

Ljubljana Stock Exchange
ANNUAL REPORT
2011

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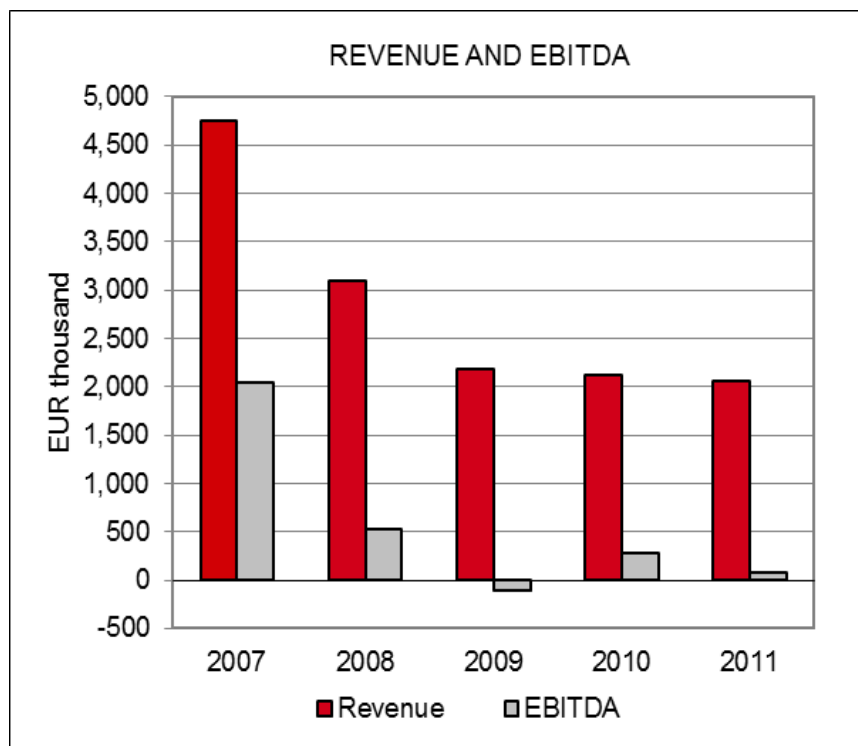
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INTRODUCTION

Ljubljana Stock Exchange 2011 operations highlights

Sales revenue was down 2.9% in 2011.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) were EUR 84,004, down 70.1%.



	EUR 000				
	2011	2010	2009	2008	2007
Share capital	1,400,893	1,400,893	1,400,893	1,400,893	1,400,893
Total equity	2,738,703	2,919,660	2,799,384	3,074,092	4,235,583
Assets	3,138,049	3,337,526	3,182,051	3,490,039	5,129,928
Revenue	2,075,350	2,151,696	2,203,819	3,203,369	4,828,557
– Trading fees	542,728	585,988	768,442	1,530,794	3,094,810
– Other revenue	1,532,622	1,565,708	1,435,377	1,672,575	1,733,747
Expenses	2,253,577	2,038,214	2,479,947	2,759,719	2,891,598
– Labour costs	891,097	985,929	1,435,068	1,600,291	1,707,598
– Other expenses	1,362,480	1,052,285	1,044,878	1,159,428	1,184,000
EBITDA	84,004	280,663	-104,726	523,704	2,036,989
EBIT	-193,960	80,302	-294,268	351,020	1,859,993
Profit / loss before tax	-178,141	113,482	-276,128	443,650	1,936,959
Income tax	2,704	-3,706	-6,589	100,003	458,486
Profit / loss for the period	-175,523	117,188	-269,539	349,869	1,485,199
No of shares	33,571	33,571	33,571	33,571	33,571
Book value on 31 Dec. (Equity/No of shares)	81.58	86.97	83.39	91.57	126.17
Dividend amount (in EUR)	-	-	-	-	44.24
No of employees by hours worked	15.99	20.62	25.34	27.03	26.59
No of employees on 31 December	17	21	25	31	31

Ljubljana Stock Exchange company profile

Company ID

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

Business

The Ljubljana Stock Exchange 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

In 2011 the Ljubljana Stock Exchange again faced low liquidity and falling prices, which resulted in a decreasing market capitalisation. The crisis that had started in 2008 has completely changed the business environment: in spite of the better results reported by companies for 2010 and 2011, investors are still holding back. Positive events for exchange were two new listings, hand tool producer Unior and financial group Alta Invest. The listed insurer Zavarovalnica Triglav switched to the prestigious Prime Market. Among positive changes the increase of turnover by remote members should be mentioned.

2011 was the first year when Slovene stocks were traded on the international trading platform Xetra®, which the Ljubljana Stock Exchange had introduced back in December 2010. Trading was smooth, and the Ljubljana Stock Exchange obtained four new trading members due to Xetra, which operate in the wider region. At year-end 2011 the LJSE had 27 trading members, of which five are the international firms ecetra Central European e-Finance AG, Erste Group Bank AG, KBC Securities NV, Raiffeisen Centrobank AG, and WOOD & Company Financial Services, a.s. International members contribute a total of 10% to the total LJSE turnover in 2011. From less than 1% in November 2010 the remote members' share in total turnover accounted approximately 14% in December 2011.

However, the total LJSE turnover in 2011 amounted to EUR 470 million, down 5% compared to 2010. The majority of turnover comprised equity deals (84%), while bonds and investment funds contributed a further 13% and 3% respectively. The most traded share in 2011 was again Krka from the Prime Market, which generated 44% of the total equity turnover. The second largest contributor to overall annual equity turnover was Meractor, which generated 23% of all equity deals, while the third most traded company was Petrol, which contributed 7% of all equity deals.

The LJSE benchmark index SBI TOP was down 30.7% year-to-date. The total equity market capitalization dropped to EUR 4,872.8 million in 2011, primarily due to price decreases. New listings were mainly bonds, which were issued in the total nominal value of EUR 3.08 billion. Besides the two new equity listings, there were seven capital increases.

The Ljubljana Stock Exchange also worked in 2011 toward increasing the visibility of Slovenia's top listed companies, both at home and abroad. It organised local and international investor conferences as well as two webcasts, which attracted a wide audience. Between September and December it held a series of panel debates discussing the challenges facing the Slovene capital market. With a good turnout they stirred a public debate about the topic and called attention to the role of capital markets and their future development.

The LJSE's financial result for 2011 reflects the situation in the capital markets. Being a market operator, our revenue largely depends on trading fees, which amounted to EUR 542,728 in 2011, down 7.4% compared to 2010. Due to decreasing revenue we undertook aggressive restructuring and cost-cutting throughout the year, cutting labour costs by 9.6% compared to 2010, laying off 4 employees, and cutting other material expenses by 25.7%. The highest new expenses in 2011 were those incurred with respect to the Xetra infrastructure. Despite extensive restructuring we were unable to fully offset the lower revenue from trading fees against the higher Xetra costs, and are therefore reporting negative results for 2011. The reported loss amounts to EUR 175,523.

We anticipate that that market performance of the year 2012 will be at the same level as 2011, as quite some market and macroeconomic risks are present. Overall macroeconomic outlook for Slovenia is under pressure and even lagging behind EU dynamics. As there is no expected change in the

environment or conditions on the market, the exchange will have to focus even more on the cost control and operational efficiency in 2012.

The Ljubljana Stock Exchange believes that the Slovene market can make headway by aligning more closely with the markets in its wider region. This is why it has raised an initiative in 2011 to set up a joint market with the Vienna Stock Exchange. In addition to other long-term measures that need to be adopted in Slovenia, such as launching stimulating long-term saving schemes in the second pillar of the pension system and introducing personal P accounts, LJSE's integration into international markets can give the domestic market a decisive push, offer Slovene companies fresh sources of capital and stimulate public offerings. This direction will be in our focus in 2012.

Ljubljana, February 2012

Ljubljana Stock Exchange

Andrej Šketa,
President of the Management Board

mag. Polona Peterle,
Member of the Management Board

Report from the Supervisory Board

Within its powers and competences, the Ljubljana Stock Exchange Supervisory Board monitored in 2011 the work of the Management Board and the company's operations as well as periodically examined the company's results set out in its financial statements.

The LJSE Supervisory Board has six members.

The current members and their functions are:

- **Heinrich Schaller**, President (to 11 April 2012),
- **Milana Lah**, Deputy President,
- **Johannes Schönegger**, member,
- **Boris Pesjak**, member,
- **dr. Filip Ogris Martič**, member,
- **mag. Barbara Meža**, member, – employee representative (to 31 May 2011),
- **Marija Valentinčič Pregelj**, member – employee representative (from 1 June 2011).

In 2011, the Supervisory Board met at four regular and two correspondence meetings. Members regularly attended the meetings and actively participated in discussions on all items on the agenda. The materials were always provided a week before the meeting, which gave us sufficient time to carefully study all the documents.

Work of the Supervisory Board in 2011

In line with the set strategy we focused most on strengthening the company's international linking. We closely monitored the key projects of 2011, Xetra upgrades and LJSE's further integration within the Vienna Stock Exchange (VSE) and the Central and East European Stock Exchange Group (CEESEG). We supervised changes in the company's organisational setup, human resources and risk management. We also reviewed the business and financial plan for 2012.

The following highlights can be singled out to illustrate the work of the Supervisory Board in 2011:

- We reviewed and adopted the Ljubljana Stock Exchange 2010 Annual Report as well as the other proposed materials for the June 2011 General Meeting;
- At each meeting we looked at recent financial reports; compliance reports; Xetra upgrade reports; LJSE – VSE integration status reports; trading, listing and delisting reports. The Management Board also promptly informed us of its risk management strategy, internal controls and other significant events relevant for the company's operations;
- We discussed the LJSE's position in terms of competition and looked at its efforts towards a further alignment with international markets within the VSE Group, aimed at improving market quality and enhancing liquidity;
- We approved the Management Board's proposals on changing the composition of the Board of Members and Board of Issuers;
- We adopted the General Principles on the Remuneration Policy of the LJSE.

The financial crisis left a mark on the company's results for 2011: significantly lower trading volumes caused substantially lower revenue from trading fees. Despite our aggressive internal restructuring and restrictive control of other costs, the company ended the year with a loss. Nevertheless, our main activities as outlined in the strategic plan 2010–2013 were successfully completed:

- Successful promotion of the Slovenian Capital Market Development Strategy, which had been launched at the end of 2010; it has led to certain initiatives being integrated into the plans of the new government;
- Successful implementation of a major Xetra upgrade;
- Further linking of the LJSE within the VSE markets is ongoing;
- Stable and smooth regular operations of the LJSE.

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

Annual Report

The Supervisory Board reviewed the 2011 Ljubljana Stock Exchange Annual Report, together with the Auditor's Report, at its periodic meeting on 24 April 2012.

Pursuant to the resolution adopted at the company's last General Meeting, the financial statements for 2011 have been audited by KPMG Slovenija, d. o. o.

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

The unqualified opinion of auditors KPMG Slovenija, d. o. o., the fact that the company's operation results and cash flows are compliant with the 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 2011 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 2011. The auditor had informed us of the course of the audit and answered our questions. The Supervisory Board had no comments to the Auditor's Report and content of the Annual Report.

We have studied the content of the Annual Report and the Auditor's Report with due diligence and in the presence of the auditor, and decided at our meeting on 24 April 2012 to formally adopt the 2011 Ljubljana Stock Exchange Annual Report.

Settlement of loss for 2011

The net loss for financial year 2011 amounts to EUR 175,523.18 and consists of EUR 178,226.92 of net loss for the period, EUR 1,035.34 of deferred tax assets, and EUR 1,668.40 of derecognised deferred tax liabilities. The entire reported loss is being set off against EUR 168,849.58 of other revenue reserves and against EUR 6,673.60 of transferred revaluation surplus.

The company did not report any accumulated profit for 2011.

The Supervisory Board unanimously adopted its report for 2011 at its periodic meeting on 24 April 2012.

President of the Ljubljana Stock Exchange Supervisory Board

BUSINESS REPORT

Corporate Governance Statement

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

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

The LJSE has the following corporate bodies:

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

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

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

As at 31 December 2011, the LJSE had one majority shareholder (the Vienna Stock Exchange within the holding company CEESEG AG holds a 83.34% stake) and only eight minority shareholders.

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.

The 27th LJSE Annual General Meeting was the only GM in 2011. It was held on 22 June 2011, when shareholders:

- reviewed the Annual Report for 2010, decided on the appropriation of accumulated profit for 2010, and discharged the Management Board and Supervisory Board from responsibility,
- decided on Supervisory Board remuneration,

- decided on amendments to the LJSE Articles of Association, and
- appointed the auditor for 2011.

Supervisory Board

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

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, the Board of Members and the LJSE Arbitration Tribunal.

Supervisory Board remuneration does not directly depend on the company's performance, and it is disclosed under *Supervisory Board Remuneration in 2011*, in the Notes to the Financial Statements.

Shareholder representatives

- Heinrich Schaller (President), Joint CEO in Wiener Börse AG and CEESEG AG (to 11 April 2012);
- Milana Lah (Deputy President), Member of the Management Board in Probanka, d. d.
- Boris Pesjak (member), President of the Management Board in Factor banka, d. d.
- Filip Ogris Martič (member), Corporate finance and corporate governance consultant for ECOVIS* CF CONFIDAS d. o. o.
- Johannes Schönegger (member), Head of International Business Development at Wiener Börse AG

LJSE employees' representative

- mag. Barbara Meža (member), Assistant Director in Marketing (to 31 May 2011)
- Marija Valentinčič Pregelj (member), Assistant Director in Development (from 1 June 2011)

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

Management Board

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

The LJSE Management Board has the following main tasks:

- to manage and represent the LJSE,
- to implement the company's development and operations strategy,
- to ensure compliance with the provisions of the Markets in Financial Instruments Act,
- to organise and provide 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. He took office as President of the Management Board on 3 April 2009.

■ mag. Polona Peterle, member of the Management Board

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

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 member of the Management Board, and do not directly depend on the company's performance. All payments, reimbursements and other benefits are disclosed under *Management Board Remuneration in 2011*, in the Notes to the Financial Statements.

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

Board of Members and Board of Issuers

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

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

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

firms and companies, and work in the best interest of all listed companies and towards capital market development.

In 2011 the Supervisory Board proposed two changes in the composition of the two Boards. On the Board of Members Aleš Škerlak took the place of Bogdan Pušnik, and on the Board of Issuers Zoran Janko replaced the previous member dr. Jožko Peterlin.

Composition of the Board of Members

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

Composition of the Board of Issuers

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

Corporate governance in the Group, and the takeover

After the Vienna Stock Exchange acquired in 2008 its majority stake in the LJSE, the LJSE became a member of the holding company CEESEG AG, which was incorporated in January 2010. CEESEG AG holds 100% in the operative company Wiener Börse AG and an 83.34% stake in the LJSE. CEESEG AG also holds 50.45% in the Budapest Stock Exchange and 92.74% in the Prague Stock Exchange.

After being issued approval by the Securities Market Agency through its Decision No 40201-15/2011-8 dated 9 November 2011, CEESEG AG published on 10 November 2011 a takeover bid to purchase all shares of the Ljubljana Stock Exchange. On 17 November thereafter the LJSE Management Board issued its opinion with respect to the bid, estimating that the takeover will not directly affect the company's pursuing its interests nor its changing its business or employment policy or moving its place of business. The opinion also stated that the LJSE would continue adjusting to the process of its integration into CEESEG AG. The Securities Market Agency issued its Decision No 40201-15/2011-22 on the outcome of the takeover bid, dated 16 December 2011, concluding that the bid had been successful. The LJSE thereupon published this Decision on the Outcome of the Takeover Bid on 21 December 2011. Two LJSE shareholders, which together held 780 shares with the ticker symbol LSER, accepted the bid. Following the successful bid, CEESEG AG now holds 83.34% of all LSER shares, which is 27,977 shares in total. The successful bid lifted the ban on CEESEG AG exercising its voting rights from all the LSER shares it holds.

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

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

To this end the Management Board prepared the document LJSE Risk Management in 2010 and 2011, and presented it to the Supervisory Board for review. The document recognizes the following main risks facing the LJSE: legislative changes preventing capital market development; low interest value of key LJSE products for investors; pressure from trading members and listed companies for the LJSE to drop its fees; high initial costs of operating the new trading infrastructure; and employee satisfaction. The main strategic risks include the risk of the company's long-term existence, with respect to which we are drawing up the requisite strategic and operational plans and making sure they are being implemented.

The LJSE's chief reaction to the recognised risks is its Capital Markets Development Strategy, which was adopted at the end of 2010 and which we actively promoted in 2011. Our most visible efforts in this respect include the initiative to set up individual P accounts and the initiative towards a further integration of the Slovenian market within the CEESEG. The company's revenue depends mainly on external factors related to the above mentioned risks, while on account of restrictive planning, comprehensive cost-cutting and foreseeable project costs, the company's expenses remain more or less fixed. The realisation of our financial plan therefore depends mainly on external factors, especially those that affect trading volumes.

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

The LJSE draws up its mid-term and annual internal audit plan on the basis of the thus recognised and assessed operational risks. In the past year most attention was devoted to operational risks related to market operations and trading, related to the process of ensuring business continuity, related to information system management, and related to the transfer of accounting to a contractor. There were no significant deviations from expectations, and thus no increased operational risk detected, nor any greater inaccuracies in the operations of our IT systems.

Internal audit

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

Internal audit in 2011 was based on the adopted Internal Audit Midterm and Annual Plan for the period 2009–2011, which is in turn based on the Risk Assessment and the Internal Audit Annual Plan.

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

External audit

The company's financial statements are audited by KPMG Slovenija, d. o. o., Ljubljana. The LJSE abides by the Corporate Governance Code and Securities Market Agency's recommendations to hire another auditor every five years.

Other information (as at 31 December 2011)

Substantial direct and indirect holding of securities

Holding company CEESEG AG, Vienna, Austria (CEESEG) holds 83.34% of all LJSE shares (27,977 shares), which it obtained in the 2008 bid for the LJSE and in the subsequent 2011 takeover bid.

Holders of securities with special control rights

LJSE shares have no special control rights attached to them.

Limited voting rights

On 16 December 2008 the Securities Market Agency had issued its Decision No N-Pre 48/08-ODL-(808), banning holding company CEESEG and, in effect, the Vienna Stock Exchange, from exercising its voting rights from the 27,197 shares (an 81.01% stake) it held in the LJSE. In 2011 CEESEG was granted permission by the Securities Market Agency, through its Decision No 40201-15/2011-8 dated 9 November 2011, to publish a takeover bid for the remaining LJSE shares. The bid was successful, lifting the ban and allowing CEESEG to exercise voting rights from all its shares with ticker symbol LSER. The Securities Market Agency adopted its Decision No 40201-15/2011-22 on the outcome of the takeover bid on 16 December 2011.

Explanation of relations of the LJSE with controlling company CEESEG AG

In the business year 2011 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 in 2009 the Management Board had set the following strategic objectives for its term from 2009 to 2014:

- Enhance the liquidity of the domestic market,
- Become internationally comparable and visible,
- Attract more international investors and members,
- Sustain the high level of market quality and regulation,
- Support primary market development,
- Establish a partnership with listed companies and member firms, and
- Increase the company's efficiency and business performance.

Basic macroeconomic indicators for Slovenia

						forecast		
	2006	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	5.8	6.9	3.6	-8.0	1.4	0.5	0.2	2.0
GDP per capita (EU27=100)	88.0	88.0	91.0	87.0	85.0			
Government debt (% of GDP)	26.4	23.1	21.9	35.3	38.8			
Current deficit (% of GDP)	-1.4	0.0	-1.9	-6.1	-5.8			
Inflation (year-end)	2.8	5.6	2.1	1.8	1.9	2.0	1.8	1.8
Registered unemployment	9.4	7.7	6.7	9.1	10.7	11.8	12.5	12.8

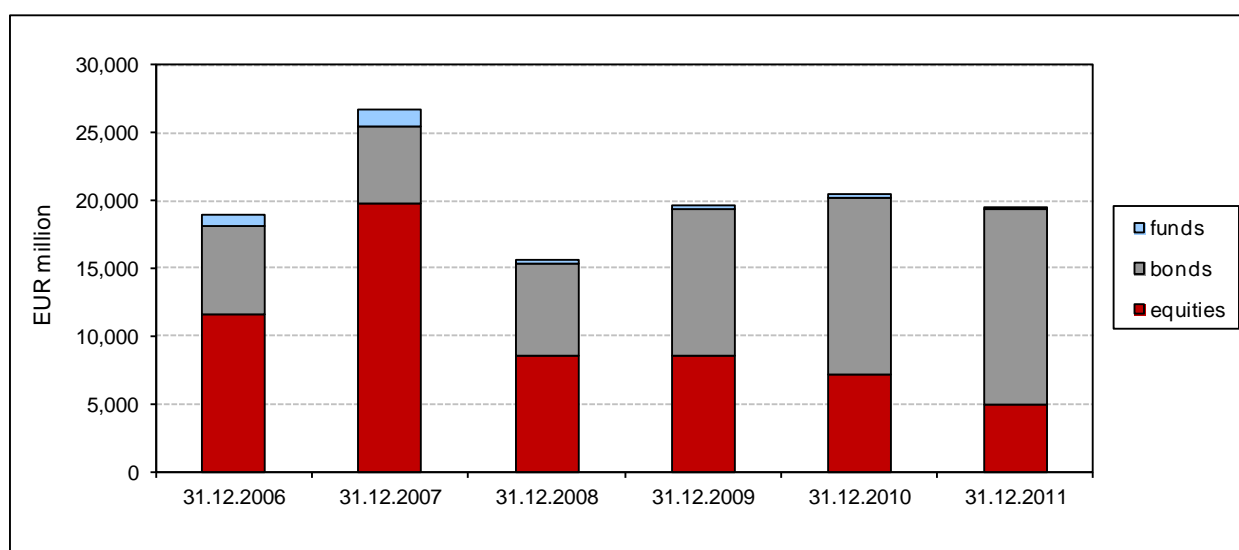
Sources: Institute of Macroeconomic Analyses and Development (IMAD), Statistical Office of the Republic of Slovenia (SORS), EUROSTAT

Ljubljana Stock Exchange operations in 2011

In 2011 the Ljubljana Stock Exchange again faced the challenges of low market liquidity, falling stock prices and decreasing market capitalisation. Companies started reporting better results for full year 2010 and half-year 2010; nevertheless, the crisis that had set on in 2008 changed the business environment and investors on the LJSE have remained cautious. Equity market capitalisation (investment funds excluded) decreased compared to 2010. At the end of December 2011 it amounted to EUR 4,872.8 million, representing 13.6% of Slovenia's 2011 GDP (Q4 2010–Q3 2011: EUR 35,759.0 million, according to SORS). In 2010 it represented 19.5% of the 2009 GDP.

The LJSE listed two new companies in 2011: hand-tool producer Unior and financial group Alta Invest. Both listed on the Entry Market. Insurer Zavarovalnica Triglav switched into the LJSE prestigious market segment, Prime Market, while seven companies delisted from the Entry Market in the past year, either due to delisting from the regulated market or bankruptcy proceedings. Close-end funds ID KD and NFD were converted into open-end funds and therefore delisted, while three ETFs were also delisted from the fund market. New listings mainly included bank and corporate bonds, whereby the Republika Slovenija bonds, issues 69 and 70, were worth the most (a total of EUR 3 billion).

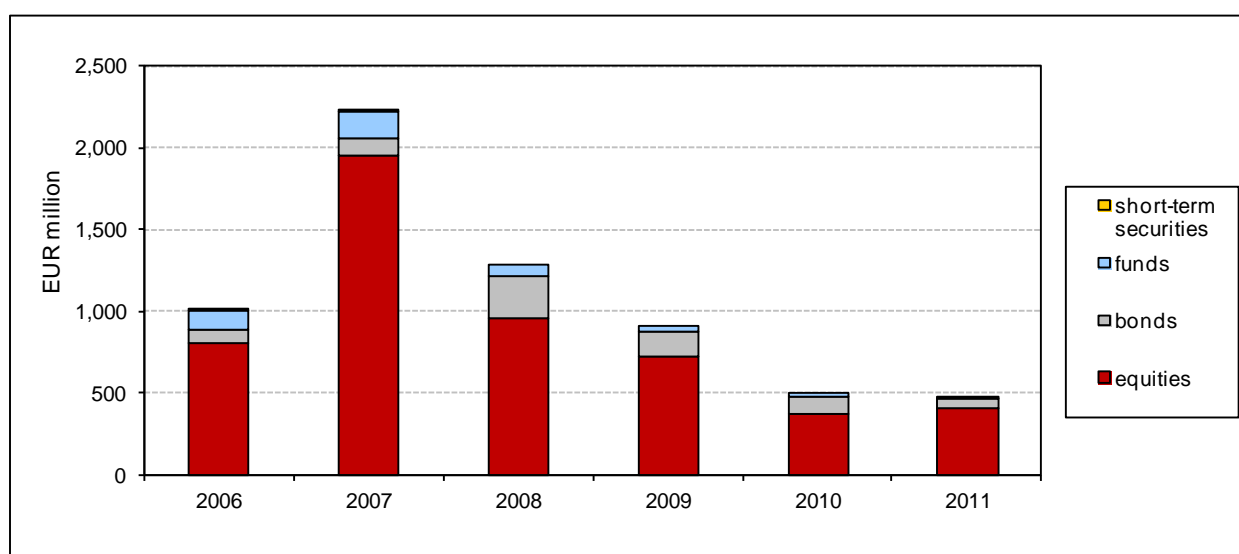
LJSE market capitalisation 2006–2011



Source: Ljubljana Stock Exchange

The total LJSE trading volume amounted to EUR 470.1 million, down 5% compared to 2010. Trading volume without blocks amounted to EUR 321.9 million, down 9.7% from 2010, while EUR 394.5 million of trading volume was generated in equity deals. The majority of trading volume comprised equity deals (83.9%), while bonds and investment funds contributed a further 12.7% and 3.4%, respectively.

LJSE trading volume 2006–2011



Source: Ljubljana Stock Exchange

On account of equity deals increasing, stock exchange trades in bonds were slightly down in 2011. Equity deals were up 11 percentage points in the total turnover structure, whereby ordinary trades represented 68% of all on-exchange deals (72% in 2010). Average daily trading volumes reached EUR 1.9 million (EUR 2.0 million in 2010), on 390 trades per day on average (490 in 2010).

The trading member that executed most deals in 2010 is Alta Invest, which contributed 19.3% of the total trading volume, followed by Unicredit Bank on 11.7% and Ilirika on 8.0%. The volume structure by member firms is not particularly fragmented, as the top 10 members generated 78.6% of the total trading

volume. At the end of 2011 the LJSE had 27 member firms, which included 2 new remote members: the Vienna-based Erste Group Bank and the Prague-based WOOD & Company Financial Services. Our 5 remote members are becoming increasingly active, having generated 10.4% of all stock exchange deals in 2011.

LJSE trading volume structure in 2011 according to member firms

Member	Trading volume (EUR m)	Share
ALTA INVEST	181,120	19.3%
UNICREDIT BANK	110,173	11.7%
ILIRIKA	74,973	8.0%
NOVA LJUBLJANSKA BANKA	72,883	7.8%
KD BANKA	55,536	5.9%
OTHERS	445,442	47.4%
Total (27)	940,127	100.0%

Source: Ljubljana Stock Exchange

The most traded stock in 2011 was again pharmacist Krka (KRKG) on the Prime Market, which generated 43.9% of all equity transactions (12% of those were buybacks of treasury shares). The runner-up in terms of trading volume was retailer Mercator, which generated 22.9% of all equity deals, while Petrol came third on 6.9%. On the bond market it was Slovenska odškodninska družba 2nd issue that had the highest turnover.

Most traded shares in 2011

Company	Trading volume	No of trades	Market cap on 31 Dec 2011
KRKA	173,064,295	27,656	1,874,041,748
MERCATOR	90,199,688	5,489	553,508,067
PETROL	27,289,249	5,130	323,585,285
TELEKOM SLOVENIJE	20,222,936	3,741	411,604,404
NOVA KBM	15,527,172	5,670	123,628,579
Others	68,172,763	35,600	1,586,444,552
TOTAL	394,476,103	83,286	4,872,812,635

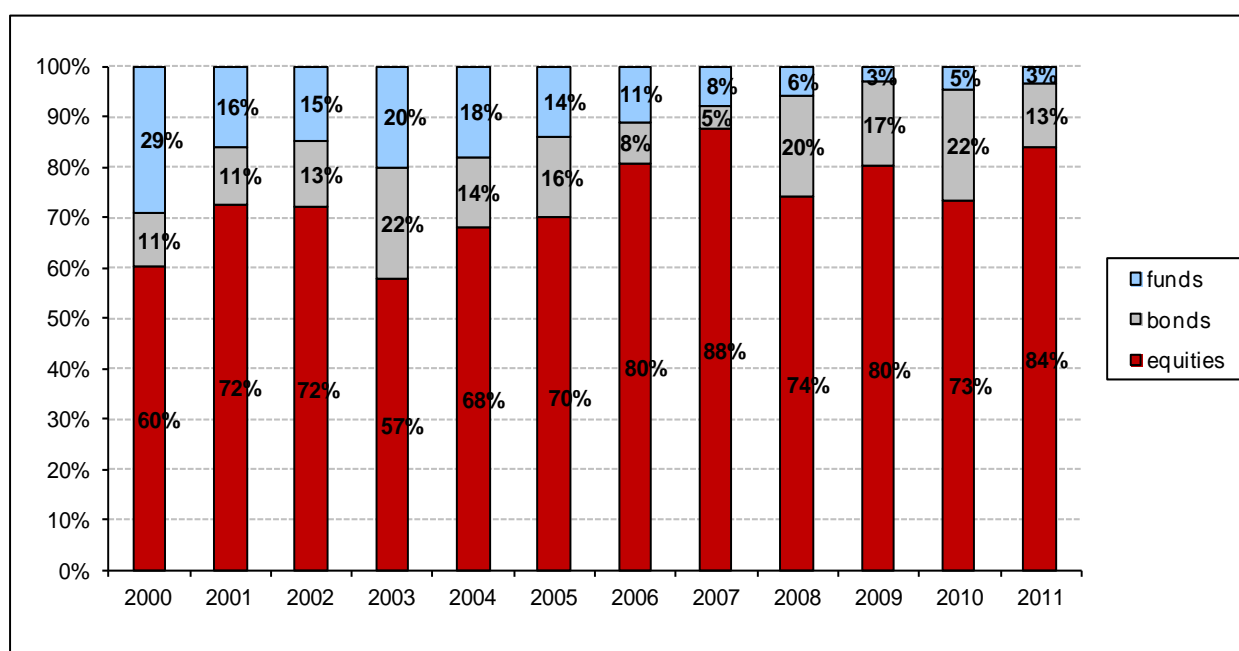
Source: Ljubljana Stock Exchange

LJSE trading volume structure according to markets

Market	Trading volume	Share
SHARES (PRIME MARKET)	344,728,347	73.3%
SHARES (STANDARD MARKET)	25,475,994	5.4%
SHARES (ENTRY MARKET)	24,271,762	5.2%
BONDS	59,579,776	12.7%
OPEN-END FUNDS	3,672,343	0.8%
CLOSED-END FUNDS	12,335,420	2.6%
TREASURY BILLS	0	0.0%
TOTAL	470,063,642	100.00%

Source: Ljubljana Stock Exchange

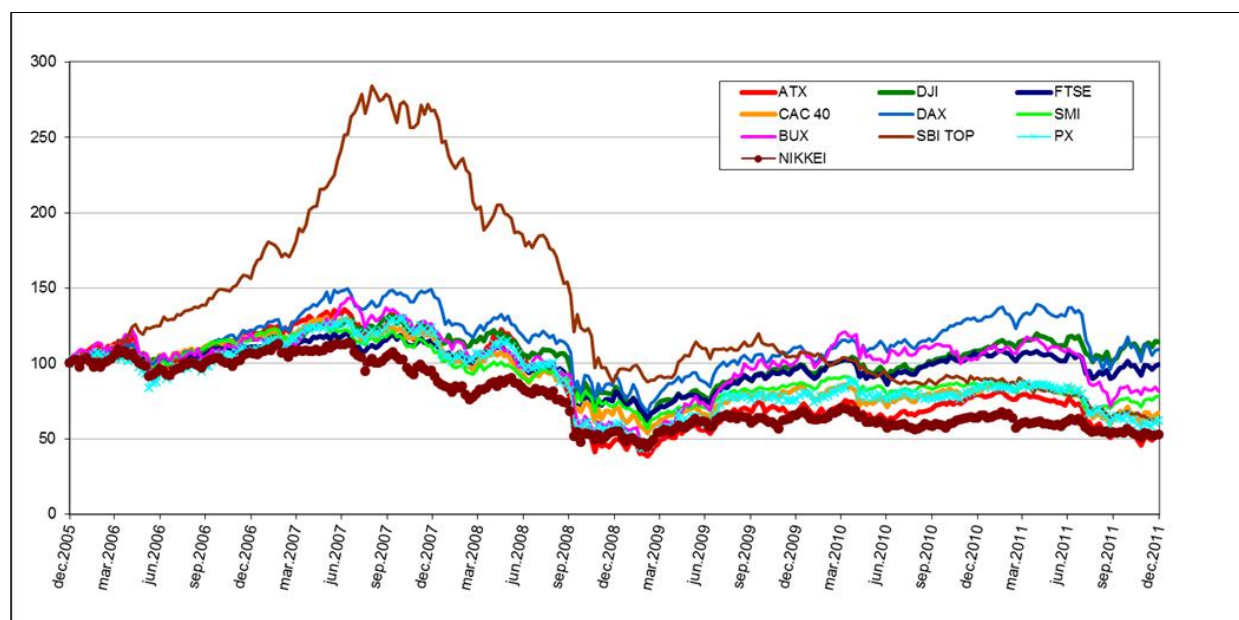
LJSE trading volume structure 2000–2011 according to type of security



Source: Ljubljana Stock Exchange

The LJSE blue chip index SBI TOP dropped 30.7% in 2011. The graph below gives the performance of SBI TOP against selected world indices (1 Jan 2006 = 100).

Comparison of index performances (31 Dec 2005–31 Dec 2011)



LJSE Activities in 2011

In 2011 the Ljubljana Stock Exchange was active in the following areas:

- Day-to-day operation of the market and infrastructure;
- Market development;
- Market promotion;
- Internal optimisation of operations.

The day-to-day operation of the market and infrastructure was smooth and without interruptions.

Despite uncertain and unstable conditions in global markets, market operations and trade execution at the LJSE were orderly, and the two information systems, SEOnet and the officially appointed mechanism INFO STORAGE, also ran smoothly. In 2011 the LJSE upgraded Xetra twice and participated in amending the Slovenian legislation governing capital markets (Markets in Financial Instruments Act ZTFI). Four new international remote members joined the LJSE in 2011.

Our active linking with international markets and investors on the one hand, and the systematic promotion of domestic saving and investing on the other, were LJSE's two development priorities in 2011.

The LJSE drew up and presented to all stakeholders its concept of aligning the markets of the Ljubljana Stock Exchange and the Vienna Stock Exchange. Such an alignment would quickly upgrade the Slovenian market's existing liquidity by pooling in additional international investors, and effectively and cost-efficiently open the doors into the liquid regional market for our trading members. For the purpose of effective communication with stakeholders the LJSE commissioned a study of the impact of internationally comparable settlement systems and account management systems (fiduciary accounts). At the same time the LJSE worked on promoting and developing the private pension saving system (private pension accounts – P accounts), which could serve as a long-term platform stimulating saving and investment in Slovenia.

LJSE took its promotion activities to an even higher level in 2011.

Our yearly promotion campaigns fall into four groups: showcasing our products at road shows and presentations (six events in 2011); the LJSE Conference, which is a more general event with an educational tone; custom promotional events for trading members and listed companies (four events in 2011); social events (three events in 2011). These core promotion programmes were supplemented in 2011 with a public debate that the LJSE stirred with respect to the role of capital markets, the future development of the Slovenian market and regional market alignment. For this purpose it held three panel discussions, which all attracted a good turnout, and launched a series of newspapers articles dealing with various related issues. We also published a call for student papers in 2011, offering an award for the best undergraduate or graduate thesis dealing with the role of capital markets in economic development.

Internal restructuring continued in 2011, as did LJSE's integration into the CEESEG.

Despite all our efforts invested into developing and promoting the market, the market itself persisted on a downward slope. Slovenian companies need fresh capital and are seriously considering, or have already decided, to additionally list on another stock market. In restructuring and optimising our business, we have handed over to the Vienna Stock Exchange certain business areas they can do better (mainly the international and IT-related business) while focusing ourselves on acting locally. For some of our events we have had to outsource. The number of LJSE employees has dropped by 4 in 2011, to a total of 17.

LJSE promotion and development campaigns in 2011

Quarter	Campaign	Promotion / Development
1Q 2011	Xetra project: Final activities post-migration	D
	Presenting the initiative to introduce P accounts	D & P
	Drawing up the initiative for the LJSE to align with other markets	D
	Talks with the main stakeholders about future development	D
2Q 2011	Introducing Prime Market companies to the initiative for them to additionally list on another stock exchange	D
	Publication <i>Guide for Investors at the LJSE</i>	P
	LJSE is presented at the financial event Kapital	P
	Slovenian Capital Markets Day in Ljubljana	P
	Stockholm road show (in partnership with Wood)	P
	LJSE Conference in Portorož	D & P
	2 nd webcast (online investor conference)	P
3Q 2011	Publication <i>The CEE Stock Exchange Group and its Capital Markets 2011</i>	P
	Introducing the idea of double-listings to the Association of Stock Exchange Members, trading members and the press	D
	Series of newspaper articles launched promoting and discussing the development of the capital market	P
	3 rd webcast (online investor conference)	P
	LJSE panel debate: Challenges Facing the Slovenian Capital Market	D & P
4Q 2011	Traditional annual gathering with LJSE listed companies: Presentation of what is new, the LJSE initiative toward a future development of the market, new products...	D & P
	Series of newspaper articles launched promoting and discussing the development of the capital market	P
	LJSE panel debate: Strategy and Impact of State Ownership in Companies	D & P
	Gathering with LJSE trading members: Presentation of the settlement system at the Vienna Stock Exchange, and discussion of the offer to join membership of the Vienna Stock Exchange	D
	Upgrade of trading system Xetra (12.0.)	D
	New York roadshow (in partnership with Alta Invest and Auerbach Grayson)	P
	Special supplement of the <i>Institutional Investor</i> : "Guide to the CEE Stock Exchange Group and its Capital Markets"	P
	Informal New Year's gathering with members and listed companies (bowling)	P
	Slovenian Capital Markets Day in Ljubljana (not open for the public)	P
	LJSE panel debate: Slovenian Companies Deleveraging	D & P
	Award competition open for the best thesis studying the role of capital markets in economic development	D & P
	New Year's reception for capital market CEOs and awarding of the Portal prize	P

Domestic and international market promotion, and international cooperation

Portal prize for achievements in the areas of CG and IR



For the 16th consecutive year, the Portal Assessment Board, which is composed of investors, analysts, the press and LJSE experts, rated listed companies along a 10-criteria with respect to their quality of disclosure, corporate governance, communication strategy and investor relations during the period from October 2010 to September 2011.

For the fifth year in a row the Board reported pharmaceutical company **Krka d. d.** to have been the role model listed company in terms of CG and IR in Slovenia. For its excellence in corporate disclosure and governance from 2007 to 2011, the Board presented Krka with the Golden Portal prize.

The Portal prize for exemplary IR and CG practices in 2011 went to home appliance producer **Gorenje d. d.**, whose high transparency standards have shown the way for other Slovenian listed companies to follow. The company's particular virtues in the past year, as singled out by the Portal Assessment Board, were its prompt reactions to the needs of the expert public, its quality periodic reporting and its international transparency.

The Board also gave away a special Investor Relations Recognition Award for the best IR team in 2011, which went to **Nova KBM d. d.** In the assessment period their IR team invested extensive efforts and displayed a highly professional approach in communicating with investors and experts.



The winners of Ljubljana Stock Exchange Portal prizes in 2011.

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 abuse). In 2011 the LJSE reviewed 36 trading supervision examination reports and, based on these examinations, it issued 17 reports on completed examinations or notices on suspicious trades, and forwarded them to the Securities Market Agency.

Counselling and support to listed companies

The LJSE continued counselling Prime and Standard Market companies with respect to disclosure and corporate governance. Eight companies asked for individual meetings, so the LJSE held one-on-one sessions with them.

The LJSE supported listed companies by promptly providing all the requisite information on correct disclosure.

In October we held an informative session for Prime Market and Standard Market issuers, briefing them on the alignment of capital markets within the CEESEG and discussing how companies can draw funds through the capital market and through other alternative means.

To encourage good practices, the LJSE Portal prize Assessment Board provided all listed companies with additional guidelines on CG and IR in December 2011. The guidelines outline the recommended contents of annual and quarterly reports, and underline the importance of prompt releasing of business results. Companies are recommended to disclose forecasts of their results parallel to releasing their quarterly results and later adjust those forecasts throughout the year. The Assessment Board advises listed companies to make clear announcements of any takeover activities and capital increases. The Board also advises they hold and take part in webcasts and meetings with analysts, whereby the Board underlines that any information they provide should be clear and to the point.

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 2011 during both upgrades of trading system Xetra.

Human resource management

In 2011 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

The LJSE responded to the difficult economic situation by adjusting its HR strategy. The reduced scope of operations called for streamlining. The total number of staff was decreased by five in 2011.

On account of cost rationalisation the recruiting of new staff was limited and it was only approved in areas where we had no adequate in-house staff that could be delegated to the new post. We ended the year with the planned number of staff, 17, which is 5 less than a year ago.

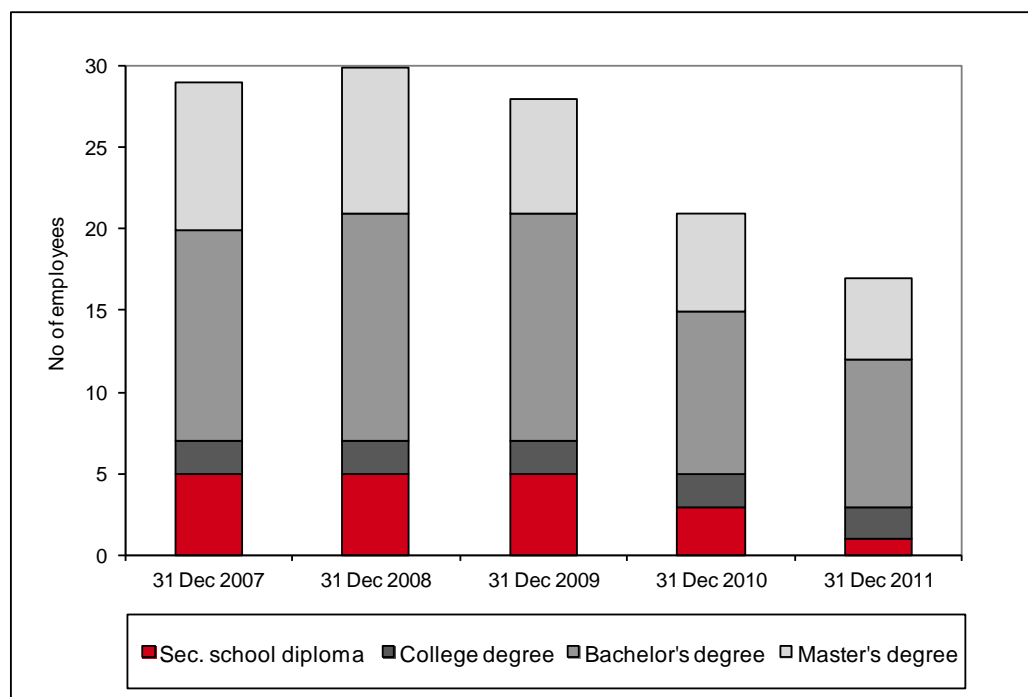
In Legal and Internal Affairs a new jurist was hired on a temporary contract to bridge the longer absence of our legal support officer. In addition, five employees' employment relationships terminated, whereby three were cancelled for business reasons and two members of staff decided to pursue their career elsewhere. 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.

Demographics, and employees' academic profiles

The average age of the company's staff is 38.4 years, whereby 76.5% are women and 23.5% men.

At the end of 2011, the employees' educational profiles were as follows: 1 employee (6%) had a secondary school diploma, 2 employees (12%) had a college-equivalent degree, 9 employees (53%) had a bachelor's degree, and 5 employees (29%) had a master's degree.

Employees' academic profiles on 31 December 2011



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 0.3% of operating revenue on staff training.

An important tool that enables efficient leadership and personal development of our employees is the annual interview, at which each employee and their superior define the objectives for the following year,

set the priorities and discuss mutual expectations both with respect to the employee's work and personal development. On the basis of these discussions they plan future trainings and upgrades of expertise and skills. All LJSE employees conduct annual interviews with their superiors.

Staff motivation

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

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

A safe and healthy environment

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

Communicating with employees

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

Social corporate responsibility

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

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

Business operations analysis

Ljubljana Stock Exchange operations in 2011

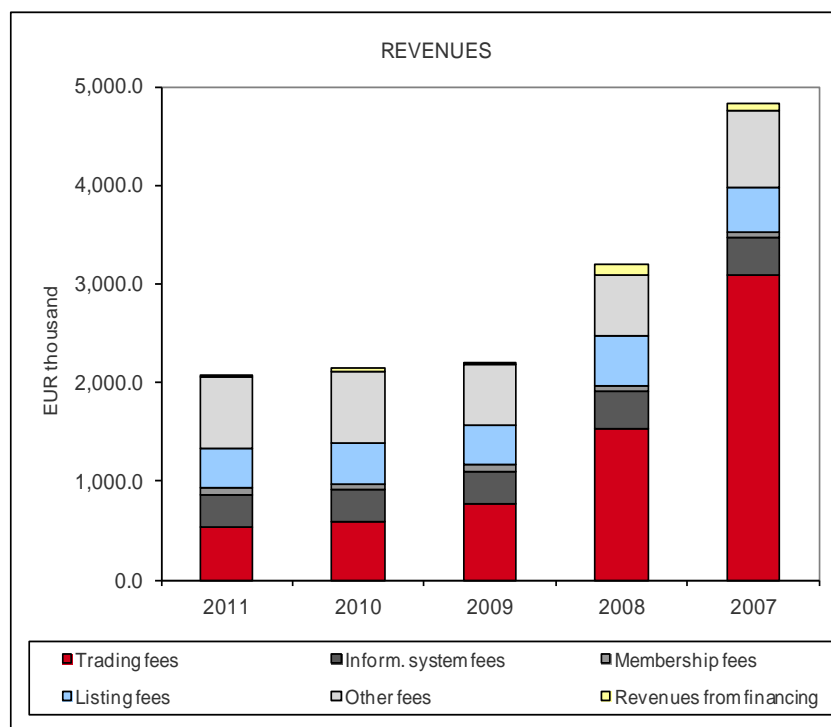
Uncertain global economic conditions and the difficult situation persisting in capital markets have had a large impact on the operations of the Ljubljana Stock Exchange, which has recorded decreasing trading volumes in 2011 for the fourth consecutive year. From January to December 2011 the LJSE generated a loss of EUR 178,227.

Revenue

Compared to the same period in 2010, total revenue was down 3.5% and amounted to EUR 2,075,350.

As much as EUR 1,338,801 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 2011 to 82.2% in 2007, when it reflected the high income from trading fees.



■ Revenue from trading fees

Trading volumes were rather weak in 2011. Revenue from trading fees amounted to EUR 542,728 and represents 26.2% of total revenue, down EUR 43,260, or 7.4%, compared to 2010.

■ Revenue from the use of the information system

They represent 15.5% of total revenue, which is EUR 320,880. On 31 December 2011, trading members had 20 agreements entered into with the LJSE on the use of Integral Access, which provides 4 J-Trader workstations, and 1 agreement on the use of Extended Integral Access, which provides the relevant member a total of 10 J-Trader workstations.

■ Membership fees

They amounted to EUR 65,107 and represent 3.1% of total revenue. Two new remote members joined the LJSE in 2011, so that on 31 December the LJSE had 27 members.

■ *Revenue from listing fees*

Listing fees generated EUR 410,087 of revenue. In addition to new listings, which generated EUR 45,800, this also includes annual maintenance fees for listed securities (Prime Market, Standard Market and Entry Market shares, bonds and structured products) in the amount of EUR 331,767; revenue from fees for adopting decisions on listing expansions, on delistings and on suspensions of trading, which contributed EUR 22,400; and revenue in the amount of EUR 10,120 generated by the daily publication of closed-end fund book values, open-end fund NAV and index values.

■ *Revenue from SEOnet and INFO STORAGE services*

SEOnet contributed EUR 244,973, representing 11.8% of total revenue, which is a decrease of 1.0 percentage point compared to 2010.

On 1 April 2010 the Ljubljana Stock Exchange became the operator of the officially appointed mechanism for the central storage of regulated information called INFO STORAGE. Using the criteria of cost accounting, which serve to allocate revenue, expenses, assets and liabilities, INFO STORAGE recorded a loss of EUR 69,368 in 2011.

On 31 December 2011, the LJSE had service management agreements concluded with 85 clients, whereby 79 were for SEO and INFO STORAGE services and 6 were for SEO services alone. At year-end 2010 we had 95 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 19,580 in 2011.

■ *Revenue from the LJSE Conference*

The LJSE Conference generated EUR 49,397, which represents 2.4% of total revenue.

■ *Revenue from data dissemination*

Data dissemination generated 7.4% of total revenue, totalling EUR 55,200. This is a decrease by 47.2% compared to 2010, which comes as a result of the LJSE having transferred its data dissemination to non-Slovenian vendors to the Vienna Stock Exchange on 1 April 2010.

■ *Revenue sharing with the Vienna Stock Exchange*

Under the agreement on sharing revenue, the LJSE transferred data dissemination and index licensing to the Vienna Stock Exchange on 1 April 2010. Its share of data dissemination revenue in 2011 amounted to EUR 184,742 and index licence fees to EUR 1,500.

■ *Revenue from IT services*

The LJSE generated EUR 62,604 from its IT services, down 29.4% compared to 2010. IT revenue includes revenue from electronic services, while for previous years the figure also includes revenue from leasing observer workstations and revenue from BorzaNET services.

■ *Revenue from licence fees*

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

■ *Revenue from road shows*

For the Slovenian Capital Markets Day road shows held in Ljubljana, Stockholm and Vienna, as well as for the webcast and other promotion campaigns held in 2011, the LJSE made EUR 81,128.

■ *Other operating revenue*

The LJSE generated EUR 22,477 of other revenue in 2011.

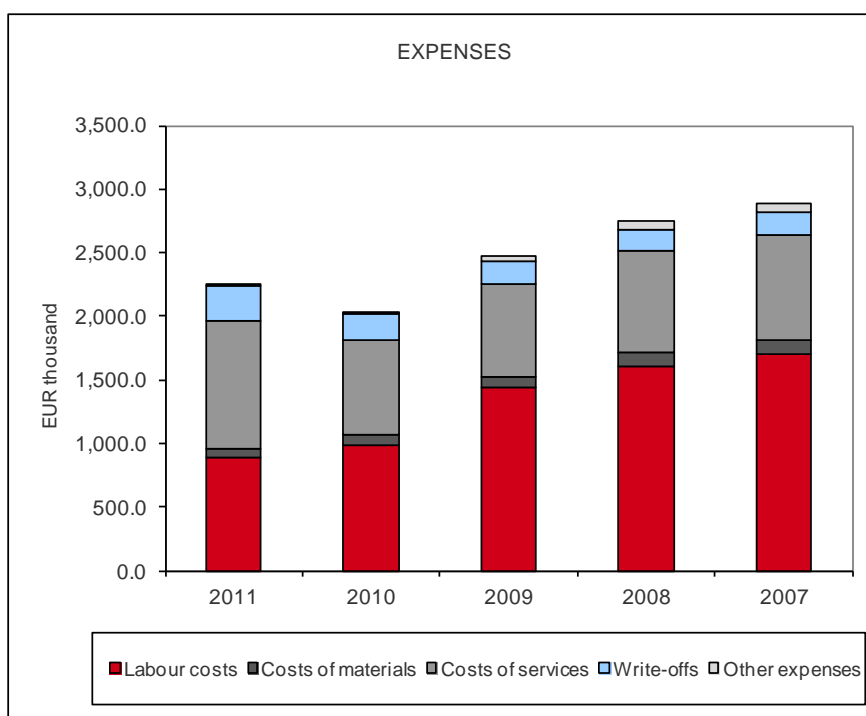
Expenses

Total expenses amounted to EUR 2,253,577, up 10.6% compared to 2010.

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

In recent years labour costs ranged from representing 39.5% of total expenses in 2011, when they reflected layoffs and wage decreases, to representing 59.1% of total expenses back in 2007.

Costs of services (44.6%) and write-offs (12.3%) in total expenses were up in 2011 compared to the past four years, primarily due to our migration to information system Xetra.



■ *Labour costs*

On 31 December 2011, the Ljubljana Stock Exchange employed a total of 17 people (2 employees were on maternity leave), or 15.99 employees considering hours worked. The company's costs of salaries for 2011 amount to EUR 891,097, which is 39.5% of total expenses.

A part of the wages paid consists of performance allowances. Variable remuneration paid in 2011 amounted to EUR 113,240, a part of which in the amount of EUR 38,175 was allocated to performance bonuses paid to employees and the Management Board. Labour costs also include EUR 32,783 worth of severance pays to three former employees who were let go for business reasons.

■ *Costs of materials*

Costs of materials amount to EUR 65,741 and include EUR 39,489 of energy costs, EUR 7,970 of expert literature and subscription costs, EUR 9,112 of stationery costs, EUR 1,594 of costs for LJSE publications and EUR 7,575 of other costs of materials.

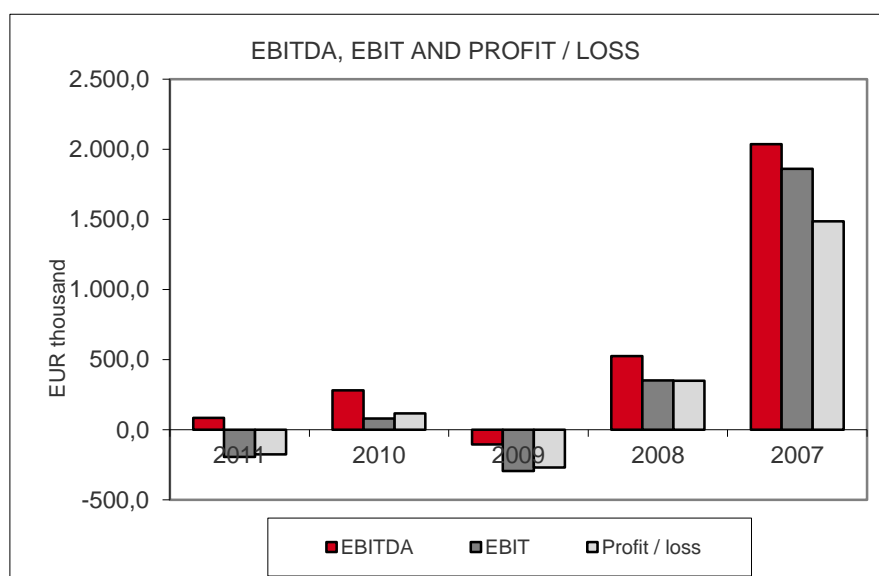
■ *Costs of services*

Costs of services amount to EUR 1,001,703. The largest items are the costs of fixed asset maintenance (EUR 113,857), the costs of business premises maintenance (EUR 47,296), leases and rents (EUR 71,262), the costs of business trips (EUR 30,900), advertising and entertainment costs (EUR 47,813), the costs of services by natural persons (EUR 63,125), counselling services (EUR 126,063), the costs of using Xetra and FIX (EUR 254,826), postal and telephone costs (EUR 56,853), road show costs (EUR 39,542), costs of services for the LJSE Conference (EUR 48,091) and the costs of surveillance over stock exchange operations (EUR 72,000).

Profit or loss for the period

EBITDA was substantially down compared to 2010, amounting to EUR 84,004.

Negative EBIT amounts to EUR 193,960, and total loss amounts to EUR 175,523.



Assets

EUR thousand

On 31 December 2011 total assets amounted to EUR 3,138,050, down 6% compared to the year-end of 2010.

	31 Dec 2011	31 Dec 2010
Non-current assets	2,409.13	2,597.18
Current assets	669.13	672.40
Deferred costs and accrued revenue	59.79	67.95
Total assets	3,138.05	3,337.53
Equity	2,738.70	2,919.66
Provisions, and long-term accrued costs and deferred revenue	0.16	1.16
Non-current liabilities	55.93	58.95
Current liabilities	330.04	346.70
Short term accrued costs and deferred revenue	13.22	11.06
Total equity and liabilities	3,138.05	3,337.53

Performance indicators

Ratio	2011	2010	2009	2008	2007
Financing state ratios					
Equity financing rate	87.27	87.48	87.97	88.08	82.57
Long-term liabilities rate	12.30	12.15	10.85	11.51	17.03
Long-term financing rate	89.06	89.25	89.86	89.89	83.94
Equity rate	51.15	47.98	50.04	45.57	33.07
Investments ratios					
Operating fixed assets rate	76.29	77.39	69.43	66.06	43.13
Long-term assets rate	76.77	77.82	69.81	66.26	43.32
Short-term assets rate	23.23	22.18	30.19	33.74	56.68
Horizontal financial structure ratios					
Equity to operating fixed assets	1.14	1.13	1.27	1.33	1.91
Immediate solvency ratio	1.59	1.24	2.15	2.01	2.99
Quick ratio	2.03	1.94	3.12	3.22	3.53
Current ratio	2.03	1.94	3.12	3.22	3.53
Operating efficiency ratios					
Operating efficiency ratio	0.91	1.04	0.88	1.13	1.64
Total efficiency ratio	0.92	1.05	0.89	1.16	1.67
Profitability ratios					
Return on equity	-6.30	3.97	-9.40	12.14	51.69
Net return on equity - ROE	0.00	2.28	0.00	9.57	39.63

Objectives and plans for 2012

The economic and financial crisis remains a prominent reason for the stalling stock market and current price trends. We expect that the difficult economic situation will continue to shape the business of the LJSE, trading members and listed companies in 2012.

Our main activities planned for 2011 are:

- Stable and efficient day-to-day market operations
- Internal restructuring and streamlining
- Integration within the CEESEG: Dual listing on the Vienna Stock Exchange for companies and cross-membership for trading members
- Active international market promotion within the CEESEG
 - Attracting new remote members
 - International road shows for Prime Market companies
- Better services
 - Trading hours extended from 9.00 to 17.00
 - Upgrade of existing systems pursuant to legislative requirements

We see the potential for developing the domestic market primarily in our closer alignment with the markets in the wider region. Together with long-term measures adopted in the domestic market, such as stimulative long-term saving schemes in the 2nd pillar of the pension system and the setting up of P accounts, our linking with international markets can give the domestic market a major push, facilitate companies' drawing fresh funds and encourage public offerings through capital markets.

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 2011, 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

mag. Polona Peterle,
Member of the Management Board

Andrej Šketa,
President of the Management Board

Financial statements

Balance sheet as at 31 Dec 2011

in EUR

	Notes	31 Dec 2011	31 Dec 2010
ASSETS		3,138,048.98	3,337,525.74
Non-current assets		2,409,127.69	2,597,175.25
Intangible assets and long-term deferred and accrued items	1.1	545,204.84	676,479.14
Property, plant and equipment	1.2	1,848,738.70	1,906,547.30
Deferred tax assets	1.3	15,184.15	14,148.81
Current assets		669,129.55	672,397.47
Current investments	1.4	206,619.25	244,463.76
Current operating receivables	1.5	144,284.28	241,044.35
Cash and cash equivalents	1.6	318,226.02	186,889.36
Short-term deferred costs and accrued revenues	1.7	59,791.74	67,953.02
EQUITY AND LIABILITIES		3,138,048.98	3,337,525.74
Equity	1.8	2,738,703.25	2,919,659.54
Called-up capital		1,400,893.01	1,400,893.01
Capital surplus		462,775.02	462,775.02
Revenue reserves		651,329.07	754,910.86
Revaluation surplus		223,706.15	235,812.86
Retained earnings		0.00	0.00
Net profit or loss for the period		0.00	58,594.19
Retained revaluation surplus		0.00	6,673.60
Provisions and long-term accrued costs and deferred revenues	1.9	156.00	1,156.00
Non-current liabilities		55,926.54	58,953.23
Deferred tax liabilities	1.10	55,926.54	58,953.23
Current liabilities		330,040.26	346,695.37
Current financial liabilities	1.11	8,381.77	8,381.77
Short-term trade payables	1.12	321,658.49	338,313.60
Short-term accrued costs and deferred revenues	1.13	13,222.93	11,061.60

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 2011

in EUR

	Notes	2011	2010
Sales revenues	2.1	2,054,402.26	2,115,327.53
Sales revenues from domestic market		1,733,716.88	1,896,610.01
Sales revenues from abroad		320,685.38	218,717.52
Other operating revenue		4,999.62	3,169.33
OPERATING EXPENSES	2.2		
Costs of goods, material and services	2.2.1	1,067,443.86	829,243.31
Costs of materials used		65,740.59	88,518.21
Costs of services		1,001,703.27	740,725.10
Labour costs	2.2.2	891,097.07	985,928.83
Costs of wages and salaries		675,208.72	767,971.12
Pension insurance costs		15,360.31	16,169.97
Other social insurance costs		114,410.05	124,643.35
Other labour costs		86,117.99	77,144.39
Write-downs	2.2.3	280,771.87	207,754.96
Depreciation and amortisation		277,964.01	200,360.91
Revaluatory operating expenses associated with intangible assets and property, plant and equipment		2.27	0.00
Revaluatory operating expenses associated with operating current assets		2,805.59	7,394.05
Other operating expenses	2.2.4	14,048.67	15,267.32
OPERATING PROFIT OR LOSS		-193,959.59	80,302.44
Financial revenue from investments	2.3	14,032.94	29,402.24
Financial revenue from loans given	2.4	0.00	0.00
Financial revenue from trade receivables	2.5	1,847.37	1,505.67
Financial expenses for financial liabilities		58.35	0.00
Financial expenses for trade payables	2.6	3.43	12.14
PROFIT OR LOSS FROM ORDINARY ACTIVITIES		-178,141.06	111,198.21
Other revenue	2.7	67.94	2,291.59
Other expenses	2.8	153.80	7.75
EXTRAORDINARY PROFIT OR LOSS		-85.86	2,283.84
Income tax	2.9	0.00	0.00
Deferred taxes		2,703.74	3,706.33
NET PROFIT OR LOSS FOR THE PERIOD	2.10	-175,523.18	117,188.38

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 2011

in EUR

	<i>Notes</i>	2011	2010
Net profit or loss for the period		-175,523.18	117,188.38
Changes of intangible assets and property, plant and equipment revaluation surplus		0.00	0.00
Changes of short-term investment revaluation surplus		-5,433.11	3,086.71
Profit or loss of result from translation of financial statement in foreign currencies		0.00	0.00
Other components of comprehensive income		0.00	0.00
Total comprehensive income for the period	2.11	-180,956.29	120,275.09

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 2011

in EUR

	2011	2010
A. Cash flows from operating activities		
a) Income Statement items	82,734.18	292,624.91
Operating revenue	2,056,439.23	2,120,788.45
Financial revenue from trade payables	1,847.37	1,505.67
Operating expenses excluding depreciation and amortisation	1,975,552.42	1,829,669.21
Income taxes and other taxes not included in operating expenses	0.00	0.00
b) Changes of net operating assets in Balance Sheet items	79,800.14	66,478.86
Change in trade receivables	94,464.49	32,290.03
Change in deferred costs and accrued revenue	8,161.28	3,057.12
Change in deferred tax assets	-1,035.34	-2,037.93
Change in operating debts	-20,924.93	58,193.30
Change in accrued items and provisions	2,161.33	-24,126.94
Change in deferred tax liabilities	-3,026.69	-896.72
c) Net cash from operating activities (a + b)	162,534.32	359,103.77
B. Cash flows from investing activities		
a) Cash receipts from investing activities	44,742.69	226,945.47
Interest received	14,517.69	24,927.02
Proceeds from disposal of intangible assets	0.00	0.00
Proceeds from sale of property, plant and equipment	225.00	0.00
Proceeds from disposal of non-current assets	0.00	0.00
Proceeds from disposal of current assets	30,000.00	202,018.45
b) Cash disbursements from investing activities	-75,940.35	-571,866.01
Purchase to acquire intangible assets	-24,266.63	-456,111.15
Purchase of property, plant and equipment	-51,673.72	-115,754.86
Payments in connection with non-current investments	0.00	0.00
Payments in connection with current investments	0.00	0.00
c) Net cash from investing activities (a + b)	-31,197.66	-344,920.54
C. Cash flows from financing activities		
a) Cash receipts from financing activities	0.00	0.00
Capital increase	0.00	0.00
Tax prepayment		0.00
Proceeds from increase in long-term financial liabilities	0.00	0.00
Proceeds from increase in short-term financial liabilities	0.00	0.00
b) Cash disbursements from financing activities	0.00	0.00
Interest paid	0.00	0.00
Repayment of equity	0.00	0.00
Repayment of long-term financial liabilities	0.00	0.00
Repayment of short-term financial liabilities	0.00	0.00
Dividends paid	0.00	0.00
c) Net cash from financing activities (a + b)	0.00	0.00
D. Net cash and cash equivalents as at end of period	318,226.02	186,889.36
Net increase in cash and cash equivalents (Ac+Bc+Cc)	131,336.66	14,183.23
Cash and cash equivalents as at beginning of period	186,889.36	172,706.13

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

Statement of changes in equity for 2011

in EUR

		Called-up capital	Capital surplus			Revenue reserves		Revaluation surplus	Retained earnings			Total equity
			Payments over carrying amount in redemption of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves	Other reserves		Retained profit / loss	Net loss for the period	Retained revaluation surplus	
A.1.	Balance at 31 Dec. 2010	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	145,513.75	235,812.86	0.00	58,594.19	6,673.60	2,919,659.54
A.2.	Balance at 1 Jan. 2011	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	145,513.75	235,812.86		58,594.19	6,673.60	2,919,659.54
B.1.	Changes in equity, transactions with owners											
	Dividends paid											0.00
	Performance bonus to MB and SB members											
	Other changes in equity											0.00
B.2.	Total comprehensive income for 2011											
	Profit / loss for the period									-175,523.18		-175,523.18
	Changes in revaluation surplus related to intangible assets											
	Changes in revaluation surplus related to PPE											0.00
	Changes in revaluation surplus related to investments							-5,433.11				-5,433.11
	Other components of comprehensive income							-6,673.60			6,673.60	0.00
B.3.	Changes in equity											
	Capital decrease (settlement of loss for 2011 from other components of equity)						-168,849.58			175,523.18	-6,673.60	0.00
	Transfer to other revenue reserves under the resolution of the AGM						65,267.79			-58,594.19	-6,673.60	0.00
	Settlement of loss as equity deduction item											
	Other changes in equity											
C.	Balance at 31 Dec. 2011	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	41,931.96	223,706.15	0.00	0.00	0.00	2,738,703.25
	ACCUMULATED PROFIT 2011	-	-	-	-	-	-	-	0.00	0.00	0.00	0.00

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

Under the resolution of the AGM dated 22 June 2011, EUR 58,594.19 of retained earnings from 2010 and EUR 6,673.60 of revaluation surplus were allocated to other revenue reserves.

The net loss for financial year 2011 amounts to EUR 175,523.18 and consists of EUR 178,226.92 of net loss for the period, EUR 1,035.34 of deferred tax assets, and EUR 1,668.40 of derecognised deferred tax liabilities. The entire reported loss is being set off against EUR 168,849.58 of other revenue reserves and against EUR 6,673.60 of transferred revaluation surplus.

The company did not report any accumulated profit for 2011.

Share book value as at 31 December 2011 was EUR 81.58.

Statement of changes in equity for 2010

in EUR

		Called-up capital	Capital surplus			Revenue reserves		Revaluation surplus	Retained earnings			Total equity
			Payments over carrying amount in redemption of shares	Amounts from simplified capital decrease	General equity revaluation adjustment	Statutory reserves	Other reserves		Retained profit / loss	Net loss for the period	Retained profit / Revaluation surplus	
A.1.	Balance at 31 Dec. 2009	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	145,513.75	235,812.86	0.00	58,594.19	6,673.60	2,919,659.54
A.2.	Balance at 1 Jan. 2010	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	86,919.56	239,399.75	0.00	0.00	0.00	2,799,384.45
	Changes in equity, transactions with owners											
B.1.	Dividends paid											0.00
	Performance bonus to MB and SB members											
	Other changes in equity											0.00
B.2.	Total comprehensive income for 2010											
	Profit / loss for the period									117,188.38		117,188.38
	Changes in revaluation surplus related to intangible assets											
	Changes in revaluation surplus related to PPE											0.00
	Changes in revaluation surplus related to investments							3,086.71				3,086.71
	Other components of comprehensive income							-6,673.60			6,673.60	0.00
B.3.	Changes in equity											
	Capital decrease (settlement of loss for 2010 from other components of equity)						58,594.19			-58,594.19		0.00
	Transfer to other revenue reserves under the resolution of the AGM											
	Settlement of loss as equity deduction item											
	Other changes in equity											0.00
C.	Balance at 31 Dec. 2010	1,400,893.01	142.74	364,569.77	98,062.51	609,397.11	145,513.75	235,812.86	0.00	58,594.19	6,673.60	2,919,659.54
	ACCUMULATED PROFIT FOR 2010	-	-	-	-	-	-	-	0.00	58,594.19	6,673.60	65,267.79

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 and 59/2011),
- 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 and 78/2011),
- 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 and 82/2011),
- under the Tax Administration Act (Official Gazette RS No 57/04, 139/04, 114/06, 40/09 and 33/2011) 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 and 97/10).

Financial statements for 2010

The financial statements for 2010 were audited and given an unqualified opinion by KPMG Slovenija d. o. o.

Basis of presentation

In compiling the Balance Sheet as at 31/12/2011, the Income Statement and the Cash Flow Statement for 2011, Slovenian Accounting Standards (SAS) and the following basic accounting principles were considered:

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

Relations with other companies

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

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

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

Intangible assets are recognised at cost value.

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

Property, plant and equipment

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

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

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

If subsequently incurred costs related to property, plant or equipment increase the asset's future benefits as compared to previous evaluations, they increase its cost value. If subsequently incurred costs related to property, plant or equipment extend the asset's useful life, they initially reduce the asset's value adjustment recognised thus far.

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

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

Revaluation of property, plant and equipment

As at 31 December 2011 the company estimated there to be no objective evidence that any assets are impaired.

Amortisation and depreciation

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

Land is not depreciated.

Depreciation rates:

Rate of amortization or depreciation	Amortization or depreciation rate in % for fixed assets with starts of depreciation before 1 Jan. 2003	Amortization or depreciation rate in % for fixed assets with starts of depreciation after 1 Jan. 2003	Amortization or depreciation rate in % for fixed assets with starts of depreciation after 1 Jan. 2007	Changes of depreciation rate due to new valuation method from 1 Jul. 2007
Construction work	2.0	2.0	2.0	2.685
Computer equipment	20.0 - 40.0	40.0	40.0	
Furniture and other equipment	30.0 - 40.0	25.0	25.0	
Motor vehicles	30.0	12.5	20.0	
Intangible assets	33.3	20.0		
Software			20.0	
Licences			20.0	

Investments

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

- investments in loans;
- investments available for sale.

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

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

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 in hand

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

Cash and cash equivalents

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

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 revenue

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

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. Temporarily accrued revenue is incurred when the Income Statement recognises revenue that has not yet been received or charged for.

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.

Recognition of revenue

Operating revenue is sales revenue and other operating revenue related to products and services. Operating revenue is composed of the disposable value of rendered services in the accounting period. Revenue is recognised once the services are rendered.

Financial revenue is revenue from investments. It is incurred from non-current and current investments as well as from receivables. It consists of accrued interest, exchange differences related to investments, surplus of disposal price over their carrying amount in disposals of non-current and current investments, as well as revaluatory financial revenue. They are only recognised when there is no doubt about their amount or recoverability.

Other revenue consists of exceptional items that increase the company's 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, labour costs and costs of amounts due, irrespective of income.

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

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

Taxes

Income tax is charged on the basis of revenue and expenses given in the Income Statement pursuant to the temporary tax legislation. For 2011 the company reported a tax loss.

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

1. Balance sheet

1.1. Intangible assets

EUR 545,204.84

in EUR

	31 Dec 2011	31 Dec 2010
Long-term property rights	1,126,099.63	1,091,339.00
Intangible assets under construction	0.00	0.00
Long-term deferred costs	10,928.81	8,479.78
Accumulated amortization of intangible assets	-591,823.60	-423,339.64
Carrying amount	545,204.84	676,479.14

Intangible assets as at 31 December 2011 include software licences for data processing with carrying amount of EUR 534,276.03, and long-term deferred costs in the amount of EUR 10,928.81.

All intangible assets have finite useful lives.

Movements of intangible assets in 2011:

in EUR

	Long-term property rights	Long-term deferred costs	Intangible assets under construction	Total
Cost of purchase				
Balance at 31 Dec 2010	1,091,339.00	8,479.78	0.00	1,099,818.78
Additions	34,760.63	2,565.31	34,869.12	72,195.06
Disposals	0.00	116.28	34,869.12	34,985.40
Balance at 31 Dec 2011	1,126,099.63	10,928.81	0.00	1,137,028.44
Accumulated amortisation				0.00
Balance at 31 Dec 2010	423,339.64			423,339.64
Annual amortisation	168,483.96			168,483.96
Balance at 31 Dec 2011	591,823.60			591,823.60
Carrying amount				0.00
Balance as at 31 Dec 2010	667,999.36	8,479.78	0.00	676,479.14
Balance as at 31 Dec 2011	534,276.03	10,928.81	0.00	545,204.84

Additions in long-term property rights in 2011 refer to the upgrade of PSI software, which cost EUR 14,759.63, and to information system Xetra, which cost EUR 20,001.00.

Outstanding liabilities for purchased intangible assets as at the balance sheet date amount to EUR 10,494.

1.2 Property, plant and equipment

EUR 1,848,738.70

in EUR

	31 Dec 2011	31 Dec 2010
Building	1,895,510.00	1,895,510.00
Accumulated depreciation of the building	-204,083.11	-158,731.31
Other property, plant and equipment	1,087,786.65	1,277,540.27
Property, plant and equipment under construction	0.00	0.00
Accumulated depreciation of property, plant and equipment	-930,474.84	-1,107,771.66
Carrying amount	1,848,738.70	1,906,547.30

As at 31 December 2011, the item property, plant and equipment (PPE) included the current value of the building (EUR 1,691,426.89) and the current value of other PPE (EUR 157,311.81).

Due to the need for a real presentation of assets, the company has, after initial recognition, revalued the building and associated land from 1 July 2007 under the SAS 1.28.b revaluation method of carrying amount. After the appraisal from a certified appraiser, the building's cost value increased by EUR 318,414.08, while the depreciation adjustment in the amount of EUR 509,195.76 was eliminated. With useful life remaining unchanged and applying the straight-line depreciation method, the depreciation rate increased from 2.0% to 2.685%. 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 2011 would have totalled EUR 1,410,562.10.

Movements of property, plant and equipment (PPE) in 2011:

in EUR

	Buildings	Equipment	Small tools	PPE assets under construction	Total PPE
Cost of purchase					
Balance as at 31 Dec 2010	1,895,510.00	1,277,540.27	0.00	0.00	3,173,050.27
Additions		51,673.76	1,439.34	51,822.94	104,936.04
Disposals		241,427.38	1,439.34	51,822.94	294,689.66
Enhancement					
Impairment					
Balance as at 31 Dec 2011	1,895,510.00	1,087,786.65	0.00	0.00	2,983,296.65
Accumulated depreciation					
Balance as at 31 Dec 2010	158,731.31	1,107,771.66			1,266,502.97
Annual depreciation	45,351.80	64,130.56			109,482.36
Disposals		241,427.38			241,427.38
Additions					
Balance as at 31 Dec 2011	204,083.11	930,474.84		0.00	1,134,557.95
Carrying amount					
Balance as at 31 Dec 2010	1,736,778.69	169,768.61	0.00	0.00	1,906,547.30
Balance as at 31 Dec 2011	1,691,426.89	157,311.81	0.00	0.00	1,848,738.70

Additions refer to the purchase of new computer equipment required to update our computer network (EUR 25,814.45), the purchase of a new company car (EUR 25,567.26) and the purchase of other equipment (EUR 292.21).

Eliminations refer to the elimination of PPE from books of account under the resolution of the Inventory Commission.

The value of appertaining land has been recognised under SAS 1.52., increasing the value of the building.

None of the assets from this group have legal restrictions imposed or are pledged as a guarantee. As at 31 December 2011, the company has no debts with respect to the procurement of PPE.

1.3 Deferred tax assets

EUR 15,184.15

Deferred tax assets in the amount of EUR 15,184.15 are recognised for all deductible temporary differences that arise between the depreciation for property rights, charged at the rate of 20%, and tax depreciation in the amount of 10%, and for the formed allowance for bad receivables.

1.4 Current investments

EUR 206,619.25

in EUR

	31 Dec 2011	31 Dec 2010
Bonds	206,236.13	244,080.64
- ZT01	103,064.21	103,089.24
- RS57	103,171.92	109,868.58
- RS26	0.00	31,122.82
Investments into precious metals	383.12	383.12
Total	206,619.25	244,463.76

Pursuant to SAS 3, investments are classified into available-for-sale investments. Due to fair value adjustment, a conversion to lower fair value was made as at 31 December 2011, for the effective purpose of which a revaluation surplus in the amount of EUR 6,699.75 was formed, along with a reversed revaluation surplus related to the sale of bonds RS62, in the amount of EUR 91.65, while the revaluation surplus related to deferred tax, in the amount of EUR 1,128.14, was reversed and an allowance for revaluation surplus relating to deferred tax, in the amount of EUR 230.15, was also formed.

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

The decrease in current investments in 2011 is due to the sale of the bond RS62 and due to the reversed revaluation surplus, while the increase is due to accrued interest.

Movement of current investments in 2011:

	in EUR		
	Investments into precious metals	Bonds	Total
Cost of purchase			
Balance as at 31 Dec 2010	383.12	238,531.60	238,914.72
Annual decrease		30,000.00	30,000.00
Revaluation owing sale		58.35	58.35
Annual increase (accrued interest)		2,193.76	2,193.76
Annual decrease (interest)		3,194.54	3,194.54
Enhancement (revaluation surplus)		0.00	0.00
Derecognition of revaluation surplus		6,699.75	6,699.75
Derecognition of revaluation surplus owing sale		91.65	91.65
Balance as at 31 Dec 2011	383.12	207,478.52	207,861.64
Revaluation surplus			
Balance as at 31 Dec 2010		5,549.01	5,549.01
Revaluation surplus			0.00
Derecognition of revaluation surplus		91.65	91.65
Revaluation surplus - negative		6,699.75	6,699.75
Balance as at 31 Dec 2011		-1,242.39	-1,242.39
Fair value			
Balance as at 31 Dec 2010	383.12	244,080.61	244,463.73
Balance as at 31 Dec 2011	383.12	206,236.13	206,619.25

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

1.5 Short-term trade receivables

EUR 144,284.28

	in EUR	
	31 Dec 2011	31 Dec 2010
Trade receivables	112,850.49	190,627.23
Receivables due from other entities	31,433.79	50,417.12
Total	144,284.28	241,044.35

Current trade receivables include EUR 112,850.49 of trade receivables and EUR 31,433.79 of receivables due from other entities, which refer to VAT advances given and to other receivables.

■ **Trade receivables**

EUR 112,850.49

in EUR

	31 Dec 2011	31 Dec 2010
Trade receivables due from residents	93,541.68	106,305.86
Doubtful and disputable trade receivables due from residents	6,631.04	8,328.62
Trade receivables due from non-residents	19,308.81	84,321.37
Doubtful and disputable trade receivables due from non-residents	0.00	0.00
Allowance for bad receivables	-6,631.04	-8,328.62
Total	112,850.49	190,627.23

Trade receivables due from residents refer to EUR 31,027.85 of receivables from trading fees and to EUR 62,470.83 of receivables due from other services.

Doubtful and disputable receivables, in the amount of EUR 6,631.04, represent receivables overdue by min. three months, which had not been settled by the end of January 2012 and which are subject to recovery either through debit notes or litigation. Pursuant to the court decision bringing the liquidation of MIP d. d. to a close and confirming its compulsory settlement, the related EUR 2,035.14 worth of receivables were finally written off, and the same was done for the EUR 84.48 worth of receivables due from Merkur d. d. and for EUR 157.42 worth of receivables from penalty interest.

■ **Receivables due from other entities**

EUR 31,433.79

in EUR

	31 Dec 2011	31 Dec 2010
Receivables from input VAT	26,978.49	47,467.87
Interest receivable	949.97	439.96
Other receivables	3,505.33	1,509.29
Total	31,433.79	49,417.12

Interest receivable refer to the interest from deposits placed with SKB bank for December 2010 in the amount of EUR 321.51, which were fully paid in January 2012 pursuant to the deposit agreement, and to the interest receivable for late payment of invoices, in the amount of EUR 1,458.55.

The allowance for interest receivable in 2010 refers to late interest receivables in the amount of EUR 830.09.

Other receivables refer to input VAT in the amount of EUR 26,978.49: to VAT receivables from invoices for December 2011, in the amount of EUR 22,853.49, to input VAT receivables after final deduction, in the amount of EUR 4,125.00, and to other receivables, in the amount of EUR 3,505.33.

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	31,027.85						31,027.85
Trade receivables due from residents – other	61,942.83	378.00				150.00	62,470.83
Trade receivables due from residents – doubtful	43.00						43.00
Trade receivables due from residents – doubtful						6,631.04	6,631.04
Trade receivables due from non-residents – doubtful	19,308.81						19,308.81
Interest receivable	321.51						321.51
Default interest receivable	207.17					421.29	628.46
Default interest receivable – doubtful						830.09	830.09
Total	112,851.17	378.00	0.00	0.00	0.00	8,032.42	121,261.59

The majority of receivables, both trade receivables and interest receivable, are non past due receivables, which represent 94.6% of all receivables. For claims overdue by over 120 days, and those in cases of compulsory settlement or bankruptcy, we formed allowances. In forming allowances, we considered all claims not settled within 90 days and all payments received by the end of January 2012.

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 318,226.02

	in EUR	
	31 Dec 2011	31 Dec 2010
Cash in hand	40.31	20.86
Bank balances:	318,185.71	186,868.50
– Current account	2,633.87	716.66
– Redeemable deposit	315,551.84	186,151.84
Total	318,226.02	186,889.36

The deposit interest rate is 2.0% nominally.

1.7 Short-term deferred costs and accrued revenue**EUR 59,791.74**

in EUR

	31 Dec 2011	31 Dec 2010
Deferred costs	41,313.41	49,014.12
Accrued revenue	18,478.33	18,938.90
– Listing maintenance fees for bonds	18,478.33	18,938.90
Total	59,791.74	67,953.02

Deferred costs refer to the lease of the Microsoft Office software, in the amount of EUR 24,640.26, costs of surveillance over Exchange operations, in the amount of EUR 6,000.00, costs of voluntary health insurance for employees, in the amount of EUR 4,585.28, paid subscription fee for expert literature, in the amount of EUR 1,058.80, costs of renewed licences, in the amount of EUR 1,354.03, company car insurance in the amount of EUR 478.49, and other short-term deferred costs in the amount of EUR 3,196.55. These costs relate to financial year 2012.

Accrued revenue refers to listing maintenance fees for government bonds (issuer Republika Slovenija) for 2011, in the amount of EUR 18,478.33. The listing maintenance fees will be charged in 2012 after one year of listing. Other issuers are charged with listing maintenance fees (for shares and bonds) for the term of each calendar year.

1.8 Equity**EUR 2,738,703.25**

in EUR

	31 Dec 2011	31 Dec 2010
Share capital	1,400,893.01	1,400,893.01
Capital surplus	462,775.02	462,775.02
– Payments over carrying amount in disposal of own shares	142.74	142.74
– Amounts from simplified decrease of share capital	364,569.77	364,569.77
– General equity revaluation adjustment	98,062.51	98,062.51
Revenue reserves	651,329.07	754,910.86
– Statutory reserves	609,397.11	609,397.11
– Other reserves	41,931.96	145,513.75
Revaluation surplus	223,706.15	235,812.86
– Building revaluation surplus	280,875.08	289,217.08
– Short-term investment revaluation surplus	-1,242.39	5,549.01
– Allowance for revaluation surplus associated with deferred tax assets	-55,926.54	-58,953.23
Retained earnings	0.00	0.00
Net profit or loss for the period	0.00	58,594.19
Retained revaluation surplus	0.00	6,673.60
Total	2,738,703.25	2,919,659.54

■ Share capital**EUR 1,400,893.01**

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

■ Capital surplus

EUR 462,775.02

in EUR

	31 Dec 2011	31 Dec 2010
Capital surplus:		
– Payments over carrying amount in disposal of own shares	142.74	142.74
– Amount from simplified decrease of share capital	364,569.77	364,569.77
– General equity revaluation adjustment	98,062.51	98,062.51
Total	462,775.02	462,775.02

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

In the years 2002, 2003, 2004 and 2005, there was no general equity revaluation, because in 2002, 2003, 2004 and 2005 the euro appreciated against the Slovenian tolar by less than 5.5%. There was also no equity revaluation in 2006, since the euro appreciated against the Slovenian tolar by less than 5.5 per cent.

If we revaluated the income amount in 2011 in order to maintain the purchasing power of capital due to advances in consumer prices, the equity revaluation adjustment would amount to EUR 159,375.36 and the loss for the period to EUR 239,539.77.

■ Revenue reserves

EUR 651,329.07

in EUR

	31 Dec 2011	31 Dec 2010
Statutory reserves	609,397.11	609,397.11
Other revenue reserves	41,931.96	145,513.75
Total	651,329.07	754,910.86

Following the resolution adopted by the Management Board and with the consent of the Supervisory Board, the loss recorded in 2011 was set off against other revenue reserves.

Under the resolution of the AGM dated 22 June 2011, EUR 58,594.19 of retained earnings from 2010 and EUR 6,673.60 of revaluation surplus were allocated to other revenue reserves.

■ Revaluation surplus

EUR 223,706.15

in EUR

	31 Dec 2011	31 Dec 2010
Building revaluation surplus	280,875.08	289,217.08
Short-term investment revaluation surplus	-1,242.39	5,549.01
Allowance for revaluation surplus relating to deferred tax assets	-55,926.54	-58,953.23
Total	223,706.15	235,812.86

As at 1 July 2007, the company recognised the building and associated land under the revaluation model and converted it to fair value. To effect the conversion to higher fair value, a building revaluation surplus was formed in the amount of EUR 318,414 and allowance for revaluation surplus relating to deferred tax

assets in the amount of EUR 64,058. As at 31 December 2011, the revaluation surplus in the amount of the revaluation depreciation, which is EUR 8,342.00, was transferred into the income amount, and the deferred tax liabilities were decreased by EUR 1,668.4.

Investments into bonds listed on the Ljubljana Stock Exchange were measured at fair value as at the Balance Sheet date, thus at the price of the last trading day in 2011.

1.9 Provisions, and long-term accrued costs and deferred revenue **EUR 156.00**

in EUR

	31 Dec 2011	31 Dec 2010
Other provisions for long-term deferred revenue	156.00	1,156.00
Total	156.00	1,156.00

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

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

1.10 Deferred tax liabilities **EUR 5,926.54**

in EUR

	31 Dec 2011	31 Dec 2010
Deferred tax liabilities	156.00	1,156.00
Total	156.00	1,156.00

Deferred tax liabilities refer to the revaluation of the building and the revaluation of current investments to fair value.

Deferred tax for 2011 was charged at the rate of 20%, thus at the rate that will be effective after 2011, in which we expect the revaluation amounts to affect the tax base.

1.11 Current liabilities **EUR 8,381.77**

in EUR

	31 Dec 2011	31 Dec 2010
Other current liabilities	8,381.77	8,381.77
Total	8,381.77	8,381.77

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

1.12 Trade payables

EUR 321,658.49

in EUR

	31 Dec 2011	31 Dec 2010
Payables to suppliers	198,247.05	212,254.45
Payables from advances	731.00	1,515.00
Other trade payables	122,680.44	124,544.15
Total	321,658.49	338,313.60

Payables to suppliers in the amount of EUR 198,247.05 refer to EUR 45,942.24 of payables to residents, to EUR 122,496.00 of payables to non-residents, and to EUR 29,808.81 of payables for services received.

Payables from advances, in the amount of EUR 731.00, refer to the advances for SEOnet fees.

Other trade payables, in the amount of EUR 122,680.44, refer to EUR 82,492.63 of payables to employees, EUR 39,448.01 of payables to the government and other institutions, and EUR 739.80 of other trade payables.

■ *Payables to employees include:*

in EUR

	31 Dec 2011	31 Dec 2010
Payables from net wages and continued pay	42,654.97	41,883.74
Payables from contributions for gross wages and continued pay	18,794.44	19,021.82
Payables from taxes for gross wages and continued pay	18,708.74	19,002.11
Payables from other earnings from employment	2,334.48	3,310.92
Total	82,492.63	83,218.59

The balance of liabilities to employees as at 31 December 2011 includes wages and salaries payable for December 2011.

■ *Payables to government and other institutions include:*

in EUR

	31 Dec 2011	31 Dec 2010
Payables from VAT	24,499.76	23,346.34
Payables from payer's contributions	13,784.13	13,901.09
Payables from income tax	0.00	0.00
Other payables to the government and other institutions	1,164.12	1,674.83
Total	39,448.01	38,922.26

Payables from VAT refer to the company's liability to settle the difference between VAT payable and input VAT for December 2011.

Payables from payer's contributions, in the amount of EUR 13,784.13, refer to the wages payable for December 2011.

We have no liabilities with respect to income tax.

Other payables to the government and other institutions refer to the liabilities for additional pension insurance, in the amount of EUR 1,107.12, to taxes, and to contributions from meeting attendance fees in the amount of EUR 57.00.

■ **Other payables**

EUR 739.80

in EUR

	31 Dec 2011	31 Dec 2010
Payables from payroll tax	326.19	1,225.77
Other payables	413.61	1,177.53
Total	739.80	2,403.30

1.13 Short-term accrued costs and deferred revenue

EUR 13,222.93

in EUR

	31 Dec 2011	31 Dec 2010
Accrued costs	13,222.93	11,061.60
Total	13,222.93	11,061.60

Accrued costs refer to the costs of the audit of the financial statements for 2011, in the amount of EUR 3,859.68; to the costs of a risk management audit and audit of compliance with the Code of Conduct, in the amount of EUR 2,108.53; and to counselling services in the amount of EUR 2,108.53.

1.14 Off-balance-sheet liabilities and receivables

As at 31 December 2011 the company recognised no off-balance-sheet liabilities or receivables.

2. Income statement

2.1 Revenue

EUR 2,075,350.13

	2011		2010	
	(in EUR)	(%)	(in EUR)	(%)
I. Operating revenue	2,059,401.88	99.2	2,118,496.86	98.5
a. Revenue from core business	1,338,801.29	64.5	1,389,853.22	64.6
– Trading fees	542,727.65	26.2	585,987.80	27.2
– Revenues from information system	320,880.00	15.5	324,206.72	15.1
– Membership fees	65,106.55	3.1	58,743.28	2.7
– Listing fees	410,087.09	19.8	420,915.42	19.6
b. Other revenue	720,600.59	34.7	728,643.64	33.9
– SEOnet net and INFO STORAGE services	244,972.99	11.8	247,421.97	11.5
– Trade publication	19,580.00	0.9	22,217.87	1.0
– Seminars	49,396.83	2.4	39,175.95	1.8
– Data dissemination	55,200.00	2.7	104,523.23	4.9
– Revenue sharing with WBAG	184,242.00	8.9	136,880.90	6.4
– IT services	62,604.48	3.0	88,681.40	4.1
– Licence fees	1,000.00	0.0	1,000.00	0.0
– Other LJSE services	81,127.67	3.9	77,670.00	3.6
– Other	22,476.62	1.1	11,072.32	0.5
II. Financial revenue	15,880.31	0.8	30,907.91	1.4
III. Extraordinary revenue	67.94	0.0	2,291.59	0.1
Total	2,075,350.13	100.0	2,151,696.36	100.0

Total revenue amounts to EUR 2,075,350.13. Sales revenue amounts to EUR 2,059,401.88, which is 99.2% of total revenue, down 8.2% from plans. Revenue from the company's core business represents 64.5% of total sales revenue, which is EUR 1,338,801.29, while other operating revenue represents 34.7%, which is EUR 720,600.59. Financial revenue amounts to EUR 15,880.31, representing 0.8% of total revenue.

2.2 Expenses

EUR 2,253,577.05

	2011		2010	
	(in EUR)	(%)	(in EUR)	(%)
I. Operating expenses	2,253,361.47	100.0	2,038,194.42	100.0
– Costs of material	65,740.59	2.9	88,518.21	4.3
– Costs of services	1,001,703.27	44.4	740,725.10	36.3
– Labour costs	891,097.07	39.5	985,928.83	48.4
– Write-offs	280,771.87	12.5	207,754.96	10.2
– Other operating expenses	14,048.67	0.6	15,267.32	0.7
II. Financial expenses	61.78	0.0	12.14	0.0
III. Extraordinary expenses	153.80	0.0	7.75	0.0
Total	2,253,577.05	100.0	2,038,214.31	100.0

All expenses for financial year 2011 refer to operating expenses.

2.2.1 Costs of material and services

EUR 1,067,443.86

in EUR

	31 Dec 2011	31 Dec 2010
Costs of material	65,740.59	88,518.21
Power supply	39,488.87	38,829.28
Office supplies, expert literature and publications	17,082.61	16,177.49
Other costs of materials	9,169.11	33,511.44
Costs of services	991,703.27	740,725.10
Transportation	18,963.62	14,107.47
Maintenance costs	161,153.30	151,899.61
Leases and rents	326,088.37	68,938.87
Reimbursements of labour-related costs	11,936.36	13,834.43
Payment transactions and insurance premiums	9,943.33	9,269.35
Intellectual and personal services	131,978.44	168,229.10
Advertising and entertainment	47,813.05	48,960.51
Services by individuals without a registered business	63,125.02	54,388.65
Costs of other services	230,701.78	211,097.11
Total	1,067,443.86	829,243.31

The majority of the costs of material refer to energy and fuel costs (EUR 39,488.87), costs of spare parts for property, plant and equipment and material for maintaining property, plant and equipment (EUR 2,555.43), write-offs of small tools (EUR 1,471.93), costs of stationery (EUR 9,112.18), costs of expert literature (EUR 2,675.71), costs of subscription fees (EUR 5,294.72), costs for LJSE publications (EUR 1,593.65), costs of material for the LJSE Conference (EUR 674.15) and other costs of material (EUR 2,873.95).

Costs of transportation refer to airline tickets (EUR 7,263.76) and other transportation costs (EUR 11,699.86).

Maintenance costs refer to the costs of services related to the maintenance of property, plant and equipment (EUR 113,857.36) and to the costs of services for building maintenance (EUR 47,295.94).

Leases and rents include EUR 20,107.36 of rent for business premises in the basement of the building and occasional leases of conference rooms for meetings with members and issuers, EUR 3,186.26 of parking space leases, EUR 36,269.63 of licence lease, EUR 11,699.12 of other leases (lease of a safe, lease of a line), and EUR 254,826.00 of costs for leasing the FIX and Xetra systems.

Costs of intellectual and personal services refer to EUR 61,072.74 paid to auditors and outsourced accountants, EUR 3,560.36 paid for health services, EUR 2,618.88 paid to attorneys and public notaries, EUR 5,915.17 paid for education and training, EUR 9,819.62 paid for translation services, EUR 47,109.62 paid for safety-at-work services, EUR 867.81 paid for other intellectual services, and EUR 867.81 paid to graphic designers.

Advertising and entertainment costs include EUR 31,103.06 of entertainment costs, EUR 9,458.79 of advertising costs, EUR 2,226.20 of media watch costs, EUR 4,725.00 of sponsorship costs and EUR 300.00 of donation costs.

Costs of services by individuals refer to EUR 42,744.80 paid for student help, EUR 2,709.69 of authors' fees, EUR 1,052.53 paid on contracts for work, EUR 15,988.00 of meeting attendance fees and EUR 630.00 of other costs. EUR 14,292.00 of meeting attendance fees refers to EUR 3,402.00 of meeting attendance fees paid to members of the Supervisory Board and to fees in the amount of EUR 10,890.00 paid to them for holding office on the Board. The attendance fees to five Supervisory Board members were payable for four Supervisory Board meetings held in 2011. Costs of meeting attendance fees in the amount to EUR 1,696.00 refer to meeting attendance fees to members of the LJSE Board of Members.

Costs of other services refer to EUR 72,000.00 paid for surveillance over LJSE operations, EUR 400.00 paid to the Securities Market Agency, EUR 45,024.63 of costs incurred at the LJSE Conference, EUR 39,230.79 of costs incurred at Slovenian Capital Markets Day investor conferences, EUR 1,579.78 of monthly reporting costs, EUR 56,852.68 of postal and telephone costs, EUR 2,832.28 of subscription fees to Internet pages and other data access fees, and EUR 12,781.62 of other costs.

2.2.2 Labour costs

EUR 891,097.07

in EUR

	31 Dec 2011	31 Dec 2010
Wages and salaries	675,208.72	767,971.12
Pension insurance	78,251.51	78,491.65
– Pension and disability insurance contributions	62,891.20	62,321.68
– Additional pension insurance	15,360.31	16,169.97
Social security	56,846.95	67,871.48
– Health insurance, employment and parental protection contributions	51,518.85	62,321.68
– Voluntary health insurance	5,328.10	5,549.80
Other labour costs	80,789.89	71,594.59
– Commuting, meals allowance, holiday allowance, benefits	47,546.52	59,887.13
– Other employer's taxes on wages and salaries	0.00	0.00
– Other individual earnings	460.00	460.00
– Severance pay	32,783.37	11,247.46
Total	891,097.07	985,928.84

The company Ljubljana Stock Exchange employed a total of 17 people in 2011 (2 employees were on maternity leave) or 15.99 people considering hours worked, and its costs of wages and salaries (gross wages and continued pay) amount to EUR 891,097.07.

2.2.3 Write-offs

EUR 280,771.87

Write-offs refer to EUR 277,964.01 of the amortisation of intangible assets and the depreciation of property, plant and equipment, and to EUR 2,807.86 of revaluation operating expenses associated with current assets, intangible assets, and property, plant and equipment.

■ Depreciation and amortisation

EUR 277,964.01

Depreciation costs include the amortisation of intangible assets (EUR 168,483.96), building depreciation (EUR 45,351.80) and the depreciation of equipment and other property, plant and equipment (EUR 64,128.25).

■ *Revaluation operating expenses associated with intangible assets and PPE* **EUR 2.27**

Revaluation operating expenses associated with intangible assets and property, plant and equipment refer to the allowance for a written-off item of property, plant and equipment.

■ *Revaluation operating expenses associated with current assets* **EUR 2,805.59**

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.

2.2.4 Other operating expenses **EUR 14,048.67**

Other operating expenses include EUR 1.313,03 of membership fees paid, EUR 7,421.81 of tax paid for using building land, EUR 926.05 of court and administrative fees, 1,950.00 of humanitarian contributions, and EUR 2,437.78 of other expenses.

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 14,032.94**

in EUR

	31 Dec 2011	31 Dec 2010
Interest income	14,032.94	19,283.35
Revaluation surplus	0.00	0.00
Proceeds from disposal of investments	0.00	10,118.89
Total	14,032.94	29,402.24

Interest income includes EUR 3,266.71 of interest from the redeemable bank deposit and EUR 15,896.1 of interest from bonds.

2.4 Financial income from trade receivables **EUR 1,847.37**

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

2.5 Financial expenses from financial liabilities **EUR 58.35**

Financial expenses from financial liabilities refer to expenses incurred when cashing in bonds upon maturity.

2.6 Financial expenses from trade payables

EUR 3.43

in EUR

	31 Dec 2011	31 Dec 2010
Interest expense	1.99	0.50
Exchange differences	1.44	11.64
Total	3.43	12.14

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

2.7 Other revenue

EUR 67.94

Other revenue refers to the EUR 61.34 worth of collected receivables for which we had formed an allowance for bad receivables, and to EUR 6.60 of euro cent balance.

2.8 Other expenses

Other expenses refer to EUR 149.49 of late interest for overdue taxes and contributions, and to EUR 4.31 of euro cent balance.

2.9 Income tax

EUR 0.00

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.

For 2011 the company is reporting EUR 128,631.08 of loss. In establishing income tax, EUR 1,035.34 of deferred tax assets for temporary differences were recognised, while EUR 1,668.40 of deferred tax liabilities were reversed, which decreases net loss for the period.

Deferred taxes:

<i>in EUR</i>		Deferred tax	Tax rate
Revenue	2,075,350.13		
Expenses	2,253,577.05		
Difference	-178,226.92		
Non-tax-deductible expenses	-49,595.84		
Tax base	-128,631.08		
Accrued non-taxable expenses			
– Provisions for expenses	10,163.61	2,032.72	
	6,580.73	1,316.15	20%
	3,582.88	716.58	20%

Additionally, the revaluation of the building to fair value resulted in the recognition of EUR 56,175.02 of deferred tax liabilities increasing the revaluation surplus, and the revaluation of current investments to fair

value also resulted in the recognition of EUR -248.48 of deferred tax liabilities increasing the revaluation surplus.

2.10 Loss for the period

EUR 175,523.18

The total loss for financial year 2011 amounts to EUR 175,523.18. It consists of EUR 178,226.92 of net profit for the period, EUR 1,035.34 of deferred tax assets and EUR 1,668.40 of derecognised deferred tax liabilities. Retained revaluation surplus amounts to EUR 6,673.60. Pursuant to the Management Board resolution, adopted with the consent of the Supervisory Board, the loss for 2011 is being set off against EUR 6,673.60 of revaluation surplus and against EUR 168,849.58 of other revenue reserves.

The company has not recorded any **accumulated profit** in 2011:

	in EUR	
	2011	2010
A. Profit / loss for the period	-168,849.58	123,861.98
1. Net profit / loss	-175,523.18	117,188.38
2. Retained revaluation surplus	6,673.60	6,673.60
B. Retained earnings	0.00	0.00
D. Reversal of revenue reserves	168,849.58	0.00
1. Other revenue reserves	168,849.58	0.00
E. Additional formation of revenue reserves	0.00	-58,594.19
1. Other revenue reserves	0.00	-58,594.19
F. Accumulated profit	0.00	65,267.79

2.11 Total comprehensive income for the period

EUR -180,956.29

Total comprehensive income for financial year 2011 amounts to EUR -180,956.29. It consists of EUR 175,523.18 of net loss for the period, increased by EUR 5,433.11 of the effect of investment revaluation.

3. Income statement for INFO STORAGE

On 1 April 2010 the Ljubljana Stock Exchange became the operator of the officially appointed mechanism for the central storage of regulated information called INFO STORAGE. Using the criteria of cost accounting, which serve to allocate revenue, expenses, assets and liabilities, INFO STORAGE recorded a loss of EUR 69,368.47 in 2011.

in EUR

REVENUE / EXPENSES	2011	Apr–Dec 2010
REVENUE	99,725.79	83,210.20
INFO STORAGE services	99,725.79	83,210.20
EXPENSES	169,094.26	116,006.10
Labour costs	58,785.11	54,624.89
Costs of material	4,043.95	4,388.66
Costs of services	67,729.58	45,759.46
Depreciation and amortisation	38,265.24	10,838.88
Other operating expenses	270.38	394.21
OPERATING PROFIT / LOSS	-69,368.47	-32,795.90

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

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

4. Management Board remuneration in 2011

In 2011 the Management Board received remuneration in the following amounts:

in EUR

Remuneration	Andrej Šketa, President		Polona Peterle, Member	
	gross	net	gross	net
Fixed pay	80,609.99	42,640.09	66,000.00	31,909.90
Variable pay	13,000.00	6,490.81	5,400.00	2,696.43
Fringe benefits	1,088.30		4,972.17	
Other earnings and reimbursements	2,196.04	1,819.81	2,369.96	1,995.27
Additional pension insurance	2,683.32		2,683.32	
Total	99,577.65	50,950.71	81,425.45	36,601.60

5. Supervisory Board remuneration in 2011

In 2011 the Supervisory Board received remuneration in the following amounts:

Members of the Supervisory Board	Meeting attendance fee		Fee for holding office		Total	
	gross	net	gross	net	gross	net
- Heinrich Schaller, President	0.00	0.00	0.00	0.00	0.00	0.00
- Milana Lah, Deputy President	530.00	387.50	2,650.00	1,937.50	3,180.00	2,325.00
<u>Other members</u>						
Boris Pesjak	424.00	310.00	2,120.00	1,550.00	2,544.00	1,860.00
Filip Ogris Martič	800.00	620.00	2,000.00	1,550.00	2,800.00	2,170.00
Johannes Schönegger	800.00	620.00	2,000.00	1,550.00	2,800.00	2,170.00
Barbara Meža (to 31 May 2011)	424.00	310.00	883.33	645.83	1,307.33	955.83
Marija V. Pregelj (from 1 June 2011)	424.00	310.00	1,236.67	904.17	1,660.67	1,214.17
Total	3,402.00	2,557.50	10,890.00	8,137.50	14,292.00	10,695.00

in EUR

6. Audit costs

The audit of financial statements for financial year 2011 amounted to EUR 7,613.76, while the audit of the company's risk management and compliance with the Code of Conduct totalled EUR 7,254.72. Internal audit costs for financial year 2011 amounted to EUR 24,554.11, while the company did not record any tax counselling expenses.

7. Cash flow statement

Based on Balance Sheet data as at 31 December 2010 and as at 31 December 2011, and based on the Income Statement for 2011 as well as considering other relevant data from internal sources, relating to revenue and expenses, the Cash Flow Statement was drawn up under version II of SAS 2006.

8. Events after balance sheet date

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



Independent Auditor's Report

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

We have audited the accompanying financial statements of the company Ljubljanska borza, d.d., Ljubljana, which comprise the balance sheet as at 31 December 2011, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ljubljanska borza, d.d., Ljubljana, as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Other Matters

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

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

Blanka Mernik, B.Sc.Ec.
Certified Auditor

Marjan Mahnič, B.Sc.Ec.
Certified Auditor
Partner

Ljubljana, 16 March 2012

KPMG Slovenija, d.o.o.
1

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

FURTHER INFORMATION

Ljubljana Stock Exchange trading members

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Ljubljana Stock Exchange Prime Market and Standard Market companies

PRIME MARKET

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

STANDARD MARKET

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

	Brežice	bearer		
10	Pivovarna Laško	ordinary registered	PILR	Beverage production
11	Pozavarovalnica Sava	ordinary registered	POSR	Reinsurance
12	Probanka, Maribor	ordinary registered	PRBP	Banking
13	Salus, Ljubljana	ordinary bearer	SALR	Rubber and chemical industry
14	Sava, Kranj	ordinary registered	SAVA	Holding corporation
15	Terme Čatež	ordinary registered	TCRG	Medical rehabilitation and tourism
16	Žito, Ljubljana	ordinary registered	ZTOG	Banking
17	Unior, Zreče	ordinary registered	UKIG	Metal processing industry

Who is who at the Ljubljana Stock Exchange

President of the Management Board

Andrej Šketa

Member of the Management Board

mag. Polona Peterle

Director of Market Operations

Helena Ulaga Kitek

Director of Development and Marketing

mag. Nina Vičar

Director of IT

mag. Lovro Kink

Director of Finance and Accounting

Mojca Jovičević

Head of Management Board Cabinet & PR

Metka Šipek

Contact info

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