



Nasdaq Tallinn AS

ANNUAL REPORT 2015

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Legal address: Tartu mnt 2
10145 Tallinn
Republic of Estonia

Commercial registry code: 10359206

Telephone: (+372) 6 408 800

Fax: (+372) 6 408 801

E-mail: tallinn@nasdaqomx.com

Homepage: www.nasdaqomxbaltic.com

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Management Report

The mission of the companies of Nasdaq Tallinn AS is to be the heart of the securities market!

In their activities, the companies of Nasdaq Tallinn AS proceed from the following principles:

- **COOPERATION** - we understand that no one works alone. We are ready to assist and thus enhance the value of intra-organizational teamwork as well as cooperation with the state, market participants and all other cooperation partners.
- **OPENNESS** - we are open to new opportunities and ideas. We are the engine driving market development, always bringing the best ideas to life. We are aided by our open-mindedness and the agility of our thought process. We learn and help others learn from our experiences.
- **RELIABILITY** - we are responsible and intelligent in our work. We are honest to ourselves and others and we do not give promises we cannot keep. We cherish what we have achieved.
- **PROFESSIONALISM** - we have the skills, experience and will to do our job well. We are professionals in our field. The quality of our work is high. Our decisions are intelligent and well-thought-out. We have the courage to admit our mistakes.
- **DEDICATION** - being the heart of the securities market, we have an influence on the activity of people, organizations and the state. We sense our responsibility in all of the decisions we make and actions we take. We do our work with heart and we enjoy what we do.

The Tallinn Stock Exchange is the only regulated securities market in Estonia. The Tallinn Stock Exchange began regular trading with 11 listed securities on June 3, 1996. Today, Tallinn stock exchange is part of the largest stock exchange company in the world, Nasdaq, which offers services related to trading, stock exchange technologies and listed companies all over the world. The technological systems of Nasdaq are in use in more than 80 stock exchanges, settlement organizations and depositories in more than 50 countries. Nasdaq Nordic OY is the sole owner of Nasdaq Tallinn AS.

Structure of the Group

Nasdaq Tallinn AS has two subsidiaries: AS Eesti Väärtpaberikeskus (managing the Estonian Central Register of Securities and the funded pension register) and AS eCSD expert (export of know-how and technological solutions for capital markets and the pension system). Nasdaq Tallinn AS has 100% holding in both companies.



Personnel

As of 31 December 2015, Nasdaq Tallinn AS employed 8 employees, there were no employees on maternity leave. As compared to the previous period, the number of employees of the company has remained the same.

In 2015, the salary of the employees amounted to 347 thousand euros (in 2014: 307 thousand euros). The remunerations paid to the members of the board amounted to 45 thousand euros (in 2014: 45 thousand euros). In 2015, other benefits paid to the management amounted to 3 thousand euros (in 2014: 2 thousand euros). Obligations related to the management amounted to 15 thousand euros (in 2014: 15 thousand euros). No payments were made to the members of the supervisory council of Nasdaq Tallinn AS. In addition to other benefits, employees of the Nasdaq Group have the cross-group stock program, based on which an employee can obtain stocks of Nasdaq Group if the goals of the company and of the employee are achieved (including stock options).

One of the strategic aims of Nasdaq Tallinn is sufficient, motivated and qualified staff. The company continues to value its employees who wish to develop and learn, providing them opportunities to take up degree studies, work-related trainings and career enrichment through various projects.

Primary Activities of Nasdaq Tallinn in 2015

- In April the Nasdaq Baltic stock exchanges in cooperation with companies and representatives of investors published the action plan *Promoting Economic Growth in the Baltic States via Public First Offers*. The aim of the plan is to ensure that the stock exchange would fulfil their main role as good as possible: to be the efficient channel for involving money for companies and create a possibility for the investors to participate in first offers as well as in the aftermarket.

Utilization of measures, which create preconditions for increasing the number of IPOs and activities on the market and establishing a more broad-based investor culture. For example, the plan includes the following activities:

- • improving the financing opportunities of companies in each growth phase
 - • ensuring investor relations and corporate governance level for new IPO candidates
 - • increasing the number of high quality public companies at Baltic stock exchanges
 - • restart of the bonds market
- In October, Nasdaq Tallinn organised in cooperation with the youth organisation Ärikatel the traditional investment conference *Tark Raha (Smart Money)*. There were over 200 participants interested in investing.

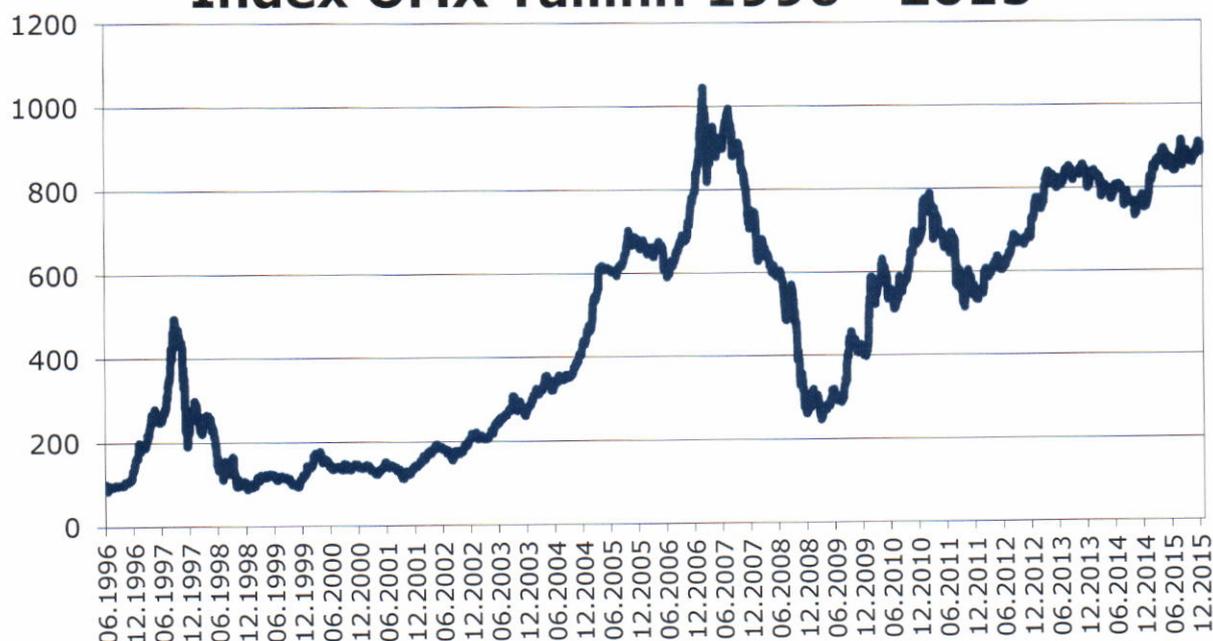
- In November, the Government decided that Estonia will withdraw from the group of countries that supports the tax on financial transactions, ensuring Estonia with equal conditions with the neighbouring countries, who previously had not joined this initiative. Nasdaq Tallinn has, during the previous years as well as in 2015 been actively cooperating with the market participants and given its input on unfavourable influence of the tax on financial transactions.
- With the Baltic Market Awards competition, the Nasdaq Baltic stock exchanges recognized companies with the best investor relations as well as stock exchange members for their outstanding work in 2015. Tallinna Vesi was declared the company with the best investor relations in the Baltic States, and LHV Pank won the title of the Stock Exchange Member of the Year. Teele Talpsepp with her Master's thesis *The influence of education and other socioeconomic and trading related factors on the disposition effect on the Tallinn Stock Exchange* won the competition for students on the topic of securities market organised within the framework of the investor education program, which for the first time was organised as a cross-Baltic event.
- Rise of the alternative market First North and most important newcomers in 2015:
 - LHV Group entered the public stock exchange and organised public offering of subordinated bonds aimed at retail investors.
 - At the beginning of the year, we opened the bonds market to supplement the First North stock market.
 - In total, the Baltic alternative market saw the addition of 7 companies, three of them were Estonian companies (including beverage producer Linda Nektar and Mainor Ülemiste).

Securities Market

The year 2015 is characterised by a strong increase in stock prices at the Estonian securities market. The value of the Tallinn stock exchange index OMXT grew by 19.06% as the total of the year. The index rose in nine months out of twelve and the biggest increases were recorded in January 2015 (+8.00%) and February 2015 (+5.04%); the biggest decrease was observed in May (-2.40%). Sudden movements in prices also took place within the month of August. By quarters, the index fell only in the second quarter (-2.10%). The Baltic benchmark index OMX Baltic Benchmark Cap GI grew by 11.25% in the summary of the.

By the number of transactions, the year 2015 was slightly more active as compared to the previous year – in total, 49,155 securities transactions were concluded during the year (in 2014: 43,227). The turnover grew together with the number of transactions – by approximately sixth to 148.3 million euros (in 2014: 127.4 million euros). In the background of the increase of the number of transactions and turnover, the value of an average stock exchange transaction increased to approximately 3,000 euros (in 2014: 2,950 euros).

Index OMX Tallinn 1996 - 2015



In 2015, the regulated market organised by Nasdaq Tallinn stock exchange saw the addition of two subordinated bonds of LHV Group. The stocks of Linda Nektar and the bonds of Finora Capital and Mainor Ülemiste were added to the alternative market First North; the stocks of Telescan and the bonds of Finora Capital left the alternative market. As on 31.12.2015, the stocks of in total 16 companies and the bonds of 2 companies were traded at Nasdaq Tallinn. The total market value of the securities traded grew by 18.7% within a year, reaching 1.97 billion euros by the year end, of which stocks formed 1.89 billion euros.

Security	Abbreviation	Segment	No of transactions	Turnover (EUR)	Market value 31.12.2015 (EUR)
Arco Vara stock	ARC1T	Main list	670	566,313	7,034,564
Baltika stock	BLT1T	Main list	2,065	1,123,429	13,951,839
Ekspress Grupp stock	EEG1T	Main list	975	843,990	40,225,735
Harju Elekter stock	HAE1T	Main list	2,060	2,984,756	46,655,884
Merko Ehitus stock	MRK1T	Main list	2,829	7,706,132	150,096,000
Nordecon stock	NCN1T	Main list	899	1,712,736	33,994,257
Olympic Entertainment Group stock	OEG1T	Main list	8,280	30,588,922	271,706,259
PRFoods stock	PRF1T	Main list ri	1,451	1,167,842	15,086,315
Silvano Fashion Group stock	SFG1T	Main list	7,199	17,366,729	48,640,000
Skano Group stock	SKN1T	Main list	274	130,645	3,266,318
Tallink Grupp stock	TAL1T	Main list	10,043	49,673,474	577,461,203
Tallinna Kaubamaja Grupp stock	TKM1T	Main list	3,919	11,596,293	274,514,808
Tallinna Vesi stock	TVEAT	Main list	7,818	21,744,684	276,000,000
Pro Kapital Grupp stock	PKG1T	Secondary list	407	784,578	120,874,782
Trigon Property Development stock	TPD1T	Secondary list	218	96,984	2,654,446
LHV Group subordinated bond 2025	LHVB065025A	Bonds list	23	103,223	16,662,500
LHV Group subordinated bond 2024	LHVB072524A	Bonds list	0	0	15,900,000
Linda Nektar stock	LINDA	First North	22	18,060	9,450,654
Mainor Ülemiste bond 2018	MAYB070018A	First North	3	73,026	50,214,000
TOTAL			49,155	148,281,816	1,974,389,565

In total, the stock prices of the majority of Estonian stock exchange companies increased, in case of three of them by more than 20%. The biggest increase of the year was shown by Arco Vara (+38.9%), Tallinna Kaubamaja Grupp (+32.2%) and Tallink Grupp (+27.0%). The biggest fall was shown by PRFoods (-41.8%), Baltika (-26.0%) and Skano Group (-14.9%). In case of PRFoods, the decrease was due to a large payment made in relation to decreasing the stock capital. Similarly to the previous year, the number of shareholders has slightly decreased for most (8/15) stock companies within the year. Proportionally, Nordecon (-7.1%) and Skano Group (-6.8%) have lost the most shareholders, while Tallinna Vesi (+28.3%), Harju Elekter (+20.8%) and Merko Ehitus (+13.6%) have won the most investors. Last year the share of investors from Estonia (from 59.9% to 63.5%) and Finland (from 2.9% to 4.9%) increased the most among the stock exchange investors, the share of investors from Luxembourg (from 11.1% to 7.7%), Panama (from 1.1% to 0%) and the UK (from 2.1% to 1.3%) fell.

In 2015, ten stock companies decided to make dividend payments in the total volume of approximately 78.9 million euros (in 2014, twelve stock companies in the total volume of approximately 81.8 million euros). Two stock companies decided to make payments related to the decreasing of the stock value – Merko Ehitus and PRFoods – they paid in total 15.7 million euros to their shareholders.

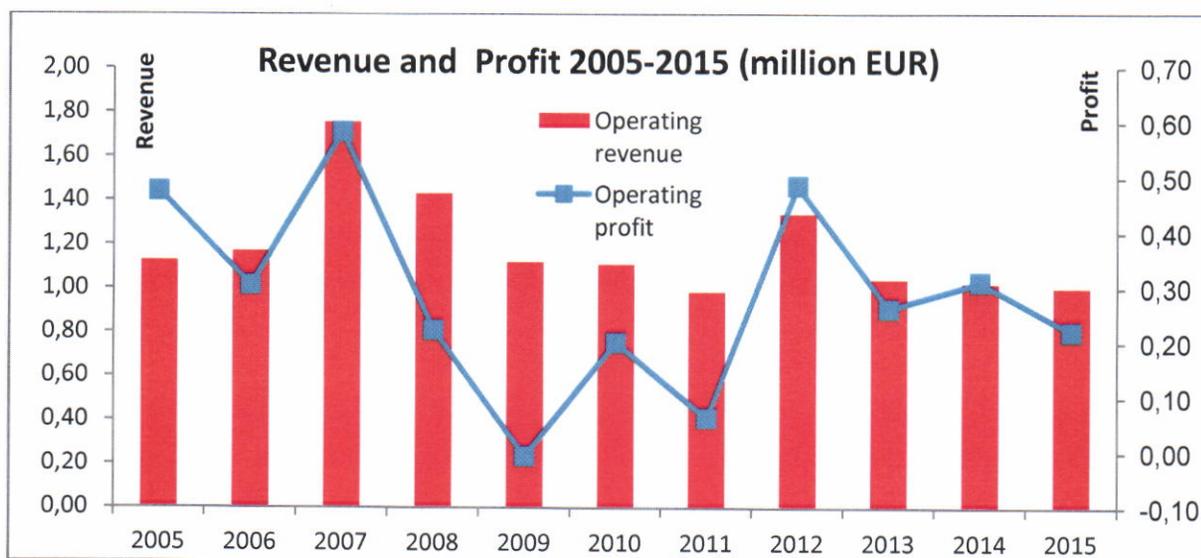
The number of Nasdaq Tallinn stock exchange members decreased in 2015 due to the fact that the membership of Evli Bank Plc and Nordea Bank AB Eesti filial ended and Bankas Finasta merged with Šiaulių Bankas. At the end of the year, Tallinn stock exchange has in total 21 members, 6 of whom are from countries other than the Baltic states.

In 2015, LHV Pank joined the ranks of First North advisors and Grant Thornton Rimess OÜ left. LHV Pank obtained the advisor status simultaneously in Riga and Vilnius. At the end of the year the Tallinn alternative market has six contractual advisors.

Financial Results

The activities of Nasdaq Tallinn are not significantly seasonally influenced, but they do depend on the cyclic nature of general economic activities. The financial results of the stock exchange are significantly influenced by the change in the market value of companies listed at the stock exchange and activeness in trading. In 2015, the bonds of LHV Group were listed in the list of bonds of Nasdaq Tallinn stock exchange. Securities of three Estonian companies were taken for trading at the First North market: stocks of Linda Nektar and bonds of Mainor Ülemiste and Finora Capital.

Last year was characterised by a 13.7% increase in the number of transactions and 16.4% growth of turnover as compared to the year 2014. In 2015, the operating revenue of Nasdaq Tallinn decreased by 2% to 1.0 million euros (in 2014 to 1.0 million euros). At the end of the period, the equity capital of the company totalled 1.2 million euros (in 2014: 1.3 million euros) and the net profit of 2015 amounted to 523 thousand euros (in 2014: 710 thousand euros).



In 2015, revenue per employee was 126 thousand euros (in 2014: 128 thousand euros), profit per employee was 65.3 thousand euros (in 2014: 88.8 thousand euros). The net profit margin for the year 2015 was 53% (in 2014: 70%).

Key financial ratios of Nasdaq Tallinn:	2014	2015
Net profit margin	70%	52%
Return on equity	60%	41%
Return on assets	55%	39%

Sponsorship and Charity

One of the aims of Nasdaq Tallinn is to promote Estonian investor culture – to increase awareness of people with respect to the functioning of the securities market so that they would have the wisdom necessary for an investor and courage necessary for an entrepreneur. Thereby the securities market will function better and will be more attractive and transparent.

Sponsorship

We support endeavours that facilitate development of investor culture. Such activities include information events, publishing of educational materials, events aimed at students etc.

The aim of the Nasdaq Tallinn investor education program (www.rahakompass.ee) is to educate rationally thinking investors who could manage their money reasonably and ensure their future. For that purpose, we have:

- organised annual competition for student theses on securities markets;
- organised annual investment conference;
- published investment literature in Estonian and made it available free of charge for high schools, universities and libraries (incl. *Finantsaabits (Financial ABC)* (also in Russian), *Kuidas ma investeerin börsiaktisatesse (How I Invest Into Listed Stocks)* (S. Saario), *Väärtpaberite teejuht (Guide to Securities)*, *Investeerimise teejuht (Guide to Investing)*); supported the

- printing of Jaak Roosaar's *Rikkaks saamise õpik (Textbook for Becoming Rich)* and its distribution for the libraries of Estonian schools;
- supported the competition for business ideas Ajujaht; contributed to the development of study programmes concerning saving and investing (Financial Literacy Development Strategy) and preparing teaching materials (Methodological Guidelines and Teaching Materials for Teaching Financial Literacy); spoken about knowledge of money to students of general education schools all over Estonia;
 - held regular lectures on topics related to stock exchange and investments in the economics departments of largest Estonian universities.

Charity

The joy of small good deeds has been the motto of Nasdaq Tallinn's co-operation with Haapsalu Welfare Centre.

We consider important the clear goal of our small contribution – its developing value for children and its continuity. Co-operation with the Palivere Children's Home (now Haapsalu Welfare Centre) started in 2002.

Activities in 2016

Our interest is to continue developing the Estonian securities market, create opportunities for investment for people and for involving money for companies, and for increasing visibility.

Similarly to previous years, in 2016 our main aim will be finding new companies for the stock exchange. We will also continue explanatory work for bringing state companies to the stock exchange. For that purpose, we are actively cooperating with the members of Finance Estonia in order to accelerate the entire Estonian capital market.

Spring 2016 will mark the 20th anniversary of the birth of the public stock market in Estonia and Tallinn stock exchange. In order to celebrate the events, we together with other Nasdaq Baltic stock exchanges and Finance Estonia will organise a conference The Baltic Capital Markets Forum 2016, which will take place on 12 May in Tallinn and the main topic of which will be capital markets and their role in economy.

In January 2016 a decision was made, according to which Nasdaq Tallinn AS will transfer 100% of the stocks of AS Eesti Väärtpaberikeskus to the Nasdaq group company within the year. The final details and conditions of the transaction will be clarified after the approval of the 2016 Annual Report.

Financial Statement

Balance sheet

(in euros)

	31.12.2015	31.12.2014	Note
ASSETS			
Current assets			
Cash	425,876	840,343	2
Receivables and prepayments	62,405	63,089	3
Total current assets	488,281	903,432	
Non-current assets			
Financial investments	446,745	446,745	5
Receivables and prepayments	400,000	0	3
Property, plant and equipment	6,594	7,590	6
Intangible assets	4,931	7,211	7
Total non-current assets	858,270	461,546	
TOTAL ASSETS	1,346,551	1,364,978	
LIABILITIES AND EQUITY			
Current liabilities			
Payables and prepayments	109,377	100,457	9
Total current liabilities	109,377	100,457	
Total liabilities	109,377	100,457	
Equity			
Issued capital	700,000	700,000	10
Mandatory reserve	174,862	174,862	
Retained earnings	-160,341	-320,432	
Profit for the financial year	522,653	710,091	
Total equity	1,237,174	1,264,521	
TOTAL LIABILITIES AND EQUITY	1,346,551	1,364,978	

Income statement

(in euros)

	2015	2014	Note
Revenue	1,004,148	1,020,998	11
Other income	774	241	
Other operating expenses	-413,360	-377,480	12
Employee expenses	-347,165	-307,052	13
Depreciation, amortisation and impairments	-8,222	-11,695	6,7
Other expenses	-13,604	-13,255	
Operating profit	222,571	311,757	
Financial income and expense	350,082	430,233	10
Profit before income tax	572,653	741,990	
Income tax	-50,000	-31,899	10
Profit for the financial year	522,653	710,091	

Cash flow statement

(in euros)

	2015	2014	Note
Cash flows from operating activities			
Receipts of sales of goods and rendering of services	935,090	1,006,135	
Payments to suppliers for goods and services	-315,248	-314,629	
Payments to employees	-175,627	-152,249	
Other cash flows from operating activities	-202,694	-209,948	
Total cash flows from operating activities	241,521	329,309	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-6,218	-7,999	
Receipts of sales of tangible and intangible assets	147	0	
Loans	-400,000	0	3,14
Interest received	83	233	
Received dividends	350,000	430,000	
Total cash flows from investing activities	-55,988	422,234	
Cash flows from financing activities			
Dividends paid	-550,000	-550,000	10
Corporate income tax paid	-50,000	-31,899	10
Total cash flows from financing activities	-600,000	-581,899	
Total cash flows	-414,467	169,644	
Cash and cash equivalents at the beginning of the period	840,343	670,699	2
Change in cash and cash equivalents	-414,467	169,644	
Cash and cash equivalents at the end of the period	425,876	840,343	2

Statement of changes in equity

(in euros)

	Issued capital	Mandatory reserve	Retained earnings	Total
Balance as at 31.12.2013	700,000	174,862	229,569	1,104,431
Profit for the financial year	0	0	710,090	710,090
Dividends paid	0	0	-550,000	-550,000
Balance as at 31.12.2014	700,000	174,862	389,659	1,264,521
Profit for the financial year	0	0	522,653	522,653
Dividends paid	0	0	-550,000	-550,000
Balance as at 31.12.2015	700,000	174,862	362,312	1,237,174

Additional information on the owner's equity of the company is presented in Note 10.

Notes to the Financial Statement

Note 1 Accounting principles used in the preparation of the Financial Statements

General information

The financial statements 2015 of Nasdaq Tallinn AS have been prepared in accordance with the generally accepted accounting principles of the Republic of Estonia. The main requirements of the generally accepted accounting principles of the Republic of Estonia have been stipulated in the Accounting Act of the Republic of Estonia, and supplemented by the guidelines issued by the Accounting Standards Board of the Republic of Estonia.

The financial statements have been prepared on historical cost basis, except in cases set forth in the accounting principles below.

The financial statements have been prepared in euros.

Financial assets

The company's financial assets include cash and cash equivalents, accounts receivable and other receivables, as well as short-term and long-term financial investments.

All financial assets are initially recognised at their cost, being the fair value of the consideration given. The initial cost also includes all expenditures directly related to the purchase of the financial asset, including service charges payable to brokers and advisors, non-refundable taxes related to the transaction and other similar expenditures, except for expenses related to the acquisition of financial assets recorded at fair value with change in the income statement.

All regular way purchases and sales of financial assets under regular market conditions are recorded on the transaction date—i.e. the day when the group commits (e.g. concludes a contract) to purchase or sell the particular financial asset, except for short-term and long-term financial investments, which are recorded on the value date – i.e. the date when the company acquires or transfers ownership of the financial asset. Transactions under regular market conditions are purchases and sales transactions in the case of which the transfer of the purchased or sold financial assets from the seller to the buyer is carried out within the period established for the market of required with the relevant market regulations.

When accounting for purchases and sales of financial assets recognised on value date, any changes in the value of assets between the trade date and the balance sheet date are charged to profit or loss, similarly with comparable financial assets owned by the company.

Subsequent to the initial recording, financial assets are measured at their fair value, except for:

- receivables, which the company has not purchased for resale and financial investments held until maturity are recorded at adjusted cost;
- investments in shares and other equity instruments the fair value of which cannot be reliably measured (incl. derivative instruments related to such assets) are recorded at cost.

Financial assets at fair value

Financial assets measured at fair value are revaluated on each balance sheet date, whereas the possible transaction costs related to the disposal of the asset are not deducted. The fair value of listed securities is based on the closing price of the security, as well as the official exchange rate of the Bank of Estonia on the balance sheet date. Unlisted securities are recorded at their fair value, which is found on the basis of the information on the value of the investment available to the group.

Gains and losses from the changes in fair value are recorded under "Financial income and expenses" in the income statement. Profit and loss from disposals of financial assets measured at fair value, as well as interests and dividends on the respective securities, are recognised under "Financial income and expenses" in the income statement.

Financial assets recorded at cost

Financial assets recorded at cost are written down to their recoverable amount, if the recoverable amount has fallen below the carrying amount. The recoverable amount of financial assets recorded at cost consists of the estimated future cash flows from the financial asset, discounted with the average rate of return from similar financial assets on the market. The amount of write-down is charged to the financial expenses of the period. The write-down of financial assets recorded at cost will not be subject to later reversal.

Financial assets are derecognized when the group no longer controls the rights arising from the financial assets, or when all the cash flows attributable to the asset, and a majority of the risks and benefits related to the financial asset are transferred to a third party.

Cash and cash equivalents

Cash at bank, demand deposits, deposits with a maturity of up to 3 months, money market fund shares and shares of other highly liquid funds are recorded as cash and cash equivalents under "Cash" in the balance sheet and cash flow statements.

Foreign currency transactions

Any currency other than the euro is considered foreign currency. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates of the European Central Bank officially applicable on the transaction date. Monetary assets and liabilities denominated in foreign currency are revaluated into euro on the basis of the currency exchange rates of the European Central Bank officially applicable on the balance sheet date. Foreign exchange and losses arising from revaluation are presented in the income statement of the period. Non-monetary assets and liabilities which are denominated in foreign currency and measured at fair value, are revaluated into foreign currency on the basis of the currency exchange rates of the European Central Bank officially applicable on the date of establishment of the fair value. Non-monetary assets and liabilities which are not measured at fair value are not translated on the balance sheet, but recorded on the basis of the exchange rate of the European Central Bank on the transaction date.

Financial investments

Receivables, which the group has not purchased for resale and financial assets held until maturity are recorded at cost, using the effective interest rate method. The cost is calculated for the entire holding period by taking into account any discount or premium on acquisition, as well as expenses directly related to the transaction.

Financial assets measured at cost will be written down, if it is probable that their recoverable amount is lower than their carrying amount. The recoverable amount of a financial asset measured at cost is the net present value of future cash flows from the financial asset, discounted with the effective interest rate fixed at the initial recognition. The write-down of financial assets related to operating activities is charged to expenses in the income statement under "Other operating expenses", while the write-down of financial assets related to investing activities is charged to "Financial expenses" in the income statement.

Subsidiaries

Subsidiaries are companies controlled by the parent company. A subsidiary is considered to be controlled by the parent company, if the parent company directly or indirectly holds over 50% of the voting shares of the subsidiary, or is otherwise able to control the operating or financial policies of the subsidiary.

Subsidiaries are recorded using the cost method.

When using the cost method the dividends paid by a subsidiary or related company are recorded in the parent company's statement as revenue at the moment when parent company obtains right to get the dividends not considering if the profit was earned before or after obtaining the subsidiary or related company.

Dividends from the subsidiaries are recorded under "Financial income".

Receivables and prepayments

Impairment of trade receivables is recorded according to the applicable policy for impairments. The circumstances indicating an impairment loss may include the bankruptcy or major financial difficulties of the debtor, and the default or delinquency in payments. If possible, accounts receivable are evaluated on individual basis. If the evaluation of the receivables on individual basis proves impossible, only the material receivables will be evaluated. Other receivables are evaluated as groups on the basis of the policies for impairment of receivables established in the group, which have been compiled on the basis of the experiences of previous years regarding overdue payments. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement under other operating expenses. When a receivable is deemed uncollectible, it is written off from trade receivables and the allowance account for trade receivables. Collection of receivables, which have been previously expensed as doubtful receivables, is recorded as an adjustment to doubtful receivables. In case of collection of receivables previously written down, or other events indicating that the write-down is no longer justifiable, the previous write-down will be reversed in the income statement as a reduction of the expense item to which the write-down was initially charged. Interest income from receivables is recorded under "Other financial income and expenses" in the income statement.

Property, plant and equipment

Assets with a useful life over 1 year and cost over 650 euros are considered to be property, plant and equipment (PPE). Assets with a useful life over 1 year, but cost of less than 650 euros, are fully expensed upon acquisition, regardless of their useful life.

PPE are initially recorded at cost, consisting of the purchase price (incl. customs duties and other non-refundable taxes) and expenses directly related to the acquisition, incurred upon bringing the assets to their present operating condition and location. An item of PPE is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses.

Expenses incurred on a PPE item are recorded under PPE, if future economic benefits are expected to arise from the asset item, and the cost of the asset item can be reliably measured. Other costs on maintenance and repairs are expensed when incurred.

Depreciation is calculated on the basis of the straight-line method. Depreciation rates are determined for each PPE item individually, depending on its estimated useful life. In case of asset items with a significant final value, only the depreciable difference between the cost and the final value shall be charged to expenses over the useful life of the item. A PPE item will no longer be depreciated, if the final value of the asset rises above its carrying amount.

If PPE item consists of distinguishable components with different useful lives, these components are recorded as separate asset items, and their depreciation rates specified separately in accordance with their useful lives.

The following annual depreciation rates are applied for the PPE groups:

Other equipment and IT equipment	20%-40%
Other machinery and equipment	20%-40%

Depreciation is calculated from the moment an asset can be used for the purposes established by the management, until the final value of the assets exceeds its carrying amount, or until the assets' classification into "fixed assets held for sale", or removal from use. The depreciation rates, depreciation methods and final values are evaluated on each balance sheet date. If the recoverable amount of the fixed assets item (i.e. higher of the net selling price or the value of asset in utilization) is lower than its carrying amount, the fixed assets item will be written down to its recoverable amount.

Intangible assets

Intangible assets (development costs, patents, licenses, trademarks, software) are recorded on the balance sheet if the assets are controlled by the company, if future economic benefits are expected to arise from the assets and if the cost of the assets can be reliably measured. Intangible assets are initially recorded at cost, consisting of the purchase price and expenses directly related to the acquisition. An intangible asset item is recorded on the balance sheet at its cost, less accumulated amortisation and any accumulated impairment losses. On each balance sheet date, however, these assets are tested for impairment and the asset will be written down to its recoverable amount, if the recoverable amount has dropped below the carrying amount. Intangible assets with a definite useful life are amortised on a straight-line basis. Depending on the area of use of the intangible asset item, the annual amortisation rate is 20% to 40%.

Development costs are expenses incurred on the implementation of the research results for the development, design or testing of new products, services, processes or systems. Development costs are capitalised, if there is a plan for the execution of the project, and the cost amount as well as future economic benefits from the intangible assets can be reliably measured.

Finance lease and operating lease

Lease transactions, where all material risks and rewards from ownership of an asset are transferred to the lessee, are recorded as finance lease. All other lease transactions are recorded as operating lease.

Company as the lessee

Assets acquired under finance lease are recognised in the balance sheet as assets and liabilities at their fair value or the net present value of the minimum lease payments, whichever is smaller. Lease payments are divided into financial expenses (interest expenses) and reduction of the net book value of the liability. Financial expenses are divided over the lease period so that the interest rate of the net book value of the liability would be the same at any given moment. Assets leased under finance lease terms are depreciated similarly to the acquired fixed assets, whereas the depreciation period is the estimated useful life of the asset item, or the lease period, whichever is shorter. Initial direct expenses incurred by the lessee upon conclusion of the finance lease contract are charged to the cost of the leased assets. Operating lease payments are recorded in the income statement during the rental period as expenses based on the straight-line method.

Financial liabilities

All financial liabilities (accounts payable, accrued expenses, and other short-term and long-term borrowings) are initially accounted for at their cost, which includes all expenses directly related to the acquisition. Subsequently, financial liabilities are recorded on the basis of the amortised cost method.

Generally, the amortised cost of short-term financial liabilities equals to their nominal value due to which short-term financial liabilities are recorded in the balance sheet at payable amount. The cost of long-term liabilities is calculated on the basis of the effective interest rate method.

Financial liabilities are recorded as short-term liabilities, if the liability is due within less than 12 months after the balance sheet date, or if the company has no unconditional right to delay payment for more than 12 months after the balance sheet date. Borrowings which are due for repayment within 12 months after the balance sheet date, but which are refinanced into long-term borrowings after the balance sheet date but before the approval of the Annual Report, are recorded as short-term borrowings. Furthermore, borrowings the immediate repayment of which can be demanded by the creditor due to the violation of a provision of the loan agreement are also recorded under short-term borrowings.

Mandatory reserve

The company has set up a mandatory reserve in accordance with the Commercial Code of the Republic of Estonia. The mandatory reserve is set up of the annual allocations of net profit. Pursuant to the Commercial Code at least 1/20 of the net profit must be transferred to the legal reserve until the mandatory reserve amounts to 1/10 of the share capital.

Reserve capital can be used for covering the loss or for increasing the share capital of the company. The mandatory reserve cannot be paid out as dividends.

Revenues

Revenue from sales of services is recorded upon rendering of the service, or based on the stage-of-completion method, if the service is rendered during a longer period of time.

Revenue from stock exchange services

- Transaction fees. Revenue from transaction fees is recorded upon conclusion of the securities transaction.
- Listing fee. Revenue is recorded upon listing.
- Membership fees. Membership fees, which do not grant additional benefits to members, are charged to income on a straight-line basis, over the period for which the fees are paid.
- Annual fee for securities. Revenue from annual fees is divided into management fees and maintenance fees. Revenue is recorded on a straight-line basis, over the agreed period.
- Information forwarding fees. Revenue from data forwarding is recorded on a straight-line basis, over the agreed period.

Interest income and dividend income is recorded when collection of the revenue is probable and the amount of the revenue can be reliably measured. Interest income is recognised based on the effective interest rate method, except if the receipt of the interest is doubtful. In this case, interest income is recorded on cash basis. Dividend income is recognised when the owner is granted a legal right to receive dividends.

Corporate income tax

Pursuant to the Income Tax Act of the Republic of Estonia, companies are not subjected to income tax on the profit for the financial year in Estonia. Income tax is imposed on dividends, fringe benefits, gifts, costs of entertaining guests, non-operating expenses and transfer price adjustments. From 01.01.2015 the established tax rate is 20/80 on the net dividend paid. Under certain conditions, the dividends received may be redistributed without incurring further income tax expense. Corporate income tax is recorded under liabilities on the payment of dividends and under income tax expense in the income statement at the moment of announcing the dividends, irrespective of the period for which the dividends were announced or when the dividends are actually paid. The income tax payment obligation arises on the 10th day of the month following the dividend payment.

Due to the peculiarity of the taxation system, there are no differences between the taxation and carrying values of the assets for companies registered in Estonia and due to that there are no deferred income tax payables or liabilities. The contingent income tax liability related to the payment of dividends from retained profit is not recorded in the balance sheet. The maximum income tax liability related to the distribution of retained earnings as dividends has been disclosed in the notes to the financial statements.

Related Parties

For the purposes of the financial statements of Nasdaq, the following are considered related parties:

- owners (parent company and owners of the parent company, and other shareholders);
- subsidiaries and other companies belonging to the OMX consolidation group;
- management board and senior management;
- family members of the persons listed above, and the companies under their control or significant influence.

Note 2 Cash

(in euros)

	31.12.2015	31.12.2014
Settlement accounts	425,876	840,343
Total cash	425,876	840,343

Note 3 Receivables and prepayments

(in euros)

	31.12.2015	Within 12 months	Within 1-5 years	Note
Accounts receivable	7,725	7,725	0	
Receivables from customers	9,457	9,457	0	
Allowance for doubtful receivables	-1,732	-1,732	0	
Receivable from related parties	400,000	0	400,000	14
Tax prepayments and receivables	3,201	3,201	0	4
Other receivables	33,196	33,196	0	
Accrued income	33,196	33,196	0	
Prepayments	18,283	18,283	0	
Prepaid expenses	18,283	18,283	0	
Total receivables and prepayments	462,405	462,405	400,000	

	31.12.2014	Within 12 months	Within 1-5 years	Note
Accounts receivable	10,170	10,170	0	
Receivables from customers	12,371	12,371	0	
Allowance for doubtful receivables	-2,201	-2,201	0	
Tax prepayments and receivables	2,603	2,603	0	4
Other receivables	29,131	29,131	0	
Accrued income	29,131	29,131	0	
Prepayments	21,185	21,185	0	
Prepaid expenses	21,185	21,185	0	
Total receivables and prepayments	63,089	63,089	0	

Receivables from related parties in the amount of EUR 400,000 is in maturity 31.12.2017 and an interest rate of one month EURIBOR + 0.75%.

Note 4 Tax prepayments and liabilities

(in euros)

	31.12.2015		31.12.2014	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	3,201	0	2,603	0
Personal income tax	0	6,741	0	5,847
Fringe benefit income tax	0	915	0	421
Social tax	0	12,996	0	11,003
Contributions to mandatory pension fund	0	877	0	741
Unemployment insurance tax	0	856	0	796
Total tax prepayments and liabilities	3,201	22,385	2,603	18,808

Tax prepayments are described on balance sheet as "Receivables and prepayments" (Note 3) and tax payables on balance sheet as "Payables and prepayments" (Note 9).

Note 5 Shares of subsidiaries

(in euros)

Shares of subsidiaries, general information

Subsidiary's registry code	Name of subsidiary	Country of incorporation	Principal activity	Ownership interest (%)	
				31.12.2014	31.12.2015
10111982	AS Eesti Väärtpaberikeskus	Estonia	Financial services activities auxiliary	100	100
10758689	AS eCSD expert	Estonia	Financial consulting	100	100

Subsidiaries book value as of 31.12.2015 and 31.12.2014 is:

AS Eesti Väärtpaberikeskus 421,145 euros and AS eCSD expert 25,600 euros.

Note 6 Property, plant and equipment

(in euros)

	Computers and computer systems	Other tangible fixed assets	Total
Balance as of 31.12.2013			
Cost	82,465	126,263	208,728
Accumulated depreciation	-74,669	-123,672	-198,341
Residual cost	7,796	2,591	10,387
Acquisitions and additions	5,481	0	5,481
Depreciation	-6,689	-1,589	-8,278
Balance as of 31.12.2014			
Cost	36,845	113,521	150,366
Accumulated depreciation	-30,257	-112,519	-142,776
Residual cost	6,588	1,002	7,590
Acquisitions and additions	2,851	1,109	3,960
Depreciation	-3,194	-916	-4,110
Sales	-846	0	-846
Balance as of 31.12.2015			
Cost	37,427	113,734	151,161
Accumulated depreciation	-32,028	-112,539	-144,567
Residual cost	5,399	1,195	6,594

Sale of tangible fixed assets of the selling price

	2015	2014
Machinery and equipment	846	0
Computers and computer systems	846	0
Total	846	0

Note 7 Intangible assets

(in euros)

	Software	Unfinished projects and prepayments *	Total
Balance as of 31.12.2013			
Cost	102,616	1,497	104,113
Accumulated depreciation	-95,739	0	-95,739
Residual cost	6,877	1,497	8,374
Acquisitions and additions	2,254	0	2,254
Depreciation	-3,417	0	-3,417
Reclassification	1,497	-1,497	0
Balance as of 31.12.2014			
Cost	106,367	0	106,367
Accumulated depreciation	-99,156	0	-99,156
Residual cost	7,211	0	7,211
Acquisitions and additions	1,831	0	1,831
Depreciation	-4,111	0	-4,111
Balance as of 31.12.2015			
Cost	91,216	0	91,216
Accumulated depreciation	-86,285	0	-86,285
Residual cost	4,931	0	4,931

Note 8 Operating lease

(in euros)

Accounting entity as lessee

	2015	2014
Operating lease expenses	39,574	38,214

In 2015 operating lease consists the premises` rental in the amount of 39,574 euros (2014: premises rental 38,214 euros).

The premises lease contract (concluded on 17.11.2003) is cancellable with an advance notice of 6 months. Under a justified proposal, the lessor shall have the right to adjust the rent in accordance with the market prices.

Note 9 Payables and prepayments

(in euros)

	31.12.2015	Within 12 months
Trade payables	7,299	7,299
Employee payables	77,694	77,694
Tax payables	22,385	22,385
Other payables	1,999	1,999
Other accrued expenses	1,999	1,999
Total payables and prepayments	109,377	109,377

	31.12.2014	Within 12 months
Trade payables	8,417	8,417
Employee payables	67,071	67,071
Tax payables	18,808	18,808
Other payables	6,161	6,161
Other accrued expenses	6,161	6,161
Total payables and prepayments	100,457	100,457

Note 10 Share capital

(in euros)

	31.12.2015	31.12.2014
Share capital	700,000	700,000
Number of shares (pcs)	700,000	700,000
Nominal value of shares	1	1

Nasdaq Tallinn AS share capital as of 31.12.2015 consists of 700,000 ordinary shares with a nominal value of one euro (as of 31.12.14: 700,000 ordinary shares nominal value of one euro).

According to the statute maximum share capital is 2,000,000 euros.

In 2015 550,000 euros were announced and paid to the shareholders as dividends (in 2014: 550,000 euros were paid out as dividends). The income tax of dividends in 2015 was 50,000 euros (in 2014: 31,899 euros).

The retained profit of NASDAQ OMX Tallinn AS as of 31.12.2015 amounted to 362,312 euros (2014: profit of 389,659 euros).

Dividend payment to owners incurs an income tax expense in the amount of 20/80 of the net dividend paid. Thus, as at the balance sheet date, a total of 289,850 euros can be paid to the owners as dividends from the retained profit, with the respective income tax expenses amounting to 72,462 euros.

Note 11 Net sales

(in euros)

	2015	2014
Net sales by geographical location		
Net sales in European Union		
Estonia	454,597	511,228
Other European Union net sales	549,551	509,770
Total net sales in European Union	1,004,148	1,020,998
Total net sales	1,004,148	1,020,998

	2015	2014
Net sales by operating activities		
Transaction fees	90,045	83,827
Members fees	114,405	121,258
Issuer fees	265,554	277,081
Sales of information	445,019	442,551
Other revenues	89,125	96,281
Total net sales	1,004,148	1,020,998

Note 12 Other expenses

(in euros)

	2015	2014
Office rent & maintenance	48,786	48,823
Other office expenses	6,770	6,070
Travel expense	11,748	15,464
Allowance for doubtful receivables	-468	-4,881
Marketing expenses	30,596	27,364
Personnel expenses	50,629	36,801
Other services purchased	120,885	102,358
IT expenses	120,170	124,769
Insurance	6,066	3,740
Other expenses	18,208	16,972
Total other operating expense	413,360	377,480

Note 13 Labour expense

(in euros)

	2015	2014
Wage and salary expense	269,660	239,019
Social security taxes	77,505	69,033
Total labour expense	347,165	307,052
Average number of employees in full time equivalent	8	8

Note 14 Related parties

(in euros)

Parent company	Nasdaq Nordic OY
Country where the parent company is registered	Finland
Group's name	Nasdaq, Inc
Country where the group is registered	USA

Related party balances according to groups

	31.12.2015	31.12.2014
	Receivables	Receivables
Other entities belonging into same consolidation group	400,000	0

2015	Purchases	Sales
Parent company	0	30,000
Other entities belonging into same consolidation group	175,950	490,411
2014	Purchases	Sales
Parent company	0	30,000
Other entities belonging into same consolidation group	172,195	468,657

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2015	2014
Remuneration	45,070	44,792
Other benefits	2,507	1,685

According to the management of the company, the prices used for transactions with related parties do not significantly differ from the market prices.

Contingent liabilities to members of the Management are 15,000 euros. In addition to other benefits, the employees of the Nasdaq Group can participate in the cross-group shares programme, on the basis of which shares (including share options) of NASDAQ OMX can be obtained in the event a company or an employee achieves the set goals.

No payments were made to the members of the Supervisory Council.

Note 15 Off-balance sheet items

(in euros)

	31.12.2015	31.12.2014
Guarantee fund	80,621	73,127

Guarantee fund holds the funds of the stock exchange members to guarantee the exchange trades. The holding and managing of the funds are regulated by the 14. August 2003 Act nr 48 by Ministry of Finance. The funds are kept in the Central Bank of Estonia.

Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nasdaq Tallinn AS

We have audited the accompanying financial statements of Nasdaq Tallinn AS, which comprise the balance sheet as at 31 December 2015, and the income statement, statement of changes in equity and cash flow statement 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 the Estonian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation and fair presentation 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 (Estonia). 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 Nasdaq Tallinn AS as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the Estonian generally accepted accounting principles.

Tallinn, 29 April 2016



Ivar Kiigemägi
Authorised Auditor's number 527
Ernst & Young Baltic AS
Audit Company's Registration number 58



Herki Didvig
Authorised Auditor's number 573

Signatures of the Management Board to the Annual Report 2015

Hereby we approve the Annual Report 2015 of Nasdaq Tallinn AS.



Rauno Klettenberg
Member of the Management Board

29 of April 2016