

Annual Report 2018

Ljubljana Stock Exchange



LJUBLJANSKA BORZA

LJUBLJANA *Stock Exchange*



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INTRODUCTION



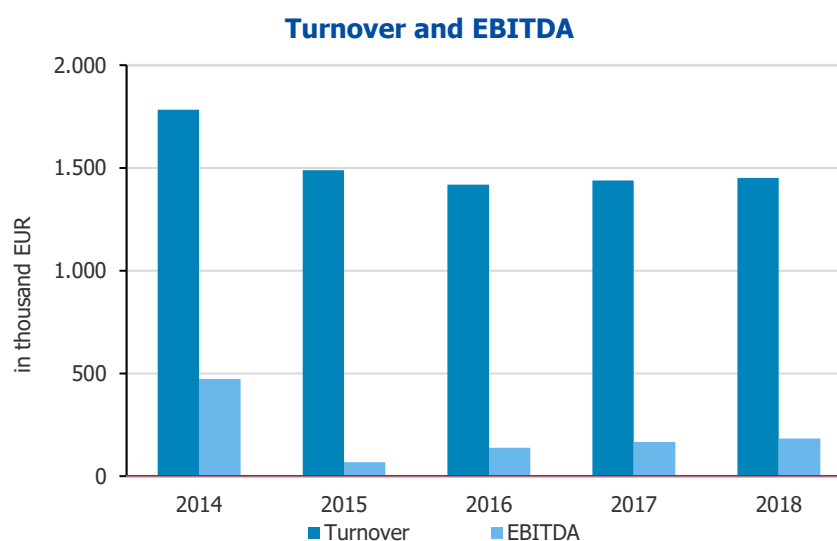
LJUBLJANSKA BORZA
LJUBLJANA *Stock Exchange*



Ljubljana Stock Exchange Highlights

**EUR 1,450,799
SALES REVENUE**

**EUR 183,454
EARNINGS BEFORE
INTEREST, TAXES,
DEPRECIATION, AND
AMORTIZATION
(EBITDA) 2018**



(in EUR)	Key financial figures for the company Ljubljana Stock Exchange				
	2018	2017	2016	2015	2014
Called-up capital	1,400,893	1,400,893	1,400,893	1,400,893	1,400,893
Equity	2,471,796	2,591,903	2,376,378	2,286,827	2,662,479
Assets	2,771,539	2,939,649	2,654,468	2,642,682	2,896,847
Revenues (total)	1,453,553	1,445,485	1,421,246	1,493,896	1,793,547
- revenues from trading fees	503,905	464,127	502,011	516,571	731,374
- other revenues	949,648	981,358	919,235	977,325	1,062,173
Costs (total)	1,390,127	1,352,242	1,355,835	1,579,384	1,498,910
- labour costs	617,626	615,491	546,430	758,576	572,227
- other costs	772,501	736,751	809,405	820,808	926,683
EBITDA	183,454	166,103	137,390	68,830	470,768
Operating profit / loss (EBIT)	62,632	88,421	63,427	-90,445	285,292
Profit / loss before tax	63,425	93,243	65,411	-85,488	294,637
Taxes	-16,541	-13,924	24,140	-10,684	-15,157
Net profit / loss for the period	46,885	79,319	89,551	-96,172	279,480

SHARE INFORMATION

Nr. of shares	33,571	33,572	33,573	33,574	33,575
Net profit per shares in EUR ¹	1.40	2.36	2.67	-2.86	8.32
Dividend per share in EUR	-	5.03	-	-	8.33
Book value in EUR ²	73.63	77.20	70.78	68.11	79.30

NUMBER OF EMPLOYEES

Year-end	13	11 (+33)	12	10	10 (+13)
Average ³	12.4	12.3	9.8	10.1	10.2

¹ Profit of the year/Average number of shares issued in the year

² Equity as at 31 Dec/Total number of shares issued

³ excluding 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 Address	info@ljse.si
Website	www.ljse.si
Incorporated on	26 December 1989
Share Capital	EUR 1,400,893.01
Shareholders	Zagrebačka burza d.d. – 100% owner Company EUNEX-C d.o.o., Ulica Stanka Vraza 25, 42000 Varaždin, Croatia has a 19.98% indirect qualifying holding.
Core Business	Regulated Securities Market Operator
Business Activity Code	67.110
Registration Number	5316081
VAT Identificaiton Number	59780061
Size	Small Company (in accordance with Article 55 of the Companies Act (ZGD-1) - a large company for the purpose of preparing the books and annual report)
Companies Register Entry	1/04218/00, District Court of Ljubljana

Business

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

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

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

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

- Operating the stock exchange market in financial instruments for which it had obtained the Securities Market Agency's authorisation;
- Publishing securities prices;
- Providing information on the supply, demand and market value of securities, and other information on securities;
- Analytic research work in the financial market;

- Providing IT services to support trading;
- Operating the Slovenian multilateral trading facility (MTF);
- Operating the Slovenian officially appointed mechanism (OAM);
- Selling and maintaining the software developed for the purposes of providing its services.

Report from the Management Board

The LJSE's operations in 2018 were successful. Total revenue amounted to EUR 1,453,553 and total expenses were EUR 1,390,127. The total revenues are by EUR 34,573 or 2.3% lower than planned. The overall result for 2018 is positive, reflecting the improved macroeconomic situation of the Slovenian economy, increased stock market activity and internal cost optimization of the LJSE.

Compared to 2017, total revenues increased by 0.6% and expenses increased by 2.8%. In 2018, LJSE realized a positive cash flow of EBITDA in the amount of EUR 183,454, which is 10.4% more than in 2017. The operating result of the LJSE to a large extent depends on income from trading which amounted to EUR 503,905, 8.6% higher than in 2017. Listing fees revenue and listing maintenance fees amounted to EUR 381,709 and were 4.3% higher than in the previous year. Information-communication (ICT) services related to the Xetra® and SEO systems generated EUR 184,625, which is at a comparable level as in the previous year. Revenues from market data vending were also stable compared to the previous year, in 2018 they contributed EUR 269,971 of revenues or 2.0% more than in the year before. The LJSE operates smoothly and without external indebtedness.

At the end of the year the LJSE had 13 employees. Despite the small number of employees, the LJSE successfully performed all tasks, which is a reflection of good internal organisation and a high level of employee efficiency and motivation. As every year also in 2018 the LJSE devoted special attention to operations compliance and in-house corporate governance, which we try to continuously upgrade according to the changing external circumstances or changed internal LJSE processes. We received no extraordinary measures from the Securities Market Agency in 2018. The LJSE is also not facing any pending complaints or legal actions filed in 2018 by capital market stakeholders.

In addition to regular market management activities, in 2018 the LJSE:

- Harmonised organisational changes stipulated in RTS 7 (MiFIR and MiFID);
- Arranged 'pre-' and 'post-' trading transparency reporting (15-minute delayed data on the Website), successfully reported quarterly data on quality of executions of transactions (RTS27 – Quality of Executions of Transactions);
- As at 1 January 2018 started with daily reporting in accordance with RTS 1 and 2 (Transparency), 3 (DVCAP) and 23 (Reference Data);
- Continued with activities for further development of the capital market in Slovenia and launched Partner Programme, i.e. a programme for the education of small and medium-sized enterprises.

In 2018, positive synergy effects were achieved with the LJSE owner, Zagreb Stock Exchange, both in the field of harmonisation of LJSE operations and organisation of the market with the objectives and business model of the LJSE owner, as well as in the field of optimisation and rationalisation of operations, namely:

- Change on the SI ENTER market – segments ENTER and Progress;
- Funderbeam CEE platform;
- Introduction of changes due to the enforcement of legislation in the field of personal data protection (GDPR).

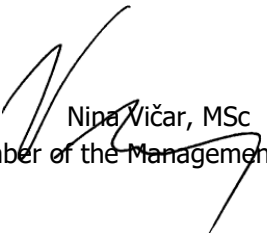


Movements on the Slovenian regulated capital market resulted in a slight drop of the SBI TOP index, which decreased by 0.2% in 2018. The total turnover amounted to EUR 337,3 million in 2018 and was 2.9% lower than in the previous year. Foreign investors dominated trading in 2018, with a 52.4% share in the turnover of the Prime Market shares. In 2018 the downward trend in the number of member firms and listed companies continued; however, on the other hand, it is gratifying to note that a new Prime Market share as well as 2 new bonds and 3 new issues of commercial papers were listed on the LJSE.


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

Ljubljana, 25 March 2018

Ljubljana Stock Exchange


Nina Vičar, MSc
Member of the Management Board




Aleš Ipavec, MSc
President of the Management Board

Report from the Supervisory Board

Within its powers and competences, the LJSE Supervisory Board (hereinafter: Supervisory Board) monitored in 2018 the work of the Management Board and the company's operations as well as periodically examined the company's results set out in its financial statements.

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

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

In 2018, the Supervisory Board met at three regular and three correspondence meetings. The Management Board sent the materials for the Supervisory Board sessions seven days before the session.

Work of the Supervisory Board in 2018

In 2018 the Supervisory Board dealt with past and current business. The Supervisory Board closely monitored the corporate governance as well as rationalisation and compliance of the company's operations. The Supervisory Board supervised human resources and risk management. It also adopted the Business and Financial Plan for 2019.

The following highlights can be singled out to illustrate the work of the Supervisory Board in 2018:

- The Supervisory Board reviewed and adopted the LJSE 2017 Annual Report as well as materials for the General Meetings.
- The Supervisory Board adopted the plan of activities of the Supervisory Board for 2018.
- At each meeting the Supervisory Board looked at recent financial reports, compliance reports, trading, listing and delisting reports and reports on members firms. The Management Board also promptly informed the Supervisory Board of its risk management strategy, internal controls, adopted resolutions and other significant events relevant for the company's operations.
- In the area of internal audit, the Supervisory Board reviewed and gave its consent to the conclusion of the contract with the external provider of the internal audit services, discussed and gave its consent to the annual audit plan for 2018 and 2019, regularly monitored the reports on the performed internal audits and the implementation of the internal auditors' recommendations, and discussed the annual report on the work of the internal audit, to which it had no comments. The Supervisory Board notes that the internal audit carried out its tasks under the annual plan for 2018, with several recommendations. All relevant recommendations, for which the deadline for implementation was 31 December 2018, are realized. Other recommendations will be realized in 2019.
- The Supervisory Board supported the proposed development activities and monitored rationalisation and optimisation of the company's operations.
- The Supervisory Board reviewed and adopted the LJSE 2019 Business Plan.
- The Supervisory Board gave its consent to the sale of two floors of business premises.

Performance and Remuneration of the Management Board

The Supervisory Board regularly monitored the work of the Management Board, and in particular, in detail at the regular meeting, when it determined the variable part of the salary in accordance with the employment contract and the accepted remuneration method, taking into account the profit or loss of the LJSE. The Supervisory Board's assessment is that the management in the year 2018 performed well, and the achieved business result is higher than planned. A large part of the activities of the Management Board was focused on actions in new areas, the implementation of new requirements in the regulatory field, and the enhancement of the status and visibility of the LJSE.

Self-evaluation of the Supervisory Board

The LJSE used in 2018 equal or comparable concepts of corporate governance and supervision of operations and similar approaches to its clients and stakeholders as its parent company, i.e. the Zagreb Stock Exchange, which has a 100% ownership stake in the LJSE. This was also reflected in the representation in the Supervisory Board, which comprised three representatives of the Zagreb 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 Supervisory Board with regards to representativeness, experience and professional competence is adequate.

Members regularly attended the meetings in 2018 and actively participated in discussions on all items on the agenda.

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

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

Annual Report 2017

The Supervisory Board reviewed the 2017 LJSE Annual Report, together with the Auditor's Report, at its meeting on 5 April 2018.

The financial statements were audited by KPMG Slovenia, d. o. o.

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

The unqualified opinion of auditors KPMG Slovenia, d. o. o., 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 LJSE in 2017 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 LJSE as at 31 December 2017. 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 5 April 2018 to formally adopt the 2017 LJSE Annual Report.

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

In the previous financial year 2018 the company Ljubljanska borza, d. d., Ljubljana did not conclude any legal transactions with the controlling company Zagrebačka burza d.d. or its affiliated companies, nor did it carry out or fail to carry out any other action at the initiative or in the interest of these companies which would cause deprivation to the company or which would mean that the LJSE would not get a proper refund. LJSE further states that the contracts entered into with the Zagreb Stock Exchange in 2018, i.e. Annex to the Cooperation in Data Vending, three agreements on services provision and Agreement on Progress Webpage, were not in any way a deprivation to the LJSE and do not mean that the LJSE will not get an appropriate refund, but will ensure additional optimisation of operations, thus increasing the possibility of LJSE services development and generating additional revenues in the coming years. In view of circumstances that were known at the time when the legal transaction was performed, or an act was carried out or failed to be carried out, the LJSE received a proper refund and was in no way deprived.

The Supervisory Board addressed the Report on Affiliated Companies together with the auditor's report on the financial statements on its regular meeting held on 23 April 2019.

Report on relations with the Affiliated Companies was audited by auditors from Deloitte revizija d.o.o.

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

The Supervisory Board has no additional comments to the statement of the Management Board that in relations with the controlling company the Zagreb Stock Exchange or its affiliate companies no transactions were entered into in 2018 which would cause deprivation to the LJSE.

Approval of Annual Report 2018, Proposal and Settlement of profit for 2018

The Members of the Supervisory Board were regularly informed about the operations of the LJSE at regular meetings of the Supervisory Board. The management reported on all interim reports. The Supervisory Board discussed preliminary financial statements for 2018 at its 24th correspondence session on 24 January 2019.

The members of the Supervisory Board received the proposal of the Annual Report for the financial year 2018 on 17 April 2019 and discussed it at its 25th regular meeting of 23 April 2019.



Based on the proposal of the Annual Report and the report of the audit company, the Supervisory Board assessed that the annual report of the Management Board credibly reflects the events and comprehensive information on the operations of the LJSE in 2018 and upgrades the information that it regularly received during the business year. As no comments were received on the proposal of the Annual Report and the Audit Report, the report proposal was unanimously approved at the body's regular meeting on 23 April 2019. With this, the Annual Report was formally adopted in accordance with the provisions of Article 282 of the Companies Act and the Articles of Association of the LJSE.

Together with the Annual Report, the Supervisory Board also approves the proposal for the use of accumulated profit.

In 2018, the LJSE achieved net profit of EUR 46,884.68, consisted by the net profit for the current year in the amount of EUR 52,555.04, newly formed deferred tax assets in the amount of EUR 1,941.26 and 7,611.62 EUR of elimination of deferred tax assets. According to the decision of the Management Board and with the consent of the Supervisory Board, the total net profit for the financial year remains undistributed and, together with the retained earnings in the amount of EUR 9,887.88, constitutes the accumulated profit. Thus, the accumulated profit for the financial year 2018 is EUR 56,772.56. The Management Board and the Supervisory Board propose to allocate the reported accumulated profit for 2018 in order to pay dividends to the shareholder.

Mrs Ivana Gažić, MSc
President of the Supervisory Board

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

BUSINESS REPORT



LJUBLJANSKA BORZA

LJUBLJANA *Stock Exchange*

Corporate Governance Statement

The LJSE is a private joint-stock company, which complies with and implements the corporate governance principles arising out of legal norms, the company's internal acts and established best practices. Being one of the authors of the Slovenian Corporate Governance Code for Listed Companies (hereinafter: CG 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;
- The Supervisory Board.

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

General Meeting

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

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

There was one General Meetings held in 2018.

The 38th GM as at 12 June 2018:

- Reviewed the Annual Report for 2017, decided on the use of accumulated profit for 2017, and on discharging the Management Board and Supervisory Board from responsibility.
- Appointed the auditor for 2018.
- Decided on the remuneration of the Supervisory Board members.
- Adopted amendments to Articles of Association.
- Discussed the internal audit report for 2017 with the opinion of the Supervisory Board.

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. The Supervisory Board is currently composed of four members. All Supervisory Board members have equal rights and obligations unless otherwise specified by the Articles of Association, and are appointed for a four-year term.

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

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

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

Supervisory Board remuneration does not directly depend on the company's performance, and it is disclosed under Supervisory Board Remuneration in 2018, in the Notes to the Financial Statements.

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

The work of the Supervisory Board in 2018 is outlined in more detail in the report of the Supervisory Board.

Shareholder representatives

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

LJSE employees' representative

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

The Supervisory Board may establish special Supervisory Board committees, either for the entire term of the Board or to account for difficult issues that call for efficient solutions. The types of such committees, their composition and nomination of committee members are stipulated in the Supervisory Board Rules of Procedure. The Supervisory Board did not constitute any permanent committees of the Supervisory Board.

Management Board

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

The LJSE Management Board has the following main tasks:

- Management and representation of the LJSE;
- Implementation of the company's development and operations strategy;
- Ensuring compliance with the provisions of the Markets in Financial Instruments Act;
- Organising and providing for a smooth workflow at the LJSE;
- Preparing programme and financial objectives of the LJSE's operations, etc.;
- Acts with the care of a conscientious and honest businessman and guards business secrets.

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

The payments, reimbursements and other benefits received by the LJSE Management Board are stipulated in their employment contracts as entered into between the Supervisory Board and each Management Board member, and in a small part directly depend on the company's performance. All payments, reimbursements and other benefits are disclosed in the Notes to the Financial Statements under Management Board Remuneration in 2018.

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

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

Members of the Management Board

- Aleš Ipavec, MSc, President of the Management Board

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

- Nina Vičar, MSc, Member of the Management Board

She has been with the LJSE since 2005. After having joined the senior management team in 2008 she has mainly been in charge of trading, market operation, relations with trading members, market surveillance, development of LJSE services and attracting new remote members, as well as running marketing activities, and event management. She worked on several development projects and coordinated the implementation of the then new trading system, Xetra® and she also covers the area of compliance of the LJSE's operations. She initially took office as Member of the Management Board on 15 May 2013, while her current four-year term started on 1 September 2016 and will end on 31 August 2020.

Board of Members and Board of Issuers

The Board of Members and Board of Issuers are the LJSE counselling bodies composed to discuss significant expert and development matters related to the 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.

Composition of the Board of Members:

- Stanislava Zadavec Capriolo, MSc (president of the Board), Director, The Bank Association of Slovenia;
- Simon Mastnak, MSc, Executive Director, ALTA Skupina d. d.;
- Igor Štemberger, President of the Management Board, Ilirika BPH d. d., Ljubljana;
- Andrej Meža, Director of Investment banking and custodian services sector, NLB, d. d.;
- Martina Štefančič Vrščaj, Head of Securities Department, BKS Bank AG, Bančna podružnica (from 22 May 2018);
- Boštjan Herič, MSc, Executive Director for Financial Markets, Abanka Vipava, d. d., (until 27 March 2018).

Composition of the Board of Issuers:

- Uroš Ivanc (president of the Board), MSc, Member of the Management Board, Zavarovalnica Triglav, d.d.;
- Polona Pirš Zupančič (deputy president of the Board), Member of the Management Board, Pozavarovalnica Sava, d.d. (from 4 January 2018);
- Brane Kastelec, MSc, Director of Finance, Krka, d.d.;
- Igor Stebernak, Member of the Management Board, Petrol, d. d. (from 12 March 2018);
- Sabina Merhar, Director of Finance and Accounting, Telekom, d. d., (from 9 July 2018);
- Tadeja Štehar, MSc, Director of Business Support, Petrol, d. d. (until 11 March 2018);
- Jožica Turk, Management Board's executive assistant for corporate finance, Gorenje, d.d. (from 5 November 2018);
- Aleš Aberšek, Member of the Management Board, CFO, Telekom, d. d. (until 20 April 2018).

Corporate Governance in the Group

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

Company EUNEX-C d.o.o., Ulica Stanka Vraza 25, 42000 Varaždin, Croatia has a 19.98% indirect qualifying holding.

In addition to being the 100% owner of the LJSE in 2018, the Zagreb Stock Exchange was also:

- A 33.33% owner of the Company SEE link d. o. o., which was founded in May 2014 in cooperation with the Bulgarian and Macedonian Stock Exchange, which have the same share of ownership in the company;
- A 20% owner of the company Funderbeam South-east Europe d.o.o.

Statement on Compliance with the Corporate Governance Code

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

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

As at 31 December 2017, the LJSE had one shareholder (100%), namely the company Zagrebačka burza, d.d., Ivana Lučića 2a, 10000 Zagreb, Croatia (hereafter: Zagreb Stock Exchange).

Company EUNEX-C d.o.o., Ulica Stanka Vraza 25, 42000 Varaždin, Croatia has a 19.98% indirect qualifying holding.

The LJSE as a co-signatory of the CG Code actively strives to encourage compliance with the CG Code and its corporate governance principles in business practice and also improves its own corporate governance system according to the best practices principle. Therefore, the LJSE decided to voluntarily apply the CG Code, which was adopted on 27 October 2016 and entered into use on 1 January 2017 and based on which the Statement on Compliance with the CG Code is drawn up. The CG Code is publicly available on the LJSE's website in the Slovenian and English languages.

In accordance with the commitments given in the previous Statement of Compliance with the CG Code, the LJSE upgraded its corporate governance system in the period from 1 January 2018 until the adoption of the Annual Report 2018 and further aligned with the provisions of the CG Code. During this period the LJSE aligned with the following provisions of the CG Code:

- Item 2 – Corporate Governance Policy
 - The LJSE Management Board adopted the Corporate Governance Policy to which the Supervisory Board gave its consent at its first meeting in 2019. The Corporate Governance Policy represents a detailed description of the existing LJSE corporate governance already implemented in practice in 2018. It is published on the LJSE website in the Slovene and English languages.
- Items 4, 9 and 10 – Diversity Policy



- The LJSE Management Board adopted the Policy on the Diversity of the Management and Supervisory Boards of the LJSE (hereafter: Diversity Policy) to which the Supervisory Board gave its consent at its first meeting in 2019. The Diversity Policy determines the main principles for ensuring diversity among members of the management board and supervisory board and is taken into consideration, together with the Policy for Assessing the Suitability of Members of the Management Board and the Supervisory Board of the LJSE, when selecting new members of the management board or the supervisory board and in the supervisory board performance self-evaluation. The Diversity Policy is published on the LJSE website in the Slovene and English languages.
- Items 11, 22 and 23 – Statement of Independence
 - The LJSE aligned with this recommendation on the first meeting of the Supervisory Board in January 2019, when the members of the Supervisory Board completed and signed the Statement of Independence, whereby they pronounced themselves with regards to meeting the criteria regarding conflicts of interest listed in Appendix B of CG Code.
- Item 12.4. - Workers' council's report on the status of workers' participation in management
 - The LJSE aligned with this recommendation on the first meeting of the Supervisory Board in January 2019, when the Supervisory Board discussed the workers' council's report on the status of workers' participation in management.
- Item 14 – Supervisory Board Evaluation
 - In 2018 the Supervisory Board evaluated its composition, performance and potential conflicts of interests of its individual members, as well as the board's functioning and its cooperation with the Management Board, in accordance with the CG Code.
- Item 16 – Appointment of the Supervisory Board Secretary
 - In 2018, at the proposal of the Management Board, the Supervisory Board appointed the Head of the Management Board Cabinet as the supervisory board secretary, who takes minutes, attends to the archives and offers organizational support to the Board. The President of the Management Board of the LJSE is responsible for the communication between the LJSE and the Supervisory Board regarding governance matters.

Some minor deviations, which are explained below in relation to each item of the CG Code, derive mainly from the specific position and size of the LJSE

Item 11

Recommendation:

Statement of Independence, disclosing their meeting of the criteria for Conflict of Interest, stated in Attachment B of the CG Code, is posted on the company's website.

Explanation of deviation:

The LJSE does not publish the Statements of Independence of the members of the Supervisory Board. Thus, the LJSE herein discloses that three members of the Supervisory Board, capital representatives, have been identified as dependent, which is primarily due to the fact that these members are also members of the management board or the broader management of the Zagreb Stock Exchange, which is an affiliated company and, at the same time, the sole shareholder of the LJSE.

Items 27 – 30: Transparency of Operations

Recommendation:

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

Explanation of deviation:

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

Diversity Policy

In the period from 1 January 2018 until the adoption of this Annual Report, the LJSE adopted the Policy on the Diversity of the Management and Supervisory Boards of the LJSE (hereafter: Diversity Policy), which determines the main principles for ensuring diversity among members of the management board and supervisory board which are taken into consideration when selecting new members of the management board or the supervisory board and in the supervisory board performance self-evaluation. The aim of the Diversity Policy is to achieve a greater diversity of the company's management and supervisory board, which will contribute to the greater quality and efficiency of these bodies as a whole.

Pursuant to the Diversity Policy, the principles for ensuring diversity to be taken into account when appointing and assessing the composition of the management and supervisory boards are in particular:

- Heterogeneous composition of the management board and the supervisory board, which means that the members have mutually complementary professional knowledge, experience and skills;
- Adequate continuity should be ensured, which means an appropriate balance between the current and new members of the management board and the supervisory board;
- The pool of potential candidates for members of the management board and the supervisory board should also take into account diversity in terms of gender and age.

In the process of appointing the members of the Management Board and the Supervisory Board in 2016, the criteria that the Supervisory Board defined in accordance with the then applicable Policy for Assessing the Suitability of Members of the Management Board and the Supervisory Board of the LJSE and the Supervisory Board Resolution were taken into account. The criteria also took into account their expertise, experience and skills.

The composition of the Management Board and the Supervisory Board takes into account gender diversity, while the smaller diversity of professional qualifications is complemented with other relevant knowledge, skills, experiences and competences acquired by members of both bodies of the company during their working career. Continuity of work is guaranteed in the Management Board, while all members of the Supervisory Board, capital representatives, were newly appointed to the Supervisory Board due to the change of ownership.

Risk management

Internal controls and risk management

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

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

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

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

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

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

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

Thus recognised and assessed operational risks are appropriate basis for drawing up the LJSE's mid-term and annual internal audit plan. In terms of operational risks the LJSE introduced some improvements:

- Several MiFID/MiFIR compliance demands were implemented, which also improved the level and orderliness and regulation of management/organisation/oversight of trading and simultaneously decreased risk.

- The majority of communication equipment and UPS was replaced in the IT Centre – all equipment is duplicated.
- In 2018 the internal audit of IT was focused on InfoStorage services provision.

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

Within the scope of activities in the field of corporate governance, as of 1 January 2018 and until the adoption of this Annual Report, the LJSE further harmonized its operations with the provisions of the Corporate Governance Code, as detailed in the Statement of Compliance with the Corporate Governance Code.

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

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

- Development and adoption of bookkeeping documents;
- Recording of business events in the books;
- Payroll and other employee benefits;
- Cash register operations;
- Documentation preparation for the execution of the annual inventory of assets and liabilities;
- Implementation and monitoring of payment transactions and reporting on the state of liquidity to the Management Board.

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

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

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

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

Internal audit

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

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

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

External audit

Our financial statements for 2018 are being audited by the auditor Deloitte revizija d.o.o. Our company complies with the CG Code, and with the Securities Market Agency's recommendations to hire another auditor every five years.

Other information (as at 31 December 2018)

- Substantial direct and indirect holding of securities

The Zagreb Stock Exchange Inc., Ivana Lučića 2a, 10000 Zagreb, Croatia, holds 100% of all LJSE shares. Company EUNEX-C d.o.o., Ulica Stanka Vraza 25, 42000 Varaždin, Croatia has a 19.98% indirect qualifying holding.

- Holders of securities with special control rights

The LJSE shares have no special control rights attached to them.

- Limited voting rights

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

- 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 LJSE is to ensure a secure, transparent, efficient and successful operation of the regulated segment of the Slovene capital market. We shall continue to perform this role with the highest level of integrity. In addition to operating the stock market, the LJSE shall actively work on the development of the local capital market in the segment of small and medium sized enterprises (hereafter: SMEs). We wish to bring the LJSE and the mechanisms, with which SMEs can more easily achieve their economic and financial goals, closer to SMEs.

Vision

We wish to become the information and financial intersection point for the local and regional capital market. We wish to offer the highest quality services to all users of our services and business partners, to constantly improve and supplement them, and to put them ahead of the competition. Our vision is to become the most modern and the fastest growing stock exchange of the South-Eastern Europe.

Strategy and strategic objectives

The current Management Board pursues the following strategic goals:

- Maintaining high level of quality, organization and regulation of the market;
- Further growth of the capital market and increase of liquidity of the local market;
- Further development of the "LJSE Partner Program" - an educational and advisory programme, which acts as a support for the acquisition of new products on the stock exchange;
- Further development of MTF market SI ENTER;
- Listing new securities on the stock exchange market and SI ENTER;
- Development of Funderbeam infrastructure for financing enterprises in their initial stage of growth;
- Finding new financial resources through the promotion of long-term saving schemes;
- Joint activities for the development and promotion of the capital market with all market stakeholders;
- Achieving international comparability and recognition of the market through regional integration with the Zagreb Stock Exchange;
- Enhancing the LJSE's reputation;
- Supporting the development of the primary market;
- Increasing the efficiency and performance of the LJSE's operations.



Basic macroeconomic indicators for Slovenia

	2013	2014	2015	2016	2017	forecast		
						2018	2019	2020
Real GDP growth (%)	-1.1	3	2.3	3.1	4.9	4.4	3.7	3.4
GDP per capita (PPS EU28=100) ¹	82	82	82	83	85			
Government debt (% of GDP)	70.4	80.4	82.6	78.7	74.1			
Current deficit (% of GDP)	-14.7	-5.5	-2.8	-1.9	0.1			
Inflation (year-end) ²	0.7	0.2	-0.4	0.5	1.7	2.1	2.3	2.4
Registered unemployment	13.1	13.1	12.3	11.2	9.5	8.2	7.7	7.2

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

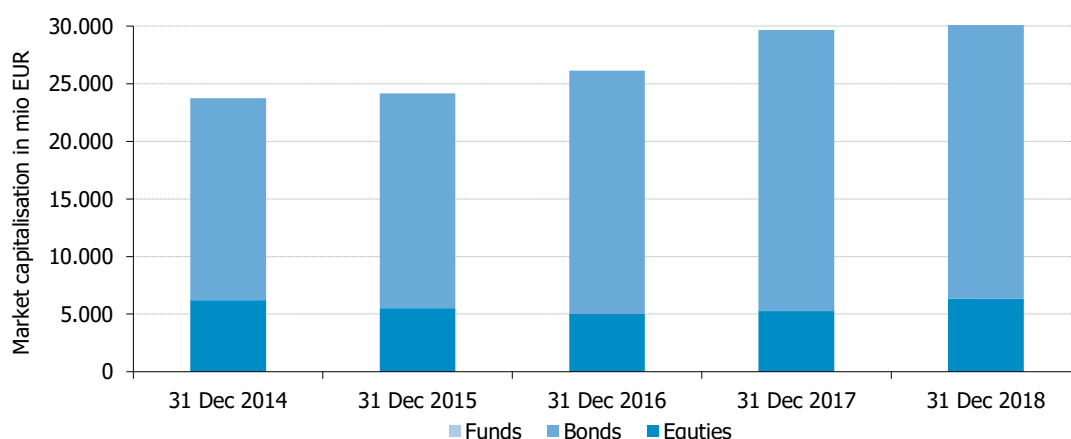
Ljubljana Stock Exchange operations in 2018

The LJSE took measures to create a positive atmosphere in 2018 but still encountered a decrease in turnover compared to 2017. The SBI TOP index remained on the same level comparing to the year before, dropping by -0.2%.

Market capitalisation

Share market capitalisation increased by 20.4% compared to 2017, amounting to EUR 6,348.8 million at the end of December 2018, accounting for 14% of the GDP for the previous year (Q4 2017 – Q3 2018: EUR 45,281.4 million, Source: SORS). This increase is mainly due to the listing of a new share NLB to Prime Market. As a result of the delisting from the organized market, the sale of state ownership, bankruptcy or restructuring, 5 companies were delisted from the Standard Market and 1 from Prime Market. The value of market capitalization of bonds reached 10.8% growth compared to 2017.

Market capitalisation 2014 – 2018



Source: Ljubljana Stock Exchange

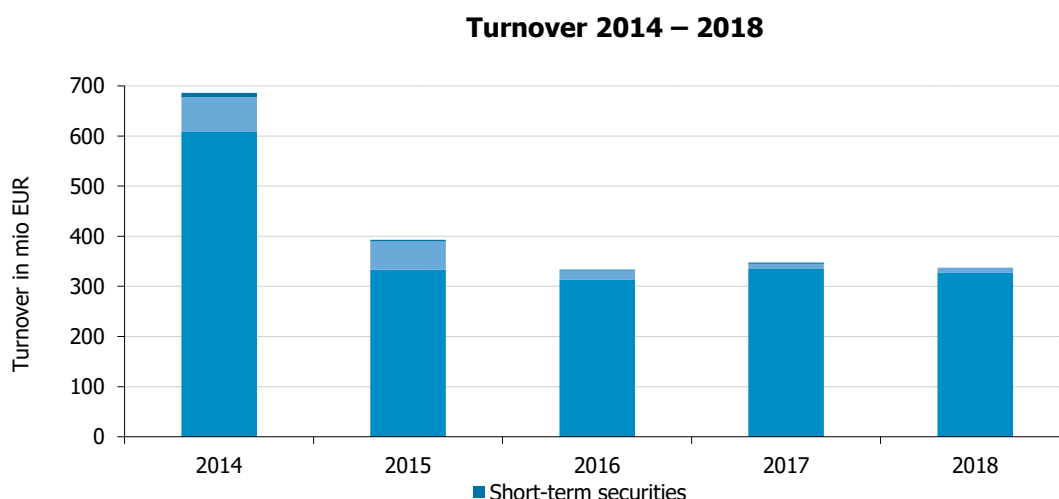
¹ Measured in Purchasing Power Standard (PPS)

² Measure of inflation is consumer price index



Turnover on the Ljubljana Stock Exchange

The total turnover on the LJSE amounted to EUR 337.3 million in 2018, while turnover without block trades amounted to EUR 286.5 million, which is 17.7% less total turnover without block trades compared to 2017. The largest turnover was in shares, EUR 327.7 million or 97.1% of total turnover. The structure of turnover is followed by bonds with 2.9% of total turnover.



Source: Ljubljana Stock Exchange

In 2018 the share of equity turnover experienced the most substantial change in the total turnover structure and was up 1.0%, whereas the share of bond turnover remained on the same level. In 2018 ordinary trades represented 85% of all trades (70.1% in 2017). Average daily turnover totalled EUR 1.4 million (same as in 2017), with 154 recorded trades per day on average (205 in 2017).

Turnover of LJSE Member Firms

The trading member with the highest total turnover in 2018 was ALTA Invest, d. d., which contributed 25.1% of the total turnover, followed by Ilirika with 11.7% of total turnover and Nova Ljubljanska banka, contributing 11.0% and BKS Bank, contributing 10.6% of total turnover. The turnover structure of member firms remains similar to 2017, as top 5 member firms generated 68.1% of the total turnover. At the end of 2018 the LJSE had 12 member firms. The number includes 4 remote members, which generated 29.2% of all stock exchange turnover in 2018.

Member Firm	Turnover in 000 EUR	Share
ALTA INVEST	169,561,812	25.1%
ILIRIKA BORZNO POSREDNIŠKA HIŠA	78,773,924	11.7%
NOVA LJUBLJANSKA BANKA	74,255,271	11.0%
BKS Bank AG	71,363,594	10.6%
INTERKAPITAL VRIJEDNOSNI PAPIRI	65,649,989	9.7%
OTHER	215,039,646	31.9%
SKUPAJ	674,644,235	100%

Source: Ljubljana Stock Exchange



Most traded equities on the LJSE

The most traded stock in 2018 was once more pharmacist Krka (KRKG) from the Prime Market, which generated 26.4% of all equity turnover. The runner-up in terms of turnover was Cinkarna Celje (CICG), which generated 17.2% of all equity turnover, while Zavarovalnica Triglav (ZVTG) came third generating 13.2%. On the bond market it was Adria Mobil 2nd issue (ADM2) that had the highest turnover.

Most Traded Equities	Turnover in 000 EUR	Number of Transactions	Market Capitalisation in EURm as of 31 December 2018
KRKA	86,404	8,905	1,895
CINKARNA CELJE	56,471	4,573	147
ZAVAROVALNICA TRIGLAV	43,241	3,824	689
PETROL	40,637	3,955	647
GORENJE	29,736	3,811	/
OTHER	71,206	12,688	2,970
SKUPAJ	327,694	37,756	6,349

Source: Ljubljana Stock Exchange

LJSE turnover structure according to markets in 2018

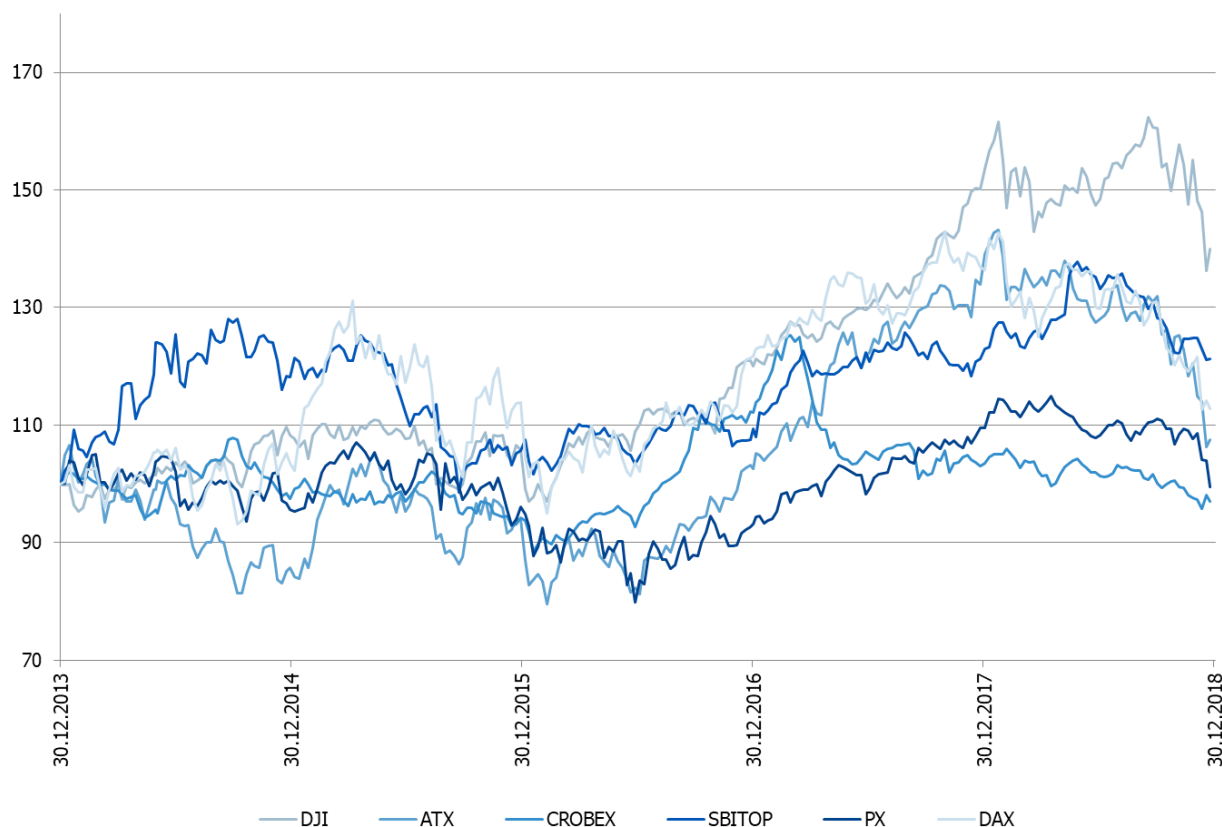
Market	Turnover in EUR	Share
Equities – Prime Market	266,124,342	78.9%
Equities – Standard Market	61,569,731	18.3%
9.628.0452,9%Bonds	9,628,045	2.9%
Treasury Bills	0	0.0%
Commercial Papers	0	0%
TOTAL	337,322,118	100%

Source: Ljubljana Stock Exchange



The LJSE blue chip index SBI TOP

The LJSE blue chip index SBI TOP was down -0.2% in 2018, closing at 805.06 points on the last trading day. The graph below gives the performance of SBI TOP against selected world indices in EUR (30 Dec 2013 = 100).



Source: Ljubljana Stock Exchange



Important Ljubljana Stock Exchange activities in 2018

LJSE development and promotion activities and events

Quarter	Activity
1Q 2018	New market segmentation: the new segments of the organised market are Prime and Standard Market
	Presentation of Funderbeam platform and Progress market
	Open Doors Week for Secondary Schools and Faculties
	Support and sponsorship of the Moje Finance project: "Financial Literacy of Youth"
	Webcast "Slovenian Listed Companies Online"
2Q 2018	LJSE joins the United Nations' "Sustainable Stock Exchange Initiative"
	LJSE confers the first Consultant statuses for purposes of MTF market SI ENTER operation for segment Progress
	35. Financial Conference in Portorož in co-organisation with Finance Daily
	Opening ceremony of the renovated business premises of the LJSE and meeting of all present and past employees of the LJSE
	Investor Days of the Ljubljana and Zagreb Stock Exchanges
	Webcast "Slovenian Listed Companies Online"
	New SI ENTER Rules
	New Regulations on obtaining the Status of the Advisor on the PROGRESS Segment
	New Regulations on the Form and Content of the Listing Document on the PROGRESS Segment
	Conference on the topic "Novelties on the Slovenian Capital Market"
	First generation of companies enters the LJSE Partner Programme
	Launch of the EBRD programme of support for admission to trading of SME securities
3Q 2018	LJSE and EBRD's official signing of the memorandum on cooperation in the support programme for admission to trading of SME securities
	LJSE begins with active development of Green Exchange
	Webcast "Slovenian Listed Companies Online"
4Q 2018	Round table "IPO as a process of selling a business or searching for capital on the market" in co-organisation with ISR
	Listing of the bank Nova Ljubljanska banka d. d., Ljubljana. The biggest Slovenian bank becomes a member of the elite group of companies on the Prime Market.
	Official ring the bell ceremony of Nova Ljubljanska banka d. d. and press conference when the shares were listed on the LJSE
	Webcast "Slovenian Listed Companies Online"
	Investor Day of the LJSE
	Conferring of LJSE awards to the best listed companies and member firms
	Pre-New Year's reception and bowling for members for market participants co-organised with KDD

Domestic and international market promotion and international cooperation

In 2018 the LJSE successfully carried out or cooperated in a series of promotion activities where it presented the Slovenian listed companies and the Slovenian capital market.

Basic programme consisted of the following activities:

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

Investment conferences where the Ljubljana Stock Exchange listed companies participated

Event	Location and date	Organiser/s
Webcast "Slovenian Listed Companies Online"	Ljubljana, Slovenia 23 March 2018	Ljubljana Stock Exchange
LSEG & CEE Conference	London, England 20 April 2018	London Stock Exchange and InterCapital
Investor Day of the Ljubljana and Zagreb Stock Exchanges	Zagreb, Croatia 24 and 25 May 2018	Ljubljana and Zagreb Stock Exchanges
Webcast "Slovenian Listed Companies Online"	Ljubljana, Slovenia 31 May 2018	Ljubljana Stock Exchange
Webcast "Slovenian Listed Companies Online"	Ljubljana, Slovenia 3 September 2018	Ljubljana Stock Exchange
Wood's Frontier Investor Days	Bucharest, Romania 5 – 7 September 2018	Wood & Co.
Investor Conference Erste Group	Stegersbach, Austria 8 – 12 October 2018	Erste Group Bank
Webcast "Slovenian Listed Companies Online"	Ljubljana, Slovenia 22 November 2018	Ljubljana Stock Exchange
Upgrade in Belgrade	Beograd, Republic of Serbia 15 November 2018	Belgrade Stock Exchange, Wood & Co.
Investor Conference of the Ljubljana Stock Exchange	Ljubljana, Slovenia 29 November 2018	Ljubljana Stock Exchange
Investment Conference of Wood & Co.	Prague, Czech Republic 4 – 7 December 2018	Wood & Co.

Partner programme

In 2018 the LJSE in cooperation with renowned financial experts and reputable institutions in the field of finance developed a two-year entrepreneurial program of educational and advisory nature. The Partner Programme is intended for all ambitious entrepreneurs, managers and owners with a clear vision and a desire to elevate their company to a higher level of business and step ahead of the competition.

The first year of programme comprises interactive workshops with presentation of the latest business models and entrepreneurial practices. Identifying and solving topical issues of each individual company is based on the exchange of participants' own experience and comparison with the competition. In the second part of the programme the company's management and moderators implement and upgrade, through an individual approach, the current business processes.

The Partner Programme connects successful and ambitious companies with international business environment, offers them professional support in conquering new markets and expanding cross-border business. The basic objective of the programme is offering support to companies in the search for all forms of financial resources and confident performance on the capital market.

On 20 June the first generation of companies entered the Partner Programme of the LJSE.

Other activities, media promotion and publications

- In 2018 the following publications were updated or issued anew with a view to promoting the capital market and our listed companies:
 - Guide for Investors 2018 (publication in Slovene);
 - Slovenian Capital Market (Slovenian and English versions);
 - Presentation leaflet for Partner Programme;
 - Presentation leaflet for Progress – issuers;
 - Presentation leaflet for Progress – consultants;
 - Presentation leaflet for Green Exchange;
 - Monthly and annual statistical reports.
- We also strive to continuously educate the youth about the Slovenian capital market. If approached by educational establishments, we give students free educational seminars about the LJSE at our premises.
- We supported and sponsored the Moje Finance project: 'Financial Literacy of Youth'.

Events after the Accounting Period

After the accounting period the LJSE organised an event on 31 January 2019 at the LJSE premises to mark the admittance of a new market maker to the LJSE, the company InterCapital Securities.

The event included a presentation of market making services followed by official signing of the contract for the provision of market making services between the LJSE and InterCapital Securities. InterCapital Securities began with the provision of market making services to two Prime Market companies, Krka d.d. Novo mesto and Zavarovalnica Triglav d.d. Ljubljana, on 1 February 2019.

Market surveillance and best market practices

Monitoring member firms and trades

Pursuant to the ZTFI, the LJSE monitors member firms and trades with the intention of detecting breaches of the LJSE Rules (disorderly market conditions, market abuses). In 2018 the LJSE reviewed 53 trading supervision examination reports and, based on these examinations, it issued 19 reports on completed examinations or notices on suspicious trades, and forwarded them to the Securities Market Agency.

Support to trading members

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

Counselling and support to listed companies

In 2018 the LJSE offered counselling and support to issuers of securities listed on the stock exchange market on how to ensure compliance with the Rules and other LJSE Acts and legislation concerning financial instruments market. Besides that the LJSE also counsels Prime and Standard Market companies with respect to disclosure and corporate governance.

In 2018 the LJSE reviewed a total of 21 examinations of monitoring disclosure and fulfilment of conditions by issuers on the stock exchange market and SI ENTER, and, based on these examinations, it issued two reports on completed examinations or notices on non-compliance with the obligation of disclosure of regulated information.

Human Resource Management

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

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

Employees

At the end of 2018, 13 employees were employed by the LJSE, which is one less than the year before.

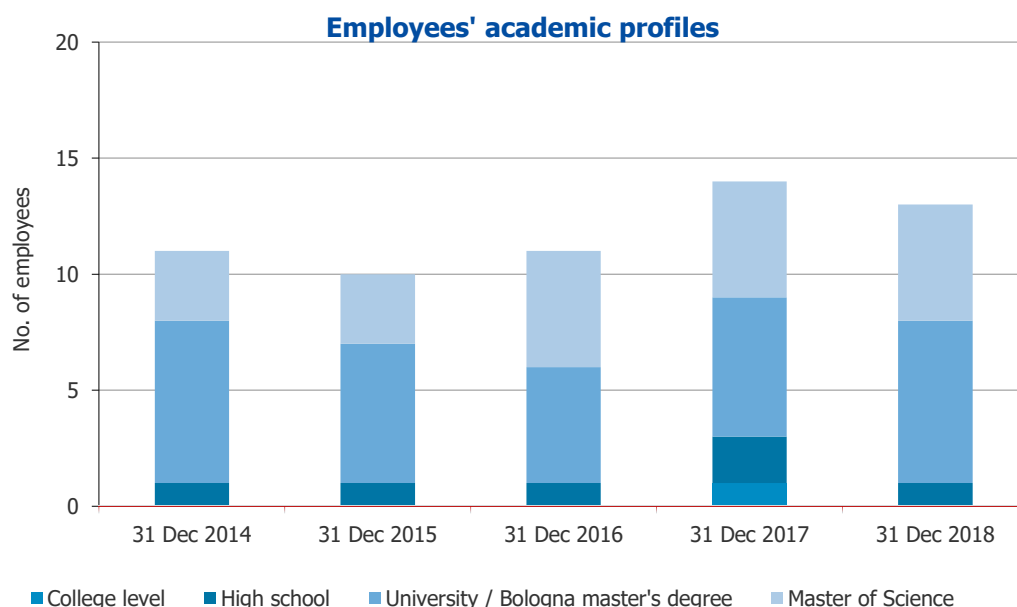
Due to rationalisation of labour costs in the year 2018, the LJSE limited recruitment from the external market and exceptionally approved employment in the area where there were no suitable human resources

that could be reallocated. The LJSE thus recruited an employee for a fixed term in the Market Operations Sector due to temporarily increased workload and replacement of the Director of the Sector. Furthermore, one employee in the field of market operations was hired for an indefinite period. The reduction in the number of employees in the previous year, when employment of two employees ended, was in one case the result of finding challenges elsewhere and in the other the result of termination of fixed employment at the end of 2018 as there was no longer a need for replacement of an employee in the Management Board Cabinet.

Demographics and employees' academic profiles

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

At the end of 2018, the employees' educational profiles were as follows: 1 employee (8%) had a college-equivalent degree, 7 employees (54%) had a bachelor's degree or bologna master's degree, and 5 employees (38%) had a master's degree.



Staff training and development

Fast development in all areas requires employees to constantly upgrade their expertise. Since there is no development without knowledge we try to offer our staff training and education in accordance with the business process needs and therefore give them the opportunity to grow and advance both personally and professionally. The LJSE has spent 0.4% of operating revenue on staff training.

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

Staff motivation

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

Since 2001 the LJSE has been investing additional optional pension insurance premiums on behalf of its employees with the Skupna pokojninska družba d. d. and Prva Osebná zavarovalnica 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. Good psychophysical well-being and a favourable psychosocial climate are guaranteed by open communication between employees; in addition in 2017 we have upgraded the system of health promotion with healthy nutrition.

Communicating with employees

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

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

Social corporate responsibility

The 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.

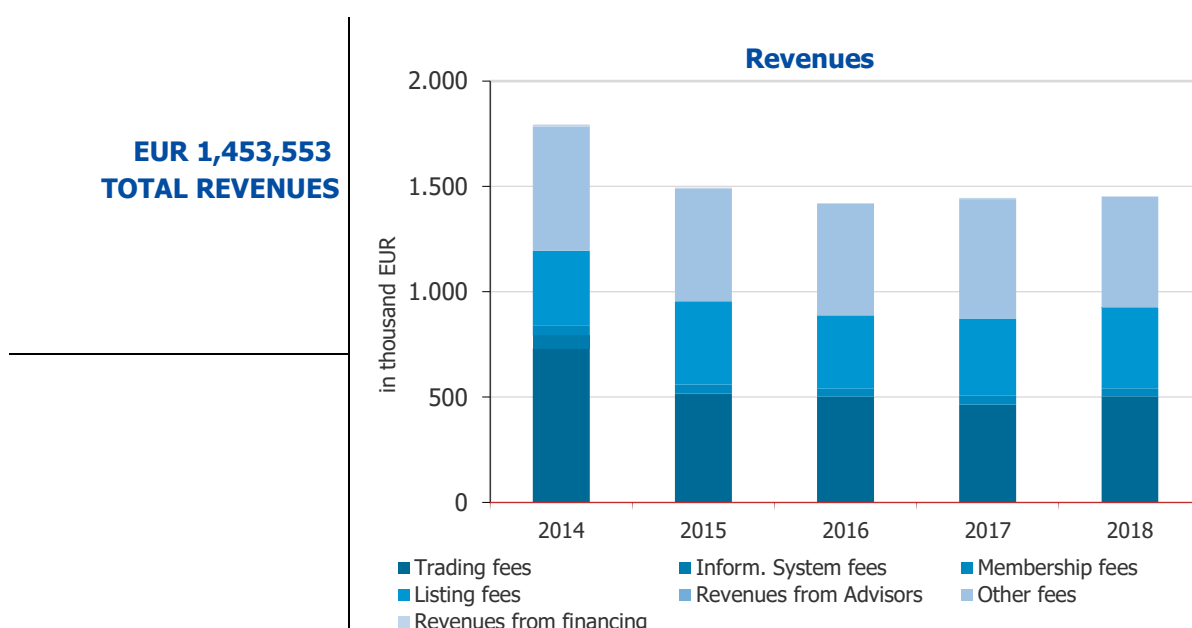
In addition, the LJSE has been a year-long active supporter of projects and activities aimed at improving corporate governance in Slovenia, as this promotes one of the key strategic objectives of the company and the entire capital market, i.e. working towards a high quality regulated market.

Business operations analysis

Ljubljana Stock Exchange operations in 2018

In 2018, the situation in the Slovenian economy continued to improve, however at a slower pace than in 2017. The capital market was also affected by political developments. Despite the fact that the turnover on the LJSE in comparison to the year before was somewhat lower, we can conclude that the LJSE successfully concluded the business year. The overall result for 2018 is positive, reflecting the improved macroeconomic situation of the Slovenian economy, stock market activities, divestment of unnecessary business premises and internal cost optimization of the LJSE.

Revenues



Compared to the same period in 2017, total revenue was up by 0.6% and amounted to EUR 1,453,553.

As much as EUR 926,972 of total revenue comes from the company's core business, i.e. trading fees, membership fees and listing fees.

Over the past five years the share of revenue from our core business has ranged from 60.3% in 2017 to 66.6% in 2014. In 2018 revenue from our core business represents 63.8% of operating revenue.

- *Revenue from trading fees*

Compared to previous years, with the exception of 2014 when the turnover was considerably higher compared to previous years, turnover in 2018 was relatively good. Revenue from trading fees thus amounted to EUR 503,905, which is 34.7% of total revenue and represents an increase by EUR 39,778, or 8.6%, from 2017.

- *Membership fees*

They amounted to EUR 37,250 and represent 2.6% of total revenue. In 2018 membership status terminated for one member firm. On 31 December 2018 the LJSE thus had 12 members.

- *Revenue from listing fees*

Listing fees generated EUR 381,709 of revenue. In the structure of revenues represents 26.3% of total revenue. In addition to new listings, which generated EUR 33,700, this also includes annual maintenance fees for listed securities (Prime Market and Standard Market shares and bonds) in the amount of EUR 328,809; revenue from fees for adopting decisions on listing expansions, on delistings and on suspensions of trading, which contributed EUR 19,200. Compared to 2017 revenues, the revenues in 2018 are 4.3% higher or EUR 15,749 higher.

- *Revenue from Authorised Advisors*

Revenues from authorised advisors for the PROGRESS Segment amount to EUR 4,108, and relate to the fee for deciding on acquiring the Status of an Authorised Advisor in the amount of EUR 325, the fee for acquiring the Status in the amount of EUR 2,745, and to the annual status maintenance fee in the amount of EUR 1,038.

- *Revenue from SEOnet and INFO STORAGE services*

Revenue from SEOnet and INFO STORAGE services amounts to EUR 184,625, representing 12.7% of total revenue, which is an increase of 1.6% compared to 2017.

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

The co-organization of the Financial Conference with the Business Daily Finance, generated EUR 15,543 of revenue, which in the total revenue structure represents a 1.1% share.

- *Revenue from data dissemination*

Data dissemination generated 3.9% of total revenue, totalling EUR 56,000.

- *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. Thus, its share of data dissemination revenue in 2018 amounted to EUR 213,971 and revenue of index licensing to EUR 1,500. In the structure of revenues they represent 14.8% of total revenues.

- *Revenues from rental of premises*

Revenues from rental of business premises in the amount of EUR 2,176 relating to the re-invoiced costs of security, cleaning and extraordinary repairs to the new owner, to whom the LJSE sold the business premises in the mezzanine.

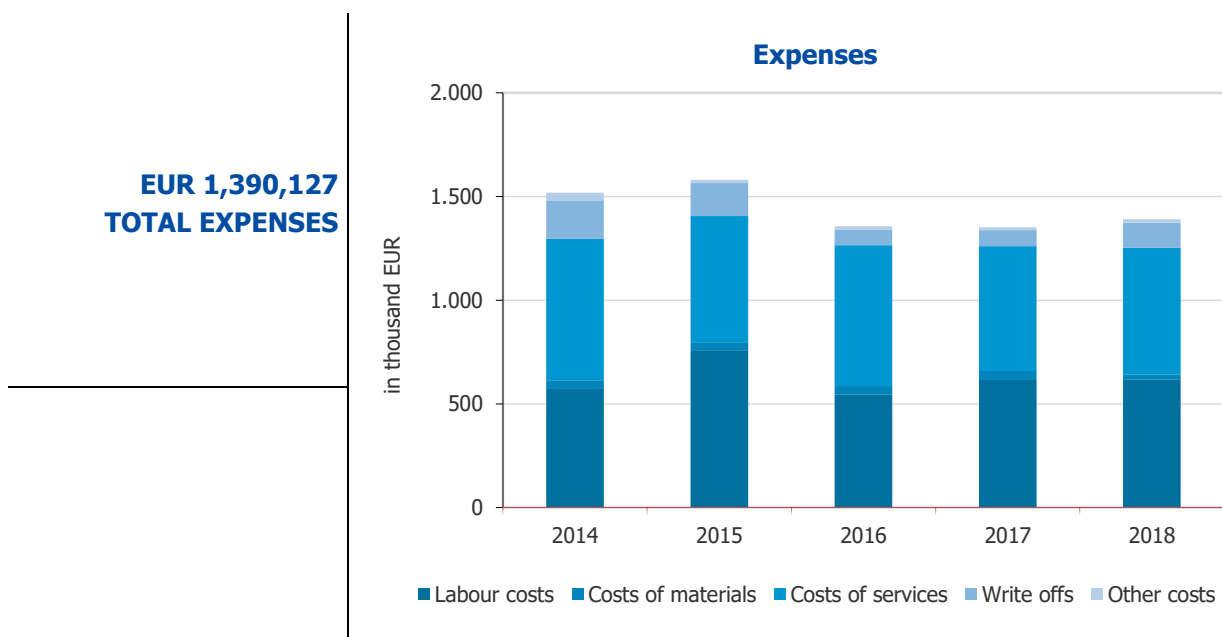
- *Revenues from organizing events*

Revenues from organizing events in the amount of EUR 9,912 refers to the organization of the education Partner Program.

- *Other operating revenues*

Other revenues are realized in the amount of EUR 40,099, of which EUR 25,450 relates to the profit from the sale of business premises in the mezzanine and EUR 8,000 to the sale of the BTS trading system to Albania.

Expenses



Total expenses amounted to EUR 1,390,127, up by 2.8% compared to 2017.

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

In recent years the employee benefits cost ranged from representing 38.2% of total expenses in 2014, when it reflected further layoffs and wage decreases, to representing 48.0% of total expenses in 2015 due to one-off expenses of forming provisions for severance pays. In 2018 labour costs represent 44.4% of all costs.

Costs of materials and services represent 45.7% and write-offs 8.7%.

- *Employee benefits cost*

On 31 December 2018, the LJSE had 13 employees or 11.02 employees considering the hours worked. The company's costs of salaries for 2018 amount to EUR 617,626, which is 44.4% of total expenses.

Salaries include bonus payments. Variable remuneration paid for business performance in 2018 amounted to EUR 36,645. In addition, the employee benefits cost also includes EUR 5,241 of unspent 2018 annual leave costs and EUR 16,022 of unpaid bonuses to the Management Board for 2018.



- *Costs of materials*

Costs of materials amount to EUR 23,031 and include EUR 7,894 of energy costs, EUR 6,434 of expert literature and subscription costs, EUR 4,066 of stationery costs and EUR 4,637 of other costs of materials.

- *Costs of services*

Costs of services amount to EUR 611,394. The largest items are the costs of business premises maintenance (EUR 29,281), leases and rents (EUR 28,520), advertising and entertainment costs (EUR 45,424), the costs of services by natural persons (EUR 40,556), counselling services (EUR 39,864), the costs of IT services (EUR 273,702), postal and telephone costs (EUR 16,690), costs of surveillance over stock exchange operations (EUR 75,600), and intercompany costs for the services provided by Zagrebačka burza in the amount of EUR 10,976.

- *Depreciation and amortisation*

Depreciation and amortisation cost amounts to EUR 103,407. It refers to EUR 24,567 of amortization of intangible fixed assets, EUR 46,216 of depreciation of the building and EUR 32,624 of depreciation of equipment and other tangible assets. On average, the proportion of written off intangible fixed assets is 94.3%, thus the proportion of carrying intangible assets is 6.4%. On average, the proportion of written off equipment and other tangible assets is 52.7%, thus the proportion of carrying equipment and other tangible assets is 47.3%.

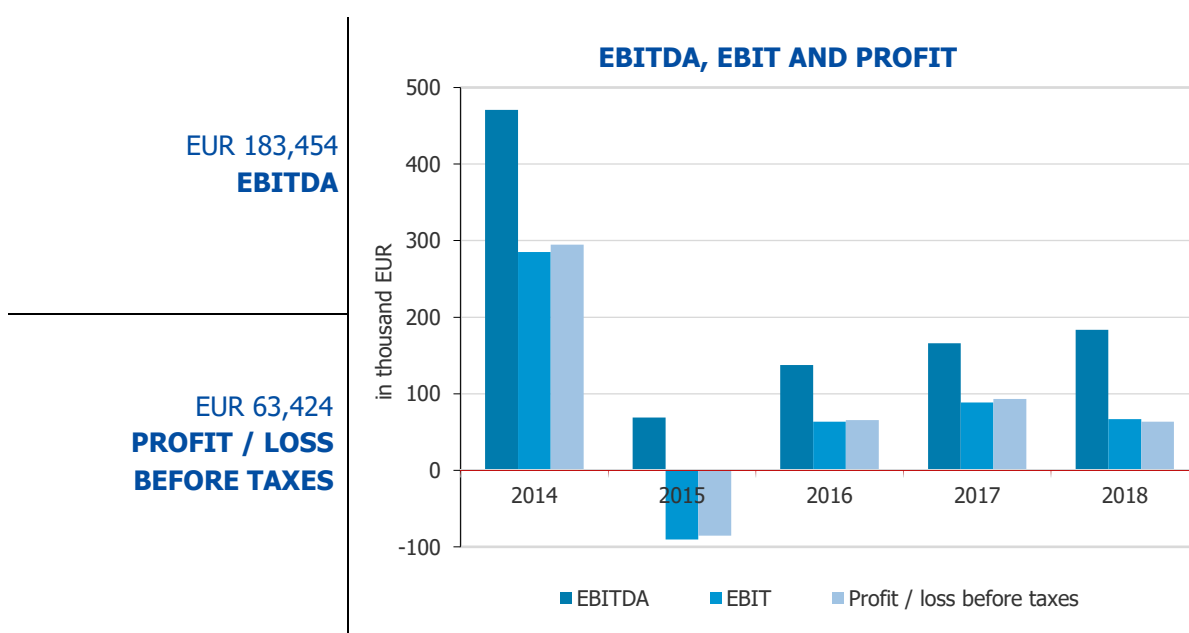
- *Other operating costs*

Other operating costs amounted to EUR 13,5088.

- *Revaluatory operating expenses*

Revaluatory operating expenses in the amount of EUR 17,416 refer to expenses from allowances for bad receivables.

Profit or loss for the period





EBITDA, calculated as operating profit, increased by depreciation costs and revaluatory operating expenses, was higher by 10.4% in comparison with the previous year, amounting to EUR 183,454.

EBIT was EUR 62,632, and profit before taxes amounts to EUR 63,425.

Assets

	(in EUR)	
	31 Dec 2018	31 Dec 2017
EUR 2,771,539 ASSETS	Non-current assets	1,922,411
	Current assets	791,301
	Deferred costs and accrued revenue	57,827
	Total assets	2,771,539
		2,939,649
	Equity	2,471,796
	Non-current liabilities	34,265
	Current liabilities	156,687
	Short term accrued costs and deferred revenue	108,792
	Total equity and liabilities	2,771,539
		2,939,649

Performance indicator

Ratio	2018	2017	2016	2015	2014
Financing state ratios					
Equity financing rate	89.21	88.17	89.52	86.52	91.94
Long-term liabilities rate	6.87	9.11	8.11	4.49	6.59
Long-term financing rate	90.45	89.65	90.22	86.52	92.82
Equity rate	56.50	54.05	58.95	61.31	52.80
Investments ratios					
Operating fixed assets rate	60.76	65.43	51.40	50.48	50.36
Long-term assets rate	62.25	66.77	53.04	51.14	50.70
Short-term assets rate	30.55	24.72	46.96	48.86	49.30
Horizontal financial structure ratios					
Equity to operating fixed assets	1.47	1.35	1.74	1.71	1.83
Immediate solvency ratio	3.82	2.13	5.14	9.12	6.25
Quick ratio	5.05	2.99	6.04	10.38	7.23
Current ratio	5.05	2.99	6.04	10.38	7.23
Operating efficiency ratios					
Operating efficiency ratio	1.05	1.07	1.05	0.94	1.17
Total efficiency ratio	1.05	1.07	1.05	0.95	1.18
Profitability ratios					
Net return on equity - ROE	2.17	3.24	3.84	0.00	11.45

Objectives and plans for 2019

The LJSE's main objective in 2019 will again be stable management and operations of the stock exchange market and operation compliance in all areas of the LJSE's operations. In addition, the LJSE's objectives will be oriented towards various activities aimed at encouraging further development and promotion of the capital market, which will be carried out in broader and close cooperation with capital market stakeholders.

For the year 2019, it is expected that the activities on the stock market will be positive, mainly due to the successful operations of listed companies and numerous activities for capital market development performed by the LJSE. Further growth of the capital market is primarily seen in the search for new financial resources through the promotion of long-term savings schemes, the sale of shares of state-owned companies through the market and through joint activities for the development and promotion of the capital market of all market stakeholders.

In 2019, the LJSE intends to intensify activities for acquisition of new issuers to LJSE markets by upgrading and expanding the "LJSE Partner Programme" intended for education of SMEs. LJSE also intends to strengthen its activities for acquisition of new member firms, especially international, and to encourage the market-making services on the part of member firms. The LJSE will continue with promotional activities of the capital market and individual listed companies.

Our objectives with regards to new listings on the stock market are two bonds or/and commercial papers or/and any other financial instruments. Objectives for the Advance / Progress market include 5 new advisors, up to three IPOs and two bonds or/and commercial papers or/and any other financial instruments. An important objective is also gaining the SME Growth Market status and constructive coordination with the Securities Market Agency. Among 2019 wishes is also goal orientation i.e. Green Bond for a Green Country. The Partner Programme's objective is to have at least ten companies join it in the first generation. In the future, the expansion of the Partner Programme is planned into the existing "Business 2.0" Partner Programme, "IPO" Partner Programme – programme designed to educate companies on how to operate on the LJSE capital markets, and "white labelling" Partner Programme, where partnership with external partners is planned for the development of joint programmes. Funderbeam's goal is one trade union. The promotion will be done through conferences and direct interaction, all of which will be carried out in connection to the promotion of the Progress market and the Partner Programme.

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

Our main activities planned for 2019 are:

- Stable and efficient day-to-day operation of the market;
- Acquisition of new products to all LJSE markets;
- Acquisition of new member firms, especially international;
- Expansion of the LJSE Partner Programme for education of SMEs;
- Encouraging market making activities;
- Local and international market promotion (roadshows);
- Cooperation in development and promotion projects with the Zagreb Stock Exchange;



- Promotion of measures for further Slovenian capital market development (sale of state's ownership share through the market; encouraging long-term savings, etc.).

FINANCIAL STATEMENTS



LJUBLJANSKA BORZA
LJUBLJANA *Stock Exchange*



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Statement on Management Responsibility

The Management Board hereby endorses the financial statements of the Ljubljana Stock Exchange for the financial year ended 31 December 2018, 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





Aleš Ipavec, MSc
President of the Management Board



Financial statements for the financial year 2018

Balance sheet

<i>(in EUR)</i>	<i>Notes</i>	31. 12. 2018	31. 12. 2017
ASSETS		2,771,539	2,939,649
Non-current assets		1,922,411	2,212,907
Intangible assets and long-term deferred and accrued items	1.1	97,287	114,144
Property, plant and equipment	1.2	1,591,285	1,809,253
Long-term investments	1.3	200,000	250,000
Deferred tax assets	1.4	33,839	39,510
Current assets		791,301	671,222
Short-term investments	1.5	550,383	350,383
Short-term operating receivables	1.6	192,039	192,255
Cash and cash equivalents	1.7	48,879	128,584
Short-term deferred costs and accrued revenues	1.8	57,827	55,520
EQUITY AND LIABILITIES		2,771,539	2,939,649
Equity	1.9	2,471,796	2,591,903
Called-up capital		1,400,893	1,400,893
Capital surplus		462,775	462,775
Revenue reserves		423,159	423,159
Revaluation surplus		128,196	136,206
Retained earnings		9,888	89,551
Net profit or loss for the period		46,885	79,319
Provisions and long-term accrued costs and deferred revenues	1.10	0	0
Provisions for terminal leave pay or long-service benefits		0	0
Long-term liabilities	1.11	34,265	43,394
Long-term financial liabilities		4,194	11,444
Deferred tax liabilities		30,071	31,949
Short-term liabilities	1.12	156,687	224,507
Short-term financial liabilities		8,035	8,048
Short-term trade payables		148,651	216,458
Short-term accrued costs and deferred revenues	1.13	108,792	79,845

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



Income statement

(in EUR)	Notes	2018	2017
Net sales	2.1	1,421,854	1,350,905
Net sales revenues from domestic market		1,050,823	1,004,184
Net sales revenues from abroad		371,031	346,721
Other operating revenues	2.2	28,945	88,459
Costs of goods, material and services	2.3	634,425	644,663
Costs of materials used		23,031	43,041
Costs of services		611,394	601,622
Labour costs	2.4	617,626	615,491
Costs of wages and salaries		515,948	492,988
Pension insurance costs		9,971	12,909
Other social insurance costs		61,009	70,826
Other labour costs		30,698	38,768
Write-downs	2.5	120,822	77,682
Depreciation and amortisation		103,407	71,204
Revaluatory operating expenses associated with intangible assets and property, plant and equipment		0	0
Revaluatory operating expenses associated with operating current assets		17,416	6,478
Other operating expenses	2.6	13,508	13,268
Financial revenue from investments		1,572	5,941
Financial revenue from operating receivables		104	0
Financial expenses for financial liabilities		771	0
Financial expenses for operating liabilities		112	1,119
Other revenues		1,077	180
Other expenses		2,864	18
Income tax	2.7	-10,870	-9,919
Deferred taxes	2.8	-5,670	-4,004
NET PROFIT OR LOSS FOR PERIOD	2.9	46,885	79,319

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

(in EUR)	Notes	2018	2017
Net profit or loss for the year		46,885	79,319
Changes of intangible assets and property, plant and equipment revaluation surplus		1,879	136,206
Total comprehensive income for the year	2.10	48,763	215,525

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



Cash flow statement

(in EUR)	2018	2017
A. Cash flows from operating activities		
a) Income Statement items	208,499	151,447
Operating revenue	1,425,404	1,373,414
Operating expenses excluding depreciation and amortisation	-1,207,811	-1,208,043
Income taxes and other taxes not included in operating expenses	-9,093	-13,924
b) Changes of net operating assets in Balance Sheet items	-123,077	-53,728
Change in trade receivables	-26,323	-34,790
Change in deferred costs and accrued revenue	-3,770	149
Change in deferred tax assets	5,670	4,004
Change in operating debts	-67,807	27,616
Change in accrued items and provisions	-28,969	-50,708
Change in deferred tax liabilities	-1,879	0
c) Net cash from operating activities (a + b)	85,422	97,719
B. Cash flows from investing activities		
a) Cash receipts from investing activities	207,675	2,814
Interest received	1,592	2,281
Proceeds from disposal of intangible assets	0	0
Proceeds from sale of property, plant and equipment	206,082	533
Proceeds from disposal of current assets	0	0
b) Cash disbursements from investing activities	-196,668	-390,933
Purchase to acquire intangible assets	-6,247	-53,079
Purchase of property, plant and equipment	-40,422	-337,854
Payments in connection with non-current investments	0	0
Payments in connection with current investments	-150,000	0
c) Net cash from investing activities (a + b)	11,006	-388,119
C. Cash flows from financing activities		
a) Cash receipts from financing activities	0	0
Capital increase	0	0
b) Cash disbursements from financing activities	-176,134	8,037
Interest paid	771	0
Repayment of financial liabilities	-8,035	8,037
Dividends paid	-168,870	0
c) Net cash from financing activities (a + b)	-176,133	8,037
D. Net cash and cash equivalents as at end of period	48,879	128,584
Net increase in cash and cash equivalents (Ac+Bc+Cc)	-79,705	-282,363
Cash and cash equivalents as at beginning of period	128,584	410,947

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



Statement of changes in equity for 2018

(in EUR)	Called-up capital	Capital surplus			Revenue reserves	Revaluation reserves	Retained earnings	Net profit / loss	Total equity
	Share capital	Payments over carrying amount in redemption of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves			Net profit / loss for the period	
A.1. Balance at 31 Dec 2017	1,400,893	143	364,570	98,063	423,159	136,206	89,551	79,319	2,591,903
Backward calculations									
Retrospective adjustments									
A.2. Balance at 1 Jan 2018	1,400,893	143	364,570	98,063	423,159	136,206	168,870	0	2,591,903
Spremembe lastniškega kapitala -									
B.1. transakcije z lastniki							-168,870		-168,870
Payment of dividends							-168,870		-168,870
Total comprehensive income for									
B.2. 2018	0	0	0	0	0	-8,009	9,888	46,885	48,764
Profit / loss for the period								46,885	46,885
Changes in revaluation surplus related to intangible assets						-8,009	9,888		1,879
C. Balance at 31 Dec 2018	1,400,893	143	364,570	98,063	423,159	128,196	9,888	46,885	2,471,796
ACCUMULATED PROFIT FOR 2018	-	-	-	-	-		9,888	46,885	56,773

Statement of changes in equity for 2017

(v EUR)	Vpoklicani kapital	Kapitalske rezerve			Rezerve iz dobička	Revalorizacijske rezerve	Preneseni čisti poslovni izid	Čisti poslovni izid poslovnega leta	Skupaj kapital
	Osnovni kapital	Vplačila nad knjig. vrednostjo pri odkupu delnic	Zneski iz poenostavljenega zmanjšanja kapitala	Splošni prevrednotovalni popravek kapitala	Zakonske rezerve			Čisti dobiček / čista izguba	
A.1. Balance at 31 Dec 2016	1,400,893	143	364,570	98,063	423,159	0		89,551	2,376,378
Backward calculations									
Retrospective adjustments									
A.2. Balance at 1 Jan 2017	1,400,893	143	364,570	98,063	423,159	0	89,551		2,376,378
Total comprehensive income for									
B.2. 2017	0	0	0	0	0	136,206	0	79,319	215,525
Profit / loss for the period								79,319	79,319
Changes in revaluation surplus related to intangible assets						136,206			136,206
C. Balance at 31 Dec 2017	1,400,893	143	364,570	98,063	423,159	136,206	89,551	79,319	2,591,903
ACCUMULATED PROFIT FOR 2017	-	-	-	-	-		89,551	79,319	168,870

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

Notes to financial statements

Statement of compliance

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

Basis of presentation

In compiling the Financial Statements were considered:

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

Relations with other companies

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

As at 31 December 2018, the LJSE had one shareholder (100%), namely Zagrebačka burza, d.d., Ivana Lučića 2a, 10000 Zagreb, Hrvatska. Joint Annual Report for 2018 will be possible to obtain at the registered office of the owner.

Measuring Grounds

In preparing the enclosed financial statements and notes to financial statements, the historical cost convention was adhered to.

Functional and Presentation Currency

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

Important Accounting Principles

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

Intangible assets and long-term deferred costs and accrued revenues

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

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

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



Amortization rates:

	Rate in %
Intangible assets	20.0
Software	20.0
Licences	20.0

The amortization period and amortization method for an intangible asset with finite useful life is reviewed at least at each financial year-end. If the asset's expected useful life differs significantly from previous estimates, the amortisation period changes accordingly. The amortization rates did not change in 2018 and are the same as in 2017.

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. The building and associated land are measured at revaluation 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.

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

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

Land is not depreciated.



Depreciation rates:

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

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

An asset's residual value and remaining useful life are examined on the reporting date, and adjusted accordingly if expectations differ from previous estimates. The depreciation rates did not change in 2018 and are the same as in 2017.

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

At least every five years or, in case of external indications for revaluation, 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 recognized directly in Equity, under the item revaluation surplus. An increase in revaluation is recognized in operating revenue in the Income Statement if the impairment loss is derecognised. Impairment of fair value is recognised in the Income Statement. The revaluation of carrying amount due to revaluation is initially debited to the revaluation reserve, and later the difference is recognized in the operating expenses in the Income Statement.

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

On the basis of the acquired fair value statement by an authorized real estate appraiser, LJSE adjusted the carrying amount of the property at fair value on 31 December 2017 with the elimination of the decrease



from the previous impairment in the amount of EUR 69,121.92 and by excluding the depreciation adjustment to the cost of the purchase or revalued cost of the building in the amount of 142,107.80 EUR; then the net amount was revalued to a new fair value of EUR 168,154.99, which became the new revalued value from which amortization is calculated. With the unchanged useful life and using the straight-line method, the depreciation rate increased from 3.150% to 3.537%.

Receivables

Receivables of all types are initially recognised at amounts stipulated in the relevant documents, under the assumption they will be collected. Receivables denominated in foreign currency are converted at the reference exchange rate of the ECB 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. Receivables are impaired individually.

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, retained net profit from previous periods and net profit for the financial year. The 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

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

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

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

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

Recognition of revenue

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

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

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

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

Recognition of expenses

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

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

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

Taxes

Tax expense includes accrued income tax and deferred tax.

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

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

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

Cash flow statement

Based on Balance Sheet data as at 31 December 2017 and as at 31 December 2018, and based on the Income Statement for 2018 as well as considering other relevant data from internal sources, relating to revenue and expenses, the Cash Flow Statement was drawn up under version II of SAS 2016.



1. Balance sheet

1.1. Intangible assets

EUR 97,287

(in EUR)	31 Dec 2018	31 Dec 2017
Long-term property rights	1,223,282	1,228,184
Intangible assets under construction	0	9,402
Long-term deferred costs and accrued revenues	27,029	25,566
Accumulated amortization of intangible assets	-1,153,024	-1,149,008
Carrying amount	97,287	114,144

Intangible assets as at 31 December 2018 include recognised rights for the use of software for the computerized processing of data with a carrying amount of EUR 70,258 and long-term deferred costs in the amount of EUR 27,029.

All intangible assets have finite useful lives.

Movements of intangible assets in 2018:

(in EUR)	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
Cost of purchase				
Balance as at 31 Dec 2017	1,228,184	25,566	9,402	1,208,012
Additional	15,649	2,057	1,939	19,644
Transfer	0	0	-11,341	-11,341
Disposals	-20,551	-594	0	-21,145
Balance as at 31 Dec 2018	1,223,282	27,029	0	1,260,141
Accumulated amortisation				0
Balance as at 31 Dec 2017	1,149,008	0	0	1,129,140
Annual amortisation	24,567	0	0	24,567
Disposals	-20,551	0	0	-20,551
Balance as at 31 Dec 2018	1,153,024	0	0	1,153,024
Carrying amount				0
Balance as at 31 Dec 2017	79,176	25,566	9,402	114,144
Balance as at 31 Dec 2018	70,258	27,029	0	97,287

Additions in long-term property rights in 2018 refer to the upgrade of the web sites -Portal and SI ENTER, which cost EUR 1,938 and to the development of PROGRESS web site in the amount of EUR 4,308.

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

Long-term deferred costs and accrued revenues include deferred costs of rent of digital certificates and brand patent in the total amount of EUR 471, and payments to reserve fund in the amount of EUR 26,588.



1.2. Property, plant and equipment

EUR 1,591,285

(in EUR)	31 Dec 2018	31 Dec 2017
Building	1,456,061	1,629,830
Accumulated depreciation of building	-46,216	0
Other property, plant and equipment	375,884	465,623
Property, plant and equipment under construction	7,418	0
Accumulated depreciation of property, plant and equipment	-201,862	-286,200
Carrying amount	1,591,285	1,809,253

As at 31 December 2018, the item property, plant and equipment (PPE) included the current value of the building (EUR 1,409,845) and the current value of other PPE (EUR 174,023).

In 2018 the Company sold part of the unnecessary premises in the mezzanine. Their book value amounts to EUR 179,550.

For 2018 the assumptions from the acquired valuation in 2017 were reviewed. Market conditions in 2018 do not show any significant changes from the acquired valuation; therefore, in 2018 the revaluation is not required.

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 2018 would have totalled EUR 1,224,990.

Movements of property, plant and equipment (PPE) in 2018:

(in EUR)	Buildings	Equipment	Small tools	Equipment under preparation	Total PPE
Cost of purchase					
Balance as at 31 Dec 2017	1,629,830	465,623	0	0	2,095,453
Additions	5,781	27,223	0	34,641	67,645
Transfer	0	0	0	-27,223	-27,223
Disposals	-179,550	-116,962	0	0	-296,512
Enhancement	0	0	0	0	0
Impairment	0	0	0	0	0
Balance as at 31 Dec 2018	1,456,061	375,884	0	7,418	1,839,363
Accumulated depreciation					
Balance as at 31 Dec 2017	0	286,200	0	0	286,200
Annual depreciation	225,766	32,624	0	0	258,390
Disposals	-179,550	-116,962	0	0	-296,512
Enhancement	0	0	0	0	0
Impairment	0	0	0	0	0
Balance as at 31 Dec 2018	46,216	201,862	0	0	248,077
Carrying amount					
Balance as at 31 Dec 2017	1,629,830	179,423	0	0	1,809,253
Balance as at 31 Dec 2018	1,409,845	174,023	0	7,418	1,591,285



New purchases of PPE include purchase of office equipment in the amount of EUR 4,180, IT equipment in the amount of EUR 13,494 and other equipment in the amount of EUR 9,549.

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

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

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

1.3. Long term investments

EUR 200,000

The long-term bank deposit in the amount of EUR 200,000 is deposited at a commercial bank in Slovenia for two years and an interest rate of 0.40% in nominal terms.

(in EUR)	31 Dec 2018	31 Dec 2017
Other loans	200,000	250,000
Total	200,000	250,000

1.4. Deferred tax assets

EUR 33,839

Deferred tax assets in the amount of EUR 33,839 are recognised on all deductible temporary differences arising from the difference between the depreciation charge for the building, in the amount of 3.537%, and tax-deductible amortisation, in the amount of 3.00%, as well as for impairments of trade receivables, and unused tax loss.

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

(in EUR)	31 Dec 2018	31 Dec 2017
Deferred tax assets	33,839	39,510
Total	33,839	39,510

Movement of long term deferred tax assets in 2018

(in EUR)	Difference between depreciation charged (3,537%) and tax-deductible depreciation (3,0%)	Impairment of trade receivables	Unused tax loss	Total
As at 31 December 2017	1,394	8,793	29,322	39,510
Newly formed in 2018	1,333	3,309	0	4,642
Used in 2018	-1,394	-38	-8,881	-10,312
As at 31 December 2018	1,333	12,064	20,442	33,839



1.5. Current investments

EUR 550,383

<i>(in EUR)</i>	31 Dec 2018	31 Dec 2017
Investments into precious metals	383	383
Short-term banks deposits	550,000	350,000
Total	550,383	350,383

A short-term deposits of EUR 550,000 are deposited at the commercial banks in Slovenia, of which the amount of EUR 450,000 relates to the short-term maturity of long-term deposits for a period of 1 year and 1 day and at a 0.3% and 0.4% nominal interest rate, and short-term deposit in the amount of EUR 100,000 for a period of 9 months and an interest rate of 0.10%.

Investments into precious metals refer to two gold bars.

1.6. Short-term trade receivables

EUR 192,039

<i>(in EUR)</i>	31 Dec 2018	31 Dec 2017
Trade receivables	171,494	150,432
Receivables due from other entities	20,544	41,823
Total	192,039	192,255

• Trade receivables

EUR 171,494

<i>(in EUR)</i>	31 Dec 2018	31 Dec 2017
Trade receivables due from residents	89,705	74,650
Doubtful and disputable trade receivables from residents	60,611	43,206
Trade receivables due from non-residents	81,789	75,782
Doubtful and disputable trade receivables from non-residents	220	220
Allowance for bad receivables	-60,831	-43,426
Total	171,494	150,432

• Receivables due from other entities

EUR 20,544

<i>(in EUR)</i>	31 Dec 2018	31 Dec 2017
Short-term advanced paid	650	1,318
Interest receivables	2,792	2,999
Default interest receivable	-2,667	-2,855
Receivables due from other entities	19,770	40,361
Total	20,544	41,823

Other short-term receivables refer to input VAT in the amount of EUR 2,321, namely to VAT receivables from invoices for December 2018, to receivables from paid advance payments for corporation tax in the amount of EUR 9,093, and to other receivables, in the amount of EUR 8,357.

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



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

(in EUR)	Non past due	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	More than 120 days	Total
Trade receivables due from residents – trading fees	22,559						22,559
Trade receivables due from residents – other	57,578	3,083	5,979	360	146		67,146
Trade receivables due from residents – doubtful						60,611	60,611
Trade receivables due from non-residents	81,789						81,789
Trade receivables due from non-residents – doubtful						220	220
Other short-term advances and overpayments	650						650
Interest receivable	124						124
Default interest receivable	0						0
Default interest receivable – doubtful						2,667	2,667
Total	162,701	3,083	5,979	360	146	63,498	235,766

The majority of receivables, both trade receivables and interest receivables, are non-past due receivables, which represent 69.0% of all receivables. For claims overdue by over 90 days and for doubtful claims and for claims in cases of compulsory settlement or bankruptcy, we formed allowances. In forming allowances, we considered all claims not settled within 90 days and all payments received until the January 2019.

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

Review of corrections in value adjustments of receivables in 2018:

(in EUR)	Receivables	Penal interest	Total
As at 31 December 2017	43,426	2,855	46,280
- recovered receivables for which a correction was made	10	187	198
(adjustment)			0
+ additional increase in value adjustment	17,416	0	17,416
Status of the Adjustment as of 31 December 2018	60,831	2,667	63,498

The company does not hedge its receivables.



1.7. Cash and cash equivalents

EUR 48,879

(in EUR)	31 Dec 2018	31 Dec 2017
Cash in hand	121	59
Bank balance:	48,758	128,525
Current account	27,706	24,045
Redeemable EUR deposit	21,052	104,480
Total	48,879	128,584

1.8. Short-term deferred costs and accrued revenue

EUR 57,827

(in EUR)	31 Dec 2018	31 Dec 2017
Short-term deferred costs	32,714	31,432
Short-term accrued revenues	25,113	24,088
- listing maintenance fees for bonds	25,113	24,088
Total	57,827	55,520

Short-term deferred costs refer to the lease of the licenses in the amount of EUR 18,263, costs of the company's property insurance in the amount of EUR 6,587, costs of the responsibility insurance and supplementary health insurance in the amount of EUR 6,157 and other in the amount of EUR 1,707. These costs relate to financial year 2019.

Accrued revenue refers to listing maintenance fees for government bonds (issuer Republika Slovenija) for 2018, in the amount of EUR 25,113. The listing maintenance fees will be charged in 2019 after one year of listing. Other issuers are charged with listing maintenance fees (for shares and bonds) for the term of each calendar year.

1.9. Equity

EUR 2,471,796

(in EUR)	31 Dec 2018	31 Dec 2017
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	98,062	98,062
Revenue reserves	423,159	423,159
- Statutory reserves	423,159	423,159
- Other reserves	0	0
Revaluation surplus	128,196	136,206
- Building revaluation surplus	158,267	168,155
- Allowance for revaluation surplus relating to deferred tax assets	-30,071	-31,949
Retained earnings	9,888	89,551
Net profit or loss for the period	46,885	79,319
Total	2,471,796	2,591,903



• **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 2018	31 Dec 2017
Payments over carrying amount in disposal of own shares	143	143
Amount from simplified decrease of share capital	364,570	364,570
General equity revaluation adjustment	98,062	98,062
Total	462,775	462,775

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

• **Revenue reserves**

EUR 423,159

(in EUR)	31 Dec 2018	31 Dec 2017
Statutory reserves	423,159	423,159
Other revenue reserves	0	0
Total	423,159	423,159

• **Revaluation surplus**

EUR 128,196

(in EUR)	31 Dec 2018	31 Dec 2017
Building revaluation surplus	158,267	168,155
Allowance for revaluation surplus relating to deferred tax assets	-30,071	-31,949
Total	128,196	136,206

In 2018, the company sold part of the business premises. Due to the effect of the sale, the revaluation reserve from revaluation of buildings in the amount of EUR 9,888 and deferred tax revaluation reserve in the amount of EUR 1,879 were eliminated.

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

EUR 0

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

1.11. Long-term liabilities

EUR 34,265

(in EUR)	31 Dec 2018	31 Dec 2017
Long-term financial liabilities	4,194	11,444
Deferred tax liabilities	30,071	31,949
Total	34,265	43,394

Long-term financial liabilities in the amount of EUR 4,194 refer to the purchase of a company car on the basis of a financial lease.

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



1.12. Short-term liabilities

EUR 156,687

(in EUR)	31 Dec 2018	31 Dec 2017
Short-term financial liabilities	8,035	8,048
Payables to suppliers	91,578	135,334
Payables from advances	0	2,298
Other trade payables	57,074	78,827
Total	156,687	224,507

Short-term financial liabilities in the amount of EUR 8,035 refer to current portion of finance lease for the purchase of a company car.

Other short-term operating liabilities relate to short-term liabilities to employees in the amount of EUR 50,309, VAT liabilities in the amount of EUR 5,308 and other short-term operating liabilities in the amount of EUR 1,457.

• Payables to employees include:

EUR 50,309

(in EUR)	31 Dec 2018	31 Dec 2017
Payables from net wages and wage compensations	25,085	20,474
Payables from contributions for gross wages and wage compensations	9,410	9,105
Payables from taxes for gross wages and wage compensations	7,288	7,380
Payables from other earnings from employment	1,696	1,302
Payables from payer's contributions	6,831	6,606
Total	50,309	44,866

• Payables to the government and other institutions include:

EUR 6,411

(in EUR)	31 Dec 2018	31 Dec 2017
Payables from VAT	5,308	15,700
Payables from income tax	0	9,919
Other payables to the government and other institutions	1,104	2,781
Total	6,411	28,400

1.13. Short-term accrued costs and deferred revenue

EUR 108,792

(in EUR)	31 Dec 2018	31 Dec 2017
Accrued costs	66,204	79,845
Short-term deferred revenues	42,588	0
Total	108,792	79,845

Accrued costs refer to the costs of the financial statements audit for 2018, which amount to EUR 4,093, to the costs of a risk management audit and audit of compliance with the Code of Conduct, in the amount of EUR 808, to the costs of the review report on affiliated subjects, in the amount of EUR 270, to the costs of unused annual leave for 2018, in the amount of EUR 5,241, to the obligations arising from bonuses to the employees and the Management Board for 2018, in the amount of EUR 52,667, and other accrued costs in the amount of EUR 3,125.

1.14. Off-balance-sheet liabilities and receivables

As at 31 December 2018 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 Net sales revenues

EUR 1,421,854

(in EUR)	2018	2017
a. Revenue from core business	926,972	872,087
- Trading fees	503,905	464,127
- Membership fees	37,250	42,000
- Listing fees	381,709	365,960
- Fees from authorised Advisors	4,108	0
b. Other revenue	494,881	478,817
- SEOnet and INFO STORAGE services	184,625	181,676
- Trade publication	0	6,057
- Seminars	15,543	14,771
- Data dissemination	56,000	63,295
- Revenues sharing with WBAG	215,471	202,193
- Revenues from organizing events	9,912	1,000
- Other	13,330	9,826
Total	1,421,854	1,350,905

2.2 Other operating revenues

EUR 28,945

(in EUR)	2018	2017
Revenues from rental of premises	2,176	7,528
Revenues from revaluation (previous impairment)	0	69,122
Revenues from dissolved provisions	0	11,205
Revenues from sale of fixed assets	26,730	533
Other revenues	40	71
Total	28,945	88,459

2.3 Costs of material and services

EUR 634,425

(in EUR)	2018	2017
Costs of material	23,031	43,041
Power supply	7,894	22,653
Office supplies, expert literature and publications	10,500	13,830
Costs of LJSE publications	850	1,835
Other costs of material	3,787	4,722
Costs of services	611,394	601,622
Transportation	2,441	2,729
Maintenance costs	121,049	133,701
Leases and rents	213,126	228,420
Reimbursements of labour-related costs	5,951	5,487
Payment transactions and insurance premiums	11,187	10,436
Intellectual and personal services	57,506	50,496
Advertising and entertainment	45,424	37,096



Services by individuals without a registered business	40,556	26,674
Costs of other services	114,154	106,583
Total	634,425	644,663

2.4 Employee benefits cost

EUR 617,626

<i>(in EUR)</i>	2018	2017
Wages and salaries	476,663	492,988
Pension insurance	60,564	51,835
- Pension and disability insurance contributions	47,282	38,926
- Additional pension insurance	13,282	12,909
Social security	43,034	35,634
- Health insurance, employment and parental protection contributions	38,748	31,900
- Voluntary health insurance	4,286	3,733
Other labour costs	37,364	35,035
- Commuting, meals allowance, holiday allowance, benefits	37,364	35,035
Total	617,626	615,491

The company employed a total of 13 people in 2018. This equals 11.02 people considering hours worked. The total costs of wages and salaries (gross wages and wage contributions) amount to EUR 617,626.

2.5 Write-offs

EUR 120,822

<i>(in EUR)</i>	2018	2017
Depreciation and amortisation	103,407	71,204
Revaluatory operating expenses associated with operating current assets	17,416	6,478
Total	120,822	77,682

• Depreciation and amortization

EUR 103,407

<i>(in EUR)</i>	2018	2017
Amortisation of intangible assets	24,567	19,869
Building amortisation	46,216	35,351
Depreciation of property, plant and equipment	32,624	15,984
Total	103,407	71,204

• Revaluation operating expenses associated with current assets

EUR 17,416

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 17,416.

2.6 Other operating expenses

EUR 13,508

<i>(in EUR)</i>	2018	2017
Other operating expenses	9,079	9,887
- Membership fees	1,582	1,831
- Tax paid for using building land	6,593	7,891



- Cost of court and administrative fees	903	165
- Other expenses	4,429	3,381
Total	13,508	13,268

2.6.1 Expenses by function

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

2.7 Income tax

EUR 10,870

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

In 2018, the tax base was established in the amount of EUR 120,509. For the year 2018, the company exempts tax relief in the amount of EUR 26,480 and covering the tax loss of EUR 36,817. This way, the tax base for 2018 amounts to EUR 57,212 and the tax on profit in the amount of EUR 10,870. The effective tax rate for 2017 is 17.1%.

Income tax charged:

(in EUR)	2018	2017
Profit / loss before tax	63,425	93,243
Tax incentives and premiums	30,603	-38,439
- Tax relief	-26,480	-57,638
- Tax premiums	0	0
deductions relief	57,084	19,200
Tax loss covering	-36,817	-2,597
Tax base	57,212	52,207
Tax rate	19%	19%
Tax charged	10,870	9,919

2.8 Deferred tax

EUR 5,670

When calculating the net profit or loss for the accounting period, deferred tax receivables in the amount of EUR 1,941 are recognized and deferred tax assets for temporary differences in the amount of EUR 7,612 are eliminated, which reduces the net profit for the financial year.

2.9 Net profit for the year

EUR 46,885

The net profit for the 2018 financial year amounts to EUR 46,885. Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net profit for 2018 remains unallocated and together with the retained earnings in the amount of EUR 9,888, forms an accumulated profit. Thus, the accumulated profit for the financial year 2018 is EUR 56,773. The Management Board and the Supervisory Board propose to allocate the reported accumulated profit for 2018 in order to pay dividends to the shareholder.



Accumulated profit:

(in EUR)	2017	2016
Net profit or loss of the financial year	46,885	79,319
	0	0
Retained earnings	9,888	89,551
Decrease in / reversal of capital reserves	0	0
Decrease in / reversal of revenue reserves	0	0
E. Accumulates profit or loss	56,773	168,870

2.9 Total comprehensive income for the period

EUR 48,763

Total comprehensive income for financial year 2018 amounts to EUR 48,763 and consists of net profit for the financial year in the amount of EUR 46,885, retained earnings in the amount of EUR 9,888 and the revaluation reserves from the revaluation of a business building in the amount of EUR 8,010.

3. Management Board remuneration in 2018

In 2018 the Management Board received remuneration in the following amounts:

(in EUR)	Mr Aleš Ipavec, Msc President	Mrs Nina Vičar, Msc Member
Fixed pay (gross)	91,230	67,819
Variable pay (gross)	15,711	11,274
Fringe benefits	6,479	2,347
Other earnings and reimbursements	2,935	1,385
Additional pension insurance	2,819	2,819
Total	119,175	85,644

4. Supervisory Board remuneration in 2018

In 2018 the Supervisory Board received remuneration in the following amounts:

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

5. Audit costs

The financial statements audit for financial year 2018 amounted to EUR 8,184 – inclusive of VAT, the audit of the company's risk management and compliance with the Code of Conduct totalled EUR 1,615, and the costs of audit of the Report on Relations with Affiliated Parties amounted to EUR 539. Internal audit costs for financial year 2018 amounted to EUR 8,690, and the costs of tax advice amounted to EUR 1,219.

6. Related party transactions

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

Statement of receivables from and liabilities to related parties as at 31 December 2018:

(in EUR)	31 December 2018	31 December 2017
Receivables from companies in the group		
ZSE	/	/
SEE Link	/	/
Funderbeam SEE	/	/
Liabilities to companies in the group		
ZSE	700	/
SEE Link	/	/
Funderbeam SEE	/	/

In 2018 the actual revenues and actual expenses were realised in the amount of:

(in EUR)	2018	2017
Sales revenues in the group		
ZSE	/	/
SEE Link	/	/
Funderbeam SEE	1,500	/
Purchase of materials and services		
ZSE	10,976	45
SEE Link	15,897	14,760
Funderbeam SEE	/	/

7. Events after the reporting period

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

INDEPENDENT AUDITOR'S REPORT



LJUBLJANSKA BORZA

LJUBLJANA *Stock Exchange*



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INDEPENDENT AUDITOR'S REPORT to the owners of LJUBLJANSKA BORZA d.d. Ljubljana

Opinion

We have audited the financial statements of the company LJUBLJANSKA BORZA d.d. Ljubljana (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2018, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and cash flow statement for the year then ended in accordance with Slovene Accounting Standards (hereinafter 'SRSS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the company LJUBLJANSKA BORZA d.d. Ljubljana for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2018.

Other information

Management is responsible for the other information. The other information comprises the business report which is integral part of Annual report, but they do not include financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include

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material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- Other information are, in all material respects, consistent with the financial statements;
- Other information are prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Supervisory Board for the Financial Statements

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

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so

Supervisory Board is responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.



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

With Supervisory Board we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

DELOITTE REVIZIJA d.o.o.

Aleš Grm
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 5 April 2019

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