing activities	0	0
Capital increase	0	0
b) Cash disbursements from financing activities	0	0
c) Net cash from financing activities (a + b)	0	0
D. Net cash and cash equivalents as at end of period	1,189,312	780,678
Net increase in cash and cash equivalents (Ac+Bc+Cc)	408,634	510,268
Cash and cash equivalents as at beginning of period	780,678	270,410

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

Statement of changes in equity

Statement of changes in equity for 2014

(in EUR)	Called-up capital	Capital surplus			Revenue reserves		Revaluation surplus	Retained earnings	Total equity
		Payments over carrying amount in redemption of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves	Net profit / loss for the period			
A.1. Balance at 31 Dec. 2013	1.400.893	143	364.570	98.063	519.331	0	0	2.382.999	
A.2. Balance at 1 Jan. 2014	1.400.893	143	364.570	98.063	519.331	0	0	2.382.999	
B.2. Total comprehensive income for 2013									
Profit / loss for the period							279.480	279.480	
Changes in revaluation surplus related to intangible assets								0	
Changes in revaluation surplus related to investments								0	
Other components of comprehensive income								0	
B.3. Changes in equity									
Capital decrease (settlement of loss for 2014 from other components of equity)								0	
C. Balance at 31 Dec. 2014	1.400.893	143	364.570	98.063	519.331	0	279.480	2.662.479	
ACCUMULATED PROFIT FOR 2014	-	-	-	-	-	-	279.480	279.480	

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 2013 and therefore at the GM on 9 June 2014 shareholders only reviewed the results.

Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net profit for the 2014 financial year, which amounts to EUR 279,480 and consists of EUR 286,678 of net profit for the period, EUR 2,306 of newly formed deferred tax assets and EUR 9,503 of consumption of deferred tax assets, remains unallocated.

The company reports accumulated profit for 2014 in the amount of EUR 279,480.

Share book value as at 31 December 2014 was EUR 79.31.

Statement of changes in equity for 2013

(in EUR)		Called-up capital	Capital surplus			Revenue reserves		Revaluation surplus	Retained earnings	Total equity
			Payments over carrying amount in redemption of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves	Net profit / loss for the period			
A.1.	Balance at 31 Dec. 2012	1.400.893	143	364.570	98.063	544.509	207.041	0	2.615.218	
A.2.	Balance at 1 Jan. 2013	1.400.893	143	364.570	98.063	544.509	207.041	0	2.615.218	
B.2.	Total comprehensive income for 2013									
	Profit / loss for the period					0	0	-31.037	-31.037	
	Changes in revaluation surplus related to intangible assets					0	-206.901	0	-206.901	
	Changes in revaluation surplus related to investments					0	-139	0	-139	
	Other components of comprehensive income					0	0	0	0	
B.3.	Changes in equity									
	Capital decrease (settlement of loss for 2013 from other components of equity)					-25.178	0	31.037	5.859	
	Other changes in equity								0	
C.	Balance at 31 Dec. 2013	1.400.893	143	364.570	98.063	519.331	0	0	2.382.999	
	ACCUMULATED PROFIT FOR 2013	-	-	-	-	-	-	0	0	

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

Notes to financial statements

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, 43/10, 59/2011, 30/2012, 24/2012, 94/2012 and 81/2013),
- 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, 85/09, 85/2010, 18/2011, 78/2011, 38/2012, 40/2012, 83/2012, 14/2013, 46/2013-ZIPRS1314-A and 101/2013-ZIPRS1415),
- 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, 27/10, 104/2010, 110/2010, 82/2011, 108/2011, 106/2011, 102/2012 and 54/2013),
- Under the Tax Administration Act (Official Gazette RS No 57/04, 139/04, 114/06, 40/09 and 33/2011)
- Under the Financial Administration Act (and Official Gazette RS No 25/2014) 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, 43/10, 97/2010, 32/2012, 94/2012, 101/2013, 111/2013, 22/2014, 25/2014 and 40/2014).

Basis of presentation

In compiling the Balance Sheet as at 31/12/2014, the Income Statement and the Cash Flow Statement for 2014, the Slovenian Companies Act, Slovenian 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;
- Revenue and expenditure were recognized in the financial statements for the respective year ended;
- Individual items of assets and liabilities are valued independently.

Relations with other companies

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

As at 31 December 2014, the LJSE had one shareholder (100%), namely the holding company CEESEG AG, Wallnerstrasse 8, Vienna, Austria. Group annual report can be obtained at the owner's registered office.

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.

Accounting principles

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

Intangible assets and long-term deferred costs and accrued revenues

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

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

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

Amortization rates:

Amortization rate	Rate in % for start of amortization before 1 Jan. 2003	Rate in % for start of amortization after 1 Jan. 2003	Rate in % for start of amortization after 1 Jan. 2007
Intangible assets	33.3	20.0	
Software			20.0
Licences			20.0

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

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

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

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

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

Property, plant and equipment

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

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

After initial recognition, items of property, plant and equipment are measured at cost value, apart from the building and associated land, which are measured at fair value. 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.

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

Land is not depreciated.

Depreciation rates:

Depreciation rate	Rate in % for start of amortization before 1 Jan. 2003	Rate in % for start of amortization after 1 Jan. 2003	Rate in % for start of amortization after 1 Jan. 2007	Changed rate (%) due to new valuation method from 1 Jul. 2007	Changed rate (%) due to revaluation of buildings from 1 Oct. 2012	Changed rate (%) due to revaluation of buildings from 1 Dec. 2013
Buildings	2.0	2.0	2.0	2.685	3.038	3.150
Computers	20,0 - 40,0	40.0	40.0			
Furniture and other equipment	30,0 - 40,0	25.0	25.0			

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

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

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

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

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

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

Revaluation of the building with associated land

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

If the revaluation increases the building's carrying amount, the increase is credited directly to Equity, under the item revaluation surplus. It is transferred to the Income Statement gradually or when the asset is

derecognised. The decrease of carrying amount to fair value is recognised in the Income Statement. The decrease of carrying amount due to revaluation is debited directly to Equity, under the item revaluation surplus, to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

In 2013 the company examined the fair value of its building and associated land.

On the basis of the appraisal prepared by a certified appraiser, the company adjusted as at 30 November 2013 the carrying amount of its building to fair value, by eliminating accumulated depreciation and reducing revaluation surplus; the difference between the formed revaluation surplus and fair value was recognised in the Income Statement.

In 2014 the principles from the appraisal prepared in 2013 were examined. Market conditions in 2014 show no major changes from the appraisal prepared in 2013. Therefore, no indications of further impairment exist.

Investments

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 allocates investments into available-for-sale investments and recognises them 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. Upon initial recognition investments are measured at fair value, without eliminating transaction costs that might arise upon sale or other disposal. The initially recognised value is increased by transaction costs directly related to the acquisition of the investment.

Changes of fair value are recognised directly in the Statement of Other Comprehensive Income as an increase (gain) or decrease (loss) of revaluation surplus. In derecognising available-for-sale assets, the accumulated loss or gain is transferred from the Statement of Other Comprehensive Income into the Income Statement.

Impairment of available-for-sale investments:

Available-for-sale investments are examined for indications of impairment each quarter, with impairment losses calculated using the assets' current fair value in the event of a significant decrease in the carrying amount (decline in fair value by more than 40%) or in the event of a long-term decline in fair value (more than nine months).

Upon initial recognition, investments in loans are measured at historical cost, and later at amortised cost using the effective rate method. Investments are impaired if there is objective evidence that the company will not collect its receivables under contractual terms. The most conclusive evidence is if the contractually determined cash flows are not returned in accordance with the provisions laid down in the contract.

The effect of recognising interest under the effective interest rate was estimated as insignificant.

Receivables

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

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

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

Cash and cash equivalents

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

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

Equity

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

Provisions and long-term accrued costs and deferred revenues

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

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

Liabilities

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

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

Short-term accrued and deferred items

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

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

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

Recognition of revenue

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

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

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

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

Recognition of expenses

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

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

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

Taxes

Tax expense includes accrued income tax and deferred tax.

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

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

The company forms deferred tax assets for all deductible temporary differences – arising from asset impairment, previously non-tax-deductible amortisation, provisions for reorganisation costs, and unused tax loss – to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

1. Balance sheet

1.1. Intangible assets

EUR 140,999

(in EUR)	31 Dec 2014	31 Dec 2013
Long-term property rights	1,163,940	1,149,520
Intangible assets under construction	0	0
Long-term deferred costs	19,538	18,975
Accumulated amortization of intangible assets	-1,042,479	-917,201
Carrying amount	140,999	251,294

Intangible assets as at 31 December 2014 include software licences for data processing with carrying amount of EUR 121,461, and long-term deferred costs in the amount of EUR 19,538.

All intangible assets have finite useful lives.

Movements of intangible assets in 2014:

(in EUR)	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
Cost of purchase				
Balance as at 31 Dec 2013	1,149,520	18,975	0	1,168,495
Additional	14,420	2,372	4,459	21,250
Disposals	0	1,808	4,459	6,267
Balance as at 31 Dec 2014	1,163,940	19,538	0	1,183,478
Accumulated amortisation				0
Balance as at 31 Dec 2013	917,201	0	0	591,824
Annual amortisation	125,278	0	0	172,647
Balance as at 31 Dec 2014	1,042,479	0	0	764,471
Carrying amount				0
Balance as at 31 Dec 2013	232,319	18,975	0	251,294
Balance as at 31 Dec 2014	121,461	19,538	0	140,999

Additions in long-term property rights in 2014 refer to the upgrade of BTSX software, which cost EUR 4,588, and PSI software, which cost EUR 9,832.

As at the Balance Sheet date all the company's liabilities from purchases to acquire intangible assets are settled.

Long term deferred costs include costs of operating lease of company car, in the amount of EUR 1,446, deferred costs of rent of digital certificates and brand patent in the total amount of EUR 321, and payments to reserve fund in the amount of EUR 17,771.

1.2 Property, plant and equipment

EUR 1,312,293

(in EUR)	31 Dec 2014	31 Dec 2013
Building	1,272,456	1,261,780
Accumulated depreciation of building	-37,094	-2,849
Other property, plant and equipment	926,461	940,671
Property, plant and equipment under construction	0	0
Accumulated depreciation of property, plant and equipment	-849,530	-857,068
Carrying amount	1,312,293	1,342,534

As at 31 December 2014, the item property, plant and equipment (PPE) included the current value of the building (EUR 1,235,362) and the current value of other PPE (EUR 76,931).

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.

In line with the appraisal acquired in 2013, the company reduced as at 30 November 2013 its building's cost value to the fair value of EUR 375,290, by eliminating the depreciation allowance in the amount of EUR 50,707, by decreasing the revaluation surplus in the amount of EUR 245,260, and by debiting the Income Statement in the amount of EUR 79,324. With useful life remaining unchanged and applying the straight-line depreciation method, the depreciation rate increased from 3.038% to 3.150%. The building's fair value estimate was drawn up for the purposes of financial reporting under the Slovenian Accounting Standards (SAS) and the International Valuation Standards (IVS 2011). The valuation and fair value estimate of the building were based on the market approach, i.e. using the sales comparison approach. The building's fair value was determined on the basis of its market value.

In 2014 the principles from the appraisal prepared in 2013 were examined. Market conditions in 2014 show no major changes from the appraisal prepared in 2013. Therefore, no indications of further impairment exist.

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 2014 would have totalled EUR 1,299,540.

Movements of property, plant and equipment (PPE) in 2014:

(in EUR)	Buildings	Equipment	Total PPE
Cost of purchase			
Balance as at 31 Dec 2013	1,261,780	940,671	2,202,451
Additions	10,676	2,492	13,168
Disposals	0	16,702	16,702
Balance as at 31 Dec 2014	1,272,456	926,461	2,198,917
Accumulated depreciation			
Balance as at 31 Dec 2013	2,849	857,068	859,917
Annual depreciation	34,244	9,164	43,409
Disposals	0	16,702	16,702
Balance as at 31 Dec 2014	37,094	849,530	886,624

-Continued -

(in EUR)	Buildings	Equipment	Total PPE
Carrying amount			
Balance as at 31 Dec 2013	1,258,931	83,603	1,342,534
Balance as at 31 Dec 2014	1,235,362	76,931	1,312,293

New purchases of PPE include installation of heat meters in the amount of EUR 10,676 and purchase of equipment in the amount of EUR 2,492.

Eliminations refer to the sale of PPE.

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 the Balance Sheet date all the company's liabilities from purchases to acquire property, plant and equipment are settled.

1.3 Deferred tax assets

EUR 20,809

Deferred tax assets in the amount of EUR 20,809 are recognised on all deductible temporary differences arising from the difference between the depreciation charge for property rights, in the amount of 20%, and tax-deductible depreciation, in the amount of 10%, and from the difference between the depreciation charge for the building, in the amount of 3.15, and tax-deductible amortisation, in the amount of 3.00%, as well as for impairments of trade receivables, and unused tax loss.

Movement of long term deferred tax assets in 2014

(in EUR)	Difference between depreciation charged (20%) tax-deductible depreciation (10%)	Impairment of trade receivables	Provisions	Unused tax loss	Total
As at 31 December 2013	3,591	5,461	1,913	17,042	28,007
Newly formed in 2014	0	2,306			2,306
Used in 2014	-1,570		-1,913	-6,021	-9,503
As at 31 December 2014	2,021	7,767	0	11,021	20,809

1.4 Current investments

EUR 383

(in EUR)	31 Dec 2014	31 Dec 2013
Investments into precious metals	383	383
Total	383	383

Investments into precious metals refer to two gold bars the Exchange received as a gift.

Movement of current investments in 2014:

(in EUR)	2014			
	Investments into precious metals	Bonds	Loans	Total
Cost of purchase				
Balance as at 31 Dec 2013	383	0	0	383
Annual decrease	0	0	0	0
Revaluation owing sale	0	0	0	0
Annual increase (time deposit)	0	0	0	0
Annual increase (accrued interest)	0	0	0	0
Annual decrease (interest)	0	0	0	0
Enhancement (revaluation surplus)	0	0	0	0
Derecognition of revaluation surplus	0	0	0	0
Balance as at 31 Dec 2014	383	0	0	383
Revaluation surplus				
Balance as at 31 Dec 2013	0	0	0	0
Revaluation surplus	0	0	0	0
Derecognition of revaluation surplus	0	0	0	0
Revaluation surplus - negative	0	0	0	0
Balance as at 31 Dec 2014	0	0	0	0
Fair value				
Balance as at 31 Dec 2013	383	0	0	383
Balance as at 31 Dec 2014	383	0	0	383

Movement of current investments in 2013:

(in EUR)	2013			
	Investments into precious metals	Bonds	Loans	Total
Cost of purchase				
Balance as at 31 Dec 2012	383	207,595	200,000	407,978
Annual decrease	0	204,671	200,000	404,671
Revaluation owing sale	0	-2,000	0	-2,000
Annual increase (accrued interest)	0	8,012	0	8,012
Annual decrease (interest)	0	10,153	0	10,153
Enhancement (revaluation surplus)	0	3,123	0	3,123
Derecognition of revaluation surplus	0	1,907	0	1,907
Balance as at 31 Dec 2013	383	0	0	383
Revaluation surplus				
Balance as at 31 Dec 2012	0	170	0	170
Revaluation surplus	0	1,871	0	1,871
Derecognition of revaluation surplus	0	2,041	0	2,041
Balance as at 31 Dec 2013	0	0	0	0
Fair value				
Balance as at 31 Dec 2012	383	207,765	200,000	408,148
Balance as at 31 Dec 2013	383	0	0	383

1.5 Short-term trade receivables**EUR 185,458**

(in EUR)	31 Dec 2014	31 Dec 2013
Trade receivables	178,627	125,850
Receivables due from other entities	6,830	8,669
Total	185,458	134,519

Current trade receivables include EUR 178,627 of trade receivables and EUR 6,830 of receivables due from other entities, which refer to VAT advances given and to other receivables.

■ **Trade receivables**

EUR 178,627

(in EUR)	31 Dec 2014	31 Dec 2013
Trade receivables due from residents	85,885	116,402
Doubtful and disputable trade receivables from residents	43,980	30,987
Trade receivables due from non-residents	92,743	9,448
Doubtful and disputable trade receivables from non-residents	0	0
Allowance for bad receivables	-43,980	-30,987
Total	178,627	125,850

Trade receivables due from residents refer to EUR 48,345 of receivables from trading fees and to EUR 37,539 of receivables due from other services.

Trade receivables due from non-residents refer to EUR 13,123 of receivables from trading fees and to EUR 79,620 of receivables due from other services.

Doubtful and disputable receivables, in the amount of EUR 43,980, represent receivables overdue by min. three months, which had not been settled by the end of January 2015 and which are subject to recovery either through debit notes or litigation.

■ **Receivables due from other entities**

EUR 6,830

(in EUR)	31 Dec 2014	31 Dec 2013
Short-term advanced paid	0	103
Interest receivables	2,716	3,077
Default interest receivable	-1,708	-1,139
Receivables due from other entities	5,822	6,629
Total	6,830	8,669

Interest receivables refer to the interest from deposits placed with SKB bank and BKS bank for December 2014 in the amount of EUR 524, which were fully paid in January 2015 pursuant to the deposit agreement, and to the interest receivables for late payment of invoices, in the amount of EUR 2,192.

The allowance for interest receivables in 2014 refers to late interest receivables in the amount of EUR 1,708.

Other receivables refer to input VAT in the amount of EUR 4,990 namely to VAT receivables from invoices for December 2014, and to other receivables, in the amount of EUR 832.

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

■ **Short-term receivables by maturity**

(in EUR)							
	Non past due	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	More than 120 days	Total
Trade receivables due from residents – trading fees	48,345						48,345
Trade receivables due from residents – other	33,226	3,953	471	317		-428	37,539
Trade receivables due from residents – doubtful		358	952	634	317	41,719	43,980
Trade receivables due from non-residents	85,552	5,190	2,000				92,743
Other short-term advances and overpayments							0
Interest receivable	524						524
Default interest receivable	484						484
Default interest receivable – doubtful	163		169			1,375	1,708
Total	168,295	9,501	3,592	952	317	42,667	225,324

The majority of receivables, both trade receivables and interest receivable, are non past due receivables, which represent 79.7% of all receivables. For claims overdue by over 90 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 2015.

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.

1.6 Cash and cash equivalents

UR 1,189,312

(in EUR)		
	31 Dec 2014	31 Dec 2013
Cash in hand	28	226
Bank balance:	1,189,284	780,452
Current account	13,332	3,500
Redeemable EUR deposit	1,175,952	776,952
Total	1,189,312	780,678

We have sight deposits placed at two commercial banks, BKS Bank and SKB bank, in the amounts of EUR 1,084,000 and EUR 91,952, respectively. The accruing nominal interest rates changed in 2014 from 1.00% nominally at the beginning of the year to 0.55% nominally at BKS Bank; and from 0.20% nominally at the beginning of the year to 0.01% nominally at SKB Bank.

1.7 Short-term deferred costs and accrued revenue

EUR 47,592

(in EUR)	31 Dec 2014	31 Dec 2013
Short-term deferred costs	32,059	41,900
Short-term accrued revenues	15,533	15,859
- listing maintenance fees for bonds	15,533	15,859
Total	47,592	57,759

Deferred costs refer to the lease of the Microsoft Office software license in the amount of EUR 14,455, costs of surveillance over Exchange operations in the amount of EUR 6,000, costs of voluntary health insurance for employees in the amount of EUR 2,824, company car insurance in the amount of EUR 2,529, operating lease of two company cars, in the amount of EUR 1,736, paid subscription fee for expert literature and newspapers, in the amount of EUR 954, costs of the rental KIWI and Sophos licenses in the amount of EUR 1,039, the annual costs of digital certificates and domains in the amount of EUR 201 and other short-term deferred costs in the amount of EUR 2,321. These costs relate to financial year 2015.

Accrued revenue refers to listing maintenance fees for government bonds (issuer Republika Slovenija) for 2014, in the amount of EUR 15,533. The listing maintenance fees will be charged in 2015 after one year of listing. Other issuers are charged with listing maintenance fees (for shares and bonds) for the term of each calendar year.

1.8 Equity

EUR 2,662,479

(in EUR)	31 Dec 2014	31 Dec 2013
Called-up capital	1,400,893	1,400,893
Capital surplus	462,775	462,775
- payments over carrying amount in disposal of own shares	143	143
- amounts from simplified decrease of share capital	364,570	364,570
- general equity revaluation adjustment	98,063	98,063
Revenue reserves	519,331	519,331
- statutory reserves	519,331	519,331
- other reserves	0	0
Revaluation surplus	0	0
- buildings revaluation surplus	0	0
- short-term investment revaluation surplus	0	0
- allowance for revaluation surplus assoc. with deferred tax assets	0	0
Retained earnings	-7,198	0
Net profit or loss for the period	286,678	0
Retained revaluation surplus	0	0
Total	2,662,479	2,382,999

■ Share capital

EUR 1,400,893

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

■ **Capital surplus**

EUR 462,775

(in EUR)	31 Dec 2014	31 Dec 2013
Payments over carrying amount in disposal of own shares	143	143
Amount from simplified decrease of share capital	364,570	364,570
General equity revaluation adjustment	98,063	98,063
Total	462,775	462,775

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

If we revaluated the income amount in 2014 in order to maintain the purchasing power of capital due to advances in consumer prices, the equity revaluation adjustment would amount to EUR 98,988 and the net profit for the period to EUR 281,634.

■ **Revenue reserves**

EUR 519,331

(in EUR)	31 Dec 2014	31 Dec 2013
Statutory reserves	519,331	519,331
Other revenue reserves	0	0
Total	519,331	519,331

Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net profit for the 2014 financial year, which amounts to EUR 279,480, remains unallocated.

1.9 Provisions, and long-term accrued costs and deferred revenue

EUR 25,542

(in EUR)	31 Dec 2014	31 Dec 2013
Provisions for costs of restructuring	0	22,500
Other provisions for long-term accrued expenses	25,542	4,259
Total	25,542	26,759

Other provisions for long-term accrued expenses refer to potential liabilities from bonuses laid down in Management Board Employment Contracts for the financial year 2014 in the amount of EUR 25,542.

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

1.10 Deferred tax liabilities

EUR 0

(in EUR)	31 Dec 2014	31 Dec 2013
Deferred tax liabilities	0	0
Total	0	0

As at 31 December 2014 the company had no deferred tax liabilities.

1.11 Trade payables**EUR 192,030**

(in EUR)	31 Dec 2014	31 Dec 2013
Payables to suppliers	114.384	71.999
Payables from advances	488	225
Other trade payables	77.158	98.493
Total	192.030	170.717

Payables to suppliers in the amount of EUR 114,384 refer to EUR 56,041 of payables to residents, and to EUR 58,343 of payables to non-residents.

Other trade payables, in the amount of EUR 77,158, refer to EUR 47,048 of payables to employees, EUR 29,115 of payables to the government and other institutions, and EUR 955 of other trade payables.

■ Payables to employees include:**EUR 47,047**

(in EUR)	31 Dec 2014	31 Dec 2013
Payables from net wages and wage compensations	19,913	32,260
Payables from contributions for gross wages and wage compensations	9,345	14,458
Payables from taxes for gross wages and wage compensations	9,234	16,530
Payables from other earnings from employment	1,690	8,155
Payables for contributions on other earnings	0	1,205
Payables from payer's contributions	6,866	11,411
Total	47,047	84,019

The balance of payables to employees as at 31 December 2014 includes wages and salaries payable for December 2014.

Payables from payer's contributions, which amount to EUR 6,866, refer to the wages payable for December 2014.

■ Payables to the government and other institutions include:**EUR 29,115**

(in EUR)	31 Dec 2014	31 Dec 2013
Payables from VAT	20,371	13,084
Payables from income tax	7,959	0
Other payables to the government and other institutions	786	922
Total	29,115	14,006

Payables from VAT refer to the difference between output and input VAT for December 2014, which amounts to EUR 1,445, and to the difference between the temporary and final deductible proportion of VAT, which amounts to EUR 18,926.

Payables from income tax amount to EUR 7,959.

Other payables to the government and other institutions refer to the liabilities for additional pension insurance, in the amount of EUR 786.

■ **Other payables**

EUR 995

(in EUR)	31 Dec 2014	31 Dec 2013
Payables from payroll tax	422	90
Other payables	573	378
Total	995	468

1.12 Short-term accrued costs and deferred revenue

EUR 16,795

(in EUR)	31 Dec 2014	31 Dec 2013
Accrued costs	16,795	14,699
Total	16,795	14,699

Accrued costs refer to the costs of the financial statements audit for 2014, which amount to EUR 3,854, to the costs of a risk management audit and audit of compliance with the Code of Conduct, in the amount of EUR 4,180, and to the costs of annual leave for 2014, in the amount of EUR 8,761.

1.13 Off-balance-sheet liabilities and receivables

As at 31 December 2014 the company recognised no off-balance-sheet liabilities or receivables. No company's assets are used for insurance and are free from all charges.

2. Income statement

2.1 Revenue

EUR 1,793,547

	2014		2013	
	in EUR	%	in EUR	%
I. Operating revenue	1,783,110	99.4	1,701,374	99.1
a. Revenue from core business	1,195,099	66.6	1,138,084	66.3
- Trading fees	731,374	40.8	458,472	26.7
- Revenues from information system	61,680	3.4	260,480	15.2
- Membership fees	47,083	2.6	52,917	3.1
- Listing fees	354,962	19.8	366,216	21.3
b. Other revenue	588,011	32.8	563,290	32.8
- SEOnet and INFO STORAGE services	220,321	12.3	217,985	12.7
- Trade publication	11,131	0.6	14,610	0.9
- Seminars	8,591	0.5	6,314	0.4
- Data dissemination	68,100	3.8	56,200	3.3
- Revenues sharing with WBAG	182,780	10.2	174,291	10.2
- IT services	55,874	3.1	41,831	2.4
- Licence fees	4,500	0.3	41,900	2.4
- Other LJSE services	0	0.0	0	0.0
- Other	36,713	2.0	10,160	0.6
II. Financial revenue	9,349	0.5	14,521	0.8
III. Extraordinary revenue	1,088	0.1	791	0.0
Total	1,793,547	100.0	1,716,686	100.0

Total revenue amounts to EUR 1,793,547. Sales revenue amounts to EUR 1,783,110, which is 99.4% of total revenue, higher than planned revenues by 28.5%. Revenue from the company's core business represents 66.6% of total sales revenue, which is EUR 1,195,099, while other operating revenue represents 32.8%, which is EUR 588,011. Financial revenue amounts to EUR 9,349, representing 0.5% of total revenue.

2.1.1. Other operating revenues

EUR 25,719

(in EUR)	2014	2013
Revenues from dissolved provisions	22,502	0
Revenues from sale of fixed assets	3,200	0
Other revenues	8	0
Total	25,710	0

Other operating revenues refer to revenues from dissolved provisions in the amount of EUR 22,502 and to revenues from sale of fixed assets in the amount of EUR 3,208.

In 2013 the company formed provisions for costs of restructuring, which refer to severance pays upon termination of employment for business reasons. Taking into account that employee downsizing was carried out by a consensual termination of employment, provisions were dissolved in 2014.

2.2 Expenses

EUR 1,498,910

	2014		2013	
	in EUR	%	in EUR	%
I. Operating expenses	1,498,901	100.0	1,749,671	99.9
- Costs of material	40,786	2.7	45,443	2.6
- Costs of services	684,561	45.7	678,495	38.7
- Labour costs	572,227	38.2	675,001	38.5
- Write-offs	185,476	12.4	315,129	18.0
- Other operating expenses	15,850	1.1	35,603	2.0
II. Financial expenses	3	0.0	2,001	0.1
III. Extraordinary expenses	6	0.0	5	0.0
Total	1,498,910	100.0	1,751,676	100.0

All expenses for financial year 2014 refer to operating expenses.

2.2.1 Costs of material and services

EUR 725,348

(in EUR)	2014	2013
Costs of material	40,786	45,443
Power supply	28,081	33,668
Office supplies, expert literature and publications	10,816	10,370
Costs of LJSE publications	669	0
Drugi stroški materiala	1,221	1,405
Costs of services	684,561	678,495
Transportation	2,142	5,355
Maintenance costs	131,340	76,091
Leases and rents	262,381	301,105
Reimbursements of labour-related costs	11,602	9,209
Payment transactions and insurance premiums	8,645	7,368
Intellectual and personal services	103,529	103,309
Advertising and entertainment	27,815	27,833
Services by individuals without a registered business	26,275	17,275
Costs of other services	110,833	130,951
Total	725,348	723,938

The majority of the costs of material refer to energy and fuel costs (EUR 28,081), write-offs of small tools (EUR 589), costs of stationery (EUR 5,204), costs of expert literature (EUR 955), costs of subscription fees (EUR 4,656) and other costs of material (EUR 1,300).

Costs of transportation refer to airline tickets (EUR 2,142).

Maintenance costs refer to the costs of services related to the maintenance of property, plant and equipment (EUR 94,625) and to the costs of services for building maintenance (EUR 36,715).

Leases and rents include EUR 4,104 of parking space leases, EUR 17,239 of licence lease, EUR 48,611 of other leases (lease of a safe, lease of a line), and EUR 192,427 of costs for leasing the FIX and Xetra systems.

Reimbursements of labour-related costs include costs of daily allowance and overnight stays, in the amount of EUR 7,846, and costs of fuel, mileage expenses and parking fees, in the amount of EUR 2,755.

Payment transactions and bank services and insurance premiums include costs of bank services, in the amount of EUR 1,551, and insurance premiums, in the amount of EUR 7,094.

Costs of intellectual and personal services refer to EUR 55,922 paid to auditors and outsourced accountants, EUR 3,526 paid for health services, EUR 612 paid to attorneys and public notaries, EUR 8,247 paid for education and training, EUR 2,220 paid for translation services, EUR 1,360 paid for safety-at-work services, EUR 28,037 paid for other intellectual services, and EUR 3,607 paid to graphic designers.

Advertising and entertainment costs include EUR 17,240 of entertainment costs, EUR 6,128 of advertising costs and EUR 4,447 of sponsorship costs.

Costs of services by individuals refer to EUR 22,165 paid for student help, EUR 2,625 of meeting attendance fees to members of the Supervisory Board, EUR 1,149 of meeting attendance fees from members of the Board of Issuers and Board of Members and EUR 336 of other costs. The meeting attendance fees to members of the Supervisory Board refer to EUR 400 of meeting attendance fees paid to members of the Supervisory Board, to EUR 2,000 of fees paid to them for holding office on the Board and to EUR 225 of duty from attendance fees paid. The attendance fees to four Supervisory Board members were payable for four Supervisory Board meetings held in 2014.

Costs of other services refer to EUR 72,000 paid for surveillance over LJSE operations, EUR 400 paid to the Securities Market Agency, EUR 1,750 of costs incurred at Slovenian Capital Markets Day investor conferences, EUR 1,515 of monthly reporting costs, EUR 25,761 of postal and telephone costs, EUR 1,622 of subscription fees to Internet pages and other data access fees, and EUR 7,043 of other costs.

2.2.2 Employee benefits cost

EUR 572,227

(in EUR)	2014	2013
Wages and salaries	430,835	491,753
Pension insurance	52,982	62,444
- Pension and disability insurance contributions	43,002	50,932
- Additional pension insurance	9,980	11,512
Social security	32,555	40,019
- Health insurance, employment and parental protection contributions	29,293	35,022
- Voluntary health insurance	3,262	4,997
Other labour costs	30,313	76,526
- Commuting, meals allowance, holiday allowance, benefits	30,313	36,360
- Other employer's taxes on wages and salaries	0	0
- Other individual earnings	0	766
- Severance pay	0	39,400
Provisions	25,542	4,259
Total	572,227	675,001

The company employed a total of 11 people in 2014 (of whom one employee is on maternity leave). This equals 10.08 people considering hours worked. The total costs of wages and salaries (gross wages and wage contributions) amount to EUR 572,227.

2.2.3 Write-offs

EUR 185,476

(in EUR)	2014	2013
Depreciation and amortisation	168,687	214,313
Revaluatory operating expenses associated with intangible assets and property, plant and equipment	0	80,207
Revaluatory operating expenses associated with operating current assets	16,790	20,609
Total	185,476	315,129

Write-offs refer to EUR 168,687 of the amortization of intangible assets and the depreciation of property, plant and equipment and to EUR 16,790 of revaluation operating expenses associated with current assets.

■ Depreciation and amortization

EUR 168,687

(in EUR)	2014	2013
Amortisation of intangible assets	125,278	152,730
Building depreciation	34,244	42,690
Depreciation of property, plant and equipment	9,164	18,893
Total	168,687	214,313

Depreciation costs include the amortization of intangible assets (EUR 125,278), building depreciation (EUR 34,244) and the depreciation of equipment and other property, plant and equipment (EUR 9,164).

■ Revaluation operating expenses associated with current assets

EUR 16,790

Revaluation operating expenses associated with current assets refer to allowances for bad receivables which are formed for receivables overdue by 90 days and for doubtful receivables, both in the total amount of EUR 14,079. This item also includes an allowance formed for the final proportion of deductible VAT, totalling EUR 2,720.

In 2013 the revaluation operating expenses associated with intangible assets and property, plant and equipment were much higher than in 2014 and amounted to EUR 80,207. The company adjusted in 2013 the carrying amount of its building to fair value in the amount of EUR 79,324. Additionally the expenses refer to the allowance formed for a sold item of property, plant and equipment, in the amount of EUR 859, and to the allowance formed for a written-off item of property, plant and equipment, in the amount of EUR 24.

2.2.4 Other operating expenses

EUR 15,850

(in EUR)	2014	2013
Provisions for costs of restructuring	0	22,500
Other operating expenses	12,189	11,316
- Membership fees	1,123	1,216
- Tax paid for using building land	7,875	7,778
- Cost of court and administrative fees	191	323
- Humanitarian contributions	3,000	2,000
- Other expenses	3,661	1,787
Total	15,850	35,603

Other costs amount to EUR 15,850.

2.2.5 Expenses by function

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

2.3 Financial income from investments EUR 8,208

(in EUR)	2014	2013
Interest income	8,208	12,423
Total	8,208	12,423

Interest income includes interest from the redeemable bank deposit.

2.4 Financial income from trade receivables EUR 1,140

(in EUR)	2014	2013
Revenues from late interest	1,140	2,098
Exchange surplus	0	0
Total	1,140	2,098

Financial income from trade receivables refers to late interest payable on overdue liabilities for LJSE services.

2.5 Financial expenses from financial liabilities EUR 0

(in EUR)	2014	2013
Revaluation Expenses	0	0
Expenses from disposal of investments	0	2,000
Total	0	2,000

The company records no financial expenses from financial liabilities.

2.6 Financial expenses from trade payables EUR 3

(in EUR)	2014	2013
Interest expense	0	0
Exchange differences	3	1
Total	3	1

Exchange differences refer to the restatements of trade payables denominated in foreign currencies.

2.7 Other revenue

EUR 1,088

(in EUR)	2014	2013
Positive euro balance	4	4
Revenues from bad debts recovered	1,083	787
Total	1,088	791

Other revenue refers to EUR 576 of revenue from reimbursed court fees due to court recovery of receivables, to EUR 507 of revenue from bad debts recovered, and to EUR 4 of positive euro balance.

2.8 Other expenses

EUR 6

(in EUR)	2014	2013
Late interest from unpaid taxes	2	0
Negative euro balance	4	5
Total	6	5

Other expenses refer to EUR 2 of late interest from unpaid taxes and to EUR 4 of euro cent balance.

2.9 Income tax

EUR 7,959

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

The established tax base for 2014 amounts to EUR 313,494. For 2014 the company claimed EUR 156,747 of 2009 tax loss covering and EUR 109,929 of other tax reliefs and thus claimed a reduction of the tax base in the amount of EUR 266,676. Hence, the base for tax for 2014 amounts to EUR 46,818, and the income tax amounts to EUR 7,959. Effective tax rate for 2014 is 2.5%.

In establishing net profit for the year, EUR 2,306 worth of deferred tax assets were recognised in the books of account, along with EUR 9,503 of deferred tax assets for temporary differences, both of which decreased net profit for the financial year.

Deferred taxes:

(in EUR)	Deferred tax	Tax rate
Revenue	1,793,547	
Expenses	1,498,910	
Difference	294,637	
Exclusion of revenues	-11,250	
Non-tax-deductible expenses	-41,738	
Amendment of expenses to the level of tax-deductible expenses	-11,632	
Tax base	313,494	
Tax relief	-266,676	
Base for tax	46,818	
Accrued non-taxable expenses		
- Provisions for expenses	0	17%

As at 31 December 2014 the company had no deferred tax liabilities.

2.10 Net profit for the year**EUR 279,480**

The net profit for the 2014 financial year amounts to EUR 279,480. It consists of EUR 286,678 of net profit for the period, EUR 2,306 of newly formed deferred tax assets and EUR 9,503 of consumption of deferred tax assets. Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net profit remains unallocated.

Accumulated profit amounts to and was established thus:

(v EUR)	2014	2013
A. Net Profit/Loss for the year	279,480	-31,037
1. Net Profit/Loss for the year	279,480	-31,037
2. Revaluation surplus	0	0
B. Profit / loss carried forwards	0	5,859
C. Release of retained earnings	0	25,178
1. Legal reserves	0	25,178
2. Other revenue reserves	0	
E. Accumulated profit	279,480	0

2.10 Total comprehensive income for the period**EUR 279,480**

Total comprehensive income for financial year 2014 amounts to EUR 279,480 and consists of net profit for the period.

3. 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 revenue, expenses, assets and liabilities, INFO STORAGE recorded a loss of EUR 10,341 in 2014.

(in EUR)	REVENUES / EXPENSES	
	2014	2013
REVENUE	84,975	91,626
INFO STORAGE services	84,975	91,626
EXPENSES	95,315	111,337
Labour costs	33,575	45,050
Costs of material	2,447	2,728
Costs of services	43,844	44,109
Depreciation and amortisation	15,157	19,288
Other operating expenses	292	162
OPERATING PROFIT / LOSS	-10,341	-19,711

50% of the amortization and depreciation of intangible assets and property, plant and equipment, which are used for both INFO STORAGE and SEOnet, is charged to the INFO STORAGE cost sheet.

With respect to function, all INFO STORAGE expenses refer to expenses incurred in the course of general activities.

4. Management Board remuneration in 2014

In 2014 the Management Board received remuneration in the following amounts:

(in EUR)	Andrej Šketa, President		Mag. Nina Vičar, Member	
	gross	net	gross	net
Fixed pay	78,000	39,116	58,584	28,826
Variable pay	2,500	1,231	1,167	584
Fringe benefits	6,865		5,534	
Other earnings and reimbursements	1,074	2,594	1,074	1,893
Additional pension insurance	2,819		2,819	
Total	91,258	42,941	69,179	31,304

5. Supervisory Board remuneration in 2014

In 2014 the Supervisory Board received remuneration in the following amounts:

(in EUR)	Meeting attendance fee		Fee for holding office		Total	
	gross	net	gross	net	gross	net
- Petr Kobic, President	0	0	0	0	0	0
- Michael Buhl, Deputy President	0	0	0	0	0	0
<u>Other members:</u>						
mag. Bernhard Stamm	0	0	0	0	0	0
Urška Podboršek	400	291	2,000	1,455	2,400	1,746
Total	400	291	2,000	1,455	2,400	1,746

6. Audit costs

The financial statements audit for financial year 2014 amounted to EUR 6,683 – inclusive of VAT, while the audit of the company's risk management and compliance with the Code of Conduct totalled EUR 4,326. Internal audit costs for financial year 2014 amounted to EUR 17,806, while the company did not record any tax counselling costs.

7. Cash flow statement

Based on Balance Sheet data as at 31 December 2013 and as at 31 December 2014, and based on the Income Statement for 2014 as well as considering other relevant data from internal sources, relating to revenue and expenses, the Cash Flow Statement was drawn up under version II of SAS 2006.

8. Events after the reporting period

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



Independent Auditor's Report

To the Shareholders of Ljubljanska borza, d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of the company Ljubljanska borza, d.d., which comprise the balance sheet as at 31 December 2014, the statement of total comprehensive income, the statement of changes in equity, 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. as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Report on Other Legal and Regulatory Requirements

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.

Damjan Ahčin, ACCA
Certified Auditor

Katarina Sitar Šuštar
Partner

Ljubljana, 20 February 2015

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

FURTHER INFORMATION

Ljubljana Stock Exchange trading members

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<p>BKS Bank AG, Bančna podružnica Dunajska cesta 161 1102 Ljubljana +386 1 589 09 26 http://www.bksbank.si info@bksbank.si</p>	<p>Deželna banka Slovenije, d. d. Kolodvorska 9 1000 Ljubljana +386 1 472 72 67 http://www.dbs.si borza@dbs.si</p>
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<p>Hypo Alpe-Adria-Bank, d. d. Dunajska cesta 117 1000 Ljubljana +386 1 580 42 72 http://www.hypo-alpe-adria.si investment.banking@hypo.si</p>	<p>Ilirika borzno posredniška hiša, d. d. Slovenska cesta 54 a 1000 Ljubljana +386 1 300 22 60 http://www.ilirika.si splosni.predal@ilirika.si</p>
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Ljubljana Stock Exchange Prime Market and Standard Market companies

PRIME MARKET

	Company	Trading code	Type of share	Sector
1	GORENJE, d. d.	GRVG	ordinary registered	Household Products & Furniture
2	INTEREUROPA, d. d.	IEKG	ordinary registered	Transportation
3	KRKA, d. d., Novo mesto	LKPG	ordinary registered	Transportation
4	LUKA KOPER, d. d.	KRKG	ordinary registered	Pharmaceuticals
5	MERCATOR, d. d.	MELR	ordinary registered	Retailing
6	PETROL d. d., Ljubljana	PETG	ordinary registered	Oil & Gas
7	POZAVAROVALNICA SAVA, d. d.	POSR	ordinary registered	Insurance
8	TELEKOM SLOVENIJE d. d.	TLSG	ordinary registered	Telecommunications
9	ZAVAROVALNICA TRIGLAV, d. d.	ZVTG	ordinary registered	Insurance

STANDARD MARKET

	Company	Trading code	Type of share	Sector
1	AERODROM Ljubljana d. d.	AELG	ordinary registered	Transportation
2	DELO PRODAJA, d. d.	DPRG	ordinary registered	Media
3	LETRIKA d. d.	IALG	ordinary registered	Electrical Equipment
4	ISTRABENZ d. d.	ITBG	ordinary registered	Industrial Holdings
5	KOMPAS MTS d. d.	MTSG	ordinary registered	Retailing
6	MLINOTEST d. d.	MAJG	ordinary registered	Food, Beverage & Tobacco
7	NIKA, d. d., Brežice	NIKN	ordinary bearer	Diversified Financials
8	PIVOVARNA LAŠKO, d. d.	PILR	ordinary registered	Food, Beverage & Tobacco
9	SALUS, Ljubljana, d. d.	SALR	ordinary bearer	Health Care Equipment & Services
10	SAVA, d. d.	SAVA	ordinary registered	Industrial Holdings
11	TERME ČATEŽ d. d.	TCRG	ordinary registered	Tourism & Travel
12	UNIOR d. d.	UKIG	ordinary registered	Forging Industry
13	ŽITO, d. d.	ZTOG	ordinary registered	Food, Beverage & Tobacco

Who is who at the Ljubljana Stock Exchange

President of the Management Board

Andrej Šketa

Member of the Management Board

Nina Vičar, MSc

Director of Market Operations

Darja Jermaniš, MSc

Director of IT

Marko Simčič, MSc

Head of Management Board Cabinet & PR

Metka Šipek

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