

Annual Report

Ljubljana Stock Exchange



2015



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Introduction

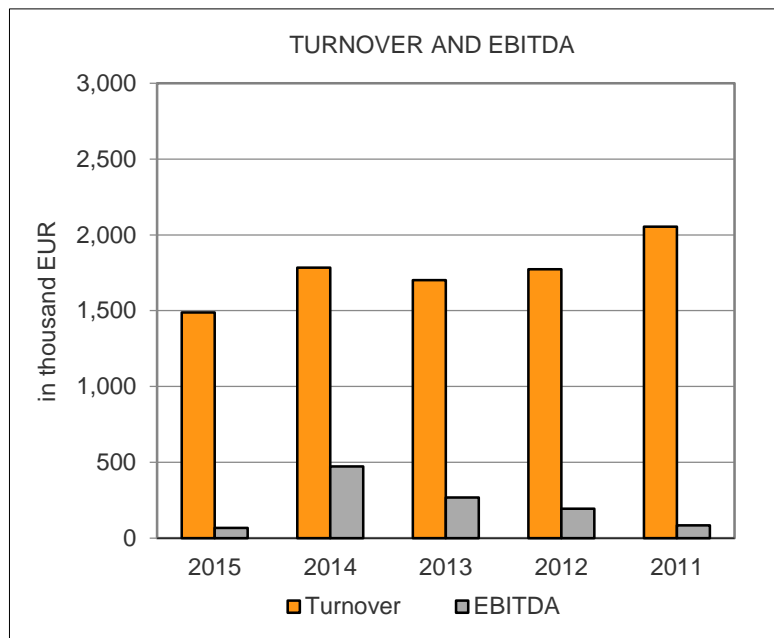


Ljubljana Stock Exchange 2015 highlights

Sales revenue was down 16.7% in 2015.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) were EUR 68,830.

The total business result for 2015 is therefore negative mainly due to one-time costs for provisions as a result of a change in ownership of the LJSE.



(in EUR)	Key financial figures for the company Ljubljana Stock Exchange				
	2015	2014	2013	2012	2011
Called-up capital	1,400,893	1,400,893	1,400,893	1,400,893	1,400,893
Equity	2,286,827	2,664,071	2,382,999	2,598,176	2,738,703
Assets	2,642,682	2,896,847	2,595,175	3,058,854	3,138,049
Revenues (total)	1,493,896	1,793,547	1,716,686	1,788,277	2,075,350
- revenues from trading fees	516,571	731,374	458,472	450,062	542,728
- other revenues	977,325	1,062,173	1,258,215	1,338,215	1,532,622
Costs (total)	1,579,384	1,498,910	1,751,676	1,852,297	2,253,577
- labour costs	758,576	572,227	675,001	717,812	891,097
- other costs	820,808	926,683	1,076,675	1,134,485	1,362,480
EBITDA	68,830	470,768	166,017	194,787	84,004
Operating profit / loss (EBIT)	-90,445	285,292	-48,297	-78,836	-193,960
Profit / loss before tax	-85,488	294,637	-34,990	-64,020	-178,227
Taxes	-10,684	-15,157	3,952	-5,556	2,704
Net profit / loss for the period	-96,172	279,480	-31,039	-69,576	-175,523
Nr. of shares	33,571	33,571	33,571	33,571	33,571
Book value on 31 Dec. (capital / no. of shares)	68.12	79.36	70.98	77.39	81.58
Dividend payment per share in EUR	-	279,480	-	-	-
Number of employees by man-hours	10.05	10.08	12.27	13	16.11
Number of employees on 31 th Dec	10	10 (+1*)	12	16	17

* worker on maternity leave

Ljubljana Stock Exchange company profile

Company ID

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

Business

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

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

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

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

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

Report from the Management Board

The Ljubljana Stock Exchange's operations in 2015 were stable. Total revenue amounted to EUR 1,493,896, down 17%, and total expenses were EUR 1,579,384, up 5%. The result for 2015 is therefore negative mainly due to one-time costs for provisions in the amount of EUR 208,980 as a result of a change in ownership of the LJSE. Basic result from regular operations is positive, which is mainly a reflection of liquidity due to the processes of selling state assets, of better macroeconomic position of Slovenian economy and of the company's internal cost optimisation of previous years. Excluding provisions, the LJSE would realise a profit before tax in the amount of EUR 110,770 in 2015.

The 2015 EBITDA cash flow was positive at EUR 68,830. This is a decrease by 85% compared to 2014. Excluding provisions, which were formed due to the change of ownership of the LJSE, the company would realise EBITDA in the amount of EUR 265,039, which is 44% less than in the previous year. The LJSE made no major investments in 2015, as they had all been undertaken in previous years or the LJSE switched to the majority use of external service providers instead of investing in its own IT systems. This enabled us to run stable day-to-day operations with practically no external indebtedness.

The LJSE business result depends to a great extent on the trading fees revenue; these amounted to EUR 516,571 in 2015, down 29% from 2014. Listing fees revenue and listing maintenance fees revenue amounted to EUR 395,589, up 11% from 2014. Information-communication (ICT) services related to the Xetra® and SEO systems generated EUR 236,337, which is 31% less than in 2014. Revenues from market data vending remained stable in 2015 and generated EUR 253,941.

In 2015 the LJSE carried out important optimisation of internal processes, mainly in the IT area. The LJSE finished the consolidation of IT systems which were outsourced, by which the LJSE achieved better cost efficiency, simpler management of systems and processes and simpler risk management. In 2015 the LJSE managed to additionally cut costs, driving down the costs of materials by 5% and costs of services, mainly for Xetra and organisation of events, by 11% in comparison to the previous year. Part of the changes in the IT systems management will result in lower running costs in 2016.

The regulated market of the LJSE was marked by a change in the state's strategy of the management of state-owned assets, which set new goals and dynamics in privatisation by formally defining the strategic and important investments owned by the Republic of Slovenia. The Strategy of the management of state-owned assets defined as strategic or important the majority of the most important companies on the LJSE market. In 2015 the sale processes of the companies Pivovarna Laško and Žito were completed; whereas the sale processes of Telekom Slovenije and Cinkarna Celje were unsuccessful. The Strategy of the management of state-owned assets also allows for privatisation through scattered Initial Public Offering of shares.

Due to changed circumstances the LJSE benchmark index SBI TOP lost 11.2% in 2015 after three consecutive years of rise. Share market capitalisation was also down, totalling EUR 5,523 million at the end of the year. Additionally, market liquidity died down considerably in the second half of the year. Total turnover on the LJSE in 2015 amounted to EUR 393 million, down 42.7% compared to 2014. Without block trades total turnover was EUR 294 million, down 36.1%. The majority of turnover comprised equity deals, which amounted to EUR 334 million, or 85% of the total turnover. According to turnover structure, bonds followed with a 14% and commercial papers with a 1% share in the total turnover. The most traded share in 2015 was again Krka (KRKG) from the Prime Market, which generated 37% of the total equity turnover. The second largest contributor to overall annual equity turnover was Zavarovalnica Triglav

(ZVTG), which generated 11% of all equity deals, while the third most traded company was Pivovarna Laško (PILR), which contributed 9% of all equity deals.

For several years now the LJSE can be defined as an international market, as the majority of turnover is generated by international investors. Generating 55% of buy-side turnover and 38% on the sell-side, international investors represented the most important group of active investors on the Prime Market. The share of Slovenian individual investors and Slovenian institutional investors remained largely unchanged in 2015.

Despite the drop in liquidity, the increase in the range of investment opportunities should be highlighted. In 2015 10 new bonds were listed on the LJSE, which were issued in the total value of EUR 2,883.96 million. In addition, there were six new issues of commercial papers in the total amount of EUR 109.26 million.

In 2015 we continued with regular promotion activities of Prime Market companies aimed at increasing their visibility. All prominent listed companies participated in LJSE's promotional and investment events, designed as a series of meetings between companies and investors. The LJSE cooperated with renowned foreign partners in the promotion activities of Prime Market companies, among which the Zagreb Stock Exchange, Wood & Co. and Erste Group need to be mentioned.

2015 was also marked by the decrease in the number of trading members. As at 1 January 2016 one remote member withdrew from membership on the LJSE. At the beginning of 2016 the LJSE thus had 16 members, three of them remote members. For Slovenian capital market the most important were the Slovenian local brokers, which held an 82% market share and successfully supported the needs of domestic investors as well as realised a sizeable portion of the total turnover by international investors. The share of remote brokers in the total turnover remained stable in 2015 at 18%. The leading financial intermediary in terms of total turnover was ALTA Invest, which accounted for 33% of the total turnover on the LJSE in 2015.

At the end of the year the LJSE had 10 employees. Activities were performed by 10.05 employees by man-hours, which is effectively 0.03 employees by man-hours less than in 2014. Despite the reduction in the 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. Basic labour costs were within planned costs; altogether, however, the labour costs were 33% higher due to provisions formed for obligations under the employment contract towards the Management Board.

As every year also in 2015 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. In relation to operating the stock exchange market, new Ljubljana Stock Exchange Rules and Instructions were adopted. We received no extraordinary measures from the Securities Market Agency in 2015. The LJSE is also not facing any pending complaints or legal actions filed in 2015 either by regulated market stakeholders or other business partners.

An important event in 2015 was the change of ownership of the LJSE. The Zagreb Stock Exchange successfully completed the takeover process of the LJSE just before the end of the year, by which it purchased 100% ownership stake in the LJSE from the CEE Stock Exchange Group. The Vienna Stock Exchange will remain an important partner to the LJSE, especially as a service provider of more important

services, among which is also the trading system Xetra. The LJSE expects that the new ownership will bring positive effects for the Slovenian capital market and LJSE's operations through numerous synergies.

The management of state-owned assets and general economic situation have the greatest impact on trading on the LJSE. In the coming years it is possible to expect, on the one hand, a gradual continuation of privatisation processes and related increased activity on the market and, on the other hand, tightening operating conditions of the LJSE due to consolidation of ownership, increasing regulatory demands and the trend of reduction in the number of listed companies.

Ljubljana, 29 February 2016

Ljubljana Stock Exchange

Mrs Nina Vičar, MSc
Member of the Management Board

Mr Andrej Šketa,
President of the Management Board

Report from the Supervisory Board

Within its powers and competences, the Ljubljana Stock Exchange Supervisory Board (hereinafter: Supervisory Board) monitored in 2015 the work of the Management Board and the company's operations as well as periodically examined the company's results set out in its financial statements.

In accordance with the Ljubljana Stock Exchange, Inc. Articles of Association and the resolution adopted by the General Meeting, the LJSE Supervisory Board has four members. Due to change of ownership the composition of the Supervisory Board changed on 13 January 2016. Membership in the Supervisory Board terminated for three members:

- **Mr Petr Koblic**, President of the Supervisory Board,
- **Mr Michael Buhl**, Deputy President of the Supervisory Board,
- **Mr Bernhard Stamm**, MSc, Member of the Supervisory Board.

The General Meeting of Shareholders appointed new members of the Supervisory Board - shareholder representatives, as at 13 January 2016. The current members and their functions are thus:

- **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 Urška Podboršek**, Member of the Supervisory Board – employee representative.

In 2015, the Supervisory Board met at four regular and four correspondence meetings.

The Supervisory Board prepared this Report on the basis of Minutes and other documents about the work of the previous Supervisory Board.

Work of the Supervisory Board in 2015

In line with the set strategy the Supervisory Board focused most on strengthening the company's international competitiveness. When taking decisions, the Supervisory Board took into account the fact that the sale process of the Ljubljana Stock Exchange, which was successfully concluded on 30 December 2015 when the Zagreb Stock Exchange became 100% owner of the Ljubljana Stock Exchange, was ongoing in 2015. Throughout the entire sale process the Management Board regularly reported about all activities which could potentially affect the sale process.

The Supervisory Board closely monitored the corporate governance as well as rationalisation and compliance of company's operations. The Supervisory Board supervised changes in the company's organisational setup, human resources and risk management. Due to the change of ownership the business and financial plan was not adopted; nonetheless, adequate financing of regular daily operations was ensured.

The following highlights can be singled out to illustrate the work of the Supervisory Board in 2015:

- Corporate governance:
 - The Supervisory Board reviewed and adopted the Ljubljana Stock Exchange 2014 Annual Report as well as materials for the June 2015 General Meeting;

- The coordination of all procedures related to the sale process of the Ljubljana Stock Exchange was led by the President of the Supervisory Board; the Supervisory Board took care that the sale process had no impact on the operations of the Ljubljana Stock Exchange.
- Monitoring the compliance of company's operations:
 - At each meeting the Supervisory Board looked at recent financial reports, compliance reports, Xetra® upgrade reports, trading, listing and delisting reports. The Management Board also promptly informed the Supervisory Board of its risk management strategy, internal controls and other significant events relevant for the company's operations;
- The Supervisory Board monitored the rationalisation and optimisation of the company's operations due to the decrease in revenue and changes in the external environment.

In 2015 the company's following main activities, including internal restructuring, were successfully performed:

- Final optimisation of IT services;
- Stable and smooth regular operations of the LJSE;
- Promotion activities which the Exchange performs in order to increase visibility of the Slovenian listed companies;
- Market development activities for the development of the Slovenian capital market: preparation of Proposals for the development of the capital market, which were sent to the Ministry of Finance, Xetra® trading system upgrade, Cooperation with the Slovenian Directors' Association: Analysis of compliance with the CG Code for 2011 - 2014;

Considering the fact that the sale process of the Ljubljana Stock Exchange was ongoing in 2015 and that the term of office of the Management Board ends in August 2016, the Supervisory Board ensured stable regular leadership and management of the company by additionally contractually binding the President of the Management Board of the Ljubljana Stock Exchange. For this reason provisions were formed as obligations towards the President of the Management Board and the complete Management Board, due to which the Ljubljana Stock Exchange finished the year 2015 with a negative result despite positive operations.

Due to change of ownership of the Ljubljana Stock Exchange and before the end of its term of office, the Supervisory Board performed a fit & proper assessment of the candidates for the new members of the Supervisory Board and evaluated that the candidates were suitable for the function.

Self-evaluation of the Supervisory Board

The Ljubljana Stock Exchange, considering that it was part of the CEE Stock Exchange Group in 2015 and the parent company had 100% ownership of the company, used equal or comparable concepts of management and supervision of operations and similar approaches to its clients and stakeholders as other members of the CEESEG Group. This was also reflected in the representation in the Supervisory Board, which comprised three representatives of its parent company CEESEG AG of whom two were representatives of the Vienna Stock Exchange. All Supervisory Board members had years of experience in the field of stock exchanges and capital markets, had good knowledge of the situation in the Slovene capital market, some members were licenced subjects. One member of the Supervisory Board is also an employee representative. In light of the above, Supervisory Board assesses that the composition of the

Supervisory Board with regards to representativeness, experience and professional competence was adequate.

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

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.

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

Annual Report

The Supervisory Board reviewed the 2015 Ljubljana Stock Exchange Annual Report, together with the Auditor's Report, at its periodic meeting on 31 March 2015.

Pursuant to the resolution adopted at the company's last General Meeting, the financial statements for 2015 were audited by KPMG Slovenia, d. o. o..

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

The unqualified opinion of auditors KPMG Slovenia, d. o. o., Ljubljana, the fact that the company's operation results and movement of cash flows are compliant with the Slovenian Accounting Standards, along with the statements of the company's management saying that all significant facts related to the operations of the Ljubljana Stock Exchange in 2015 have been disclosed and adequately argued, ensure that the financial statements are in all respects a true and fair reflection of the financial position of the Ljubljana Stock Exchange as at 31 December 2015. 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 31 March 2016 to formally adopt the 2015 Ljubljana Stock Exchange Annual Report.

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

The Management Board submitted a Report and Explanations with Respect to Relations between the Ljubljana Stock Exchange and Controlling Company CEESEG AG or its affiliate company and ensured that no deprivation was caused to the Ljubljana Stock Exchange in these relations.

The Supervisory Board discussed the auditor's conclusion about the limited assurance for the report on relations between the Ljubljana Stock Exchange and controlling company CEESEG AG and its affiliate company for 2015 (hereinafter: Report on relations with CEESEG AG) together with the auditor's report on the financial statements on its regular meeting held on 31 March 2016.

Report on relations with CEESEG AG was audited by auditors from KPMG Slovenija, d. o. o..

Report on relations with CEESEG AG is appropriately prepared and contains all components, explanations and disclosures prescribed by the Companies Act. The auditing company KPMG Slovenija, d. o. o. issued an unqualified opinion on the Report, in which it stated that, based on the procedures they have performed and the evidence they have obtained, nothing has come to their attention that causes them to believe that the statements in the report on relations with affiliated companies for the financial year that ended 31 December 2015, are not accurate in all material respects, that the LJSE's execution of legal transactions stated in the Report was disproportionally high in view of circumstances that were known at the time when these transactions were performed, and that circumstances exist that would in view of other actions mentioned in the Report indicate a significantly different assessment of the disadvantage from the one given by the management.

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

Settlement of loss for 2015

The total loss for the 2015 financial year amounts to EUR 96,172.16. It consists of EUR -94,736.91 of net loss for the period, EUR 9,260.66 of derecognised deferred tax assets and EUR 7,825.41 of recognised deferred tax assets. Pursuant to the Management Board resolution the total loss is being set off against EUR 96,172.16 of legal reserves.

The company did not report any accumulated profit for 2015.

The Supervisory Board unanimously adopted its report for 2015 at its periodic meeting on 31 March 2016.

Mrs Ivana Gažić
President of the Ljubljana Stock Exchange Supervisory Board

Business Report



Corporate Governance Statement

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

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

The LJSE has the following corporate bodies:

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

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

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

As at 31 December 2015, the LJSE had one shareholder (100%), namely the company Zagrebačka burza, d.d., Ivana Lučića 2a, 10000 Zagreb, Croatia (hereafter: Zagreb Stock Exchange). Transfer of ownership was carried out on 30 December 2015. Hence, the joint annual report is prepared in cooperation with the former owner, i.e. CEESEG AG, and can be obtained at the registered office of CEESEG AG, Wallnerstrasse 8, Vienna, Austria. The LJSE Annual Report for 2015 can also be obtained at the registered office of the Zagreb Stock Exchange, Ivana Lučića 2a, 10000 Zagreb, Croatia.

General Meeting

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

The GM is convened by the LJSE Management Board at least once a year, usually after having drawn up the annual report. The GM constitutes a quorum if at least one half of all shareholders with voting rights are represented at the meeting. Each ordinary no par value share carries one vote. The exercise of voting rights is stipulated in the LJSE Articles of Association and the General Meeting Rules of Procedure.

There was one General Meeting held in 2015.

The 32nd GM as at 18 June 2015:

- Reviewed the Annual Report for 2014 and decided on the allocation of accumulated profit for 2014 and discharging the Management Board and Supervisory Board from responsibility,
- Decided on Supervisory Board remuneration,
- Appointed the auditor for 2015.

Supervisory Board

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

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

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

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

Shareholder representatives

Until 13 January 2016 the shareholder representatives were the following members:

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

LJSE employees' representative

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

Due to change of ownership the composition of the Supervisory Board changed on 13 January 2016. Membership in the Supervisory Board terminated for three members, shareholder representatives.

The General Meeting of Shareholders appointed new members of the Supervisory Board - shareholder representatives, as at 13 January 2016. The current members and their functions are thus:

- **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 Urška Podboršek**, Member of the Supervisory Board – employee 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 2015 no special Supervisory Board committee was established.

Management Board

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

The LJSE Management Board has the following main tasks:

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

Members of the Management Board

- Andrej Šketa, President of the Management Board

Andrej Šketa has been on the Ljubljana Stock Exchange Management Board since 2004, during which time he has gained valuable experience in the operations and development of the LJSE. From 1994, when he joined the company's expanded management, he has worked in practically all LJSE business areas, with special emphasis on day-to-day management and supervision of the regulated market, development of trading infrastructure, managing development projects in Slovenia and regional development projects within South East Europe, as well as managing the company's operations. His current three-year term of office as President of the Management Board began on 1 September 2013 and will end on 31 August 2016.

- Nina Vičar, MSc, Member of the Management Board

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

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 2015.

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

Board of Members and Board of Issuers

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

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

Composition of the Board of Members:

- Mr France Arhar (President), PhD, Director, The Bank Association of Slovenia,
- Mr Aleš Škerlak (Deputy President), Executive Director, ALTA Skupina, upravljanje družb, d. d.,
- Mr Igor Štemberger, President of the Management Board, Ilirika BPH, d. d.,
- Mr Boštjan Herič, Executive Director, Financial Markets, Abanka Vipra, d. d.,
- Mr Mladen Kaliterna, President of the Management Board, Perspektiva d. d.,
- Mr Andrej Meža, Executive Director for Transactions in Financial Instruments for Clients, NLB, d. d.

Composition of the Board of Issuers:

- Mr Benjamin Jošar (President), Member of the Management Board, Zavarovalnica Triglav, d. d., until 1 December 2016,
- Mr Uroš Ivanc, Member of the Management Board, Zavarovalnica Triglav, d. d., from 2 December 2016
- Mrs Tadeja Štehar, Business Support Director, Petrol d. d.,
- Mr Brane Kastelec, MSc, Director of Finance, Krka, d. d.,
- Mr Peter Groznik, PhD, Member of the Management Board, Gorenje, d. d.,
- Mr Zoran Janko, Member of the Management Board, Telekom Slovenije, d. d.,
- Mrs Mateja Treven, MSc, Member of the Management Board, Pozavarovalnica Sava, d. d.,
- Mr Dean Čerin, Executive Director of Finance and Risk Management, Mercator, d. d.

Corporate governance in the Group

Until 30 December 2015 the LJSE had been a part of the holding company CEESEG AG, which was founded in January 2010. The holding company CEESEG AG had been 100% owner of the LJSE since 2012.

In 2015 the holding company CEESEG AG decided to sell the entire stake in the LJSE. The sale process completed on 30 December 2015 when the LJSE got a new owner, Zagreb Stock Exchange, which now owns a 100% stake in the LJSE.

In 2015 the holding company CEESEG AG also sold its stake in the Budapest Stock Exchange. As at 31 December 2015 the Group CEESEG thus consisted of only the Vienna Stock Exchange (100%) and the Prague Stock Exchange (92.74%).

During CEESEG's ownership of the LJSE, the CEESEG was primarily responsible for strategic and financial management and management of investments, whereas individual exchanges in the holding company managed business operations.

Internal controls and risk management

Internal control system

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

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

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

Risk management

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

The LJSE manages the risks through the quality of internal business environment, employees' high level of knowledge and experience and control environment. Risk monitoring and assessment is performed for

every important business activity and/or programme area (project) as well as for LJSE's capacity to perform these tasks.

The LJSE manages risk at two levels: the Management Board makes general assessments and assumes the main strategic and financial risks as well as operational and IT risks, while the agents of the main LJSE processes make more detailed assessments and further assume the key operational risks. The process of risk management is performed regularly in the event of changes, new projects or activities, and periodically with the assessment timeframe of up to six subsequent months. The Supervisory Board is also regularly presented with the LJSE's risk management process.

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

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

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

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

Thus recognised and assessed operational risks are appropriate basis for drawing up the LJSE's mid-term and annual internal audit plan. In the past year most attention was devoted to operational risks related to the processes of information system management, i.e. adequacy and efficiency of outsourcing of IT and ensuring business continuity, and the process of "Listing, monitoring, suspending and delisting of issuers and securities", i.e. procedures initiated by issuer demands and procedures of monitoring the fulfilment of conditions for trading on the stock exchange market and procedures of monitoring the issuers' fulfilment of obligations related to the disclosure of regulated information and implementation of

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

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

Internal audit

The LJSE instituted the internal audit in 2009. Pursuant to the provisions of the Charter on Internal Audit Activity, adopted by the Management Board and Supervisory Board at the end of the year 2014 and used from 1 January 2015 onwards, the LJSE organizes its internal audit by contracting two external experts in internal auditing and by engaging the in-house Chief Audit Executive.

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

Within the framework of internal audit LJSE looks especially at the processes of market operations and trading (focusing on the stock exchange trading system Xetra® software solutions) and at the process of ensuring business continuity. Internal audit also regularly examines whether the recommendations are being implemented, and assesses the Management Board's measures to mend the established deficiencies and improve operations. All these activities are promptly communicated to the Management and Supervisory Boards and aggregately presented in the Chief Audit Executive's Annual Internal Audit Plan Status Report at the end of the year. Additionally, an external quality assessment of the internal audit was carried out in 2014 by an independent external expert, which found no shortcomings in the work of the internal audit.

External audit

Our financial statements for 2015 are being audited by the auditor KPMG Slovenija, d. o. o.. Our company complies with the Corporate Governance Code, and with the Securities Market Agency's recommendations to hire another auditor every five years.

Other information (as at 31 December 2015)

Substantial direct and indirect holding of securities

After the acquisition of the LJSE from the CEESEG AG, which was successfully executed on 31 December 2015, the Zagreb Stock Exchange Inc., Ivana Lučića 2a, 10000 Zagreb, Croatia, holds 100% of all LJSE shares (33,571).

Holders of securities with special control rights

LJSE shares have no special control rights attached to them.

Limited voting rights

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

Explanation of relations of the LJSE with controlling company CEESEG AG

In the business year 2014 the LJSE did not enter into any transactions with the controlling company CEESEG AG or any of its associated companies (Vienna Stock Exchange, etc.) nor has it acted or failed to act at the initiative and in the interest of these companies in a way that could cause deprivation to the LJSE.

LJSE rules on amendments of its Articles of Association

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

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

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

Mission, vision and strategic objectives

Mission

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

Vision

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

Strategy and strategic objectives

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

- Enhance the liquidity of the domestic market;

- Become internationally comparable and visible;
- Sustain the high level of market quality and regulation;
- Support primary market development;
- Establish a partnership with listed companies and member firms; and
- Increase the company's efficiency and business performance.

Basic macroeconomic indicators for Slovenia

	2010	2011	2012	2013	2014	forecast		
						2015	2016	2017
Real GDP growth (%)	1.2	0.6	-2.7	-1.1	3.0	2.7	2.3	2.3
GDP per capita (PPS EU27=100) ¹	83	83	82	82	83			
Government debt (% of GDP)	38.2	46.4	53.7	70.8	80.8			
Current deficit (% of GDP)	-5.6	-6.6	-4.1	-15.0	-5.0			
Inflation (year-end) ²	1.9	2.0	2.7	0.7	0.2	0.1	1.2	1.6
Registered unemployment	10.7	11.8	12.0	13.1	13.1	12.3	11.8	11.1

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

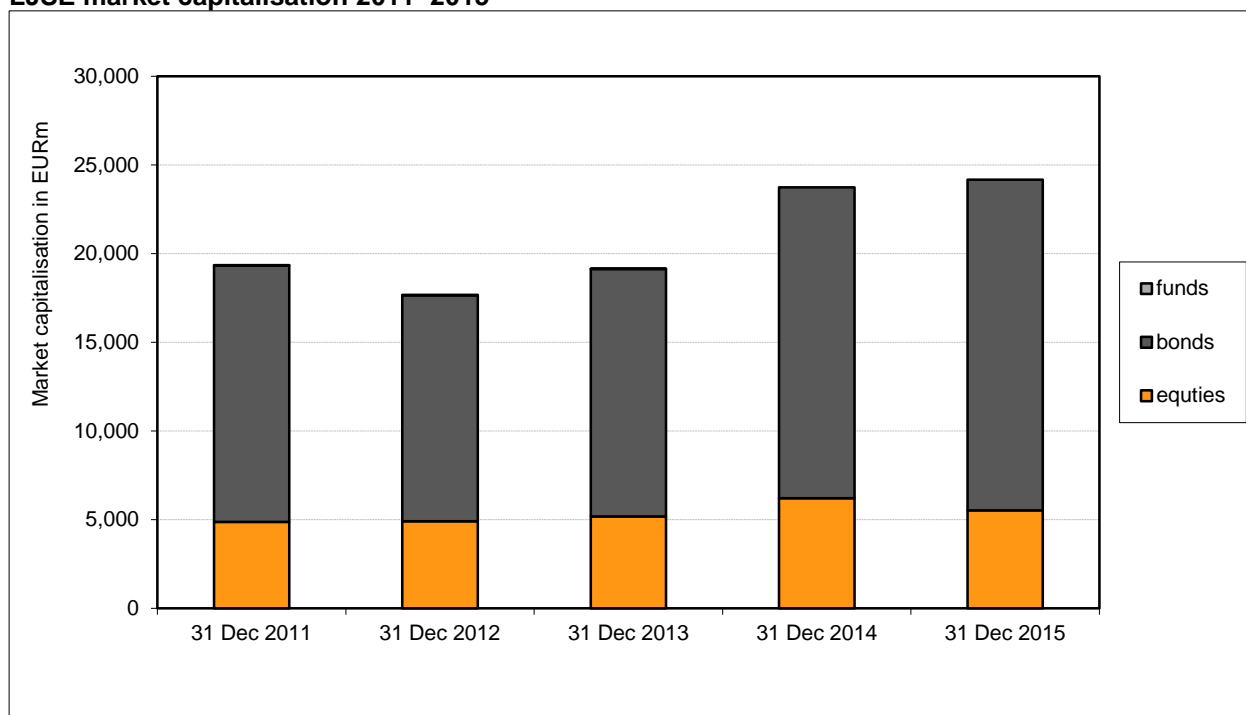
Sources: Institute of Macroeconomic Analyses and Development (IMAD), Statistical Office of the Republic of Slovenia (SORS)

Ljubljana Stock Exchange operations in 2015

Year 2015 experienced some drops but also some encouraging numbers. The Ljubljana Stock Exchange benchmark index SBI TOP finished the year negatively after three consecutive positive years. Moreover, also turnover and equity market capitalization decreased in comparison to the previous year. On the other hand, the year 2015 was one of the most successful years as regards issuing of bonds and commercial papers.

Share market capitalisation was down 11.1% from 2014 and amounted to EUR 5,523.2 million at the end of December, representing 14.5% of Slovenia's 2014 GDP (Q4 2014 - Q3 2015: EUR 38,174.0 million, according to SORS). The decrease is a result of a drop in share prices. There were no changes in the total number of listed companies on the Prime Market in 2015. Due to a withdrawal from the regulated market, sale of state ownership or restructuring two companies were delisted from the Standard Market and three companies were delisted from the Entry Market. Bond market capitalisation was up 6.4% from 2014.

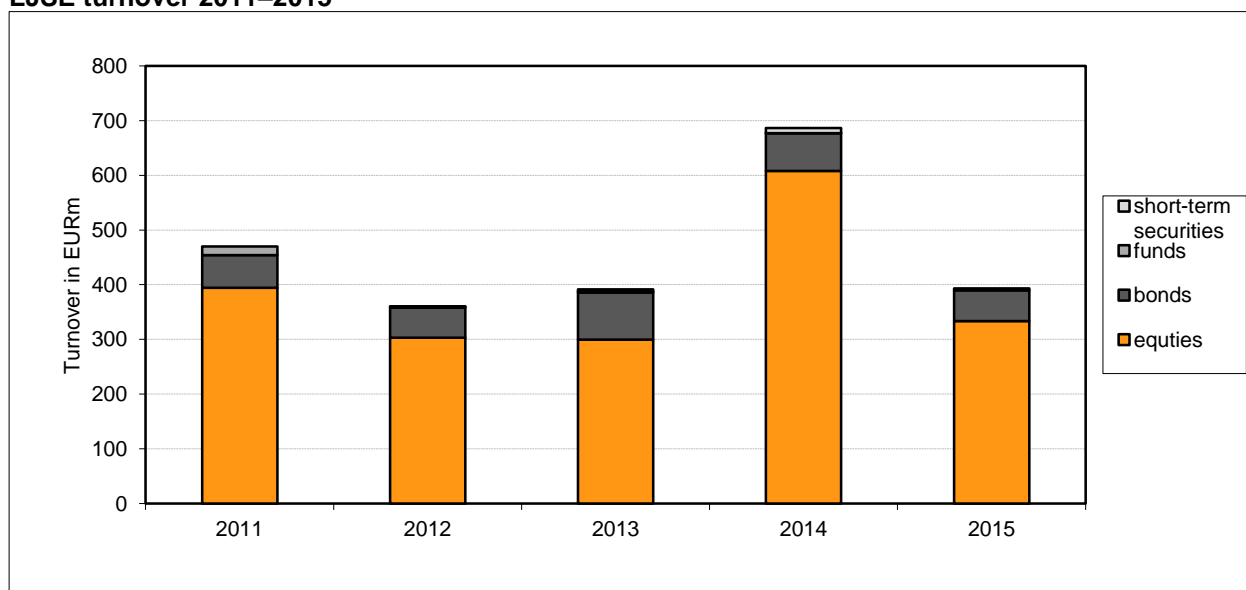
LJSE market capitalisation 2011–2015



Source: Ljubljana Stock Exchange

In 2015 the total LJSE turnover amounted to EUR 686.3 million and turnover without blocks amounted to EUR 460.1 million, down 36.1% from 2014. The majority of turnover comprised equity deals, EUR 608.1 million (88.6% of the total turnover), followed by bonds with 10.1% share, commercial papers with 1.3% share, treasury bills with 0.02% share and investment funds with 0.002% share in the total turnover.

LJSE turnover 2011–2015



Source: Ljubljana Stock Exchange

In 2015 the share of trades in equities experienced the most substantial change in the total turnover structure and was up 4.2 percentage points. In 2015 ordinary trades represented 74.8% of all on-exchange deals (67.0% in 2014). Average daily turnover totalled EUR 1.6 million (EUR 2.8 million in 2014), with 197 recorded trades per day on average (300 in 2014).

The trading member with the highest turnover in 2015 was ALTA Invest, d. d. which contributed 32.5% of the total turnover, followed by Ilirika borzno posredniška hiša, d. d., contributing 10.6% and Perspektiva, d. d., contributing 9.1%. The turnover structure of member firms remains similar to 2014, as top 5 member firms generated 67.4% of the total turnover. At the end of 2015 the LJSE had 17 member firms, which includes 4 remote members, which generated 17.9% of all stock exchange turnover in 2015.

LJSE turnover structure in 2015 according to member firms

Member	Turnover in 000 EUR	Share
ALTA INVEST	255,745,411	32.5%
ILIRIKA BORZNO POSREDNIŠKA HIŠA	83,106,611	10.6%
PERSPEKTIVA	71,678,617	9.1%
WOOD & COMPANY FINANCIAL SERVICES	60,657,842	7.7%
GBD GORENJSKA BORZNOPOSREDNIŠKA DRUŽBA	58,557,867	7.4%
OTHERS	256,378,877	32.6%
Total (17)	786,125,225	100.0%

Source: Ljubljana Stock Exchange

The most traded stock in 2015 was again pharmacist Krka (KRKG) from the Prime Market, which generated 36.8% of all equity turnover. The runner-up in terms of turnover was the insurance company Zavarovalnica Triglav (ZVTG), which generated 10.8% of all equity turnover, while brewery company Pivovarna Laško (PILR) came third generating 9.4%. On the bond market it was Zavarovalnica Triglav 2nd issue that had the highest turnover.

Most traded equities on the LJSE in 2015

Most traded equities	Turnover in 000 EUR	Number of transactions	Market capitalisation in EURm as of 31 Dec 2015
KRKA	122,762	11,182	2,138
ZAVAROVALNICA TRIGLAV	36,005	5,177	534
PIVOVARNA LAŠKO	31,314	3,657	221
PETROL	29,737	4,168	534
TELEKOM SLOVENIJE	25,476	4,896	477
OTHERS	88,372	19,786	1,619
Total	333,667	48,866	5,523

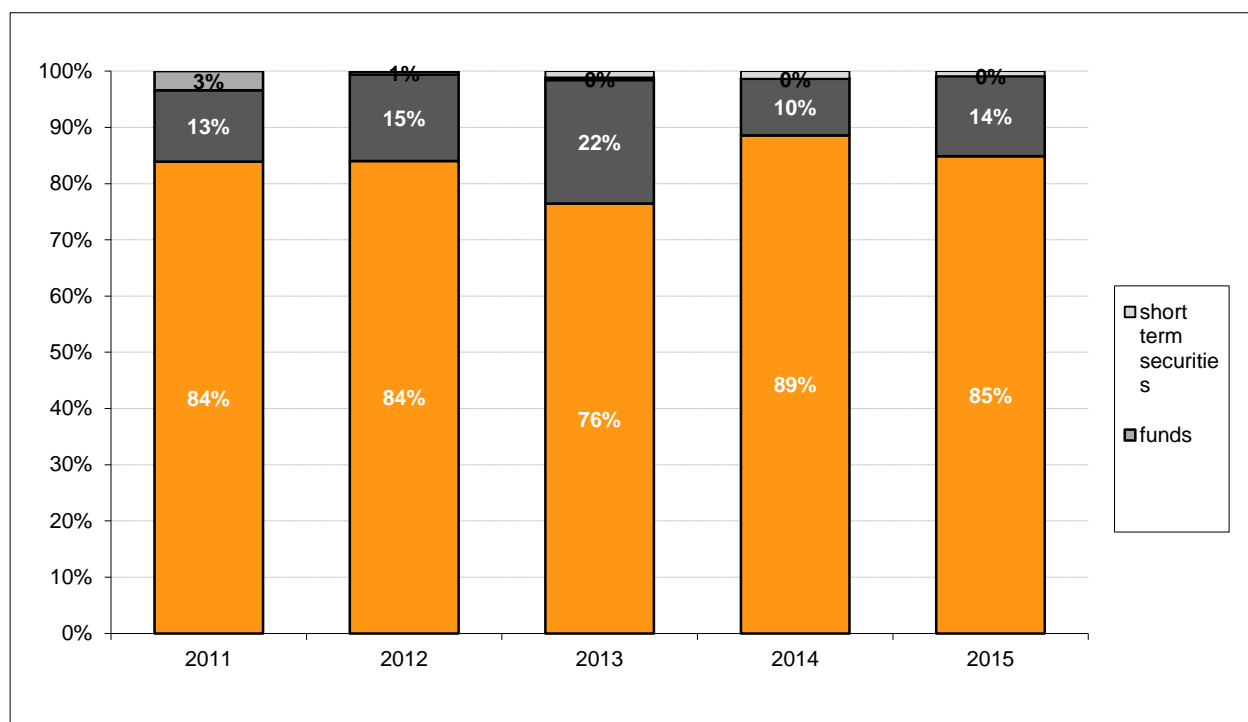
Source: Ljubljana Stock Exchange

LJSE turnover structure according to markets in 2015

Market	Turnover	Share
EQUITIES - PRIME MARKET	268,652,886	68.3%
EQUITIES - STANDARD MARKET	40,914,719	10.4%
EQUITIES - ENTRY MARKET	24,099,504	6.1%
BONDS	55,882,966	14.2%
COMMERCIAL PAPERS	3,512,537	0.9%
TREASURY BILLS	0	0.0%
Total	393,062,612	100.0%

Source: Ljubljana Stock Exchange

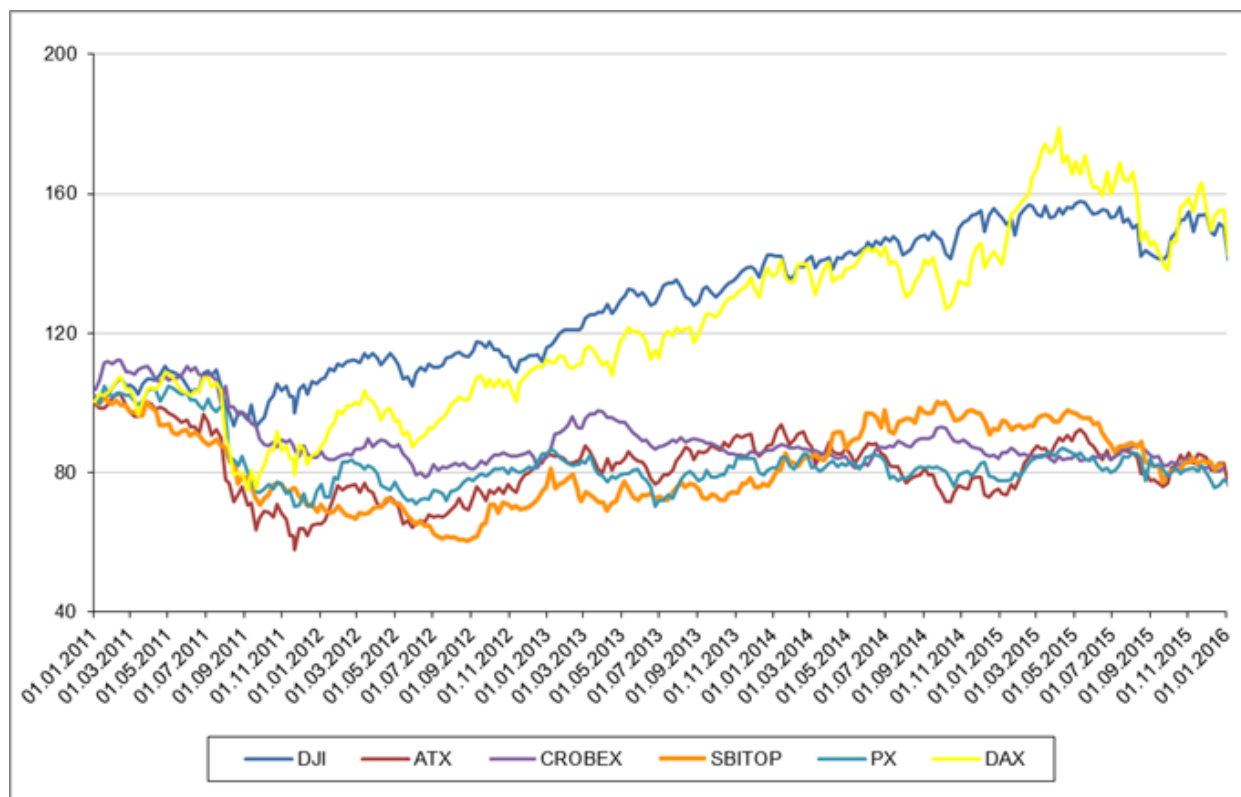
LJSE turnover structure 2011–2015 according to type of security



Source: Ljubljana Stock Exchange

The LJSE blue chip index SBI TOP was down 11.2% in 2015, standing at 696.15 points on the last trading day. The graph below gives the performance of SBI TOP against selected world indices in EUR (31 Dec 2009 = 100).

Comparison of selected world indices performance (31 Dec 2010–31 Dec 2015)



Source: Ljubljana Stock Exchange

Important LJSE activities in 2015

In 2015 the Ljubljana Stock Exchange was active in the following areas:

- Day-to-day operation of the market and infrastructure;
- Market promotion (local and international investment conferences, traditional Financial Conference, promotional publications, ads, sponsorships);
- Internal optimisation of operations;
- Market development (activities for the development of the Slovenian capital market: preparation of Proposals for the development of the capital market, which were sent to the Ministry of Finance, Xetra® trading system upgrade, Cooperation with the Slovenian Directors' Association: Analysis of compliance with the CG Code for 2011 - 2014);
- Compliance activities:
 - New LJSE Rules;
 - Corporate governance (Board of Members annual meeting and Board of Issuers annual meeting);
 - Accounting Rules;
 - Implementation of E-invoicing;
 - Mid-term and Annual Plan of Internal Auditing Activity in 2016 and in the period from 2016 - 2018;
- Activities related to the change of ownership of the Ljubljana Stock Exchange.

LJSE promotion and development activities in 2015

Quarter	Activity
1Q2015	Support and sponsorship of the Moje Finance project: 'Financial Literacy of Youth'
	Implementation of E-invoicing
2Q2015	Board of Issuers and Board of Members annual meetings
	Investment Conference of the Ljubljana and Zagreb Stock Exchanges in Zagreb
	32 nd Financial Conference in Portorož
3Q2015	Activities related to the change of ownership of the Ljubljana Stock Exchange
4Q2015	Preparation of Proposals for the development of the capital market, which were sent to the Ministry of Finance
	Activities related to the change of ownership of the Ljubljana Stock Exchange
	New LJSE Rules
	Analysis of compliance with the CG Code for 2011 - 2014
	Sponsorship and participation in the Investors' Conference of the Erste Group Bank in Stegersbach
	Xetra® trading system upgrade (16.0)
	Roadshow in New York (in cooperation with the Vienna Stock Exchange and Auerbach Grayson)
	Investment Conference of the Ljubljana Stock Exchange in Ljubljana
	Investment Conference of Wood & Co. in Prague
	Pre-New Year's reception for members of the Slovene financial markets' senior management

Domestic and international market promotion, and international cooperation

In 2015 the Ljubljana Stock Exchange successfully carried out or cooperated in a series of promotion activities.

The basic programme included the following:

- One investment conference in Ljubljana, Slovenia;
- One investment conference in Zagreb in cooperation with the Zagreb Stock Exchange;
- Five roadshows abroad (Bucharest, Stegersbach, Belgrade, New York, Prague);
- General promotion of the Slovenian capital market and our blue chips in local as well as international media;
- Issuing capital market promotion publications;
- Supporting international analyses by providing market trading data.

Investment conferences in 2015 where the Ljubljana Stock Exchange listed companies participated

Event	Venue and date	Organised by
Investor Day of the Ljubljana and Zagreb Stock Exchanges	Zagreb, Croatia, 26 May 2015	Ljubljana and Zagreb Stock Exchanges
Erste Group Bank Investor Conference	Stegersbach, Austria, 5 – 9 October 2015	Erste Group Bank
Wood's Frontier Investor Day	Bucharest, Romania, 29 October 2015	Wood & Co.
Upgrade in Belgrade 2015, Regional Investor Conference	Belgrade, Serbia, 19 November 2015	Belgrade Stock Exchange and Wood & Co.
New York RS	New York, USA, 23 November 2015	Wiener Börse and Erste Group & Auerbach Grayson
Investment Conference of the Ljubljana Stock Exchange	Ljubljana, Slovenia, 26 November 2015	Ljubljana Stock Exchange
Investment Conference of Wood & Co.	Prague, Czech Republic, 1 – 4 December 2015	Wood & Co.

Other events in 2015 organised by the Ljubljana Stock Exchange

Event	Venue and date
Financial Conference	Portorož, 12 - 13 May 2015
Pre-New Year's reception for members of the Slovene financial markets' senior management	Ljubljana, 7 December 2015

Other activities, media promotion and publications

- In 2015 the following publications were updated or issued anew with a view to promoting the capital market and our listed companies:
 - Guide for Investors 2015 (publication in Slovene);
 - Slovenian Capital Market;
 - IPREO;

- Monthly, half-year and annual statistical reports.
- We also strive to continuously educate the youth about the Slovenian capital market. If we are approached by educational establishments, we give students free educational seminars about the Ljubljana Stock Exchange at our premises.
- We supported and sponsored the Moje Finance project: 'Financial Literacy of Youth'.

Market surveillance and best market practices

Monitoring member firms and trades

Pursuant to the Slovenian Markets in Financial Instruments Act, the LJSE monitors member firms and trades with the intention of detecting breaches of the LJSE Rules (disorderly market conditions, market abuses). In 2015 the LJSE reviewed 32 trading supervision examination reports and, based on these examinations, it issued 12 reports on completed examinations or notices on suspicious trades, and forwarded them to the Securities Market Agency.

Support to trading members

The LJSE cooperates closely with its trading members, both in regular daily market operations as well as in implementing changes and novelties to securities trading. We offered additional support to our trading members in 2015 during a regular upgrade of the trading system Xetra®.

Counselling and support to listed companies

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

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

The LJSE participated in the process of adoption of the amendments to the Markets in Financial Instruments Act, mainly to fill the gap in the regulation regarding the delisting of debt securities from the regulated market. In the field of corporate governance the LJSE, together with the Slovenian Directors' Association, prepared the Analysis of compliance with the Corporate Governance Code for the period 2011 - 2014, which will be the basis for the renewal of the Corporate Governance Code.

Human resource management

In 2015 the LJSE covered all its HR needs within the company, and invested into quality and efficient staff development. We made sure our employees' work environment was healthy and safe, and encouraged them to undergo additional training, seeing that in these difficult and rapidly changing times it is only well qualified, creative and loyal staff that can guarantee the company's long-term stability.

Employees

We responded to the difficult economic situation by adjusting our HR policy.

On account of cost rationalisation the recruiting of new staff from the external market was limited. Short term recruiting was approved exceptionally in the area where we had no adequate in-house staff that could be delegated to the new post. At the end of 2015 the LJSE had 10 employees, which is one less than a year ago.

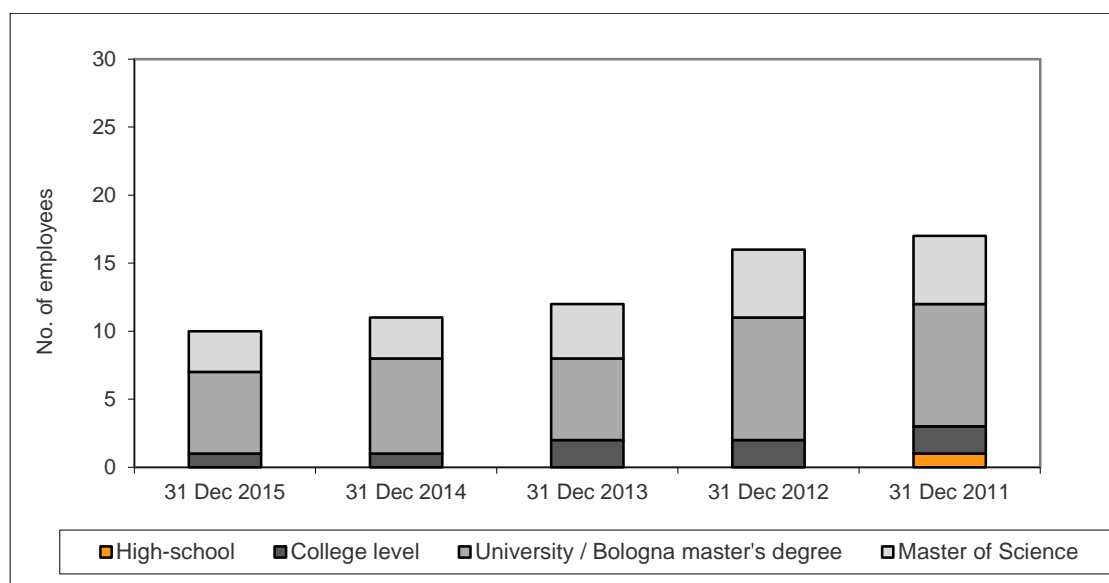
In 2014 the LJSE hired two employees for a fixed-term employment: one employee in the field of legal affairs for replacement of the Head of Legal Affairs due to a prolonged absence, whose employment relationship terminated in 2015 with the expiry of the employment contract; and one employee in the Management Board Cabinet due to a temporary increase in the workload. In the course of internal restructuring certain members of staff with the requisite skills and motivation took the opportunity to grow personally and professionally by taking on new assignments, which is why we did not hire any new employees to replace the ones that had left. Therefore, in 2016 the LJSE filled the position of a senior assistant in Market Operations, who left the LJSE, by regularly employing the employee, whose employment contract for a fixed period expired at the end of 2015.

Demographics, and employees' academic profiles

The average age of the company's staff is 41.2 years, whereby 80.0% are women and 20.0% men.

At the end of 2015, the employees' educational profiles were as follows: 1 employee (10%) had a college-equivalent degree, 6 employees (60%) had a bachelor's degree or bologna master's degree, and 3 employees (30%) had a master's degree.

Employees' academic profiles on 31 December 2015



Staff training and development

Fast development in all areas requires employees to constantly upgrade their expertise. Since there is no development without knowledge we try to offer our staff expert training and education and therefore give them the opportunity to grow and advance both personally and professionally. They show that they value knowledge highly by enrolling into study programmes to obtain higher academic degrees, whereby the LJSE supports them by funding their tuition fees. The LJSE has spent 0.7% of operating revenue on staff training.

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

Staff motivation

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

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

A safe and healthy environment

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

Communicating with employees

The LJSE invests special efforts into communicating with employees. We regularly inform them of the company's strategy and development activities both inside the company and in the capital markets. Since we are a small team, communication is personal and efficient. We hold assemblies with employees several times a year and discuss daily matters on a daily basis. Employees at the LJSE also confide in the employees' representative, who is a member of the LJSE Supervisory Board.

Social corporate responsibility

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

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

Business operations analysis

Ljubljana Stock Exchange operations in 2015

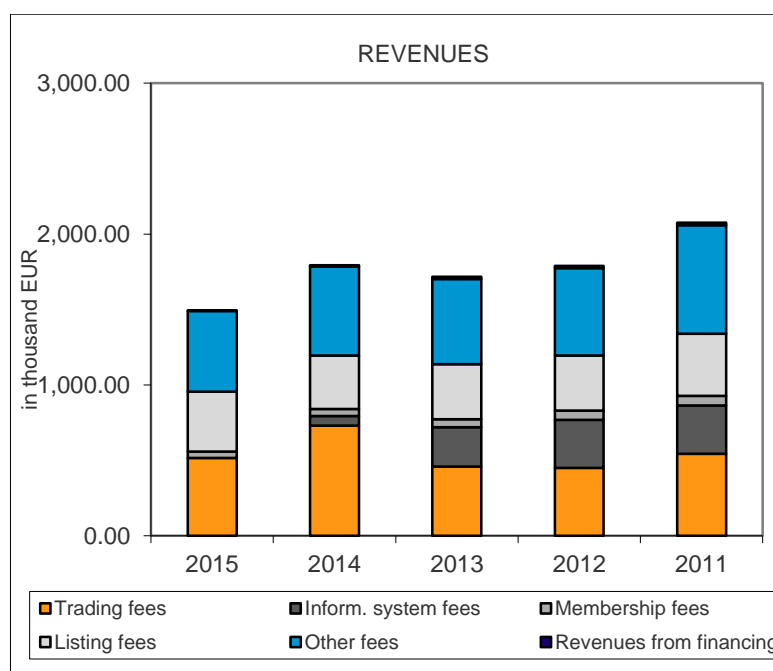
Due to privatisation we expected the activity on the Slovenian capital market to increase in 2015. The privatisation was later stopped and this strongly affected the LJSE's operations. Thus, the LJSE suffered a drop in turnover on the stock market in 2015. The result for 2015 is negative mostly due to one-time costs from forming provisions in the amount of EUR 208,980 as a result of a change in ownership of the LJSE. In the period from January to December 2015 the LJSE realised a loss in the amount of EUR 85,488. Excluding provisions the LJSE would realise a profit before tax in the amount of EUR 110,722.

Revenue

Compared to the same period in 2014, total revenue was down 16.7% and amounted to EUR 1,493,896.

As much as EUR 954,661 of total revenue comes from the company's core business, i.e. trading fees, the use of the information system, membership fees and listing fees.

Over the past five years the share of revenue from our core business has ranged from 64.5% in 2010 and 2011 to 66.8% in 2012, when it reflected the high income from trading fees. In 2015 revenue from our core business represents 63.9% of operating revenue.



■ Revenue from trading fees

Compared to previous years, with the exception of 2014 when the turnover was considerably higher compared to previous years, stock turnover in 2015 was higher in relative terms. Revenue from trading fees amounted to EUR 516,571, which is 34.6% of total revenue and represents a decrease by EUR 214,803, or 29.4%, from 2014.

■ Membership fees

They amounted to EUR 42,400 and represent 2.8% of total revenue. On 31 December 2015 the LJSE thus had 17 members. On 1 January 2016 one remote member's status as a member terminated.

■ Revenue from listing fees

Listing fees generated EUR 395,589 of revenue. In addition to new listings, which generated EUR 23,267, this also includes annual maintenance fees for listed securities (Prime Market, Standard Market and Entry Market shares and bonds) in the amount of EUR 348,523; revenue from fees for adopting decisions on listing expansions, on delistings and on suspensions of trading, which contributed EUR 23,800. Compared to 2014 revenues, the revenues in 2015 are 16.1% higher or EUR 48,318 higher.

■ Revenue from SEOnet and INFO STORAGE services

SEOnet contributed EUR 211,137, representing 14.1% of total revenue, which is an increase of 4.2 percentage points compared to 2014.

On 31 December 2015, the LJSE had service management agreements concluded with 58 clients, whereby 56 were for SEO and INFO STORAGE services and 2 were for SEO services alone. At year-end 2014 we had 69 effective service management agreements concluded with clients.

■ Revenue from trade publication

Revenue from the publication of trades in listed shares executed off-exchange amounted to EUR 9,638 in 2014.

■ Revenue from the co-organisation of the LJSE Conference

The co-organization of the Financial Conference, the organisation of which was taken over by the Business Daily Finance, generated EUR 12,582 of revenue, which in the total revenue structure represents a 0.8% share.

■ Revenue from data dissemination

Data dissemination generated 4.5% of total revenue, totalling EUR 67,200.

■ Revenue sharing with the Vienna Stock Exchange

Under the agreement on sharing revenue, the LJSE transferred data dissemination and index licensing to the Vienna Stock Exchange on 1 April 2010. In 2014 the LJSE also agreed on reporting corporate actions. Thus, its share of data dissemination revenue in 2015 amounted to EUR 186,741 and corporate actions reporting revenue to EUR 696. Index licence fees were not realised in 2015.

■ Revenue from IT services

The LJSE generated EUR 25,200 from its IT services, which refers to revenue from providing Xetra® support to the Vienna Stock Exchange.

■ Other operating revenue

The LJSE generated EUR 20,154 of other revenue in 2015.

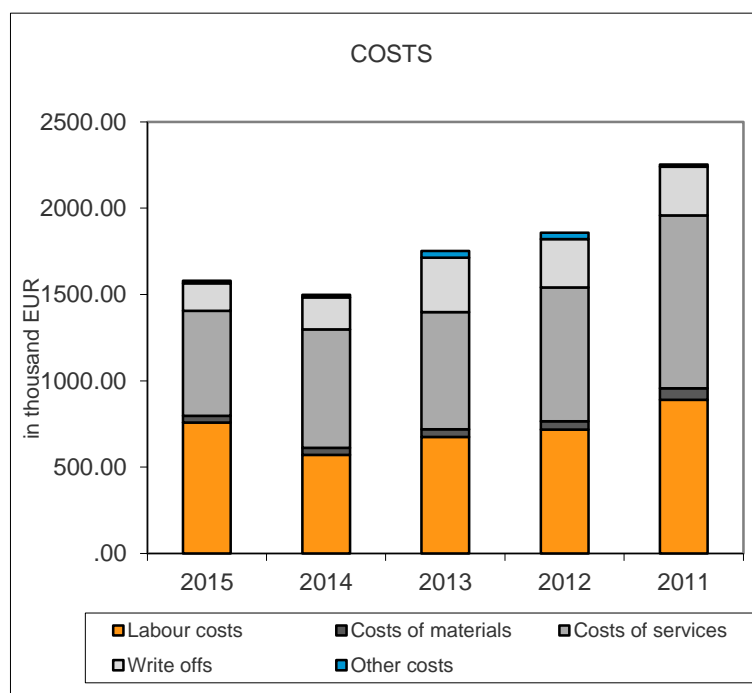
Expenses

Total expenses amounted to EUR 1,579,384, up 5.4% compared to 2014.

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

In recent years the employee benefits cost ranged from representing 38.2% of total expenses in 2014, when it reflected further layoffs and wage decreases, to representing 39.5% of total expenses back in 2010. In 2015 labour costs represent 48.0% of all costs.

Costs of materials and services represent 40.9% and write-offs 10.1%.



■ Employee benefits cost

On 31 December 2015, the Ljubljana Stock Exchange had 10 employees or 10.05 employees considering the hours worked. The company's costs of salaries for 2015 amount to EUR 758,576, which is 48.0% of total expenses.

Salaries include bonus payments. Variable remuneration paid in 2015 amounted to EUR 26,884. In addition, the employee benefits cost also includes EUR 7,152 of unspent 2015 annual leave costs and EUR 208,980 of costs of severance pay for the Management Board, whose term of office expires in 2016, as well as EUR 12,771 of unpaid bonuses for 2015.

■ Costs of materials

Costs of materials amount to EUR 38,670 and include EUR 24,083 of energy costs, EUR 4,985 of expert literature and subscription costs, EUR 6,061 of stationery costs, EUR 1,609 of costs of LJSE publications and EUR 1,932 of other costs of materials.

■ Costs of services

Costs of services amount to EUR 607,699. The largest items are the costs of business premises maintenance (EUR 33,416), leases and rents (EUR 36,423), advertising and entertainment costs (EUR 22,352), the costs of services by natural persons (EUR 20,751), counselling services (EUR 62,054), the costs of IT services (EUR 301,069) which refers to the use of the system Xetra and FIX in the amount of EUR 162,484 as well as other IT services in the amount of EUR 138,585, postal and telephone costs (EUR 17,717), and the costs of surveillance over stock exchange operations (EUR 72,000).

■ Depreciation and amortisation

Depreciation and amortisation cost amounts to EUR 143,756. It refers to EUR 99,983 of amortization of intangible assets, EUR 34,832 of depreciation of the building and EUR 8,941 of depreciation of equipment and other tangible assets. On average, the proportion of written off intangible assets is 96.9%, thus the proportion of carrying intangible assets is 3.1%. On average, the proportion of written off equipment and other tangible assets is 89.5%, thus the proportion of carrying equipment and other tangible assets is 10.5%.

■ Other operating costs

Other operating costs amounted to EUR 15,148.

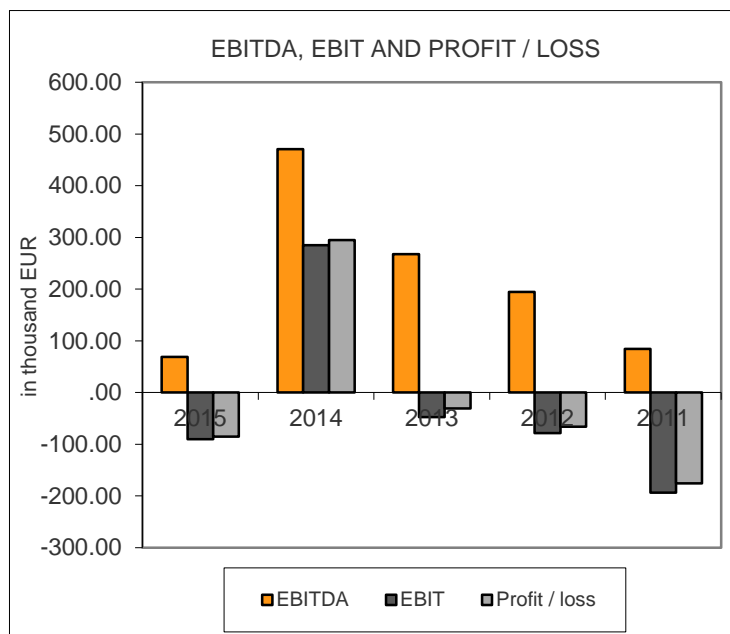
■ Revaluatory operating expenses

Revaluatory operating expenses in the amount of EUR 15,518 refer to expenses from allowances for bad receivables.

Profit or loss for the period

EBITDA was substantially down compared to 2014, amounting to EUR 68,830.

EBIT was EUR -90,445, and loss before taxes amounts to EUR 85,488.



Assets

On 31 December 2015 total assets amounted to EUR 2,642,682, down 10% compared to the year-end of 2014.

(in thousand EUR)	31.12.2015	31.12.2014
Non-current assets	1,352.24	1,463.08
Current assets	1,230.15	1,374.95
Defferede costs and accrued revenue	60.29	47.59
Total assets	2,642.68	2,885.62
Equity	2,286.83	2,653.00
Provisions, and long-term accrued costs and deferred revenue	0.00	25.54
Non-current liabilities	0.00	0.00
Current liabilities	118.56	190.28
Short term accrued costs and deferred revenue	237.30	16.80
Total equity and liabilities	2,642.68	2,885.62

Performance indicators

Ratio	2015	2014	2013	2012	2011
Financing state ratios					
Equity financing rate	86.52	91.94	91.82	85.02	87.27
Long-term liabilities rate	4.49	6.59	6.58	10.80	12.30
Long-term financing rate	86.52	92.82	92.86	89.51	89.06
Equity rate	61.31	52.80	58.79	53.57	51.15

- continued -

Ratio	2015	2014	2013	2012	2011
Investments ratios					
Operating fixed assets rate	50.48	50.36	61.42	69.48	76.29
Long-term assets rate	51.14	50.70	62.49	70.30	76.77
Short-term assets rate	48.86	49.30	35.28	29.70	23.23
Horizontal financial structure ratios					
Equity to operating fixed assets	1.71	1.83	1.50	1.22	1.14
Immediate solvency ratio	9.12	6.25	4.58	2.37	1.59
Quick ratio	10.38	7.23	5.36	3.00	2.03
Current ratio	10.38	7.23	5.36	3.00	2.03
Operating efficiency ratios					
Operating efficiency ratio	0.94	1.17	0.97	0.96	0.91
Total efficiency ratio	0.95	1.18	0.98	0.97	0.92
Profitability ratios					
Return on equity	-3.46	10.96	-1.01	-2.42	-6.30
Net return on equity - ROE	0.00	11.45	0.00	0.00	0.00

Objectives and plans for 2016

We expect the LJSE operations in 2016 to be stable as the macroeconomic picture of Slovenia improved. On the other hand it can be expected that, due to the temporarily stopped privatisation in Slovenia, the privatisation processes of large state-owned companies will proceed at a slower pace as expected in the future. The announced privatisation can to some extent increase market activity; however, the effects will mainly be short term and periodic. On account of the changed strategy of the management of the state assets, we can also expect listing of new products on the regulated market. Nonetheless, , negative effects will probably prevail as the domestic financial industry will consolidate further, resulting in the decrease in the number of trading members and listed companies.

The LJSE sees the main opportunity for further capital market growth and development in searching for new financial resources by encouraging long-term savings schemes and in the sale of the existing stakes through the market, especially in those instances where the state will sell smaller stakes or where the state will keep a certain share in the ownership and search for new financial investors among institutional investors.

Future positive effects will also come from new regional integration with the Zagreb Stock Exchange as the new 100% owner of the LJSE and from additional increase in the participation of international investors on the Slovenian capital market.

Our main activities planned for 2016 are:

- Stable and efficient day-to-day operation of the market;

- Inclusion in the SEE Link Project;
- Participation in development projects together with the Zagreb Stock Exchange;
-
- Promotion of measures for further Slovenian capital market development (sale of state's ownership share through the market; encouraging long-term savings, etc.);
- Local and international market promotion (roadshows).

We can expect that the new regional cooperation with the Zagreb Stock Exchange will bring certain new synergistic effects and opportunities for further market development, which will consequently positively reflect in LJSE's operations.

Financial statements and disclosures



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Management responsibility for the financial statements

The Management Board hereby endorses the financial statements of the Ljubljana Stock Exchange for the financial year ended 31 December 2015, with notes thereto, along with the accounting guidelines of the annual report.

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

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

Ljubljana Stock Exchange

Nina Vičar, MSc
Member of the Management Board

Andrej Šketa,
President of the Management Board

Financial statements for the financial year 2015

Balance sheet as at 31 Dec 2015

<i>(in EUR)</i>	<i>Notes</i>	31 Dec 2015	31 Dec 2014
ASSETS		2,642,682	2,896,847
Non-current assets		1,352,242	1,474,102
Intangible assets and long-term deferred and accrued items	1.1	55,947	140,999
Property, plant and equipment	1.2	1,276,921	1,312,293
Deferred tax assets	1.3	19,374	20,809
Current assets		1,230,150	1,375,153
Current investments	1.4	383	383
Current operating receivables	1.5	149,384	185,458
Cash and cash equivalents	1.6	1,080,383	1,189,312
Short-term deferred costs and accrued revenues	1.7	60,290	47,592
EQUITY AND LIABILITIES		2,642,682	2,896,847
Equity	1.8	2,286,827	2,662,479
Called-up capital		1,400,893	1,400,893
Capital surplus		462,775	462,775
Revenue reserves		423,159	519,331
Revaluation surplus		0	0
Retained earnings		0	0
Net profit or loss for the period		0	279,480
Retained revaluation surplus		0	0
Provisions and long-term accrued costs and deferred revenues	1.9	0	25,542
Non-current liabilities		0	0
Deferred tax liabilities		0	0
Current liabilities		118,557	192,030
Short-term trade payables	1.10	118,557	192,030
Short-term accrued costs and deferred revenues	1.11	237,299	16,795

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

Income statement for the year ended 31 Dec 2015

(in EUR)	Notes	2015	2014
Sales revenues	2.1	1,477,439	1,757,400
Sales revenues from domestic market		1,147,016	1,400,703
Sales revenues from abroad		330,423	356,697
Other operating revenue	2.1.1.	10,568	25,710
OPERATING EXPENSES	2.2		
Costs of goods, material and services	2.2.1	646,369	725,348
Costs of materials used		38,670	40,786
Costs of services		607,699	684,561
Labour costs	2.2.2	758,576	572,227
Costs of wages and salaries		423,967	482,657
Pension insurance costs		9,438	6,777
Other social insurance costs		70,565	44,021
Other labour costs		32,854	21,744
Provisions		221,751	17,028
Write-downs	2.2.3	159,274	185,476
Depreciation and amortisation		143,756	168,687
Revaluatory operating expenses associated with intangible assets and property, plant and equipment		0	0
Revaluatory operating expenses associated with operating current assets		15,518	16,790
Other operating expenses	2.2.4	15,148	15,850
OPERATING PROFIT OR LOSS		-91,360	284,209
Financial revenue from investments	2.3	2,350	8,208
Financial revenue from trade receivables	2.4	2,621	1,140
Financial expenses for financial liabilities		0	0
Financial expenses for trade payables		14	3
PROFIT OR LOSS FROM ORDINARY ACTIVITIES		-86,403	293,554
Other revenue	2.5	919	1,088
Other expenses		4	6
PROFIT OR LOSS BEFORE INCOME TAXES		915	1,083

- continued -

<i>(in EUR)</i>		2015	2014
Income tax	2.6	-9,249	-7,959
Deferred taxes		-1,435	-7,198
NET PROFIT OR LOSS FOR THE PERIOD	2.7	-96,172	279,480

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

Statement of comprehensive income for the year ended 31 Dec 2015

<i>(in EUR)</i>	Notes	2015	2014
Net profit or loss for the period		-96,172	279,480
Changes of intangible assets and property, plant and equipment revaluation surplus		0	0
Changes of short-term investment revaluation surplus		0	0
Profit or loss of result from translation of financial statement in foreign currencies		0	0
Other components of comprehensive income		0	0
Total comprehensive income for the period	2.8	-96,172	279,480

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

Cash flow statement for the year ended 31 Dec 2015

(in EUR)	2015	2014
A. Cash flows from operating activities		
a) Income Statement items	286,217	453,401
Operating revenue	1,486,487	1,758,499
Financial revenue from trade payables	2,621	1,140
Operating expenses excluding depreciation and amortisation	-1,192,207	-1,306,238
Income taxes and other taxes not included in operating expenses	-10,684	0
b) Changes of net operating assets in Balance Sheet items	-96,420	-28,796
Change in trade receivables	21,721	-65,217
Change in deferred costs and accrued revenue	-13,798	9,603
Change in deferred tax assets	1,435	7,198
Change in operating debts	-73,474	18,741
Change in accrued items and provisions	-32,305	879
Change in deferred tax liabilities	0	0
c) Net cash from operating activities (a + b)	189,796	424,605
B. Cash flows from investing activities		
a) Cash receipts from investing activities	3,622	11,617
Interest received	2,015	8,417
Proceeds from disposal of intangible assets	0	0
Proceeds from sale of property, plant and equipment	1,607	3,200
Proceeds from disposal of non-current assets	0	0
Proceeds from disposal of current assets	0	0
b) Cash disbursements from investing activities	-22,867	-27,588
Purchase to acquire intangible assets	-14,440	-14,419
Purchase of property, plant and equipment	-8,427	-13,168
Payments in connection with non-current investments	0	0
Payments in connection with current investments	0	0
c) Net cash from investing activities (a + b)	-19,245	-15,971
C. Cash flows from financing activities		
a) Cash receipts from financing activities	0	0
Capital increase	0	0
Tax prepayment	0	0
Proceeds from increase in long-term financial liabilities	0	0
Proceeds from increase in short-term financial liabilities	0	0
b) Cash disbursements from financing activities	-279,480	0
Interest paid	0	0
Repayment of equity	0	0
Repayment of long-term financial liabilities	0	0
Repayment of short-term financial liabilities	0	0
Dividends paid	-279,480	0
c) Net cash from financing activities (a + b)	-279,480	0

- continued -

(in EUR)	2015	2014
D. Net cash and cash equivalents as at end of period	1,080,383	1,189,312
Net increase in cash and cash equivalents (Ac+Bc+Cc)	-108,929	408,634
Cash and cash equivalents as at beginning of period	1,189,312	780,678

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

Statement of changes in equity

Statement of changes in equity for 2015

(in EUR)	Called-up capital	Capital surplus			Revenue reserves	Revaluation surplus	Net profit / loss		Total equity
		Payments over carry-ing amount in redemp-tion of shares	Amounts from simplified of capital decrease	General equity revalua-tion adjust-ment	Statutory reserves		Retaines earnings	Net profit / loss for the period	
A.1. Balance at 31 Dec. 2014	1,400,893	143	364,570	98,063	519,331	0	0	279,480	2,662,479
A.2. Balance at 1 Jan. 2015	1,400,893	143	364,570	98,063	519,331	0	279,480	0	2,662,479
B.2. Total comprehensive income for 2015									
Profit / loss for the period								-96,172	-96,172
Changes in revaluation surplus related to intangible assets									0
Changes in revaluation surplus related to investments									0
Other components of comprehensive income									0
B.3. Changes in equity									
Payment of dividends							-279,480		
Capital decrease (settlement of loss for 2015 from other components of equity)					-96,172			96,172	0
C. Balance at 31 Dec. 2015	1,400,893	143	364,570	98,063	423,159	0	0	0	2,286,827
ACCUMULATED PROFIT FOR 2015	-	-	-	-	-	-	0	0	0

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

In 2014 the Ljubljana Stock Exchange showed an accumulated profit in the amount of EUR 279,480. On the General Meeting held on 18 June 2015 the company's owners adopted a resolution that the accumulated profit is to be fully allocated to the payment of dividends.

Pursuant to the Management Board resolution the total loss for the 2015 financial year in the amount of -96,172, which consists of EUR -94,737 of net loss for the period EUR 9,261 of derecognised deferred tax assets and EUR 7,825 of recognised deferred tax assets, is being set off in full against legal reserves.

Share book value as at 31 December 2015 was EUR 68.06.

Statement of changes in equity for 2014

(in EUR)		Called-up capital	Capital surplus			Revenue reserves		Revaluation surplus	Net profit / loss		Total equity
			Payments over carry-ing amount in redem-p-tion of shares	Amounts from simplified capital decrease	General equity revalua-tion adjust-ment	Statutory reserves	Retaines earnings		Net profit / loss for the period		
A.1.	Balance at 31 Dec. 2013	1,400,893	143	364,570	98,063	519,331	0	0	0	2,382,999	
A.2.	Balance at 1 Jan. 2014	1,400,893	143	364,570	98,063	519,331	0		0	2,382,999	
B.2.	Total comprehensive income for 2015										
	Profit / loss for the period								279,480	279,480	
	Changes in revaluation surplus related to intangible assets									0	
	Changes in revaluation surplus related to investments									0	
	Other components of comprehensive income									0	
B.3.	Changes in euqity										
	Capital decrease (settlement of loss for 2014 from other components of									0	
C.	Balance at 31 Dec. 2014	1,400,893	143	364,570	98,063	519,331	0	0	279,480	2,662,479	
	ACCUMULATED PROFIT FOR 2014	-	-	-	-	-	-		279,480	279,480	

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

Notes to financial statements

Taxation

The company is a taxable person:

- Under the Corporate Income Tax Act (Official Gazette RS No 40/04, 139/04, 17/05, 108/05, 117/06, 90/07, 56/08, 76/08, 92/08, 5/09, 96/09, 110/09, 43/10, 59/2011, 30/2012, 24/2012, 94/2012, 81/2013, 50/2014, 23/2015 in 82/2015),
- Under the Value Added Tax Act (Official Gazette RS No 89/98, 17/00, 30/01, 103/01, 67/02, 114/04, 108/05, 21/06, 117/06, 52/07, 33/09, 85/09, 85/2010, 18/2011, 78/2011, 38/2012, 40/2012, 83/2012, 14/2013, 46/2013-ZIPRS1314-A, 101/2013-ZIPRS1415 and 86/2014),
- Under the Rules on the Implementation of the Value Added Tax Act (Official Gazette RS No 4/99, 45/99, 59/99, 110/99, 17/00, 19/00, 27/00, 22/01, 28/01, 54/01, 106/01, 79/02, 54/04, 122/04, 60/05, 117/05, 1/06, 10/06, 141/06, 120/07, 21/08, 123/08, 105/09, 27/10, 104/2010, 110/2010, 82/2011, 108/2011, 106/2011, 102/2012, 54/2013, 85/2014 in 95/2014),
- Under the Financial Administration Act (and Official Gazette RS No 25/2014) and
- Under the Tax Procedure Act (Official Gazette RS No 54/04, 139/04, 56/05, 96/05, 100/05, 21/06, 117/06, 24/08, 125/08, 85/09, 110/09, 1/10, 43/10, 97/2010, 32/2012, 94/2012, 101/2013, 111/2013, 22/2014, 25/2014, 40/2014, 90/2014, 95/2014, 23/2015 in 91/2015).

Basis of presentation

In compiling the Financial Statements the following basic accounting principles were considered:

- Adherence to the principle of accounting on an accrual basis;
- 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 2014, the LJSE had one shareholder (100%), namely Zagrebačka burza, d.d., Ivana Lučića 2a, 10000 Zagreb, Hrvatska. Transfer of ownership was carried out on 30 December 2015. Hence, the joint annual report is prepared in cooperation with the former owner, i.e. CEESEG AG, and can be obtained at the registered office of CEESEG AG, Wallnerstrasse 8, Vienna, Austria. The LJSE Annual Report for 2015 can also be obtained at the registered office of the Zagreb Stock Exchange, Ivana Lučića 2a, 10000 Zagreb, Croatia.

Recording items

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

Accounting principles

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

Intangible assets and long-term deferred costs and accrued revenues

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

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

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

Amortization rates:

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

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

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

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

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

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

Property, plant and equipment

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

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

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

As at 1 July 2007 the company, for the purpose of real presentation of assets, presents the building with its associated land after the initial recognition in accordance with the revaluation model, i.e. the second version of revaluated carrying value on the basis of SAS 1.28. b.

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

Land is not depreciated.

Depreciation rates:

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

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

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

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

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

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

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

Revaluation of the building with associated land

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

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

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

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

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

In 2015 a certified appraiser reviewed the appraisal prepared in 2013. The minor changes in the value do not represent substantial changes, thus in 2015 no indications of impairment exist.

Receivables

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

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

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

Cash and cash equivalents

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

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

Equity

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

Provisions and long-term accrued costs and deferred revenues

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

Provisions are defined for present liabilities which stem from obligating past events and are expected to be settled at a time period which is not certain and in the amount which can be reliably estimated. The

purpose of provisions is to collect amounts in the form of accrued costs or expenses, which will in the future enable the company to cover the then incurred costs or expenses.

Liabilities

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

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

Short-term accrued and deferred items

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

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

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

Recognition of revenue

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

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

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

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

Recognition of expenses

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

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

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

Taxes

Tax expense includes accrued income tax and deferred tax.

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

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

The company forms deferred tax assets for all deductible temporary differences – arising from asset impairment, 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 2014 and as at 31 December 2015, and based on the Income Statement for 2015 as well as considering other relevant data from internal sources, relating to revenue and expenses, the Cash Flow Statement was drawn up under version II of SAS 2006.

1. Balance sheet

1.1. Intangible assets

EUR 55,947

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Long-term property rights	1,151,710	1,163,940
Intangible assets under construction	0	0
Long-term deferred costs	20,638	19,538
Accumulated amortization of intangible assets	-1,116,401	-1,042,479
Carrying amount	55,947	140,999

Intangible assets as at 31 December 2015 include software licences for data processing with carrying amount of EUR 135,309, and long-term deferred costs in the amount of EUR 20,638.

All intangible assets have finite useful lives.

Movements of intangible assets in 2015:

<i>(in EUR)</i>	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
Cost of purchase				
Balance as at 31 Dec 2014	1,163,940	19,538	0	1,183,478
Additional	14,402	2,276	14,402	31,080
Disposals	26,633	1,176	14,402	42,211
Balance as at 31 Dec 2015	1,151,710	20,638	0	1,172,348
Accumulated amortisation				0
Balance as at 31 Dec 2014	1,042,479	0	0	591,824
Annual amortisation	100,555	0	0	172,647
Disposals	26,633			
Balance as at 31 Dec 2015	1,116,401	0	0	764,471
Carrying amount				0
Balance as at 31 Dec 2014	121,461	19,538	0	140,999
Balance as at 31 Dec 2015	35,309	20,638	0	55,947

Additions in long-term property rights in 2015 refer to the upgrade of BTSX software, which cost EUR 8,598, and PSI software, which cost EUR 5,804.

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

Long term deferred costs include deferred costs of rent of digital certificates and brand patent in the total amount of EUR 591, and payments to reserve fund in the amount of EUR 20,047.

1.2. Property, plant and equipment

EUR 1,276,921

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Building	1,272,456	1,272,456
Accumulated depreciation of building	-71,925	-37,094
Other property, plant and equipment	728,139	926,461
Property, plant and equipment under construction	0	0
Accumulated depreciation of property, plant and equipment	-651,748	-849,530
Carrying amount	1,276,921	1,312,293

As at 31 December 2015, the item property, plant and equipment (PPE) included the current value of the building (EUR 1,200,531) and the current value of other PPE (EUR 76,390).

In 2015 a certified appraiser reviewed the appraisal prepared in 2013. The minor changes in the value do not represent substantial changes, thus in 2015 no indications of impairment exist.

If the building and associated land were recognised at the cost model, the carrying amount of the building and associated land as at 31 December 2014 would have totalled EUR 1,299,540.

Movements of property, plant and equipment (PPE) in 2015:

<i>(in EUR)</i>	Buildings	Equipment	Equipment under preparation	Total PPE
Cost of purchase				
Balance as at 31 Dec 2014	1,272,456	926,461	0	2,198,917
Additions	0	7,829	0	7,829
Disposals	0	206,151	0	206,151
Balance as at 31 Dec 2015	1,272,456	728,139		2,000,594
Accumulated depreciation				
Balance as at 31 Dec 2014	37,094	849,530		886,623
Annual depreciation	34,832	8,370		43,201
Disposals	0	206,151		206,151
Balance as at 31 Dec 2015	71,925	651,748		723,674

- continued -

<i>(in EUR)</i>	Buildings	Equipment	Equipment under preparation	Total PPE
Carrying amount				
Balance as at 31 Dec 2014	1,235,362	76,931		1,312,293
Balance as at 31 Dec 2015	1,200,531	76,390		1,276,921

New purchases of PPE include purchase of IT equipment in the amount of EUR 5,626 and other equipment in the amount of EUR 2,202.

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

1.3. Deferred tax assets

EUR 19,374

Deferred tax assets in the amount of EUR 19,374 are recognised on all deductible temporary differences arising from the difference between the depreciation charge for property rights, in the amount of 20%, and tax-deductible depreciation, in the amount of 10%, and from the difference between the depreciation charge for the building, in the amount of 3.15, and tax-deductible amortisation, in the amount of 3.00%, as well as for impairments of trade receivables, and unused tax loss.

Movement of long term deferred tax assets in 2015

<i>(v EUR)</i>	Difference between depreciation charged (20%) and tax-deductible depreciation (10%)	Impairment of trade receivables	Provisions	Unused tax loss	Total
As at 31 December 2014	2,021	7,767	0	11,021	20,809
Newly formed in 2015	277	2,629			2,906
Used in 2015	-1,342	-1,542		-1,456	-4,341
As at 31 December 2015	955	8,854	0	9,565	19,374

1.4. Current investments

EUR 383

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Investments into precious metals	383	383
Total	383	383

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

1.5. Short-term trade receivables

EUR 149,384

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Trade receivables	131,481	178,627
Receivables due from other entities	17,904	6,830
Total	149,384	185,458

Current trade receivables include EUR 131,481 of trade receivables and EUR 17,904 of receivables due from other entities, which refer to VAT advances given and to other receivables.

■ Trade receivables

EUR 131,481

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Trade receivables due from residents	62,916	85,885
Doubtful and disputable trade receivables from residents	50,151	43,980
Trade receivables due from non-residents	68,564	92,743
Doubtful and disputable trade receivables from non-residents	220	0
Allowance for bad receivables	-50,371	-43,980
Total	131,481	178,627

Trade receivables due from residents refer to EUR 37,454 of receivables from trading fees and to EUR 25,405 of receivables due from other services.

Trade receivables due from non-residents refer to EUR 12,138 of receivables from trading fees and to EUR 56,426 of receivables due from other services.

Doubtful and disputable receivables, in the amount of EUR 50,371, represent receivables overdue by min. three months, which had not been settled by the end of January 2016 and which are subject to recovery either through debit notes or litigation.

■ **Receivables due from other entities**

EUR 17,904

(in EUR)	31 Dec .2015	31 Dec 2014
Short-term advanced paid	0	0
Interest receivables	2,940	2,716
Default interest receivable	-1,709	-1,708
Receivables due from other entities	16,673	5,822
Total	17,904	6,830

Interest receivables refer to the interest from deposits placed with SKB bank and BKS bank for December 2015 in the amount of EUR 41, which were fully paid in January 2016 pursuant to the deposit agreement, and to the interest receivables for late payment of invoices, in the amount of EUR 2,898.

The allowance for interest receivables in 2015 refers to late interest receivables in the amount of EUR 1,709.

Other receivables refer to input VAT in the amount of EUR 14,924 namely to VAT receivables from invoices for December 2015, and to other receivables, in the amount of EUR 1,749.

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

■ **Short-term receivables by maturity**

(in EUR)	Non past due	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	More than 120 days	Total
Trade receivables due from residents – trading fees	37,454						37,454
Trade receivables due from residents – other	22,252	1,293	647	647	317	250	25,405
Trade receivables due from residents – doubtful	317	317	317	317	317	48,564	50,150
Trade receivables due from non-residents	68,564						68,564
Trade receivables due from non-residents – doubtful				220			220
Other short-term advances and overpayments	57						57
Interest receivable	41						41
Default interest receivable	1,189						1,189
Default interest receivable – doubtful						1,709	1,709
Total	129,875	1,610	964	1,184	634	50,523	184,790

The majority of receivables, both trade receivables and interest receivable, are non-past due receivables, which represent 70.3% of all receivables. For claims overdue by over 90 days, and those in cases of compulsory settlement or bankruptcy, we formed allowances. In forming allowances, we considered all claims not settled within 90 days and all payments received by the end of January 2016.

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

The company does not hedge its receivables.

1.6. Cash and cash equivalents

EUR 1,080,383

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Cash in hand	42	28
Bank balance:	1,080,341	1,189,284
Current account	13,121	13,332
Redeemable EUR deposit	1,067,220	1,175,952
Total	1,080,383	1,189,312

We have sight deposits placed in BKS Bank in the amount of EUR 385,000, where in 2015 the accruing nominal interest rate gradually changed from 0.55% at the beginning of the year to 0.08% at the end of the year, in SKB bank in the amount of EUR 431,952, where in 2015 the accruing nominal interest rate changed from 0.1 % at the beginning of the year to 0.04% at the end of the year, and in UniCredit Bank (with a 31 days' notice) in the amount of EUR 250,268 where the accruing nominal interest rate is 0.20%.

1.7. Short-term deferred costs and accrued revenue

EUR 60,290

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Short-term deferred costs	30,032	32,059
Short-term accrued revenues	30,258	15,533
- listing maintenance fees for bonds	23,622	15,533
- other accrued revenues	6,637	
Total	60,290	47,592

Deferred costs refer to the lease of the Microsoft Office software license in the amount of EUR 14,676, costs of voluntary health insurance for employees in the amount of EUR 3,215, business premises insurance in the amount of EUR 3,072, company car insurance in the amount of EUR 2,744, operating lease of two company cars, in the amount of EUR 1,447, paid subscription fee for expert literature and newspapers, in the amount of EUR 979, costs of the rental Panda and Office licenses in the amount of EUR 1,327, the annual costs of digital certificates and domains in the amount of EUR 167 and other short-term deferred costs in the amount of EUR 2,406. These costs relate to financial year 2016.

Accrued revenue refers to listing maintenance fees for government bonds (issuer Republika Slovenija) for 2015, in the amount of EUR 23,622. The listing maintenance fees will be charged in 2016 after one year of listing. Other issuers are charged with listing maintenance fees (for shares and bonds) for the term of each calendar year.

Accrued revenues in the amount of EUR 6,637 refer to revenues from sharing revenues with the Vienna Stock Exchange for data dissemination on the basis of settlement according to the actual use.

1.8. Equity

EUR 2,286,827

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Called-up capital	1,400,893	1,400,893
Capital surplus	462,775	462,775
- <i>payments over carrying amount in disposal of own shares</i>	143	143
- <i>amounts from simplified decrease of share capital</i>	364,570	364,570
- <i>general equity revaluation adjustment</i>	98,063	98,063
Revenue reserves	423,159	519,331
- <i>statutory reserves</i>	423,159	519,331
- <i>other reserves</i>	0	0
Revaluation surplus	0	0
- <i>buildings revaluation surplus</i>	0	0
- <i>short-term investment revaluation surplus</i>	0	0
- <i>allowance for revaluation surplus assoc. with deferred tax assets</i>	0	0
Retained earnings	0	0
Net profit or loss for the period	0	279,480
Retained revaluation surplus	0	0
Total	2,286,827	2,662,479

■ **Share capital**

EUR 1,400,893

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

■ **Capital surplus**

EUR 462,775

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Payments over carrying amount in disposal of own shares	143	143
Amount from simplified decrease of share capital	364,570	364,570
General equity revaluation adjustment	98,063	98,063
Total	462,775	462,775

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

If we revaluated the income amount in 2015 in order to maintain the purchasing power of capital due to advances in consumer prices, the equity revaluation adjustment would amount to EUR 11,434 and the net loss for the period to EUR 84,738.

■ **Revenue reserves**

EUR 423,159

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Statutory reserves	423,159	519,331
Other revenue reserves	0	0
Total	423,159	519,331

Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net loss for the 2015 financial year is being set off against the legal reserves in the amount of EUR 96,172.

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

EUR 0

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Other provisions for long-term accrued expenses	0	25,542
Total	0	25,542

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

1.10. Trade payables

EUR 118,557

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Payables to suppliers	67,590	114,384
Payables from advances	317	488
Other trade payables	50,649	77,158
Total	118,557	192,030

Payables to suppliers in the amount of EUR 67,590 refer to EUR 38,083 of payables to residents, and to EUR 29,507 of payables to non-residents.

Other trade payables, in the amount of EUR 50,649, refer to EUR 40,444 of payables to employees, EUR 9,251 of payables to the government and other institutions, and EUR 954 of other trade payables.

■ **Payables to employees include:**

EUR 40,444

(in EUR)	31 Dec 2015	31 Dec 2014
Payables from net wages and wage compensations	17,502	19,913
Payables from contributions for gross wages and wage compensations	8,196	9,345
Payables from taxes for gross wages and wage compensations	7,404	9,234
Payables from other earnings from employment	1,366	1,690
Payables for contributions on other earnings	0	0
Payables from payer's contributions	5,975	6,866
Total	40,444	47,047

The balance of payables to employees as at 31 December 2015 includes wages and salaries payable for December 2015.

Payables from payer's contributions, which amount to EUR 5,975, refer to the wages payable for December 2015.

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

EUR 9,239

(in EUR)	31 Dec 2015	31 Dec 2014
Payables from VAT	6,511	20,371
Payables from income tax	1,941	7,959
Other payables to the government and other institutions	787	786
Total	9,239	29,115

Payables from VAT refer to the difference between output and input VAT for December 2015, which amounts to EUR 6,511.

Payables from income tax amount to EUR 1,941.

Other payables to the government and other institutions refer to the liabilities for additional pension insurance, in the amount of EUR 787.

■ **Other payables**

EUR 954

(in EUR)	31 Dec 2015	31 Dec 2014
Payables from payroll tax	555	422
Other payables	399	573
Total	954	995

1.11. Short-term accrued costs and deferred revenue

EUR 237,299

<i>(in EUR)</i>	31 Dec 2015	31 Dec 2014
Accrued costs	237,299	16,795
Total	237,299	16,795

Accrued costs refer to the costs of the financial statements audit for 2015, which amount to EUR 3,641, to the costs of a risk management audit and audit of compliance with the Code of Conduct, in the amount of EUR 4,493, to the costs of annual leave for 2015, in the amount of EUR 7,152, to the obligations arising from bonuses to the Management Board for 2015, in the amount of EUR 12,771, and to the severance pay to the Management Board in accordance with the employment contracts, in the amount of EUR 208,980.

1.12. Off-balance-sheet liabilities and receivables

As at 31 December 2015 the company recognised no off-balance-sheet liabilities or receivables. No company's assets are used for insurance and are free from all charges.

2. Income statement

2.1. Revenues

EUR 1,493,896

	2015		2014	
	in EUR	v %	in EUR	v %
I. Operating revenue	1,488,007	99.6	1,783,110	99.4
a. Revenue from core business	954,661	63.9	1,195,099	66.6
- Trading fees	516,571	34.6	731,374	40.8
- Revenues from information system	0	0.0	61,680	3.4
- Membership fees	42,500	2.8	47,083	2.6
- Listing fees	395,589	26.5	354,962	19.8
b. Other revenue	533,347	35.7	588,011	32.8
- SEOnet and INFO STORAGE services	211,137	14.1	220,321	12.3
- Trade publication	9,638	0.6	11,131	0.6
- Seminars	12,582	0.8	8,591	0.5
- Data dissemination	67,200	4.5	68,100	3.8
- Revenues sharing with WBAG	187,436	12.5	182,780	10.2
- IT services	25,200	1.7	55,874	3.1
- Licence fees	0	0.0	4,500	0.3
- Other	20,154	1.3	36,713	2.0
II. Financial revenue	4,971	0.3	9,349	0.5
III. Extraordinary revenue	919	0.1	1,088	0.1
Total	1,493,896	100.0	1,793,547	100.0

Total revenue amounts to EUR 1,493,896. Sales revenue amounts to EUR 1,488,007, which is 99.6% of total revenue, lower than planned revenues by 1.1%. Revenue from the company's core business represents 63.9% of total sales revenue, which is EUR 954,661, while other operating revenue represents 35.7%, which is EUR 533,347. Financial revenue amounts to EUR 4,971, representing 0.3% of total revenue.

2.1.1. Other operating revenues

EUR 10,568

(in EUR)	2015	2014
Revenues from dissolved provisions	0	22,502
Revenues from sale of fixed assets	1,607	3,200
Other revenues	8,961	8
Total	10,568	25,710

Other operating revenues refer to revenues from sale of fixed assets in the amount of EUR 1,607 and to revenues from cancellation of allowances for bad receivables in the amount of EUR 8,961.

2.2. Expenses

EUR 1,579,384

	2015		2014	
	in EUR	v %	in EUR	%
I. Operating expenses	1,579,367	100.0	1,498,901	100.0
- Costs of material	38,670	2.4	40,786	2.7
- Costs of services	607,699	38.5	684,561	45.7
- Labour costs	758,576	48.0	572,227	38.2
- Write-offs	159,274	10.1	185,476	12.4
- Other operating expenses	15,148	1.0	15,850	1.1
II. Financial expenses	14	0.0	3	0.0
III. Extraordinary expenses	4	0.0	6	0.0
Total	1,579,384	100.0	1,498,910	100.0

All expenses for financial year 2015 refer to operating expenses.

2.2.1. Costs of material and services

EUR 646,369

(in EUR)	2015	2014
Costs of material	38,670	40,786
Power supply	24,083	28,081
Office supplies, expert literature and publications	11,046	10,816
Costs of LJSE publications	1,609	669
Other costs of material	1,932	1,221
Costs of services	607,699	684,561
Transportation	1,224	2,142
Maintenance costs	144,440	150,266
Leases and rents	231,221	246,106
Reimbursements of labour-related costs	6,011	11,602
Payment transactions and insurance premiums	8,077	8,645
Intellectual and personal services	72,100	103,529
Advertising and entertainment	22,353	27,815
Services by individuals without a registered business	20,751	26,275
Costs of other services	101,522	108,182
Total	646,369	725,348

The majority of the costs of material refer to energy and fuel costs (EUR 24,083), write-offs of small tools (EUR 643), costs of stationery (EUR 6,061), costs of expert literature (EUR 903), costs of subscription fees (EUR 4,082), costs of publications (EUR 1,609) and other costs of material (EUR 1,289).

Costs of transportation refer to airline tickets (EUR 1,200) and other costs of transportation (EUR 24).

Maintenance costs refer to the costs of services related to the maintenance of property, plant and equipment (EUR 111,024) and to the costs of services for building maintenance (EUR 33,416).

Leases and rents include EUR 4,216 of parking space leases, EUR 16,240 of licence lease, EUR 31,696 costs of rent for the backup location, EUR 16,583 of other leases (lease of a safe, lease of a line), and EUR 162,484 of costs for leasing the FIX and Xetra systems.

Reimbursements of labour-related costs include costs of daily allowance and overnight stays, in the amount of EUR 4,448, and costs of fuel, mileage expenses and parking fees, in the amount of EUR 1,563.

Payment transactions and bank services and insurance premiums include costs of bank services, in the amount of EUR 1,579, and insurance premiums, in the amount of EUR 6,498.

Costs of intellectual and personal services refer to EUR 44,835 paid to auditors and outsourced accountants, EUR 4,229 paid to attorneys and public notaries, EUR 10,046 paid for education and training, EUR 68 paid for translation services, EUR 1,192 paid for safety-at-work services, EUR 10,465 paid for other intellectual services, and EUR 1,264 paid to graphic designers.

Advertising and entertainment costs include EUR 15,556 of entertainment costs, EUR 180 of advertising costs and EUR 6,617 of sponsorship costs.

Costs of services by individuals refer to EUR 16,405 paid for student help, EUR 3,063 of meeting attendance fees to members of the Supervisory Board, EUR 984 of meeting attendance fees for members of the Board of Issuers and Board of Members and EUR 294 of other costs. The meeting attendance fees to members of the Supervisory Board refer to EUR 800 of meeting attendance fees paid to members of the Supervisory Board, to EUR 2,000 of fees paid to them for holding office on the Board and to EUR 263 of duty from attendance fees paid. The attendance fees to four Supervisory Board members were payable for four Supervisory Board meetings held in 2015.

Costs of other services refer to EUR 72,000 paid for surveillance over LJSE operations, EUR 400 paid to the Securities Market Agency, EUR 3,584 costs of providing data on the value of bonds, EUR 1,488 of monthly reporting costs, EUR 17,717 of postal and telephone costs, EUR 1,651 of subscription fees to Internet pages and other data access fees, and EUR 4,682 of other costs.

2.2.2. Employee benefits cost

EUR 758,576

(in EUR)	2015	2014
Wages and salaries	423,967	430,835
Pension insurance	51,411	52,982
- Pension and disability insurance contributions	41,973	43,002
- Additional pension insurance	9,438	9,980
Social security	31,604	32,555
- Health insurance, employment and parental protection contributions	28,592	29,293
- Voluntary health insurance	3,011	3,262

- continued -

(in EUR)	2015	2014
Other labour costs	29,843	30,313
- Commuting, meals allowance, holiday allowance, benefits	29,843	30,313
- Other employer's taxes on wages and salaries	0	0
- Other individual earnings	0	0
- Severance pay	0	0
Provisions	221,751	25,542
Total	758,576	572,227

The company employed a total of 10 people in 2015. This equals 10.05 people considering hours worked. The total costs of wages and salaries (gross wages and wage contributions) amount to EUR 758,576.

2.2.3. Write-offs

EUR 159,274

(in EUR)	2015	2014
Depreciation and amortisation	143,756	168,687
Revaluatory operating expenses associated with intangible assets and property, plant and equipment	0	0
Revaluatory operating expenses associated with operating current assets	15,518	16,790
Total	159,274	185,476

Write-offs refer to EUR 143,756 of the amortization of intangible assets and the depreciation of property, plant and equipment and to EUR 15,518 of revaluation operating expenses associated with current assets.

■ Depreciation and amortization

EUR 143,756

(in EUR)	2015	2014
Amortisation of intangible assets	99,983	125,278
Building amortisation	34,832	34,244
Depreciation of property, plant and equipment	8,941	9,164
Total	143,756	168,686

Depreciation costs include the amortization of intangible assets (EUR 99,983), building depreciation (EUR 34,832) and the depreciation of equipment and other property, plant and equipment (EUR 8,941).

■ *Revaluation operating expenses associated with current assets* **EUR 15,518**

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 15,518.

2.2.4. Other operating expenses **EUR 15,148**

<i>(in EUR)</i>	2015	2014
Provisions for costs of restructuring	0	0
Other operating expenses	11,412	12,189
- <i>Membership fees</i>	1,330	1,123
- <i>Tax paid for using building land</i>	7,891	7,875
- <i>Cost of court and administrative fees</i>	191	191
- <i>Humanitarian contributions</i>	2,000	3,000
- <i>Other expenses</i>	3,736	3,661
Total	15,148	15,850

Other costs amount to EUR 15,148.

2.2.5. Expenses by function

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

2.3. Financial income from investments **EUR 2,350**

<i>(in EUR)</i>	2015	2014
Interest income	2,350	8,208
Total	2,350	8,208

Interest income includes interest from the redeemable bank deposit.

2.4. Financial income from trade receivables **EUR 2,621**

<i>(in EUR)</i>	2015	2014
Revenues from late interest	2,621	1,140
Exchange surplus	0	0
Total	2,621	1,140

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

2.5. Other revenue

EUR 919

<i>(in EUR)</i>	2015	2014
Positive euro balance	4	4
Revenues from bad debts recovered	83	1,083
Other revenues	831	
Total	919	1,088

Other revenue refers to EUR 831 of adjustment of input VAT, to EUR 44 of revenue from reimbursed court fees due to court recovery of receivables, to EUR 507 of revenue from bad debts recovered, and to EUR 43 of other revenues.

2.6. Income tax

EUR 9,249

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

The established tax base for 2015 amounts to EUR 148,530. For 2015 the company claimed EUR 74,264 of 2011 and 2012 tax loss covering and EUR 19,858 of other tax reliefs and thus claimed a reduction of the tax base in the amount of EUR 94,123. Hence, the base for tax for 2015 amounts to EUR 54,408, and the income tax amounts to EUR 9,249.

In establishing net profit for the year, EUR 7,824 worth of deferred tax assets were recognised in the books of account, along with EUR 9,261 of deferred tax assets for temporary differences, both of which decreased net profit for the financial year.

Income tax charged:

<i>(in EUR)</i>	2015	2014
Profit / Loss before tax	-85.488	294.637
Tax incentives and premiums	214.160	-91.072
- <i>Tax relief</i>	-19.858	-109.929
- <i>Tax premiums</i>	250.874	41.738
- <i>Tax deductions</i>	-16.856	-22.882
Tax loss covering	-74.264	-156.747
Tax base	54.408	46.818
Tax rate	17%	17%
Tax charged	9.249	7.959

2.7. Net loss for the year

EUR -96,172

The net loss for the 2015 financial year amounts to EUR 96,172. Pursuant to the resolution adopted by the LJSE Management Board and the consent given by the Supervisory Board the net loss for 2015 is being set off against of legal reserves.

Accumulated profit

(in EUR)	2015	2014
A. Net profit or loss of the financial year	-96,172	279,480
1. Net profit or loss	-96,172	279,480
B. Retained earnings	0	0
C. Reversal of revenue reserves	96,172	0
1. Statutory reserves	96,172	0
E. Accumulates profit or loss	0	279,480

2.8. Total comprehensive income for the period

EUR -96,172

Total comprehensive income for financial year 2015 amounts to EUR -96,172 and consists of net loss for the period.

3. Management Board remuneration in 2015

In 2015 the Management Board received remuneration in the following amounts:

(in EUR)	Mr Andrej Šketa, President		Mrs Nina Vičar, Member	
	gross	net	gross	net
Fixed pay	78,000	39,714	59,147	29,490
Variable pay	30,000	14,448	14,000	7,045
Fringe benefits	5,790		4,816	
Other earnings and reimbursements	1,061	2,291	1,061	2,826
Additional pension insurance	2,819		2,819	
Total	117,670	56,453	81,843	39,361

4. Supervisory Board remuneration in 2015

In 2015 the Supervisory Board received remuneration in the following amounts:

(in EUR)	Meeting attendance fee		Fee for holding office		Total	
	gross	net	gross	net	gross	net
- Mr Petr Kobic, President	0	0	0	0	0	0
- Mr Michael Buhl, Deputy President	0	0	0	0	0	0
- other members:						
Mr Bernhard Stamm	0	0	0	0	0	0
Mrs Urška Podboršek	800	582	2,000	1,455	2,800	2,036
Total	800	582	2,000	1,455	2,800	2,036

5. Audit costs

The financial statements audit for financial year 2015 amounted to EUR 7,282 – inclusive of VAT, while the audit of the company's risk management and compliance with the Code of Conduct totalled EUR 4,256. Internal audit costs for financial year 2015 amounted to EUR 11,711, while the company did not record any tax counselling costs.

6. Related party transactions

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

Statement of receivables from and liabilities to related parties as at 31 December 2015:

(in EUR)	31 December 2015	31 December 2014
Receivables from companies in the group		
WBAG	55,799	73,530
ZSE	/	/
Liabilities to companies in the group		
WBAG	29,507	58,343
ZSE	/	/

In 2015 the actual revenues and actual expenses were realised in the amount of:

<i>(in EUR)</i>	2015	2014
Sales revenues in the group		
WBAG	221,036	225,880
ZSE	/	/
Purchase of materials and services		
WBAG	169,771	193,942
ZSE	/	/

7. Events after the reporting period

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



LIUBLJANA STOCK EXCHANGE

Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of Ljubljanska borza d.d. Ljubljana

Report on the Financial Statements

We have audited the accompanying financial statements of the company Ljubljanska borza d.d. Ljubljana, which comprise the balance sheet as at 31 December 2015, the statement of total comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

KPMG Slovenija, podjetje za revidiranje, d.o.o., slovenska družba
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Cooperative ("KPMG International").

TRR: SI 56 2500 0000 1851 102
upis v sodni register: Območno sodišče v Ljubljani
šl. reg. vl.: 06112062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437143
matična št.: 5948559



LIUBLJANA STOCK EXCHANGE



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ljubljanska borza d.d. Ljubljana as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

On behalf of the audit firm

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

Katarina Gašperin
Certified Auditor

Katarina Sitar Šuštar
Partner

Ljubljana, 29 February 2016

KPMG Slovenija, d.o.o.
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Further information





LIUBLJANA STOCK EXCHANGE

Ljubljana Stock Exchange trading members

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Erste Group Bank AG Graben 21 A-1010 Vienna 0043 5 0100 10100 http://www.erstegroup.com contact@erstegroup.com	GBD BPD, d. d. Koroška cesta 5 4000 Kranj 04 280 10 00 http://www.gbd.si info@gbd.si
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Ljubljana Stock Exchange Prime Market and Standard Market companies

PRIME MARKET

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

STANDARD MARKET

	Company	Trading code	Type of share	Sector
1	DELO PRODAJA	DPRG	ordinary registered	Media
2	ISTRABENZ	ITBG	ordinary registered	Holding
3	KOMPAS MTS	MTSG	ordinary registered	Retailing
4	MLINOTEST	MAJG	ordinary registered	Food, Beverage & Tobacco
5	NIKA	NIKN	ordinary bearer	Diversified Financials
6	PIVOVARNA LAŠKO	PILR	ordinary registered	Food, Beverage & Tobacco
7	SALUS	SALR	ordinary bearer	Health Care Equipment & Services
8	SAVA	SAVA	ordinary registered	Financial Holding
9	TERME ČATEŽ	TCRG	ordinary registered	Tourism & Travel
10	UNIOR	UKIG	ordinary registered	Forging Industry
11	ŽITO	ZTOG	ordinary registered	Food, Beverage & Tobacco



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