



**SLOVENIA CONTROL,
SLOVENIAN AIR NAVIGATION SERVICES, LIMITED**

ANNUAL REPORT 2013



The air traffic control service

is the unseen hand that monitors,
directs and coordinates air traffic, every day,
in all weather and around the entire world.

TABLE OF CONTENTS

INTRODUCTION	4
CORPORATE VISION, MISSION STATEMENT AND COMPANY VALUES	5
COMPETITION POLICY	7
DEVELOPMENT POLICY	8
ABOUT THE COMPANY	10
OFFICIAL STATUS AND LINE OF BUSINESS	11
ORGANISATIONAL STRUCTURE	12
CEO'S REPORT	14
CORPORATE GOVERNANCE STATEMENT	16
SUPERVISORY BOARD REPORT	18
I MANAGEMENT REPORT	21
1 KEY EVENTS AND FACTORS AFFECTING PERFORMANCE IN 2013 AND AFTER THE END OF THE FINANCIAL YEAR	22
2 MAJOR FIGURES AND PERFORMANCE INDICATORS	29
3 PROVISION OF AIR NAVIGATION SERVICES IN 2013	32
4 INVESTMENTS	53
5 RISK MANAGEMENT	57
6 AIR TRAFFIC DATA FOR 2013	63
7 KEY PLANS FOR 2014 AND EXPECTATIONS FOR THE COMPANY'S DEVELOPMENT	79
II FINANCIAL REPORT	82
1 INDEPENDENT AUDITOR'S REPORT	83
2 FINANCIAL STATEMENTS	84
3 NOTES TO THE FINANCIAL STATEMENTS	91
ABBREVIATIONS USED	125



INTRODUCTION



CORPORATE VISION, MISSION STATEMENT AND COMPANY VALUES

CORPORATE VISION

With the help of highly qualified and highly motivated personnel, we at Slovenia Control, Slovenian Air Navigation Services, Limited (hereinafter referred to as the Company) strive unceasingly towards excellence in the provision of air navigation services that are safe, flexible in capacity, advantageous in terms of price, cost-effective, close-to-nature and of the very highest quality, in Slovenian airspace and also outside as necessary, to satisfy our customers' needs.

In conjunction with our business and institutional partners, we are endeavouring to put in place the Single European Sky.

MISSION STATEMENT

The Company's mission is:

- to be an air traffic navigation service provider with Single European Sky certification, providing air navigation services that are safe, flexible in capacity, advantageous in terms of price, cost-effective, close-to-nature and of the very highest quality, in Slovenian airspace and also outside as necessary;
- to be ready to provide air navigation services as an active partner within the functional airspace blocks in the Slovenian territory.

Our mission will be carried out by highly qualified and highly motivated personnel.

COMPANY VALUES

We have identified and defined the common values that guide all of our employees and form part of our organisational culture, while shaping the very essence of our mission and vision as a Company.

Safety

Attaining, guaranteeing and constantly improving the defined safety levels and targets is a basic guideline for the Company, the aim being to achieve excellence in the provision of services that are safe, flexible in capacity, acceptable in terms of price, cost-effective, close-to-nature and of the very highest quality. Safety is prioritised over and above all other Company values.

Reliability

For our partners, our customers and the public, we are a reliable partner in our business activities.

Responsibility

We ensure that air traffic is safe, orderly and efficient, thanks in part to the responsible attitude that our employees show towards air navigation services.

Professionalism

Achieved by means of competence, accuracy, diligence, conscientiousness and responsibility in meeting the highest standards in the performance of work processes.

Dedication to service

A socially responsible attitude towards stakeholders.

Respect

An honest, impartial, sincere, trustworthy and friendly attitude towards co-workers, colleagues in the industry and stakeholders.

Teamwork

Achieved through non-discriminatory, co-dependent and mutually supportive collective work with co-workers, colleagues in the industry and stakeholders.

Know-how

We build on raising the level of the general, professional and specialist know-how of employees. We develop a humane relationship towards work and the people in the work process, and employees are trained to adapt rapidly to change. We invest in education for individuals to develop their careers and to achieve personal growth.



COMPETITION POLICY

Operating a public utility, Slovenia Control, Ltd provides services of public interest and is the only Slovenian company of its kind. Unlike employees at other companies, our employees are required to hold special licences to perform air navigation services, attesting to their knowledge and abilities, which is nothing like other professions in the Republic of Slovenia. The Company is committed to strengthen cooperation with neighbouring countries and its role in the envisaged modification of airspace in the region. At the same time, its main objective will continue to be to ensure smooth and efficient air traffic flow. Pursuant to the European Union goals regarding the cost effectiveness of the provision of air navigation services under the Single European Sky, the synergistic effects of the provision of cost-effective services in the region are strengthening in cooperation with providers from neighbouring countries. The Company actively contributes towards achieving the aims of the European Commission regarding the formation of functional airspace blocks in Europe, as part of the Functional Airspace Block Central Europe – FAB CE, and at the same time towards maintaining the competitiveness of the Company's know-how and high technological capacities of providing air navigation services in Slovenian airspace in the future.



DEVELOPMENT POLICY

Slovenia Control, Ltd is the holder of a licence to provide air navigation services, namely air traffic control services, communications, navigation and surveillance services and aeronautical information services. The Company provides the technical and operational capacity and expertise for air navigation services in a manner that is safe, free of disruption, flexible in capacity, advantageous in terms of price, cost-effective, close-to-nature and of the very highest quality, adapting constantly to the actual current or future air traffic density in the given airspace.

Pursuant to the requirements of the Provision of Air Navigation Services Act (Official Gazette of the Republic of Slovenia, no. 30/06 – official consolidated text, 109/09, 62/10-Zlet-C and 18/11-ZUKN-A) (hereinafter referred to as the Provision of Air Navigation Services Act) and the Memorandum of Association of the public corporation Slovenia Control, Ltd, we adopted a five-year business plan for the period 2013–2017, which, in accordance with the requirements of Slovenian legislation and European regulations on the Single European Sky, represents a strategic document containing the Company's development strategy, aimed at contributing to the sustainable development of the air traffic system by improving the overall efficiency of air navigation services.

The development policies, as set out in the current 2013–2017 Business Plan, are directed towards achieving and improving the efficiency of air navigation services in key performance areas of safety, environment, capacity and cost effectiveness in accordance with the

performance areas specified in the central ATM Plan and pursuant to the Performance Plan for the reference period 2012–2014 of 5 June 2011 and the Appendix to the Performance Plan for the reference period 2012–2014 of 7 November 2011, laying down the binding (and other) performance targets set by the Republic of Slovenia for the first reference period of monitoring Key Performance Indicators – KPI between 2012 and 2014 in the provision of air navigation services, all according to the prevailing safety performance targets.

The Business Plan shows a sufficient amount of financial and administration resources or the financial strength in the period between 2013 and 2017 to ensure appropriate technical and operational capacities and expertise for the provision of air navigation services and airspace management, as well as any effect on fees for users resulting from the implementation of the strategy and the Business Plan, and sets out the following Company development policies for reaching the strategic goals:

- to remain the designated air navigation service provider (ANSP) in the Slovenian flight information region and also outside, in accordance with national legislation, the Single European Sky legislation and the FAB-CE Agreement;
- to retain the licence (certificate) to provide air navigation services, namely air traffic services (ATS), communications, navigation and surveillance services (aeronautical telecommunications services; CNS) and aeronautical information services (AIS) and Flight School (FS);

- to ensure the Company's efficient international involvement in the development of the regional Functional Airspace Block Central Europe – FAB CE and association with other functional airspace blocks;
- to ensure that the risk of an aircraft accident or an air navigation service incident is always at the lowest reasonably possible and practical level. The Company will ensure this by maintaining and constantly improving the level of the overall safety of services in accordance with the requirements laid down on the European and national level as well as with the standards and recommendations of international organisations on civil air traffic;
- to maintain and improve the quality of services through flexible capacity, advantageousness in terms of price and cost effectiveness, achieving the performance targets set out in the 2012–2014 Performance Plan for the Republic of Slovenia in accordance with the European-Union-wide performance targets;
- to maintain and improve the level of quality and organisation, thus pursuing the aim of establishing a model of business excellence;
- to strive towards a modern, integrated concept of safety (security), the aim of which is to prevent interference in the technology of the air navigation service operation, thus ensuring the protection of civil aviation against any direct and indirect threats. The Company strives towards meeting the highest possible security standards, ensures the appropriate safety of its business processes and endeavours to fulfil national and international civil aviation security norms. Within the above-mentioned period, the Company's aim is to integrate the individual safety subsystems into a comprehensive risk management concept in order to provide a safe environment for business processes with a successful and efficient safety system and to ensure, to the greatest possi-

ble extent under the given conditions, the independence of the safety system from outside providers. An important aim for this period is to unify and standardise technical security systems in terms of planning and performance;

- to rationalise the organisation and services by carrying out the Air Traffic Control Centre ATCC project;
- to maintain, optimise and improve the technological infrastructure enabling the Company to achieve its operational aims in the areas of safety, capacity and economic operation. The Company's technological development is directed towards achieving its basic aims while ensuring adherence to European and global guidelines in the field.

In the second reference period between 2015 and 2019, one of the Company's principal strategic policies is the achievement of European-Union-wide performance targets. Within this period, the European-Union-wide performance targets and indicators for all four key areas of performance monitoring will be determined. These are: capacity, cost efficiency, safety and environment. Providing services that are flexible in capacity, acceptable in terms of price, cost-effective and of the very highest quality while achieving the European-Union-wide performance targets, the Company's operation will be directed towards the most important aim – ensuring air traffic safety. All this can be achieved exclusively and only with the retainment and development of the required qualified personnel that have the necessary specific knowledge and realise the importance of safety in their work.

The Company will pursue its development policies by taking all the necessary measures in due time to ensure smooth business operation and the achievement of the Company's aims.

ABOUT THE COMPANY

Company:

KONTROLA ZRAČNEGA PROMETA SLOVENIJE, d. o. o.
SLOVENIA CONTROL, Slovenian Air Navigation Services,
Limited

Abbreviated name of the Company:

KZPS, d. o. o.
SLOVENIA CONTROL, Ltd

Registered office:

Zgornji Brnik

Business address:

Zgornji Brnik 130n, 4210 Brnik - aerodrom

AFTN: LJLAYFAX

Registration number: 1913301

VAT Identification Number: SI18930492

Bank accounts:

Banka Koper, d. d.: SI56 1010 0004 3347 840

UniCredit Banka Slovenije, d. d.: SI56 2900 0005 5404 414

NLB, d. d.: SI56 0292 2025 4167 737

Registered with: Kranj District Court

Classification of the main business activity:

52.230 Service activities incidental to air transportation

Ownership: 100%-owned by the Republic of Slovenia

Share capital: EUR 5,525,705.66

Number of employees: 217 (as at 31 December 2013)

Contacts:

Telephone: 00 386 4 20 40 000

Fax: 00 386 4 20 40 001

Email: info@sloveniacontrol.si

URL: www.sloveniacontrol.si

Corporate governance bodies:

The Founder, the Supervisory Board and the CEO.

Founder:

The Republic of Slovenia

CEO:

Franc Željko Županič PhD

Supervisory Board:

Founder's representatives:

Dušan Hočevar, President

Janez Kolar MSc, Deputy President

Janez Hrovat, member

Domen Trobec PhD, member (since 21 January 2014)

Workers' representatives:

Žiga Ogrizek, member

Zoran Pajić, member



OFFICIAL STATUS AND LINE OF BUSINESS

Kontrola zračnega prometa Slovenije d.o.o. was established on the basis of the Provision of Air Navigation Services Act, in accordance with the Companies Act (Official Gazette of the Republic of Slovenia, no. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12 and 82/13) (hereinafter referred to as the Companies Act) and the Public Utilities Act (Official Gazette of the Republic of Slovenia, no. 32/93, 30/98-ZZLPPO, 127/06-ZJZP, 38/10-ZUKN and 57/11) (hereinafter referred to as the Public Utilities Act) and in conjunction with the Aviation Act (Official Gazette of the Republic of Slovenia, no. 81/10 – official consolidated text) (hereinafter referred to as the Aviation Act). Pursuant to the Companies Act, the Company's form of legal organisation is a limited liability company, the member and founder of which is the Republic of Slovenia. In accordance with the provisions of the Public Utilities Act, it has the status of a public corporation, responsible for the operation of the public utility of air navigation services. In accordance with the Memorandum of Association, the Company has three corporate governance bodies: the Founder, the Supervisory Board and the CEO. In 2013, pursuant to the Slovenian Sovereign Holding Act (ZSDH, Official Gazette of the Republic of Slovenia, no. 105/12 and 39/13), the Founder's rights were exercised by the Management Board of Slovenska odškodninska družba, d.d., – the Slovenian Restitution Fund in the name and on behalf of the Republic of Slovenia. Following the entry into force of the new Slovenian Sovereign Holding Act (ZSDH-1, Official Gazette of the Republic of Slovenia, no. 25/14) at the end of April 2014, the Founder's rights were transferred to Slovenski državni holding, d.d., – the Slovenian Sovereign Holding, into which the Slovenian Restitution Fund was transformed in accordance with the Act.

In the rest of the world, the Company goes under its English name of Slovenia Control, Slovenian Air Navigation Services, Limited.

The Company's registered activities enable it to perform various functions. In accordance with the Standard Classification of Activities, the Company's main business activity is 52.230 – Service activities incidental to air transportation, comprising air traffic management and control, carried out in the following air navigation services:

- air traffic services;
- communications, navigation and surveillance services (aeronautical communications services);
- aeronautical information services.

The Company pursues the activity as part of the mission for which it was established.

Operating a public utility, the Company provides services of public interest and is the only Slovenian company of its kind. The employees therefore hold a very specific position at the Company, comparable solely to those at companies pursuing the same business activities in the rest of the world. Unlike employees at other companies, our employees are required to hold special licenses to perform air navigation services, attesting to their knowledge and abilities. Given the specific nature of their skills and know-how, they are involved in numerous activities affecting the development of the profession, regulations and developments in this field.



ORGANISATIONAL STRUCTURE

The Company provides air navigation services in Slovenia in accordance with Slovenian legislation, European standards, the standards and recommendations of the International Civil Aviation Organisation (ICAO) and the European Organisation for the Safety of Air Navigation (Eurocontrol), the Letters of Agreement – LoA concluded with neighbouring air navigation service providers and international treaties by which Slovenia is bound.

The organisational structure of the Company supports the safe, undisturbed, efficient and continuous provision of air navigation services provided by the Company and provides for requisite adaptability and responsiveness to changes in the environment in which it operates.

The Company's internal organisation and post classification are set out in the Rules on Internal Organisation and Post Classification, defining the key functions or activities performed in individual organisational units. The organisation of the Company is subject to the performance of its main business activity: the provision of air navigation services in accordance with the Aviation Act, the Provision of Air Navigation Services Act and with the European legislation on the Single European Sky.

The Company's main business activity – air traffic management and control – is pursued through three operational departments:

- Air Traffic Services Department,
- Communications, Navigation and Surveillance / Air Traffic Management Systems Department and
- Aeronautical Information Services Department.

The process of training for the personnel working in operational departments is provided at the Flight School as an independent organisational unit, responsible directly to the CEO.

Duties regarding HR, legal affairs and finance and accounting as well as investment and public procurement duties are the responsibility of the General Management Department.

Duties that hold a special place in the organisation are those related to air traffic safety management, air navigation service provider certification, international affairs and strategic planning, quality and security, information technology, public relations and administration and are performed by the CEO's Staff.

Activities are carried out at the Company's registered office located at the new Air Traffic Control Centre ATCC at the address Zgornji Brnik 130n. Activities are also carried out at Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport, Portorož Airport and Cerklje ob Krki Airport.

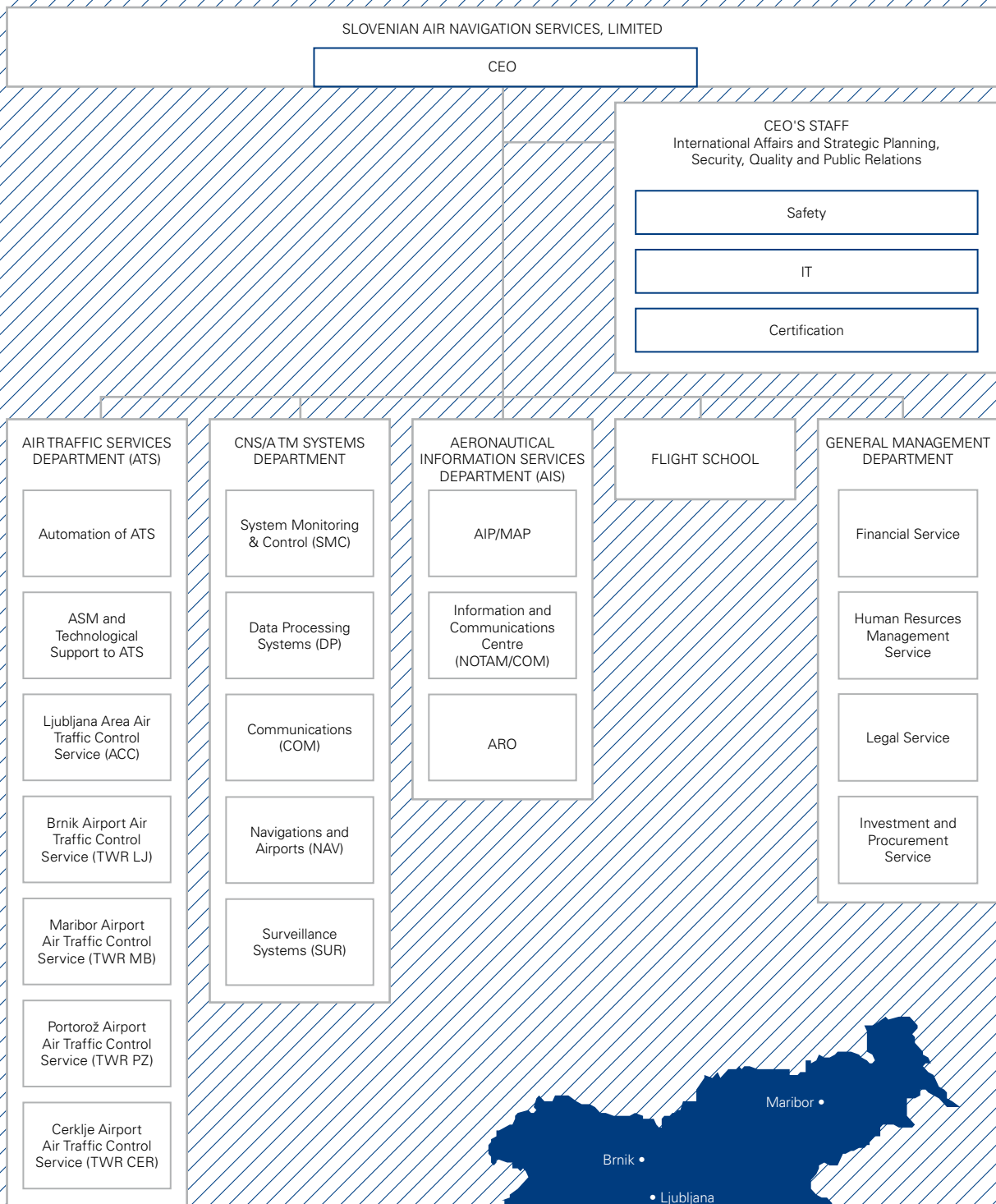


Figure 1 / Organisational Scheme



Figure 2 / Company Locations

CEO'S REPORT



The financial year 2013 represents a significant milestone for the development of Slovenia Control, Slovenian Air Navigation Services, Limited that is also of strategic importance in terms of retaining the competitiveness and capacities of air navigation services in the Slovenian airspace. I am therefore pleased that 21 March 2014 marked the very first year of business operations and the continuous provision of air traffic management and control services at the new Air Traffic Control Centre ATCC at Ljubljana Jože Pučnik Airport. The successful completion of the largest development project of Slovenia Control, Ltd in March 2013 is, I believe, one of the Company's most significant achievements in the past year by which, using our own know-how and state-of-the-art technology, we have ensured sufficient capacities for the provision of safe air traffic control services in the Republic of Slovenia for at least the next 30 years. The new building provides adequate functionality and space for the Company's operational services and administrative staff. Furthermore, the Company's new location and registered office provide great advantages in terms of cooperation with other aviation partners.

Based on the data of the Eurocontrol organisation, the number of flights in Europe (EU-28) decreased by 1.7% in 2013 compared to 2012. Despite encouraging results reflected in the growth in the number of passengers and cargo at Ljubljana Jože Pučnik Airport, harsh eco-

nomical conditions in Slovenia and elsewhere in Europe, along with the political and security crisis in the Middle East, have taken their toll on air traffic in the Slovenian airspace. The Company thus recorded a modest, i.e. 1.4-percent traffic growth in terminal service units and a 3.3-percent decrease in traffic in en-route service units from 2012. Nevertheless, the Company ended the financial year successfully, generated a profit and achieved its aims in the areas of capacity and cost-efficiency in accordance with the adopted national Performance Plan for the period 2012–2014 that laid down the binding (and other) performance targets for the first reference period of monitoring Performance Indicators between 2012 and 2014 in the provision of air navigation services. It should also be noted that, with the average en-route delay in air traffic flow management of 0.003 minutes per flight achieved, the Company exceeded the target values, providing the appropriate capacity or air traffic flow with almost no delays despite the operationally and technically demanding transfer of activities from the old to the new ATCC Centre at Ljubljana Jože Pučnik Airport.

In the past year, the Company continued to strive not only towards maintaining a high level of safety but also towards development and achieving its aims as part of the safety management system in pursuing its activity of air traffic management and control. The Company

demonstrates compliance with all statutory requirements with its licence to provide air navigation services for air traffic services (ATS), communications, navigation and surveillance services (CNS) and aeronautical information services (AIS), obtained in the recertification procedure at the end of the year from the Civil Aviation Agency of the Republic of Slovenia for the next four years. To retain this certificate, it is equally important to maintain an adequate quality management system level and thus the international standard of the ISO 9001: 2008 certificate.

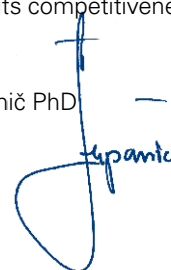
Last year's decision of the state as the sole Company member on the capital increase with an in-kind contribution in the form of assets that were entrusted to the Company's management to pursue its business activity in accordance with the Provision of Air Navigation Services Act was important for ensuring the safe, undisturbed and efficient provision of the Company's services. By transitioning to International Accounting Standards in 2013, the Company also fulfilled the requirement prescribed by EU regulations that all air navigation service providers prepare their financial statements in accordance with the International Accounting Standards.

In the field of international cooperation, the Company continued to be actively involved in the project Functional Airspace Block – FAB Central Europe (FAB CE) and strengthened its cooperation with international organisations and interest groups (Eurocontrol, ICAO, CANSO, BLUE MED and CEAP or Gate One). Slovenia's involvement in the FAB CE has contributed to strengthening the Company's role in the provision of air navigation services in the region, which the Company must retain by continuing to be active on the European and international level, as the Company has always strived to do. Furthermore, active and successful cooperation between the representatives of the Company and the Ministry of Infrastructure and Spatial Planning and the representatives of the other six member states is instrumental in ensuring that the FAB CE is run pursuant to European Union regulations on the Single European Sky. In 2013, the Company assumed an active role in the process of

establishing a joint legal entity – an enterprise with the status of a limited liability company, of which all FAB CE air navigation service providers will be members. The purpose of this entity will be to ensure the fulfilment of legislative requirements on the Single European Sky to the greatest possible extent and to strengthen cooperation between the company members – FAB CE air navigation service providers. As a result of successful lobbying on the part of Company representatives and wide support from the representatives of certain FAB CE air navigation service providers, this enterprise is to be headquartered in the Republic of Slovenia.

As Company CEO, I will continue to do my best to guarantee appropriate operational and technological capacities by investing into the modernisation of systems and devices while fulfilling the requirements for interoperability imposed by the Single European Sky legislation as well as strengthening the Company's competitive position by taking advantage of the synergistic effects resulting from the Company's involvement in the Functional Airspace Block Central Europe (FAB CE). In order to ensure the Company's continued ability to provide air traffic management and control that is safe, free of disruption, cost-effective, continuous and of the very highest quality, I consider our central tasks to be achieving our aims in the areas of cost-efficiency and capacity in accordance with the adopted Performance Plan 2012–2014 and compliance with European-Union-wide performance targets for the new reference period 2015–2019 under the common Performance Plan of FAB CE member states that is currently being devised, pursuing the set goals by achieving the anticipated traffic growth rates, counting mainly on the positive effect of the open airspace over Kosovo and working actively together with all stakeholders to ensure the most favourable operating conditions for the Slovenian aeronautical industry and its competitiveness.

Franc Željko Županič PhD
CEO





CORPORATE GOVERNANCE STATEMENT

Pursuant to Article 70, Paragraph 5 of the Companies Act (ZGD-1) and Article 26, Paragraph 4 of the Memorandum of Association of the Public Corporation Slovenia Control, Slovenian Air Navigation Services, Limited, the Company hereby gives its Corporate Governance Statement for the year 2013.

1. STATEMENT OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE

As of 15 May 2013, the Company is bound by the Corporate Governance Code for Capital Assets of the Republic of Slovenia (hereinafter referred to as the Code) adopted on the said date by the Slovenian Restitution Fund. Prior to that, the Company was bound by the Corporate Governance Code for Companies with State-Owned Capital Assets adopted on 13 January 2011 by the Capital Assets Management Agency of the Republic of Slovenia. The latter was dissolved under the Slovenian Sovereign Holding Act (ZSDH).

By respecting the provisions of the Code in full, Slovenia Control, Ltd strives to maintain and further improve the successful governance and management of the Company.

The Code is published on the website of the Slovenian Restitution Fund at <http://www.so-druzba.si/>.

Slovenia Control, Ltd hereby gives its Statement of Conformity with the Corporate Governance Code for Capital Assets of the Republic of Slovenia.

2. DESCRIPTION OF THE MAIN CHARACTERISTICS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AT THE COMPANY RELATED TO THE PROCEDURE OF FINANCIAL REPORTING

The purpose of the internal control system is to ensure efficient and successful operation, reliable financial reporting and compliance with the legislation and other external and internal regulations in force.

The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS) and with the Companies Act (ZGD-1). The data in the financial statements are based on vouchers and books of accounts, kept in accordance with the IFRS as adopted by the EU. They give a true and fair view of the Company's financial situation and profit and loss for the year 2013. Together with the notes, the financial statements are prepared on the basis of the assumption of going concern.

The following fundamental accounting assumptions have been considered: the actual basis, going concern and the characteristics of quality financial statements – mainly: comprehensibility, adequacy, reliability and comparability. The following fundamental accounting principles were considered in the accounting policies: prudence, substance over form and materiality.

The Company provides for the accuracy, completeness and truthfulness of financial reporting by means of several controls, such as: harmonisation of items with customers and suppliers, control of the completeness of data acquisition, control of the delimitation of duties and responsibilities, control of the restriction of access to accounting records and control of supervision. The accounting process is IT-supported, meaning that all of the above-mentioned controls are also connected with control systems built into the information technology. IT-related risks and other risks are described in greater detail in the Risk Management chapter.

Furthermore, the Company provides for the accuracy, completeness and truthfulness of financial reporting by complying with the requirements prescribed by the international ISO 9001:2008 standard.

3. INFORMATION ON THE OPERATION OF THE GENERAL ASSEMBLY

The Company's corporate bodies are:

- the Founder,
- the Supervisory Board and
- the CEO.

The only Founder of the Company is the Republic of Slovenia. The Founder's powers are set out in detail in the Memorandum of Association. In 2013, the Founder exercised its powers in accordance with the Slovenian Sovereign Holding Act (ZSDH) through the Slovenian Restitution Fund. As the only Company member, the Founder exercises its powers by making decisions.

4. INFORMATION ON THE STRUCTURE AND OPERATION OF MANAGEMENT AND SUPERVISORY BODIES

The Company is managed by the CEO in accordance with the Memorandum of Association. The CEO is appointed by the Founder for a 5-year mandate. The Company CEO is Franc Željko Županič PhD.

The Supervisory Board is composed of six members, four of whom are the Founder's representatives and two of whom are the workers' representatives. The structure and operation of the Supervisory Board are presented in greater detail in the 2013 Report on the Work of the Supervisory Board.

Zgornji Brnik, 15 May 2014

SUPERVISORY BOARD REPORT



STRUCTURE OF THE SUPERVISORY BOARD IN 2013

Pursuant to Article 14 of the Memorandum of Association of the Public Corporation Slovenia Control, Slovenian Air Navigation Services, Limited (hereinafter referred to as the Company), the Supervisory Board is composed of 6 members, 4 of whom are appointed by the Founder and 2 of whom are elected by the Workers' Council.

In 2013, the Supervisory Board consisted of the following Founder's representatives:

- Dušan Hočevar, President since 7 December 2012, member since 22 November 2012, also performs the function of the President of the Supervisory Board at DARS, d. d.,
- Janez Kolar MSc, Deputy President since 22 December 2011, member since 18 July 2011,
- Janez Hrovat, member since 22 November 2012, and of the following workers' representatives:
- Zoran Pajić, member,
- Žiga Ogrizek, member.

SUPERVISORY BOARD MEETINGS IN 2013

In 2013, the Company's Supervisory Board held 11 meetings, of which 7 were regular meetings and 4 were meetings by correspondence.

MONITORING THE COMPANY'S OPERATION AND OTHER ACTIVITIES OF THE SUPERVISORY BOARD IN 2013

In 2013, the Supervisory Board devoted most of its work to monitoring the Company's operation, in particular its financial situation, and tracking the progress of the biggest investment, the completion of the construction of the new Air Traffic Control Centre and the Company's move to the new location. In the process of monitoring the Company's financial situation, the Supervisory Board was regularly presented with interim reports on its business operation. The Supervisory Board also reviewed the Company's finances when considering other matters bearing financial conse-

quences, particularly when overseeing the implementation of business plans. The Supervisory Board monitored the implementation of cost optimisation measures at the Company on a regular basis. Borrowing was within the planned limits and the Company settled all of its financial liabilities regularly and on time. The Supervisory Board also devoted a lot of time to monitoring the process of finding the means of repayment for the Company's claims against its partners.

In addition to the aforementioned financial aspect, the examination of the Company's business operations also included the aspect of regulatory compliance, monitoring the implementation of business plans, the realisation of the planned investments and the realisation of the Supervisory Board's and the Founder's decisions. All Supervisory Board decisions reached in 2013 were realised.

The Supervisory Board considers the Company's greatest success in 2013 to be the completion of the construction of the new Air Traffic Control Centre and the successful transfer of the Company's registered office and business activities to the new location in March 2013.

The Supervisory Board also kept track of the realisation of other investments in the Company.

In the first months of 2013, due to the expiration of the CEO's mandate, the Supervisory Board carried out a selection procedure to fill the position. In accordance with the Memorandum of Association, the Supervisory Board proposed to the Founder that Franc Željko Županič PhD be appointed Company CEO for a 5-year mandate.

The Supervisory Board examined the prepared and audited Annual Report for the year 2012 and, having no reservations, approved it. The Founder also confirmed the approval of the Annual Report and gave the CEO and the Supervisory Board a discharge for their work in the financial year 2012.

The Supervisory Board examined and monitored the implementation of the Recommendations of the Manager of Indirect and Direct Capital Assets of the Republic of Slovenia, adopted by the Slovenian Restitution Fund in March 2013, and the Corporate Governance Code for Capital Assets of the Republic of Slovenia, adopted by the Slovenian Restitution Fund on 15 May 2013. The Supervisory Board regularly followed the flow of documentation and data as well as communication between the Company and the Slovenian Restitution Fund. Supervisory Board members attended seminars organised by the Slovenian Restitution Fund.

With regard to business planning, the Supervisory Board adopted the 2014 Annual Business Plan that complies with the Performance Plan previously approved by the Republic of Slovenia and the European Commission and is, *mutatis mutandis*, in line with the recommendations of the Slovenian Restitution Fund.

The Supervisory Board also agreed to the conclusion of legal transactions required for the Company's capital increase with an in-kind contribution pursuant to the Decision of the Government of the Republic of Slovenia, no. 47604-4/2013/3 of 18 December 2013 and the Decision of the Management Board of the Slovenian Restitution Fund on the Company's share capital increase of 20 December 2013.

As regards other responsibilities within its competence, the Supervisory Board considered proposals to approve the conclusion of contracts and annexes to contracts.

EVALUATION OF THE SUPERVISORY BOARD'S EFFICIENCY

The Supervisory Board carried out an evaluation of its efficiency in which all Supervisory Board members participated by filling out matrices and discussing the matrix analysis.

THE COMPANY'S ANNUAL REPORT FOR 2013

After the end of the financial year 2013, the Supervisory Board examined the prepared and audited Annual Report for the year 2013 and the proposal on the use of accumulated profit submitted for audit by the Company to the chosen auditing firm, Ernst & Young, as prescribed by the Companies Act. The said Annual Report was prepared in accordance with the Companies Act and the International Accounting Standards. The Report presents the conditions and results of the Company's performance in 2013 and consists of two parts, namely the Management Report and the Financial Report.

The Management Report presents the Company's performance in 2013. It specifies key events and factors affecting performance in 2013 and after the end of the financial year, major figures for 2013, the provision of air navigation services in 2013, investments, risk management, air traffic data and key plans for the year 2014 and expectations for the Company's development.

As regards the examination of the Financial Report, the Supervisory Board has established that the Financial Report is clear and comprehensible and that the financial statements give a true and fair view of the Company's assets and liabilities, its financial situation and its operating results. The Report includes a breakdown of the financial statements as well as notes to individual items in the financial statements.

At the 80th regular meeting held on 22 May 2014, the Supervisory Board examined the prepared and audited Annual Report for the year 2013 and, having no reservations, approved it. The Supervisory Board holds a positive opinion of the Auditor's Report prepared by the auditing firm Ernst&Young, d.o.o. It also examined the proposal on the use of accumulated profit and reached the decision proposing to the Company Founder that the accumulated profit in the amount of EUR 211,404.39, comprising the remainder of the net profit for the financial year 2013 after use, be used in full to form other revenue reserves.

The Supervisory Board estimated the Company's performance in 2013 as successful.

PLANS FOR 2014

In 2014, the Supervisory Board will continue to strive for regular and efficient supervision of the Company's business operations. It intends to devote special attention to operating results and monitoring risk management, including the repayment of the Company's claims and cost trends.

Dušan Hočevar, Bachelor of Engineering
Public Administration Specialist
PRESIDENT OF THE SUPERVISORY BOARD





I. MANAGEMENT REPORT



1

KEY EVENTS AND FACTORS AFFECTING PERFORMANCE IN 2013 AND AFTER THE END OF THE FINANCIAL YEAR

Following the first economic crisis, traffic in the European area slowly and unsteadily increased. In 2013, the air traffic growth rate in Europe (EU-28) was marked by a general decrease in economic activity, the crisis in the European area, high oil prices and particularly the rationalisation of fleets, a reduction in the number and frequency of flight connections and the bankruptcy of certain air carriers. This resulted in lower traffic growth than the forecasts of the Eurocontrol organisation. Compared to a drop of 3 % in 2012, the number of flights in Europe (EU-28) decreased by 1.7 %. In certain areas of Europe, the traffic flow continued to be very unsteady in 2013. Slovenia is part of the area experiencing lower traffic growth compared to previous years. Thus, in 2013, Slovenia saw a fall of 4.8 % in the number of IFR flights in the Ljubljana FIR. Compared to 2012, the fall in traffic in the Slovenian airspace was smaller by 3.3 % in en-route service units, while it was larger by 1.4 % in terminal service units.

YEAR 2013

January

- The Company passed an external recertification assessment of the quality system under the international ISO 9001:2008 standard without non-compliance or significant deviations, thus retaining its quality certificate, valid until January 2016.
- On 24 January 2013, Frank Brenner, Director General of the Eurocontrol organisation, made a working visit to the Company.
- In January, tests on all major operating systems were carried out to ensure a successful start to activities at the new ATCC Centre that included a successful simultaneous test switch of all major operational components from the old to the new Area Air Traffic Control Centre and vice versa.
- On 1 January 2013, based on the Founder's decision, the Company made the transition from reporting in accordance with the Slovenian Accounting Standards to reporting in accordance with the International Financial Reporting Standards.

February

- Final technical and operational tests were carried out at the new ATCC Centre and the technical concurrent operation of the new Centre.
- Systematic monitoring and employee briefing about recent changes to Slovenian and EU legislation were introduced.

March

- On 3 March 2013, Phase 1 Shadowing began – air traffic control was carried out at the old Centre, concurrently monitored from the new Centre at Ljubljana Jože Pučnik Airport. The Company successfully obtained a time-limited trial operating licence for the systems at the new Centre valid until 20 March 2013, issued by the Civil Aviation Agency of the Republic of Slovenia on 12 March 2013, which was the condition for commencing Phase 2 Shadowing.
- On 13 March 2013, Phase 2 Shadowing began – air traffic control was carried out at the new Centre concurrently with the operation of the old Centre.
- On 20 March 2013 at 23:59, the phase of the concurrent operation of the old Centre at Kotnikova 19 a in Ljubljana and the new ATCC Centre at Ljubljana Jože Pučnik Airport, that is "Shadowing 2", officially ended with success, thus completing the transfer of air navigation services to the new Area Air Traffic Control Centre. The Civil Aviation Agency of the Republic of Slovenia issued trial operating licences to the Company together with related licences to introduce changes in the functional air traffic management system for the systems at the new Centre valid until the issue of final decisions or until 12 March 2014.
- A press conference was organised for the occasion of the successful completion of the construction of the new Air Traffic Control Centre – ATCC at Ljubljana Jože Pučnik Airport and the move of the Company's operations and registered office from Ljubljana to the new location.

- Based on the Founder's decision, the new Memorandum of Association of the Public Corporation Slovenia Control, Ltd changing the Company's registered office entered into force on 13 March 2013.
- On 21 March 2013, Franc Željko Županič PhD was appointed Company CEO for another five-year mandate.
- At the end of March 2013, the Company organised a conference on air traffic safety in Bled. It was attended by CEOs and heads of safety at air navigation service providers.
- A self-service terminal for filing flight plans and the provision of pre-flight information was installed at Cerklje ob Krki Airport. At the same time, all the Company-owned hardware and software previously used for this purpose was removed.

April

- The Company carried out a regular internal assessment of the quality system under the international ISO 9001:2008 standard.
- The Company passed an external recertification assessment carried out by the Civil Aviation Agency of the Republic of Slovenia pertaining to the fulfilment of common requirements for the provision of air navigation services and to the change in certificate conditions for the provision of air navigation services.
- At the end of April, the Company signed a new Agreement Regulating Mutual Relationships Regarding the Provision of Air Navigation Services at Cerklje Airport, Cerklje ob Krki, for General Air Traffic (GAT) and Operational Air Traffic (OAT) with the Ministry of Defence of the Republic of Slovenia.
- The Company concluded the Service Level Agreement on Radar Data Provision – Graz with Austro Control.
- In cooperation with the Ministry of Defence of the Republic of Slovenia, the Company issued the VFR Aeronautical Chart and the VFR Bulletin.

May

- On 30 May 2013, the Company and the Slovenian Environment Agency signed an Agreement for Mutual Cooperation in Providing Air navigation Services. An important part of these services is also the Aviation Meteorology Service, the purpose of which is to ensure safe and smooth air traffic flow in the Republic of Slovenia. The new Agreement replaced the previous Agreement of 2005.
- The Company worked together with the competent Ministry of Infrastructure and Spatial Planning on the preparation of a proposal on 2014 cost bases for en-route and terminal charges and preliminary cost bases for the second reference period of monitoring European-Union-wide performance targets in the years 2015–2019.
- A PR agreement was signed between FAB CE air navigation service providers and Aviation Advocacy Sàrl (Agreement on the Support to FAB CE Communication and Government Affairs).

June

- FAB CE air navigation service providers reached the decision to establish a joint legal entity – an enterprise with the status of a limited liability company – FAB CE, d.o.o., headquartered in the Republic of Slovenia, to carry out joint projects, consultancy services, education and training, public procurement, etc.
- On 6 June, the Supervisory Board examined and approved the Company's Annual Report for the year 2012, together with the proposal on the use of accumulated profit and the Auditor's Report. Upon examination, the Supervisory Board proposed that the Founder accept the proposal on the use of accumulated profit, specifying that accumulated profit in the amount of EUR 5,163,544, comprising:
 - net profit after use from the financial year 2012 in the amount of EUR 1,921,864 and

- accumulated profit from previous years in the amount of EUR 3,241,680, be used to pay out the only Company member, the Republic of Slovenia, in the amount of EUR 264,551 and the remainder of the accumulated profit in the amount of EUR 4,898,993 be used to form other revenue reserves.
- Company representatives attended the 99th Enlarged Committee session of the Eurocontrol organisation in Brussels, where, in consultation with the representatives of air navigation service users, they discussed the member states' cost bases and service rates.

July

- On 3 July 2013, the Founder was acquainted with the audited Annual Report for the year 2012 and the Report on the Work of the Supervisory Board, gave the CEO and the Supervisory Board a discharge for their work in the financial year 2012 and concluded that the accumulated profit, amounting to EUR 5,163,544 as at 31 December 2012, be used as follows:
 - that EUR 1,000,000 be used for the distribution of profit to the only Company member,
 - that accumulated profit in the amount of EUR 4,163,644 be used to form other revenue reserves.
- On 31 July 2013, the Company filed its application for air navigation service provider recertification with the Civil Aviation Agency of the Republic of Slovenia successfully and on time.
- Upon the move of the Company's registered office and Area Air Traffic Control Centre to the new location at Ljubljana Jože Pučnik Airport, the Civil Aviation Agency of the Republic of Slovenia issued the Company with the licence to provide air navigation services for air traffic services (ATS) and communications, navigation and surveillance services (CNS).

August

- At the beginning of August, the Company and the Ministry of Infrastructure and Spatial Planning carried out the handover of the premises and the transfer of responsibilities to the new manager of the building at Kotnikova 19a in Ljubljana where the Company was headquartered before moving to the new Air Traffic Control Centre – ATCC at Ljubljana Jože Pučnik Airport.
- The IFA Agreement (the Interconnection Framework Agreement) was concluded among FAB CE air navigation service providers.

September

- New Rules on the Implementation of Public Procurement Orders and Duties of the Contract Manager were adopted.
- On 25 September 2013, in accordance with the Founder's decision, the Company paid the first instalment arising from the distribution of profit to the Republic of Slovenia in the amount of EUR 500,000.
- The Civil Aviation Agency of the Republic of Slovenia carried out the assessment of the fulfilment of requirements for air navigation service providers at the Company, as prescribed by the European regulatory framework of the Single European Sky and notably by Commission Implementing Regulation (EU) no. 1035/2011 of 17 October 2011 on common requirements for the provision of air navigation services and on the amendment to Regulations (EC) no. 482/2008 and (EU) no. 691/2010 (OJ L 271, 18 October 2011, p. 23–41) (hereinafter referred to as the Commission Implementing Regulation (EU) no. 1035/2011) and other binding international and national regulations.
- The Company constructed its own optical infrastructure in the area of Ljubljana Jože Pučnik Airport in order to provide a reliable integration of navigation, communication and surveillance systems managed by the Company.

October

- In October, the Company prepared the 2014 cost bases for en-route and terminal charges, setting the service unit rate in accordance with the adopted Performance Plan 2012–2014 approved by the Minister of Infrastructure and Spatial Planning. The relevant Ministry submitted the approved cost bases and service unit rates to Eurocontrol and the European Commission.
- The Company carried out an internal assessment of the quality system under the international ISO 9001:2008 standard.
- The Company decommissioned the old Centre at Kotnikova ulica in Ljubljana.

November

- The Cooperation Agreement on the Creation of the Central European ANS Provider Platform (Gate One) was signed.
- The Company concluded the Service Level Agreement OLDI/FMTP – Ljubljana–Wien with Austro Control.
- New Rules on Internal Organisation and Post Classification at the Public Company Slovenia Control, Ltd were adopted.
- The assessment of the fulfilment of requirements for air navigation service providers was completed successfully. On 29 November 2013, the Company obtained a new licence – the air navigation service provider certificate to provide air traffic services (ATS), communications, navigation and surveillance services (CNS) and aeronautical information services (AIS) from the Civil Aviation Agency of the Republic of Slovenia, issued for the first time for 4 years – until 1 December 2017.
- In order to achieve the performance targets set out in the national Performance Plan 2012–2014, the Company also implemented business, organisational and operational measures for optimisation, carry-

ing out the centralisation of ARO services into a single unit – the Aeronautical Reporting Office ARO Slovenia or ARO LJLA. The Company ensured the timely implementation of all technical, technological and organisational changes, including the adoption of the new Rules on Internal Organisation and Post Classification and the provision of additional training for employees. The introduction of the centralised ARO Service was taken into consideration at the very outset of the assessment of the fulfilment of requirements for air navigation service providers and was formally approved with the new air navigation service provider certificate obtained by the Company on 29 November 2013.

- On 28 and 29 November, the Company once again passed the external control assessment of its quality system to retain the certificate under the international ISO 9001: 2008 standard (the Company's certificate is valid until January 2016).
- Company representatives attended the regular session of the Enlarged Committee for Route Charges of the Eurocontrol organisation in Brussels where, in consultation with the representatives of air navigation service users, they discussed the member states' cost bases and service rates. Pursuant to the Commission Decision of 29 October 2013 on the compliance of service unit rates for the 2014 tariff zones, in accordance with Article 17 of Commission Implementing Regulation (EU) no. 391/2013 of 3 May 2013 laying down a common charging scheme for air navigation services (OJ L no. 128 of 9 May 2013, p. 31) (hereinafter referred to as Commission Implementing Regulation (EU) no. 391/2013), Slovenia's 2014 en-route charge complies with the adopted European-Union-wide performance targets and the requirements of EU regulations on devising the Performance Plan and a common charging scheme for air navigation services.

December

- In December, the materials pertaining to the Company's capital increase with an in-kind contribution on the basis of which the Company's share capital increased from EUR 1,091,118 to EUR 5,525,705.66 were finalised. The Company's share capital increased with the assets that were previously under the Company's management and that were invested as an in-kind contribution by the Republic of Slovenia pursuant to Article 27 of the Act Amending the Provision of Air Navigation Services Act (Official Gazette of the Republic of Slovenia no. 109/09). Due to the share capital increase, the provisions of the Memorandum of Association of the Public Corporation Slovenia Control, Ltd pertaining to the Company's share capital were amended accordingly.
- On 20 December 2013, in accordance with the Founder's decision, the Company paid the second instalment arising from the distribution of profit to the Republic of Slovenia in the amount of EUR 500,000.
- The Civil Aviation Agency of the Republic of Slovenia issued the Company with the certificate for the work of the Flight School to provide professional training for other air navigation service personnel (ARO, NOTAM, FDT, COM), the instructor licence (ARO, NOTAM, FDT, COM) and the maintenance, modification and operational launch of the Radar Data Distribution System (SGW).
- The old Voice Communication System VCS Brnik was shut down and the Brnik Tower was connected to the existing VCS System at the new Centre.

YEAR 2014

January

- On 2 January 2014, pursuant to Article 8 of the Provision of Air Navigation Services Act, Minister of Infrastructure and Spatial Planning Samo Omrzel decided to approve the 2014 Annual Business Plan of Slovenia Control, Ltd adopted by the Supervisory Board at its 76th regular meeting held on 3 December 2013.
- On 14 January 2014, the increase in the Company's share capital and the new Memorandum of Association of the Public Corporation Slovenia Control, Slovenian Air Navigation Services, Limited its provisions pertaining to the Company's share capital having been amended accordingly, were entered in the Court/Business Register of the Republic of Slovenia. The process of the capital increase with the in-kind contribution from the Republic of Slovenia was thus completed.
- On 21 January 2014, the Management Board of the Slovenian Restitution Fund reached the decision to appoint Domen Trobec PhD to the Supervisory Board of the Company for a four-year term and to authorise the CEO to arrange for the decision on the appointment to be entered in the Court Register.
- In January, the Company organised a regular CEO's meeting – the meeting of air navigation service providers – as part of the FAB CE project (the Functional Airspace Block Central Europe).
- On 23 January 2014, the amendments and additions to the Rules on Internal Organisation and Post Classification entered into force, introducing a new post for the job title specialist operator for flight data processing and the provision of information to aircrafts in the department of Air Traffic Services in the field of air traffic control. The position combines the tasks and responsibilities of two posts, namely that of the aircraft flight data operator and the flight information services operator.

February

- The Company concluded the Service Level Agreement on Radar Data Provision – Oljska gora with Austro Control.
- Numerous interventions in the Company's infrastructure were required as a result of catastrophic damage caused by the ice storm. Due to redundant infrastructure and prompt actions taken by the Company's technical staff, there were no major degradations affecting safety and airspace capacity.

March

- A PR agreement was signed between FAB CE air navigation service providers and Aviation Advocacy Sàrl (Agreement on the Support to FAB CE Communication and Government Affairs).
- The Civil Aviation Agency of the Republic of Slovenia issued the Company with the certificate for the organisation of training for air traffic controllers and Flight Information Services (FIS) personnel.
- On 27 March 2014, as part of a government delegation visit to the Gorenjska (Upper Carniola) region, the Minister of Infrastructure and Spatial Planning attended a joint working meeting with the management of Adria Airways, d.d., Aerodrom Ljubljana, d.d., and Slovenia Control, Ltd. After the meeting, the Minister also made a tour of the Company's new premises, the Air Traffic Control Centre – ATCC.
- The European Organisation for the Safety of Air Navigation – Eurocontrol and the Company's Safety Department are working together on an analysis of safety culture for the purpose of which a survey was conducted among Company employees in March. Based on the analysis of the questionnaires received, Eurocontrol will submit a report on the level of safety culture at the Company.

- In March, based on the adopted amendments and additions to the Rules on Internal Organisation and Post Classification, the positive opinion of the Ministry of Infrastructure and Spatial Planning and the approval of the Company's Supervisory Board, the Amendments and Additions to the Appendix to the Collective Bargaining Agreement on the Amount of Basic Salaries, Promotion Rises and the Amount of Allowances to Basic Salaries classifying the new post of specialist operator for flight data processing and the provision of information to aircrafts were concluded with the representative union for air traffic service employees, the Independent Air Traffic Controllers' Union of the Republic of Slovenia.
- By the end of March, a proposal of the common Performance Plan for the second reference period (RP2) 2015–2019 of monitoring European-Union-wide performance targets was prepared by FAB CE member states.

April

- On 26 April 2014, the new Slovenian Sovereign Holding Act (ZSDH-1) entered into force, under which the Founder's rights were transferred to the Slovenian Sovereign Holding following the transformation of the Slovenian Restitution Fund.
- On 29 April, a Company representative attended the consultations with service users held in Prague regarding the proposal of the common FAB CE Performance Plan for the second reference period (RP2) 2015–2019 of monitoring European-Union-wide performance targets.



2

MAJOR FIGURES AND PERFORMANCE INDICATORS

The Company finances itself by means of revenues from the en-route charges and terminal charges paid by airlines. The charges for services provided to airlines are charged by the European Organisation for the Safety of Air Navigation (Eurocontrol), which then transfers the money to the Company.

An international agreement sets out the way in which en-route unit rates are calculated. The price is determined on the basis of the projected costs, investments and traffic in the following year. For en-route service units, any differences between the actual revenues and those projected are taken into consideration in the calculation of the charges over two years based on a set system (over- or under-recovery), using the mechanism of dividing risks and stimulations. Determined expenses are calculated the same way. For terminal service units, any differences between the actual revenues and expenses and those projected are taken into consideration in the calculation of terminal charges over two years (over- or under-recovery).

In 2013, the en-route charge was calculated at EUR 66.59, while the terminal charge was EUR 256.73.

In 2013, the Company generated sales revenues in the amount of EUR 32,484 thousand, of which EUR 27,545 thousand from en-route charges, EUR 2,860 thousand from terminal charges and EUR 572 thousand from other sales revenues. Sales operating revenues for 2013 have been increased by EUR 1,507 thousand to cover the over-recovery of en-route charges in 2011. Other operating revenues amounted to EUR 266 thousand, of which EUR 254 thousand was from reversals of provisions.

Table 1 / Major Figures

In thousands of EUR	2013	2012	2011
Sales revenues	32,484	34,138	33,265
EBIT	1,365	4,159	1,074
EBITDA	5,141	5,779	2,720
Net profit	866	3,844	840
Long-term assets	34,742	35,764	27,072
Current assets	3,609	3,483	9,270
Equity	12,636	8,285	4,942
Long-term liabilities	11,548	14,708	16,247
Short-term liabilities	9,807	10,045	8,510
Indicators	2013	2012	2011
EBIT in sales revenues	4%	12%	3%
EBITDA in sales revenues	16%	17%	9%
Net profit in sales revenues	3%	11%	3%
Return on Equity (ROE)	9%	58%	19%
Return on Assets (ROA)	2%	10%	3%
Number of employees	2013	2012	2011
At the end of the year	217	215	216

2.1 PERFORMANCE INDICATORS

The year 2013 covers the second year of the first reference period between 2012 and 2014 for which, pursuant to European regulations on the Single European Sky or Commission Regulation (EU) no. 691/2010 of 29 July 2010 on devising the Performance Plan for air navigation services and network functions and on the amendment to Regulation (EC) no. 2096/2005 on common requirements for the provision of air navigation services (OJ L 201, 3 August 2010, p. 1–22) (here-

inafter referred to as Commission Regulation (EU) no. 691/2010), the Republic of Slovenia set binding targets and Key Performance Indicators – KPI in the provision of air navigation services in two Key Performance Areas – KPA, i.e. the areas of capacity and cost-efficiency, which must be in accordance with the European-Union-wide performance targets and the Performance Plan 2012–2014 for the Republic of Slovenia.

The Performance Plan 2012–2014 for the Republic of Slovenia lays down the policies and ways of achieving the projected performance targets in the key areas of capacity and cost-efficiency for all air navigation service providers, therefore for the Company, as well as the Aviation Meteorology Service of the Slovenian Environment Agency and the air navigation service supervisory body – the Civil Aviation Agency of the Republic of Slovenia.

For the first reference period (RP1, 2012–2014), Commission Regulation (EU) no. 691/2010 does not require performance targets and indicators to be set in the other two key performance areas of safety and environment on a European level. In the 2013 Business Plan, the Company accordingly defined the binding performance indicators in two Key Performance Areas (capacity, cost-efficiency) and their values in relation to the European-Union-wide performance targets for 2013 and collected and assessed the information for safety performance indicators.

Pursuant to the national Performance Plan 2012–2014 and the Company's Annual Business Plan for 2013, the binding performance targets and indicators in the Key Performance Areas of capacity and cost-efficiency are defined as follows:

- in the area of capacity, the binding performance indicator observed and measured is the value of "the average en-route Air Traffic Flow Management (ATFM) delay per flight" at the Ljubljana Area Control Centre (ACC Ljubljana);
- in the area of cost-efficiency, the binding performance indicator observed and measured is the value of "the determined unit rate for en-route air navigation services" in real terms in EUR in 2009 within the Ljubljana Flight Information Region (FIR Ljubljana).

In the area of capacity, the reference target values of delays are determined by the Eurocontrol organisation; the value of delay for Slovenia in 2014 was set at 0.22 minutes per flight. For 2013, an interim indicator target value was set at 0.03 minutes per flight. The actual value of this indicator in 2013 amounted to 0.003 minutes per flight, making it a great deal better than the indicator target value.

The targets for delays set for Slovenia for the reference period 2012–2014, including the 2013 target, are in accordance with the European-Union-wide performance targets, and the 2014 target value (0.03 minute per flight) is a great deal better for 2013 in the Republic of Slovenia than the European-Union-wide target.

On the basis of the average service unit rate in Europe for the year 2011, the Commission Decision of 21 February 2011 set the trend of reducing the average rate by 3.5 % per year on average in the period 2012–2014, based on the average service unit rate in 2011, while taking into consideration a deflator due to the 2010 and 2011 inflation rates. The 2013 indicator target value of "the average unit rate for en-route air navigation services" in the area of cost-efficiency, set nominally in the amount of EUR 66.59 or expressed in real value in EUR in 2009 in the amount of EUR 65.37, was achieved.

In 2013, the Republic of Slovenia and the Company achieved both targets in both of the two Key Performance Areas, i.e. the areas of capacity and cost-efficiency.

3

PROVISION OF AIR NAVIGATION SERVICES IN 2013

The Company provides air navigation services in Slovenia in accordance with Slovenian legislation, European standards, the standards and recommendations of the International Civil Aviation Organisation (hereinafter referred to as the ICAO) and Eurocontrol, the Letters of Agreement – LoA concluded with neighbouring air traffic controls and international treaties by which Slovenia is bound. As an air navigation service provider, based on the certificate to provide air navigation services no. 37290-17/2013/15-CAA0606 of 29 November 2013 issued by the Civil Aviation Agency of the Republic of Slovenia, the Company performs the services of providing air traffic control, management and guidance, issuing aeronautical information needed by airspace users and installing, upgrading and maintaining communication, navigation and surveillance systems for air traffic management and control. Based on the certificate for the organisation of training for air traffic controllers and Flight Information Services personnel no. 60404-15/2013/33-CAA0615 of 1 April 2014 and the certificate for the work of the Flight School no. 60404-12/2013/12-CAA0615 of 23 December 2012 issued by the Civil Aviation Agency of the Republic of Slovenia, professional training for air navigation service personnel is provided by the Company's Flight School.

In pursuing its main business activity in 2013, the Company carried out all infrastructure-related activities, investments and projects planned in accordance with the Company's annual business and strategic aims, as set out in the 2013–2017 Business Plan.

In the Annual Business Plan for 2013, the Company identified the following aims:

- air traffic safety,
- airspace capacity,
- the Air Traffic Control Centre (ATCC) project,
- HR development,
- international cooperation,
- ensuring continuous compliance with the common requirements for the provision of air navigation services and the renewal of the certificate to provide air navigation services,
- achieving the performance targets set out in the Performance Plan 2012–2014 for the Republic of Slovenia pursuant to the European-Union wide performance targets.

3.1 AIR TRAFFIC CONTROL

Ensuring the safe, orderly and expeditious flow of air traffic is the priority of Air Traffic Services Department (hereinafter referred to as ATS). The Company provides en-route air traffic control in Slovenian airspace, except for the upper Mura sector, and in a section of Austrian airspace (part of the Austrian Carinthia) and also provides aerodrome and approach air traffic control at three Slovenian airports: Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport and Portorož Airport and aerodrome air traffic control at Cerklje ob Krki Airport. In 2013, the Area Air Traffic Control provided services in a section of the Italian airspace in the so-called "KANIN area". For operational reasons, air navigation services in part of the Mura sector are provided by the Austrian company Austro Control, while Slovenia Control, Ltd provides air navigation services on the same grounds in the Austrian Carinthia.

Major activities and developments realised by ATS in 2013 were as follows:

Capacity

The requisite staffing ensured that sectors were sufficiently open to traffic that decreased by 4.1 % on the annual level in the Dolsko sector. 5 regulations were required and a total of 875 minutes of delays was recorded in 2013. Delays were minimal (0.003 minute per flight) and significantly below the set target (0.26 minute per flight).

Procedures

- ATS staff participated in the drafting of the documentation for the ATCC project (launch);
- Letters of Agreement (internal and external), instructions and relevant documents were updated as appropriate;
- a successful modernisation of the VCS system was carried out at the Brnik Aerodrome Control;
- with the help of the ASM and Technological Support to ATS Section, markings for standard instrument arrivals and departures at Maribor Edvard Rusjan Airport

were modified due to a change in the magnetic direction of the runway;

- preparations for the implementation of RNAV procedures continued;
- the network of flight paths in Slovenian airspace was updated;
- contingency procedures were prepared for the event of non-operation of the Koralpe and Ljubljanski vrh radars.

Technical improvements

- New frequencies were introduced at the Area Air Traffic Control Centre.

ATS representatives worked successfully with the following services and relevant stakeholders:

- the relevant Directorate at the Ministry of Infrastructure and Spatial Planning of the Republic of Slovenia on the preparation of the legal bases for the operation of air navigation services and on the preparation of expert bases as an aid to the Ministry services' decision-making;
- air navigation service providers in neighbouring countries (Letters of Agreement, "KANIN area");
- the Ministry of Defence of the Republic of Slovenia as regards the patrolling of Slovenian airspace, including active cooperation on air force exercises;
- the Meteorological Service of the Slovenian Environment Agency;
- public airport operators in the Republic of Slovenia;
- the Slovenian Nuclear Safety Administration and the Krško Nuclear Power Plant on alerting the Krško Nuclear Power Plant in the event of an unexplained deviation in an aircraft's route in the plant's vicinity;
- working groups within the Eurocontrol organisation;
- working groups within the FAB CE project.

All the necessary procedures for the transition to central planning and the transfer of the entire system for the preparation of a monthly action plan to the Company's internal portal were completed at the beginning of the year. ATS started examining and revising all the documentation and updating instructions for work.

At the end of April, the Company and the Ministry of Defence of the Republic of Slovenia signed a new Agreement Regulating Mutual Relationships Regarding the Provision of Air Navigation Services at Cerklje Airport, Cerklje ob Krki, for General Air Traffic (GAT) and Operational Air Traffic (OAT), redefining our arrangement in the provision of air navigation services at the airport. Pursuant to Article 30 of the Provision of Air Navigation Services Act and based on the concluded employment contract, two workers, air traffic controllers with the Aerodrome Control Visual Rating and an endorsement for the location of Cerklje, previously employed with the Ministry of Defence of the Republic Of Slovenia, joined the Company.

3.2 COMMUNICATIONS, NAVIGATION AND SURVEILLANCE/AIR TRAFFIC MANAGEMENT SYSTEMS

The main activities of Communications, Navigation and Surveillance/Air Traffic Management Systems Department (hereinafter referred to as CNS/ATM) are the maintenance, planning and installation of devices and systems. The majority of its activities were devoted to this purpose in 2013, with a special emphasis on projects, particularly projects related to the launch of the new Air Traffic Control Centre ATCC.

The care for devices is divided among individual services with regard to their principal functions: surveillance systems, communications systems, automated systems and airport navigation systems and equipment at airports. CNS/ATM was also responsible for the maintenance of power and air conditioning systems affecting the operational work and partly of the facilities in which the systems are housed.

Maintenance of devices was carried out according to a monthly maintenance plan. Major maintenance jobs were given special timetables. In accordance with ICAO recommendations, regular flight measurements of all

radio navigation devices were carried out for the needs of other clients as well as measurements of lighting devices. In addition to regular maintenance, CNS/ATM also carried out the technical control of systems and devices at the System Monitoring Controls (TNCs) of Ljubljana (until March 2013), ATCC (at the new Centre, from March 2013 onwards), Brnik and Maribor. The TNCs of Brnik and Maribor operate during the day (when the airports are open) and during the night the control is taken over by the Ljubljana TNC operating via remote diagnostics (later ATCC). The two TNCs operated 24 hours a day.

CNS/ATM participates in various working and project groups involved in the planning, installation and operational launch of various technical devices. CNS/ATM is also responsible for project management and project offices. As the majority of project work is conducted within CNS/ATM, the function of project management has now been combined with project implementation.

In 2013, work on the various projects was particularly intensive. The majority of projects were related to the technical migration of the Air Traffic Control Centre to the new building. The final integration of systems, handovers, tests on individual systems and the Centre as a whole were carried out at the beginning of 2013. In February 2013, the testing was successfully completed and the Centre was ready for the migration. Since the move in March 2013, the Centre has been operating smoothly with no major degradations.

As a result of the technical migration, project activity in other areas decreased due to limited human resources. The main investment was in the modernisation of the Voice Communication at the LJLA Tower, while activity in other areas focused on investment maintenance and the maintenance of system capacity and reliability. During this time, services with a lighter project workload primarily focused on technical control at all three locations, thus lightening the workload of other teams involved in the implementation of the new Centre.

3.3 AERONAUTICAL INFORMATION SERVICES

Aeronautical information services provided by the Aeronautical Information Services Department (hereinafter referred to as AIS) ensure the prompt announcement and distribution of up-to-date aeronautical information by issuing the Aeronautical Information Publication (the AIP) and NOTAM messages, information for pilots before take-off, the acceptance and filing of flight plans, the provision and management of the Aeronautical Fixed Telecommunications Network (AFTN) and other flight-safety-related services for users. In addition to the work and duties related to the provision of aeronautical information in accordance with international standards and recommended practice, Aeronautical Information Services also carry out operational work and duties related to the processing and distribution of the data required for the accurate calculation of en-route and terminal charges.

Major activities and developments realised in 2013 were as follows:

Aeronautical Information Publication (the AIP)

2013 publications and releases:

- 5 AIRAC AMDT, 4 Non-AIRAC AMDT, 1 AIRAC SUP and 5 AIC (by far the highest number since AIP Service was established);
- in October 2013, a new comprehensive AIP of Slovenia was prepared and published and the new EAD AIP software was brought into operational use;
- due to problems with the maker of the VFR Chart, only the VFR Bulletin was distributed for free in 2013.

The ADQ project or the implementation of Commission Regulation (EU) no. 73/2010 of 26 January 2010 on the requirements regarding the quality of aeronautical data and information under the Single European Sky (OJ L 23, 27 January 2010, p. 6–27) (hereinafter referred to as Commission Regulation (EU) no. 73/2010) continued as follows:

- over 30 ADQ documents and 3 different WebADP processes and procedures were prepared;

- the testing of the WebADP software continued;
- the preparation of User Manuals began;
- as support to ADQ and ISO, the AIP Manual was prepared and published;
- an ADQ workshop, attended by all suppliers of information, was also organised;
- activities pertaining to the purchase of the AIXM database began.

Other activities

- the successful upgrade of all EAD Applications to version 8;
- the organisation of two international events.

Information and Communication Centre (ICC)

The following number of NOTAM messages by series was released in 2013:

- 1,311 in series A,
- 529 in series B,
- 1,753 in series C.

Compared to 2012, more NOTAM messages were released in series A and less in series B as the result of the publication of data for Cerklje ob Krki Airport in the AIP SUP. In total, 238 more NOTAM messages were released than in 2012.

Group EAD sent audit reports on NOTAM releases for the last quarter of 2012 and the first three quarters of 2013. 11 minor errors were discovered, thereby establishing that the trend of errors in NOTAM messages is statistically on the decline. All the errors discovered were immediately rectified and discussed at ICC briefings.

In November, the EAD software was upgraded to version 8.

In June, a new online NOTAM request form was installed on the Company's website that is easier for all users to fill out and reduces the possibility of mistakes, particularly when entering schedules and coordinates.

4 ICC briefings were organised. The October briefing also dealt with changes to the EAD software.

The Company was actively involved in the preparation of the new version of Eurocontrol's OPADD Operational Manual for NOTAM messages, in the OPADD FG group and the working group for the harmonisation of FAB-CE AIS/MET data.

Aeronautical Information Services carried out regular maintenance and control of the old AFTN system at Kottnikova ulica in Ljubljana. Some new users of the AFTN/E-mail service were added to the system, enabling external users to send and receive AFTN messages via a standard e-mail client.

Since its installation in 2013, the new AFTN system operated faultlessly. The new connection with the Austrian centre AFTN/AMHS via the PENS network proved to be extremely reliable. In addition to the operational connection with the Austrian centre AFTN/AMHS, the test channel is also being maintained. It allows the changes that are being introduced in the operating system to be checked before being put into operational use. The test channel proved as very useful at the beginning of 2014 by enabling flight plans to be fed into the FDPS system in ADXP format. Introducing the acceptance of flight plans in ADXP format required certain adjustments in the AFTN system. These adjustments were carried out successfully. Flight plans in ADXP format are delivered without disturbances via the connection with the Austrian centre AFTN/AMHS to the Company's FDPS system.

Due to the Company's move to the new location, a new Letter of Agreement was signed with Austro Control in April 2013. The same document will shortly be signed with the Italian centre COM.

New addresses allowing external users to access the AFTN network via e-mail were added to the system. The service is used mostly by small aircraft operators and makes it easier for them to send their flight plans outside the CFMU zone.

A special address was added to the AFTN system, allowing flight plans to be e-mailed to the University

Medical Centre (UKC) Ljubljana. The purpose of setting up the address is enabling prior notification of the UKC staff and the services involved in the landing of a helicopter carrying an injured person. Such means of communication enable the UKC staff and the services involved to be more informed when the injured person arrives. And, above all, they receive the information well in advance, allowing them to be properly prepared. A similar means of communication will also be established with the Jesenice General Hospital in 2014.

ARO

Preparations for the centralisation of ARO went on throughout the year. It was formally carried out on 1 December 2013 when the Company obtained the certificate for the provision of services, under which ARO is now defined as a single unit (ARO Slovenia) and no longer divided by location (Brnik, Maribor, Portorož, Cerklje ob Krki). In 2013, in order to achieve this aim, the training programme and plan for the ARO staff needed to be updated, the staff had to be trained under the new programme, software for online flight plan filing and the provision of pre-flight information had to be implemented and self-service terminals for filing flight plans and the provision of pre-flight information needed to be made. These are now installed at the airports, replacing the staff. The system soon had over 200 registered users and the percentage of flight plans submitted online already reached 40%. Several workshops for users of this online service were organised at the Company's headquarters. At the request of certain flying clubs, the Company also ran well-attended workshops at the flying clubs' locations.

Other activities

In 2013, AIS reviewed and processed 440 documents related to applications for flying foreign-registered ultra-light aircraft in the airspace of the Republic of Slovenia. On the basis of these documents, the Company issued an appropriate number of licenses to fly foreign-registered ultra-light aircraft in the airspace of the Republic of Slovenia, as dictated by the Rules on Ultra-light Aircraft. In 2013, the number of applications for obtaining the license to fly foreign-registered ultra-light aircraft in-

creased by 9.5% compared to the previous year. The increase can be attributed mainly to the greater awareness among foreign pilots of the requirements laid down in the Rules on Ultra-light Aircraft and NOTAM A0633/13. This increase in awareness also reduced the number of violations of the Rules, i.e. a smaller number of non-authorised overflights and landings.

Throughout the year, AIS carried out regular maintenance of the document management system. Eight versions of backup CDs with the documents used by the AIS staff in their work were prepared.

As part of its duties related to providing data to the Eurocontrol organisation for the purposes of accurate calculations of en-route and terminal charges, only 2 complaints and 7 requests for additional navigation service user information were received and examined and were resolved within the prescribed time limit.

3.4 HUMAN RESOURCES

Activities in the field of HR and organisation focus on meeting the Company's objectives set out in the five-year plan and annual Business Plans, in particular HR development as one of the Company's strategic aims.

In addition to technical and operational capacity, HR development and particularly staff know-how represent the third pillar ensuring that, in its role as an air navigation service provider, the Company is able to provide its services in a safe, efficient, continuous and sustainable manner, meeting the needs of any airspace user.

As at 31 December 2013, the Company had 217 employees. The average age of the workforce in 2013 was 42.5 years.

Table 2 / Breakdown of the Workforce as at 31 December 2013

Breakdown of the workforce	
Air traffic control positions requiring a licence	
• air traffic services positions – air traffic controllers	106
• air traffic services positions – operators	14
• communications, navigation and surveillance positions	34
• aeronautical information services positions	24
Total licensed personnel:	178
Support positions for air traffic control services that require deep knowledge of aviation	8
General positions	31
Total workforce:	217

Table 3 / Breakdown of the Workforce by Gender in 2012 and 2013

Gender/number as at	31/12/2012	31/12/2013
Men	170	172
Women	45	45
Total	215	217

Table 4 / Breakdown of the Workforce by Education in 2012 and 2013

Education/number as at	Level	31/12/2012	31/12/2013
Primary and secondary		90	89
2-year tertiary (old system)	VI/1	38	38
4-year tertiary (old system), 4-year tertiary (Bologna system) and university (Bologna system)	VI/2	37	42
university (old system) and master's degree (Bologna system)	VII	41	40
master's degree (old system)	VIII/1	7	6
doctorate (old system) and doctorate (Bologna system)	VIII/2	2	2
Total		215	217

The fluctuation of employees in 2013 was as follows:

- pursuant to the Agreement Regulating Mutual Relationships Regarding the Provision of Air Navigation Services at Cerklje Airport, two operative workers – air traffic controllers – were employed;
- one worker filled a general position for the purposes of system and device maintenance at the new office building;
- one worker filled a general position as a replacement for an employee on maternity leave;
- one air traffic controller passed away;
- one non-operative worker did not have his temporary employment contract extended.

3.4.1. HR Development

The Company's personnel are some of the most important resources in its successful pursuit of its main business activity of air traffic management and control. Therefore, since its very inception, one of the strategic objectives at the Company has been HR development, which is included as an aim in each year's Business Plan. Thanks to their know-how, skills and motivation, high quality personnel are a vital productive force and are considered the Company's most important asset. The Company's key to success is the proper management of its human resources, which it achieves by

directing its HR policies towards the constant training and improvement of employees.

In 2013, the Company achieved the following planned HR development aims:

• **Training**

The Company provided all the prescribed training for operational personnel for obtaining and retaining work licenses and ensured that all employees were able to upgrade and build on their knowledge. It also supported and encouraged employees in earning higher qualifications by helping to co-finance the various study programmes in which they enrolled. An Employee Development Strategy was adopted at the Company as the basis for drawing up annual training and education plans.

• **The remuneration system**

The Company ensured the implementation of the collective agreements and the Work Performance Rules in force and also took the following measures as part of the current remuneration policy:

- maintaining the amounts of salaries, so that the basic salaries for positions and the types and amounts of allowances defined in collective agreements and Company bylaws remained as they were in 2012;
- payment of the annual leave allowance to employees for the year 2013 in the amount of the Slovenian minimum wage;
- employees did not receive the 2013 bonus nor compensation arising from the Company's performance.

The 2013 labour costs increased by 1.6 % compared to the previous year or the actual 2013 labour costs were lower than planned by 6.3 %.

• **Interviews with employees**

At the end of 2014, the Company will start conducting regular annual interviews with employees with the help of a software solution allowing interviews to be conducted online and the data obtained analysed using the method of 360-degree feedback. For this purpose, the Company is compiling a list of questions to be included in the questionnaire for regular annual interviews.

Various forms of formal and informal communication and briefings for employees have been developed at the Company, and the senior management and heads of department/service are available throughout the year to talk to employees. In the interviews, the employees can put forward their own suggestions, express criticism and discuss their expectations regarding their work.

• **Management development**

In 2013, the Company continued with the project Management Development. This measure ensured the ongoing training for managers in the areas of work organisation, target-setting, task delegation, problem-solving, management responsibility and communication, namely in the form of individual and group workshops.

• **Care for employee health**

The Company carried out an audit of two key Company documents concerning care for employee health, namely the Declaration of Safety and Risk Assessment and the Health Section of the Risk Assessment of Posts. Both documents were harmonised with statutory and organisational changes at the Company. The Company also sent its employees to regular, targeted periodical medical examinations, set out in the Health Section of the Risk Assessment of Posts as part of preventative health measures. Furthermore, the Company also conducted a surprise inspection to support employee awareness measures in preventing, identifying and sanctioning alcohol and psychoactive substance abuse.

In addition to these, the following HR development activities were also carried out in the past year:

- vaccination against flu and meningococcal infection was organised;
- a health group was founded that prepared the document Strategy for the Promotion of Health at Work and started working on the programme for the promotion of health at work;
- the management regularly attended sessions of the Workers' Council, responding to all initiatives and questions from the employees;

- regular information updates for employees continued via the Company's internal electronic portal – intranet;
- informal social events were organised for employees.

3.4.2 Training for Air Navigation Service Personnel Working in Operational Departments

The provision of air navigation services that meets the needs of any airspace user requires a highly qualified operational staff working in air traffic control, communications, navigation and surveillance services and aeronautical information services. The latter is that much important considering constant technological development in the field of air navigation services. The Training for Operational Personnel Service – Flight School thus ensures that the operational personnel obtains and maintains the required qualifications and competencies characteristic of the activity of providing air navigation services. It is important to note that the high level of competence required of air navigation service personnel working in operational departments is so unique that it is not directly available on the labour market. This means that an air navigation service provider must provide its operational staff with the proper training and, once they achieve operational status, it must also demonstrably maintain their competence at the appropriate or prescribed level. That is the main mission and the fundamental aim of the Company's Training for Operational Personnel Service – Flight School.

In 2013, the Flight School provided training for the needs of all three operational departments (ATS, CNS/ATM and AIS), namely:

- renewal of the Aerodrome Control Instrument Rating (ADI) with a Tower Control (TWR) endorsement and an endorsement for the Brnik (LJU) unit (location) [one candidate];
- basic air traffic controller training for a group of flight data operators (FDTs) continuing their training for flight information services operator (FIS) [6 candidates];
- training to obtain the Approach Control Surveillance rating (APS) with radar endorsement (RAD) at Ljubljana (LJA) unit (location) [3 candidates];
- training to use the radar image [48 candidates];
- training to obtain the Aerodrome Control Visual Rating (ADV) with an endorsement for the Cerklje (CEK) unit (location) [one candidate];
- training to obtain the On-the-Job Training Instructor endorsement (OJTI) at Cerklje Aerodrome Control [one candidate];
- training to obtain the Supervisor certificate (SUP) at Brnik Aerodrome Control [one candidate];
- training to obtain the Supervisor certificate (SUP) at ACC Ljubljana [3 candidates];
- training to obtain the Area Control Surveillance rating (ACS) with radar endorsement (RAD) at Ljubljana (LJA) unit (location) [3 candidates];
- training to work in Flight Information Services (FIS) [9 candidates];
- training for the Ljubljana System Monitoring Control, new (TNC LJ NEW) [20 candidates];
- endorsement for the centralised Aeronautical Reporting Office (ARO Slovenia) [20 candidates].

Moreover, the Company carried out training for the maintenance, modification and operational launch of technical equipment and devices for 10 (ten) members of the Slovenian Armed Forces.

The Flight School also coordinated training abroad at the Institute of Air Navigation Services (IANS), operating under the umbrella of the Eurocontrol organisation.

The Flight School continuously updates the training process system, ensuring that it meets the requirements prescribed and keeps in step with technological development in the field of air navigation services. In 2013 and the first quarter of 2014, the Company prepared or updated the following documents:

- the Training Programme for Other Air Navigation Service Personnel (in cooperation with the competent Ministry), version 1.1;
- the Training Manual according to Training Programme for Other Air Navigation Service Personnel, version 2.0;
- ARO and NOTAM educational materials, version 1.2;
- the Slovenia Control, Ltd Technical Staff Training Programme for the Ljubljana System Monitoring Control,

new TNC LJ NEW (in cooperation with the competent Ministry), version 1.0;

- the Slovenia Control, Ltd Technical Staff Training Manual for the Ljubljana System Monitoring Control, new TNC LJ NEW, version 1.0;
- the Training Programme for Air Traffic Controllers and Flight Information Services (FIS) Personnel (in cooperation with the competent Ministry), version 1.3;
- the Operational Manual for Basic Unit Training and Education, version 1.0;
- the ACC Ljubljana Training Plan, version 2.1;
- the Brnik Aerodrome Control Training Plan, version 2.0;
- the Maribor Aerodrome Control Training Plan, version 2.0;
- The Cerklje Aerodrome Control Training Plan, version 2.0;
- The Portorož Aerodrome Control Training Plan, version 2.0;
- Instructions on the Procedure for Testing the Competence of Air Traffic Controllers, version 1.2;
- The Competence Scheme at ACC Ljubljana, Aerodrome Control Brnik, Aerodrome Control Maribor, Aerodrome Control Portorož and Aerodrome Control Cerklje, version 1.0;
- Instructions on Renewing Ratings, Endorsements and Medical Certificates under the air traffic controller licence, version 1.0.

3.5 AIR TRAFFIC SAFETY

Air traffic safety is vitally important for air traffic management and control; it is the common thread in all business processes. The Company's safety management system meets all the requirements of Commission Implementing Regulation (EU) no. 1035/2011 in connection with the implementation of the Single European Sky programme and the requirements of the corresponding Slovenian regulations. On this basis, the Company has been declared a certified provider of air navigation services for the field of air traffic safety management. On the basis of annual reports of standing supervision as part of Eurocontrol's and CANSO's Standard of Excellence Measurement, the Company's air traffic safety management

system has achieved the target level of maturity for air navigation service providers of ECAC member states.

The organisational structure of the safety management system comprises the Air Traffic Safety Section operating as part of the CEO's Staff, the Safety Committee and the Local Safety Committee, where members and employees have precisely defined tasks and responsibilities with regards to air traffic safety. Investigation Commissions and persons responsible for safety assessments, as well as the ad hoc activities of the SMS System, are appointed on the basis of relevant decisions made by the Company management.

In the past three years, the number of reports on safety events filed at the Company has stabilised, indicating that the promotion of Reporting Culture based on a consistent application of the principles of Just Culture has been successful. The envisaged level of reporting maturity was thus achieved.

The Company devotes special attention to Just Culture and its implementation, as it brings improvements to the efficiency and quality of reporting processes and to the exchange of safety information, enabling high-quality analyses and the communication of the information acquired to all air traffic safety partners.

According to the Eurocontrol definition, Just Culture is a principle under which operational personnel and others responsible for air traffic safety (mainly the air navigation service personnel – air traffic controllers, technical staff, engineers, pilots, expert airport personnel, etc.) are not penalised for actions, omissions or decisions that, in view of their knowledge and experience, are termed as honest mistakes. There is no room, however, for gross negligence, deliberate violations or destructive acts.

Within our safety management system – along with the implementation of basic procedures for achieving, ensuring and improving air traffic safety – we endeavour to achieve the highest possible level of safety culture on the part of all our employees. The Company's safety management system ensures:

- a clear and preventive approach to systematic safety management in providing air navigation services, with the aim of constant improvement;
- the priority of an acceptable level of safety over commercial, environmental, social and other factors in providing air navigation services;
- the reduction of risks of an aircraft accident, incident or safety event involved in providing air navigation services to the lowest reasonably possible and practicable level;
- personal awareness of the importance of safety and responsibility among all employees in providing air navigation services;
- the determination of safety responsibilities at all levels of management in order to achieve a satisfactory efficiency of air navigation services, with the commitment and participation of all Company employees;
- the observance of the principles of Just Culture in the procedures of reporting and investigating safety events and associated corrective measures.

In 2013, permanent activities in the safety sector were pursued in the form of cooperation with:

- other Company departments and services in relation to the implementation of safety management system processes and activities;
- the Slovenian Ministry of Infrastructure and Spatial Planning and the Ministry of Defence;
- Eurocontrol, the European Organisation for the Safety of Air Navigation;
- airlines in the Slovenian airspace;
- organisational structures for air traffic safety management in neighbouring countries and countries involved in the FAB CE project.

For the purpose of ensuring the efficiency of safety management system processes and a high level of individual and organisational safety culture, the Business Plan for 2013 defined three operational safety objectives as part of the air traffic safety target, namely:

- Safety Assurance;
- Safety Achievement;
- Safety Promotion.

The realisation of activities as part of the operational safety objectives of Safety Assurance, Safety Achievement and Safety Promotion is reflected in the fact that the Company's safety management system meets without non-compliance the requirements of Commission Implementing Regulation (EU) no. 1035/2011 regarding the Single European Sky and national regulations, as confirmed by the renewal of the certificate issued by the Civil Aviation Agency of the Republic of Slovenia in November. Furthermore, in external controls performed by the Eurocontrol agency for 2013, the Company's safety management system again achieved the Efficiency of Safety Management (EoSM) target level for air navigation service providers in ECAC countries.

Measures implemented under the operational objective Safety Assurance were carried out in the form of the following basic activities:

- the effective implementation of formalised safety management system processes in accordance with the Operational Safety Management Manual;
- revising the existing safety management system documents in accordance with the identified examples of good practice in the field of air traffic safety;
- training for employees on the management of safety risks in introducing changes to the Company's functional air traffic management system;
- participating in and directing activities in drafting safety assessments for the planned changes to the Company's functional air traffic management system.

The implementation of measures under the operational objective Safety Achievement is reflected in the following:

- there were no safety events type AA or type A in the reporting process under the safety management system with direct involvement of our services;
- in accordance with regulations, three (3) commission investigations and twenty-eight (28) internal investigations were carried out in 2013 for low-risk security events;
- in assessing the risks of security events, the Air Traffic Safety Section was using the latest available RAT (Risk Analysis Tool) version of the Eurocontrol agency.

Table 5 / Number of Reports Filed in 2013

N	Organisational unit	Number of events
1	SLOVENIA CONTROL, LTD	277
2	CNS/ATM	41
3	AIS	11
4	ACC LJUBLJANA	82
5	TWR BRNIK	70
6	TWR MARIBOR	33
7	TWR PORTOROŽ	28
8	TWR CERKLJE OB KRKI	12

Figure 3 / Number of Reports Filed in 2013

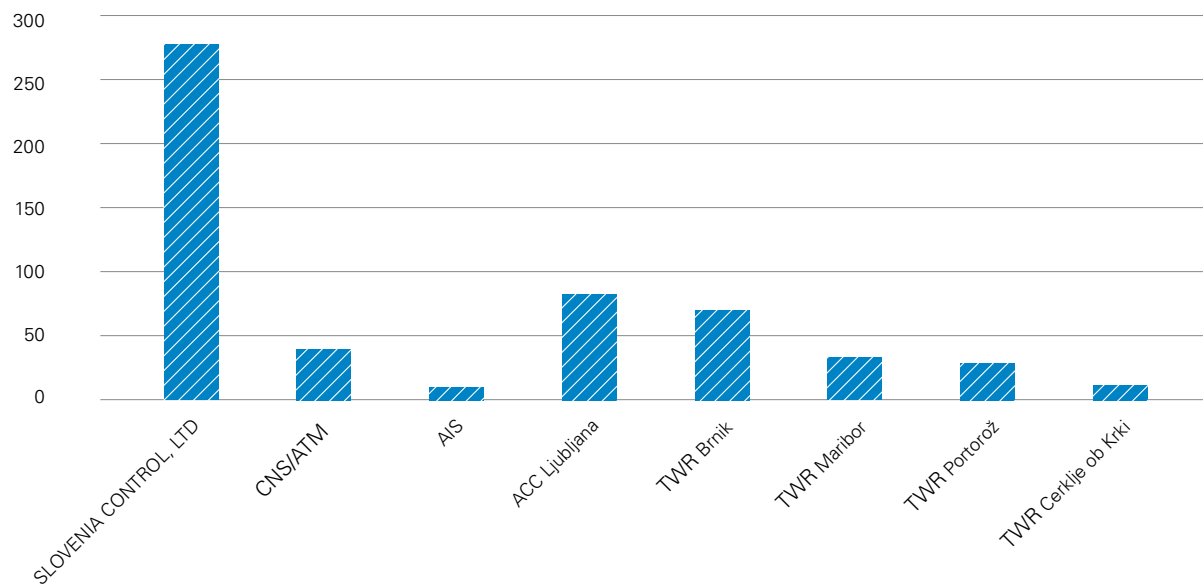
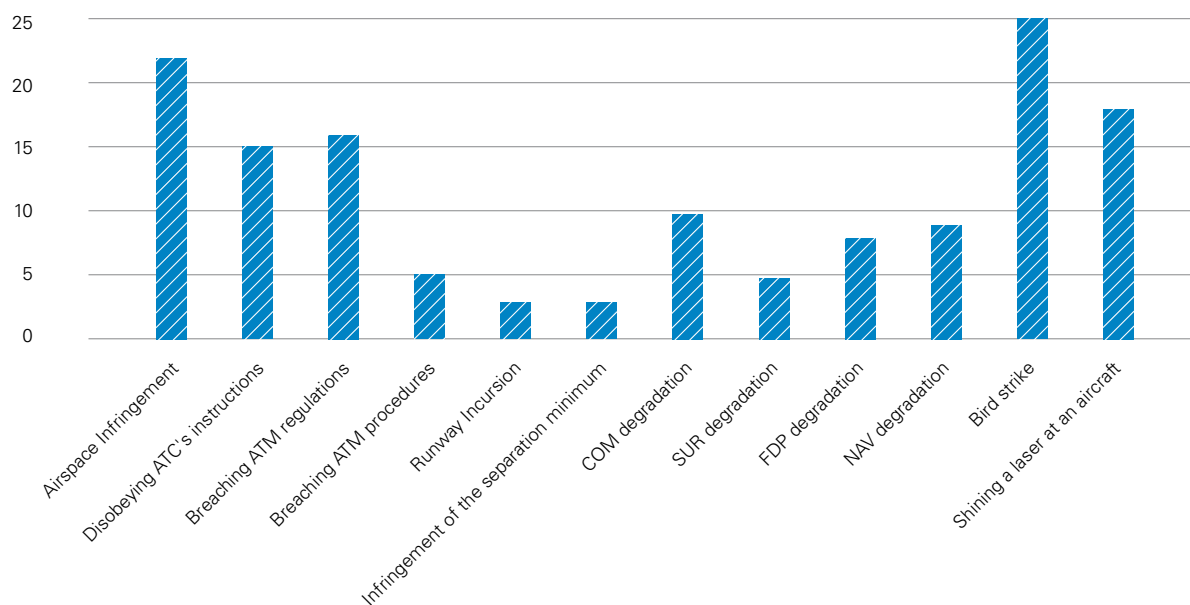


Table 6 / Number of Reports Filed for a Specific Trend

N	Slovenia Control, Ltd trends	Number
1	Airspace infringement	22
2	Disobeying ATC's instructions	15
3	Breaching ATM regulations	16
4	Breaching ATM procedures	5
5	Runway incursion	3
6	Infringement of the separation minimum	3
7	COM degradation	10
8	SUR degradation	5
9	FDP degradation	8
10	NAV degradation	9
11	Bird strike	25
12	Shining a laser at an aircraft	18

Figure 4 / Number of Reports Filed for a Specific Trend



Measures implemented under the operational objective Safety Promotion were carried out in the form of the following basic activities:

- the preparation of activities for the safety culture analysis in 2014;
- the use of the Company's information portal to raise the efficiency and quality of providing information to employees on air traffic safety management activities;
- participation in the FAB CE project activities in the field of safety management as part of the SAFSC group;
- participation in Eurocontrol working groups:
 - SIGS: Safety Improvement Sub Group
 - ST: Safety Team
 - RAT-UG: Risk Analysis Users Group
- monitoring and carrying out ATM safety initiatives on a European level:
 - Call Sign Similarity
 - Prevention of Airspace Infringement
 - Prevention of Runway Incursion
 - Prevention of Level Bust
 - Prevention of Runway Excursion
 - Safety Net Implementation
- participation in the Eurocontrol ES2 programme; in March, the Company was involved in the organisation and preparation of the safety conference in Bled.

3.6 CONTINUOUS COMPLIANCE WITH REQUIREMENTS FOR THE PROVISION OF AIR NAVIGATION SERVICES

In 2013, the Company continuously fulfilled and complied with the requirements for the provision of air navigation services, as prescribed by the European regulatory framework of the Single European Sky, notably with Commission Implementing Regulation (EU) no. 1035/2011 and other binding international and national regulations.

In terms of the fulfilment of or compliance with the requirements for the provision of air navigation services, the year 2013 was very challenging – firstly because of

the move of the registered office and the Area Air Traffic Control Centre to the new location, and secondly because 2013 was the year of the Company's recertification as the two-year licence to provide air navigation services was about to expire at the end of the year.

In the spring of 2013, the Civil Aviation Agency of the Republic of Slovenia assessed the fulfilment of requirements upon the Company's move to the new location. After the move, the Company obtained the licence to provide air navigation services at the new location on the basis of continuous compliance with the requirements.

Along with standing supervision or regular inspections, the Civil Aviation Agency of the Republic of Slovenia also carried out an assessment programme in the process of renewing the Company's certificate to provide air navigation services. As part of the recertification process, this programme was carried out in the form of two highly intensive rounds of assessment; the first round of assessment took place in the summer and the second one took place in late autumn. The Company demonstrated compliance with all statutory requirements in the recertification process and obtained the licence to provide air navigation services for air traffic services (ATS), communications, navigation and surveillance services (CNS) and aeronautical information services (AIS) at the end of the year for the next four years.

In 2012, a mixed (multi- and trans-sector) working group broke new ground in the first year of the reference period, successfully developing the methodology for systematic target monitoring in Key Performance Areas, particularly cost-efficiency, set out in the national plan for the provision of air navigation services, as prescribed by Commission Implementing Regulation (EU) no. 691/2010.

3.7 QUALITY

In November 2013, the accreditation firm Bureau Veritas Certification conducted a control assessment under the international standard 9001: 2008, thereby extending the validity of the Company's certificate for quality management system (SL 19625Q).

The control assessment covered the areas of Company management, air traffic services (ATS), aeronautical information services (AIS), aeronautical telecommunications services (CNS/ATM) and air traffic control personnel training. The control assessment was conducted at all Company locations (Brnik – the Company's headquarters, Portorož, Maribor, Brnik and Cerklje ob Krki). The successfully concluded control assessment is the result of efforts on the part of all Company employees, indicating progress, hard work and awareness of the importance of procedural improvements.

In line with the assessment plan, a comprehensive internal assessment was conducted in April and September 2013, carried out by qualified internal assessors. The internal assessment was also conducted at all locations and covered all processes.

The internal assessment results provided us with a starting point for corrections and preventive measures to be made in individual processes, which served as a basis for updating individual rules of procedure according to the actual situation.

3.8 SECURITY

At the beginning of the year, the Company set up processes and initiated procedures for providing security at the facilities of ATCC Brnik. Employees were informed of individual procedures related to the protection of ATCC Brnik facilities and familiarised with the rules of conduct in the secure area and procedures pertaining to fire safety and the fire code.

Throughout the year, an appropriate level of safety of

the Company's operation and its business processes and the protection of civil aviation against unlawful interference in the technology of air navigation services were ensured by the Company's safety management system.

In order to ensure IT security, the Company carried out certain procedures and system upgrades in the field of information security.

The Company continued to work together with the Ministry of Infrastructure and Spatial Planning on determining the criteria and facilities categorised as critical infrastructure.

The Company coordinated with and reached an agreement with the Slovenian Armed Forces as the manager of Cerklje ob Krki Airport as to Slovenia Control, Ltd's access to the facilities, systems and devices at Cerklje ob Krki Airport.

3.9 INTERNATIONAL COOPERATION

3.9.1 Functional Airspace Block Central Europe – FAB CE project

Through its own representatives, who, together with representatives from the Ministry of Infrastructure and Spatial Planning, represent the Republic of Slovenia, the Company, also in 2013, continued its active and successful participation in the project of the Functional Airspace Block Central Europe (hereinafter referred to as the FAB CE), pursuant to EU regulations on the Single European Sky. Active cooperation between Company and state representatives has proved to be highly effective and must continue at such a level in the future.

The FAB CE project was first divided into 15 projects, which resulted in the official foundation and (limited) operation of the FAB CE in December 2012. Its full operation is envisaged by the year 2015. In 2013, there were 16 open projects, out of which $\frac{3}{4}$ are currently

suspended. The Company was actively involved in all the existing FAB CE projects as well as in the planning of new future projects.

Pursuant to the decision of the CEOC that the FAB CE air navigation service providers establish a joint legal entity – an enterprise with the status of a limited liability company headquartered in the Republic of Slovenia – the Company took on the leading role in the process of establishing FABCE, letalske storitve, d.o.o. (the preparation of the Memorandum of Association – the MoA, the Shareholders' Agreement – the SHA, the Rules of Procedure of the company's Supervisory Board, etc.) to carry out joint projects, consultancy services, education and training, public procurement, etc. The enterprise is expected to be incorporated in the second half of 2014.

In 2013, the European Commission initiated pilot procedure no. 4578/2013/MOVE against the Republic of Slovenia as it believed that FAB CE member states had failed to optimise air navigation services or that these were not efficient as is required by EU regulations on the Single European Sky. The Company was actively involved in the process of preparing responses to the European Commission's allegations. Oral consultations were also held with the European Commission. Company representatives actively participated in those consultations and greatly contributed to clarifying open questions. The pilot procedure in question is expected to be completed in 2014.

The Company was also actively involved in the preparation of the proposal for the Performance Plan that clearly sets out all current and planned FAB CE activities performed by member states for the joint purpose of achieving the highest possible optimisation of air navigation services, cost efficiency and operation of the FAB CE in accordance with operational requirements, irrespective of state borders, which would contribute to full compliance with regulations on the Single European Sky.

The Implementation Phase of the FAB CE project was partly financed by the European Commission (TEN-T

funding), while co-financing for the third – Operation Phase that began with the foundation of the FAB CE was not approved by the European Commission.

Pursuant to the FAB CE Agreement and the Agreement on Cooperation among Air Navigation Service Providers, permanent project structures on the part of states (the FAB CE Council, the Joint Civil-Military Coordination Committee, the National Supervisory Authority Coordination Committee, the Legal Committee) and on the part of air navigation service providers (the CEO Committee, the Steering Committee, Sub-Committee(s)) are active.

3.9.2 Other Cooperation

Pursuant to Commission Regulation (EU) no. 691/2010, EU member states must draw up a Performance Plan for air navigation services containing targets in accordance with the European-Union-wide performance targets and established assessment criteria. In drawing up the Performance Plan for air navigation services and related targets for the reference period 2012–2014, the Company actively participated with the Ministry of Infrastructure and Spatial Planning and the Civil Aviation Agency.

The Company continued to participate in drafting an important development plan, the Local Single Sky Implementation Plan – LSSIP, and in preparing important reports for Eurocontrol regarding the financial efficiency of ATM activities (the ATM Cost Effectiveness – ACE Report) and monitored the development of the SESAR project and the operation of the CANSO and ATCA associations.

In 2013, Company representatives actively participated in the preparation of opinions on the proposals of documents prepared by the European Commission and the International Civil Aviation Organisation (ICAO) and submitted the Company's opinions and remarks to the proposers of legal and other acts via the Ministry of Infrastructure and Spatial Planning.

As a FAB CE member, the Company also continued its informal cooperation under the CEAP (Central and East European ANSP Platform) in 2013 with BALTIC FAB and DANUBE FAB, the purpose of which is to express common views within the EU, exchange experience in the field of ATM, pursue common goals and interests in various fields and work together on implementing the Single European Sky. In November 2013, the CEAP was transformed into GATE ONE based on the formal conclusion of the Cooperation Agreement on the Creation of the Regional ANS Providers Platform (GATE ONE) of Central and Eastern Europe. Along with the Company, the signatories to the Agreement were the air navigation service providers of Austria, Bulgaria, the Czech Republic, Croatia, Lithuania, Hungary, Poland, Romania and Slovakia. Under the Cooperation Agreement, all signatories will strive to strengthen cooperation in their common fields of interests, pursue their common goals and synergies and act together in various areas related to the formation of the Single European Sky.

With the aim of strengthening cooperation between FABs, the Company took an active role in negotiations to conclude a Cooperation Agreement between the FAB CE and the BLUE MED FAB, the members of which are Cyprus, Greece, Italy and Malta. Its associate members are Albania, Tunisia and Egypt, while the Kingdom of Jordan has the status of an observer. Drafts of the Cooperation Agreement between the FAB CE and the BLU MED, both on the state level and on the level of air navigation service providers, were prepared in the course of negotiations. The finalisation and the signing of the Agreements are expected in the first half of 2014.

3.10 FLEXIBLE USE OF AIRSPACE – FUA

In cooperation with the Ministry of Defence and other airspace users, the Republic of Slovenia has been successfully realising the concept of the Flexible Use of Airspace FUA for a number of years. Special Use Airspace Agreements on airspace reservation, use and clearance

exist to this end. The relationship between the reserved and used airspace continues to improve as a result of appropriate coordination procedures. Additional steps towards the formalisation of those procedures and processes were taken in 2013. The Airspace Management Committee of the Republic of Slovenia and the Airspace Management Cell of the Republic of Slovenia were established at the state level. The role of the relevant HLAPB (High Level Airspace Policy Body) is to frame the airspace management policy, whereas the Airspace Management Cell is to ensure the implementation of that policy on a pre-tactical and tactical level.

3.11 USER CONSULTATION

In 2013, the Company carried out the centralisation of Aeronautical Reporting Offices – ARO – into a single unit – the Aeronautical Reporting Office ARO Slovenia or ARO LJLA. At the same time, it also introduced the eARO online service, enabling users to file their flight plans and complete their pre-flight preparation from any location. In realising these rationalisation measures, the Company, Aeronautical Information Services (AIS) in particular, held a number of presentation workshops for Slovenian airspace users.

At the workshops that the Company organised upon the introduction of the online service for filing flight plans and the provision of pre-flight information, participants were given questionnaires to express their satisfaction with the services offered by Aeronautical Information Services and to come up with suggestions as to how to further improve those services.

In 2013, the Company conducted a survey to establish the most frequent or the most numerous users of Aeronautical Information Services. The responsiveness of the respondents can be estimated to have been reserved. However, the survey enabled us to assess the level of the users' satisfaction with air navigation services, and the available responses and suggestions will be the driving force for continuous improvement in air navigation service processes for the benefit of the

users of the Slovenian airspace and Slovenian airports through organised air traffic control.

Solutions for the optimisation of higher flight profiles in the phase of approach to Ljubljana Jože Pučnik Airport were sought together with the national air carrier Adria Airways, d.d. Higher entry altitudes were agreed upon and achieved for aircrafts approaching from the south or southeast from the airspace of the Republic of Croatia and landing at Ljubljana Jože Pučnik Airport.

The Company and Adria Airways, d.d., cooperated on preparing RNAV procedures for the phase of approach to Ljubljana Jože Pučnik Airport. The entire operational process of working together with Adria Airways representatives was on the highest level of cooperation and professionalism.

The Company worked with the representatives of the Ministry of the Interior, the Police and the Ministry of Defence of the Republic of Slovenia on OAT issues.

As part of regular training for airspace users, the Company organised several seminars at Slovenian flying clubs for the purpose of increasing the level of awareness about the use of individual ICAO airspace classes.

As part of formal consultation procedures with service users or interest groups, Company representatives also participated at the regular June and November Sessions of the Enlarged Committee for Route Charges of the Eurocontrol organisation and the European Commission in the process of formal consultation with service users regarding national cost bases and service rates for 2014.

3.12 PUBLIC PROCUREMENT

The Company considers any spending of funds to be a public procurement order. Public procurement orders are carried out in accordance with the relative legislation in force: the Public Procurement Act (Official

Gazette of the Republic of Slovenia, no. 12/13 – official consolidated text and 19/14) (hereinafter referred to as the Public Procurement Act), the Public Procurement in Water Management, Energy, Transport and Postal Services Act (Official Gazette of the Republic of Slovenia, no. 72/11 – official consolidated text, 90/12 and 19/14) (hereinafter referred to as the Public Procurement in Water Management, Energy, Transport and Postal Services Act) and secondary legislation.

In the procurement of goods, services and construction works that are directly tied to its main business activity, i.e. air traffic management and control, the Company follows procedures in accordance with the Public Procurement in Water Management, Energy, Transport and Postal Services Act. In the procurement of goods, services and constructions works that are not directly associated with the Company's main activity, procedures are followed in accordance with the Public Procurement Act.

In 2013, 342 public procurement procedures were carried out, of which 13 non-awarded and 328 concluded public procurement procedures, awarding orders in the total amount of EUR 6,730,382 excluding VAT:

- 212 procedures in the total amount of EUR 3,195,189 excluding VAT under the Public Procurement Act and 5 non-awarded procedures (a total of 217 procedures carried out);
- 117 procedures in the total amount of EUR 3,535,193 excluding VAT under the Public Procurement in Water Management, Energy, Transport and Postal Services Act and 8 non-awarded procedures (a total of 125 procedures carried out).

Table 7 / Procedures under the Public Procurement Act**2013 order forms of up to EUR 20,000.00**

Type	No. of procedures	No. of non-awarded procedures	No. of awarded procedures	Amount
services	84	2	82	564,004
goods	127	3	124	518,702
construction works	1	0	1	7,362
	212	5	207	1,090,068

2013 call for bids of EUR 20,000.00 to EUR 40,000.00

Type	No. of procedures	No. of non-awarded procedures	No. of awarded procedures	Amount
services	0	0	0	0
goods	1	0	1	24,672
construction works	0	0	0	0
	1	0	1	24,672

2013 open procedures and other procedures exceeding EUR 40,000.00

Type	No. of procedures	No. of non-awarded procedures	No. of awarded procedures	Amount
services	3	0	3	1,881,450
goods	1	0	1	199,000
construction works	0	0	0	0
	4	0	4	2,080,450

Table 8 / Procedures under the Public Procurement in Water Management, Energy, Transport and Postal Services Act**2013 order forms of up to EUR 40,000.00**

Type	No. of procedures	No. of non-awarded procedures	No. of awarded procedures	Amount
services	31	2	29	295,205
goods	80	2	78	670,156
construction works	0	0	0	0
	111	4	107	965,361

2013 call for bids of EUR 40,000.00 to EUR 80,000.00

Type	No. of procedures	No. of non-awarded procedures	No. of awarded procedures	Amount
services	1	1	0	0.00
goods	0	0	0	0.00
construction works	0	0	0	0.00
	1	1	0	0.00

2013 open procedures and other procedures exceeding EUR 80,000.00

Type	No. of procedures	No. of non-awarded procedures	No. of awarded procedures	Amount
services	7	1	5	1,282,333
goods	6	2	5	1,287,499
construction works	0	0	0	0.00
	13	3	10	2,569,832

In the first three-month period of 2013, the Company continued the intensive preparation and completion of procedures for awarding public procurement orders relating to the supply of goods and/or services for the move to the new Air Traffic Control Centre – ATCC. As expected, the total number of procedures carried

out in 2013 decreased by 15% compared to 2012, i.e. non-awarded procedures by 58% and concluded public procurement procedures awarding orders by 11%. Compared to 2012, the total amount of all procedures carried out in 2013 decreased by EUR 4,190,205 excluding VAT, meaning that 38% less funds were used than in 2012.

3.13 FINANCE AND ACCOUNTING

Transition from reporting in accordance with the Slovenian Accounting Standards to reporting in accordance with the International Financial Reporting Standards

The Company keeps accounting records in accordance with European and national legislations regulating the provision of air navigation services. Until 2012, the Company reported in accordance with the Slovenian Accounting Standards.

Regulation (EC) no. 550/2004 of the European Parliament and the European Council of 10 March 2004 on the provision of air navigation services under the Single European Sky (Service Provision Regulation) (OJ L 96, 31 March 2004, p. 10–19) (hereinafter referred to as Regulation (EC) no. 550/2004) stipulates that air navigation service providers prepare their financial statements in accordance with the International Accounting Standards. The European Organisation for the Safety of Air Navigation Eurocontrol accordingly adopted guidelines recommending that air navigation service providers transition to reporting in accordance with the International Financial Reporting Standards by 2015.

Based on these recommendations, the Company transitioned to reporting in accordance with the International Financial Reporting Standards starting from 2013.

Regulation of relationships involving assets under management with a capital increase

Since the beginning of operations in 2004, the Company's business activity of air traffic management and control has required the use of infrastructure that was procured before 2004 and was owned by the state. Prior to the amendment of Slovenian Accounting Standard 35, the use of this infrastructure was regulated as assets under management. As of 1 January 2010, the use of these assets is governed by the Agreement

Regulating Mutual Relationships Regarding Assets for the Provision of Air navigation Services during the Transition Period. This serves to ensure that the services of air traffic management and control are provided in a safe, efficient, continuous and sustainable manner, as laid down in Annex I to Commission Implementing Regulation (EU) no. 1035/2011 (formerly Regulation 2096/2005/EC).

A permanent solution to the issue of using the infrastructure for air traffic management and control is the transfer of this infrastructure to the Company as a capital contribution from the sole Company member – the state, as was prescribed by the legislator with the adoption of the Act Amending the Provision of Air Navigation Services Act (ZZNSZP-B, Official Gazette of the Republic of Slovenia no. 109/09). On 18 December 2013, pursuant to Article 27 of the aforementioned Act, the Government of the Republic of Slovenia reached the decision that the assets previously put under the Company's management in the total value of EUR 4,434,587.66, i.e. as at 30 September 2013, be invested as an in-kind contribution in the public company Slovenia Control, Slovenian Air Navigation Services, Limited. On 20 December 2013, the Management Board of the Slovenian Restitution Fund, acting as the Founder, increased the Company's share capital by the amount of the said in-kind contribution. After the increase, the Company's share capital amounted to EUR 5,525,706.

As certain assets previously under the Company's management were excluded from the above-mentioned capital increase in accordance with Article 27 of the ZZNSZP-B, thereby remaining the property of the state (namely the Brnik Control Tower, the Maribor Control Tower and the Portorož Control Tower), the Republic of Slovenia and the Company have agreed that the provisions of the Agreement Regulating Mutual Relationships Regarding Assets for the Provision of Air Navigation Services during the Transition Period continue to apply in relation to the mentioned assets until the conclusion of a new Agreement.

4

INVESTMENTS

4.1 AIR TRAFFIC CONTROL CENTRE – ATCC

One of the most important objectives for the Company in 2013, as well as the most important investment, was the Air Traffic Control Centre – the ATCC project. The Company continued and completed its activities on the project, which is divided into three parts:

- subproject building;
- subproject system (technical migration) and
- subproject start-up (the operational part).

In 2013, the Company's activities focused particularly on completing the tests and the integration of technical systems into the Centre as a whole and the operational launch of the Centre. The Company carried out only minor completion and finishing work on the building that did not affect the launch of the Centre.

Subproject system (technical migration)

The investment in the project of technical migration covers mainly:

- the planning, procurement, installation and operational launch of operational and technical infrastructure and
- the planning, procurement, installation and operational launch of technical systems and devices for the Air Traffic Control Centre.

Systems at the new Centre are designed to ensure appropriate functionality, safety, availability and cost efficiency. All major software from the old location was put to further use at the new Centre (software represents the greater part of the system's value), while the hardware is brand new due to the need for concurrent operation of both Centres and the deterioration of the hardware used at the old Centre. Once the move has been completed, some of the functioning systems from the old location will be put to further use at other Company locations. The reliable operation of the new and the moved hardware and software required a complex and multi-level integration of all elements into a system that would operate faultlessly and smoothly as a whole.

The integration of systems was the focus of most of the Company's activities in 2013. This was followed by numerous functional and technical tests, the verification and validation of individual systems and integration tests on the system as a whole. At the same time, the technical control system was put in place. Based on the tests, certain improvements and minor conceptual changes to the system's architecture were proposed, ensuring a higher degree of the system's safety, reliability, availability and integrity.

Concurrently with the tests, the Company carried out training for the technical staff in system management and maintenance and technical control. Trainings ended in February 2013, followed by the phase of concurrent technical operation as the final phase of the validation system before obtaining the operating license and starting the operational concurrent operation. A trial operating license for the new Centre was obtained on 12 March 2013. The test operational launch of all systems and the Centre as a whole began the following day.

Subproject start-up (the operational part)

The project start-up also involved the actual moving of air traffic control activities to the new location by means of a planned concurrent operation of both Centres (the old and the new), lasting close to three weeks. The first phase (the so-called Shadowing 1) lasted one week. Services were provided from the old Centre, with the concurrent monitoring of air traffic at the new location and the operation of all systems involving a double team of operational personnel.

In the night from 12 to 13 March 2013, the switching of activities from the old to the new Centre was successfully carried out, with the communication and responsibility for the safety of aircraft being taken over by the new centre at Brnik (the beginning of the so-called Shadowing 2). Thus, the most critical part of the moving of operations to the new Centre was successfully and safely completed. The operation had to be carried out without the slightest effect on safety, taking into account that airspace capacity was reduced by 20% immediately after the switch. In the event of complications, we allowed for the possibility of moving the provision of services back to the old Centre within a timeframe of a few minutes, as a 24-hour presence of double operational personnel was provided at both locations until 20 March 2013.

With the completion of Shadowing 2 Phase and the final, successful move, the shutdown of the old Centre at Kotnikova 19a in Ljubljana took place on 20 March 2013 at 23:59.

The contribution of investment to sustainable development

By realising the construction of the new Air Traffic Control Centre – ATCC, the Company is also pursuing its environmental vision of sustainable development under European guidelines, but above all, it reduces operational costs and shows respect for the environment.

Nowadays, when environmental pollution, wasteful and harmful energy use and other problematic effects on the environment are of critical importance, the Company devotes special attention to an acceptable environmental impact when implementing projects. In carrying out the investment project Air Traffic Control Centre – ATCC (hereinafter referred to as the building), the Company strived to pursue the vision of sustainable development under European guidelines. Thus, the most important elements of the building from an environmental perspective are efficient and clean energy use, minimal environmental pollution from the building operation and appropriate waste management. The Company follows all the environmental policies prescribed that ensure energy efficiency and prevent or monitor pollution levels.

In selecting the energy system for the building, the Company faithfully observed the environmental requirements, economic effects and possibilities that the location offers. One of the Company's key decisions regarding energy efficiency was the use of groundwater as the energy source. Renewable energy systems enable the lowest specific energy use. The selected cooling and heating medium for the building is water, which is environmentally friendly and appropriate for the storing and transfer of energy to individual devices. It also represents a minimal environmental threat in terms of pollution. From the point of view of waste water and impact on the water status, the construction of the building does not represent a negative impact on the environment, as the Company's activity is not a specific polluter. Furthermore, the Company uses advanced technological devices. The building is not a source of air pollution from exhaust gases or

other major concentrations of harmful substances, nor does the operation of the building itself generate emissions of harmful substances. The performance of the Company's activity and the operation of facilities do not produce noise outside the limits laid down in the Decree on Limit Values for Environment Noise Indicators (Official Gazette of the Republic of Slovenia no. 105/05, 34/08, 109/09 and 62/10).

In the course of the move, municipal waste was disposed of at dumping grounds, as prescribed under waste management regulations. The Company's activity does not foresee the production of hazardous waste. Moreover, it will not generate more than 150 tonnes of waste or more than 200 kilograms of hazardous waste per calendar year that would require the drafting of a waste management plan. The Company reports to the Ministry of Agriculture and the Environment of the Republic of Slovenia on the waste produced and its management and keeps records pursuant to the Decree on Waste (Official Gazette of the Republic of Slovenia no. 103/11).

4.2 OTHER INVESTMENTS

In addition to the investment in the new Centre, certain other investments were made in 2013. Most activities were carried out in the area of navigation, continuing the cycle of replacing older navigation equipment. In 2013, the Company successfully carried out the public procurement order for setting up an optical network in connection with the Instrument Landing System at Ljubljana Jože Pučnik Airport that was replaced in 2012. The establishment of the optical network was envisaged in the annual Business Plan due to the reduced reliability and availability of the Instrument Landing System that could also result in the loss of the appropriate airport category. The project plan had been devised to ensure that all works were carried out in the period when reduced visibility at the airport was least likely.

No major investments were made in the area of surveillance systems in the past year. The Company successfully completed the purchase of the so-called ADS-B-GS ground station. ADS-B is an acronym for Automatic Dependant System – Broadcast and represents one of the new means of identifying planes and displaying their position in space. Documentation and project conditions were prepared for upgrading the existing secondary radar to MODE-S and moving the radar to a new, better location. The Company successfully carried out the public procurement procedure for the purchase of the new radar system MODE-S that will conclude with the signature of the contract envisaged for the first half of 2014.

The majority of investments in automated systems were made at the new Centre. Prior to the operational migration, only certain minor changes were made to Radar (Surveillance) Data Processing Systems and the Flight Data Processing System for the purpose of urgent operational changes. Before the move, system modification was suspended to ensure a controlled technical and operational migration.

In the area of communications, the Company invested in a new Voice Communication System VCS at the Brnik Tower. The life of the old system was soon to expire and a new, more advanced system that would continue to meet the requirements of European standards and Commission Implementing Regulations (e.g. the introduction of VoIP technology) was needed. The investment was made in the most cost-effective way possible, that is, instead of purchasing a new independent system, the Brnik Tower was connected to the existing VCS system at the new Centre.

In the area of energy and air-conditioning, only maintenance investments were made. A few outdated devices were replaced.

In 2013, the Company successfully completed the project that encompassed the public procurement procedure, purchase, installation and launch of the technical protection system for the building of the new Air Traffic Control Centre – ATCC in connection with other buildings where the Company operates (Control Towers at Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport and Portorož).

Under the Aviation Act and the Aviation Safety Programme of the Republic of Slovenia, the Company is bound to ensure the protection of civil aviation against

acts of illegal interference also by means of technical protection systems for buildings in which it operates as well as for systems and devices. As the ATCC building and the above-mentioned airport control towers are used for the provision of air navigation services, they are considered buildings of special importance subject to special security regimes in accordance with regulations pertaining to civil aviation security.



5

RISK MANAGEMENT

Air traffic management and control is a specific and demanding business, exposed to numerous general and special risks that need to be properly monitored, managed and guided. In 2013, the Company continued to devote ample attention to risk management, work actively towards the further development of the risk management and internal control system and invest in professional training and necessary education in the field of risk management for all employees.

In line with its activity, the Company's risk management system is effectively supported by the safety management system, the fulfilment of requirements for the provision of air navigation services (EU) no. 1035/2011 and the quality management system requirements under the international ISO 9001: 2008 standard and the security system. The provision of safe air navigation services being the Company's priority, safety risk management is ensured through the effective performance of activities as part of the safety management system. It is important for the Company to maintain an appropriate overview of risks and to provide appropriate mechanisms to manage this area.

5.1 STRATEGIC RISKS

In defining strategic risks, the Company must consider its outlined strategy and the risks arising from the implementation of the chosen strategy. As air traffic management and control is of strategic importance for the state, the overall development of the Company – the development of new technical systems, infrastructure and technological solutions and the operational delivery of air traffic management and control services – also plays an important strategic role. Due to the Company's strong involvement in the international environment of global air traffic, regional cooperation in all areas is crucial. At the same time, international involvement also requires compliance with international agreements and the International Financial Reporting Standards.

The main risks arising from the outlined strategy and the Company's business operation pertain to the following:

Risks associated with national and international regulations:

the provision of air navigation services and thereby the Company's business operation is primarily subject to the relevant European law as well as to national legislation. Both complementary legal systems change with the dynamics of global air traffic development and this process of changing affects the Company's

business operation or, in the worst case scenario, its existence. Although such risks are exogenous in nature, the Company manages them to the degree possible by successfully taking part in international and national professional bodies, by employing the know-how of its own experts and by using a proactive, systematic approach to monitoring and ensuring the fulfilment of the requirements of the relevant law.

Risks associated with international cooperation:

in order to ensure successful operation and development, it is of key importance that the Company works together with air navigation service providers in other countries and equally important that the Company occupies an equal role in such partnerships. The Company is committed to strengthening its role and cooperation both with neighbouring countries in the envisaged modification of airspace in the region and active cooperation with international organisations in the field of civil aviation.

Risks associated with strategic planning:

investments in the requisite, expensive and sophisticated technical equipment and technology require long-term planning, international agreements and co-operation. The Company manages these through strategic planning in accordance with the national Performance Plan, through regional cooperation and involvement in the FAB CE project and through investment planning in accordance with European regulations laying down the requirements for further development (the European ATM Master Plan, SESAR).

Risks associated with asset acquisition and ownership:

without appropriate solutions in line with professional standards and accepted in the international environment, the Company will not be able to develop and exist, for it will lack the necessary investments in modern technical equipment, technology and know-how. The adoption of amendments to the Aviation Act and the Provision of Air Navigation Services Act provided the legal grounds for the transfer of the infrastructure owned by the state and used by the Company to the Company as a capital contribution. The transfer of in-

frastructure to the Company as a capital contribution was realised in December 2013, thus fulfilling the legal requirements and the requirements arising from EU regulations pertaining to the provision of air navigation services. As an air navigation service provider, the Company was allowed to thoroughly plan, develop, acquire and maintain the capacities necessary for the provision of air navigation services and particularly for ensuring air traffic safety and flow in the Slovenian airspace in accordance with EU regulations.

The market and market structure:

is an exogenous factor inducing risks that, in the EU where borders between countries, particularly those in air traffic, are loosening, are reflected in the changing structure of air traffic in terms of scope, affecting the intensity of the load on key air traffic management and control work processes and producing a quantitative effect on air traffic service units; even though this factor is exogenous in nature and the Company has no direct influence on the market structure and may not discriminate between service users under the relevant law, the Company responds to the resulting risks primarily by making dynamic adjustments to the airspace capacities within its domain.

Retaining and renewing the licence (certificate) to provide air navigation services:

the licence is a requisite for pursuing the activity for which the Company was founded and ensuring continuous compliance with the common requirements for the provision of air navigation services and retaining the licence (certificate) to provide air navigation services is thus a key strategic objective and part of the Company's annual business aims; the associated risks involve the dynamics of content-based changes to the requirements for air navigation service providers (a change is foreseen for the period between the autumn of 2014 and the summer of 2015) and the manner of the external assessment of compliance with the requirements for the provision of air navigation services in force; the risks are of an expressly exogenous nature, managed by the Company to the degree possible by using a time progressive, systematised methodology to monitor and

ensure compliance with the requirements for the provision of air navigation services, proactively adjusting to the newly-defined requirements and ensuring the conditions for the development of the competencies necessary to demonstrate compliance with the requirements.

European-Union-wide performance targets:

achieving the targets defined by the state in the Performance Plan as binding targets on the basis of which Slovenia contributes to achieving European-Union-wide targets and the aims of the Functional Airspace Block Central Europe – FAB CE has an important effect on the Company's operation. The associated risks are managed by the Company by harmonising its annual and five-year Business Plans with the adopted Performance Plan, monitoring the achievement of the set aims in the key performance areas on a quarterly and annual basis, analysing the reasons for differences between its results and aims, reporting and adopting corrective measures in a timely and efficient manner.

5.2 FINANCIAL RISKS

To a greater or lesser degree, the Company is exposed to all financial risks in conducting its operations:

Interest rate risk:

the Company has taken out loans with a Euribor-based interest rate. The interest rate risk depends on changes in Euribor rates. The effect of possible changes to the amount of variable interest rates is estimated in chapter 3.2.27 Financial Instruments and Financial Risk Management.

Currency risk:

since the introduction of the euro, there is practically no currency risk as the Company receives all revenue in euro and settles most of its liabilities in euro.

The risk of fluctuations in raw material prices:

the Company is not exposed to such a risk as its sales prices are not dependent on the price of other raw materials or services.

The risk of a counterparty's default (credit risk):

this type of risk increased during the recession or the economic crisis as certain business partners are no longer as able as they were before the crisis to fulfil or settle their liabilities. In 2013, the Company faced the greatest risk due to the problems of the national air carrier Adria Airways, d.d. Additional explanations regarding credit risk management are provided in chapter 3.2.27 Financial Instruments and Financial Risk Management.

Liquidity risk:

due to the seasonal effect on its operations/activity, the Company is more exposed to the liquidity risk in the wintertime.

The Company is involved in the system of international accounting and charging for services, which reduces the current cash flow risk. However, with the change to European legislation pertaining to financing that entered into force in 2012, this type of risk increased from the time when the principles of reimbursement of all eligible costs were in force. The new legislation stipulates that the amount of eligible costs be set in advance (determined costs) and that discrepancies are not permissible, apart from certain exceptions. This means that, regardless of the amount of actual costs taking into account risk-sharing mechanism as provided by the European legislation, the Company is only eligible for up to the amount of determined costs, which increases the price risk. The Company manages this type of risk by monitoring data on traffic levels, revenue and all the Company's expenses on a weekly and monthly basis and by taking the necessary measures to manage all operating expenses on time. Additional explanations regarding liquidity risk management are provided in chapter 3.2.27 Financial Instruments and Financial Risk Management.

Transition to International Financial Reporting Standards as adopted by the EU (IFRS)

Regulation (EC) no. 550/2004 stipulates that air navigation service providers prepare their financial state-

ments in accordance with the International Accounting Standards as adopted by the Community. In 2013, based on the Founder's decision, the Company transitioned from the Slovenian Accounting Standards (SAS) to the International Financial Reporting Standards as adopted by the EU (IFRS). The effects of the transition from the SAS to the IFRS as adopted by the EU are explained in the Financial Report, Chapter 3 Notes to the Financial Statements.

5.3 OPERATIONAL RISKS

The Company considers the main operational risks to be the following:

Risks associated with the duration and severity of the current global economic and financial crisis and the current security crisis in the Middle East;

the global economic crisis, together with the security crisis in the Middle East (Syria, Iran), represents an exogenous factor that, given the duration and the severity of both crises, significantly affects air traffic levels around the world, fuel prices and the choice of tourist destinations, which directly affects air traffic flows and the choice of air routes that can result in great changes to the extent of services, particularly for smaller countries. All of this poses considerable risks to the realisation of the Company's Annual Plan and its objectives. Such risks are managed by the Company to the degree possible by making dynamic adjustments to the airspace capacities within its domain.

Risks associated with fluctuations in air traffic

flows and related factors (the opening of the airspace over Kosovo, the opening of the Sarajevo ACC, unforeseeable air traffic restrictions in neighbouring countries). The Company manages such risks by monitoring air traffic levels on a weekly, monthly and quarterly basis, by making dynamic adjustments to the airspace capacities within its domain and by making operational adjustments to air traffic management and control that has a delayed effect particularly when adjusting the air route network.

Risks associated with development and investments and with the maintenance of technical systems and devices

for the performance of the Company's activity, such risks being compound; part of the risk arising from dependency on equipment suppliers, the complexity of systems and devices and their integrative nature, thereby preventing the supplier from being changed quickly, is managed by the Company by overseeing suppliers or outside providers through the safety management system; the greatest part of the operational risk involving a serious malfunction in one or more major technical systems is managed by the Company through the established preventative maintenance and control of the operation of technical systems and devices as well as through upgrades with the aim of achieving an economically and operationally justified increase in the reliability of technical systems and devices. In addition to the continued development of the technical staff's competencies for the preventative and corrective maintenance and control of technical systems and devices for the performance of the Company's activity, the negative effects of this risk are limited by ensuring the necessary spares for the key components of technical systems and devices, thereby shortening the duration of any repair works as well as reducing the Company's dependency on the suppliers of equipment and devices (at least in the short run).

Risks in the field of security associated with the large number of buildings (including buildings located elsewhere); the Company must constantly assess and measure the security risks in its environment and continuously adjust the risk assessments and the Company's integrated security concept accordingly. Based on appropriate security risk assessments, the Company is able to take preventative measures and reduce risks and any damage or damaging events that might occur as a result of unidentified and unexamined security risks. Risk management is carried out by means of proper planning, investments and regular security risk management procedures.

Economically unreasonable demands for Aero-drome Controls to be open; the Company responds to such demands by engaging in an active dialogue with all stakeholders and searching for appropriate solutions for the optimisation of costs in the cost base of terminal service units.

A potential security event resulting in material or non-material damage and damage to buildings, devices and equipment. Under the provisions of the Provision of Air Navigation Services Act, the Company as an air navigation service provider has liability (professional indemnity) insurance with proper insurance cover and a contract of insurance for damage to or the destruction of machinery, devices and buildings and manages the potential associated risks through an active air traffic safety management system.

In addition to those mentioned above, the Company reduces operational risks to the lowest possible and acceptable level with the following measures:

- by ensuring sufficient financing for investments in new systems and upgrading used technical assets on time and on a regular basis;
- by ensuring a highly qualified professional staff to set up and maintain the Company's technical assets;
- by regularly examining the Company's processes to obtain or retain the certificate of quality under the international ISO 9001: 2008 standard that is one of the conditions for retaining the certificate for the provision of air navigation services;
- by ensuring regular and period inspections of the Civil Aviation Agency of the Republic of Slovenia, including inspections to obtain or retain operating licences for the Company's systems and devices;
- by ensuring annual regular independent audits of the Company's operations carried out by an auditing firm of the Founder's choice.

5.4 INFORMATION RISKS

The Company is aware that information and information technology (IT) systems provide an important support to the Company's operation and, given the nature of the Company's work, an important support to the business processes of its partners. It is also aware that information, software, hardware and IT systems are subject to potential and real threats, crime, sabotage and other failures and incidents. Furthermore, the Company realises that security measures are more effective and cheaper if they are built directly into the IT systems and services and if the basic security requirements form an integral part of the Company's projects. In 2011, the Company accordingly reached various decisions as to the strategy of information technology development.

The Company's primary goals continue to be the consolidation of IT architecture and the resulting decrease in the number of solutions in use and greater cost-efficiency. Moreover, special attention is devoted to maintaining the Company's safety policy with all the elements of information security, comprising: confidentiality, integrity, availability, veracity, reliability, risk management and control.

The information system itself must be composed of three main parts: hardware, software and information security standards to be used as a factor of protection on the organisational, physical and personal level. The main goal is to use the elements of information security to protect data and information systems against illegal access, use, disclosure or destruction of data regardless of its form.

The legal and organisational basis is information security and the related safety policies that define individual elements. To this purpose, the Company prepared an umbrella safety policy document, the segments of which contain all the elements that prescribe or regulate the procedures, actions and rules related to information system security.

The need for a clear information security strategy has increased considerably in recent years. The use of security tools and the protection of individual parts of the organisation no longer suffice. In order to truly solve information security issues, the Company needs a comprehensive security strategy.

As individuals, we generally decide to take out different types of insurance policies, particularly to protect ourselves, our loved ones or our property, but always in the thought that we will probably never actually need them. A similar philosophy, insurance against loss or disclosure of data, must also apply to the Company.

New forms of information support to work processes will constantly be introduced or the existing processes will be upgraded in all parts of the Company. Processes will be managed through appropriate organisation, the integration of different specialised fields, internal auditing, thorough testing and project management. The Company will make sure that information systems will operate smoothly in the coming years, ensuring that no major disturbances that would visibly affect the Company's operation occur.

The Company will prepare and conduct testing on recovery procedures, allowing minimum disruption and the recovery of functionality and services upon the failure of a part of the information system to ensure minimum disturbance to the Company's business operations.

In 2013, after moving to the new ATCC, the Company implemented the safety policies adopted and carried out the modernisation of equipment and the service of business IT. All the equipment from the previous location was transferred to the new ATCC Centre and the vacated premises at the old location were handed over. Renovation works were carried out in the new ATCC building on the passive and active parts of equipment that were essential for the beginning of the moving of the IT equipment and services.

In 2014, the Company will continue to pursue its strategy of working together with various IT experts and suppliers on software development to ensure appropriate capacities for critical development needs. Moreover, the Company will continue to carry out major projects for new business needs with the help of IT experts, local IT suppliers and its own personnel, thereby maintaining its know-how in the field.

6

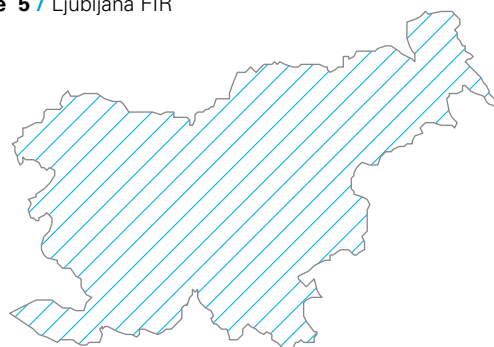
AIR TRAFFIC DATA FOR 2013

6.1 INTRODUCTION

The Company provides air navigation services in the Slovenian airspace (Ljubljana FIR) on behalf of the Republic of Slovenia, in accordance with the Provision of Air Navigation Services Act. The area of responsibility in which the Company provides air navigation services is defined in the Provision of Air Navigation Services Act as well as in the Letters of Agreement between Area Control Centres (hereinafter referred to as the LoAs) determining the boundaries of responsibility for the provision of services in airspaces. In line with the LoAs, the Ljubljana Area Air Traffic Control Centre is therefore responsible for the provision of services in the airspace that is not identical to the Ljubljana FIR.

The Ljubljana FIR is the national airspace (Figure 5) in which, under the Chicago Convention, the Republic of Slovenia has exclusive sovereignty and for which, in accordance with international treaties, the Republic of Slovenia charges fees for the services performed in all flight phases (en-route, terminal), regardless of who the actual service provider is.

Figure 5 / Ljubljana FIR

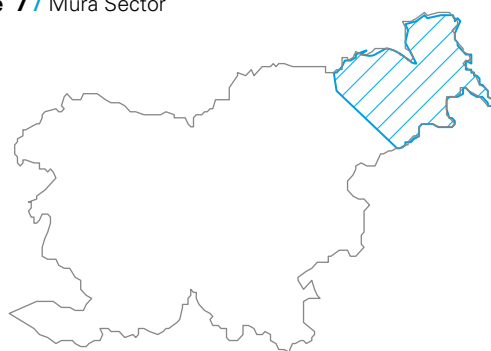


In the en-route phase, the Ljubljana Area Air Traffic Control Centre is responsible for providing air navigation services in **the Dolsko sector**, which includes a part of Austrian, Italian and Croatian airspace (Figure 6), while the Vienna Area Air Traffic Control Centre is responsible for providing services in **the Mura sector** (Figure 7).

Figure 6 / Dolsko Sector

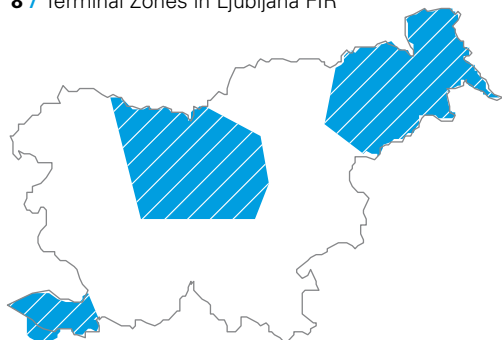


Figure 7 / Mura Sector



In addition to en-route services, the Company also provides terminal services, namely in the terminal zones of **Ljubljana, Maribor and Portorož** (Figure 8). The Company is therefore responsible for the provision of en-route services in the Dolsko sector and for the provision of services in all three terminal zones.

Figure 8 / Terminal Zones in Ljubljana FIR



Number of service units

The service price for an individual IFR flight that is not exempt from the payment of charges is determined on the basis of the product of the en-route or terminal unit rate and the number of en-route or terminal service units.

The number of en-route service units is calculated by the following formula:

$$\text{En-route service units} = \frac{\text{distance in km}}{100} \times \left(\frac{\text{MTOW}}{50} \right)^{0,5}$$

The number of terminal service units is calculated by the following formula:

$$\text{Terminal service units} = \left(\frac{\text{MTOW}}{50} \right)^{0,7}$$

where:

distance is the shortest distance in kilometres between the entry and exit point in the Ljubljana FIR;
and MTOW is the maximum take-off weight.

6.2 AIR TRAFFIC ANALYSIS

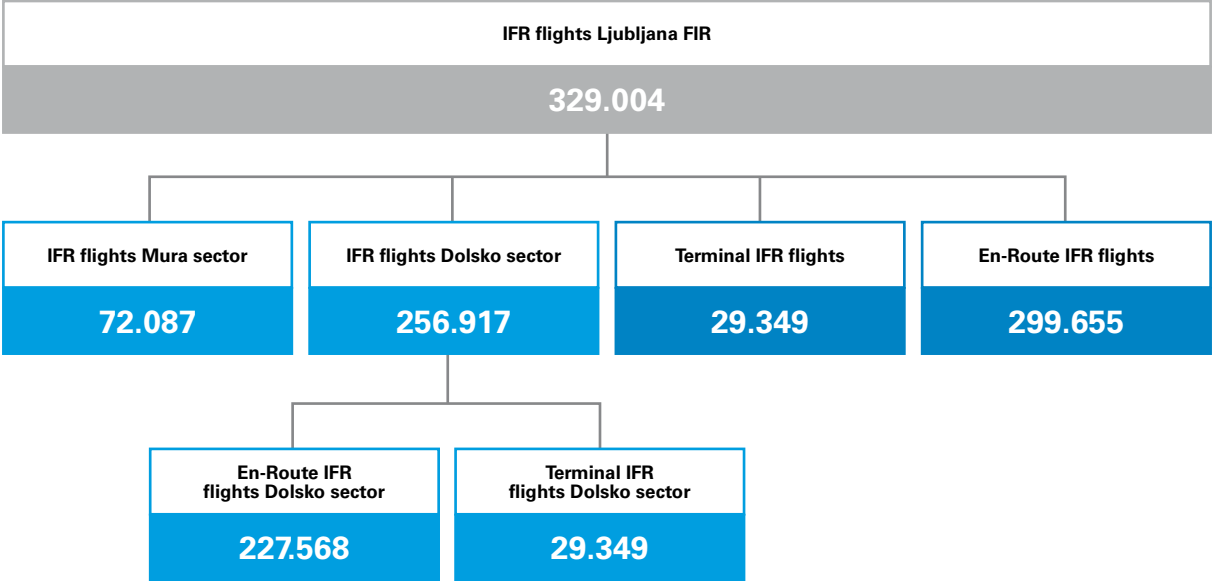
Air traffic analysis examines the trend in the number of IFR flights and its connection to the number of service units, this affecting the amount of Company revenue in en-route and terminal phases. The sources of data used in the analysis are the Company data and the data of Eurocontrol Statfor and the CRCO.

In 2013, a total of 342,687 flights were made in the airspace of the Republic of Slovenia, of which 13,683 VFR

(Visual Flight Rules) flights and 329,004 IFR (Instrument Flight Rules) flights.

IFR flights are divided according to the flight phase into either en-route or terminal flights and according to the airspace in which they are made. For a clearer illustration, the diagram below is used to show the two different divisions of IFR flights.

Figure 9 / Division of IFR Flights by Flight Phase and Airspace



Ljubljana FIR

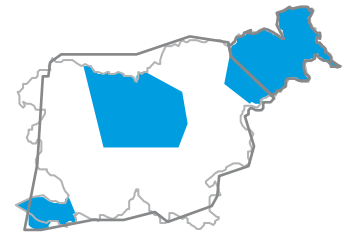
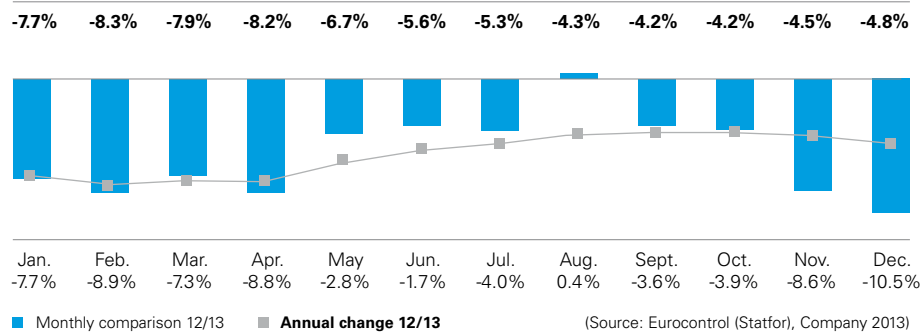
The number of flights reached a record level in 2008, but with the onset of the economic crisis at the end of 2008, air traffic in Europe fell dramatically. In 2009, all IFR flights at the EU-27 level (en-route and terminal phases) fell on average by 7.2%, while 2010 showed a modest growth averaging 0.2%, meaning that for the entire EU-27 region, 2010 still showed 7% less flights compared to 2008. In 2011, the number of flights in the entire EU-27 region increased by 2.6% compared to 2010. In 2012, traffic in the entire EU-27 region fell by 3%. In 2013, traffic in the entire EU-28 region (with the entry of Croatia) fell by 1.7%.

In 2009, the Republic of Slovenia recorded an average of 4.2% fewer of IFR flights (en-route and terminal

phases). In 2010, there were 4.8% more flights, which translated into an increase of 0.4% compared to the 2008 values. In 2011, there were 7.9% more flights compared to 2008 and 7.5% more than in 2010, while the EU-27 region showed a 2.6% growth. In 2012, we recorded a 2.0% decrease in IFR flights compared to 2011, while traffic in the EU-27 fell by 3%. In 2013, traffic in IFR flights fell by another 4.8%, while traffic in the EU-28 region decreased by 1.7%.

The above values refer to all IFR flights in the Ljubljana FIR, regardless of the air navigation service provider and the flight phase.

Figure 10 / IFR Flights in Ljubljana FIR



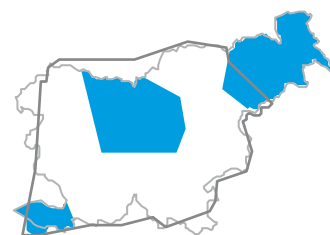
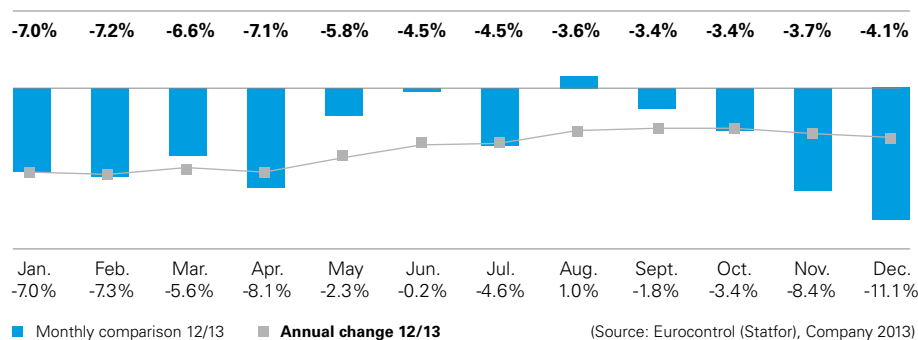
Includes all IFR (Instrumental Flight Rules) flights in the Slovenian airspace, en-route and terminal, regardless of the service provider. The data gives a general overview of air traffic flow in the Slovenian airspace.

Dolsko Sector

In the Dolsko sector, where the service is provided by the Company via the Ljubljana Area Control Centre (ACC Ljubljana), the number of all IFR flights (en-route and terminal phases) fell by an average of 6.2% in 2009, while 2010 saw growth averaging 7% which, for the airspace in which the service is provided by the ACC Ljubljana, represented an increase of 0.3% in

2010 compared to the 2008 values. In 2011, the number of IFR flights increased by 10.1% compared to 2010 and by 10.5% compared to 2008. In 2012, the number of IFR flights in the Dolsko sector increased by 0.2% compared to 2011 and by 10.3% compared to 2010. In 2013, the number of IFR flights in the Dolsko sector decreased by 4.1% compared to 2012 (Figure 11).

Figure 11 / IFR Flights in Dolsko Sector



Includes all IFR flights in the airspace, where the service is provided by Slovenia Control, both for en-route and terminal phases. It shows air traffic under ACC Ljubljana (Dolsko sector). The data provides an overview of air traffic flow under direct control of ACC Ljubljana and shows the trend of productivity of ACC Ljubljana as a whole (en-route and terminal phases).

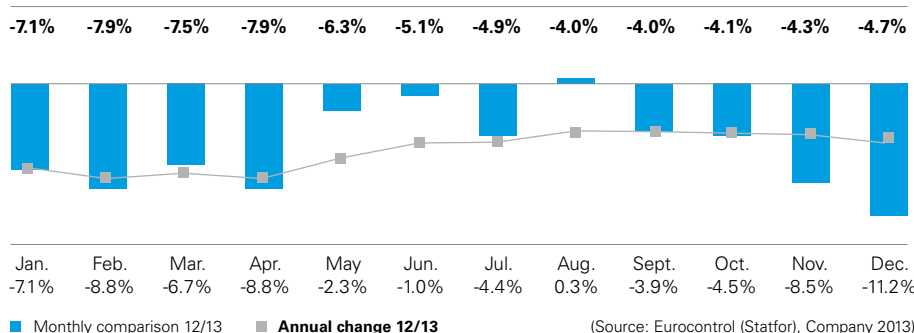
(Source: Eurocontrol (Statfor), Company 2013)

6.2.1 Traffic in En-route Phase

Following a drop of 3.1% in 2009 from 2008, the number of en-route IFR flights in 2010 rose by 6.6% compared to 2009, representing an increase of 3.3% compared to 2008. In 2011, the number of flights increased by 9.1% compared to 2010, representing an increase of

12.6% compared to 2008. In 2012, the number of IFR flights in the Ljubljana FIR fell by 1.1%. Compared to 2010, this represents an increase of 7.9%. In 2013, the number of en-route IFR flights continued to fall (Figure 12) – by 4.7% in the final comparison with 2012.

Figure 12 / En-route IFR Flights in Ljubljana FIR

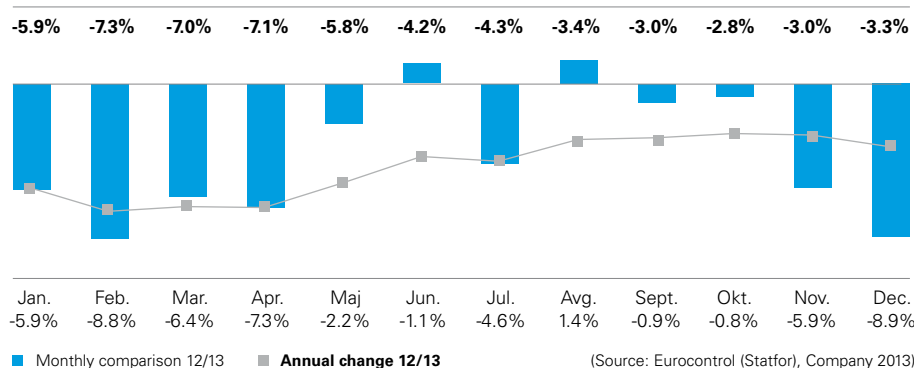


Includes all en-route IFR flights, regardless of the service provider, meaning the Dolsko (with Slovenia Control as the service provider) and Mura (with Austrocontrol as the service provider) sectors. The data gives an overview of air traffic flow that affects Slovenia Control's en-route revenue.

In the same period, the trend in the number of en-route service units fell by 3.1% in 2009, while it rose by 10.33% in 2010 and an additional 16.3% in 2011. Compared to 2008, the number of en-route service units

increased by 24.3% in 2011. Compared to 2011, the number of en-route service units increased by 0.1% in 2012, then decreased by 3.3% in 2013 (Figure 13).

Figure 13 / En-route Service Units in Ljubljana FIR



The chart includes service units in the Slovenian airspace subject to an en-route charge. The data gives an overview of en-route revenue.

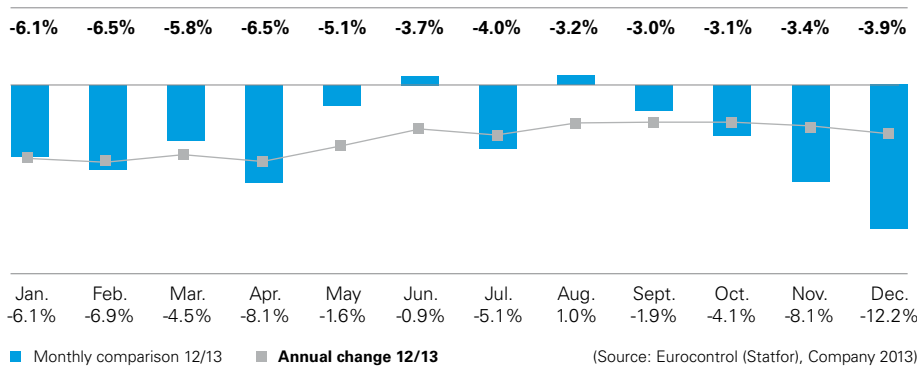
The trend in the number of IFR flights and in the number of service units is not always consistent, as the number of en-route service units depends on the distance flown and the aircraft weight. While the trend in the number of IFR flights and service units in 2009 was consistent (-3.1%), the trend was less consistent

in 2010, when the number of IFR flights rose by 6.6% and the number of service units by 10.3%. In 2011, the number of IFR flights rose by 9.1% compared to 2010, while the number of en-route service units in the Ljubljana FIR increased by 16.3%.

The reason lies in the fact that the number of en-route IFR flights in the Dolsko sector, where air routes are longer, rose by 12.8% in 2011, which, compared to 2008, represents an increase of 17.7%, while in the Mura sector, where air routes are shorter, the number of IFR flights in 2011 was almost the same as in 2010 or, to be precise, rose by 0.05%, which represents an increase of 0.7% compared to 2008. In 2012, the number of IFR flights in the Mura sector fell by 9%, while the number

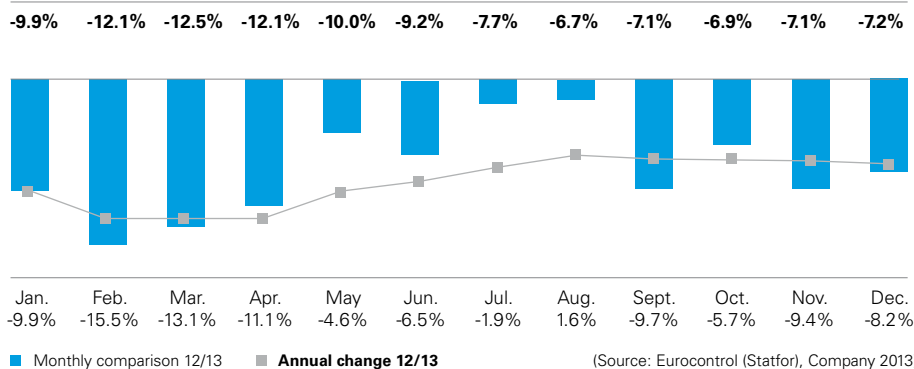
of en-route IFR flights in the Dolsko sector increased by 1.8%. In 2012, the number of en-route service units thus increased only by 0.2%. There were 7.2% less IFR flights in the Mura sector in 2013 than in the previous year (Figure 15), while the number of en-route IFR flights in the Dolsko sector decreased by 3.9% (Figure 14). The drop in en-route flights in the Mura and Dolsko sectors in 2013 also resulted in a drop in the number of en-route service units by 3.3% (Figure 13).

Figure 14 / En-route IFR Flights in Dolsko Sector



Includes all en-route IFR flights in the airspace, where the en-route service is provided by Slovenia Control or the en-route section of the ACC Ljubljana. The data gives an overview of en-route air traffic flow under direct control of the ACC Ljubljana and shows the trend of productivity of the ACC Ljubljana in the en-route phase.

Figure 15 / En-route IFR Flights in Mura Sector



Includes all IFR flights in the Slovenian airspace where Slovenia Control is not the service provider (Mura sector) but receives revenue from the provision of services by Austrocontrol.

IFR traffic under Company control

The data below only cover IFR traffic for which the Company was responsible, i.e. traffic in the Dolsko sector. The data used are from the Company and Euro-control (Statfor) databases.

In 2013, the Ljubljana Area Air Traffic Control that provides the service in the Dolsko sector recorded a 4.1%

drop in traffic compared to 2012. A total of 256,917 flights were made in the Dolsko sector in 2013, with an average of 704 IFR operations per day.

Compared to previous achievements, the following milestones were reached (in terms of the number of IFR operations):

Table 9 / Milestones in Number of IFR Flights in Dolsko Sector

Year	Maximum values in previous years					
	2013	2012	2011	2010	2009	2008
The highest number of IFR operations per hour was achieved on 21/09/2013 between 15:00 and 16:00 UTC	99	99	91	88	79	79
The highest number of IFR operations per day was achieved on 24/08/2013	1,255	1,263	1,184	1,029	928	977
The highest number of IFR operations per week was achieved between 26/08/2013 and 01/09/2013	7,223	7,281	7,129	6,383	5,843	6,255
The highest number of IFR operations per year was achieved in August	31,106	31,691	30,861	27,488	25,617	27,045

The Area Air Traffic Control Centre can divide up the airspace in which it provides the service into a maximum of four vertical sectors. This prevents excessive workload of air traffic controllers and ensures the appropriate capacity of air traffic flow in the airspace. The number of sector hours per day is the sum of the openness of all four sectors. This factor is directly tied to the human resources available at the Area Air Traffic Control Centre.

15,994 sector hours were achieved in 2013. In 2013, an average of 43.8 sector hours per day was achieved, representing an increase of 0.2% compared to the previous year.

In 2013, the Area Air Traffic Control Centre accumulated a maximum total of 64 sector hours per day, 1 less than in 2012, 6 more than in 2011 and 9 more than in 2010. All data on the number of sector hours is shown in the table below.

Table 10 / Number of Sector Hours

Year	Total number of sector hours	Change in % compared to the previous year	Maximum number of sector hours per day	Change in % compared to the previous year	Average number of sector hours per day	Change in % compared to the previous year
2010	15,994		55		41.4	
2011	16,007	+0.1%	58	+5.5%	43.9	+6.0%
2012	16,011	+0.02%	65	+12.1%	43.7	-0.5%
2013	15,109	-5.6%	64	-1.5%	43.8	+0.2%

In 2013, the Area Air Traffic Control Centre performed 13,683 VFR operations, 9.1% less than in 2012 (Table 11).

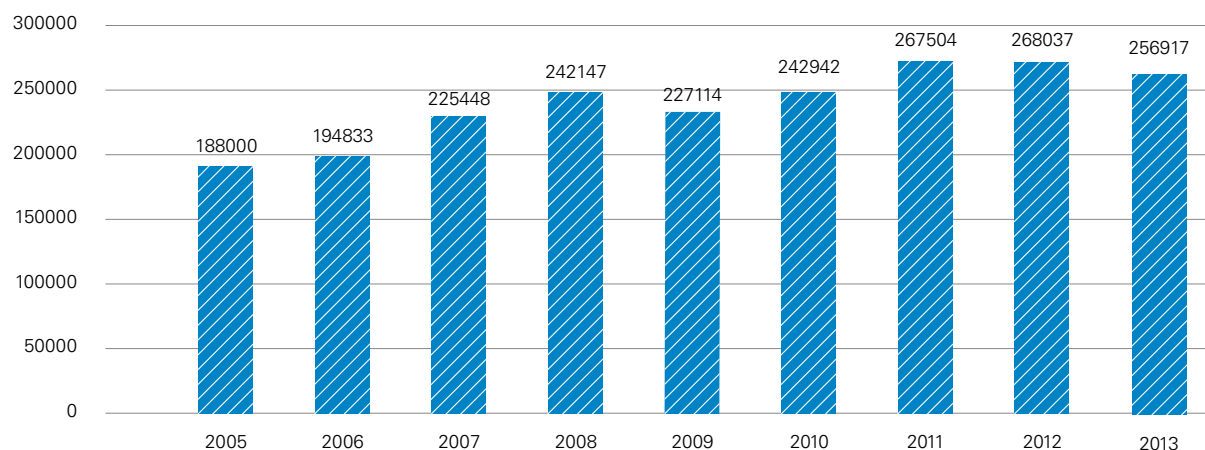
Table 11 / Number of VFR Flights

Year	VFR operations	Change in % compared to the previous year
2009	14,930	
2010	13,733	-8.0%
2011	17,074	+24.3%
2012	15,050	-11.9%
2013	13,683	-9.1%

Forecasts and actual traffic in Dolsko sector in 2013

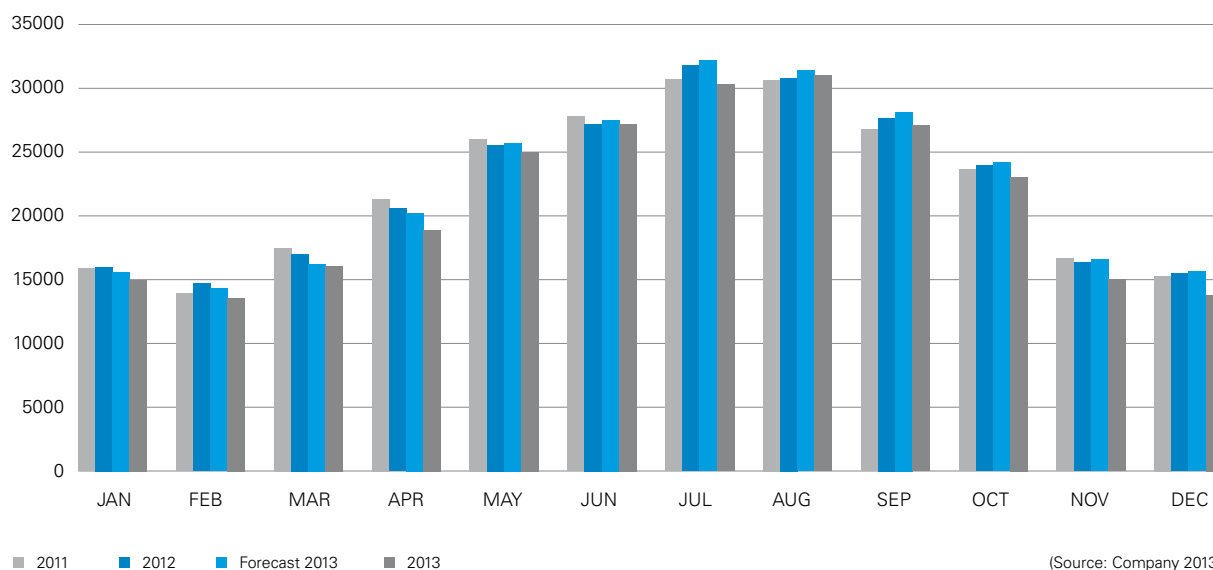
Traffic levels in 2013 were lower than expected. A traffic growth of 0.4% was foreseen, but at the end of the year a 4.2% drop in actual traffic compared to 2012 was recorded.

Figure 16 / Traffic from 2005 to 2013



(Source: Company 2013)

Figure 17 / Traffic from 2011 to 2012, Forecasts for 2013 and Actual Traffic in 2013



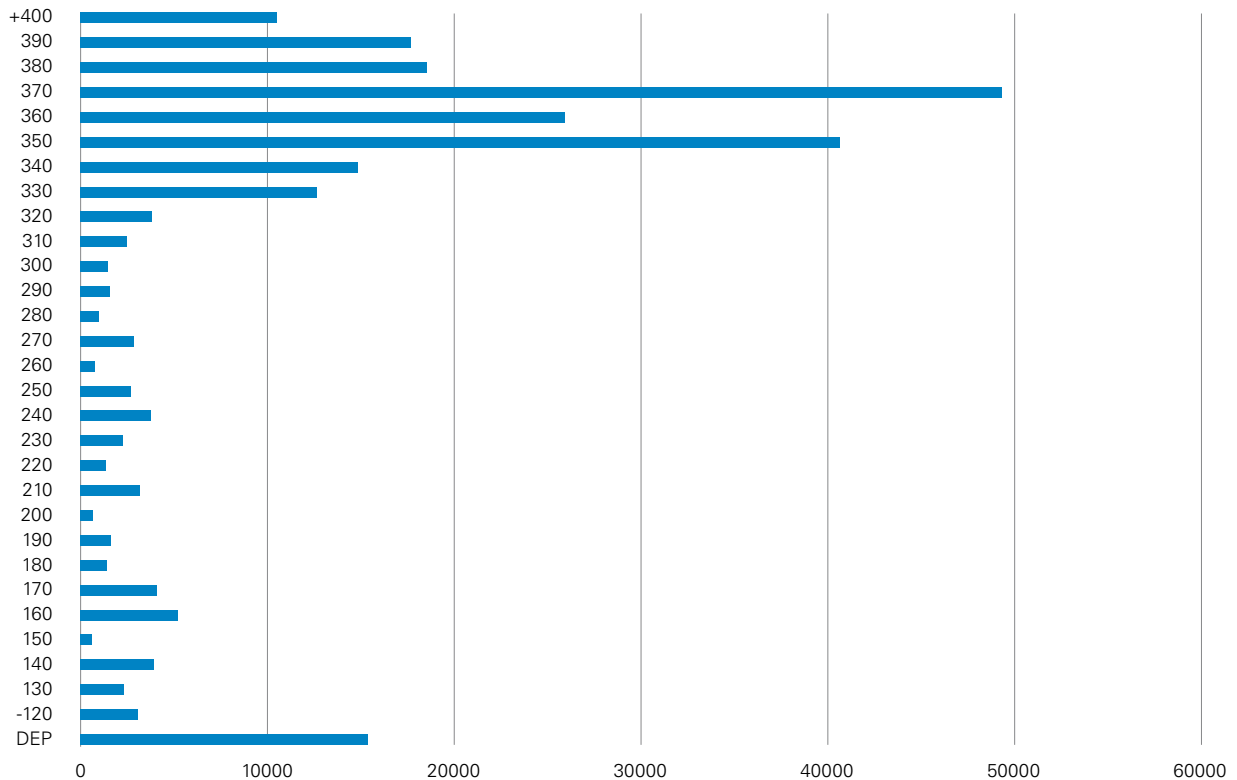
(Source: Company 2013)

Traffic by flight level

The data on flight levels are taken from the Company database. All changes prior to the automatic handover of the flight to the neighbouring air traffic control are taken into consideration.

As in previous years, the most heavily congested flight levels were at 350 (an altitude of 35,000 feet) and 370 (an altitude of 37,000 feet).

Figure 18 / Traffic by Flight Level in 2013 in Dolsko Sector



(Source: Company 2013)

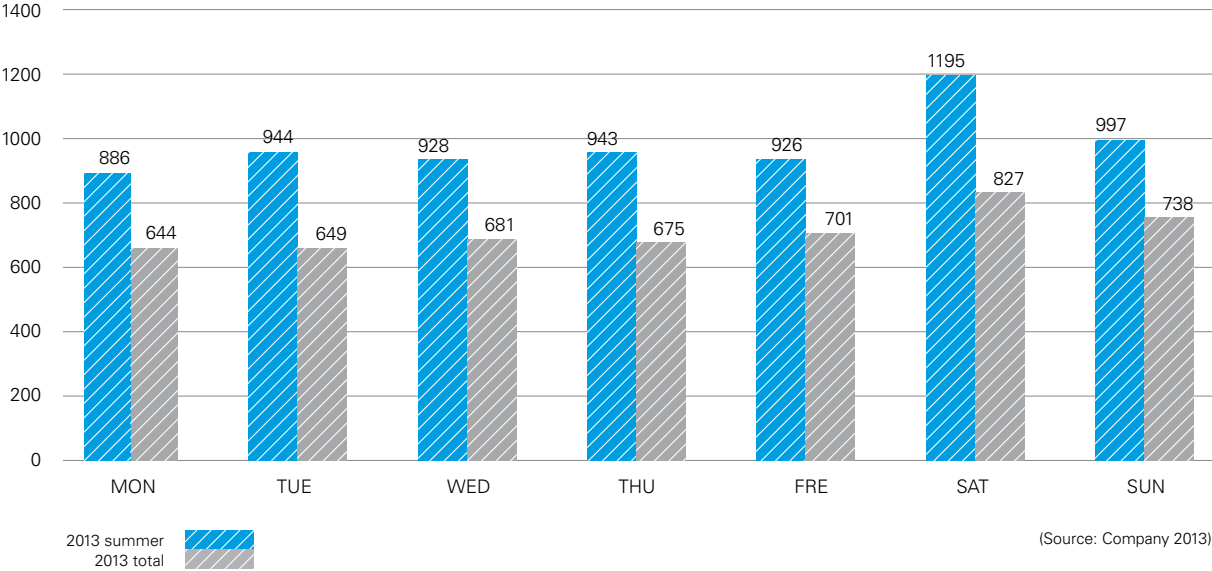
The DEP column includes all IFR operations begun at domestic airports. Figures below FL 120 and above FL 400 were aggregated for the sake of clarity.

Breakdown of traffic by day

The number of IFR flights in the Dolsko sector is evenly distributed throughout the year by days of the week (second column in Figure 19). The figure below shows the average number of flights throughout the year. There are some variances at certain times of the year that may balance out at other times of the year. It should also be noted that this represents an average of 11 weeks (minimum of 847 IFR flights per day and maximum of 1,263 flights per day). The first column shows the distribution of IFR flights in the Dolsko sec-

tor by day during the summer season (1 June–15 September). Saturday stands out as the busiest day. During the summer season, there were 35% more IFR flights on an average Saturday than on an average Monday and 20% more IFR flights than on the other days of the week. In addition to being the busiest day, Saturday also stands out for its complexity, as its traffic structure is very multi-faceted as a result of heavy holiday traffic to Croatian airports (Split, Pula, Rijeka, Zadar).

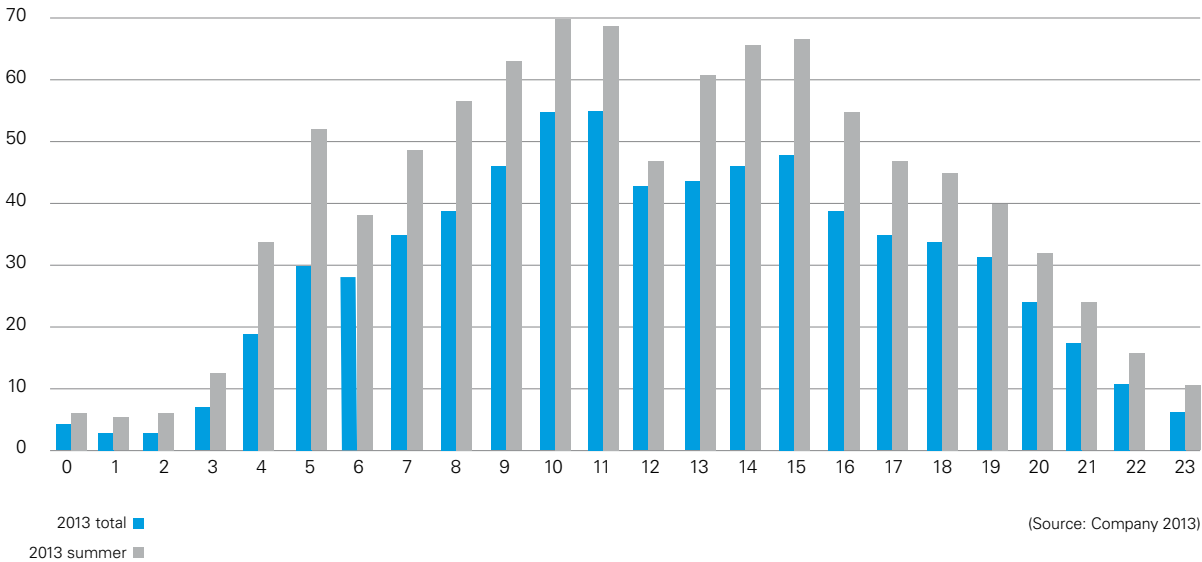
Figure 19 / Average Number of IFR Flights in Dolsko Sector by Day of the Week (Summer and Total)



Average number of IFR flights in the Dolsko sector by the hour of the day

Figure 20 shows the average number of IFR flights in the Dolsko sector by the hour of the day. The grey column shows the average number of flights by hour during the summer season (June–September) and the blue column shows the average number of flights by hour throughout the year.

Figure 20 / Traffic by Hour (UTC)

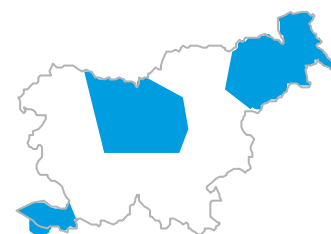
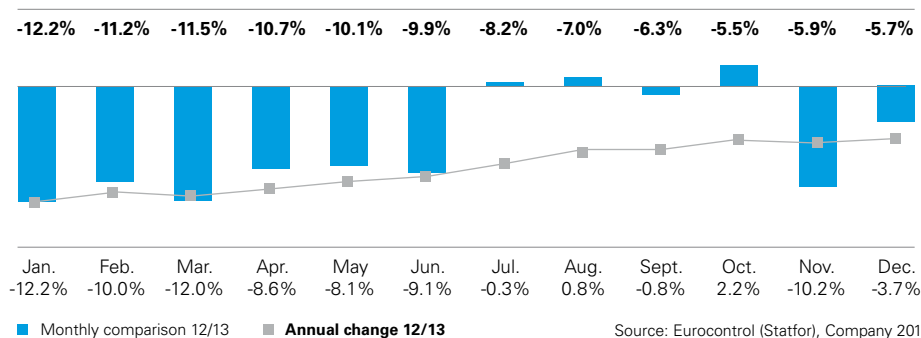


The figure shows the hourly average and not the total number of operations. The sample thus differs by days of the week. Growth in early morning traffic during the summer season is material and requires sectors to be open longer. Compared to the previous year, peak hour traffic is slightly smaller and has "moved" a bit to late afternoon, which also increases the staff's workload.

6.2.2 Traffic in Terminal Phase

In the terminal phase, the number of IFR flights continues to fall. 2009 saw a drop of 10.9% from 2008, while in 2010 there was a drop of 7.7% compared to 2009. Traffic fell by 5% in 2011 and by 10.4% in 2012, amounting to a fall of 30% compared to 2008. We recorded a smaller drop in terminal IFR flights compared to the previous year, i.e. by 5.7% (Figure 21).

Figure 21 / Terminal IFR Flights



Includes all terminal IFR flights (Ljubljana, Maribor and Portorož airports) and gives an overview of air traffic flow affecting Slovenia Control's terminal revenue.

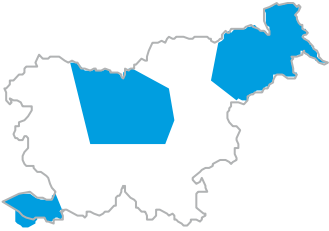
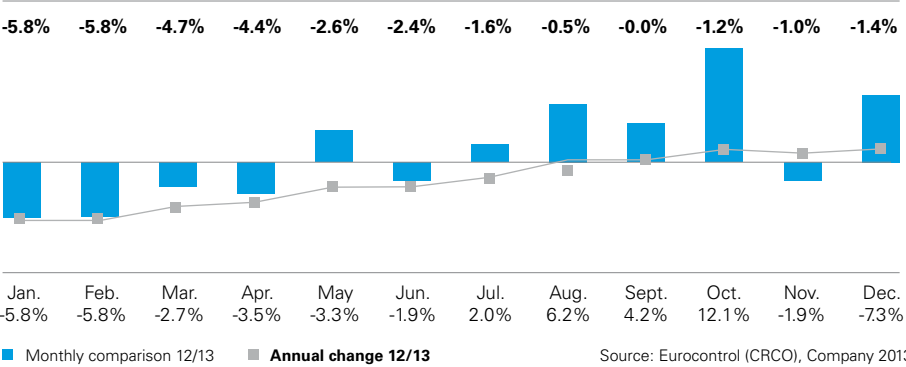
The basic data on traffic obtained from individual Aerodrome Controls are shown in Table 12.

Table 12 / Basic Data on Traffic by Individual Aerodrome Controls

Month/year	TWR Portorož	TWR Maribor	TWR Brnik	TWR Cerklje ob Krki
Number of IFR operations in 2013	2,015	2,492	27,873	/
Average number of IFR operations per day	5.5	6.8	76.4	/
Maximum number of IFR operations per day	24	29	113	/
Number of VFRs in 2013	14,790	18,927	15,640	10,570
Average number of VFR operations per day	40.4	51.7	42.7	47.3
Maximum number of VFR operations per day	154	316	147	250

In the same period, the trend in the number of terminal service units fell by 11.8 % in 2009, then fell by an additional 6.1 % in 2010 compared to 2009. In 2011, the number of terminal service units increased by 0.3% compared to 2010. In 2012, we recorded a drop of 10.8%, and, in 2013, the number of terminal service units increased by 1.4% (Figure 22).

Figure 22 / Terminal Service Units



The chart includes service units in the Slovenian airspace subject to a terminal charge. The data gives an overview of terminal revenue.

Source: Eurocontrol (CRCO), Company 2013

6.2.3 Summary of Air Traffic Analysis

Number of IFR flights

Following a dramatic drop in the number of IFR flights in 2009 caused by the general economic crisis, air traffic in 2010 in Slovenia recovered at a significantly faster pace (+4.8% 2010/2009) than in the EU-27 (0.2% 2010/2009) and was even higher than in 2008 (+0.4% 2010/2008), which was not true of the EU-27 (-7% 2010/2008). In 2011, the EU-27 saw further growth of 2.6%, while the Republic of Slovenia achieved a growth of 7.5%. In 2012, en-route traffic in the Dolsko sector increased by 1.8%, while en-route traffic in the Mura sector fell by 9%. The drop in terminal traffic was even more substantial, with a fall of 10.4%. In 2013, traffic in all phases decreased in all sectors. The number of IFR flights in the Republic of Slovenia in 2013 decreased by 4.8%, while the EU-28 saw a smaller drop in IFR flights by 1.7%.

Traffic in the airspace in which the service is provided by the Company (the Dolsko sector in the en-route phase and three terminals in the terminal phase) recovered and exceeded the 2008 values but decreased by 4.1% compared to the previous year. This trend in traffic represents the average of both flight phases (en-route and terminal), taking into account that traffic trends in the Republic of Slovenia varied considerably in individual phases.

In 2013, the number of en-route IFR flights dropped in all sectors (by 4.7% in the Republic of Slovenia, by 3.9% in the Dolsko sector and by 5.7% in terminal phase).

Number of service units

The number of en-route service units followed the trend in traffic (-3.3% 2013/2012). Compared to 2008, it was significantly higher (+20.3% 2013/2008).

The reason for the lower number of service units in the past years is mainly the drop in traffic in the Dolsko sector, where air routes are longer, and the slight drop in traffic in the Mura sector, where air routes are shorter. Despite a substantial drop in traffic in the Mura sector (-7.2%), the decrease in the number of en-route service units is smaller (-3.3%) and more similar to the drop in traffic in the Dolsko sector (-4.1%). The reason lies in short air routes in the Mura sector due to which the impact on the number of service units is not as pronounced.

The number of terminal service units deviated from the negative trend in traffic and increased by 1.4% in 2013.

6.3 ANALYSIS OF REGULATIONS AND DELAYS IN 2013

A total of 875 minutes of delays in air traffic were recorded in 2013. No delays were caused due to capacity or lack of operational personnel (air traffic controllers). The sector configurations and capacities published and the planning of operational personnel fully met the traffic needs.

Air traffic regulations and resulting delays in the airspace of the Republic of Slovenia were caused five times in 2013. Air traffic flow regulations were introduced due to the move to the new ACC (SH2/LJLA NEW ACC TRANSITION).

Regulations caused air traffic delays of a total of 875 minutes. With 256,917 flights in the Dolsko sector in 2013, this is merely 0.003 minutes of delay per flight, which is significantly below the set target (0.26 minutes of delay per flight).



7

KEY PLANS FOR 2014 AND EXPECTATIONS FOR THE COMPANY'S DEVELOPMENT

The Company's key plans for 2014 are directed towards the efficient performance of its primary activity as a public utility of providing air navigation services in the Republic of Slovenia. In providing services that are flexible in capacity, cost-effective and of the very highest quality, the Company's operations will be aimed at achieving its most important aim, that is, ensuring air traffic safety. Air traffic safety management is essential for the activity of air traffic management and control and is the most important common aim for all business processes. In order to ensure the necessary level of air traffic safety, the Company will perform its activities in line with the established Safety Management System (SMS) processes, based on national and European regulations and the standards and recommendations of international civil aviation organisations.

Another one of the Company's aims being air traffic capacity, the Company will strive to carry out its activities to the extent necessary to meet air traffic demands with as little restrictions and delays as possible, thereby ensuring that performance targets in the area of capacity in accordance with the adopted Performance Plan 2012–2014 for the Republic of Slovenia and European-Union-wide performance targets are met. The Company will keep in step with the needs regarding the openness of all international airports in the Republic of Slovenia.

In 2014, taking into account the economic conditions and the envisaged growth in air traffic, the Company will also strive to achieve performance targets in the key performance area of cost-efficiency in accordance with the Performance Plan 2012–2014 for the Republic of Slovenia and European-Union-wide performance targets by managing all operating costs. Pursuant to the Commission Decision of 29 October 2013 on the compliance of service unit rates for the 2014 tariff zones, in accordance with Article 17 of Commission Implementing Regulation (EU) no. 391/2013, Slovenia's 2014 en-route charge complies with the adopted European-Union-wide performance targets and the requirements of EU regulations on devising the Performance Plan and a common charging scheme for air navigation services.

In addition to those mentioned above, the most important tasks and activities directed towards the achievement of the Company's aims for 2014 are:

- investments in the modernisation of navigation, communication and surveillance infrastructure throughout the country in order to ensure and maintain the appropriate level of air traffic safety and capacity;
- care for the employees' health and fostering HR development and above all ensuring a sufficient number of properly qualified operational personnel to meet the needs of the Company and the requirements of European and national legislations;

- continuing the implementation of measures directed towards the rationalisation of all operating costs according to the envisaged traffic levels and, as part of these measures, the optimisation of certain services based on appropriate safety analyses (continuing the centralisation of ARO services, the optimal organisation of work and the requisite number of personnel in aerodrome air traffic control), the aim of which is the cost-effective organisation of air navigation services at all three airports included in the terminal cost base, within the agreed opening hours of the airports;
- progressive development of the Company's quality system and the performance of all activities necessary to retain the SIST EN ISO 9001:2008 certificate;
- upgrading the system for the fulfilment of common requirements for the provision of air navigation services, defining in a systematic, formal and comprehensively documented manner the scope and methods of work and actions considered to represent the Company's compliance with the common requirements for the air navigation services that it provides;
- continuous internal monitoring for the constant improvement of compliance with the requirements of Implementing Regulation (EU) no. 1035/2011 and performing all activities necessary for the renewal of the certificate to provide air navigation services;
- following the guidelines on the development of the European airspace through successful international cooperation, particularly within the region under the Functional Airspace Block Central Europe (FAB CE) project, and establishing a joint entity – an enterprise with the status of a limited liability company (FABCE, letalske storitve, d.o.o., headquartered in the Republic of Slovenia);
- close cooperation with other FABs under GATE ONE and with BLUE MED FAB;
- professional cooperation with the competent state authorities in preparing regulations pertaining to the field of the Company's activity;
- active participation in the preparation of the Performance Plan for the second reference period 2015–2019 pursuant to European regulations on the Single European Sky (SES), setting out the binding (and other) performance targets in all four key performance areas – capacity, cost-efficiency, safety and environment.

The main activity in the field of communications will be to ensure the safety, reliability, availability and integrity of technical equipment and infrastructure. A greater part of project activities will focus on some of the key investments necessary for the modernisation of technical equipment and systems to implement the Single European Sky programme.

In the field of surveillance systems, activities related to the modernisation of the existing secondary radar system will continue. The upgrade to the newer MODE S standard will be carried out at the present location. This will ensure long-term independent coverage of the Republic of Slovenia via our own radar signal in MODE-S.

In the field of communications, we are planning a project of the renovation of radio stations for communication type ground-air at locations where the life of older equipment is soon to expire. At the same time, VoIP technology will be implemented that will additionally increase the availability and cost-efficiency of the communication network.

The Training for Operational Personnel Service – Flight School – will focus on two crucial activities in 2014: firstly, the development of an efficient and robust system of operational personnel training processes and secondly, the establishment of a new system of training for the technical staff working in air traffic control, as the existing 35-year-old training system is outdated.

In 2014, capacity will be affected by the following projects or tasks:

- the implementation of DCTs in March;
- the opening of the airspace over Kosovo in April;
- the envisaged fulfilment of technical requirements for the opening of the 5th sector and human resources;
- the simulation of sector opening and traffic levels (which sectorisation gives the best results given the distribution of traffic, cross-sector coordination, the number of conflicts);
- a flexible use of sectorisation to ensure the optimal planning of the sectors' openness and personnel.

Actual traffic in 2014 will most likely be primarily affected by the state of the economy in the Republic of Slovenia and Europe, the price of oil on the global market, the capacities of area air traffic control centres in neighbouring countries and extraordinary events (terrorists acts around the world, volcano eruptions, potential war zones, etc.). For 2014, Statfor predicts a growth of 2.8% in traffic for ACC Ljubljana.



II. FINANCIAL REPORT



This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of **Kontrola zračnega prometa Slovenije d.o.o.**

Report on the Financial Statements

We have audited the accompanying financial statements of Kontrola zračnega prometa Slovenije d.o.o., which comprise the statement of financial position as at December 31, 2013, and the income statement, statement of other comprehensive income, 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 International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, 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 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 Kontrola zračnega prometa Slovenije d.o.o., as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, May 16, 2014


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 3


Lidija Šinkovec
Certified Auditor

2 FINANCIAL STATEMENTS

2.1 BALANCE SHEET AS AT 31/12/2013

	ASSETS	Notes	31/12/2013	31/12/2012	01/01/2012
A	Long-term assets		34,741,893	35,764,191	27,071,740
I	Intangible assets and long-term deferred costs and accrued revenues		247,649	293,507	332,093
1	Long-term property rights (patents, licenses, trademarks)	3.2.1.	108,455	113,316	110,903
2	Long-term deferred costs and accrued revenues	3.2.2.	139,194	180,191	221,190
II	Property, plant and equipment	3.2.3.	34,283,351	35,144,040	26,352,967
1	Land and buildings		16,403,639	463,500	471,836
2	Production plant		17,320,676	7,896,124	8,279,175
3	Other equipment		1,427	2,969	5,940
4	Property, plant and equipment being acquired		557,609	26,781,447	17,596,016
III	Investment property		0	0	0
IV	Deferred tax assets	3.2.4.	210,893	326,644	386,680
B	Current assets		3,608,944	3,482,959	9,270,428
I	Assets held for sale		0	0	0
II	Inventories	3.2.5.	658,680	254,978	242,422
III	Short-term investments		0	0	5,519,506
IV	Short-term operating receivables	3.2.6.	2,925,467	3,210,041	3,359,069
V	Cash	3.2.7.	24,797	17,940	149,431
C	Short-term deferred costs and accrued revenues	3.2.8.	396,219	473,606	443,153
	TOTAL ASSETS		38,747,056	39,720,756	36,785,321

EQUITY AND LIABILITIES		Notes	31/12/2013	31/12/2012	01/01/2012
A	Equity	3.2.9.	12,635,633	8,285,638	4,941,910
I	Called-up capital		5,525,706	1,091,118	1,091,118
II	Capital surplus		0	0	0
III	Revenue reserves		6,849,383	2,030,976	109,112
1	Legal reserves		552,571	109,112	109,112
2	Other revenue reserves		6,296,812	1,921,864	0
IV	Revaluation surplus		49,140	0	0
V	Retained net profit from previous years		0	3,241,680	2,901,736
VI	Net profit for the period		211,404	1,921,864	839,944
B	Provisions and long-term accrued costs and deferred revenues		2,771,541	4,701,696	4,491,624
1	Provisions for pensions and similar liabilities	3.2.10.	2,771,541	3,193,797	2,416,767
2	Long-term accrued costs and deferred revenues		0	1,507,899	2,074,857
C	Long-term liabilities		11,548,309	14,707,753	16,247,069
I	Long-term financial liabilities	3.2.11.	11,548,309	10,321,440	11,794,572
II	Long-term operating liabilities		0	4,386,313	4,452,497
III	Deferred tax liabilities		0	0	0
D	Short-term liabilities		9,806,768	10,044,637	8,509,913
I	Liabilities included in disposal groups		0	0	0
II	Short-term financial liabilities	3.2.12.	6,723,131	3,573,131	1,473,131
III	Short-term operating liabilities	3.2.13.	3,083,637	6,471,506	7,036,782
E	Short-term accrued costs and deferred revenues	3.2.14.	1,984,805	1,981,032	2,594,805
	TOTAL EQUITY AND LIABILITIES		38,747,056	39,720,756	36,785,321

Notes to Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

2.2 INCOME STATEMENT FOR THE PERIOD FROM 01/01/2013 TO 31/12/2013

	Text	Notes	2013	2012
A	NET SALES REVENUES	3.2.15.	32,484,118	34,138,179
1	Net sales revenues in Slovenia		566,406	599,215
2	Net sales revenues in the EU		31,915,862	33,536,804
3	Net sales revenues in the rest of the world		1,850	2,160
B	OTHER OPERATING REVENUES	3.2.16.	266,114	379,752
C	OPERATING EXPENSES		31,385,586	30,359,871
1	Costs of materials and services	3.2.17.	5,987,554	6,512,820
2	Labour costs	3.2.18.	19,885,752	19,567,389
3	Write-downs	3.2.19.	3,776,404	2,223,252
4	Other operating expenses	3.2.20	1,735,876	2,056,410
D	OPERATING PROFIT		1,364,646	4,158,060
E	FINANCIAL REVENUES	3.2.21.	1,129	16,273
1	Financial revenues from loans given		1,075	16,144
2	Financial revenues from operating receivables		54	129
F	FINANCIAL EXPENSES	3.2.22	432,061	100,100
1	Financial expenses arising from financial liabilities		430,812	99,764
2	Financial expenses arising from operating liabilities		1,249	336
G	OTHER REVENUES	3.2.23.	25,161	2,522
H	OTHER EXPENSES		1,856	1,180
I	TOTAL PROFIT		957,019	4,075,575
J	INCOME TAX	3.2.24	56,560	171,811
K	DEFERRED TAX		-34,192	-60,036
L	NET PROFIT FOR THE PERIOD		866,267	3,843,728

Notes to Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

2.3 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR 2013

	Text	2013	2012
A	Net profit or loss for the period	866,267	3,843,728
1	Total other comprehensive income to be recognised in the income statement in the future	0	0
a)	Changes in the revaluation surplus of financial assets, available for sale	0	0
b)	Deferred tax on the revaluation of financial assets, available for sale	0	0
c)	Change in the fair value of financial instruments for hedging	0	0
d)	Deferred tax on the change in the fair value of financial instruments for hedging	0	0
2	Total other comprehensive income not to be recognised in the income statement in the future	49,140	0
a)	Unrealised actuarial gains or losses on post-employment benefits	49,140	0
b)	Deferred tax on unrealised actuarial gains or losses	0	0
B	Other comprehensive income	49,140	0
C	Total comprehensive income for the period	915,407	3,843,728

Notes to Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

2.4 STATEMENT OF ACCUMULATED PROFIT/LOSS FOR 2013

	Data	2013	2012
A	Net profit for the period	866,267	3,843,728
B	Net loss for the period	0	0
C	Retained net profit	4,163,544	3,241,680
D	Retained net loss	0	0
E	Decrease in capital reserves	0	0
F	Decrease in revenue reserves	0	0
1	Decrease in legal reserves	0	0
2	Decrease in reserves for own shares and own business stakes	0	0
3	Decrease in statutory reserves	0	0
4	Decrease in other revenue reserves	0	0
G	Increase in revenue reserves	4,818,407	1,921,864
1	Increase in legal reserves	443,459	0
2	Increase in reserves for own shares and own business stakes	0	0
3	Increase in statutory reserves	0	0
4	Increase in other revenue reserves	4,374,948	1,921,864
H	ACCUMULATED PROFIT	211,404	5,163,544

Notes to Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

2.5 CASH FLOW STATEMENT FOR 2013

Items	2013	2012
A Cash flows from operating activities		
a) Items of the income statement	5,073,603	6,150,807
Operating revenue (except from revaluation) and financial revenue from operating receivables	32,775,393	34,520,453
Operating expenses excluding depreciation or amortisation (except from revaluation) and financial expenses from operating liabilities	-27,611,038	-28,137,799
Income taxes and other taxes not included in operating expenses	-90,752	-231,847
b) Changes in the net current assets (and deferrals and accruals, provisions and deferred tax assets and liabilities) of the balance sheet operating items	-9,773,301	-918,596
Opening less closing operating receivables	284,574	149,028
Opening less closing deferred costs and accrued revenues	118,384	-30,453
Opening less closing deferred tax assets	115,751	10,546
Opening less closing inventories	-403,702	-12,556
Closing less opening operating liabilities	-7,774,182	-631,460
Closing less opening accrued costs and deferred revenues and provisions	-2,114,126	-403,701
c) Net cash from operating activities (a + b)	-4,699,698	5,232,211
B Cash flows from investing activities		
a) Receipts from investing activities	1,129	5,535,779
Interest and dividends received from investing activities	1,129	16,273
Receipts from the disposal of short-term financial assets	0	5,519,506
b) Disbursements from investing activities	-2,673,970	-10,986,285
Disbursements for the acquisition of intangible assets	-65,320	-1,607,885
Disbursements for the acquisition of property, plant and equipment	-2,608,650	-9,378,400
c) Net cash from investing activities (a + b)	-2,672,841	-5,450,506
C Cash flow from financing activities		
a) Receipts from financing activities	10,284,588	2,100,000
Receipts from paid-in capital	4,434,588	0
Receipts from the increase in short-term financial liabilities	5,850,000	2,100,000
b) Disbursements from financing activities	-2,905,192	-2,013,196
Interest paid on financing activities	-432,061	-100,100
Disbursements for long-term financial liabilities	-1,473,131	-1,413,096
Dividends and other profit shares paid	-1,000,000	-500,000
c) Net cash from financing activities (a + b)	7,379,396	86,804
D Closing balance of cash	24,797	17,940
x) Net cash for the period (sum of Ac, Bc and Cc)	6,857	-131,491
y) Opening balance of cash	17,940	149,431

Notes to Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

2.6 STATEMENT OF CHANGES IN EQUITY IN 2013

	Share capital	Legal reserves	Other reserves	Revaluation surplus	Retained net profit	Net profit for the period	Total
A.1. Balance at the end of the previous period	1,091,118	109,112	1,921,864	0	3,241,680	1,921,864	8,285,638
A.2. Opening balance for the period	1,091,118	109,112	1,921,864	0	3,241,680	1,921,864	8,285,638
B.1. Changes in equity capital	4,434,588	0	0	0	-1,000,000	0	3,434,588
a) Payment of dividends	0	0			-1,000,000		-1,000,000
b) Additional payments of capital	4,434,588						
B.2. Total comprehensive income for the period	0	0	0	49,140	0	866,267	915,407
a) Net profit or loss for the period	0	0	0	0	0	866,267	866,267
b) Other components of comprehensive income for the reporting period	0	0	0	49,140	0	0	49,140
B.3. Changes in equity	0	443,459	4,374,948	0	-2,241,680	-2,576,727	0
a) Allocation of the net profit for the period to other capital elements by decision of the Management Board and the Supervisory Board	0	0	0		1,921,864	-1,921,864	0
b) Allocation to reserves by decision of the Management Board and the Supervisory Board	0	443,459	4,163,544		-4,163,544	-443,459	0
c) Allocation to reserves by decision of the Management Board and the Supervisory Board	0	0	211,404	0	0	-211,404	0
C Closing balance for the period	5,525,706	552,571	6,296,812	49,140	0	211,404	12,635,633

Notes to Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

2.7 STATEMENT OF CHANGES IN EQUITY IN 2012

	Share capital	Legal reserves	Other reserves	Revaluation surplus	Retained net profit	Net profit for the period	Total
A.1. Balance at the end of the previous period	1,091,118	109,112	0	0	2,901,736	839,944	4,941,910
A.2. Opening balance for the period	1,091,118	109,112	0	0	2,901,736	839,944	4,941,910
B.1. Changes in equity capital	0	0	0	0	-500,000	0	-500,000
a) Payment of dividends	0	0	0	0	-500,000		-500,000
B.2. Total comprehensive income for the period	0	0	0	0	0	3,843,728	3,843,728
a) Net profit or loss for the period	0	0	0	0	0	3,843,728	3,843,728
B.3. Changes in equity	0	0	1,921,864	0	839,944	-2,761,808	0
a) Allocation of the net profit for the period to other capital elements by decision of the Management Board and the Supervisory Board	0	0	0	0	839,944	-839,944	0
b) Allocation to other reserves from the profit by decision of the Management Board and the Supervisory Board	0	0	1,921,864	0	0	-1,921,864	0
C. Closing balance for the period	1,091,118	109,112	1,921,864	0	3,241,680	1,921,864	8,285,638

Notes to Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

3

NOTES TO THE FINANCIAL STATEMENTS

3.1 SUMMARY OF ACCOUNTING POLICIES AND ASSUMPTIONS

Statement of conformity

Pursuant to the provisions of the Companies Act (ZGD-1) and the decision of the 100% owner, the Republic of Slovenia (decision of the Management Board of the Slovenian Restitution Fund), the public company Slovenia Control, Slovenian Air Navigation Services, Limited (hereinafter referred to as the Company or Slovenia Control, Ltd) reached the decision to prepare its financial statements for the period concerned in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and in accordance with the interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union. The Company CEO approved the financial statements on 15 May 2014.

For previous periods, including the year ending on 31 December 2012, the Company prepared its financial statements in accordance with the Slovenian Accounting Standards. For the first time, the financial statements for the year ending on 31 December 2013 were prepared in accordance with the IFRS as adopted by the EU. The transition is explained in Section 3.2.11 of Notes to the Financial Statements. Based on previous assessments and the transition to the IFRS as adopted by the EU, the Company reduced long-term accruals and deferrals and recognised revenues in the amount of EUR 1,507 thousand.

The requirements of the Companies Act pertaining to the preparation of financial statements were also taken into account.

Measurement bases

The financial statements were prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in euro, i.e. the Company's functional currency.

Bases for the preparation of financial statements

The financial statements are presented in euro without cents.

Fair value

Fair value was used for financial assets available for sale. All other items in the financial statements are presented at purchase value or amortised cost.

In measuring the fair value of a non-financial asset, the Company must take into account the market participant's ability to generate economic benefits by using

the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Company uses valuation techniques that are appropriate under the given circumstances and for which there is enough data available, mainly based on the use of appropriate market inputs and the minimum use of non-market inputs.

All assets and liabilities that are measured or disclosed at fair value in the financial statements are classified into a fair value hierarchy based on the lowest level of inputs required for measuring the total fair value:

- level 1 – quoted prices (unadjusted) in active markets for similar assets and liabilities;
- level 2 – valuation model based directly or indirectly on market data;
- level 3 – valuation model that is not based on market data.

At the end of each reporting period, the Company determines whether any transitions between levels occurred in the case of assets and liabilities recognised in the financial statements for previous periods by re-examining the distribution of assets, taking into account the lowest level of inputs required for measuring the total fair value.

Accounting policies used

For the relevant period presented in the accompanying financial statements, the Company used accounting policies in accordance with the rules of the IFRS as adopted by the EU. For the last annual reporting, accounting policies and calculation methods were used in accordance with the Slovenian Accounting Standards and do not deviate or differ substantially from the provisions of the IFRS as adopted by the EU. Both are presented below and were taken into consideration when preparing the financial statements if such events existed in the reporting period.

Newly-adopted standards and interpretations

IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendment to the Standard changes the grouping of items presented in other comprehensive income. Items of other comprehensive income that an entity may “reclassify” to the income statement in the future (for instance, upon derecognition or settlement) must be presented separately from those that will never be recognised in the income statement. The amendment does not change the nature of items recognised in other comprehensive income nor does it affect the decision on whether or not items of other comprehensive income will be “reclassified” to the income statement in the future. The amendment only concerns the presentation of items but has no effect on the financial situation or the business operation of Slovenia Control, Ltd.

IAS 19 – Employee Benefits (revision)

The revised Standard brings a number of modifications comprising major amendments, explanations simplifying the application of the Standard and changes to the text. Important changes include the following: the elimination of the corridor mechanism for the deferral of actuarial gains and losses from the defined benefit plan. The revised Standard also introduces new or revised requirements pertaining to disclosures, including the requirement to disclose quantitative sensitivity of the defined benefit liability to reasonably possible changes in individual actuarial assumptions; termination benefits are recognised by the entity on the date when the offer of termination can no longer be withdrawn or on the date of recognising the associated restructuring costs under IAS 37, whichever date comes first; the distinction between short-term and other long-term employee benefits depends on the expected date of settlement and not on when the employee is entitled to the benefits. The Standard is effective for annual periods beginning on or after 1 January 2013. As the revised Standard does not have a significant impact on the financial situation or the business op-

eration of Slovenia Control, Ltd, the Company did not calculate the comparative amounts of each capital element for the comparable period presented or other comparative amounts as if the new accounting policy were used from the very beginning.

IFRS 13 – Fair Value Measurement

IFRS 13 introduces a single framework for measuring the fair value of all items. The new Standard does not change the requirement when an entity must measure its items by fair value but explains how to measure fair value in accordance with the IFRS when the Standards so require or permit.

IFRS 13 defines fair value as “the price received to sell the asset or the price paid to transfer the liability in an orderly transaction between market participants on the date of measurement” (for instance “an exit price”). The “fair value” used in IFRS 2 Share-based Payment and IFRS 17 Leases does not fall within the framework of this Standard.

The Standard provides explanations for a number of areas, including:

- that the concepts of “the highest and best use” and “the valuation premise” are used only for non-financial assets,
- that an adjustment for blockage factors (block discounts) is prohibited in all types of fair value measurement and
- as to how to measure fair value when the market becomes less active.

The Standard introduces new disclosures pertaining to fair value measurement for clearer understanding of valuation techniques and inputs in measuring items at fair value as well as explains the effect of items measured at fair value on the income statement. Apart from additional disclosures, the Standard has no significant impact on the financial statements of Slovenia Control, Ltd.

Standards and interpretations yet to be effective or approved by the European Union

The Company did not use any standard or interpretation that is not yet in force and will be effective in the future. The Company will use such standards and interpretations when they become effective.

The Company is studying the effect of as yet non-binding standards and interpretations to be effective or approved by the EU on or after 1 January 2014. Pursuant to the requirements of the IFRS and the EU, the Company will have to apply the following new, revised or amended standards and interpretations for future periods:

IAS 28 – Investments in Associates and Joint Ventures (revision)

The Standard was amended due to the introduction of new standards IFRS 11, IFRS 12 and IAS 28 and explains the use of the equity method in recognising investments in associates and joint ventures.

IAS 32 – Financial Instruments – Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, the International Accounting Standards Board (IASB) published amendments to IAS 32 clarifying the existing issues concerning the application of the Standard’s offsetting rules in order to ensure a more consistent application in practice. The Standard is effective for annual periods beginning on or after 1 January 2014. The amendment explains that the legally enforceable right of set-off in normal course of business does not suffice and that the entity must also have a legally enforceable right of set-off in the event of default, insolvency or bankruptcy of all of the counterparties as well as that of the reporting entity. Under the IAS 32 set-off criteria, the reporting entity must intend either to settle on a net basis or to realise

the asset and settle the liability simultaneously. The amendment explains that a gross settlement system is equivalent to net settlement and thus meets the criteria for net settlement only if it has features that eliminate or result in insignificant credit and liquidity risk and process receivables and liabilities in a single settlement process or cycle. The Company does not expect this amendment to have an impact on the financial statements of Slovenia Control, Ltd.

IAS 36 – Impairment of Assets (Recoverable Amount Disclosures for Non-financial Assets)

The amendment to the Standard further explains the requirements for the disclosure of fair value less costs of disposal. With the initial amendment to IAS 36 Impairment of Assets that was attributable to the publication of IFRS 13, the Board intended to introduce the requirement for the disclosure of information on the recoverable amount of impaired assets in the event that the entity calculated the recoverable amount based on fair value less costs of sale. As a result of an unexpected consequence of the Standard amendment, the entity would have to disclose the recoverable amount of every cash-generating unit with a significant carrying amount of goodwill or intangible asset with an indefinite useful life in comparison with the total carrying amount of goodwill or intangible asset with an indefinite useful life. The Board thus removed this requirement from the Standard.

The Board also published two other disclosure requirements, namely:

- additional disclosures about the measurement of impaired assets with a recoverable amount based on fair value less costs of disposal,
- the disclosure of the discount rate used by the entity to determine the fair value on the basis of fair value less costs of disposal using a present value technique. The amendment harmonises the requirements for the disclosure of value in use and fair value less costs of disposal.

The amendment to the Standard is effective for annual periods beginning on or after 1 January 2014. The

Company believes that the amendment will not have an impact on its consolidated financial statements.

IAS 39 – Financial Instruments – Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment to the Standard introduces an exception to the requirement for the discontinuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument.

The exception covers novations:

- that arise as a consequence of laws or regulations, or the introduction of laws or regulations,
- where the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties and
- that did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

Under this exception, all of the above-mentioned criteria must be met for the continuation of hedge accounting. The new Standard covers novations to central counterparties as well as to intermediaries such as clearing members or clients of the latter that are themselves intermediaries. For all other novations, entities have to assess the changes to the hedging instrument against derecognition criteria for financial instruments and general conditions for the continuation of hedge accounting.

The amendment to the Standard is effective for periods beginning on or after 1 January 2014. The Company believes that the amendment will not have an impact on its financial statements.

IFRS 9 – Financial Instruments – Classification and Measurement

IFRS 9 was first published in November 2009. The published Standard replaces IAS 39 Financial Instruments:

Recognition and Measurement. The new Standard introduces new requirements concerning the classification and measurement of financial assets and liabilities. In October 2010, the Board published an appendix to IFRS 9 – new requirements on classifying and measuring financial liabilities and the derecognition of financial assets and liabilities. The requirements on classifying and measuring financial liabilities and the derecognition of financial assets and liabilities set out in IAS 39 remain unchanged. The Standard eliminates two categories of financial instruments currently under IAS 39, namely: financial assets available for sale and financial assets held to maturity. Under IFRS 9, all financial assets and liabilities are initially recognised at fair value plus costs of purchase.

Financial assets

If the fair value option is not used, debt instruments can be measured at amortised cost after initial recognition if the following requirements are met:

- the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments that fail to meet the above-mentioned conditions are to be measured at fair value after initial recognition.

All equity investments are to be measured at fair value either in the statement of other comprehensive income or in profit and loss. Equity instruments held for trading are to be recognised at fair value in profit and loss. For all other equity investments, entities have an irrevocable option to recognise fair value changes either in the statement of other comprehensive income or in profit and loss.

Financial liabilities

For financial liabilities measured at fair value, entities must recognise fair value changes that are attributable to changes in the credit risk of the liability in the statement of other comprehensive income. The remainder of the change in fair value is presented in profit and

loss, unless presentation of the fair value change in respect of the liability's credit risk in the statement of other comprehensive income would create or enlarge an accounting mismatch in profit and loss.

Hedge accounting

As part of IFRS 9, the Board published a new chapter on hedge accounting that represents a major revision of the Standard. It introduces a new model bringing important improvements particularly in terms of greater harmonisation of accounting for hedged items and risk management as well as additional improvements in terms of hedge accounting and risk management disclosures. The Board has not yet determined when the new Standard becomes effective or postponed its decision until the publication of the final version of IFRS 9. The Standard is yet to be approved by the EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will evaluate this effect together with the effect of other amendments to the Standard upon their publication that will give us a clearer idea as to the impact of these amendments on the Company's consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

This Standard replaces IAS 27 Consolidated and Separate Financial Statements in the part relating to consolidated financial statements. It also examines issues discussed in SIC-12 Consolidation – Special Purpose Entities and the consequent withdrawal of SIC-12. The revised IAS 27 is thus limited to accounting for investments in subsidiaries, joint ventures and associates in separate financial statements.

IFRS 10 introduces a single control model that applies to all entities, including special purpose entities. The amendments introduced by IFRS 10 will require the management to exercise significant judgment to determine which entities are deemed to be controlled and therefore require consolidation by the parent company. The Standard also introduces a new definition of control, under which one company controls another if:

- the investor has power over the investee (under IFRS 10, the investor has power over the investee when it has existing rights that give it the ability to direct the relevant activities),
- the investor is exposed or has rights to variable returns from its involvement with the investee and
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

The Standard is effective for annual periods beginning on or after 1 January 2013. The EU approved the Standard in the standard assessment procedure and determined that the Standard shall become effective for annual periods beginning on or after 1 January 2014. The Company does not expect the Standard to have a significant impact on its existing interests in other companies. However, it could affect the consideration of acquisitions in the future.

IFRS 11 – Joint Arrangements

The new Standard replaces IAS 31: Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers.

The new Standard defines joint control as the contractually agreed sharing of control of an arrangement that exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The term "joint control" is based on the definition of "control" from IFRS 10. IFRS 11 also changes accounting for joint arrangements and, as opposed to IFRS 31 that considers three types of investments, it defines only two types of investments that enable control, namely:

- the new Standard defines joint operation as an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In relation to its interest in a joint operation, the party must recognise all its assets, liabilities, revenue and expenses, including its relative share in jointly controlled assets, liabilities, revenues and expenses and
- the new Standard defines a joint venture as an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in a joint venture are recognised using the equity method. The Standard also eliminates the possibility of proportionate consolidation for joint ventures under IAS 31, whereby the equity method remains the only option.

Under the definition of new investment groups, the Company must consider the structure of the joint arrangement as well as other facts in classifying the joint arrangement as a joint operation or a joint venture, which represents a change in comparison with IAS 31. Under IFRS 11, the parties must determine whether a separate entity exists and, in the event of its existence, consider the legal form of the separate entity, the terms agreed in the contractual arrangement and other facts and circumstances.

The new Standard is effective for annual periods beginning on or after 1 January 2013. The EU approved the Standard in the standard assessment procedure and determined that the new Standard shall become effective for annual periods beginning no later than on or after 1 January 2014. The Company does not expect the Standard to have a significant impact on its existing interests in other companies. However, it could affect the consideration of future arrangements.

IFRS 12 – Disclosure of Interests in Other Entities

This Standard includes all disclosures pertaining to consolidated financial statements from IAS 27 as well as disclosures from IAS 28 and IAS 31. These disclosures relate to the entity's interests in subsidiaries, joint ventures, associates and structured entities. Some of the more detailed qualitative and quantitative disclosures under IFRS 12 include: a summary of financial information on an individual subsidiary in which the entity has a significant non-controlling interest; a description of significant judgments of the management in determining whether it has control, joint control or significant influence over another entity and the type of joint arrangement (a joint operation or a joint

venture); a summary of financial information on each significant joint venture and associated company; a description of the type of risk associated with the entity's interests in unconsolidated structured entities.

The Standard is effective for periods beginning on or after 1 January 2013 with a possible effect on disclosures in notes to the financial statements. The EU approved the Standard in the standard assessment procedure and determined that the new Standard shall become effective for annual periods beginning no later than on or after 1 January 2014.

The amendment only concerns the presentation of items and has no impact on the Company's financial situation or business operation.

Investment entities (amendments to standards IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012, the Board issued amendments to standards effective for periods beginning on or after 1 January 2014. The amendments pertain to the requirements of a reporting entity that meets the requirements for an investment entity in subsidiaries, joint ventures and associates. Under IFRS 9 (or IAS 39), an investment entity must measure its investments in subsidiaries, associates and joint ventures at fair value through profit and loss, except for its investments in subsidiaries, associates and joint ventures providing services that are related only to the investment entity, which must be consolidated or accounted for using the equity method. An investment entity must measure its investments in another controlled investment entity at fair value. A non-investment parent entity must not account for its investments in investment entity subsidiaries at the fair value at which its investment entity subsidiaries measure their investments in their subsidiaries. Non-investment entities can still measure their investments in associated and joint ventures at fair value through profit and loss, as provided for in IAS 28. The Company is studying the impact of this Standard on its financial situation and business operation.

IFRIC 21 – Levies

The Interpretation pertains to all levies that are not addressed by other standards (for instance, IAS 12) as well as fines and other penalties related to breaches of legislation. The Interpretation defines penalties as a decrease in the entity's assets due to levies imposed by the state in accordance with the law. The Interpretation clarifies that an entity must recognise liabilities arising from levies upon the occurrence of an obligating event that triggers the payment of the levy in accordance with the relevant legislation. It also explains that liabilities arising from levies can be recognised progressively only if the obligating event that triggers the payment occurs over a period of time in accordance with the relevant legislation. The Interpretation states that if an obligation to pay a levy is triggered upon reaching a minimum threshold, the liability can only be recognised when that minimum threshold is reached. The Interpretation does not deal with accounting for costs arising from the recognition of a liability to pay a levy. Entities must find a solution in other standards to determine whether the recognition of a liability gives rise to an asset or expense. The Interpretation is effective for annual periods beginning on or after 1 January 2014. The Company is studying the impact of this Interpretation on its financial situation and business operation.

Use of assessments and judgments

Among other things, the management assessment includes the determination of the life and residual value of real-estate, plant and equipment and long-term intangible assets, adjustments to the value of inventories and receivables, assumptions for the actuarial calculation in relation to certain employee benefits, assumptions included in the calculation of provisions for lawsuits and assumptions and assessments for goodwill impairment. Despite the fact that, in the course of preparing the assumptions, the Management carefully examines all factors that may have an effect, it is possible that the actual consequences of business events

differ from those assessed. Therefore, judgment has to be used and any changes to the business environment, new business events, additional information and experience considered in making accounting estimates.

Information on important assessments of uncertainty and final judgments that the Management prepared in the process of implementing accounting policies and that have the greatest effect on the amounts disclosed in the financial statements are presented below.

Measuring obligations for defined benefits

Obligations for defined benefits record the present value of post-employment benefits and jubilee benefits. They are recognised on the basis of an actuarial calculation approved by the Management. The actuarial calculation is based on assumptions and assessments valid at the time of calculation that may differ in the future from the actual assumptions in force at the time as a result of changes. This pertains particularly to the determination of the discount rate, the assessment of the fluctuation of employees, the assessment of the death rate and the assessment of wage growth. Due to the complexity of the actuarial calculation and the long-term nature of the item, obligations for defined benefits are sensitive to changes in the above-mentioned assessments.

Provisions for lawsuits and contingent liabilities

The Company faces two lawsuits over disputes arising from employment relationships. The provision is recognised if the Company has legal or indirect obligations arising from a past event that can be reliably assessed and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Potential obligations are not recognised in the financial statements, as their actual existence will be confirmed only upon the occurrence or non-occurrence of events in the unforeseeable future on which the Company has no effect. The Company's Management regularly checks if the settlement

of a potential obligation will likely require an outflow of resources embodying economic benefits. In the event that it becomes probable, a provision is formed in the financial statements for the potential obligation the moment that the degree of probability changes.

Deferred taxes

In order to disclose an appropriate profit and loss for the reporting period, the Company also accounted for deferred taxes. These were disclosed as deferred tax assets. In accounting for deferred taxes, the balance sheet liability method was applied. The book value of assets and liabilities was compared with their tax base and the difference between both was defined as either a permanent or a temporary difference. Temporary differences were subdivided into taxable and deductible differences. Taxable temporary differences increased the Company's taxable amounts and deferred tax liabilities. Deductible temporary differences decreased the Company's taxable amounts and increased its deferred tax assets.

Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right exists to offset current tax assets against current corporate income tax liabilities and the deferred taxes involve the same taxable legal entity and the same tax authority.

Key judgments

The financial statements of Slovenia Control, Ltd for the period concerned were prepared in accordance with the International Standards of Financial Reporting as adopted by the EU (IFRS) and, given the specific nature of the Company's activity, special consideration was given to Interpretation 12 – Service Concession Arrangements (hereinafter referred to as IFRIC-12) that was adopted by the International Financial Reporting Interpretations Committee (IFRIC) and forms an integral part of Commission Regulation (EC) no. 254/2009.

Interpretation 12, Chapter Scope (Paragraph 5) gives guidance to operators and lays down the following

conditions for public to private service concession arrangements:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price, and
- the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Management of Slovenia Control, Ltd established that fixed assets be recognised as property, plant and equipment, as the conditions to use Commission Regulation (EC) no. 254/2009 under which the assets would be recognised using the “model” of financial assets or intangible assets, depending on the service concession arrangement, were not fulfilled.

Foreign currencies

Transactions (transfers and balances) expressed in a foreign currency are converted into euro (the Company's functional currency) at the exchange rate on the date of the transaction. Cash assets and liabilities expressed in a foreign currency on the date of reporting are converted into euro at the then valid ECB reference exchange rate. Non-monetary items and liabilities with a historical cost expressed in a foreign currency are converted into euro at the exchange rate on the date of reporting. Non-monetary items and liabilities expressed in a foreign currency and measured at fair value are converted into euro at the exchange rate on the date of the fair value measurement. Exchange differences are recognised in the income statement but not the differences arising from the conversion of capital instruments allocated under available for sale that are recognised directly in other comprehensive income. Non-monetary items measured at historical cost in a foreign currency are converted into the functional currency at the exchange rate valid on the date of the transaction.

Real-estate, plant and equipment

Real-estate, plant and equipment are disclosed at their purchase value or purchase value less depreciation adjustment and accumulated impairment loss. The purchase value represents costs directly attributable to the purchase of assets.

Parts of real-estate, plant and equipment with different useful lives are accounted for as individual assets. Profit or loss from the disposal of real-estate, plant and equipment is defined as the difference between revenues from the disposal of an asset and its book value and disclosed in the income statement under other operating revenues or other operating expenses.

Borrowing costs

Borrowing costs directly attributable to the purchase, construction or manufacture of a qualifying asset are capitalised as part of the purchase value of the asset concerned if the long-term loan was received solely for the purpose of financing the acquisition of the fixed asset and if the term of asset acquisition is longer than one year. All other borrowing costs are recognised in the income statement for the period in which they were incurred.

Future costs

In the book value of real-estate, plant and equipment, a public company also recognises the costs of replacing individual parts of the asset as they occur if it is probable that future economic benefits from the asset will flow to the company and if the purchase value can be measured reliably. The book value of a replaced part is derecognised. All other costs are disclosed in the income statement as expenses as soon as they occur.

Depreciation and amortisation

Depreciation and amortisation is accounted for using the straight line depreciation method based on the estimated useful life of each asset or its components. Land and assets being acquired are not depreciated.

The estimated useful lives (for the current and the previous period) are as follows:

- for buildings 3.0% or 5.0%,
- for radar systems 6.7%,
- for computers and computer equipment 50.0%,
- for cars 12.5% or 20%,
- for other equipment from 10.0% to 25.0%.

Intangible assets

Intangible assets that the Company acquired and that have a limited useful life are disclosed at purchase value less depreciation adjustment and accumulated impairment loss.

Future costs

Future costs associated with intangible assets are capitalised only if they increase future economic benefits from the asset to which such expenses pertain. All other costs are disclosed in the income statement as expenses as soon as they occur.

Depreciation and amortisation

Depreciation and amortisation is accounted for using the straight line depreciation method based on the useful life of intangible assets and begins when the asset becomes available for use. Estimated useful lives for software, licences and other rights (for the current and the previous period) range from 2 to 10 years.

Inventories

Inventories are measured at purchase price in the balance sheet. They are measured at their purchase value or net realisable value, whichever is smaller. The value of inventories consists of their purchase value and other costs incurred in getting the inventories to their current location and their current condition. The costs of purchase consist of the purchase price, customs and other

duties, transport costs, cargo handling and other costs directly attributable to the acquired item of inventories. Net realisable value is the estimated selling price in the ordinary course of business less costs of sale.

Impairment of assets

Financial assets

On the date of reporting, the Company estimates the value of a financial asset to determine whether there are any objective signs of the asset's impairment. A financial asset is deemed impaired if there is objective evidence indicating that one or more events caused a decrease in the expected future cash flows from the asset.

Impairment loss on a financial asset disclosed at amortised cost is calculated as the difference between the asset's carrying amount and the expected future cash flows discounted at the initially valid interest rate. Impairment loss on a financial asset available for sale is calculated based on its current fair value.

For important financial assets, the impairment estimate is made separately. The impairment estimate for other financial assets is made collectively based on their common risk exposure characteristics.

All impairment losses are disclosed in the Company's income statement for the period. Any accumulated loss on a financial asset available for sale recognised directly in other comprehensive income is transferred to the income statement.

Impairment loss is reversed if its reversal can be objectively tied to an event that occurred after the impairment was recognised. For financial assets measured at amortised cost and financial assets available for sale that are debt instruments, the reversal of impairment loss is disclosed in the income statement.

Non-financial assets

Upon each date of reporting, the Company checks the book value of its non-financial assets (except for inventories and deferred tax assets) to establish if there are any signs of impairment. If such signs exist, the recoverable amount of the asset is estimated.

Impairment of an asset or a cash-generating unit is recognised if its book value exceeds its recoverable amount. The impairment is disclosed in the income statement. Impairment loss on a cash-generating unit is allocated to the assets of the unit (group of units) in proportion to the book value of each asset in the unit.

The recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs of sale, whichever is higher. In determining the value of an asset in use, the expected future cash flows are discounted at their current value by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks characteristic of the asset. For impairment testing purposes, assets are grouped into the smallest cash-generating units, that is, the smallest groups of assets generating financial flows, largely independent of the financial flows of other assets or groups of assets.

The Company evaluates impairment losses from the previous periods, establishing whether the loss has decreased or no longer exists. Impairment loss is eliminated if the estimates on the basis of which the Company determined the asset's recoverable amount have changed. Impairment loss is reversed up to the amount to which the increased book value of an asset does not exceed the book value that would be established after deducting depreciation if impairment loss on the asset was not recognised in previous years.

Operating receivables

Operating receivables are disclosed at purchase value less impairment losses.

Adjustments to receivables are formed and substantiated by the Company on the basis of the Eurocontrol data at the end of each accounting period.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, freely available cash on bank accounts and short-term deposits with maturity of up to three months where the risk of fair value changes is minimal.

Short-term employee benefits

Obligations for short-term employee benefits are measured without discount and are disclosed under expenses when the employee's work in relation to a certain short-term benefit is completed.

Other employee benefits

Provisions for post-employment benefits and jubilee benefits

The Company is required by law to pay jubilee benefits and post-employment benefits to its employees, for which provisions are formed. The Company has no other pension-related liabilities.

Provisions are formed in the amount of estimated future payments for post-employment benefits and jubilee benefits discounted on the date of reporting for employees in those countries where companies are required by law to pay post-employment benefits and jubilee benefits. The calculation includes the costs of post-employment benefits and the costs of all expected jubilee benefits until retirement. The calculation is based on the projected unit credit method. Labour costs and costs of interest are recognised in the income statement and post-employment benefits or unrealised actuarial gains or losses are recognised in other comprehensive income. Jubilee benefits are also recognised in the income statement.

Provisions

Provisions are recognised if the Company has legal or indirect obligations arising from a past event that can be reliably assessed and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The Company determines provisions by discounting expected future cash flows using a pre-tax rate that reflects current assessments of the time value of money and, when necessary, the risks characteristic of the liability.

Revenues from products sold and services performed

Revenues from products sold are recognised in the income statement at the moment when the buyer has assumed all major risks and associated benefits. Revenues from services performed are recognised in the income statement based on the stage of completion of the transaction on the date of reporting.

The transfer of risks and benefits depends on the provisions of each contract of sale. As a rule, the transfer takes place at the moment when the goods are dispatched from the Company's warehouse.

Revenues are not recognised if there is any uncertainty as to the consideration, associated costs or the possibility of returning products or further deliberation on the products sold. Revenues from products sold or services performed are measured at selling prices stated in invoices or other documents, less repayments and rebates approved either when the sale is made or subsequently, including those granted for early payment.

Government grants

Revenues from government grants are initially recognised when the Company has a reasonable guarantee that the revenues will be received and the conditions regarding those revenues will be fulfilled. Revenues received to cover costs are consistently recognised as revenues in the periods when the relevant costs that

these revenues are supposed to cover are incurred. Asset-related revenues are consistently recognised in the income statement under other operating revenues during the useful life of each asset.

Financial revenues and financial expenses

Financial revenues from interest are recognised as they occur using the effective interest method.

Financial expenses cover borrowing costs and are recognised in the income statement using the effective interest method, except for those attributable to real-estate, plant and equipment under construction or preparation.

Income tax

Income tax for the period includes current and deferred tax. Income tax is disclosed in the income statement, except in the part related to items disclosed directly in comprehensive income. Current tax is charged on taxable profit for the financial year at tax rates valid on the date of reporting and on any adjustment to tax liabilities in relation to previous financial years.

Deferred tax assets

Deferred tax assets are recognised in the amount of the likely available future taxable profit against which a deferred asset can be used in the future. Deferred tax assets are reduced by the amount for which an asset-related tax relief is no longer probable.

The balance sheet liability method is used to disclose deferred tax, taking into account the temporary differences between the book value of assets and liabilities for the purposes of financial reporting and values for the purposes of tax reporting. The following temporary differences are exempt: initial recognition of assets or liabilities in a transaction that is not a business combination and does not affect accounting profit or taxable profit and differences associated with investments in

subsidiaries and joint ventures in the same value that is not likely to be corrected in the foreseeable future. Deferred tax is also not disclosed in the event of taxable temporary differences upon the initial recognition of goodwill. The amount of deferred tax is based on the expected manner of payment or settlement of the book value of assets and liabilities using tax rates valid on the date of reporting. Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right exists to offset current tax assets against current corporate income tax liabilities and the deferred taxes involve the same taxable legal entity and the same tax authority.

Specification of the effects of transitioning to the IFRS

In transitioning to the IFRS as adopted by the EU, the Company, pursuant to the provisions of IFRS-1, prepared the opening balance sheet recognising all assets and liabilities required under the IFRS. Other than a decrease in long-term accruals and deferrals and the recognition of revenues in the amount of EUR 1,507 thousand (see Note 3.2.11), no other changes occurred in individual items of the financial statements in transitioning from the SAS to the IFRS as adopted by the EU.

3.2 NOTES TO INDIVIDUAL ITEMS IN FINANCIAL STATEMENTS

If not otherwise stated, all notes refer to the year 2013.
Monetary units in the tables are in EUR without cents.

3.2.1. Long-term Property Rights

Year 2013

Purchase value					
Item	01/01/2013	Acquisition	Transfer to use	Disposal	31/12/2013
Long-term property rights	489,284	65,320	0	32,520	522,084
TOTAL	489,284	65,320	0	32,520	522,084

Value adjustment					
Item	01/01/2013	Depreciation and amortisation	Transfer to use	Disposal	31/12/2013
Long-term property rights	375,968	70,181	0	32,520	413,629
TOTAL	375,968	70,181	0	32,520	413,629

Carrying amount					
Item	01/01/2013	Increase	Transfer to use	Decrease	31/12/2013
Long-term property rights	113,316	65,320	0	70,181	108,455
TOTAL	113,316	65,320	0	70,181	108,455

Year 2012

Purchase value					
Item	01/01/2012	Acquisition	Transfer to use	Disposal	31/12/2012
Long-term property rights	415,333	73,950	0	0	489,283
TOTAL	415,333	73,950	0	0	489,283

Value adjustment					
Item	01/01/2013	Depreciation and amortisation	Transfer to use	Disposal	31/12/2013
Long-term property rights	304,430	71,536	0	0	375,967
TOTAL	304,430	71,536	0	0	375,967

Carrying amount					
Item	01/01/2012	Increase	Transfer to use	Decrease	31/12/2012
Long-term property rights	110,903	73,950	0	71,537	113,316
TOTAL	110,903	73,950	0	71,537	113,316

3.2.2. Long-term Deferred Costs and Accrued Revenues

Item	01/01/2012	01/01/2013	Increase	Decrease	31/12/2013
Long-term property rights	221,190	180,191	0	40,997	139,194
TOTAL	221,190	180,191	0	40,997	139,194

Long-term deferred costs and accrued revenues comprise long-term deferred costs until the end of 2014 for ensuring the implementation of the Italian radar image from the supplier SELEX Sistemi Integrati S.p.A. in the amount of EUR 77 thousand (EUR 115 thousand in 2012) and long-term deferred costs of compensation for the right of superficies on the land of the Air Traffic Control Centre – ATCC at Ljubljana Jože Pučnik Airport until the year 2038 in the amount of EUR 62 thousand (EUR 65 thousand in 2012).

3.2.3. Property, Plant and Equipment

Year 2013

Purchase value						
Item	01/01/2013	Purchase	Capital increase	Transfer to use	Disposal	31/12/2013
Land	221,680	0	0	0	0	221,680
Buildings	277,842	16,266,204	0	0	0	16,544,046
In-kind contribution 2013	0	0	48,275	0	0	48,275
Real-estate under construction	16,091,711	374,545	0	16,266,204	16,282	183,770
Production plant and machinery	14,831,689	12,167,931	0		966,766	26,032,854
Production plant and machinery – in-kind contribution 2007	69,251	0	0	0	31,901	37,350
Production plant and machinery under construction	10,689,736	1,581,454	0	11,897,351	0	373,839
Small tools	95,370	2,296	0	0	19,711	77,955
TOTAL	42,277,279	30,392,430	48,275	28,163,555	1,034,660	43,519,769

Value adjustment						
Item	01/01/2013	Depreciation and amortisation	Capital increase	Transfer to use	Disposal	31/12/2013
Land	0	0	0	0	0	0
Buildings	36,022	374,325	0	0	0	410,347
In-kind contribution 2013	0	0	0	0	0	0
Real-estate under construction	0	0	0	0	0	0
Production plant and machinery	6,935,565	2,598,383	0	0	821,756	8,712,192
Production plant and machinery – in-kind contribution 2007	69,250	1	0	0	31,901	37,350
Production plant and machinery under construction	0	0	0	0	0	0
Small tools	92,402	3,824	0	0	19,697	76,529
TOTAL	7,133,239	2,976,533	0	0	873,354	9,236,418

Carrying amount						
Item	01/01/2013	Increase	Capital increase	Transfer to use	Decrease	31/12/2013
Land	221,680	0	0	0	0	221,680
Buildings	241,820	16,266,204	0	0	374,325	16,133,699
In-kind contribution 2013	0	0	48,275	0	0	48,275
Real-estate under construction	16,091,711	374,545	0	0	16,282,486	183,770
Production plant and machinery	7,896,124	12,989,687	0	0	3,565,149	17,320,662
Production plant and machinery – in-kind contribution 2007	1	31,901	0	0	31,902	0
Production plant and machinery under construction	10,689,736	1,581,454	0	0	11,897,351	373,839
Small tools	2,968	21,993	0	0	23,535	1,426
TOTAL	35,144,040	31,265,784	48,275	0	32,174,748	34,283,351

Year 2012

Purchase value					
Item	01/01/2012	Acquisition	Transfer to use	Disposal	31/12/2012
Land	221,680	0	0	0	221,680
Buildings	277,842	0	0	0	277,842
Real-estate under construction	13,250,842	2,840,869	0	0	16,091,711
Production plant and machinery	13,748,001	1,157,035	0	73,347	14,831,689
Production plant and machinery – in-kind contribution	69,983	0	0	732	69,251
Production plant and machinery under construction	4,345,174	7,330,608	986,046		10,689,736
Small tools	95,772	2,115	0	2,517	95,370
TOTAL	32,009,294	11,330,627	986,046	76,596	42,277,279

Value adjustment					
Item	01/01/2012	Depreciation and amortisation	Transfer to use	Disposal	31/12/2012
Land	0	0	0	0	0
Buildings	27,686	8,336	0	0	36,022
Real-estate under construction	0		0	0	0
Production plant and machinery	5,481,637	1,521,931	0	68,003	6,935,565
Production plant and machinery – in-kind contribution	57,170	12,745	0	665	69,250
Production plant and machinery under construction	0	0	0	0	0
Small tools	89,834	5,002	0	2,434	92,402
TOTAL	5,656,327	1,548,014	0	71,102	7,133,239

Carrying amount					
Item	01/01/2012	Increase	Transfer to use	Decrease	31/12/2012
Land	221,680	0	0	0	221,680
Buildings	250,156	0	0	8,336	241,820
Real-estate under construction	13,250,842	2,840,869	0	0	16,091,711
Production plant and machinery	8,266,364	1,225,038	0	1,595,278	7,896,124
Production plant and machinery – in-kind contribution	12,813	665	0	13,477	1
Production plant and machinery under construction	4,345,174	7,330,608	0	986,046	10,689,736
Small tools	5,938	4,549	0	7,519	2,968
TOTAL	26,352,967	11,401,729	0	2,610,656	35,144,040

3.2.4. Deferred Tax Assets

Item	01/01/2012	31/12/2012	Decrease	Increase	31/12/2013
For jubilee benefits	59,834	50,410	35,583	0	14,827
For post-employment benefits	265,846	224,327	81,559	0	142,768
For annual leave	61,000	51,907	0	1,391	53,298
TOTAL	386,680	326,644	117,142	1,391	210,893

The Company recognised deferred tax assets on the basis of the calculation of long-term provisions for jubilee benefits and post-employment benefits and provisions for annual leave not yet used.

3.2.5. Inventories

The Company has inventories of vital spare parts for radar systems. Inventories are valued at their purchase value upon initial recognition and at the end of the accounting period.

Item	01/01/2012	31/12/2012	Decrease	Increase	31/12/2013
Spare parts	242,422	254,978	2,503	406,205	658,680
TOTAL	242,422	254,978	2,503	406,205	658,680

3.2.6. Short-term Operating Receivables

Item	Balance as at 31/12/2013	Adjustments	31/12/2013	31/12/2012	01/01/2012
Receivables to customers in Slovenia	163,780	0	163,780	130,575	140,567
Receivables to customers in the rest of the world	4,674,090	2,156,225	2,517,865	2,660,498	2,957,523
Receivables to state institutions	243,135	0	243,135	417,339	260,161
Other operating receivables	687	0	687	1,629	818
TOTAL	5,081,692	2,156,225	2,925,467	3,210,041	3,359,069

As at 31 December 2013, the Company had EUR 2,634 thousand of receivables not yet due to customers in Slovenia and abroad, EUR 36 thousand of receivables overdue for up to 30 days, EUR 4 thousand of receivables overdue for up to 60 days and EUR 5 thousand

of receivables overdue for more than 90 days. Adjustments to receivables are formed and substantiated by the Company on the basis of the Eurocontrol data at the end of each accounting period. Receivables are not secured.

Changes in the receivables' value adjustment:

Item	2013	2012
Balance as at 1 January	1,614,979	1,012,663
Value adjustments formed in the year	541,245	602,317
Recovery of receivables written off	-	-
Final write-off (removal) of receivables	-	-
Balance as at 31 December	2,156,225	1,614,979

3.2.7. Cash

Item	31/12/2013	31/12/2012
Nova Ljubljanska banka	2,252	1,006
Banka Koper	20,796	12,340
UniCredit banka	1,749	4,594
TOTAL	24,797	17,940

3.2.8. Short-term Deferred Costs and Accrued Revenues

Item	31/12/2013	31/12/2012	01/01/2012
Short-term deferred costs	396,219	473,606	443,153
TOTAL	396,219	473,606	443,153

The Company formed short-term deferred costs and accrued revenues for the membership fee for the first quarter of 2014 paid in advance to the European Organisation for the Safety of Air Navigation (Eurocontrol).

3.2.9. Equity

Pursuant to Article 27 of the Act Amending the Provision of Air Navigation Services Act (Official Gazette of the Republic of Slovenia no. 109/09, ZZNSZP-B), the Government of the Republic of Slovenia reached the decision that assets in the total value of EUR 4,434,587.66 as at 30 September 2013 be invested as an in-kind contribution in the public company Slovenia Control, Ltd.

The in-kind contribution consists of fixed assets with a book value of EUR 48,274.42 and long-term operating liabilities to the Government of the Republic of Slovenia disclosed in the books of accounts of Slovenia Control, Ltd in the amount of EUR 4,386,313.24.

3.2.10. Provisions and Long-term Accrued Costs and Deferred Revenues

Item	Pensions, jubilee benefits, post-employment benefits	Lawsuits and compensations	Provisions for annual leave	Other accrued costs and deferred revenues	Total
Balance as at 31 December 2012	2,177,897	405,227	610,673	1,507,226	4,701,023
Changes in the year:	-323,847	-114,773	16,364	-1,507,226	-1,929,482
Formation	0		627,037	0	627,037
Transfer from other liabilities	0		0	0	0
Drawing	0		0	0	0
Reversal	323,847	114,773	610,673	1,507,226	2,556,519
Balance as at 31 December 2013	1,854,050	290,454	627,037	0	2,771,541

Provisions for jubilee benefits and post-employment benefits were recognised based on the actuarial calculation approved by the Management. Deferred tax assets were adjusted accordingly.

Actuarial assumptions

The actuarial calculation was based on the 2007 mortality tables for the population of Slovenia. A fluctuation of employees of 0.3% per year for 2014 was taken into account for termination of employment by the employee. Fluctuation of employees based on termination of employment by the employer was not taken into account. Retirement assumptions were based on the calculation of the expected date of retirement for each employee using data on gender, date of birth and the total years of service achieved as at 31 December 2013 in

accordance with Article 27 of the ZPIZ-2 (conditions for gaining the right to old-age pension apply) and Article 28, Paragraph 1, Indent 3 (work before the age of 18). Retirement before or after the expected date of retirement was not taken into account. All financial assumptions are set nominally. Average wage increase rates in the Republic of Slovenia from the Autumn Forecast of Economic Trends 2013 published on the website of the Institute of Macroeconomic Analysis and Development on 1 October 2013 were used for the 2014 and 2015 calculations. From 2016 onwards, average wages in the Republic of Slovenia are expected to increase by 2% of inflation and real growth per year (by 0.5% in 2017, later by 1.3%). Amounts from the Regulation are expected to stay the same in 2014 and 2015. Later, the amounts are expected to increase in line with inflation.

Provisions for compensation in the event of extraordinary terminations of employment formed in the previous period were reversed in the part that was settled in court in the amount of EUR 115 thousand.

In 2008, pursuant to the provisions of Section 9 of the Introduction to the SAS on the basis of changes in accounting estimates, the Company made adjustments to the book values of certain assets based on new information, taking into account the present and future economic benefits. The change in the accounting estimate in 2008 resulted in an increase in assets and consequently in revenues for the current period.

That the recognition of the difference between the revenues and costs planned and the actual revenues and costs in a calendar year is sensible is supported by the method of calculating over- or under-recovered assets

in the cost base. This method is prescribed in the following EU documents:

- Commission Regulation no. 1794/2006 of 6 December 2006 laying down a common charging scheme for air navigation services (Official Journal of the EU no. 341 of 7 December 2006), Article 10, Annex VI;
- Decree on Terminal Charges for the Provision of Air Navigation Services (Official Gazette of the Republic of Slovenia no. 103 of 5 October 2006), Article 9;
- Decision no. 81 of the Enlarged Eurocontrol Commission Amending the Criteria for the Calculation of Price Base for En-route Charges and for the Price Calculation per Unit of Service (Official Gazette of the Republic of Slovenia no. 3 of 11 January 2005), Article 1, Paragraph 1.5.

Based on previous assessments and the transition to the IFRS as adopted by the EU, the Company reduced long-term accruals and deferrals and recognised revenues in the amount of EUR 1,507 thousand.

3.2.11. Long-term Financial Liabilities

Item	31/12/2013	31/12/2012
Long-term loans obtained from banks in Slovenia	11,548,309	10,321,440
TOTAL	11,548,309	10,321,440

The Company has taken out three long-term loans, namely two long-term loans with Banka Koper, d.d., and one long-term loan with UniCredit Banka Slovenija, d.d.:

- a loan in the amount of EUR 3,231 thousand taken out with the creditor Banka Koper, d.d., with the interest rate agreed at 3M EURIBOR + 0.315 percentage points. The loan is being repaid in three-month instalments and the final date of repayment is 1 February 2019.
- a loan in the amount of EUR 11,500 thousand taken out with the creditor Banka Koper, d.d., with the interest rate agreed at 3M EURIBOR + 1.90 percentage points. The loan is being repaid in three-month instalments and the final date of repayment is 1 April 2021.
- a loan in the amount of EUR 7,000 thousand taken out with the creditor UniCredit Banka Slovenija, d.d.,

with the interest rate agreed at 3M EURIBOR + 3.70 percentage points per year. The loan is being repaid in three-month instalments. The first instalment falls due on 1 March 2015, and the final date of repayment is 1 June 2018. As at 31 December 2013, the Company has drawn on the loan in the amount of EUR 2,700 thousand.

Instalments in the total amount of EUR 1,473 thousand, disclosed under items of short-term liabilities, fall due in 2014. As at 31 December 2013, the Company therefore disclosed a debt arising from long-term financial liabilities in the amount of EUR 11,548 thousand. The Company has not pledged any of its real-estate or other assets to obtain the loans.

Item	Principal as at 31/12/2013	Period					
		Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	2019–2021
Balance of bank loan principles, their maturity by years	13,021,440	1,473,131	2,873,131	2,873,131	2,873,131	2,873,131	4,355,785
Expected interest	0	385,000	475,000	475,000	389,000	303,000	217,000
Total	13,021,440	1,858,131	3,348,131	3,348,131	3,262,131	3,176,131	4,572,785

3.2.12. Short-term Financial Liabilities

Item	31/12/2013	31/12/2012
Short-term loans obtained from banks in Slovenia	6,723,131	3,573,131
TOTAL	6,723,131	3,573,131

Under short-term financial liabilities, the Company disclosed liabilities arising from long-term loans for instalments that fall due in 2014 in the total amount of EUR 1,473 thousand (also see note 3.2.11.) and liabilities

arising from the short-term loan obtained from Unicredit Banka Slovenija, d.d., in the amount of EUR 5,250 thousand that falls due in 2014. The interest rate on the short-term loan is 1M EURIBOR + 2.80 percentage points.

3.2.13. Short-term Operating Liabilities

Item	31/12/2013	31/12/2012
Liabilities to suppliers - Slovenia	807,017	3,181,741
Liabilities to suppliers – the rest of the world	509,887	1,162,869
Liabilities to employees	746,995	891,774
Liabilities to state institutions	924,219	1,197,008
Other operating liabilities	95,519	38,114
TOTAL	3,083,637	6,471,506

As at 31 December 2013, the Company did not disclose any overdue liabilities. Liabilities arising from corporate income tax for 2013 amounted to EUR 152,610.

3.2.14. Short-term Accrued Costs and Deferred Revenues

Pursuant to the Agreement Regulating Mutual Relationships Regarding Assets for the Provision of Air Navigation Services during the Transition Period, serving to ensure that the services of air traffic management and control are provided in a safe, efficient, continuous and sustainable manner, as laid down in Commission Implementing Regulation (EU) no. 1035/2011 (formerly in

Commission Regulation (EC) 2096/2005), the amount of the rent for the period between 2010 and 2011 was set at the amount of EUR 1,982 thousand. The amount of the annual rent calculated is equal to the annual amortisation of assets under lease. Due to lack of clarity regarding the determination of infrastructure, the rent for 2013 was not calculated.

3.2.15. Net Sales Revenues

Item	2013	2012	Index 2013/2012	Structure 2013
Sales revenues from services - Slovenia	566,406	599,215	95	1.74
Sales revenues from services – the rest of the world	1,850	2,160	86	0.01
Sales revenues from services – en-route charges	27,548,487	30,106,916	92	84.81
Sales revenues from services – terminal charges	2,860,149	2,862,257	100	8.80
Revenues – under-recovery – en-route charges	1,507,226	567,631	0	4.64
TOTAL	32,484,118	34,138,179	95	100.00

3.2.16. Other Operating Revenues

Item	2013	2012	Index 2013/2012	Structure 2013
EU subsidies	0	136,476	0	0.00
Revenues from reversals of provisions	254,172	238,870		95.51
Other revenues associated with products and services	11,942	4,406	271	4.49
TOTAL	266,114	379,752	70	100.00

3.2.17. Costs of Materials and Services Used

Costs of materials

Item	2013	2012	Index 2013/2012	Structure 2013
Costs of auxiliary material	2,546	109	2,336	0.52
Energy costs	299,472	277,608	108	60.86
Costs of spare parts and maintenance material	78,327	58,608	134	15.92
Write-down of small tools – life of up to one year	6,647	5,764	115	1.35
Costs of office supplies and specialist publications	62,745	50,487	124	12.75
Other costs of material	42,364	19,153	221	8.61
TOTAL	492,101	411,729	120	100.00

Costs of services

Item	2013	2012	Index 2013/2012	Structure 2013
Costs of transport services	4,027	5,811	69	0.07
Internet and telephony costs	533,915	477,033	112	9.72
Costs of maintenance-related services	724,502	600,963	121	13.18
Rents	458,685	587,160	78	8.35
Reimbursement of work-related costs to employees	275,829	384,405	72	5.02
Costs of payment transactions	16,401	12,072	136	0.30
Costs of insurance premiums	260,868	299,329	87	4.75
Costs of intellectual and personal services	310,019	294,137	105	5.64
Costs of fairs, advertising and entertainment	117,455	132,458	89	2.14
Costs of payments under contracts for work, copyrighted work and student work	93,819	143,246	65	1.71
Costs of Supervisory Board and Workers Council meeting fees	60,686	54,172	112	1.10
Costs of aviation meteorology – en-route	873,642	1,330,051	66	15.89
Cost of aviation meteorology – terminal	393,497	563,990	70	7.16
Costs of CAA – en-route	463,920	441,222	105	8.45
Costs of CAA – terminal	49,448	77,742	63	0.89
Costs of other services	858,740	697,300	123	15.63
TOTAL	5,495,453	6,101,091	90	100

3.2.18. Labour Costs

Item	2013	2012	Index 2013/2012	Structure 2013
Wages and salaries earned by employees	14,977,471	14,873,243	101	75.32
Costs of additional pension insurance	565,211	555,753	102	2.84
Other pension insurance costs	1,334,790	1,318,921	101	6.71
Other social security costs	1,180,256	1,082,912	109	5.94
Early retirement pension	911,673	918,557	99	4.58
Costs of meal and travel allowances	730,375	623,202	117	3.67
Payment for annual leave	168,748	164,217	103	0.85
Severances	0	19,329		0.00
Jubilee benefits and other employee benefits	17,228	11,255	153	0.09
TOTAL	19,885,752	19,567,389	102	100.00

3.2.19. Write-downs

Item	2013	2012	Index 2013/2012	Structure 2013
Amortisation of intangible assets	111,179	71,536	155	3.60
Amortisation of buildings	374,325	8,336	4,490	12.12
Amortisation of equipment and spare parts	2,598,383	1,534,676	169	84.15
Amortisation of small tools	3,824	5,003	76	0.12
TOTAL	3,087,711	1,619,551	191	100.00

Item	2013	2012	Index 2013/2012	Structure 2013
Expenses from the revaluation of assets	147,339	1,276	11,547	21.39
Expenses from the revaluation of debts and receivables	541,354	602,425	0	78.61
TOTAL	688,693	603,701	114	100.00

In 2013, the Company made an additional adjustment to the value of receivables in the amount of EUR 574 thousand based on the data of the Eurocontrol organisation, envisaging a write-off of receivables from Adria Airways.

3.2.20. Other Operating Expenses

Item	2013	2012	Index 2013/2012	Structure 2013
Other operating expenses	1,662,262	1,570,905	106	95.76
Contributions for disabled workers	22,996	20,800	111	1.32
Costs of donations and humanitarian aid	50,618	58,805	86	2.92
Other operating expenses			0	0.00
TOTAL	1,735,876	1,650,510	105	100.00

A greater part of other operating expenses arises from the annual membership fee paid to the European Organisation for the Safety of Air Navigation (Eurocontrol) in the amount of EUR 1,581 thousand.

3.2.21. Financial Revenues

Item	2013	2012	Index 2013/2012	Structure 2013
Revenues from loans given	1,075	16,144	7	95.22
Revenues from operating receivables	54	129	42	4.78
TOTAL	1,129	16,273	7	100.00

3.2.22. Financial Expenses

Item	2013	2012	Index 2013/2012	Structure 2013
Interest for loans received	429,936	99,661	431	99.51
Expenses from operating liabilities	2,125	439	484	0.49
TOTAL	432,061	100,100	432	100.00

3.2.23. Other Revenues

Item	2013	2012	Index 2013/2012	Structure 2013
Compensations	14,071	2,455	573	55.92
Other revenues	11,090	67	16,552	44.08
TOTAL	25,161	2,522	998	100.00

3.2.24. Tax Calculation – Corporate Income Tax

Adjustment to the effective tax rate

Item	2013	2012
Current tax	56,561	171,811
Deferred taxes	-34,192	-60,036
Total income tax	22,369	111,774
Profit before tax	957,019	4,075,577
Income tax (17% for 2013, 18% for 2012)	162,693	733,604
Tax from tax allowances	-223,995	-723,946
Tax from expenditures not recognised	152,053	222,189
Total income tax	90,752	231,847
Effective tax rate	5.58%	3.16%

3.2.25. Breakdown of Costs by Functional Group

Item	2013	2012	Index 2013/2012	Structure 2013
Regular general and administrative costs including depreciation and amortisation	30,696,891	29,756,169	103	100.00
TOTAL	30,696,891	29,756,169	103	100.00

3.2.26. Fair Value

The Management estimates that the fair values of financial assets and financial liabilities do not differ substantially from their book values.

Fair value hierarchy

	Book value as at 31/12/2013	Direct value on stock markets (category 1)	Value based on comparable market data (category 2)	Value not obtainable from market data (category 3)
Assets measured at purchase value with a disclosed fair value				
Operating receivables	2,682,332	-	-	2,682,332
Cash	24,797	24,797	-	-
Liabilities measured at purchase value with a disclosed fair value				
Loans received	18,271,440	-	-	18,271,440
Operating liabilities – short-term and long-term	1,412,423	-	-	1,412,423

3.2.27. Financial Instruments and Financial Risk Management

Major financial risks to which the Company is exposed are: the risk of changes in the interest rate, the liquidity risk and the credit risk.

The risk of changes in the interest rate

The Company disclosed long-term financial liabilities in the amount of EUR 11,548,309 (2012: EUR 10,321,440). As at 31 December 2013, the Company had short-term financial liabilities in the amount of EUR 6,723,131 (2012: EUR 3,573,131). As unexpected growth in variable interest rates can compromise the planned results of the Company's business performance, the risk of changes in the interest rate are important for the Company.

The effect of any changes in the amount of variable interest rates on the next profit and loss is displayed in the next table.

Sensitivity analysis

Balance of liabilities tied to a variable interest rate	31/12/2013	Interest rate increase by 0.5%	Interest rate decrease by 0.5%
	Amount of liabilities		
3M EURIBOR	18,271,440	91,357	-91,357

Balance of liabilities tied to a variable interest rate	31/12/2012	Interest rate increase by 0.5%	Interest rate decrease by 0.5%
	Amount of liabilities		
3M EURIBOR	13,894,571	69,673	-69,673

The analysis of the sensitivity of financial liabilities to changes in variable interest rates was prepared based on an envisaged potential change in variable interest rates of 0.5%. The calculation took into account the average interest rate of all loans taken out.

Liquidity risk

Harmonising assets and liabilities based on different maturities is of key importance in ensuring continuous solvency.

The availability of a sufficient amount of financial resources in a given period is vital for ensuring that current liabilities are settled in time. Insufficient financial reso-

urces as well as opportunity losses of excess money on bank accounts represent the so-called liquidity risks. The Company has a system in place to monitor the maturities of liabilities to suppliers, financial institutions, the state and others, thus ensuring that liabilities to creditors are paid on time and on a regular basis.

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
2013				
Loans and credits	6,723,131	5,794,692	5,753,617	18,271,440
Expected interest from all loans	385,000	937,000	170,000	1,492,000
Liabilities to suppliers	1,316,904	-	-	1,316,904
Other operating liabilities	1,766,733	-	-	1,766,733

Credit risk

The risks that parties will fail to fulfil their contractual obligations on time or the so-called credits risks are established promptly, and appropriate measures are taken to recover operating receivables. This way, the Company protects itself against payment insecurity that might make it difficult to plan future cash flows. Insecurity concerning the fulfilment of the counterparties' obligations would thus mean additional borrowing that would lead to additional financing costs. Adjustments to receivables are formed and substantiated by the Company on the basis of the Eurocontrol data at the end of each accounting period.

3.2.28. Transactions with Associates

The Company also performs services for various bodies, agencies and companies where the Republic of Slovenia acts as a majority or minority owner. All transactions with such parties are concluded under regular commercial conditions, no more favourable than the conditions for transactions concluded with other parties.

3.2.29. Events after the Balance Sheet Date

No events that could have an impact on the true and fair presentation of the financial statements for 2013 arose from the date of drawing up the financial statements to the date of preparation of this Report.

3.2.30. Contingent Liabilities

The Company does not have any contingent liabilities that have not been appropriately provided for in the balance sheet as at 31 December 2013.

3.2.31. Amounts Paid to the Auditor

Purpose of amounts paid	2013	2012
Audit of the Annual Report	14,000	14,000
Other auditing services	6,500	0
TOTAL	20,500	14,000

3.2.32. Other Disclosures

The Company Management is represented by the Company's statutory representative, Franc Željko Županič PhD, CEO. The statutory representative is employed by the Company based on an individual employment contract as of 21 March 2008. Franc Željko Županič's previous term ended on 20 March

2013, and his new five-year term as Company CEO began on 21 March 2013.

The table shows the Company CEO's (gross) receipts for the year 2013:

In EUR	Basic salary	Variable receipt	Benefits	Reimbursement of meal costs	Annual leave allowance	Supplementary pension insurance	TOTAL
Franc Željko Županič	105,352.29	55,636.05	1,113.38	784.92	0.00	2,819.04	165,705.68

The variable receipt is paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership Held by the Republic of Slovenia or Self-governing Local Communities (Official Gazette of the Republic of Slovenia no. 21/10 and 8/11). As the CEO's previous term ended on 20 March 2013, he was entitled to the payment of the full amount of the variable part for business performance in 2012 and the other half of the variable (deferred) part for 2010 and 2011.

In 2013, the Supervisory Board consisted of five members, three of whom represented the Founder's interests and two of whom represented the workers' interests. Supervisory Board members are entitled to payments on the basis of the Memorandum of Association of the Public Corporation Slovenia Control, Ltd and Founder's decision no. 4-0027/2011-1175 of 28 July 2011.

The Company does not have any outstanding claims arising from loans against the CEO.

The (gross) receipts of the Supervisory Board members in 2013 are shown in the table below:

In EUR	Meeting fee	Basic salary for performing the function	Cost reimbursements	TOTAL
Žiga Ogrizek	1,840.00	6,199.92		8,039.92
Zoran Pajič	1,680.00	6,199.92		7,879.92
Janez Kolar	1,440.00	6,819.96	122.55	8,382.51
Janez Hrovat	1,840.00	6,199.92	118.95	8,158.87
Dušan Hočevar	1,840.00	9,300.00	195.50	11,335.50
TOTAL	8,640.00	34,719.72	437.00	43,796.72

3.2.33. Proposal for the Distribution of Profit

Pursuant to Article 24, Paragraph 3 of the Memorandum of Association of the Public Corporation Slovenia Control, Ltd (hereinafter referred to as the Memorandum of Association), the Company CEO proposes the use of accumulated profit. Pursuant to Article 16 and Article 30, Paragraph 1 of the Memorandum of Association, the proposal for the use of accumulated profit is examined by the Company's Supervisory Board and, pursuant to Article 11 of the Memorandum of Association, the decision on the use of profit is made by the Founder.

In 2013, the Company generated a net profit in the amount of EUR 866,267.78.

Due to the Company's share capital increase from EUR 1,091,118.00 to EUR 5,525,705.66, net profit for the financial year 2013 was used to form legal reserves of 10% of the in-kind contribution in the amount of EUR 443,459.00 pursuant to Article 64 of the ZGD-1 and Article 27 of the ZZNSZP-B.

Pursuant to Article 230, Paragraph 3 of the ZGD-1, 50% of net profit for the financial year 2013 that remained after the use of profit to form legal reserves was used to form other revenue reserves in the amount of EUR 211,404.39. Net profit for the financial year 2013 after use thus amounted to EUR 211,404.39.

As at 31 December 2013, the Company disclosed an accumulated profit in the amount of EUR 211,404.39.

It is proposed to the Company Founder that the accumulated profit in the amount of EUR 211,404.39, comprising the remainder of the net profit for the financial year 2013 after use, be used in full to form other revenue reserves.

The above-mentioned proposal for the use of accumulated profit aims to fulfil the policies of the European legislation regulating air traffic management and control or the provision of air navigation services, allowing only the capital increase necessary, and the provisions of Article 27 of the ZZNSZP-B regarding the formation of other revenue reserves. Article 27 of the ZZNSZP-B explicitly indicates that other revenue reserves relate to the provision of air navigation services performed by a public company.

The use of accumulated profit proposed will allow the Company to meet the technical, technological and operational requirements and to make the necessary investments in infrastructure for the provision of air navigation services, particularly to ensure appropriate capacities, as required under the binding European-wide targets in the relevant Key Performance Area and as laid down in Slovenian and European regulations, with the purpose of providing services that are safe, efficient, continuous and of the very highest quality.

3.2.34. Statement of the Management's Responsibility

On 15 May 2014, pursuant to the provisions of Article 60a of the Companies Act (ZGD-1), the Company CEO approved the financial statements, the accounting policies used and the notes to the financial statements for publication.

The Company CEO is responsible for the preparation of the Annual Report, ensuring that it gives a true and fair view of the Company's assets and operating results for the year 2013.

The CEO hereby confirms that the appropriate accounting policies were used consistently and that the accounting estimates were made in compliance with the principles of prudence and good management. The CEO further confirms that the financial statements, together with the notes, were compiled on the basis of the assumption of going concern and in line with the legislation in force and the International Accounting Standards.

The CEO is also responsible for adequate bookkeeping, the adoption of appropriate measures for the protection of assets and the prevention and discovery of fraud and other irregularities or illegalities.

The tax authorities may audit the Company at any time within five years after the end of the year in which the tax had to be paid, which can result in additional tax liabilities, late payment interests and penalties arising from corporate income tax or other taxes and levies. The Company CEO is not aware of any circumstances that could give rise to any significant liability on this account.

Zgornji Brnik, 15 May 2014



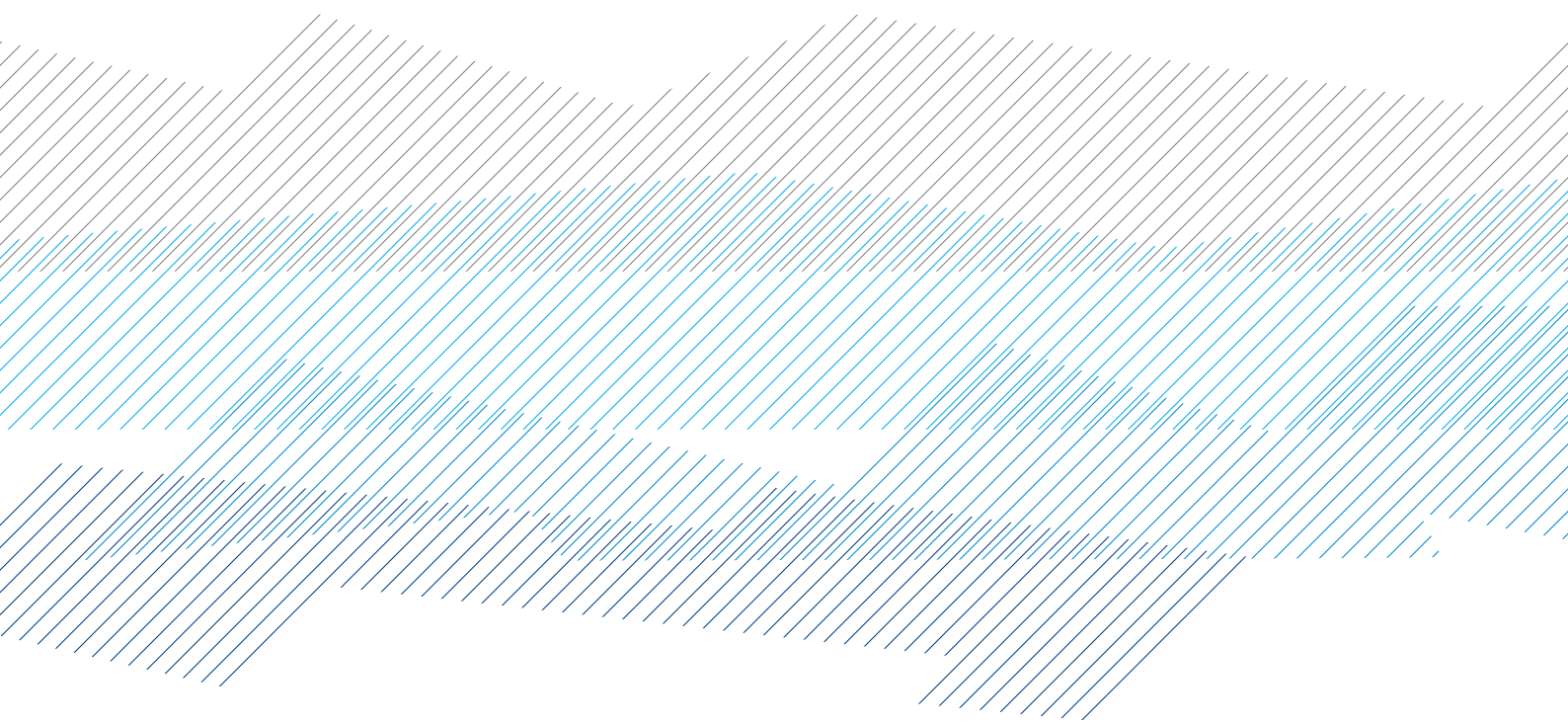
ABBREVIATIONS USED

ACC	Območna kontrola zračnega prometa	Area Control Centre
ACE Report	Poročilo stroškovne učinkovitosti upravljanja zračnega prometa	ATM Cost Effectiveness Report
ADQ	Kakovost letalskih podatkov	Aeronautical Data Quality
ADS-B	Samodejni odvisni nadzor - difuzija	Automatic Dependant System - Broadcast
ADXP	Protokol izmenjave aeronavtičnih podatkov	Aeronautical Data Exchange Protocol
AFTN	Letalsko fiksno telekomunikacijsko omrežje	Aeronautical Fixed Telecommunication Network
AIC	Letalska okrožnica	Aeronautical Information Circular
AIP	Zbornik letalskih informacij	Aeronautical Information Publication
AIP SUP	Dodatek k Zborniku letalskih informacij	AIP Supplement
AIRAC	Nadzorovan sistem za dopolnjevanje in obnavljanje zrakoplovnih informacij, predpisov in nadzora	Aeronautical Information Regulation and Control
AIRAC AMDT	Dopolnilo AIRAC	AIRAC Amendment
AIS	Služba letalskih informacij	Aeronautical Information Services
AIXM	Model za izmenjavo letalskih informacij	Aeronautical Information Exchange Model
AMC	Celica za upravljanje zračnega prostora	Airspace Management Cell
AMHS	Sistem za avtomatsko predajo sporočil	Aeronautical Message Handling System
ANS	Navigacijska služba zračnega prometa	Air Navigation Service
ANSP	Izvajalci storitev navigacijskih služb zračnega prometa	Air Navigation Service Provider
ARO	Služba zrakoplovnih informacij	Aeronautical Reporting Office
ATCA	Združenje kontrolorjev zračnega prometa	Air Traffic Control Association
ATCC	Center za vodenje in kontrolo zračnega prometa	Air Traffic Control Centre
ATFM	Upravljanje pretoka zračnega prometa	Air Traffic Flow Management

ATM	Upravljanje zračnega prometa	Air Traffic Management
ATM Master Plan	Osrednji načrt za upravljanje zračnega prometa v Evropi	European Air Traffic Management Master Plan
ATS	Službe zračnega prometa	Air Traffic Services
BLUE – MED FAB	Funkcionalni blok zračnega prostora BLUE MED (Mediteranski funkcionalni blok zračnega prostora)	Functional Airspace Block BLUE MED (Mediterranean Functional Airspace Block)
CANSO	Mednarodna organizacija civilnih navigacijskih služb zračnega prometa	The Civil Air Navigation Services Organization
CEAP	Srednje in vzhodno evropska platforma izvajalcev navigacijskih služb zračnega prometa	Central and East European ANSP Platform
CFMU	Osrednja enota za upravljanje pretoka zračnega prometa	Central Flow Management Unit
CNS	Komunikacije, navigacija in nadzor	Communication, Navigation and Surveillance
COM	Komunikacije	Communication
CRCO	Centralni urad za zaračunavanje pristojbin pri Eurocontrol-u	Central Route Charges Office
DCT	Sistem direktnega načrtovanja letov	Direct Flight
DEP	Odlet	Departure
EAD	Evropska baza zrakoplovnih podatkov	European AIS Data Base
EBIT	Dobiček iz poslovanja (Dobiček pred obrestmi in davki)	Earnings Before Interest and Taxes
EBITDA	Poslovni izid pred obrestmi in davki, deprecijacijo in amortizacijo	Earnings Before Interest, Taxes, Depreciation and Amortization
ECAC	Evropska konferenca civilnega letalstva	European Civil Aviation Conference
EoSM	Učinkovitost upravljanja varnosti	Effectiveness of Safety Management
EU	Evropska unija	European Union
FAB	Funkcionalni blok zračnega prostora	Functional Airspace Blocks
FAB CE	Funkcionalni blok zračnega prostora v srednji Evropi	Functional Airspace Block Central Europe

FDPS	Sistem za obdelavo podatkov o letih zrakoplovov	Flight Data Processing System
FDT	Operater podatkov o letih zrakoplovov	Flight Data
FIS	Informacijska služba za letenje	Flight Information Service
FIR	Letalsko informacijsko področje	Flight information region
FL	Nivo leta	Flight Level
FMTF	Protokol prenosa sporočil o letu	Flight Message Transfer Protocol
FUA	Fleksibilna uporaba zračnega prostora	Flexible Use of Airspace
GAT	Splošno letalstvo	General Air Traffic
IANS	Inštitut navigacijskih služb zračnega prometa	Institute of Air Navigation Services
IATA	Mednarodno združenje letalskih prevoznikov	International Air Transport Association
ICAO	Mednarodna organizacija civilnega letalstva	International Civil Aviation Organization
IFR	Pravila instrumentalnega letenja	Instrument Flight Rules
IT	Informacijska tehnologija	Information Technology
KPA	Ključna področja poslovanja	Key Performance Areas
KPI	Ključni kazalci poslovanja	Key Performance Indicator
LKZP	Letališka kontrola zračnega prometa	Aerodrome Control
LoA	Sporazum o postopkih koordinacije med kontrolami zračnega prometa	Letter of Agreement
LSSIP	Lokalni načrt implementacije enotnega neba	Local Single Sky Implementation Plan
MET	Službe letalske meteorologije	Meteorological Services
NAV	Navigacija	Navigation
NOTAM	Obvestilo pilotom	Notice – to – Airmen
OAT	Operativno letalstvo	Operational Air Traffic
OKZP	Območna kontrola zračnega prometa	Area Control Centre
OLDI	Sprotna izmenjava podatkov	On-line Data Interchange
OPADD	Operativni priročnik za spremembo dinamičnih podatkov (NOTAM)	Operational Procedures for AIS Dynamic Data

PENS	Panevropsko podatkovno omrežje	Pan-European Network Service
RAT	Orodje za ocenjevanje tveganja	Risk Analysis Tool
RNAV	Področna navigacija	Area Navigation
ROA	Donosnost sredstev	Return on Assets
ROE	Donosnost kapitala	Return on Equity
SES	Enotno evropsko nebo – evropske direktive za oblikovanje enotnega evropskega neba	Single European Sky
SESAR	Skupno evropsko nebo – načrt izvedbe	Single European Sky Implementation Programme
SGW	Sistem za distribucijo radarskih podatkov	Sensor Gate Way
SLI	Sektor letalskih informacij	Aeronautical Information Department
SLT	Sektor letalskih telekomunikacij	Communications, Navigation and Surveillance Department
SMS	Sistem upravljanja varnosti	Safety Management System
STATFOR	Eurocontrolova storitev statistike in napovedi	EUROCONTROL Statistics and Forecast Services
SUR	Nadzor	Surveillance
SZP	Sektor zračnega prometa	Air Traffic Department
TEN-T	Vseevropsko prometno omrežje	Trans-European Transport Networks
TNC	Tehnično nadzorni center	System Monitoring and Control
UTC	Univerzalni koordinirani čas	Coordinated Universal Time
VCS	Sistem za govorno komunikacijo	Voice Communication System
VFR	Pravila vizualnega letenja	Visual Flight Rules
VCS	Sistem za govorno komunikacijo	Voice Communication System
VFR	Pravila vizualnega letenja	Visual Flight Rules



SLOVENIA CONTROL,
SLOVENIAN AIR NAVIGATION SERVICES, LIMITED
Zgornji Brnik 130n, 4210 Brnik - aerodrom, Slovenia

T: 00 386 4 20 40 000

F: 00 386 4 20 40 001

E: info@sloveniacontrol.si

www.sloveniacontrol.si