

# Annual Report 2019

## Ljubljana Stock Exchange



**LJUBLJANSKA BORZA**  
**LJUBLJANA** *Stock Exchange*

Ljubljana, 10 April 2020



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# INTRODUCTION



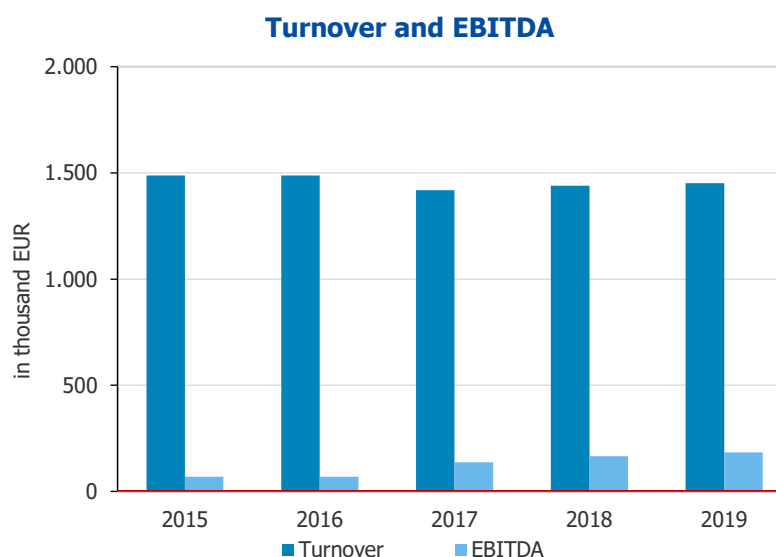
**LJUBLJANSKA BORZA**  
**LJUBLJANA** *Stock Exchange*



## Ljubljana Stock Exchange Highlights

**EUR 1,460,735**  
SALES REVENUE

**EUR 145,334**  
EARNINGS BEFORE  
INTEREST, TAXES,  
DEPRECIATION, AND  
AMORTIZATION (EBITDA)  
2019



(in EUR)	Key financial figures for the company Ljubljana Stock Exchange				
	2019	2018	2017	2016	2015
Called-up capital	1,400,893	1,400,893	1,400,893	1,400,893	1,400,893
Equity	2,442,112	2,471,796	2,591,903	2,376,378	2,286,827
Assets	2,752,688	2,771,539	2,939,649	2,654,468	2,642,682
Revenues (total)	1,470,623	1,453,553	1,445,485	1,421,246	1,493,896
- revenues from trading fees	436,776	503,905	464,127	502,011	516,571
- other revenues	1,033,847	949,648	981,358	919,235	977,325
Costs (total)	1,439,080	1,390,127	1,352,242	1,355,835	1,579,384
- labour costs	607,566	617,626	615,491	546,430	758,576
- other costs	831,514	772,501	736,751	809,405	820,808
EBITDA	145,334	183,454	166,103	137,390	68,830
Operating profit / loss (EBIT)	30,368	62,632	88,421	63,427	-90,445
Profit / loss before tax	31,543	63,425	93,243	65,411	-85,488
Taxes	-9,212	-16,541	-13,924	24,140	-10,684
Net profit / loss for the period	22,331	46,885	79,319	89,551	-96,172

### SHARE INFORMATION

Nr. of shares	33,571	33,571	33,571	33,571	33,571
Net profit per shares in EUR <sup>1</sup>	0.67	1.40	2.36	2.67	-2.86
Dividend per share in EUR	-	1.69	5.03	-	-
Book value in EUR <sup>2</sup>	72.74	73.63	77.21	70.79	68.12

### NUMBER OF EMPLOYEES

Year-end	13	13	11 (+33)	12	10
Average <sup>3</sup>	11.1	12.4	12.3	9.8	10.1

<sup>1</sup> Profit of the year/Average number of shares issued in the year

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

<sup>3</sup> 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
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 2019 were successful. Total revenue amounted to EUR 1,470,623 and total expenses were EUR 1,439,080. Compared to planned revenues, total revenues are at the planned level, while total expenses are by EUR 27,533 or 1.9% lower than planned. The overall result for 2019 is positive, reflecting the improved macroeconomic situation of the Slovenian economy, increased stock market activity, new products development and internal cost optimization of the LJSE.

Compared to 2018, total revenues increased by 1.2% and expenses increased by 3.5%. In 2019, LJSE realized a positive cash flow of EBITDA in the amount of EUR 145,334, which is 20.8% less than in 2018. The operating result of the LJSE to a large extent depends on income from trading which amounted to EUR 436,776, 13.3% lower than in 2018. Listing fees revenue and listing maintenance fees amounted to EUR 360,344 and were 5.6% lower than in the previous year. Information-communication (ICT) services related to the Xetra® and SEO systems generated EUR 163,840, which is by 11.3% less compared to the previous year. Revenues from market data vending were also stable compared to the previous year, in 2019 they contributed EUR 262,975 of revenues or 2.6% less than the year before. A significant part of revenues in 2019 represent revenues from other services, namely revenues from the educational Partner Program and revenues from the "FinancialLiteracy project. 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 2019 by capital market stakeholders.

In addition to regular market management activities, in 2019 the LJSE:

- Harmonised organisational changes prescribed by the new Market in Financial Instruments Act (ZTFI-1);
- Fully complied with the provisions of MiFIR regulation and the MiFID directive;
- Aligned with the Benchmark Regulation;
- Began with market making services on the stock market;
- Continued with the activities for further development of the capital market in Slovenia; started the #FinancialLiteracy project, i.e. programme for the education of students; further organised the Partner Programme, i.e. SME education programme;

In 2019, 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:

- Transition to ZSE IT systems;
- Harmonisation of SI ENTER market segmentation;
- Managing and providing data for common indices (ADRIAprime, CEEplus);
- Coordination of contractual relation with the Vienna Stock Exchange;
- Funderbeam CEE platform.

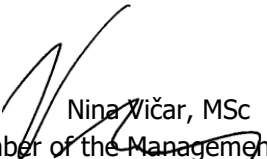



Movements on the Slovenian regulated capital market resulted in an increase of the SBI TOP index, which increased by 15.0% in 2019. The total turnover amounted to EUR 329,5 million in 2019 and was 2.3% lower than in the previous year. However, in the second half of 2019, there was a strong increase in turnover and an increase in the number of transactions. For the past few years, the LJSE can be viewed as an international market, as international investors with a 47.1% share in the turnover represent an important group of active investors in the Prime Market companies. In 2019 the downward trend in the number of listed companies from Standard market continued; however, on the other hand, it is gratifying to note that 2 new bonds and 2 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, 10 April 2020

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 2019 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 of the General Meeting of the Ljubljana Stock Exchange, in 2019 the Supervisory Board consisted of the following four members, whose functions were as follows:

- **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 2019, the Supervisory Board met at three regular and two correspondence meetings. The Management Board sent the materials for the Supervisory Board sessions at least seven days before the regular session and at least 3 days before the correspondence session.

### Work of the Supervisory Board in 2019

In 2019 the Supervisory Board dealt with past and current business. The Supervisory Board closely monitored the corporate governance as well as rationalisation, compliance of the company's operations and risk management. It also adopted the Business and Financial Plan for 2020.

As regards the work of the Supervisory Board in 2019, it is necessary to emphasise that the Supervisory Board, in addition to the above-mentioned activities:

- Discussed regular financial reports, compliance reports, reports on trading, listing and delisting of issuers and admitting and cancelling of member firms at each meeting;
- Was also promptly informed about the status of ongoing projects and activities and risk management, internal controls, decisions taken and other events relevant to the stock exchange's operations;
- Discussed and agreed with the annual work plan for 2019 and 2020;
- Discussed and adopted the Annual Report of the Ljubljana Stock Exchange for 2018 and materials for the General Meeting of Shareholders;
- Approved the financial plan for the 2020 financial year;
- Set-up the Audit and Risk Committee;
- Appointed the members of the Audit and Risk Committee;
- Was briefed on the report on the implementation of internal audit activities and the status of implementation of recommendations in 2018, and the external audit report on the adequacy of the 2018 financial statements, to which it had no comments;
- Appointed an external auditor to review the financial statements for the period up to and including 2021;
- Discussed and took note of the Management Board's proposal for the selection of the external auditor to review the quality of internal audit work in 2019, and was later informed about the Report on full External Assessment of the Internal Audit Function and adopted this Report;
- Supported the proposed development activities, monitored the rationalization and optimization of operations and adopted the Investment Policy of the LJSE.



## **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 2019 performed well, and the achieved business result is higher than planned. A large part of the activities of the Management Board was focused on business optimisation, actions in new areas, and the enhancement of the status and visibility of the LJSE.

## **Self-evaluation of the Supervisory Board**

The LJSE used in 2019 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 was adequate in 2019.

Members regularly attended the meetings in 2019 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 2018**

The Supervisory Board reviewed the 2018 LJSE Annual Report, together with the Auditor's Report, at its meeting on 23 April 2019.

The financial statements were audited by Deloitte revizija, 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 Deloitte revizija, 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 2018 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 2018. 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 23 April 2019 to formally adopt the 2018 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 2019 the company Ljubljana Stock Exchange Inc. did not conclude any legal transactions with the controlling company Zagreb Stock Exchange Inc. 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. The contracts entered into with the Zagreb Stock Exchange in 2019, refer to the establishment of a joint AdriaPRIME index and the organization of a joint event abroad for investors, 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 24 April 2020.

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 2019 which would cause deprivation for the LJSE.

### **Approval of Annual Report 2019, Proposal and Settlement of profit for 2019**

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 2019 at its regular meeting on 30 January 2020.

The members of the Supervisory Board received the proposal of the Annual Report for the financial year 2019 on 17 April 2020 and discussed it at its regular meeting on 24 April 2020.



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 2019 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 24 April 2020. 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 2019, the LJSE achieved net profit of EUR 22,330.70, consisted by the net profit for the current year in the amount of EUR 20,440.63, newly formed deferred tax assets in the amount of EUR 3,797.23 and 1,907.46 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 25,042.79, constitutes the accumulated profit. Thus, the accumulated profit for the financial year 2019 is EUR 47,373.49. The Management Board and the Supervisory Board propose to keep the entire accumulated profit for 2019 undistributed as retained earnings.

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 (GE) is the company's highest body. It is composed of LJSE shareholders, who exercise their rights at the GE in matters pertaining to the company. The convening of the GE is governed by the Articles of Association of the LJSE in accordance with applicable law. The GE is convened by the Management Board on its own initiative, at the request of the Supervisory Board or at the request of the shareholders, taking into account the statutory and legal requirements. The GE is convened by a registered letter to the shareholders. The day on which the registered letter is sent is considered the day the convocation of the GE is published/announced. 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). GE is held at the LJSE registered office. The Management Board may determine in the convocation that the GE is held at the business address of the chosen notary public.

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 2019.

The 39<sup>th</sup> GM as at 13 June 2019:

- Reviewed the Annual Report for 2018, decided on the use of accumulated profit for 2018, and on discharging the Management Board and Supervisory Board from responsibility.





- Appointed the auditor for business years 2019, 2020 and 2021.
- Decided on the remuneration of the Supervisory Board members.
- Adopted amendments to Articles of Association.
- Discussed the internal audit report for 2018 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 2019, 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 2019 is outlined in more detail in the report of the Supervisory Board.

The Supervisory Board was composed of the following members in 2019:

- 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;
- Mrs Darja Jermaniš, MSc, Member of the Supervisory Board – director of Market Operations (LJSE employees' representative).

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. In 2019, in accordance with the Financial Instruments Market Act and the Banking Act, and on the basis of the Securities Market Agency's approval for the merger of the Audit Committee and the Risk



Committee, the Supervisory Board appointed a joint Audit and Risk Committee consisting of three members of the Supervisory Board.

Members of the Audit and Risk Committee:

- Mr Tomislav Gračan, MSc, President of the Committee;
- Mrs Ivana Gažić, MSc, Member of the Committee;
- Mrs Darja Jermaniš, MSc, Member of the Committee.

## Management Board

The LJSE Management Board consists of the President and Member, who jointly represent the LJSE in legal transactions. The Management Board 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 2019.

On the basis of applicable law, in 2011 the Supervisory Board adopted the General Principles on the LJSE Remuneration Policy, which stipulate the remuneration policy for the Management Board and are updated on a regular basis.

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

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

### Composition of the Board of Members:

- Stanislava Zadavec Capriolo, MSc (President of the Board), Director, The Bank Association of Slovenia;
- g. Mitja Tomažinčič (Deputy President of the Board), General Manager, Investment Banking and Custody, NLB, d. d. (from 15 March 2019);
- Simon Mastnak, MSc, Executive Director, Generali Investments;
- Igor Štemberger, President of the Management Board, Ilirika BPH d. d., Ljubljana;
- Martina Štefančič Vrščaj, Head of Securities Department, BKS Bank AG, Bančna podružnica;
- Andrej Meža, Director of Investment banking and custodian services sector, NLB, d. d. (until 15 March 2019).



## 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.;
- Brane Kastelec, MSc, Director of Finance, Krka, d. d.;
- Igor Stebernak, Member of the Management Board, Petrol, d. d.;
- Uršula Kovačič Košak, Director of Financial Markets, NLB, d. d., (from 18 February 2019);
- Vida Žurga, PhD, Member of the Management Board, Telekom Slovenije, d. d. (from 17 April 2019);
- Sabina Merhar, Director of Finance and Accounting, Telekom Slovenije, d. d., (until 17 April 2019).

## 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 had a 19.98% indirect qualifying holding (until November 2019, when it reduced its voting rights in the Zagreb Stock Exchange below 10%, for which it no longer exceeds the threshold for a holder of an indirect qualifying holding).

As at 31 December 2019, the Zagreb Stock Exchange was, in addition to being the 100% owner of the LJSE, also:

- A 33.33% owner of the Company SEE link d. o. o.;
- A 20% owner of the company Funderbeam South-east Europe d.o.o.;
- A 5 % owner of the Macedonian Stock Exchange d. d.

## 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-1 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 2019, 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 had a 19.98% indirect qualifying holding until November 2019.

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.

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

#### **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 in 2019, 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**

The Policy on the Diversity of the Management and Supervisory Boards of the LJSE (hereafter: Diversity Policy) is adopted by the Management Board and Supervisory Board and is published on the LJSE website. The Diversity Policy 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 principles for ensuring diversity shall also be taken into account in the process of nomination of new members of the Supervisory Board and Management Board in 2020.

## Risk management

### Internal controls and risk management

Pursuant to the provisions of the ZTFI-1 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.

The LJSE has set up internal controls in all processes and organisational units at all levels, which include:

- A clear organisational structure with a clearly defined and transparent system of competences and powers;
- Effective procedures for identifying, assessing and monitoring the risks that the LJSE is or may be exposed to in its operations;
- An adequate internal control system that includes appropriate administrative and accounting procedures (reporting, workflows, limits for limiting risk exposure and physical 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.

In the context of risk management, the LJSE regulates the internal control system in more detail with the document Organisation of Internal Control system, thereby setting up and maintaining an appropriate level of internal control system. The Supervisory Board approved the organisation of the internal control system in December 2018.

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 made some improvements in 2019:

- Harmonisation with the new ZTFI-1, including obtaining authorisation of the Securities Market Agency to operate the regulated market;
- Compliance with the Benchmark Regulation;
- Internal audit in the IT field in 2019 focused on information resource management.

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.

In 2019 an external audit of the quality of the internal audit activity was carried out. The auditor's opinion is that the internal audit function is in accordance with International Standards on Professional Practice in Internal Auditing and the IIA Code of Ethics.

### **External audit**

Our financial statements for 2019 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 2019)

- 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 had a 19.98% indirect qualifying holding until November 2019.

- 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 #FinancialLiteracy project - programme for the education of students;
- Further organised 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;
- 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

	2014	2015	2016	2017	2018	forecast		
						2019	2020	2021
Real GDP growth (%)	2.8	2.2	3.1	4.8	4.1	2.8	3	2.7
GDP per capita (PPS EU28=100) <sup>1</sup>	82	82	83	85	87			
Government debt (% of GDP)	80.3	82.6	78.7	74.1	70.4			
Current deficit (% of GDP)	-5.5	-2.8	-1.9	0	0.8			
Inflation (year-end) <sup>2</sup>	0.2	-0.4	0.5	1.7	1.4	2.3	2.2	2.3
Registered unemployment	13.1	12.3	11.2	9.5	8.2	7.7	7.2	6.9

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

## Ljubljana Stock Exchange operations in 2019

The LJSE took measures to create a positive atmosphere in 2019 and encountered an increase in turnover compared to 2018. Compared to 2018, the SBI TOP index gained 15.0% in 2019.

## Market capitalisation

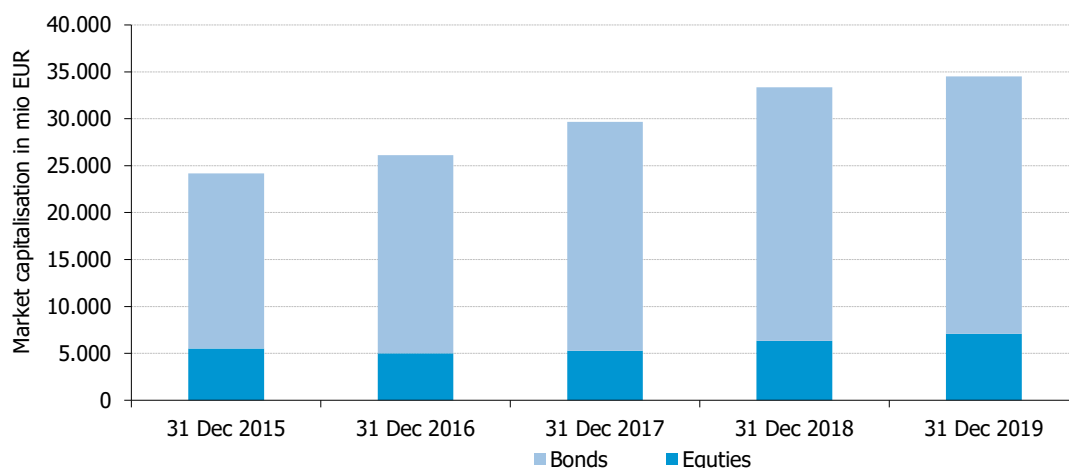
Share market capitalisation increased by 11.3% compared to 2018, amounting to EUR 7,067.6 million at the end of December 2019, accounting for 15.0% of the GDP for the previous year (Q4 2018 – Q3 2019:

<sup>1</sup> Measured in Purchasing Power Standard (PPS)

<sup>2</sup> Measure of inflation is consumer price index

EUR 47,548.4 million, Source: SORS). This increase is mainly due to the increase of prices in Prime Market. As a result of the delisting from the organized market 2 companies were delisted from the Standard Market. The value of market capitalization of bonds reached 1.6% growth compared to 2018.

### Market capitalisation 2015 – 2019

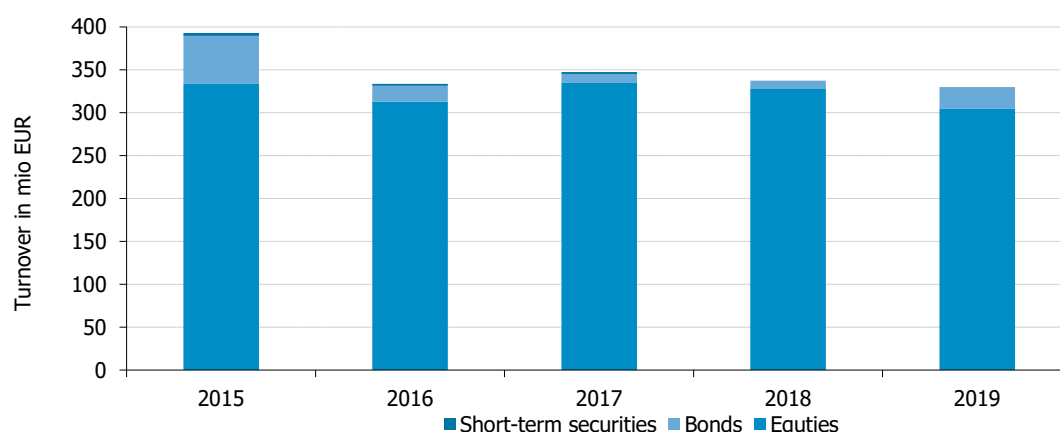


Source: Ljubljana Stock Exchange

### Turnover on the Ljubljana Stock Exchange

The total turnover on the LJSE amounted to EUR 329.5 million in 2019, while turnover without block trades amounted to EUR 279.3 million, which is 2.5% less total turnover without block trades compared to 2018. The largest turnover was in shares, EUR 304.4 million or 92.4% of total turnover. The structure of turnover is followed by bonds with 7.6% of total turnover.

### Turnover 2015 – 2019



Source: Ljubljana Stock Exchange

In 2019 the share of equity turnover was down 5.0%, the same as bond turnover. In 2019 ordinary trades represented 85.0% of all trades (same as in 2018). Average daily turnover totalled EUR 1.3 million (1.4 million in 2018), with 119 recorded trades per day on average (154 in 2018).



## Turnover of LJSE Member Firms

The trading member with the highest total turnover in 2019 was BKS Bank AG, which contributed 21.9% of the total turnover, followed by Interkapital vrijednosni papiri with 21.7% of total turnover and Nova Ljubljanska banka, contributing 14.2% and Ilirika, contributing 13.6% of total turnover. The turnover structure of member firms remains similar to 2018, as top 5 member firms generated 80.1% of the total turnover. At the end of 2019 the LJSE had 9 member firms. The number includes 4 remote members, which generated 41.7% of all stock exchange turnover in 2019.

Member	Turnover in 000 EUR	Share
BKS BANK AG, BANCNA PODRUZNICA	144,067	21.9%
INTERKAPITAL VRIJEDNOSNI PAPIRI	142,818	21.7%
NOVA LJUBLJANSKA BANKA	93,652	14.2%
ILIRIKA BORZNO POSREDNISKA HISA	89,430	13.6%
WOOD & COMPANY FINANCIAL SERVICES	57,583	8.7%
OTHER	131,463	19.9%
<b>TOTAL</b>	<b>659,013</b>	<b>100%</b>

Source: Ljubljana Stock Exchange

## Most traded equities on the LJSE

The most traded stock in 2019 was once more pharmacist Krka (KRKG) from the Prime Market, which generated 41.8% of all equity turnover. The runner-up in terms of turnover was NLB (NLBR), which generated 13.0% of all equity turnover, while Zavarovalnica Triglav (ZVTG) came third generating 11.0%. On the bond market it was Gorenje 2<sup>nd</sup> issue (GV02) that had the highest turnover.

Most traded equities	Turnover in 000 EUR	Number of transactions	Market capitalisation in EURm as of 31 Dec 2019
KRKA	127,186	8,507	2,400
NLB	39,634	2,767	1,240
ZAVAROVALNICA TRIGLAV	33,467	3,304	757
PETROL	26,352	3,034	782
KD GROUP	21,025	724	214
OTHER	56,708	10,642	1,674
<b>TOTAL</b>	<b>304,372</b>	<b>28,978</b>	<b>7,068</b>

Source: Ljubljana Stock Exchange





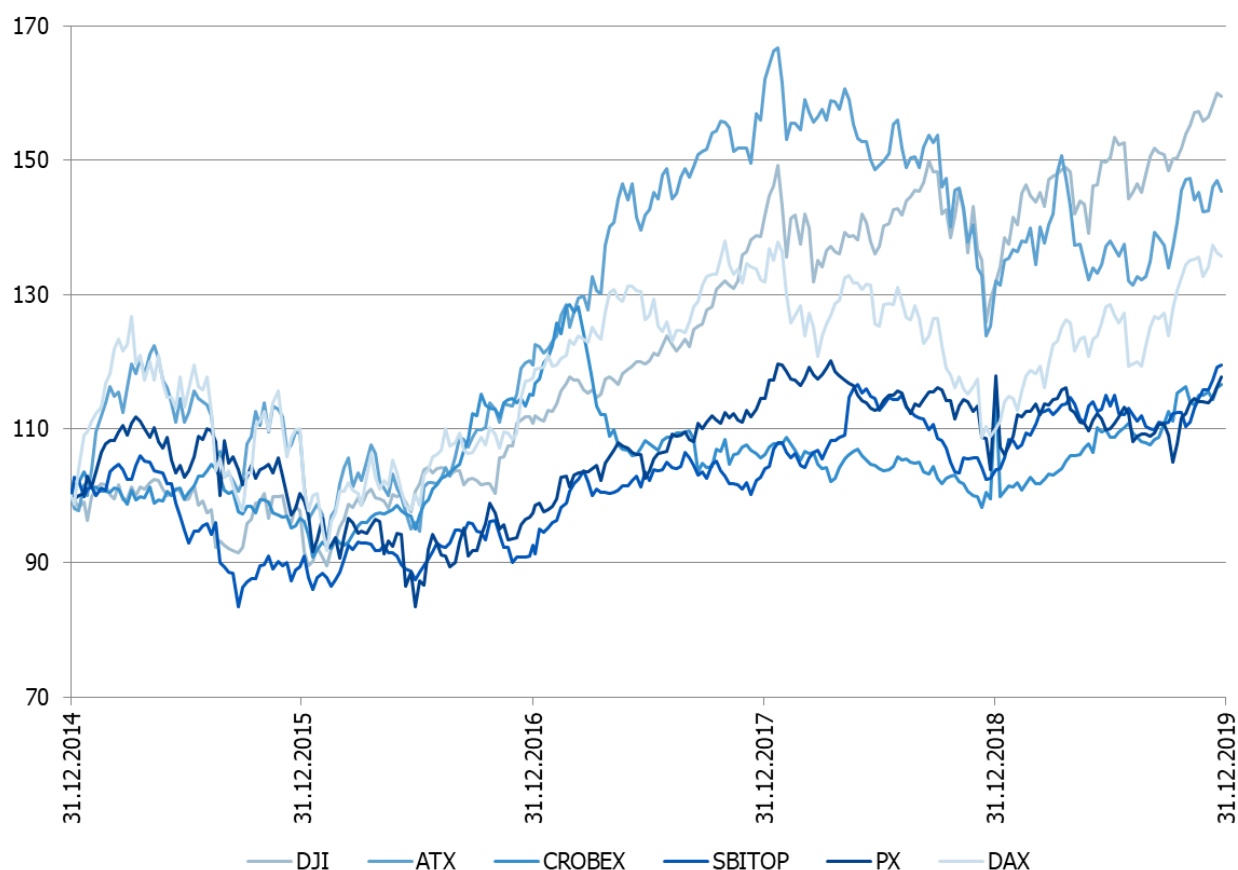
## LJSE turnover structure according to markets in 2019

Market	Turnover	Share
EQUITIES - PRIME MARKET	261,826,683	79.5%
EQUITIES - STANDARD MARKET	42,545,332	12.9%
BONDS	25,131,378	7.6%
TREASURY BILLS	0	0.0%
COMMERCIAL PAPERS	2,970	0.0%
<b>TOTAL</b>	<b>329,506,363</b>	<b>100%</b>

Source: Ljubljana Stock Exchange

## The LJSE blue chip index SBI TOP

The LJSE blue chip index SBI TOP was up 15.0% in 2019, closing at 926.10 points on the last trading day. The graph below gives the performance of SBI TOP against selected world indices in EUR (31 Dec 2014 = 100).



Source: Ljubljana Stock Exchange



## Important Ljubljana Stock Exchange activities in 2019

### LJSE development and promotion activities and events

Quarter	Activity
<b>1Q 2018</b>	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"
<b>2Q 2018</b>	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
<b>3Q 2018</b>	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"
<b>4Q 2018</b>	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 2019 the Ljubljana Stock Exchange 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 New York, the USA, in cooperation with the Zagreb Stock Exchange;
- One investment conference in Zagreb, Croatia, in cooperation with the Zagreb Stock Exchange;
- One investment conference in Ljubljana, Slovenia, in cooperation with the Zagreb Stock Exchange;
- Two webcasts "Slovenian Listed Companies Online";
- Six roadshows abroad organised by other partners;
- General promotion of the Slovenian capital market and our blue chips in local as well as international media;
- Conferral of awards to the best issuers and member firms;
- Issuing capital market promotion publications;
- Supporting international analyses by providing market trading data.

### Investment conferences in 2019 where the Ljubljana Stock Exchange listed companies participated

Event	Venue and date	Organiser/s
Webcast "Slovenian Listed Companies Online"	Ljubljana, Slovenia 22 March 2019	Ljubljana Stock Exchange
Investor Day of the Ljubljana and Zagreb Stock Exchanges in New York	New York, the USA 8 April 2019	Ljubljana and Zagreb Stock Exchanges
Rosenblatt CEMEA Conference NY	New York, the USA 11 – 12 April 2019	Rosenblatt Securities
LSEG & CEE Conference	London, UK 17 April 2019	London Stock Exchange and InterCapital
Investor Day of the Ljubljana and Zagreb Stock Exchanges in Zagreb	Zagreb, Croatia 30 – 31 May 2019	Ljubljana and Zagreb Stock Exchanges
Auerbach Grayson CEE Conference	New York, the USA June 2019	Auerbach Grayson
Webcast "Slovenian Listed Companies Online"	Ljubljana, Slovenia 3 September 2019	Ljubljana Stock Exchange
Wood's Frontier Investor Days	Bucharest, Romania 4 – 6 September 2019	Wood & Co.
Upgrade in Belgrade	Belgrade, Serbia 12 November 2019	Belgrade Stock Exchange, Wood & Co.
Investment Conference of Wood & Co.	Prague, Czech Republic 3 – 6 December 2019	Wood & Co.
Investor Day of the Ljubljana and Zagreb Stock Exchanges in Ljubljana	Ljubljana, Slovenia 10 December 2019	Ljubljana and Zagreb Stock Exchanges



## Partner programme

In 2018 the Ljubljana Stock Exchange 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, which in 2019 it was upgraded. 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 Partner Programme is aimed at educating companies (managers, owners) about the functioning of the capital market and the possibilities of small companies in the Ljubljana Stock Exchange ecosystem. In addition to educational work (workshops), companies are connected with other stakeholders in the capital market (consultants, investors, etc.), depending on the individual needs of the companies themselves.

In 2019 we began educating second generation of companies, in which two groups of companies were included: first group on 4 September 2019 and the second group on 24 October 2019.

## Other activities, media promotion and publications

- In 2019 the following publications were updated or issued anew with a view to promoting the capital market and our listed companies:
  - Guide for Investors 2019 (publication in Slovene);
  - Slovenian Capital Market (Slovenian and English versions);
  - Presentation leaflet for Partner Programme;
  - Monthly and annual statistical reports.
- For better financial literacy, we were preparing and running weekly podcasts entitled 'Tečajnica' on personal finance topics.
- We also strive to continuously educate the youth about the Slovenian capital market. If approached by educational establishments, we give students free educational seminars about the Ljubljana Stock Exchange at our premises.
- The Ljubljana Stock Exchange prepared and also publicly presented the board game BORZA Slovenia, which it developed for purposes of financial literacy of young people and the development of which was supported by: Krka, NLB, Petrol, Zavarovalnica Triglav as the main supporters of the project, and Ilirika, BKS Bank and KDD as ancillary supporters of the project. The board game is a central educational instrument for young people's financial literacy as part of the educational project #FinancialLiteracy.
- We supported and sponsored the Moje Finance projects: 'Financial Literacy of Youth' and 'Financial School for Teenagers', and their event 'D-Day'.

## Events after the Accounting Period

After the accounting period, the Ljubljana Stock Exchange had no events that would affect the company's operations, but it did face the COVID-19 virus pandemic that affected most countries. Such epidemics are certainly a factor which, in addition to the threat to human health, also affects economic activity and thus the capital market. Given the rapidity of the spread of the virus and the extensive areas of disability, we no longer doubt the significant decline in economic activity. The duration of the outbreak and the severity of the consequences will depend on whether it is a short-term shock or whether the effects on the economies will be so severe that a real recession will develop. Trends in global capital markets are also likely to depend on this.



We expect that the situation in the economy and the capital markets with substantial assistance from the state slightly softened, but the question is the recovery time, so we cannot assess the impact on our business.

## 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 2019 the LJSE reviewed 40 trading supervision examination reports and, based on these examinations, it issued 6 reports on completed examinations or notices on suspicious trades, and forwarded them to the Securities Market Agency.

### Support to trading members

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

### Counselling and support to listed companies

In 2019 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. In addition, in 2019 the LJSE updated Guidelines on Disclosure for Listed Companies, which serve as a tool for implementation of good disclosure practices mostly to the Prime and Standard Market companies, and carried out several individual training courses regarding disclosure obligations for listed companies.

In 2019 the LJSE reviewed a total of 19 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 four 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 teamwork, 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

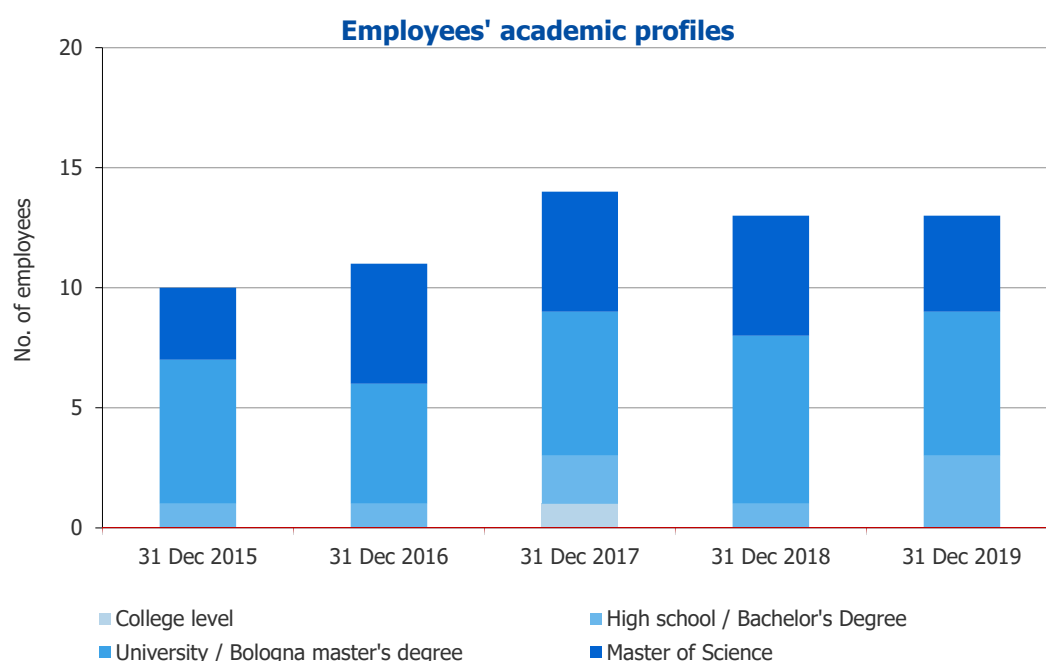
At the end of 2019, 13 employees were employed by the LJSE, the same as the year before. The average number of employees in 2019 is 11.1.

Due to rationalisation of labour costs in the year 2019, the LJSE as in the past few years also limited recruitment from the external market and exceptionally approved employment due to the increased volume of activities in the area where there were no suitable human resources that could be reallocated. The LJSE thus recruited for a fixed term a legal advisor in the Market Operations Sector and secretary in the Cabinet of the Management Board. 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 February as there was no longer a need for replacement of an employee in the Market Operations.

## Demographics and employees' academic profiles

The average age of the company's staff is 38.9 years, whereby 62.0% are women and 38.0% men.

At the end of 2019, the employees' educational profiles were as follows: 3 employees (23%) had a high school or Bologna bachelor's degree, 6 employees (46%) had a bachelor's degree or Bologna master's degree, and 4 employees (31%) had a Master of Science.







## 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 0.2% 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 Osebnostna 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 we encourage 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

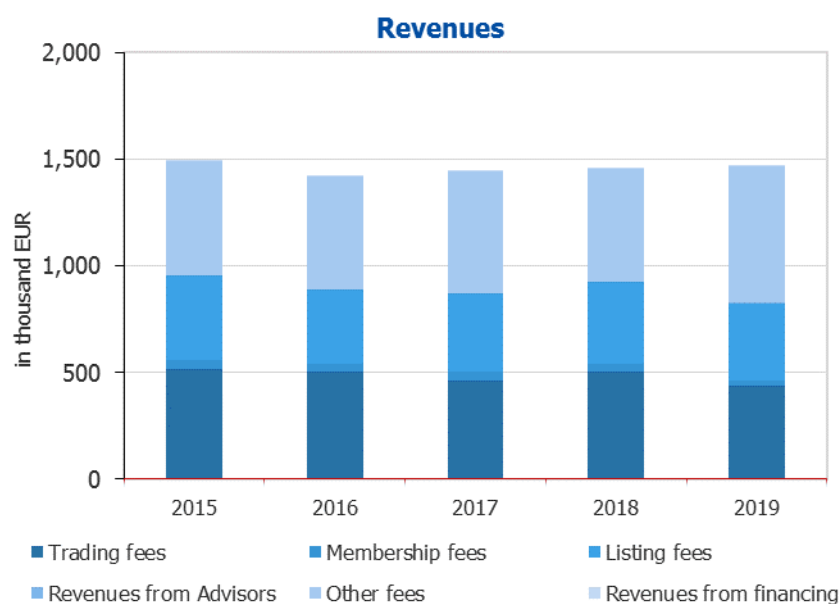
### Ljubljana Stock Exchange operations in 2019

Impact from the international environment has significantly slowed economic growth in 2019. At the end of the year, moderate economic activity in Slovenia continued, confidence improved in almost all sectors. Thus, the turnover on the LJSE in the fourth quarter compared to previous months is relatively good.

We can conclude that the LJSE successfully concluded the business year. The overall result for 2019 is positive, reflecting the improved macroeconomic situation of the Slovenian economy at the end of the year, stock market activities and development of new products, divestment of unnecessary business premises and internal cost optimization of the LJSE.

## Revenues

**EUR 1,470,623**  
TOTAL REVENUES



Compared to the same period in 2018, total revenue was up by 1.2% and amounted to EUR 1,470,623.

As much as EUR 828,985 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 63.9% in 2015. In 2019 revenue from our core business represents 56.4% of operating revenue.

- *Revenue from trading fees*

Compared to previous years, turnover in 2019 was slightly lower. Revenue from trading fees thus amounted to EUR 436,776, which is 29.7% of total revenue and represents a decrease by EUR 67,129, or 13.3%, from 2018.

- *Membership fees*

They amounted to EUR 28,500 and represent 1.9% of total revenue. In 2019 membership status terminated for two member firms. On 31 December 2019 the LJSE thus had 9 members.

- *Revenue from listing fees*

Listing fees generated EUR 360,344 of revenue. In the structure of revenues represents 24.5% of total revenue. In addition to new listings, which generated EUR 12,950, this also includes annual maintenance fees for listed securities (Prime Market and Standard Market shares and bonds) in the amount of EUR 330,324; annual maintenance fees for securities in SI ENTER market in the amount of EUR 1,570; revenue from fees for adopting decisions on listing expansions, on delistings and on suspensions of trading, which contributed EUR 15,500. Compared to 2018 revenues, the revenues in 2019 are 5.6% lower or EUR 21,365 lower.



- *Revenue from Authorised Advisors*

Revenues from authorised advisors for the PROGRESS Segment amount to EUR 3,364, and relate to the fee for deciding on acquiring the Status of an Authorised Advisor in the amount of EUR 195, the fee for acquiring the Status in the amount of EUR 1,005, and to the annual status maintenance fee in the amount of EUR 2,164.

- *Revenue from SEOnet and INFO STORAGE services*

Revenue from SEOnet and INFO STORAGE services amounts to EUR 163,840, representing 11.1% of total revenue, which is a decrease of 11.3% compared to 2018.

- *Revenue from the co-organisation of the Conference and other education*

Revenues from the co-organization of the Financial Conference with the Business Daily Finance were realized in the amount of EUR 20,764 and revenues of mentoring in the amount of EUR 861, which in the total revenue structure represents a 1.5% share.

- *Revenue from data dissemination*

Data dissemination generated 2.7% of total revenue, totalling EUR 39,250.

- *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 2019 amounted to EUR 223,725 and revenue of index licensing to EUR 1,568. In the structure of revenues, they represent 15.3% of total revenues.

- *Revenues from organizing events*

Revenues from organizing events are realized in the amount of EUR 103,218 and in the total revenue structure represents a 7.0% share. From this refers to revenues from organizing Partner Programme in the amount of EUR 53,478, to revenues from the project #FinancialLiteracy and Stock Exchange game in the amount of EUR 37,500, to revenues from organizing road-shows in the amount of EUR 8,390 and revenues from the other events in the amount of EUR 3,850.

- *Revenues from rental of premises*

Revenues from rental of business premises in the amount of EUR 350 relating to the temporary leasing of premises.

- *Other operating revenues*

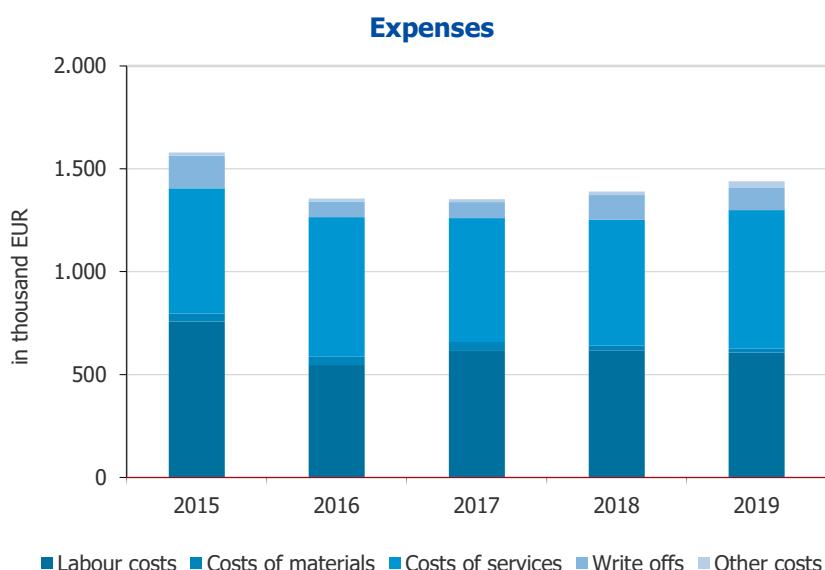
Other revenues are realized in the amount of EUR 72,546, of which EUR 48,289 relates to the profit from the sale of business premises in the ground floor and EUR 8,000 to the sale of the BTS trading system to Albania.

- *Intercompany revenues*

Intercompany revenues relating to the re-invoiced costs of organizing roadshow of Slovenian and Croatian companies to foreign investors in New York by the Zagrebačka burza.

## Expenses

**EUR 1,439,080**  
**TOTAL EXPENSES**



Total expenses amounted to EUR 1,439,080, up by 3.5% compared to 2018.

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 40.3% of total expenses in 2014, to representing 48.0% of total expenses in 2015 due to one-off expenses of forming provisions for severance pays. In 2019 labour costs represent 42.2% of all costs.

Costs of materials and services represent 47.5% and write-offs 8.0%.

- *Employee benefits cost*

On 31 December 2019, the LJSE had 13 employees or 11.14 employees considering the hours worked. The company's costs of salaries for 2019 amount to EUR 607,566, which is 42.2% of total expenses.

Salaries include bonus payments. Variable remuneration paid for business performance in 2019 amounted to EUR 16,964. In addition, the employee benefits cost also includes EUR 16,022 of unpaid bonuses to the Management Board for 2019 and the costs of provisions for severance pay in the amount of EUR 13,843.

- *Costs of materials*

Costs of materials amount to EUR 20,095 and include EUR 7,471 of energy costs, EUR 7,039 of expert literature and subscription costs, EUR 3,285 of stationery costs, EUR 778 of costs of LJSE publications and EUR 1,522 of other costs of materials.

- *Costs of services*

Costs of services amount to EUR 671,827. The largest items are the costs of business premises maintenance (EUR 29,662), leases and rents (EUR 26,196), advertising and entertainment costs (EUR 18,482), the costs of services by natural persons (EUR 46,019), counselling services (EUR 40,183), the costs of IT services

(EUR 262,513), postal and telephone costs (EUR 16,949), costs of organizing events (EUR 104,411), 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 8,527.

- *Depreciation and amortisation*

Depreciation and amortisation cost amounts to EUR 107,411. It refers to EUR 24,458 of amortization of intangible fixed assets, EUR 45,860 of depreciation of the building and EUR 37,092 of depreciation of equipment and other tangible assets. On average, the proportion of written off intangible fixed assets is 92.9%, thus the proportion of carrying intangible assets is 7.1%. On average, the proportion of written off equipment and other tangible assets is 54.8%, thus the proportion of carrying equipment and other tangible assets is 45.2%.

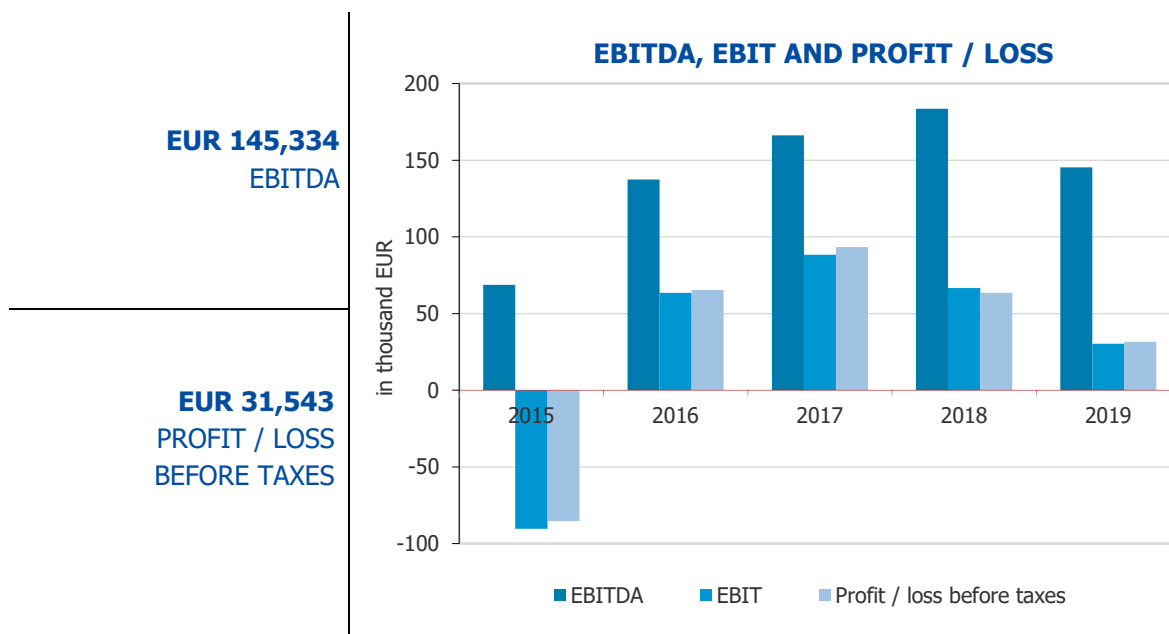
- *Other operating costs*

Other operating costs amounted to EUR 21,211.

- *Revaluatory operating expenses*

Revaluatory operating expenses in the amount of EUR 7,555 refer to expenses from write-offs of property, plant and equipment in the amount of EUR 1,376 and to expenses from allowances for bad receivables in the amount of EUR 6,179.

## Profit or loss for the period



EBITDA, calculated as operating profit, increased by depreciation costs and revaluatory operating expenses, was lower by 20.8% in comparison with the previous year, amounting to EUR 145,334.

EBIT was EUR 30,368, and profit before taxes amounts to EUR 31,543.



## Assets

**EUR 2,752,688**  
**ASSETS**

<i>(in EUR)</i>		
	31 Dec 2019	31 Dec 2018
Non-current assets	1,298,410	1,922,411
Current assets	1,378,377	791,301
Deferred costs and accrued revenue	75,900	57,827
<b>Total assets</b>	<b>2,752,688</b>	<b>2,771,539</b>
Equity	2,442,112	2,471,796
Provisions	13,843	0
Non-current liabilities	61,079	34,265
Current liabilities	163,644	156,687
Short term accrued costs and deferred revenue	72,010	108,792
<b>Total equity and liabilities</b>	<b>2,752,688</b>	<b>2,771,539</b>

## Performance indicator

Ratio	2019	2018	2017	2016	2015
<b>Financing state ratios</b>					
Equity financing rate	88.72	89.21	88.17	89.52	86.52
Long-term liabilities rate	8.16	6.87	9.11	8.11	4.49
Long-term financing rate	90.94	90.45	89.65	90.22	86.52
Equity rate	57.36	56.50	54.05	58.95	61.31
<b>Investments ratios</b>					
Operating fixed assets rate	45.87	60.76	65.43	51.40	50.48
Long-term assets rate	47.17	62.25	66.77	53.04	51.14
Short-term assets rate	52.83	30.55	24.72	46.96	48.86
<b>Horizontal financial structure ratios</b>					
Equity to operating fixed assets	1.93	1.47	1.35	1.74	1.71
Immediate solvency ratio	7.20	3.82	2.13	5.14	9.12
Quick ratio	8.42	5.05	2.99	6.04	10.38
Current ratio	8.42	5.05	2.99	6.04	10.38
<b>Operating efficiency ratios</b>					
Operating efficiency ratio	1.02	1.05	1.07	1.05	0.94
Total efficiency ratio	1.02	1.05	1.07	1.05	0.95
<b>Profitability ratios</b>					
Net return on equity - ROE	0.91	1.87	3.24	3.84	0.00





## 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. The possibilities for stimulating further growth of the capital market are seen primarily through the education of users of stock exchange services, the promotion of long-term savings schemes, the sale of shares of state-owned companies through the capital market and through joint activities for the development and promotion of the capital market by all market participants.

In the coming year, the LJSE intends to continue its activities in acquiring new issuers for listing on both the stock exchange market and on the MTF market. LJSE's goal is to attract new international member firms to the market, which would expose LJSE securities to a new circle of investors. In the future, the LJSE will continue to encourage member firms to provide market making services and perform coverage for its listed companies. The LJSE will also continue with promotional activities of the stock market and promotions of individual listed companies. Great attention will be paid to the implementation of the Partner Program for the education of small and medium-sized enterprises and to the promotion of financial literacy of the young.

The LJSE's objectives with regards to new listings on the stock market are one new share on the Standard Market and four bonds or/and commercial papers or/and any other financial instruments. Objectives for the Advance / Progress market include two new advisors, one IPOs and four bonds or/and commercial papers or/and any other financial instruments. The Partner Programme envisages continuation of the already outlined program from 2019. Funderbeam's goal is one trade union. The promotion will be done through conferences and direct interaction with the companies.

Also expected in the future are the positive effects as a result of closer regional integration with the Zagreb Stock Exchange, which will bring numerous synergistic effects and opportunities for further market development.

Our main activities planned for 2020 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;
- Promotion of financial literacy of young people;
- Encouraging market making activities;
- Local and international market promotion (roadshows);
- Cooperation with the Zagreb Stock Exchange in development and promotion projects;
- 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 2019, 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 2019

### Balance sheet

(in EUR)	Notes	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>		<b>2,752,688</b>	<b>2,771,539</b>
<b>Non-current assets</b>		<b>1,298,410</b>	<b>1,922,411</b>
Intangible assets and long-term deferred and accrued items	1.1	118,876	97,287
Property, plant and equipment	1.2	1,143,805	1,591,285
Long-term investments		0	200,000
Deferred tax assets	1.3	35,729	33,839
<b>Current assets</b>		<b>1,378,377</b>	<b>791,301</b>
Short-term investments	1.4	200,410	550,383
Short-term operating receivables	1.5	200,515	192,039
Cash and cash equivalents	1.6	977,453	48,879
<b>Short-term deferred costs and accrued revenues</b>	1.7	<b>75,900</b>	<b>57,827</b>
<b>EQUITY AND LIABILITIES</b>		<b>2,752,688</b>	<b>2,771,539</b>
<b>Equity</b>	1.8	<b>2,442,112</b>	<b>2,471,796</b>
Called-up capital		1,400,893	1,400,893
Capital surplus		462,775	462,775
Revenue reserves		423,159	423,159
Revaluation surplus		107,912	128,196
Retained earnings		25,043	9,888
Net profit or loss for the period		22,331	46,885
<b>Provisions and long-term accrued costs and deferred revenues</b>	1.9	<b>13,843</b>	<b>0</b>
Provisions for terminal leave pay or long-service benefits		13,843	0
<b>Long-term liabilities</b>	1.10	<b>61,079</b>	<b>34,265</b>
Long-term financial liabilities		35,766	4,194
Deferred tax liabilities		25,313	30,071
<b>Short-term liabilities</b>	1.11	<b>163,644</b>	<b>156,687</b>
Short-term financial liabilities		4,613	8,035
Short-term trade payables		159,031	148,651
<b>Short-term accrued costs and deferred revenues</b>	1.12	<b>72,010</b>	<b>108,792</b>

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



## Income statement

<i>(in EUR)</i>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<b>Net sales</b>	2.1	<b>1,409,443</b>	<b>1,421,854</b>
Net sales revenues from domestic market		995,670	1,050,823
Net sales revenues from abroad		413,773	371,031
Other operating revenues	2.2	<b>51,292</b>	<b>28,945</b>
<b>Costs of goods, material and services</b>	2.3	<b>691,923</b>	<b>634,425</b>
Costs of materials used		20,095	23,031
Costs of services		671,827	611,394
<b>Labour costs</b>	2.4	<b>607,566</b>	<b>617,626</b>
Costs of wages and salaries		460,169	476,663
Pension insurance costs		12,329	13,282
Other social insurance costs		81,917	86,030
Other labour costs		39,308	41,650
Provisions		13,843	0
<b>Write-downs</b>	2.5	<b>114,966</b>	<b>120,822</b>
Depreciation and amortisation		107,411	103,407
Revaluatory operating expenses associated with intangible assets and property, plant and equipment		1,376	0
Revaluatory operating expenses associated with operating current assets		6,179	17,416
Other operating expenses	2.6	<b>21,211</b>	<b>13,508</b>
Financial revenue from investments		2,585	1,572
Financial revenue from operating receivables		0	104
Financial expenses for financial liabilities		1,283	771
Financial expenses for operating liabilities		127	112
Other revenues	2.7	7,303	1,077
Other expenses		2,003	2,864
Income tax	2.8	-11,102	-10,870
Deferred taxes	2.9	1,890	-5,670
<b>NET PROFIT OR LOSS FOR PERIOD</b>	2.10	<b>22,331</b>	<b>46,885</b>

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

<i>(in EUR)</i>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
Net profit or loss for the year		22,331	46,885
Changes of intangible assets and property, plant and equipment revaluation surplus		4,758	1,878
<b>Total comprehensive income for the year</b>	<b>2.11</b>	<b>27,089</b>	<b>48,763</b>

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)	2019	2018
<b>A. Cash flows from operating activities</b>		
<b>a) Income Statement items</b>	<b>138,368</b>	<b>208,499</b>
Operating revenue	1,417,864	1,425,404
Operating expenses excluding depreciation and amortisation	-1,269,530	-1,207,811
Income taxes and other taxes not included in operating expenses	-9,966	-9,093
<b>b) Changes of net operating assets in Balance Sheet items</b>	<b>-106,128</b>	<b>-123,077</b>
Change in trade receivables	-19,636	-26,323
Change in deferred costs and accrued revenue	-20,456	-3,770
Change in deferred tax assets	-1,890	5,670
Change in operating debts	10,380	-67,807
Change in accrued items and provisions	-69,768	-28,969
Change in deferred tax liabilities	-4,758	-1,879
<b>c) Net cash from operating activities (a + b)</b>	<b>32,240</b>	<b>85,422</b>
<b>B. Cash flows from investing activities</b>		
<b>a) Cash receipts from investing activities</b>	<b>1,008,317</b>	<b>207,675</b>
Interest received	2,585	1,592
Proceeds from disposal of intangible assets	0	0
Proceeds from sale of property, plant and equipment	455,758	206,082
Proceeds from disposal of current assets	549,973	0
<b>b) Cash disbursements from investing activities</b>	<b>-46,311</b>	<b>-196,668</b>
Purchase to acquire intangible assets	-43,665	-6,247
Purchase of property, plant and equipment	-2,646	-40,422
Payments in connection with non-current investments	0	0
Payments in connection with current investments	0	-150,000
<b>c) Net cash from investing activities (a + b)</b>	<b>962,006</b>	<b>11,006</b>
<b>C. Cash flows from financing activities</b>		
<b>a) Cash receipts from financing activities</b>	<b>0</b>	<b>0</b>
Capital increase	0	0
<b>b) Cash disbursements from financing activities</b>	<b>-65,672</b>	<b>-176,134</b>
Interest paid	-1,283	771
Repayment of financial liabilities	-7,616	-8,035
Dividends paid	-56,773	-168,870
<b>c) Net cash from financing activities (a + b)</b>	<b>-65,672</b>	<b>-176,134</b>
<b>D. Net cash and cash equivalents as at end of period</b>	<b>977,453</b>	<b>48,879</b>
Net increase in cash and cash equivalents (Ac+Bc+Cc)	928,574	-79,705
Cash and cash equivalents as at beginning of period	48,879	128,584

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 2019

(in EUR)	Called-up capital	Capital surplus			Revenue reserves			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	Revaluation reserves	Retained earnings	Net profit / loss for the period	
<b>A.1. Balance at 31 Dec 2018</b>	1,400,893	143	364,570	98,062	423,159	128,196	9,888	46,885	2,471,796
Backward calculations									
Retrospective adjustments									
<b>A.2. Balance at 1 Jan 2019</b>	1,400,893	143	364,570	98,062	423,159	128,196	56,773	0	2,471,796
<b>Equity changes - transaction with owners</b>									
<b>B.1. owners</b>									
Payment of dividends							-56,773		-56,773
<b>B.2. Total comprehensive income for 2019</b>	0	0	0	0	0	-20,285	25,043	22,331	27,089
Profit / loss for the period								22,331	22,331
Changes in revaluation surplus related to intangible assets						-20,285	25,043		4,758
<b>C. Balance at 31 Dec 2019</b>	<b>1,400,893</b>	<b>143</b>	<b>364,570</b>	<b>98,062</b>	<b>423,159</b>	<b>107,912</b>	<b>25,043</b>	<b>22,331</b>	<b>2,442,112</b>
<b>ACCUMULATED PROFIT FOR 2019</b>	-	-	-	-	-		<b>25,043</b>	<b>22,331</b>	<b>47,373</b>

## Statement of changes in equity for 2018

(v EUR)	Called-up capital	Capital surplus			Revenue reserves			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	Revaluation reserves	Retained earnings	Net profit / loss for the period	
<b>A.1. Balance at 31 Dec 2017</b>	1,400,893	143	364,570	98,063	423,159	136,206	89,551	79,319	2,591,903
Backward calculations									
Retrospective adjustments									
<b>A.2. Balance at 1 Jan 2018</b>	1,400,893	143	364,570	98,063	423,159	136,206	168,870	0	2,591,903
<b>Equity changes - transaction with owners</b>									
<b>B.1. owners</b>									
Payment of dividends							-168,870		-168,870
<b>B.2. Total comprehensive income for 2018</b>	0	0	0	0	0	-8,009	9,888	46,885	48,763
Profit / loss for the period								46,885	46,885
Changes in revaluation surplus related to intangible assets						-8,009	9,888		1,879
<b>C. Balance at 31 Dec 2018</b>	<b>1,400,893</b>	<b>143</b>	<b>364,570</b>	<b>98,063</b>	<b>423,159</b>	<b>128,196</b>	<b>9,888</b>	<b>46,885</b>	<b>2,471,796</b>
<b>ACCUMULATED PROFIT FOR 2018</b>	-	-	-	-	-		<b>9,888</b>	<b>46,885</b>	<b>56,773</b>

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 2019, 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 2018.

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	3.75
Computers	20,0 - 40,0
Furniture and other equipment	20,0 - 30,0
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 2019 and are the same as in 2018.

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%.

## Leases

In 2019 the Company updated the applicable accounting policies and the treatment of events, together with their presentation in the financial statements, to align them with the requirements of IFRS 16, which entered into force on 1 January 2019.

IFRS 16 providing for the same treatment of operating and finance leases by the lessees. In the statement of financial position, the lessee includes leased assets under fixed assets or under right-of-use assets in conjunction with lease liabilities, based on the lease contract. The value of leased assets is transferred to costs via depreciation, whereas financing costs are charged to finance expenses. The standard includes two recognition exemptions for lessees: leases of low-value assets and short-term leases. The approach to lessor accounting is substantially unchanged from accounting under IAS 17.

The Company applied IFRS 16 requirements only to contracts that were identified as leases prior to the transition to the new standard IFRS 16. The Company reviewed and analysed its lease contracts for which the lease terms exceed one year. The Company used lease expenses and estimated lease terms for 10 years to assess the value of right-of-use assets and lease liabilities, recognising them in the statement of financial position as at 1 January 2019. The value of right-of-use assets and lease liabilities is assessed by discounting future cash flows over the lease term. Cash flows are discounted at an average interest rate of the loan agreements concluded with non-financial corporations in credit institutions, published by the Bank of Slovenia in its bulletin, and in the month of lease amounts 2.49%. The depreciation charge is calculated using depreciation rates estimated by taking into account the remaining term of the lease.

The Company did not have any finance leases in 2019 which the lease terms exceed one year.

In keeping with the new standard, the Company changed the way it presents the effects of lease contracts in 2019. An exception were short-term leases, leases of low-value assets and leases that are exempt from the application of IFRS 16 due to the nature of underlying assets. A single recognition and measurement approach was applied for all leases. The Company took into account specific transition requirements laid down in IFRS 16 and applied practical expedients it provides.

The Company recognised all right-of-use assets and lease liabilities for leases that were classified as operating leases prior to adopting IFRS 16, except for leases for which the right-of-use assets are not recognised under IFRS 16 (short-term leases, leases of low-value assets, leases with variable lease payments, etc.).

The right-of-use assets for most leases were recognised based on the carrying amount as if IFRS 16 had always been applied, apart from the use of incremental borrowing rate at the date of initial application. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company also applied the available practical expedients wherein it:



- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application,
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The Company applies the exemption to short-term lease recognition (i.e. to leases that have a lease term of 12 months or less and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. The Company recognises lease payments on short-term leases and leases of low-value assets as expense on a straightline basis over the lease term.

## **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.

## **Provisions for employee post-employment and other long-term benefits**

Defined post-employment and other benefit obligations include the present value of post-employment benefits on retirement and jubilee benefits. They are recognised based on an actuarial calculation approved by the management. An actuarial calculation is based on the assumptions and estimates applicable at the time of the calculation, and these may differ from the actual assumptions due to future changes. This mainly refers to determining the discount rate, the estimate of staff turnover, the mortality estimate and the salary increase estimate. Defined benefit obligations are sensitive to changes in the said estimates because of the complexity of the actuarial calculation and the item's long-term nature.

Pursuant to the law, the collective agreement and the internal rules, the Company is obligated to pay its employees jubilee benefits and post-employment benefits on retirement, for which it has established long-term provisions. Other obligations related to employee post-employment benefits do not exist.

The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Postemployment benefits on retirement and jubilee benefits are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of postemployment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

## **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.

Revenue from the sale of services is recognized by the Company at the time the service is fully provided.

A sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of the transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

For long-term projects, the revenue from services rendered is recognised based on the stage of completion as at the balance sheet date. Under this method, the revenue is recognised in the accounting period in which the services are rendered.

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 2018 and as at 31 December 2019, and based on the Income Statement for 2019 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 118,876

(in EUR)	31 Dec 2019	31 Dec 2018
Long-term property rights	1,266,947	1,223,282
Intangible assets under construction	0	0
Long-term deferred costs	29,412	27,029
Accumulated amortization of intangible assets	-1,177,483	-1,153,024
<b>Carrying amount</b>	<b>118,876</b>	<b>97,287</b>

Intangible assets as at 31 December 2019 include recognised rights for the use of software for the computerized processing of data with a carrying amount of EUR 89,464 and long-term deferred costs in the amount of EUR 29,412.

All intangible assets have finite useful lives.

Movements of intangible assets:

(in EUR)	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
<b>Cost of purchase</b>				
Balance as at 1 Jan 2019	1,223,282	27,029	0	1,250,311
Additional	43,665	2,854	0	46,518
Transfer	0	0	0	0
Disposals	0	471	0	471
Balance as at 31 Dec 2019	1,266,947	29,412	0	1,296,359
<b>Accumulated amortisation</b>				0
Balance as at 1 Jan 2019	1,153,024	0	0	1,153,024
Annual amortisation	24,458	0	0	24,458
Disposals	0	0	0	0
Balance as at 31 Dec 2019	1,177,483	0	0	1,177,483
<b>Carrying amount</b>				0
Balance as at 1 Jan 2019	70,258	27,029	0	97,287
Balance as at 31 Dec 2019	89,465	29,412	0	118,876

(in EUR)	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
<b>Cost of purchase</b>				
Balance as at 1 Jan 2018	1,228,184	25,566	9,402	1,263,152
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	1,250,311

- Continued -

(in EUR)	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
<b>Accumulated amortisation</b>				0
Balance as at 1 Jan 2018	1,149,008	0	0	1,149,008
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
<b>Carrying amount</b>				0
Balance as at 1 Jan 2018	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 2019 refer to the development of Data Ware House software in the amount of EUR 26,760, to the development and introduction of digitalization project in the amount of EUR 6,244, upgrade of the web sites -Portal and SI ENTER in the amount of EUR 5,844 and to the upgrade to the BTS reporting system in the amount of EUR 4,817.

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

As at the Balance Sheet date the company has an obligation to purchase intangible fixed assets in the amount of EUR 25,000 with maturity of 28 February 2020.

Long-term deferred costs and accrued revenues include deferred costs of rent of digital certificates and brand patent in the total amount of EUR 1,236, and payments to reserve fund in the amount of EUR 28,176.

## 1.2 Property, plant and equipment

**EUR 1,143,805**

(in EUR)	31 Dec 2019	31 Dec 2018
Building	1,025,431	1,456,061
Accumulated depreciation of building	-66,523	-46,216
Right to use (IFRS 16)	39,349	0
Accumulated depreciation - right to use	-3,935	0
Other property, plant and equipment	330,678	375,884
Property, plant and equipment under construction	0	7,418
Accumulated depreciation of property, plant and equipment	-181,196	-201,862
<b>Carrying amount</b>	<b>1,143,805</b>	<b>1,591,285</b>

As at 31 December 2019, the item property, plant and equipment (PPE) included the current value of the building (EUR 994,323) and the current value of other PPE (EUR 149,482).

In 2019 the Company sold part of the unnecessary premises in the mezzanine. Their book value amounts to EUR 430,629.

For 2019 the assumptions from the acquired valuation in 2017 were reviewed. Market conditions in 2019 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 2019 would have totalled EUR 782,332.

Movements of property, plant and equipment (PPE):

(in EUR)	Buildings	Right to use - IFRS 16	Equipment	Small tools	Equipment under preparation	Total PPE
<b>Cost of purchase</b>						
Balance as at 1 Dec 2019	1,456,061	0	375,884	0	7,418	1,839,363
Additions	0	39,349	10,052	0	2,646	52,047
Transfer	0	0	0	0	0	0
Disposals	-430,629	0	-55,259	0	-10,063	-495,951
Enhancement	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Balance as at 31 Dec 2019	1,025,431	39,349	330,678	0	0	1,395,459
<b>Accumulated depreciation</b>						
Balance as at 1 Dec 2019	46,216	0	201,862	0	0	248,077
Annual depreciation	45,860	3,935	33,216	0	0	83,012
Disposals	-25,553	0	-53,882	0	0	-79,436
Enhancement	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Balance as at 31 Dec 2019	66,523	3,935	181,196	0	0	251,653
<b>Carrying amount</b>						
Balance as at 1 Dec 2019	1,409,845	0	174,023	0	7,418	1,591,285
Balance as at 31 Dec 2019	958,909	35,414	149,482	0	0	1,143,805

(in EUR)	Buildings	Right to use - IFRS 16	Equipment	Small tools	Equipment under preparation	Total PPE
<b>Cost of purchase</b>						
Balance as at 31 Dec 2017	1,629,830	0	465,623	0	0	2,095,453
Additions	5,781	0	27,223	0	34,641	67,645
Transfer	0	0	0	0	-27,223	-27,223
Disposals	-179,550	0	-116,962	0	0	-296,512
Enhancement	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Balance as at 31 Dec 2018	1,456,061	0	375,884	0	7,418	1,839,363
<b>Accumulated depreciation</b>						
Balance as at 31 Dec 2017	0	0	286,200	0	0	286,200
Annual depreciation	225,766	0	32,624	0	0	258,390
Disposals	-179,550	0	-116,962	0	0	-296,512
Enhancement	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Balance as at 31 Dec 2018	46,216	0	201,862	0	0	248,077
<b>Carrying amount</b>						
Balance as at 31 Dec 2017	1,629,830	0	179,423	0	0	1,809,253
Balance as at 31 Dec 2018	1,409,845	0	174,023	0	7,418	1,591,285

New purchases of PPE include purchase of office equipment in the amount of EUR 1,779 and IT equipment in the amount of EUR 856.

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 Deferred tax assets

**EUR 35,729**

Deferred tax assets in the amount of EUR 35,729 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 2019	31 Dec 2018
Deferred tax assets	35,729	33,839
<b>Total</b>	<b>35,729</b>	<b>33,839</b>

Movement of long term deferred tax assets in 2019:

(in EUR)	Difference between depreciation charged (3,537%) and tax-deductible depreciation (3,0%)	Impairment of trade receivables	Unused tax loss	Provisions	Total
As at 31 December 2018	1,333	12,064	20,442	0	33,839
Newly formed in 2019	1,308	1,174	0	1,315	3,797
Used in 2019	-752	-1,156	0	0	-1,907
<b>As at 31 December 2019</b>	<b>1,889</b>	<b>12,083</b>	<b>20,442</b>	<b>1,315</b>	<b>35,729</b>

### 1.4 Current investments

**EUR 200,410**

(in EUR)	31 Dec 2019	31 Dec 2018
Investments into precious metals	383	383
Short-term banks deposits	200,027	550,000
<b>Total</b>	<b>200,410</b>	<b>550,383</b>

A short-term deposit of EUR 200,027 is deposited at the commercial banks in Slovenia, and refers to the short-term maturity of long-term deposits for a period of 1 year and 1 day and at a 0.4% nominal interest rate.





Investments into precious metals refer to two gold bars.

### 1.5 Short-term trade receivables

**EUR 200,515**

<i>(in EUR)</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Trade receivables	175,854	171,494
Receivables due from other entities	24,661	20,544
<b>Total</b>	<b>200,515</b>	<b>192,039</b>

#### • Trade receivables

**EUR 175,854**

<i>(in EUR)</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Trade receivables due from residents	95,993	89,705
Doubtful and disputable trade receivables from residents	61,892	60,611
Trade receivables due from non-residents	79,861	81,789
Doubtful and disputable trade receivables from non-residents	220	220
Allowance for bad receivables	-62,112	-60,831
<b>Total</b>	<b>175,854</b>	<b>171,494</b>

#### • Receivables due from other entities

**EUR 24,661**

<i>(in EUR)</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Short-term advanced paid	770	650
Interest receivables	2,497	2,792
Default interest receivable	-1,484	-2,667
Receivables due from other entities	22,877	19,770
<b>Total</b>	<b>24,661</b>	<b>20,544</b>

Other short-term receivables refer to input VAT in the amount of EUR 9,426, namely to VAT receivables from invoices for December 2019, to receivables from paid advance payments for corporation tax in the amount of EUR 9,965, and to other receivables, in the amount of EUR 3,486.

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	29,666						29,666
Trade receivables due from residents – other	56,784	210	1,830	488	7,015		66,327
Trade receivables due from residents – doubtful						61,892	61,892
Trade receivables due from non-residents	79,861						79,861
Trade receivables due from non-residents – doubtful						220	220
Other short-term advances and overpayments	770						770
Interest receivable	1,013						1,013
Default interest receivable							0
Default interest receivable – doubtful						1,484	1,484
<b>Total</b>	<b>168,094</b>	<b>210</b>	<b>1,830</b>	<b>488</b>	<b>7,015</b>	<b>63,595</b>	<b>241,232</b>

The majority of receivables, both trade receivables and interest receivables, are non-past due receivables, which represent 69.7% 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 2020.

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 2019:

(v EUR)	Receivables	Penal interest	Total
As at 31 December 2018	60,831	2,667	63,498
- recovered receivables for which a correction was made	4,898	1,184	6,082
(adjustment)			0
+ additional increase in value adjustment	6,179	0	6,179
<b>Status of the Adjustment as of 31 December 2019</b>	<b>62,112</b>	<b>1,484</b>	<b>63,595</b>

The company does not hedge its receivables.



## 1.6 Cash and cash equivalents

EUR 977,453

(in EUR)	31 Dec 2019	31 Dec 2018
Cash in hand	120	121
Bank balance:	977,333	48,758
Current account	427,281	27,706
Redeemable EUR deposit	550,052	21,052
<b>Total</b>	<b>977,453</b>	<b>48,879</b>

## 1.7 Short-term deferred costs and accrued revenue

EUR 75,900

(in EUR)	31 Dec 2019	31 Dec 2018
Short-term deferred costs	35,469	32,714
Short-term accrued revenues	40,431	25,113
- listing maintenance fees for bonds	40,431	25,113
<b>Total</b>	<b>75,900</b>	<b>57,827</b>

Short-term deferred costs refer to the lease of the licenses in the amount of EUR 18,476, costs of the company's property insurance in the amount of EUR 5,308, costs of the responsibility insurance and supplementary health insurance in the amount of EUR 7,607 and other in the amount of EUR 4,078. These costs relate to financial year 2020.

Accrued revenue refers to listing maintenance fees for government bonds (issuer Republika Slovenija) for 2019, in the amount of EUR 40,431. The listing maintenance fees will be charged in 2020 after one year of listing. Other issuers are charged with listing maintenance fees (for shares and bonds) for the term of each calendar year.

## 1.8 Equity

EUR 2,442,112

(in EUR)	31 Dec 2019	31 Dec 2018
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	107,912	128,196
- Building revaluation surplus	133,224	158,267
- Allowance for revaluation surplus relating to deferred tax assets	-25,313	-30,071
Retained earnings	25,043	9,888
Net profit or loss for the period	22,331	46,885
<b>Total</b>	<b>2,442,112</b>	<b>2,471,796</b>

### • 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 2019	31 Dec 2018
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
<b>Total</b>	<b>462,775</b>	<b>462,775</b>

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

• **Revenue reserves**

**EUR 423,159**

(in EUR)	31 Dec 2019	31 Dec 2018
Statutory reserves	423,159	423,159
<b>Total</b>	<b>423,159</b>	<b>423,159</b>

• **Revaluation surplus**

**EUR 107,912**

(in EUR)	31 Dec 2019	31 Dec 2018
Building revaluation surplus	133,224	158,267
Allowance for revaluation surplus relating to deferred tax assets	-25,313	-30,071
<b>Total</b>	<b>107,912</b>	<b>128,196</b>

In 2019, 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 25,043 and deferred tax revaluation reserve in the amount of EUR 4,758 were eliminated.

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

**EUR 13,843**

In 2019, the company formed provisions for terminal leave pay and jubilee benefits to employees in the amount of EUR 13,843.

The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Postemployment benefits on retirement and jubilee benefits are charged against the provisions created.

Assumptions used in the calculation:

- Interest rate on long-term government bonds with a maturity of 10 years of 0.75% in nominal terms,
- The expected long-term growth of salaries, anniversary bonuses and non-taxable amounts of 0.5% annually,
- Gross pay per employee.

### 1.10 Long-term liabilities

EUR 61,079

(in EUR)	31 Dec 2019	31 Dec 2018
Long-term financial liabilities	35,766	4,194
Deferred tax liabilities	25,313	30,071
<b>Total</b>	<b>61,079</b>	<b>34,265</b>

Long-term financial liabilities in the amount of EUR 35,766 refer to the business lease of 2 parking spaces for company vehicles.

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

### 1.11 Short-term liabilities

EUR 163,644

(in EUR)	31 Dec 2019	31 Dec 2018
Short-term financial liabilities	4,613	8,035
Payables to suppliers	88,941	91,578
Payables from advances	760	0
Other trade payables	69,331	57,074
<b>Total</b>	<b>163,644</b>	<b>156,687</b>

Short-term financial liabilities in the amount of EUR 4,613 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 49,110, VAT liabilities in the amount of EUR 17,296 and other short-term operating liabilities in the amount of EUR 2,925.

- **Payables to employees include:**

EUR 49,110

(in EUR)	31 Dec 2019	31 Dec 2018
Payables from net wages and wage compensations	22,418	25,085
Payables from contributions for gross wages and wage compensations	10,071	9,410
Payables from taxes for gross wages and wage compensations	7,610	7,288
Payables from other earnings from employment	1,712	1,696
Payables from payer's contributions	7,300	6,831
<b>Total</b>	<b>49,110</b>	<b>50,309</b>

- **Payables to the government and other institutions include:**

EUR 19,125

(in EUR)	31 Dec 2019	31 Dec 2018
Payables from VAT	17,296	5,308
Payables from income tax	0	0
Other payables to the government and other institutions	1,829	1,104
<b>Total</b>	<b>19,125</b>	<b>6,411</b>



### 1.12 Short-term accrued costs and deferred revenue

EUR 72,010

(in EUR)	31 Dec 2019	31 Dec 2018
Accrued costs	51,567	66,204
Short-term deferred revenues	20,443	42,588
<b>Total</b>	<b>72,010</b>	<b>108,792</b>

Accrued costs refer to the costs of the financial statements audit for 2019, which amount to EUR 48,185, to the costs of a risk management audit, in the amount of EUR 754, to the costs of the review report on affiliated subjects, in the amount of EUR 539, to the costs of internal audit, in the amount of EUR 2,370, to the obligations arising from bonuses to the employees and the Management Board for 2019, in the amount of EUR 32,984, and other accrued costs in the amount of EUR 6,735.

Short-term deferred revenue in the amount of EUR 20,443 represents deferred revenue from the PARTNER program relating to the cost that will be incurred in 2020.

### 1.13 Off-balance-sheet liabilities and receivables

As at 31 December 2019 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 1,460,735

(in EUR)	2019	2018
Revenue from core business	828,985	926,972
- Trading fees	436,776	503,905
- Membership fees	28,500	37,250
- Listing fees	360,344	381,709
- Fees from authorised Advisors	3,364	4,108
Other revenue	634,298	521,651
- SEOnet and INFO STORAGE services	163,840	184,625
- Seminars	21,624	15,543
- Data dissemination	39,250	56,000
- Revenues sharing with WBAG	225,293	215,471
- Revenues from organizing events	103,218	9,912
- Intercompany revenues	8,527	
- Other	72,546	40,099
<b>Total</b>	<b>1,463,283</b>	<b>1,448,623</b>



## 2.2 Other operating revenues

EUR 51,292

(in EUR)	2019	2018
Revenues from rental of premises	350	2,176
Revenues from revaluation (previous impairment)	0	0
Revenues from dissolved provisions	0	0
Revenues from sale of fixed assets	49,048	26,730
Other revenues	1,894	40
<b>Total</b>	<b>51,292</b>	<b>28,945</b>

## 2.3 Costs of material and services

EUR 691,923

(in EUR)	2019	2018
<b>Costs of material</b>	<b>20,095</b>	<b>23,031</b>
Power supply	7,471	7,894
Office supplies, expert literature and publications	10,324	10,500
Costs of LJSE publications	778	850
Other costs of material	1,522	3,787
<b>Costs of services</b>	<b>671,827</b>	<b>611,394</b>
Transportation	2,468	2,441
Maintenance costs	134,961	121,049
Leases and rents	198,265	213,126
Reimbursements of labour-related costs	5,417	5,951
Payment transactions and insurance premiums	10,197	11,187
Intellectual and personal services	70,468	57,506
Advertising and entertainment	44,174	45,424
Services by individuals without a registered business	46,019	40,556
Costs of other services	159,859	114,155
<b>Total</b>	<b>691,923</b>	<b>634,425</b>

## 2.4 Employee benefits cost

EUR 607,566

(in EUR)	2019	2018
<b>Wages and salaries</b>	<b>460,169</b>	<b>476,663</b>
<b>Pension insurance</b>	<b>57,350</b>	<b>60,564</b>
- Pension and disability insurance contributions	45,022	47,282
- Additional pension insurance	12,329	13,282
<b>Social security</b>	<b>40,840</b>	<b>43,034</b>
- Health insurance, employment and parental protection contributions	36,896	38,748
- Voluntary health insurance	3,944	4,286
<b>Other labour costs</b>	<b>35,364</b>	<b>37,364</b>
- Commuting, meals allowance, holiday allowance, benefits	35,364	37,364
<b>Provisions</b>	<b>13,843</b>	<b>0</b>
<b>Total</b>	<b>607,566</b>	<b>617,626</b>

The company employed a total of 13 people in 2019. This equals 11.14 people considering hours worked. The total costs of wages and salaries (gross wages and wage contributions) amount to EUR 607,566.



## 2.5 Write-offs

EUR 114,966

(in EUR)	2019	2018
Depreciation and amortisation	107,411	103,407
Revaluatory operating expenses associated with intangible assets and property, plant and equipment	1,376	0
Revaluatory operating expenses associated with operating current assets	6,179	17,416
<b>Total</b>	<b>114,966</b>	<b>120,822</b>

### • Depreciation and amortization

EUR 107,411

(in EUR)	2019	2018
Amortisation of intangible assets	24,458	24,567
Building amortisation	45,860	46,216
Depreciation of property, plant and equipment	33,216	32,624
Depreciation of other PPE	3,876	0
<b>Total</b>	<b>107,411</b>	<b>103,407</b>

### • Revaluation operating expenses associated with intangible assets and PPE EUR 1,376

Revaluation operating expenses for intangible assets and property, plant and equipment refer to the shortage of fixed assets identified in the inventory.

### • Revaluation operating expenses associated with current assets EUR 6,179

Revaluation operating expenses associated with current assets refer to allowances for bad receivables which are formed for receivables overdue by 90 days and for doubtful receivables, both in the total amount of EUR 6,179.

## 2.6 Other operating expenses

EUR 21,211

(in EUR)	2019	2018
Other operating expenses	18,197	9,079
- Charges	9,100	0
- Membership fees	2,517	1,582
- Tax paid for using building land	6,555	6,593
- Cost of court and administrative fees	25	903
Other expenses	3,014	4,429
<b>Total</b>	<b>21,211</b>	<b>13,508</b>

### 2.6.1 Expenses by function

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

## 2.7 Other revenues

EUR 7,303

Other revenue of EUR 7,303 relates to compensation received after an out-of-court settlement of EUR 5,686 and other revenue of EUR 1,617.

## 2.8 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 2019, the tax base was established in the amount of EUR 79,256. For the year 2018, the company exempts tax relief in the amount of EUR 20,826. This way, the tax base for 2019 amounts to EUR 58,430 and the tax on profit in the amount of EUR 11,102. The effective tax rate for 2017 is 35.2%.

Income tax charged:

(in EUR)	2019	2018
Profit / loss before tax	31,543	63,425
Tax incentives and premiums	26,887	30,603
- Tax relief	-20,826	-26,480
- Tax premiums	0	0
deductions relief	47,714	57,084
Tax loss covering	0	-36,817
Tax base	58,430	57,212
Tax rate	19%	19%
Tax charged	11,102	10,870

As at 31 December 2019, the uncovered tax loss amounted to EUR 107,592.

## 2.9 Deferred tax

**EUR 1,890**

When calculating the net profit or loss for the accounting period, deferred tax receivables in the amount of EUR 3,797 are recognized and deferred tax assets for temporary differences in the amount of EUR 1,907 are eliminated, which reduces the net profit for the financial year.

## 2.10 Net profit for the year

**EUR 22,331**

The net profit for the 2019 financial year amounts to EUR 22,331. Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net profit for 2019 remains unallocated and together with the retained earnings in the amount of EUR 25,043, forms an accumulated profit. Thus, the accumulated profit for the financial year 2019 is EUR 47,373. The Management Board and the Supervisory Board propose to keep the entire accumulated profit for 2019 undistributed as retained earnings.



### Accumulated profit:

(in EUR)	2019	2018
Net profit or loss for the period	22,331	46,885
Retained earnings from previous year	25,043	9,888
Decrease in / reversal of capital reserves	0	0
Decrease in / reversal of revenue reserves	0	0
<b>Accumulates profit or loss</b>	<b>47,373</b>	<b>56,773</b>

### 2.11 Total comprehensive income for the period

**EUR 27,089**

Total comprehensive income for financial year 2019 amounts to EUR 27,089 and consists of net profit for the financial year in the amount of EUR 22,331, retained earnings in the amount of EUR 25,043 and the revaluation reserves from the revaluation of a business building in the amount of EUR 20,284.

## 3 Management Board remuneration in 2019

In 2019 the Management Board received remuneration in the following amounts:

(in EUR)	Mr Aleš Ipavec, Msc President	Mrs Nina Vičar, Msc Member
Fixed pay (gross)	90,000	66,871
Variable pay (gross)	14,113	10,208
Fringe benefits	6,118	2,589
Other earnings and reimbursements	2,561	2,523
Additional pension insurance	2,819	2,819
<b>Total</b>	<b>115,610</b>	<b>85,011</b>

## 4 Supervisory Board remuneration in 2019

In 2019 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
<b>Total</b>	<b>6,300</b>

## 5 Audit costs

The financial statements audit for financial year 2019 amounted to EUR 8,185 – inclusive of VAT, the audit of the company's risk management amounted to EUR 754, and the costs of audit of the Report on Relations with Affiliated Parties amounted to EUR 539. Internal audit costs for financial year 2019 amounted to EUR 8,637.

## 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 affiliated parties as at:

<i>(in EUR)</i>	31 December 2019	31 December 2018
<b>Receivables from companies in the group</b>		
ZSE	300	/
SEE Link	/	/
Funderbeam SEE	/	/
MSE	/	/
<b>Liabilities to companies in the group</b>		
ZSE	25,200	700
SEE Link	1,650	/
Funderbeam SEE	/	/
MSE	/	/

The table shows revenues and expenses to related parties in the year:

<i>(in EUR)</i>	2019	2018
<b>Sales revenues in the group</b>		
ZSE	5,629	/
SEE Link	/	/
Funderbeam SEE	/	1,500
MSE	/	/
<b>Purchase of materials and services</b>		
ZSE	8,527	10,976
SEE Link	15,824	15,897
Funderbeam SEE	/	/
MSE		

In the table, the data of ZSE does not show the amount related to the investment in intangible fixed assets in the amount of EUR 26,974.



## 7 Events after the reporting period

There were no events after the balance sheet date that required the financial statements to be revised or separately disclosed. The company's operations in the early 2020s, even in March, when the COVID-19 pandemic was already declared, are good, so we cannot assess the impact of the crisis already affecting the economy on our business. However, the impact on the capital market is expected in the future.

# 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 2019, 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 2019, 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 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 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 Those charged with governance 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.

Those charged with governance 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 those charged with governance 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.

Katarina Kadunc  
Certified auditor

For signature please refer to the original  
Slovenian version.

**Deloitte**

DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

Ljubljana, 10 April 2020

**TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS**



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