



# ANNUAL REPORT 2019



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## INTRODUCTION

Air traffic control is the unseen hand that oversees, directs and coordinates air traffic – every day, in any weather, around the globe.

## CORPORATE VISION, MISSION AND VALUES OF THE COMPANY

### Vision

Every day, Slovenia Control (hereinafter also referred to as the “Company”) provides safe and reliable air traffic management services and air navigation services.

With an entrepreneurial approach, our highly qualified and motivated staff work for the benefit of our customers to deliver true excellence in air navigation and air traffic management in the Slovenian and regional airspace, providing top-quality services that are flexible in capacity, reasonably priced, cost-effective and environmentally sustainable.

### Mission

As a reliable organisation, the Company is fully committed to ensuring absolute safety in the process of air traffic management and control.

We are proactive and productive, constantly improving the Single European Sky (SES) aviation network by implementing innovative new solutions in collaboration with our commercial and institutional partners.

The Company’s mission is:

- to be an SES-certified air traffic service provider designated to provide air traffic management and air navigation services that are safe, flexible in capacity, reasonably priced, cost-effective, environmentally sustainable and of the very highest quality in the Slovenian airspace, and beyond when necessary;
- to be prepared to provide air traffic management and air navigation services as an active partner within the functional airspace blocks in the Slovenian territory.

Our mission will be realised by highly qualified and motivated personnel.

### Company values

We have identified and defined the common values that guide all our employees as an integral part of our organisational culture and form the foundation of our Company’s mission and vision.

#### **SAFETY OF SERVICE**

The Company’s fundamental guiding principle is to attain, maintain and constantly raise our safety levels and targets with the aim of delivering excellence in the provision of first-class services that are safe, flexible in capacity, reasonably priced, cost-effective and environmentally sustainable. Safety takes priority over and above all our other values.

#### **RELIABILITY**

We strive to be a reliable partner to our business partners, our customers and the interested public.

#### **RESPONSIBILITY**

We aim to ensure safety, order and efficiency in air traffic through staff who exercise the utmost responsibility in providing air navigation services.

#### **PROFESSIONALISM**

Achieved through competence, thoroughness, diligence, conscientiousness and responsibility in meeting the highest standards in the execution of work processes.

**CONSIDERATION**

Responding to stakeholders in a socially responsible way.

**RESPECT**

An honest, impartial, sincere, trusting and caring attitude towards our colleagues, peers, and stakeholders.

**TEAMWORK**

Through non-discriminatory and mutually supportive and complementing collaborative work with our associates, colleagues in the sector and stakeholders.

**KNOW-HOW**

We are constantly working to improve the general and specialised knowledge and technical know-how of our employees. We strive to maintain a humane attitude towards work and the people involved in our work process and train our staff to be able to quickly adapt to change. We invest in training and education to enable individuals to develop both professionally and personally.

**COMPETITION POLICY**

The Company is committed to strengthening its collaboration with neighbouring countries and its role in the planned transformation of the airspace in the region. This is directly connected to the Company's main objective: to ensure safe, smooth and efficient air traffic flow. In line with EU goals regarding the cost-efficiency of air navigation services under the Single European Sky, the Company collaborates with air navigation service providers from the neighbouring countries to strengthen synergies in the provision of services to improve cost-efficiency across the region. Developing functional airspace blocks means satisfying one of the essential legislative requirements of the Single European Sky – SES as a crucial mechanism representing a framework established by member states to strengthen cooperation and integration, which leads to a more rational organisation of airspace and the provision of services aimed at meeting the expectations of airspace users. The Company actively contributes to the achievement of the European Commission's objectives in relation to the establishment of functional airspace blocks in Europe as part of the Functional Airspace Block Central Europe (FAB CE), which simultaneously helps the Company ensure the continued competitiveness of its know-how and high technological capacities for the provision of air navigation services in Slovenian airspace in the future.

**DEVELOPMENT POLICIES**

The Company is licensed to provide air navigation services, namely air traffic control services, communications, navigation and surveillance services, automated data processing services and aeronautical information services. The Company consistently maintains the required technical and operational capacity and know-how for air traffic management and the provision of air navigation services in a safe, uninterrupted, flexible, reasonably priced, cost-effective, environmentally sustainable and high-quality manner, constantly adapting to the current and future density of air traffic flows in the airspace. The Company holds the Air Traffic Controller Training Organisation Certificate and the Flight School Certificate for training operational personnel involved in the provision of air navigation services.

In accordance with the requirement of the Act on the Provision of Air Navigation Services and the Memorandum of Association we adopted a five-year business plan for the period of 2020–2024, which, in accordance with the requirements of Slovenian legislation and EU regulations on the Single European Sky, constitutes the 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 Company's development policy, as outlined in the current 2020–2024 Business Plan, focuses on achieving and improving the efficiency of air navigation services in the key performance areas of safety, environment, capacity and cost efficiency in accordance with the performance areas defined in the ATM Master Plan and pursuant to the 2020–2024 Performance Plan for the Republic of Slovenia, which lays down, in accordance with European regulations on the Single European Sky (SES), the binding (and other) performance targets set by the Republic of Slovenia for the third reference period of monitoring

key performance indicators (KPI) in the provision of air navigation and air traffic management services from 2020 to 2024.

The business plan shows the sufficiency of financial and administrative resources or financial strength in the period between 2020 and 2024 to ensure adequate technical and operational capacities and know-how for the provision of air navigation services and airspace management, as well as the potential effect on fees for users resulting from the implementation of the strategy and the business plan, and sets out the following development policies for the achievement of the Company's strategic goals:

- to remain the designated air traffic management air navigation service provider (Designated ATM/ANS);
- to maintain the licences (certificates) required to perform its core activity;
- to strive to continuously improve the level of safety of its services;
- to strengthen its role in the international environment and actively contribute to the achievement of Single European Sky targets;
- to maintain the competitiveness of its staff's know-how, skills and competencies;
- to contribute to the achievement of the EU-wide performance targets;
- to respond to changes in the external environment by organising its services and processes in a flexible and rational manner;
- to add value for the users of its services through technological development;
- to develop and maintain a modern, integrated concept of security.

In the third reference period, between 2020 and 2024, one of the Company's principal strategic objectives will be the achievement of EU-wide performance targets. EU-wide performance targets and indicators have been laid down for all four key areas of performance monitoring, i.e. capacity, cost-efficiency, safety and environment. Pursuant to Commission Implementing Regulation (EU) 2019/317 a draft Performance Plan 2020–2024 for the Republic of Slovenia was prepared for the third reference period of monitoring the EU-wide performance, which outlines Slovenia's contribution to the achievement of the defined EU-wide performance targets.

The technological development will render the size of airspace of a particular air navigation service provider ever less important. The positioning of air space of an air navigation service provider considering the prevailing air traffic flows has been gaining importance. Cross-border cooperation in airspace planning and the consolidation of ATM systems and CNS infrastructure will allow for a different airspace planning, with national borders no longer representing airspace boundaries (and sectoral borders), but rather it will be possible to optimally set the borders of individual sectors depending on the traffic pattern with the aim of ensuring maximum efficiency of the provision of air navigation services. Crucial for the existence and development of the Company as a smaller and complex air traffic management and air navigation service provider in Europe is the proper management and planning of airspace through active regional cooperation and the professional roll-out of technological and operational improvements, which will be adequately supported by specific cost-benefit analyses proving their value added.

Providing high-quality, flexible, reasonably priced and cost-effective services, the Company will pursue the EU-wide targets while also focusing on the most important goal – ensuring air traffic safety. All of that can only be achieved by retaining and developing the necessary staff who possess the required specific know-how and realise the importance of safety in their activities.



## BASIC DATA ON THE COMPANY

Company name: SLOVENIA CONTROL, Ltd.  
SLOVENIA CONTROL, Slovenian Air Navigation Services, Limited

Short company name: KZPS, d. o. o.  
SLOVENIA CONTROL, Ltd.

Place of registered office:  
Zgornji Brnik

Business address:  
Zgornji Brnik 130 n, 4210 Brnik – aerodrom

AFTN: LJLAYFAX  
Registration number: 1913301  
VAT ID number: SI18930492

Transaction accounts:  
Banka Intesa Sanpaolo, d. d.: SI56 1010 0004 3347 840  
UniCredit Banka Slovenija, d. d.: SI56 2900 0005 5404 414  
Nova Ljubljanska banka, d. d.: SI56 0292 2025 4167 737  
SKB banka d. d.: SI56 0313 4100 0517 835

Registration authority: Kranj District Court

Principal 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: 228 (as at 31 December 2019)

Contact information:  
Telephone no.: 00 386 4 20 40 000  
Fax no.: 00 386 4 20 40 001  
E-mail: [info@sloveniacontrol.si](mailto:info@sloveniacontrol.si)  
Website: [www.sloveniacontrol.si](http://www.sloveniacontrol.si)

Corporate governance bodies: Founder, Supervisory Board and CEO

Founder:  
The Company's founder and sole member is the Republic of Slovenia. Pursuant to the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/14), the Founder's rights are exercised on its behalf and for its account by the Slovenian Sovereign Holding (Slovenski državni holding, d. d.).

CEO:  
Franc Željko Županič, PhD

Supervisory Board:  
Representatives of the Founder:  
Dušan Hočevar, MSc, President  
Marija Šeme Irman, MBA, Deputy President  
Gorazd Čibej, MSc, Member  
Nikolaj Abrahamsberg, MSc, Member

Employee representatives:  
Žiga Ogrizek, Member  
Davor Mizerit, Member (until 19 February 2020)

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Information about companies in which Slovenia Control, Ltd. holds an equity stake:

Company name: FABCE, Aviation Services, Ltd.

Place of registered office: Zgornji Brnik

Business address: Zgornji Brnik 130 n, 4210 Brnik – aerodrom

Share capital: EUR 36,000

Investment book value: EUR 16,000

Equity stake held by Slovenia Control, Ltd.: 1/6 of the company's share capital, totalling EUR 36,000  
FABCE, Aviation Services, Ltd. (FABCE, letalske storitve, d. o. o.), was established on 17 October 2014 and registered in the Court Register kept by the Kranj District Court on 17 November 2014.

## STATUS AND ACTIVITY

Slovenia Control Ltd. was established in 2004 pursuant to the Act on the Provision of Air Navigation Services in accordance with the Companies Act and the Public Utilities Act, read in conjunction with the Aviation Act, all as in force at the time of establishment. The Company is a public corporation, as it carries out its principal activity under the conditions of a mandatory public utility service. In accordance with the Memorandum of Association, the Company has three corporate governance bodies: the Founder, the Supervisory Board and the CEO. Pursuant to the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/14), the Founder's rights are exercised on its behalf and for its account by the Slovenian Sovereign Holding.

The Company's principal activity according to the Standard Classification of Activities is 52.230 – Service activities incidental to air transportation, and comprises air traffic management and control, which are carried out by the following departments:

- Air Traffic Services;
- Communications, Navigation and Surveillance Services (Aeronautical Telecommunication Services); and
- Aeronautical Information Services.

The Company is qualified to carry out air traffic management and control activities in all phases of flight in a safe, proper and efficient manner, to ensure the safe flow of traffic at airports, to provide aeronautical information services, to implement, upgrade and maintain technical air traffic management and control systems and equipment, and to train and maintain the competence of operational personnel. The Company is a public utility providing services of public interest and is the only company of its kind in Slovenia, placing its staff in a special position comparable only to that of the personnel employed at companies performing the same activity abroad. Utilising the technical know-how of its employees, who are required to hold special licences demonstrating that they possess the necessary knowledge and skills, the Company supports the development of air transport by participating in local and international development activities and creatively contributing to decisions advantageous to Slovenia.

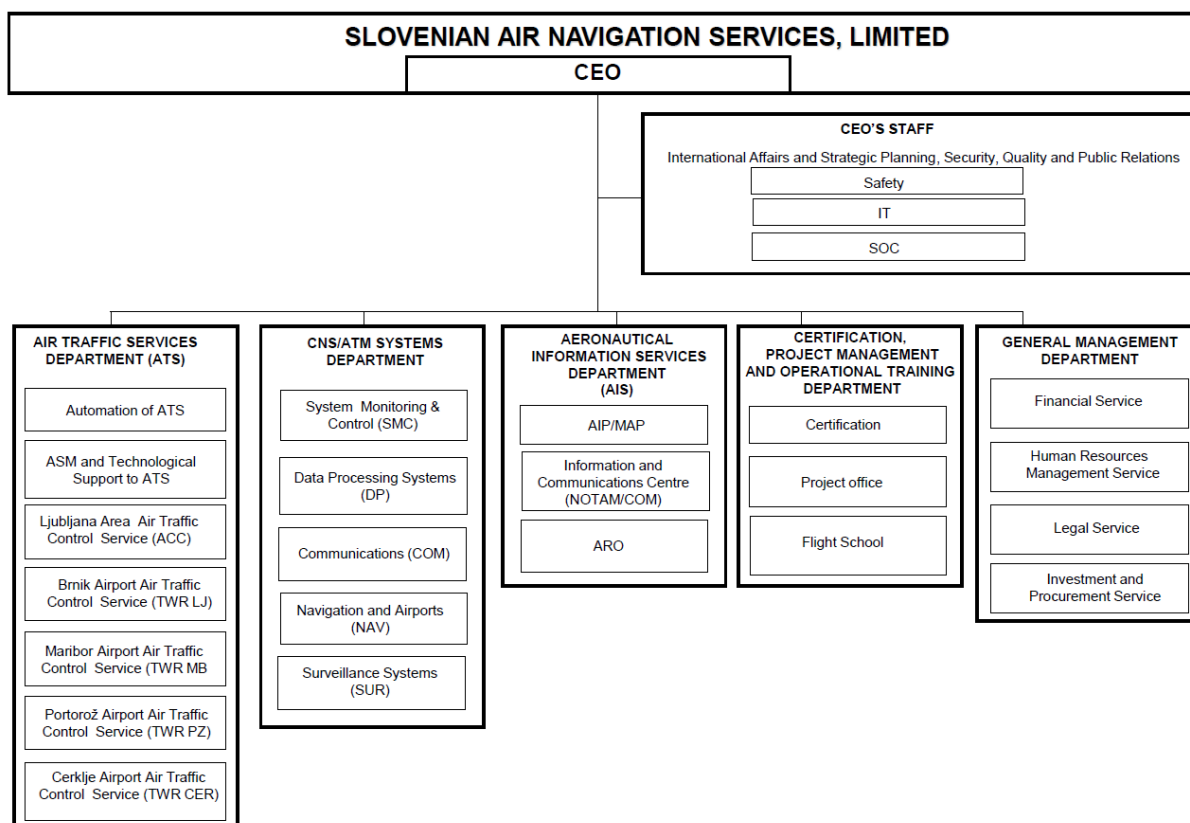
In 2014, the Company established a joint legal entity together with the air navigation service providers of Austria, the Czech Republic, Croatia, Hungary and Slovakia. The main purpose of the Slovenia-based limited liability company, FABCE, Aviation Services, Ltd. (hereinafter referred to as "FABCE, Ltd."), is to fulfil the requirements of the Single European Sky legislation and reinforce the collaboration between the company's members in the implementation of joint projects, consultancy, staff training and public procurement. FABCE, Ltd. was established on 17 October 2014, when the air navigation service providers of Austria, the Czech Republic, Croatia, Hungary, Slovakia and Slovenia signed the company's Memorandum of Association, and was registered in the Court Register kept by the Kranj District Court on 17 November 2014. The company's principal activity is 70.220 – Business and other management consultancy activities. FABCE, Ltd.'s share capital of EUR 36,000 has been subscribed in cash, with each of its members holding an equal share. The company has three bodies: the CEO, the Supervisory Board and the General Meeting, with the latter two including the representatives of all six members.

## ORGANISATIONAL STRUCTURE

The Company's organisational structure facilitates the safe, uninterrupted, efficient and sustainable provision of the air navigation services carried out by the Company and ensures adequate adaptability and responsiveness to changes in the environment in which it operates. The internal organisation of the Company is regularly reviewed and changed, if necessary, to further improve the performance of activity.

The Company's internal organisation and job classification are laid down in the Rules on the Internal Organisation and Job Classification, which define the key tasks and activities performed in individual organisational units. The Company's organisation is designed to support the performance of its principal activity of providing air navigation services with the aim of ensuring the efficient management and implementation of business processes with consideration of the applicable regulatory requirements and the specifics of the activity and the business environment, all in accordance with the Aviation Act (Official Gazette of the Republic of Slovenia, No. 81/10 – official consolidated text and 46/16 and 47/19; (hereinafter referred to as "the Aviation Act"), the Act on the Provision of Air Navigation Services, and EU legislation on the Single European Sky.

**Figure 1: Organisational chart**



The Company's principal activity, air traffic management and control, is carried out by three departments:

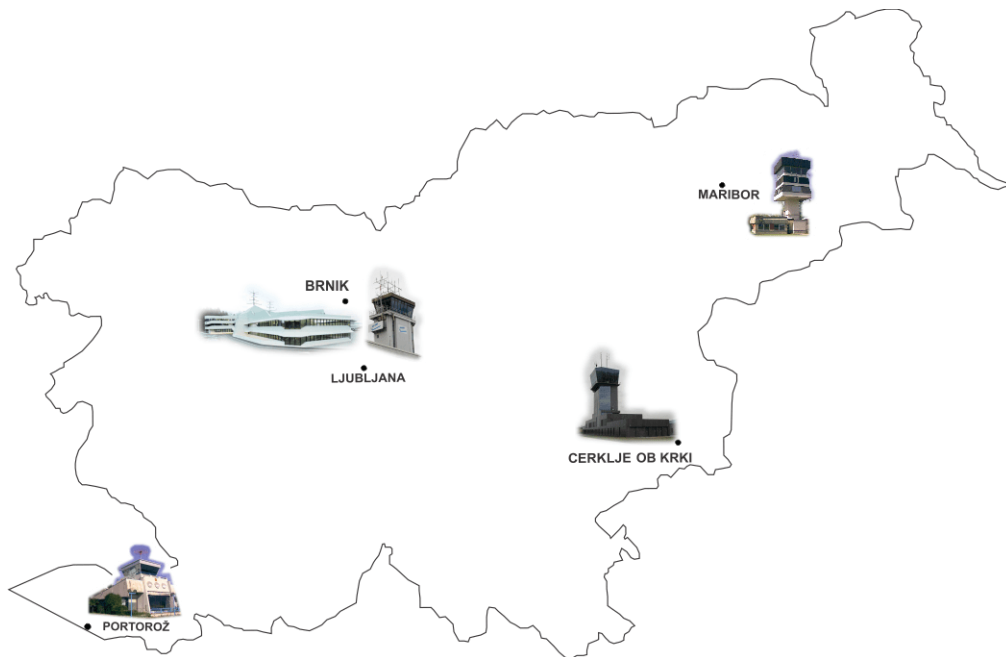
- Air Traffic Services;
- Communications, Navigation and Surveillance/Air Traffic Management Systems; and
- Aeronautical Information Services.

The Certification, Project Management and Operational Training Department performs the tasks in the areas of certification and project management as well as Flight School tasks of training operational personnel.

Tasks in relation to HR, legal affairs, finance and accounting as well as investment and public procurement activities fall within the responsibility of the General Management Department.

A special place within the organisation is held by tasks in relation to air traffic safety management, international affairs and strategic planning, quality and security, information technology, cyber security and public relations, which are performed by the CEO's Staff.

**Figure 2: Company facilities**



The activities are primarily carried out at the Company's registered office, on the premises of the Air Traffic Control Centre (ATCC) at Zgornji Brnik 130n. The Company's activities are also carried out at Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport, Portorož Airport and Cerklje ob Krki Airport.

## CEO'S REPORT

In 2019, the airspace of the Republic of Slovenia witnessed continued high growth in traffic. A total of 459,597 flights were carried out under Instrument Flight Rules, i.e. IFR flights, constituting an 8.6% increase over 2018, which is considerably more than the 1.2% growth in traffic in Europe (EU-28). Traffic growth was also reflected in the higher number of service units. En-route service units in Slovenian airspace rose by 9.7% compared to 2018 and exceeded the plan by 14.8%, whereas terminal service units dropped by 9.7% over 2018 and lagged behind plan by 1.83%. It should be noted that the delay target for the summer season was 0.22 min/flight, while the actual minimum delay in air traffic was 0.004 min/flight or a total of 1,547 minutes, representing an important contribution to ensuring the capacity of the European ATM system.

Growth in en-route flights in Slovenian airspace was also reflected in the successful operations of the Company. In 2019, the Company generated more than EUR 41.8 million in sales revenues, up 5.8% from 2018, while its total revenues amounted to just over EUR 42.7 million. Net profit equalled EUR 4.6 million at year-end. In spite of the good results, the past year was characterised by the bankruptcy of the Company's main business partner in terminal, the Slovenian air carrier. Even though the loss of traffic occurring in the most profitable connections in the last quarter was partly compensated for with other air carriers, it was reflected in the declined terminal traffic.

The Company continued to be actively engaged in the international space both within the Functional Airspace Block Central Europe (FAB CE) and in collaboration with international organisations and stakeholders (Eurocontrol, ICAO, CANSO, BLUE MED, Gate One, DANUBE FAB). The implementation and further development of FAB CE are carried out at the level of air navigation service providers through a joint legal entity - FABCE, Aviation Services, Ltd., of which the Company is also a member. In 2019, we collaborated with partners in a number of projects within FAB CE, including projects aimed at optimising airspace (through intensified cross-border cooperation) and regional infrastructure, joint procurement, the establishment of the FAB CE Cyber Security Group and preparation of performance plans for FAB CE member states. Most activities will continue in 2020, while the main objectives of FAB CE activity are addressed in the new FAB CE Strategy 2020–2030, which was approved by the CEOs of FAB CE air navigation service providers on 18 February 2020 in Vienna.

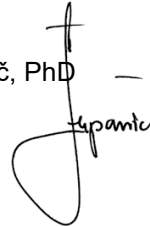
By active and proactive involvement, the Company strives to maintain its important role at the level of FAB CE air navigation service providers and to strengthen the role of the Company in the provision of air navigation services in the region. The latter is a potential that the Company has to develop by active efforts at the European and international levels in the future as well. The dynamic and successful collaboration of the representatives of the Company and the Ministry of Infrastructure with the representatives of the other six member states has contributed significantly to the functioning of the FAB CE in accordance with EU regulations on the Single European Sky.

The Company also continued to make successful use of EU grant mechanisms for its technological development programmes in 2019 and further implemented five technological projects oriented towards the Company's future and the economic benefit of users of the Slovenian airspace. Setting up and successfully implementing the first phase of the Slovenia Wide Area Multilateration System – SLOWAM is an important project for the Company and represents a technologically advanced and more cost-efficient solution to replace the existing radar surveillance systems for coverage of the airspace, which will contribute to better detection of aircraft, especially in the eastern part of Slovenia. The use of EU grant mechanisms does not merely enable the Company to meet the requirements of the Single European Sky framework. It also drives the Company's constant improvement of its technical equipment and the source of new knowledge which is the result of cooperation in the area of air traffic management and control on the international scale.

Striving to ensure the prescribed levels of services and safety of air traffic, the Company will also focus its future activities and projects on productive cooperation with all participants in the field of aviation aimed at contributing to the sustainable development of the air traffic system by improving the general efficiency of air navigation services in the key performance areas of safety, capacity, environment and cost-efficiency, and development of a modern business model for air navigation services. The adequate contribution of the Republic of Slovenia and the Company to the achievement of the EU-wide performance targets in the new, i.e. the third five-year reference period 2020–2024 of monitoring the performance is disclosed in the new Performance Plan for the Republic of Slovenia.

The look back at the successful past year and new growth projections in early 2020 seem quite different after a short while due to the Covid-19 pandemic that has suddenly changed our lives. In just a short time, the slump in air traffic in March 2020 and the near-complete suspension of air operations around the world as a result of the measures taken by countries to restrict the spread of the infection and mitigate the effects of the pandemic, and the predicted global economic crisis have presented us with a new challenge, as mutual cooperation and solidarity will be put to an even greater test in the coming months or years even, if we are to overcome the crisis. This is also true of aviation, where restart and growth will warrant cooperation between all stakeholders.

Franc Željko Županič, PhD  
CEO

A handwritten signature in black ink, appearing to read 'Županič', written over a horizontal line.

## REPORT OF THE SUPERVISORY BOARD

### Composition of the Supervisory Board

In accordance with Article 14 of the Memorandum of Association of the Public Corporation Slovenia Control Limited, the Supervisory Board is composed of six members, four of whom are appointed by the Founder and two by the Workers' Council.

In 2019, the Supervisory Board consisted of the following representatives of the Founder:

- Dušan Hočevar, MSc, President of the Supervisory Board, Master of Administrative Science, was reappointed by the Founder as member on 23 November 2016 and elected President on 12 December 2016, with a term of office until 23 November 2020;
- Marija Šeme Irman, MBA, member, BSc Econ, MBA, appointed on 29 August 2016, Deputy President since 26 September 2016, with a term of office until 29 August 2020;
- Gorazd Čibej, member, LL.M., appointed on 29 August 2016, with a term of office until 29 August 2020;
- Nikolaj Abrahamsberg, member, LL.M., appointed on 23 November 2016, with a term of office until 23 November 2020;

and the following employee representatives:

- Žiga Ogrizek, member, BSc Econ, reappointed member on 1 July 2016, with a term of office until 30 June 2020;
- Davor Mizerit, member, BSc in Transportation Engineering, appointed on 1 July 2016, with a term of office until 30 June 2020.

The term of office of Davor Mizerit as Supervisory Board member and Audit Committee member was terminated on 21 February 2020 based on a decision passed by the Workers' Council.

### Membership of Supervisory Body members in management and supervisory bodies of other companies:

- Dušan Hočevar, MSc: President of the Supervisory Board of Javno komunalno podjetje Grosuplje, d. o. o.;
- Nikolaj Abrahamsberg, MSc: Deputy Chairman of the Supervisory Board of Elektro Primorska d.d.;
- Marija Šeme Irman, MBA: Chair of the Supervisory Board of Elektrooptika d.d.;
- Žiga Ogrizek: Chairman of the Supervisory Board of FABCE, Ltd.

### Meetings of the Supervisory Board in 2019

In 2019, the Supervisory Board held a total of 13 meetings, of which eight were regular and five correspondence meetings. Members of the Supervisory Board attended all meetings, except for one regular meeting, which was not attended by Nikolaj Abrahamsberg, MSc, and two correspondence meetings, which were not attended by Dušan Hočevar, MSc, and Gorazd Čibej, MSc, respectively.

### Internal organisation of the Supervisory Board and the committees of the Supervisory Board

In 2019, the composition of the Supervisory Board did not change.

The members acted independently in their decision-making and completed statements on independence declaring themselves independent. They employed the highest level of professionalism, readiness to discuss the issues presented in the documents and willingness to collaborate in a constructive manner. Where necessary, they obtained additional information and clarifications regarding the documents considered at the meetings. They adopted decisions in accordance with their powers, in compliance with high ethical standards.

In 2018, the Supervisory Board established a four-member Audit Committee of the Supervisory Board and appointed two of the Supervisory Board members and one external member - independent expert, whereas the Workers' Council appointed one member - Workers' Council representative. The Supervisory Board defined the tasks of the Audit Committee in the Rules of Procedure of the Audit Committee, which have been harmonised with the Companies Act (ZGD-1), while the specific tasks were outlined in the Audit Committee's Annual Action Plan.

In 2019, the Supervisory Board did not appoint any ad hoc committees.

### **Monitoring and supervising the operations of the Company and other activities of the Supervisory Board**

The Supervisory Board's work in 2019 was mainly devoted to monitoring and supervising Slovenia Control's operations, focusing in particular on its financial condition. As part of monitoring the Company's financial condition, the Supervisory Board regularly reviewed interim reports on the Company's operations and also examined Slovenia Control's financial condition when considering other matters bearing financial consequences for the Company.

The Supervisory Board reviewed the report and participated in the regular audit of the managed Company's corporate governance, which was carried out by the Slovenian Sovereign Holding's internal audit based on the Founder's powers under the Memorandum of Association. Slovenian Sovereign Holding's internal audit assessed corporate governance in the Company as good and did not issue any recommendations, only initiatives. The latter were discussed by the Supervisory Board and an action plan for their implementation was formulated. Based on the action plan, the Supervisory Board adopted the new Rules of Procedure of the Supervisory Board, introducing the adoption of the annual work plan of the Supervisory Board, the annual training plan and the budget of the Supervisory Board and the Audit Committee, and supplemented the monitoring of decisions passed at previous meetings. In 2019, the Supervisory Board also adopted the Diversity Policy and the competence profile of the Supervisory Board members, revised the Corporate Governance Policy together with the Management and participated in the drafting of the Company's Dividend Policy.

The Supervisory Board regularly checked the implementation of cost optimisation measures. Borrowing stayed within the planned limits, and the Company settled all of its financial liabilities regularly and on time. The Supervisory Board actively controlled the Company's investments and costs by discussing and approving the Company's operations, the value of which exceeds EUR 100,000 excluding VAT. It also devoted much time to monitoring and adopting measures to recover the Company's receivables from Adria Airways, d. o. o.

In addition to the financial aspect, the monitoring of the Company's operations also included regulatory compliance, the implementation of business plans, risk management and the implementation of the decisions of the Supervisory Board and the Founder. The Supervisory Board did not identify any breach of laws, the Memorandum of Association or other acts of the Company and the Founder's decisions. All the decisions adopted by the Supervisory Board in 2019 were implemented.

Throughout the year, the Supervisory Board regularly examined the implementation of investments, which are specified in detail in the section Investments of the Annual Report. Within its powers the Supervisory Board decided on its approvals for concluding contracts and annexes to contracts, referring to investments of the Company.

In cooperation with the Audit Committee, the Supervisory Board decided that an internal audit of 2018 procurement should be carried out by an external auditor and instructed the Company to implement the action plan for harmonisation with the internal auditor's recommendations.

In 2019, the Supervisory Board examined the Audited Annual Report for 2018 and, having no comments, approved it. The approved Annual Report was also reviewed by the Founder.

The members of the Supervisory Board attended training sessions organised by the Slovenian Sovereign Holding.

The Supervisory Board adopted the 2020 Annual Business Plan of Slovenia Control, Ltd., which is the basis for the Company's activities and operations in 2020 and will ensure:

- the safe, proper and efficient implementation of air traffic management and control activities;
- the continued technological development of air traffic management and control systems and equipment through the implementation of the planned investments, which enable the Company to reach its operational goals in the areas of safety, capacity and operational efficiency and thus the long-term development and survival of the Company;
- the Company's active involvement in the development of the planned transformation of the airspace in the region as part of the FAB CE and broader in accordance with the requirements of EU legislation;
- appropriate professional qualification, social security and motivation of the staff.



The Supervisory Board also adopted the Company's five-year Business Plan for 2020-2024, harmonised with the draft Performance Plan 2020–2024 for the Republic of Slovenia, which lays down binding performance targets in accordance with the European regulations on the Single European Sky (SES), set by the Republic of Slovenia for the third reference period of monitoring key performance indicators (KPIs) in 2020 –2024 as regards the provision of air navigation services and air traffic management.

In 2019, the Supervisory Board successfully established its electronic operations and regularly monitored the flow of documentation and information as well as attending meetings between the Company and the Founder, whose powers are exercised on its behalf by the Slovenian Sovereign Holding.

### **Assessment of the efficiency of the Supervisory Board**

In 2019, the Supervisory Board carried out a self-assessment of its efficiency in accordance with the Supervisory Board Assessment Manual adopted by the Slovenian Directors' Association. The Supervisory Board paid special attention to analysing the assessment and adopted the Action Plan for improving the functioning of the Company's Supervisory Board, which it implemented by the end of the year by adopting the Diversity Policy, producing competence profiles of the Supervisory Board members and adopting new Rules of Procedure of the Supervisory Board, which determine the adoption of the annual training plan for the members of the Supervisory Board and the adoption of the annual budget of the Supervisory Board. The Supervisory Board and the Audit Committee did not assess the effectiveness of the Audit Committee in 2019, as the latter only started operating that year.

### **Work of the Audit Committee of the Supervisory Board**

In 2019, the Supervisory Board's Audit Committee was composed of three members of the Supervisory Board and one external independent expert:

- On 6 December 2018, Marija Šeme Irman, MBA, was appointed Chair of the Audit Committee by the Supervisory Board with a term of office until 6 December 2022 or the termination of her term of office of Supervisory Board member;
- On 6 December 2018, Dušan Hočevar, MSc, was appointed Deputy Chair of the Audit Committee by the Supervisory Board with a term of office until 6 December 2022 or the termination of his term of office of Supervisory Board member;
- On 17 October 2018, Davor Mizerit was appointed member of the Audit Committee - representative of the Workers' Council - by the Workers' Council with a term of office until 17 October 2022 or the termination of his term of office of Supervisory Board member;
- On 6 December 2018, Urška Kiš, BSc Econ, certified auditor, was appointed by the Supervisory Board external member of the Audit Committee, independent expert, with a term of office until 6 December 2022.

The Audit Committee of the Supervisory Board started working in 2019 and held six regular meetings, which were attended by all members, while there were no correspondence meetings.

The Chair reported to the Supervisory Board on the work of the Audit Committee. She explained its positions and recommendations on the items on the agenda of the Supervisory Board which were also discussed by the Audit Committee. All members of the Supervisory Board have constant access to the materials and minutes of the meetings of the Audit Committee on the electronic portal of the Supervisory Board, which provides transparency of operations and increases the efficiency of the Supervisory Board's work.

At its founding meeting, the Audit Committee provided induction of members and formed draft Rules of Procedure of the Audit Committee of the Supervisory Board and the Annual Action Plan of the Audit Committee for 2019, which were adopted by the Supervisory Board.

In 2019, the Audit Committee discussed the draft Annual Report and the audited Annual Report of the Company for 2018 and proposed to the Supervisory Board to adopt them. It also reviewed the auditor's report, while the audit partner of the external auditor Ernst & Young d. o. o., Ljubljana, reported on the progress of the audit of the performance results to the Committee members.

The Audit Committee discussed the quarterly reports on the Company's operations before submitting them to the Founder, having verified them especially in terms of accounting, finance and risk management, about which the Chair of the Committee reported to the Supervisory Board. In 2019,

interim reports introduced additional reporting on the Company's operations without considering the impact of the risk-sharing mechanism and mandatory change, as dictated by the amendments to the International Financial Reporting Standards.

A special meeting was held by the Audit Committee to familiarise itself with and examine the impact of the risk-sharing mechanism on the pricing of services and the Company's financial statements. It proposed that financial reporting be expanded with additional items disclosing the Company's operations without the effects of the risk-sharing mechanism.

The Audit Committee reviewed the auditing services agreement to be concluded with the external auditor before it was signed by the President of the Supervisory Board, verified the auditor's independence and assessed the audit work, examined the envisaged audit plan and the composition of the audit team for auditing the 2019 financial statements. It assessed that the Company need not set up an internal audit department and that the internal audit is to be performed by external providers, which was also confirmed by Slovenian Sovereign Holding's internal audit during the May 2019 audit of the Company's corporate governance. It participated in the process of selecting the external provider of internal auditing services and examined its post-audit report and the action plan to comply with its recommendations. The Audit Committee also checked the procedures for internal reporting of irregularities and illegalities in the Company.

### **The costs of operation of the Supervisory Board and its committees**

On 31 May 2019, the Founder adopted a decision laying down the new attendance fees to be received by the members of the Supervisory Board and its committees. In addition, it changed the amount of the basic remuneration for performing the function in the Supervisory Board and the amount of additional remuneration for performing the function of members of committees and harmonised it with the Corporate Governance Code for State-Owned Enterprises as adopted by the Slovenian Sovereign Holding. On 20 August 2019, the Supervisory Board adopted the decision aligning the amount of remuneration of the external member of the Audit Committee of the Supervisory Board with the changed remuneration of other members of the Audit Committee. The remuneration of individual Supervisory Board members and the members of the Audit Committee is presented in further detail in the financial report.

### **Annual Report for 2019**

After the end of the 2019 financial year, the Supervisory Board and the Audit Committee reviewed the Audited Annual Report for 2019 and the proposal for the distribution of the distributable profit, which the Company, pursuant to the Companies Act, had audited by its chosen audit firm, Ernst & Young, d. o. o. The Annual Report was prepared in accordance with the Companies Act and the International Financial Reporting Standards (IFRS). The report presents the Company's operating conditions and results in 2019 and consists of two parts: the management report and the financial report.

The management report presents Slovenia Control's operations in 2019. It outlines the key events and factors affecting the Company's performance in 2019 and after the end of the financial year, the key figures and performance indicators for 2019, including the data on operations without taking into account the impact of the risk-sharing mechanism, and the provision of air navigation services in 2019, with a report on HR development and the provision of adequately qualified operational personnel as an extremely important factor for the performance of the Company's activities. The management report also includes a report on the major investments in 2019, the management of the risks to which the Company is exposed, the Company's contribution to sustainable development, air traffic data and the key plans for 2020 as well as the expectations for the Company's development.

As regards the financial report, the Supervisory Board has determined that the report is clear and transparent and that the financial statements give a true and fair view of the Company's assets and liabilities, financial position and results. The report includes a breakdown of the financial statements as well as notes to certain items in the financial statements. In line with the proposal of the Audit Committee, the Company also disclosed the effects of the risk-sharing mechanism in the Annual Report.

At its 129<sup>th</sup> regular meeting held on 28 May 2019, the Supervisory Board discussed the audited Annual Report for 2019 and the Audit Committee's Report on revision of unaudited and audited Annual Report for 2019 and, having no comments, approved it. The Supervisory Board gave a positive opinion on the auditor's report issued by Ernst & Young, d.o.o. The Supervisory Board also reviewed the proposal for the appropriation of the distributable profit, which is consistent with the Company's Dividend Policy, and

adopted the respective decision. The proposal takes into account the major decline in traffic volume owing to the Covid-19 epidemic and the resulting deterioration in the operating result and liquidity position of the Company.

The Supervisory Board assessed the Company's performance in 2019 as successful.

### Plans for 2020

In 2020, the Supervisory Board will continue its efforts for the regular and effective supervision of the Company's operations supported by the functioning of the Audit Committee of the Supervisory Board. Special attention will be paid to monitoring monthly and quarterly performance data, financial statements, business planning, procedures to conclude major deals as regards the Company's expenses, and monitoring risk management, including the performance of internal audit by external providers. The Supervisory Board will additionally focus on the operations of FABCE, Ltd., in which the Company holds an equity interest, and on overseeing managing of the consequences of the Covid-19 epidemic.



Dušan Hočevar, MSc  
President of the Supervisory Board

## CORPORATE GOVERNANCE STATEMENT

Pursuant to Article 70(5) of the Companies Act (Official Gazette of the Republic of Slovenia, No. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – CC decision, 82/13, 55/15, 15/17 and 22/19 – ZPosS; hereinafter referred to as the “Companies Act”) and Article 26(4) of its Memorandum of Association, Slovenia Control, Slovenian Air Navigation Services, Limited hereby issues its corporate governance statement for 2019.

### 1. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In 2019, Slovenia Control, Slovenian Air Navigation Services, Limited operated in compliance with the Corporate Governance Code for State-Owned Enterprises (hereinafter referred to as the “Code”) as adopted by the Slovenian Sovereign Holding (hereinafter referred to as the “SSH”) in May 2017. In November 2019, the SSH adopted the amended Code, which started being applied on 1 January 2020, thus the Statement of Compliance with the Corporate Governance Code refers to the Code applicable in 2019. The Code is available at [www.sdh.si](http://www.sdh.si). The Code is reasonably applied by the Company according to its ownership structure, size and activity. Individual deviations from the Code are presented hereinafter below.

Statement of Independence (item 6.6.1 of the Code)

The Supervisory Board members complete the statements of independence once a year and the Company publishes on its website whether the members declared themselves dependent or independent.

### 2. STATEMENT OF COMPLIANCE WITH THE RECOMMENDATIONS

In 2019, Slovenia Control, Limited also followed the Recommendations and Expectations of the Slovenian Sovereign Holding of March 2018. The Recommendations and Expectations are published at [www.sdh.si](http://www.sdh.si). The recommendations are reasonably applied by the Company according to its ownership structure, size and activity, while individual deviations from them are presented below.

Three-year business plan of the Company (Recommendation No 1)

The Company has observed and still observes this recommendation with consideration of the requirements of the Slovenian legislation and EU regulations on the Single European Sky, especially the provisions of:

- the Act on the Provision of Air Navigation Services (Official Gazette of the Republic of Slovenia, No. 30/06 – official consolidated text, 109/09, 62/10 – ZLet-C and 18/11 – ZUKN-A);
- Commission Implementing Regulation (EU) No 1035/2011 of 17 October 2011 laying down common requirements for the provision of air navigation services and amending Regulations (EC) No 482/2008 and (EU) No 691/2010 (OJ L 271, 18.10.2011, p. 23), last amended by Commission Implementing Regulation (EU) No 448/2014 of 2 May 2014 amending Implementing Regulation (EU) No 1035/2011 by updating references to the Annexes to the Chicago Convention (OJ L 132, 3.5.2014, p. 53) (hereinafter referred to as Commission Implementing Regulation (EU) No 1035/2011) and Commission Implementing Regulation (EU) 2017/373 of 1 March 2017 laying down common requirements for providers of air traffic management/air navigation services and other air traffic management network functions and their oversight, repealing Regulation (EC) No 482/2008, Implementing Regulations (EU) No 1034/2011, (EU) No 1035/2011 and (EU) 2016/1377 and amending Regulation (EU) No 677/2011 (OJ L 62, 8.3.2017, p. 1) (hereinafter referred to as: “Implementing Regulation No 2017/373/EU”);
- the Memorandum of Association.

In accordance with the provisions of those documents, the Company prepares an annual and a five-year business plan.

Optimisation of labour costs – publication of binding collective agreements (Recommendation No 4)

The collective agreements binding on the Company are published on its internal website so that they are accessible to everyone to whom they pertain. In addition, the Collective Agreement for the Air Traffic Management and Control Sector, as amended, was published in the Official Gazette of the Republic of Slovenia, No. 92/2015 pursuant to Article 28 of the Collective Agreements Act (Official Gazette of the Republic of Slovenia, No. 43/06 and 45/08 – ZArbit).

General Meetings – accessibility of materials (Recommendation No 6)

The Company does not publish on its website the material for the General Meeting, since the sole founder and member is the Republic of Slovenia, whose rights are exercised by the Slovenian Sovereign Holding, to whom the Company provides appropriate and timely access to the material.

### 3. COMPLIANCE AND CORPORATE INTEGRITY SYSTEM

The Company's system of compliance and corporate integrity is based on strict adherence to the Slovenian and European legislation that is relevant and binding for the Company, professional standards and recommendations of international organisations in the field of the Company's activities, the Corporate Governance Code for Companies with Capital Assets of the State, the SSH Guidelines and Recommendations, the Company's Memorandum of Association and its adopted Corporate Governance Policy and internal acts.

The Company sees compliance as those activities that ensure that the Company and its employees comply with the relevant regulations, binding standards and recommendations, to manage conflicts of interest and to prevent and take action in the event of illegal and unethical conduct.

In the area of conflict of interest management and prevention and action-taking in case of illegal and unethical conduct, the Company has adopted a Code of Ethics defining the basic ethical principles and rules of conduct and functioning of its bodies and all employees, the relations with stakeholders, in particular the users of services, business partners, officials, the public, the media and society at large. The adopted mechanism of ethical principles and integrity provides for the high level of ethical conduct in the Company, thus enabling the implementation of even higher ethical standards and greater awareness as well as the promotion and respect of values that encourage employees to pursue a responsible attitude towards society, the users of services and the Company's partners and other stakeholders, and the achievement of ambitious business goals and personal growth and development. The Code of Ethics is published on the Company's website and is also available to the employees on the intranet.

Furthermore, the Corporate Governance Policy also defines the commitments to detect the conflict of interest and determine the independence of the CEO and the members of the Supervisory Board, the measures in case of a conflict of interest, such as completing the statement of independence of the members of the Supervisory Board, informing the Supervisory Board members in case of a conflict of interest and excluding them from voting.

The Company also ensures and constantly checks the compliance of processes and documentation with applicable regulations and standards through the quality management system. According to internal and external requirements, internal documentation is constantly harmonised and updated, and interaction between processes is upgraded. In accordance with the ISO 9001:2015 international standard, the Company has in place a risk management system, which is checked at periodic meetings of the Risk Management Committee, with internal audits of the quality system carried out at least once a year and annual external audits of the accreditation house in line with said ISO standard.

The area of compliance is also effectively supported by the certification system, through which the Company pursues the basic goal of maintaining compliance of air traffic management and air navigation service provider with the common requirements and thus maintains the validity of the certificate of air traffic management service provider and air navigation service provider. This involves conformity with Commission Implementing Regulation No 2017/373/EU laying down common requirements for providers of services and their oversight, which set common rules for the certification and oversight of the service providers and define the acceptable means of compliance of the service providers. The system established based thereon ensures the systematic verification, provision and oversight of compliance of the service provider with the relevant Slovenian and European legal framework of the Single European Sky and international standards.

The Company also adopted the Rules on the Internal Warning System about Irregularities and Wrongdoings, by which it established the system of internal warnings about the irregularities and illegalities in the Company and the mechanisms of whistle-blower protection. The established system includes mechanism of adequate and effective response to reports, system of tracking reports, reply to the reporter, keeping the register of reports and periodic reporting to the Supervisory Board on reports and measures to eliminate the irregularities or possible sanctioning.

#### 4. DESCRIPTION OF THE MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Company manages risks and has an established internal control system. The purpose of the internal control system is to ensure efficient and effective operation, reliable financial reporting and compliance with the applicable legislation and other external and internal regulations.

Financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the Companies Act. The data in the financial statements is based on bookkeeping documents and books of account kept in accordance with the IFRS. They give a true and fair view of the Company's financial position and results for 2019. The financial statements and notes were prepared on a going concern basis.

The following fundamental accounting assumptions were applied: the accruals basis, going concern, and the four principle qualitative characteristics of financial statements – understandability, relevance, reliability and comparability. The following fundamental accounting principles were applied in the accounting policies: prudence, substance over form, and materiality. The Company ensures accuracy, completeness and truthfulness in financial reporting by means of a number of checks, including checks of figures with customers and suppliers, checks of the completeness of data collection, checks of the segregation of duties and responsibilities, checks of the restriction of access to accounting records and supervision checks. Since the accounting process is computerised, all of the above controls are also integrated with the control systems built into the IT systems. IT-related and other risks are described in more detail in the Risk Management section.

The Company also ensures accuracy, completeness and truthfulness in financial reporting by maintaining compliance with the requirements of ISO 9001:2015.

In accordance with the Companies Act, the Company is classified among medium-sized companies in terms of size and as such does not have an internal audit activity. If necessary, internal audit services are provided by external auditors. Additional control over risk management, the system of internal controls and financial reporting as well as internal and external audit was established by the Audit Committee of the Company's Supervisory Board, which was set up in December 2018. The Company establishes that its operating circumstances and conditions did not change significantly in 2019 and it did not identify and measure increased risk levels in its operations. The Company operates in a strictly regulated environment in accordance with Slovenian and European legislation, European standards, the standards and recommendations of international organisations in the field of civil aviation and international treaties that the Republic of Slovenia is obliged to comply with. Continuous compliance with the applicable legal framework is ensured through the established system of internal and external monitoring of the fulfilment of requirements for the provision of air navigation services. Besides the system ensuring continuous compliance with the common requirements for the provision of air navigation services, the Company's system of internal controls and risk management is effectively supported by the safety management system, the quality management system according to the international standard ISO 9001:2015 and the security system.

#### 5. INFORMATION ON THE OPERATION OF THE GENERAL MEETING

The sole founder of the Company is the Republic of Slovenia. The Founder's powers are laid down in more detail in the Memorandum of Association. In 2019, the Founder exercised its powers through the Slovenian Sovereign Holding.

The Founder, as the sole member of the Company, exercises its powers by adopting decisions.

#### 6. INFORMATION ON THE COMPOSITION AND OPERATION OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES

In accordance with the provisions of the Companies Act and the Act on the Provision of Air Navigation Services, the Company employs a two-tier system of corporate governance consisting of one CEO and the Supervisory Board. In accordance with the Memorandum of Association, the CEO manages and organises work at the Company and its operations, while the Supervisory Board supervises the management of its operations.

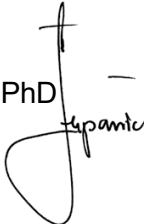
On the proposal of the Supervisory Board the CEO is appointed by the Founder for a five-year term of office. The CEO of the Company is Franc Željko Županič, PhD, who has been employed with the

Company on the basis of an individual service contract since 21 March 2008 when he was first appointed to the position of the CEO. The present, i.e. third term of office, which started on 22 March 2018 will expire on 22 March 2023. The work of the CEO in 2019 is presented in more detail in the CEO's Report.


In accordance with the Memorandum of Association, the Supervisory Board is composed of six members, four of whom represent the Founder and two represent the employees. The Supervisory Board established the Audit Committee of the Supervisory Board, composed of four members, one of whom is an external independent expert. The composition and operation of the Supervisory Board and the Audit Committee are presented in more detail in the 2019 Report on the Work of the Supervisory Board.

Compliance with legislation, the Corporate Governance Code for Companies with Capital Assets of the State, guidelines and recommendations, and the Company's Corporate Governance Policy and internal regulations on corporate governance constitute essential guiding principles of the Company for prudent, diligent and responsible corporate governance. The Company will continue its efforts to ensure the compliance of its operations and adherence to the applicable provisions of the codes and recommendations of the Founder, and to exchange and implement good business practices in the management and governance of the Company.

Franc Željko Županič, PhD  
CEO



Dušan Hočevar, MSc  
PRESIDENT OF THE SUPERVISORY  
BOARD



Zgornji Brnik, 13 March 2020

## 1 BUSINESS REPORT

### 2 KEY EVENTS AND FACTORS AFFECTING PERFORMANCE IN 2019 AND AFTER THE END OF THE FINANCIAL YEAR

In 2019, the 8.6% growth in traffic by the number of flights (IFR flights) in the Republic of Slovenia followed the upward trend from 2018, when traffic increased by 9.7% over the year before, while in EU-28 the growth stood at 1.2%, which is considerably less than in the previous years. Traffic growth in Slovenian airspace was also reflected in the higher number of en-route service units. Volume of traffic in terms of en-route service units in Slovenian airspace in 2019 grew by 9.7% as compared to 2018 or was 14.8% above plan, while the number of terminal service units was 9.7% lower than in 2018 and 1.83% below plan.

#### 2019

##### January

- The Company passed the external certification audit of the quality system according to the international standard ISO 9001:2015 and thereby extended the validity of its certificate.
- During the visit of the representative of the Performance Review Body in cooperation with the Ministry of Infrastructure and the Civil Aviation Agency of the Republic of Slovenia, a joint meeting was organised with a presentation of the Company.
- In line with Commission Regulation (EC) No 29/2009 of 16 January 2009 laying down requirements on data link services for the Single European Sky (OJ L 13, 17.1.2009, p. 3), last amended by Commission Implementing Regulation (EU) 2020/208 of 14 January 2020 amending Regulation (EC) No 29/2009 laying down requirements on data link services for the Single European Sky (OJ L 43, 17.2.2020, p. 72) (hereinafter referred to as “Commission Regulation 29/2009/EC”), the implementation of Datalink service – CPDLC i.e. data connection of the ground-air-ground communication between air traffic controller and pilot, which started to be used by air traffic controllers in the Ljubljana Area Control Centre on 16 January, was successfully concluded.
- In the “Slovenia Wide Area Multilateration System – SLOWAM” project the Company reached a significant milestone in the first phase of project development and successfully concluded “Site Acceptance Test” (SAT).
- In January, the centralised System Monitoring and Control Centre (CSMC) started operating in parallel, and the local Brnik SMC and MB SMC started functioning and training of personnel for the CSMC began.

##### February

- After one month of parallel operations of centralised SMC ATCC and Brnik SMC and Maribor SMC, centralised system monitoring and control was set up on 1 February 2019 from the Centralised System Monitoring and Control Centre SMC ATCC. Training of additional personnel for working in the CSMC continued at the same time.
- The central firewall module and the IPS module (Intrusion Prevention System) were replaced in the operating environment.

##### March

- On 1 March, a change in internal organisation of the Company, referring mainly to minor adaptation of work organisation in non-operative services, entered into force. The change included the establishment of the Certification, Project Management and Operational Training Department, to which tasks in the areas of certification and project management were transferred, as well as those of the Flight School – a department which thus became an independent organisational unit.
- At the World ATM Congress 2019 which was held between 12 and 14 March in Madrid, the “South East Common Sky Initiative Free Route Airspace” project (SECSI FRA) of air navigation service providers from Slovenia, Austria, Bosnia and Herzegovina, Croatia and Serbia and Montenegro received the prestigious “Single European Sky Award” in the category “Network Performance”.
- With the official opening of the training centre at the Fraport Aviation Academy, which currently carries out 36 programmes in the area of airport services and actions in emergency situations, the Company will participate as a partner in offering professional training in aviation, mainly in providing air navigation services.



- The Company's representatives participated in the ICAO Global Reporting Format (GRF) Implementation Symposium at the ICAO headquarters in Montreal.
- The representatives of the Company attended the 23<sup>rd</sup> meeting of ICAO EANPG (AFSG – Aeronautical Fixed Services Group) in Paris.

#### April

- As every year, in cooperation with the Surveying and Mapping Institute of Slovenia (GIS), the Company prepared a new VFR chart, intended primarily for pilots of airplanes, sailplanes and paragliders, as well as pilots of hang-gliders and motorised hang-gliders. The Company provides each licensed pilot and student pilot in the Republic of Slovenia with one VFR chart free of charge.
- The representatives of the Company attended the AIM SWIM Team meeting in the scope of Eurocontrol (Eurocontrol Agency Advisory Board). The above team decides on the development of AIS/AIM in Europe.
- Navigation and airports Service's staff were trained to use the SW tool DEMETER (DME – Distance Measuring Equipment).

#### May

- Between 11 May and 15 June, the international military exercise "IMMEDIATE RESPONSE 2019" took place, in the preparation and implementation of which the Company was actively involved.
- In mid-May, the Company replaced TMCS servers in the VCS systems at TWR Portorož and TWR Maribor. This extended the service life of both VCS 3020X Rel 4.1 voice communication systems by at least three years.
- A Company representative or project administrator attended a meeting of the ATSB and PSSG management steering groups for the NewPENS project. The PSSG management steering group manages the PENS network and the ATSB management steering group manages the NewPENS network. The main topic of both meetings was the migration from the PENS network to the NewPENS network.
- The Company's CEO attended the meeting of GATE ONE CEOs in Bucharest, at which an agreement was reached on two documents: The "Airspace Architecture Study – common position" and the "Report of the Wise Persons Group", which will play a key role in shaping the future of the European ATM system.
- As part of the safety goal – Safety Promotion, the Company's representatives, with the aim of learning about and introducing recognised and good practices from the international environment, attended a safety conference addressing safety regulations, procedures and instructions, at which good practices identified in the field of work of the Flight Safety Foundation, the European Regions Airline Association and Eurocontrol were presented.
- The internal audit of the Slovenian Sovereign Holding issued a Report on the regular audit of the operations of the managed Company: Audit of corporate governance of Slovenia Control, Ltd., wherein it assessed that the status of corporate governance in the Company was good based on the audit of operations.
- The Company's CEO attended the CEO Safety Conference organised by Eurocontrol in cooperation with NAVIAIR and EASA. Two topics were discussed at the conference, namely Safety Data, and Public Domain and Cybersecurity.
- Representatives of the Company attended the 22<sup>nd</sup> regular meeting of the FAB CE Council in Zagreb.
- In September, the Company switched from the old PENS network to NewPENS on three international AMHS connections, namely with Eurocontrol Haren and Bretigny and the Austrian provider Austro Control.
- The Company successfully passed the operational environment penetration test conducted by an external company.
- The first candidates successfully completed on-the-job training for CSMC.

#### June

- Representatives of the Company attended the founding meeting of the Airport Partnership Group for the Environment. The group was established on the initiative of Fraport Slovenija, d. o. o., with the aim of improving the quality of the environment in the area of Ljubljana Jože Pučnik Airport. In addition to the representatives of the Company and Fraport Slovenia, d. o. o., representatives of Adria Airways, d. o. o., the Ministry of Infrastructure, the Civil Aviation Agency of the Republic of Slovenia and a noise measurement expert were appointed to the group.

- The Company actively participated in the preparation and implementation of the international military exercise “ASTRAL KNIGHT 2019”, which took place between 3 and 6 June. The main area of activity was the airspace over the Adriatic Sea and the Istrian peninsula and the exercise covered the airspace of the Republic of Slovenia, the Republic of Croatia and the Republic of Italy.
- The Company also played an active role in the preparation and implementation of the international military exercise “ADRIATIC STRIKE 2019”, which was held between 3 and 7 June.
- In collaboration with representatives of the Ministry of Defence and the Slovenian Armed Forces, the Company initiated activities related to the extension of the contract for the provision of air navigation services at the Cerklje ob Krki Military Airport.
- The CEO of the Company attended the regular meeting of the CEOs of air navigation service providers within the FAB CE project (FAB CE CEOC) in Sarajevo, where they discussed the ANSB report, the NMB report, the Social Dialogue forum report, the FAB CE Strategy, the FAB CE Safety Management Review Report 2018, the FAB CE Performance Report and the Steering Committee Report.
- Together with representatives of the Ministry of Infrastructure, the Company’s CEO participated in the 51<sup>st</sup> meeting of the Provisional Council of Eurocontrol in Brussels.
- The Company’s representatives attended the regular June session of Eurocontrol’s Enlarged Committee for Route Charges in Brussels, where the final cost bases for 2018 and preliminary cost bases and unit rates for 2020 were discussed and approved in consultation with the representatives of air navigation service users.

## July

- In accordance with the requirements of Commission Implementing Regulation (EU) 2019/317 of 11 February 2019 laying down a performance and charging scheme in the Single European Sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013 (OJ L 56, 25.2.2019, p. 1) (hereinafter: “Commission Implementing Regulation No 317/2019/EU”), in cooperation with the Civil Aviation Agency of the Republic of Slovenia, the Company organised, on its premises, consultations with the representatives of airspace users regarding the Performance plan, cost bases and service unit rates for the new, third reference period 2020–2024 of monitoring the Union-wide performance targets. In addition to representatives of the Ministry of Infrastructure and the Slovenian Environment Agency, the consultations were attended by representatives of Eurocontrol (Performance Review Unit, Performance Review Body and Network Manager), the European Commission, the International Air Transport Association (IATA) and Lufthansa. The Republic of Slovenia successfully held the prescribed consultations regarding the achievement of the EU-wide performance targets for the new reference period.
- On 18 July, DRI, upravljanje investicij, Družba za razvoj infrastrukture, d. o. o., took over the operation of Maribor Edvard Rusjan Airport.
- The Company completed the SW and HW upgrade of the VDR speech and image recording system in July.

## August

- The Company cooperated with the Civil Aviation Agency of the Republic of Slovenia and the Ministry of Infrastructure in the process of the oversight audit by the International Civil Aviation Organisation (ICAO), which took place in the last week of August and early September. The subject of the ICAO oversight audit was the Agency as a national supervisory body, and the Company participated in the oversight as an air navigation service provider during the planned industry visit.
- On 29 August 2019, a new Memorandum of Association of the Public Corporation Slovenia Control Limited (consolidated text) of 20 August 2019 was registered with the Kranj District Court.
- The last day of August brought a new milestone in the provision of the Company’s services. An absolute daily record was set (31 August 2019) – 1,551 operations and a new monthly record was established – 41,931 operations.
- The training of the first group of candidates for working at CSMC was successfully completed.

## September

- The Company started moving the Watchman radar from the location of Ljubljana Jože Pučnik Airport at Brnik to the Soteški hrib location. This marked the beginning of implementation of the plan to improve radar coverage, mainly in the light of improved primary signal coverage.
- The replacement of Jeti hardware and RDD (Radar Data Display) hardware at all tower controls was completed.

- Flight calibration of navigation (NAV) devices was carried out at all international airports in the Republic of Slovenia.
- The Company prepared the Draft Business Plan 2020–2024 and the Annual Business Plan for 2020, which were discussed by the Supervisory Board of the Company at its 124<sup>th</sup> regular meeting held on 6 September 2019. According to the Memorandum of Association, the Annual and the five-year Business Plan are adopted by the Supervisory Board and on the basis of Article 8 of the Act on the Provision of Air Navigation Services they are subsequently approved by the minister responsible for transport.
- Together with representatives of the Ministry of Infrastructure and the Civil Aviation Agency of the Republic of Slovenia, the Company's representative attended a working meeting with the mayors of municipalities in the region of Gorenjska to discuss the issue of noise caused by air traffic at Ljubljana Jože Pučnik Airport.
- Between 17 and 19 September 2019, a workshop on cyber security was held at the Company's premises, organised by the Civil Aviation Agency of the Republic of Slovenia in cooperation with Eurocontrol. Besides representatives of the Agency and Eurocontrol, the workshop was attended by representatives of the Company and all relevant stakeholders in the field of aviation and cyber security in the Republic of Slovenia.
- According to the Decision of the Founder, on 20 September 2019 the Company paid out to the Republic of Slovenia profit participation in the amount of EUR 1,500,000.00.
- Pursuant to the Decision of the Government of the Republic of Slovenia on the implementation of the international exercise "Airplane Crash Karavanke Exercise 2019", between 20 and 22 September 2019 the Company participated in the above-mentioned airplane crash exercise, which was organised jointly by the Slovenian, Austrian and Italian authorities.
- As a representative of the Company, the CEO was a member of the delegation of the Republic of Slovenia who attended the 40<sup>th</sup> Assembly Session of the International Civil Aviation Organization (ICAO) held in Montreal.
- On 28 September 2019, the Company participated in the Open Day event at the Portorož Airport. The central theme of the event was personal contact with airport operators and users, and the Company thus provided the interested professional and lay public with a tour of air traffic control (TWR), presented the profession of an air traffic controller and the challenges arising from this job.
- On 30 September 2019, the management of Adria Airways, d. o. o., informed the public that it had filed a petition for bankruptcy of the airline with the Kranj District Court, which was decided by the Court on 2 October 2019 by a decision to initiate bankruptcy proceedings.

## October

- Activities related to the relocation of the Watchman radar to Soteški hrib continued, involving mainly the mechanical and electrical adjustments and the construction of interfaces for attaching antennas to the existing tower.
- The Company prepared the final five-year Business Plan 2020–2024 and the Annual Business Plan for 2020, which were discussed and adopted by the Company's Supervisory Board at its 125<sup>th</sup> regular meeting on 14 October 2019. As part of the discussion of the material, the Supervisory Board was also informed about the impact of the so-called risk-sharing mechanism on the Company's operations and the opinion of the audit firm Ernst & Young d. o. o., Ljubljana in connection with the recording of the effects of said mechanism and the Company's Dividend Policy. The business plans and the adopted Dividend Policy were submitted to SSH for information.
- On 17 October 2019, the European Commission adopted a decision on the consistency of en-route unit rates for 2019 for the Slovenian charging zone with Commission Implementing Regulations No 390/2013/EU and No 391/2013/EU.
- Representatives of the Company attended a national seminar on hybrid threats organised by the Ministry of Defence in concert with NATO Special Operations Headquarters (NSHQ).
- A workshop for ILS 420 and further personnel training for CSMC were conducted.
- The Company replaced the main VHF/UHF antenna system at the Krim location.
- Employees in the field of protection and management of documentary material (filing office) attended training on handling hazardous substances for cases or shipments containing hazardous substances, which was carried out by the Fire and Rescue Service Kranj.

## November

- The Company's representatives attended the regular November session of Eurocontrol's Enlarged Committee for Route Charges, where the final cost bases and unit rates of member states for 2020

were discussed in consultation with the representatives of air navigation service users. Unit rates for air navigation services were approved by the Enlarged Commission at the end of November.

- The representatives of the Company attended the 23<sup>rd</sup> regular meeting of the FAB CE Council in Zagreb.
- On 20 November 2019, the Company's representatives successfully participated in the international exercise "VOLCEX 19", simulating an eruption of the Vesuvius volcano in Italy.
- As part of the relocation of the radar to the Soteški hrib location, numerous tests and parameter settings were performed to ensure the adequacy of the data.
- The representatives of the Company at the level of FAB CE started actively participating in the "SSR monitoring" project, targeted at protecting the spectrum of frequencies used for aircraft detection.
- At the FAB CE level, the Company has also joined the ADS-B implementation project, which will launch the process of introducing data obtained through the ADS-B system.
- A workshop Theory and Practice of Flight Calibration was organised, in which the Company's representatives took part.

## December

- As part of the relocation of the Watchman radar to the new location on Soteški hrib, tests were successfully completed and an authorisation was obtained from the Civil Aviation Agency of the Republic of Slovenia for the use of radar data in the air traffic control system.
- The Company successfully completed the migration of operational applications from the PENS network to the NewPENS network.
- At the beginning of December, the first part of the project of own microwave (MW) connections was successfully completed by testing and verifying the functioning of the equipment.
- Pursuant to Article 12 of the Act on the Provision of Air Navigation Services, the Minister of Infrastructure approved the en-route and terminal cost base and rates for the Republic of Slovenia for 2020 by decisions of 6 December 2019. In 2020, the en-route unit rate amounts to EUR 51.79, while the terminal unit rate is EUR 222.90.
- On 30 December 2019, the Company and the Republic of Slovenia – the Ministry of Infrastructure – concluded an Agreement regulating mutual relations and the establishment of a building title for the purpose of providing air navigation services in the Republic of Slovenia, based on which the Company was granted a building title to the land in the wider area of Ljubljana Jože Pučnik Airport and Maribor Edvard Rusjan Airport.
- With the consent of the Supervisory Board, the Company revised the Corporate Governance Policy.
- The Supervisory Board adopted the Diversity Policy, which the Company published on its public website.
- In December, the Company successfully completed the process of assessment conducted by the Civil Aviation Agency of the Republic of Slovenia to determine compliance with the requirements of Commission Implementing Regulation No 2017/373/EU, which entered into force on 28 March 2017 and started being applied on 2 January 2020. The Company successfully renewed the air navigation service provider licence (certificate). In addition, it obtained a new certificate and thus the right to exercise the privileges for air traffic flow management (ATFM) and airspace management (ASM).
- Together with other air navigation service providers of the FAB CE member states and FABCE, Ltd., the Company signed the FAB CE Cyber Security Group (FCSG) Non-Disclosure Agreement (NDA).
- The Company signed the "some – in SLA" - Framework Agreement for procurement of spare parts for CNS System with FABCE, Ltd., and with the Croatian air navigation service provider (Hrvatska kontrola zračne plovidbe)
- The Czech air navigation service provider (ANS CR), the Slovak air navigation service provider (LPS), FABCE, Ltd., and the Company signed the "some – in SLA" - Framework Agreement for performance planning RP3 Coordination Support.
- The Company concluded the "some – in SLA" - Framework Agreement for ADS-B Deployment with the Austrian air navigation services provider (ACG), the Czech air navigation services provider (ANS CR), the Croatian air navigation services provider (CCL), the Hungarian air navigation services provider (HCL) and FABCE, Ltd.
- In December, the Company carried out the transition from the old PENS network to NewPENS on the international AMHS connection with the Italian air navigation service provider ENAV as well as the transition from the old PENS network to NewPENS on all EAD connections.

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## 2020

### January

- On 15 and 16 January 2020, an external certification audit of the management system took place according to the ISO 9001:2015 international standard, on the basis of which the validity of the Company's quality management system certificate was extended (SL22019Q, 18 January 2022).
- By a decision of 15 January 2020, the Ministry of Infrastructure, in accordance with Article 8 of the Act on the Provision of Air Navigation Services, approved the Business Plan for 2020–2024 and the Annual Business Plan for 2020.
- The representatives of the Company and the Civil Aviation Agency of the Republic of Slovenia attended a meeting with the representatives of the Croatian air navigation service provider (Hrvatska kontrola zračne plovidbe) and the Croatian Agency for Civil Aviation (Hrvatska agencija za civilno zrakoplovstvo) to discuss the issue of CTR of Portorož Airport.
- At the end of January, airlines started suspending flights to China in the wake of the novel coronavirus SARS-CoV-2 (Covid-19) outbreak and spread in China, while the World Health Organisation (WHO) declared a global emergency.

### February

- As a provider of air navigation services, forming part of the critical infrastructure of the Republic of Slovenia, and a provider of essential services, the Company started drafting a plan of measures to ensure business continuity. The measures were defined in stages according to the escalation of the crisis and the spread of Covid-19 coronavirus, and were divided into general measures and measures related to operational departments.
- At its 11<sup>th</sup> correspondence meeting, the General Meeting of FABCE, Ltd. adopted the Business Plan of FABCE, Ltd., for 2020 and 2021.
- The CEO of the Company cooperated with the CEOs of FAB CE air navigation service providers in the framework of the FAB CE CEO Committee, which took place on 18 February 2020 in Vienna, as they approved the new "FAB CE Strategy 2020–2030", whereby FAB CE will contribute to the future development of ATM in the region.
- A joint preparatory meeting of the Company's representatives and the Civil Aviation Agency of the Republic of Slovenia was organised in order to prepare for the EASA standardisation inspection of the Company as a provider of air navigation services.

### March

- In early March, the Company launched the first phase of measures related to the outbreak of Covid-19 coronavirus, which referred to general warnings about the proper hygiene and preventive measures taken by employees, encompassing regular informing of employees about the information submitted by the competent national institutions.
- On 4 and 5 March 2020, the Company was inspected by EASA inspectors as part of the standardised EASA inspection of the Civil Aviation Agency of the Republic of Slovenia as the national supervisory authority.
- The Company signed an Agreement with the Slovenian Environment Agency on the transfer of funds for the provision of meteorological services for the third reference period (2020–2024) and Annex No 1 to said Agreement for 2020.
- An Agreement was signed with the Civil Aviation Agency of the Republic of Slovenia on the transfer of funds to cover the costs related to the certification and continuous monitoring of the licence for the provision of air navigation services for the third reference period (2020–2024) and Annex No 1 to said Agreement for 2020.
- On 9 March 2020, the National Security Council of the Republic of Slovenia adopted measures to curb the spread of Covid-19 coronavirus.
- On 10 March 2020, due to the spread of Covid-19 coronavirus, the Ministry of Infrastructure of the Republic of Slovenia adopted a decision banning landings of any aircraft from Italian airports that had been in areas at risk of the Covid-19 epidemic, from China, South Korea and Iran for the period from 10 March 2020 to 31 March 2020, so as to ensure public order, protect certain persons, districts and facilities and provide the safety of people and property in the area of public airports of national and local importance, with the possibility of extension and expansion of the ban due to additional endangered areas.
- On 11 March 2020, the World Health Organization (WHO) declared the Covid-19 coronavirus outbreak a pandemic.

- In accordance with the measures of the National Security Council, the Company passed on to the second phase of the implementation of measures with the aim of reducing the possibility of infection of its employees and providing service continuity. In terms of the organisation of operational departments necessary for the smooth provision of services, all operational departments, air traffic departments, technical departments (communication, navigation and surveillance departments as well as automated systems and system monitoring and control centre departments) and aeronautical information departments were organised so as to ensure adequate availability of healthy personnel. Work organisation was provided in the form of permanent teams, limited in scope and adapted to the real needs of providing services in Slovenian airspace and at Slovenian international airports, including the Cerklje ob Krki Military Airport. The Company informed the Civil Aviation Agency of the Republic of Slovenia about the measures adopted and started with regular daily reporting to the Ministry of Infrastructure and, through the Ministry, to the Civil Protection Headquarters of the Republic of Slovenia.
- On 16 March 2020, the Government of the Republic of Slovenia, like other members of the European Union, adopted the Ordinance prohibiting air transport in the Republic of Slovenia, which banned the operation of international scheduled and special (charter) passenger transport and general aviation aircraft with landings in the areas of public airports of national and local importance so as to ensure the safety of people and property, for the period:
  - from 17 March 2020 (from 00:00) to 30 March 2020 (until 24:00) for international air transport in the European Union on the basis of European Union regulations; and
  - from 17 March 2020 (from 00:00) until cancellation for international air transport from or to countries that are not members of the European Union.
 The Ordinance prohibiting air transport in the Republic of Slovenia, which was adopted by the Government of the Republic of Slovenia on 28 March 2020 and entered into force on 31 March 2020, extended the ban:
  - from 31 March 2020 (from 00:00) to 13 April 2020 (until 24:00) for international air transport in the European Union on the basis of European Union regulations; and
  - from 31 March 2020 (from 00:00) until cancellation for international air transport from or to countries that are not members of the European Union.
- The bans on air transport of passengers resulting from the countries' response to the Covid-19 pandemic brought about a drastic drop in air traffic, which affected airlines, airport operators and air navigation service providers. Eurocontrol data on the number of flights in Slovenian airspace as early as in March indicated a downward trend, which will have an extremely negative impact on the Company's operations and liquidity in 2020.

## April

- On 10 April 2020, the Government of the Republic of Slovenia extended the ban on international scheduled and special (charter) passenger transport and general aviation aircraft with landings in the areas of public airports of national and local importance with the Ordinance prohibiting air transport in the Republic of Slovenia, so as to ensure the safety of people and property, for the period:
  - from 14 April 2020 (from 00:00) to 27 April 2020 (until 24:00) for international air transport in the European Union on the basis of European Union regulations; and
  - from 14 April 2020 (from 00:00) until cancellation for international air transport from or to countries that are not members of the European Union.
- The Act Determining the Intervention Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP; Official Gazette of the RS, No. 49/2020) entered into force on 11 April 2020, completing the first package of systemic measures taken by the Republic of Slovenia to mitigate the negative consequences of Covid-19 epidemic for the citizens and the economy.
- By 14 April 2020, Eurocontrol had obtained the consent of the member states on two mutually coordinated aid measures for air carriers and air navigation service providers, including:
  - deferral of payments for air navigation services for airlines for the months of February, March, April and May 2020;
  - consent to Eurocontrol borrowing on the financial market in order to cover approximately 51% of operating costs and thus ensure the smooth operation of air navigation service providers for a period of four months (February–April 2020) owing to air traffic disruption and deferral of payments to airlines.
- The International Monetary Fund (IMF) published the World Economic Outlook forecasting a global economic recession due to the Covid-19 pandemic, with global gross domestic product (GDP) decreasing by 3% with the possibility of economic recovery and a 5.8% GDP growth as soon as in

2021, assuming the pandemic ends in the second half of 2020. While the forecast for the euro area in 2020 predicts a 7.5% drop in GDP, the forecast for the Republic of Slovenia envisages an 8% drop in GDP with the possibility of 5.4% growth in 2021.

- The contraction of the global economy and restrictions on air transport have been reflected in a great decline of the aviation industry. On 14 April 2020, the International Air Transport Association (IATA) estimated the losses of airlines due to the Covid-19 coronavirus pandemic for 2020 at USD 314 billion, with a 55% drop in revenues compared to 2019, and announced that 25 million jobs are at risk of disappearing, of which 5.6 million in Europe alone, if the situation would not start to improve in three months with the reopening of international air connections.

### 3 KEY FIGURES AND PERFORMANCE INDICATORS

The Company is financed by its revenues from the en-route and terminal charges paid by airlines. The fees for its services to airlines are charged by the European Organisation for the Safety of Air Navigation (Eurocontrol) and then transferred to the Company.

In accordance with the International Agreement and Commission Implementing Regulation (EU) No 391/2013 and Eurocontrol's Principles for establishing the cost-base for en-route charges and the calculation of the unit rates, the total cost-base of the Republic of Slovenia is established on the basis of the costs of the Company, the Civil Aviation Agency (as the national supervisory authority) and the Slovenian Environment Agency (for aviation meteorology services). The established costs in relation to the provision of air navigation services comprise labour costs, the costs of materials, depreciation and amortisation charges and the cost of capital that arise in the provision of en-route air navigation services and are financed by en-route charges. The same principles are also applied with appropriate modifications in establishing the cost-base for terminal charges, where the established costs of terminal air navigation services are financed by terminal charges. The unit rates (charges) are set on the basis of the expected costs, investments and traffic in the following year. Any differences between the planned and actual revenues are taken into account in the calculation of the charges over two years with consideration of the risk sharing and incentive mechanism (traffic risk sharing revenue or traffic risk sharing loss).

For 2019, the en-route unit rate of EUR 59.51 was calculated for the Republic of Slovenia, while it amounted to EUR 61.71 in 2018 and the terminal unit rate of EUR 211.21 was initially set for all three international airports, having increased from EUR 205.33 in 2018.

**Table 1: Analysis of the financial situation**

<b>in EUR</b>	<b>2019</b>	<b>2018</b>	<b>Index 2019/2018</b>
Operating revenue	42,723,051	40,023,015	107
EBIT	5,492,948	4,123,166	130
EBITDA	9,743,440	8,230,113	118
Net profit	4,585,114	3,204,968	143
Non-current assets	27,345,080	26,238,509	104
Current assets	10,610,872	8,377,338	127
Equity	24,736,997	21,909,903	113
Non-current liabilities	2,714,496	2,625,000	103
Current liabilities	7,972,333	7,933,403	100
<b>Indicators</b>	<b>2019</b>	<b>2018</b>	<b>Index 2019/2018</b>
EBIT margin	12.86%	10.30%	125
EBITDA margin	22.81%	20.56%	111
Return on equity (ROE)	19.66%	15.29%	129
Return on assets (ROA)	12.64%	9.18%	138
Financial leverage	1.53	1.58	97
<b>Number of employees</b>	<b>2019</b>	<b>2018</b>	<b>Index 2019/2018</b>
At the end of	228	229	100

In 2019, the Company performed well and exceeded expectations. In 2019, the Company's operating revenue totalled EUR 42,723,051, of which EUR 41,817,617 was attributable to sales. En-route charges accounted for EUR 37,119,930, terminal charges for EUR 3,371,984 and other sales revenue for EUR 1,325,703. The majority of the sales revenue was earned by en-route charges (88.77%), followed by terminal charges (8.06%). Domestic sales made up 2.37% of the total, while foreign (mainly EU) sales represented 97.63%. Other operating revenue totalled EUR 905,434, of which EUR 232,190 from EU grants and EUR 673,244 was accounted for by revenues relating to products and services.

In 2019, the Company settled its liabilities to both suppliers and employees, and state institutions in a timely manner and had no overdue liabilities as at 31 December 2019.



The Company's performance further improved in 2019 compared to 2018, which is reflected in significantly higher operating profit (EBIT), increased operating profit before depreciation and amortisation (EBITDA), higher net profit and improved indicators.

The successful year 2019 is reflected in the financial position of the Company in an increase in current assets compared to the previous year due to the higher balance of cash. The effect of the introduction of International Financial Reporting Standard 16 is evident in the increase in non-current assets and non-current liabilities.

When analysing the Company's performance in 2018 and 2019, it should be considered that the Company's operations in those years were above plan, which has a positive impact on the better-than-planned operations, while the negative effect of successful operations will be reflected in the Company's performance in 2020 and 2021 through the rate calculation due to the risk-sharing mechanism.

As a result of the method used to determine the amount of the charges in a year, which among other things depends on the number of planned en-route flights and approaches/departures as well as the projected inflation or actual en-route flights and approaches/departures and inflation – the so-called risk-sharing mechanism, the Company notes a difference in the amount of revenues (surplus or deficit) in an individual year. The difference from an individual year (n) is taken into account in determining the rate in two years' time (n + 2). As regards the operations in 2018 and 2019, this difference has a significant impact on the Company's current P/L as well as on the P/L in two years.

### 3.1 PERFORMANCE INDICATORS

Pursuant to Commission Implementing Regulation (EU) No 390/2013, member states are obliged to draw up performance plans for air navigation services. In accordance with the EU legislation on the Single European Sky, each member state is bound by its performance plan, which summarises the binding and other performance targets that must be achieved by the respective member state in each reference period in the provision of air navigation services. The main purpose of the plan is to define the guidelines and methods for the achievement of the planned performance targets in the key areas of safety, capacity, environment and cost-efficiency for air navigation service providers and the national supervisory authority. The performance plan must also contain all the financial and other data required by law for the entire reporting period, which must be consistent with the data presented in the business plans of the air navigation providers and national supervisory authorities and with the member state's cost-bases. It must reflect the targets of the European Union as laid down in the Commission Implementing Decision setting the Union-wide performance targets for the air traffic management network and alert thresholds for the second reference period of 2015 to 2019.

The year 2019 was the fifth year of the second reference period from 2015 to 2019, for which EU-wide performance targets and indicators have been laid down for all four key areas of performance monitoring, i.e. capacity, cost-efficiency, safety and environment. Pursuant to Commission Implementing Regulation (EU) No 390/2013, on 7 May 2015 the member states of the Functional Airspace Block Central Europe (Austria, Croatia, Hungary, Slovakia, the Czech Republic and Slovenia, except for Bosnia and Herzegovina, which is a member of FAB CE but is not an EU member state and is therefore not bound by the plan) signed the 2015–2019 FAB CE Performance Plan for the second reporting period and submitted it to the European Commission pursuant to Article 13 of Commission Implementing Regulation (EU) No 390/2013.

The 2015–2019 FAB CE Performance Plan clearly sets out all the ongoing and planned activities of the member states within FAB CE aimed at the common goal of ensuring the maximum optimisation of air navigation services, the highest possible cost-efficiency and the operation of FAB CE in accordance with the operational requirements, regardless of state borders, which will contribute to complete compliance with Single European Sky regulations. On 15 April 2016, the European Commission adopted Implementing Decision (EU) 2016/599 concerning the consistency of certain targets included in the revised national or functional airspace block plans with the European-wide performance targets for the second reference period (OJ L 103, 19.4.2016, p. 37), which is also addressed to FAB CE members. The 2015–2019 FAB CE Performance Plan for the second reference period also outlines the Republic of Slovenia's contribution to the achievement of the adopted EU-wide performance targets.

The 2015–2019 FAB CE Performance Plan lays down the guidelines and methods for achieving the planned performance targets in the key areas for all air navigation service providers, which includes the Company as well as the Aviation Meteorology Service of the Slovenian Environment Agency and the

supervisory authority for air navigation services, i.e. the Civil Aviation Agency of the Republic of Slovenia.

For the second reference period (RP2, 2015–2019), Commission Implementing Regulation (EU) No 390/2013 requires targets and performance indicators to be laid down for all four key performance areas, i.e. capacity, cost-efficiency, safety and environment. Accordingly, the Company defined those indicators in its 2019 Business Plan as binding performance indicators, laid down their values relative to the EU-wide performance targets for 2019, and collected and evaluated the data relevant to their monitoring.

In accordance with the national performance plan for 2015–2019 and the Company's 2019 Business Plan, the binding targets and performance indicators in the key performance areas of capacity, cost-efficiency, safety and environment are defined as follows:

- The binding performance indicator for capacity is the "average en-route air traffic flow management (ATFM) delay per flight" at the Ljubljana Area Control Centre (Ljubljana ACC).
- The binding performance indicator for cost-efficiency is 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).
- The binding performance indicators for safety are the effectiveness of safety management (EoSM), the application of the severity classification based on the risk analysis tool methodology (RAT), and just culture.
- The binding performance indicators for the environment in the second reference period of 2015–2019 were the "average horizontal en-route flight efficiency of the actual trajectory" and the "average horizontal en-route flight efficiency of the last filed flight plan trajectory".

The target delay reference values for the area of capacity are determined by the Eurocontrol organisation; in 2019, the delay reference value for the Republic of Slovenia was set at 0.22 minute per flight. The actual value of the indicator for 2019 was significantly better than the target, amounting to only 0.004 minute per flight.

The delay targets set for the Republic of Slovenia for the 2015–2019 reference period, including the 2019 target, are consistent with the EU-wide performance targets, and the Republic of Slovenia's target for 2019 (0.22 minute per flight) was significantly below the EU-wide target of 0.50 minute per flight.

Commission Implementing Regulation No 390/2013/EU provides for a gradual reduction of the average unit rate in Europe. Within FAB CE, the target for the Republic of Slovenia for the average real unit rate for en-route air navigation services is to be reduced by 4.2% in the second reference period (RP2, 2015–2019) compared to 2009, which translates to an actual annual reduction of 2.9% from 2009 to 2019. With the unit rate for en-route air navigation services standing at EUR 59.51 in nominal terms, taking into account the effect of the adjustment mechanism from the first reference period (RP1, 2012–2014), the Company and thus the Republic of Slovenia met the cost efficiency target in 2019. The above en-route unit rate allowed the Company to achieve a positive bottom line, concluding the financial year with a net profit of EUR 4,585,113.81. On 17 October 2019, the European Commission adopted a decision on the consistency of en route unit rates for 2019 for the Slovenian charging zone with Commission Implementing Regulations No 390/2013/EU and No 391/2013/EU.

The environment target is established at the functional airspace block level rather than the country level and was set at 1.81% for FAB CE in 2019. This means that actual flight trajectories within FAB could only exceed optimal en-route trajectories by 1.81%. For this target to be achieved, all the air navigation service providers within FAB must ensure the shortest route availability (Free Route Airspace – FRA) on the one hand and, on the other hand, the users of services must use these routes. The target was not met within FAB CE in 2019, since the value was 2.13%. The reasons for not meeting the target is that users – airlines did not use the shortest routes and the very frequent storms in summer months which resulted in the flying of longer trajectories.

The performance indicator values for the area of safety are set and must be met at both the national level and the FAB level and are binding on each air navigation service provider as well as each member state. The Company successfully achieved the safety targets as well, thus meeting all the objectives of the 2015–2019 FAB CE Performance Plan for 2019.

## 4 PROVISION OF AIR NAVIGATION SERVICES IN 2019

The Company provides air navigation services in the Republic of Slovenia in accordance with Slovenian and European legislation, European standards, the standards and recommendations of the International Civil Aviation Organisation (hereinafter referred to as "ICAO") and Eurocontrol and in accordance with the Letters of Agreement (LoAs) signed with air navigation service providers from neighbouring countries and the international treaties by which the Republic of Slovenia is bound. As an air navigation service provider, the Company performs air traffic management and control services, provides aeronautical information required by airspace users, and installs, upgrades and maintains communication, navigation and surveillance systems for air traffic management and control on the basis of its Air Navigation service Provider Certificate (No 37290-17/2013/15-CAA0606 of 29 November 2013, extended by Decision No 37290-2/2017/16-CAA0611 of 30 November 2017 until 1 December 2021), issued by the Civil Aviation Agency of the Republic of Slovenia. In addition, as of 20 December 2019, the Company has been the holder of Certificate no. 37290-3/2019/7-CAA0602 for Air Traffic Flow Management (ATFM locally, meaning within FIR/AoR Ljubljana) and Air Space Management (ASM) at the technical level. Based on the Flight School's Air Traffic Controller Training Organisation Certificates No 60404-13/2017/4 of 09/06/2017 and its Training Organisation Certificates No. 60404-21/2017/9-CAA0611 of 18 December 2017, as amended by Decision No. 60404-26/2018/3-CAA0611 of 14 November 2018, issued by the Civil Aviation Agency of the Republic of Slovenia, the Company's Flight School provides professional training for operational personnel involved in the provision of air navigation services.

The Company identified the following goals in its 2019 Annual Business Plan:

1. air traffic safety;
2. adequate airspace capacity;
3. acceptance, processing and publication of aeronautical information in accordance with the requirements of Commission Regulation No 73/2010/EU;
4. employee development;
5. international cooperation;
6. preservation of an influential role of the Company in FABCE, Ltd.;
7. continuous compliance with the common requirements for the provision of air navigation services and the maintenance of air navigation service provider certification and the requirements of the Single European Sky;
8. the achievement of the performance targets laid down in the 2015–2019 FAB CE Performance Plan.

In pursuing its principal activity in 2019, the Company implemented all the planned infrastructure-related activities, investments and projects in accordance with its annual and strategic goals.

### 4.1 AIR TRAFFIC CONTROL

Ensuring the safe, orderly and expeditious flow of air traffic is the top priority of the Air Traffic Services (hereinafter referred to as "ATS"). The Company provides en-route air traffic control in Slovenian airspace, except for the Upper Mura sector, and in part of the Austrian airspace (part of the Carinthia region). The Company also provides aerodrome and approach air traffic control at three Slovenian airports, namely Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport and Portorož Airport, and aerodrome air traffic control at Cerklje ob Krki Airport. In 2019, the Ljubljana Area Control Centre (hereinafter referred to as "ACC") provided services in part of the Italian airspace (the KANIN area). For operational reasons, air navigation services in part of the Mura sector are provided by Austro Control in place of the Company, and the Company, in turn, provides air navigation services in the Austrian region of Carinthia.

The key activities implemented and developments recorded by ATS in 2019 were as follows:

#### Capacity

- Adequate staffing ensured the sufficient openness of sectors to traffic, which grew by 7.2% on an annual level in the Dolsko sector. Regulation was required on 8 occasions in 2019, resulting in combined delays of 1,547 minutes. Resulting delays were 0.004 min/flight, which represents one of the shortest delays in the entire European airspace.

#### Procedures

- Operative documents, such as instructions and agreements (between ATS and neighbouring – foreign air traffic services), were promptly updated.

- Representatives of the department were actively involved in the project of expanding cross-border free route airspace “South East Common Sky Initiative Free Route Airspace” – SECSI FRA. The main emphasis was placed on the optimisation of operational procedures in flight planning and cross-departmental coordination both within the Company and with neighbouring air navigation service providers.
- With the aim of understanding the movement of traffic flows through the territory of the Republic of Slovenia, the following was analysed on a monthly basis:
  - economic indicators in the countries to which most carriers fly through Slovenian territory;
  - trends at the main airport city pairs (e.g. Paris – Istanbul, Munich – Antalya, etc.).
- In connection with the political situation and crisis areas in the Middle East, the following was monitored:
  - data on the volume and deviations of traffic flows in the Republic of Slovenia and its immediate surroundings;
  - data from travel agencies on the occupancy of holiday facilities in the vicinity of the Middle East, the Mediterranean and the Red Sea.
- Prompt cross-border co-ordination and cooperation in the analysis of the 2019 season with an emphasis on circumstances related to stormy weather and resulting deviations of main traffic flows in the region.
- Preparations continued for the implementation of optimisation of procedures and volumes of the controlled airspace of the Republic of Slovenia under the flight level (FL) 245.
- Activities were further pursued to obtain a final licence for surveillance control with separation standard of 3NM.
- Activities for the implementation of instrumental procedures and the TMA Cerklje ob Krki terminal zone continued.

#### Technical improvements

- In 2019, software was upgraded to enable safe and reliable air traffic management.
- Data connection with CPDLC (Controller-Pilot Data Link Communications) was implemented, enabling a reduction in verbal communication between the pilot and the air traffic controller and thus greater safety.
- Tools were implemented or improved to facilitate the air traffic controller to detect potential conflicts (improved vertical probing, improved horizontal direct probing, improved search function, improved release).
- The display of the vertical flight profile of the aircraft was implemented.
- The set of OLDI (On-line Data Interchange) messages for data exchange with neighbouring air traffic control units was expanded, reducing the need for verbal communication. With these upgrades, we achieved interoperability goals in accordance with European legislation.
- The simulator project was completed; both tower and radar simulators are in full function.
- Technical improvements to the FDPS (Flight Data Processing System) and SDPS (Surveillance Data Processing System) were made; there were no interruptions in the operation of those operating systems.

The department regularly updated work documentation.

A detailed analysis of the air traffic data for 2019 is presented in section 4 – Air Traffic Data.

## 4.2 COMMUNICATIONS, NAVIGATION AND SURVEILLANCE

The main activities of the Communications, Navigation and Surveillance/Air Traffic Management Systems Department (hereinafter referred to as “CNS/ATM”) are 24/7 technical control over the functional ATM and operational systems of the Company as well as preventive, corrective and evolutionary maintenance of these functional ATM and operational systems. Evolutionary maintenance is not limited to existing systems alone, but rather also covers their development and the development of own new systems or specific system functionalities and, last but not least, the design, installation and commissioning of new systems in operational use. The year 2019 was marked by the very intense action of the CNS/ATM in every (sub)domain of the department's activity (the details are described in the chapter on investments).

So as to ensure that the department was able to carry out its activities, in 2019 its operational personnel undertook training for new authorisations awarded under the licences for CNS/ATM personnel and refresher training to uphold the competences of operational personnel, whereas the authorisations

under the licences for CNS/ATM personnel were extended as appropriate with the support of the Flight School.

The department conducted the activity on a regular basis and in accordance with the monthly maintenance plans, while in the case of major maintenance, this was done at specific times coordinated at the level of the FAB CE Functional Airspace Block. In accordance with ICAO recommendations, flight calibrations of all radionavigation devices and, for the needs of other customers, calibrations of light sources were carried out on a regular basis. The department's operational personnel are productively and actively participating in a number of international bodies in the field of communication, navigation and surveillance, and data processing (CNS) as technical and technological activities in the provision of air navigation services with the aim of keeping the pace with technological development and also contributing to future technological development. In the context of the latter, the international integration in the field of cybersecurity should be highlighted.

As regards the pursuit of the basic mission, 2019 is characterised by the relocation of the Watchman radar from Ljubljana Jože Pučnik Airport to the location of Soteški hrib above Belinka. This marked the beginning of a plan to improve radar coverage, especially in the light of better primary signal coverage, as we have so far had both primary radars in virtually the same location.

In 2019, in addition to the upgrades of the VCS (Voice Communication System) and VDR (Voice Data Recording) systems, whereby their lifespan was extended, CNS/ATM completed the first part of the project of its own MW connections (MicroWave), as a result of which the Company will increase redundancy in A/G voice communication and decrease dependence on telecommunications service providers.

Not only did CNS/ATM mark and reach important milestones in 2019 in terms of a series of investment projects (described in more detail in the chapter on investments), but also successfully developed its own products in support of the air traffic management and control process. First of all, this is about the development of operational system prototypes within the ADaaS2 project that will give the Company a competitive edge in the future and an opportunity to engage in an additional market-oriented activity by providing operational services for other air navigation service providers. It has to be added that future potential of competitive advantage and mainly of the potential start of exploiting new market opportunities is conditioned by certification in accordance with the requirements for Air Traffic Management Data Service Provider, which are still in the process of being determined by the European Aviation Safety Agency (EASA). A series of new functionalities of automated systems has been developed and implemented in support of the air traffic management and control process for the needs of the ATS, including the development of the meteorological information system for air traffic control – TWR QAM, which displays data transmitted from the meteorological (METEO) service of the Slovenian Environment Agency in individual airport control towers at the positions of air traffic controllers.

In January 2019, in accordance with the contract concluded between the Company and the Ministry of Defence of the Republic of Slovenia, the CNS/ATM, concluded civil certification of all radionavigation devices at the Cerklje ob Krki military Airport.

No major system failures (degradations) occurred in 2019 within the CNS/ATM remit that would affect air traffic safety or airspace capacity.

On 1 January 2019, centralised implementation of technical control started from the centralised system monitoring and control centre at SMC ATCC (CSMC). At the same time for a period of one month, until 31/01/2019, the parallel operating of centralised SMC ATCC, Brnik SMC and Maribor SMC was carried out. From 1 February 2019, technical control over the functional ATM and operative systems of the air navigation service provider has been carried out from the centralised SMC ATCC. The purpose and goal of the centralisation of the performance of technical control from one location at the centralised System Monitoring and Control SMC ATCC is to increase the volume of working time of operational personnel in all departments of CNS/ATM, which could be available for implementation of preventive and evolutionary maintenance. The method of reaching the described goal is based on the reduction of the number of working hours which would otherwise be necessary for operating of decentralised SMCs upon a simultaneous increase of the number of supervisors performing control in the centralised SMC. Consequently, the number of average annual working hours performed by the operational employee at CNS/ATM executing SMC tasks is decreased. On the account of the latter, the annual volume of working time of operational employees at all departments of CNS/ATM which is available for the performance of preventive and evolutionary maintenance is increased.

### 4.3 PERFORMANCE OF AERONAUTICAL INFORMATION SERVICES

The aeronautical information services provided by the Aeronautical Information Services Department (hereinafter referred to as "AIS") ensure the timely announcement and distribution of up-to-date aeronautical information through the issuance of Aeronautical Information Publications (AIPs), NOTAMs, and pre-take-off information for pilots, the acceptance and filing of flight plans, the provision and operation the Aeronautical Fixed Telecommunications Network (AFTN), and the provision of other flight-safety-related services for users. In addition to work and tasks related to the provision of aeronautical information in accordance with international standards and recommended practices, AIS also carries out operational work and tasks related to the processing and distribution of data required for the accurate calculation of en-route and terminal charges. AIS regularly maintained the document management system throughout the year. The key activities and achievements are presented below.

In 2019, the Aeronautical Reporting Office (ARO) processed 24,694 flight plans (hereinafter: FPL). In comparison with 2018 this means an increase of 4.04%. The share of FPLs submitted via the eARO online portal equalled 45.4% of all processed flight plans, having grown by 2.41% over 2018.

**Table 2: Processed flight plans (FPL) and FPL-related messages in 2019**

	FPL TOTAL	FPL eARO	PIB	DEP	ARR	DLA	CNL	CHG	REA	CC	HOSP	TOTAL PROCESSED
JAN	995	518	1,112	178	111	95	107	20	30	361	54	3,581
FEB	1,629	716	1,060	275	258	80	113	33	33	581	47	4,825
MAR	2,031	956	1,163	368	332	143	167	48	82	679	0	5,969
APR	1,842	928	1,247	348	345	137	165	34	91	675	46	5,858
MAY	1,827	841	1,333	384	406	137	165	36	188	720	40	6,077
JUN	3,364	1,376	1,269	821	969	243	253	77	263	1,387	102	10,124
JUL	2,801	1,178	1,356	560	720	193	214	59	285	1,200	98	8,664
AUG	2,850	1,191	1,350	669	772	215	199	40	235	1,246	120	8,887
SEP	2,649	1,213	1,133	485	569	236	175	33	147	1,006	69	7,715
OCT	2,397	1,075	615	403	433	220	168	53	94	999	49	6,506
NOV	833	471	654	135	121	93	119	24	17	316	20	2,803
DEC	1,476	753	700	223	236	151	136	19	34	613	35	4,376
<b>TOTAL</b>	<b>24,694</b>	<b>11,216</b>	<b>12,992</b>	<b>4,849</b>	<b>5,272</b>	<b>1,943</b>	<b>1,981</b>	<b>476</b>	<b>1,499</b>	<b>9,783</b>	<b>680</b>	<b>75,385</b>

Note:

FPL – Flight Plan; PIB – Pre-Flight Information Bulletin, DEP – Departure; ARR – Arrival; DLA – Delay; CNL – Cancel; CHG – Change; REA – Ready Message; CC – Call Centre; HOSP – Hospital.

In 2019, 11,216 PIBs (Pre-Flight Information Bulletin) were issued. In comparison with 2018, the number of issued PIBs decreased as a result of the bankruptcy of Adria Airways, d. o. o., at the start of October. Consequently, the number of commercial flights from Ljubljana Jože Pučnik Airport fell.

Due to efficient deployment of employees within the ARO centralised office, the workload was evenly distributed among all ARO staff. The call centre recorded 10,029 calls in 2019, an increase of 6.25% over 2018. The response rate was 97.08%. There are more than 1,150 registered eARO users at present. A total of 34,213 operations involving eARO service use were recorded, which is 11.15% more than in 2018. In 2019, an upward trend is noted in the overall use of the tool in the context of the eARO service, especially in the segment of flight preparation (elaboration of PIB), while in the segment of filing flight plans growth is moderate.

In 2019, the Company cooperated with the selected contractor in the development of a new eARO application. The new application was developed by the end of 2019, with the handover and acceptance planned at the start of 2020.

In the scope of the NOTAM messaging process, the Information and Communication Centre (ICC) carried out activities related to the improvement of the NOTAM messaging process in the WebADP application. The part of the process comprising the quality control of issued NOTAM messages has been modified. A total of 4,128 NOTAMs was issued in 2019, an increase of 2.28% compared to 2018. Altogether, 4,202 PIBs were prepared, which is 4.23% less than in 2018. The decrease is due to the rationalisation of procedures of PIB recipients.

After the successful upgrade of the AFTN system for the exchange of aeronautical messages, mainly NOTAMs, flight plans, messages relating to flight plans and other aeronautical messages, into an AMHS system in 2018, the AMHS system operated without major changes.

On the initiative of the Ministry of Infrastructure, talks began in 2019 on introducing a single tool for issuing permits to aircraft that require a permit to fly in Slovenian airspace. Within this process, the Company participates as a supplier of flight plans and messages related to flight plans. With the introduction of the new single tool, the Ministry of Defence in particular will gain a better and more structured overview of the permits issued in the course of its work for the needs of airspace control. For the purposes of this process, the Company will use a special AFTN traffic client, which was developed in December 2018 for informing the Ministry of Defence of all received flight plans. Said AFTN traffic client is already in operational use.

International connections to AMHS centres in Vienna, Rome and in Haren and Bretigny were functioning without interruptions. In the AIRAC cycle, regular checks of Contingency procedures were performed with Haren and Bretigny. All checks were carried out without any problems noticed. International connection of AFTN to the Vienna centre, which serves as a redundant possibility of announcement and distribution of up-to-date aeronautical information, was not used in 2019.

In September 2019, the AIS successfully connected the AMHS system to the New PENS network with Eurocontrol and the Austrian provider Austro Control, and in December 2019 with the Italian provider ENAV. Thus, the Company successfully migrated all international AMHS connections to New PENS.

The AMC (Air Traffic Services Messaging Management Centre) tables were maintained on a regular basis, in AIRAC cycles, to allow conversion of address between the AFTN and AMHS systems.

At the Flight Publications Service (AIP) activities of direct exchange of data between the Company and Eurocontrol's database EAD SDD (EAD Static and Dynamic Data) continued as required by Commission Regulation (EU) No 73/2010 of 26 January 2010 laying down requirements on the quality of aeronautical data and aeronautical information for the Single European Sky (OJ L 23, 27.1.2010, p. 6); as amended by Commission Implementation Regulation No 1029/2014 of 26 September 2014 amending Regulation (EU) No 73/2010 laying down requirements on the quality of aeronautical data and aeronautical information for the Single European Sky (OJ L 284, 30.9.2014, p. 9) hereinafter referred to as "Commission Regulation (EU) No 73/2010". AIP processes, procedures and work instructions and user manuals demonstrating compliance with the regulation were upgraded.

The AIP participated in the preparation of a DPI (Data Provision Index) and DQR (Data Quality Requirements), which serve as a basis for agreements with the suppliers of data published by the Civil Aviation Agency of the Republic of Slovenia on its website.

In September 2019, the AIS signed an SLA (Service Level Agreement) on the supply of aeronautical information with the Ljubljana Jože Pučnik Airport operator (Fraport Slovenija, d. o. o.), while within the Company this agreement (SLA) was concluded with the CNS/ATM Systems Department.

A VFR chart of Slovenia was produced with the scale of 1:250,000. Considerable work went towards the declaration of SECSI FRA project (the Cross-Border Free Route Airspace) and its amendments in 2019 as well. Data publication and storage activities had to be regularly coordinated with the AIS units of neighbouring air navigation service providers as well as with Eurocontrol.

Also in 2019, the AIP closely cooperated in the drafting of the national policy on terrain and obstacle data capture (eTOD) and the future exchange and entry of data in the AIXM database.

In December 2019, the AIS successfully switched all EAD equipment to the New PENS network.

#### **4.4 HUMAN RESOURCES**

The Company's HR activities are focused on meeting the Company's objectives as laid down in its five-year plan and annual business plans, especially the strategic goal of HR development. In addition to technical and operational capacity, the development of human resources, and their know-how in particular, constitutes the third pillar that ensures that the Company, in its role as an air navigation service provider, is able to perform its tasks in a safe, efficient, continuous and sustainable manner and meet airspace users' every need.

As at 31 December 2019, the Company employed 228 people. The number of employees decreased by 1 compared to 2018.

Employment relationships concluded in 2019:

- In October, an employee was recruited to the Human Resources Department as a fixed-term consultant to replace a temporarily absent employee;
- In the CNS/ATM Systems Department, a senior technologist was employed in December.

In 2019, the employment of three employees was terminated due to retirement:

- in June, an employee occupying the position of air traffic controller – shift manager in the Portorož Airport Air Traffic Control;
- in July, an aeronautical information specialist – instructor in the Aeronautical Reporting Office (ARO);
- in August, an employee in the post of a specialist operator for flight data processing and providing information to aircraft in the Area Control Centre.

Table 3 below shows the structure of employees by groups of jobs in the Company as at 31 December 2019.

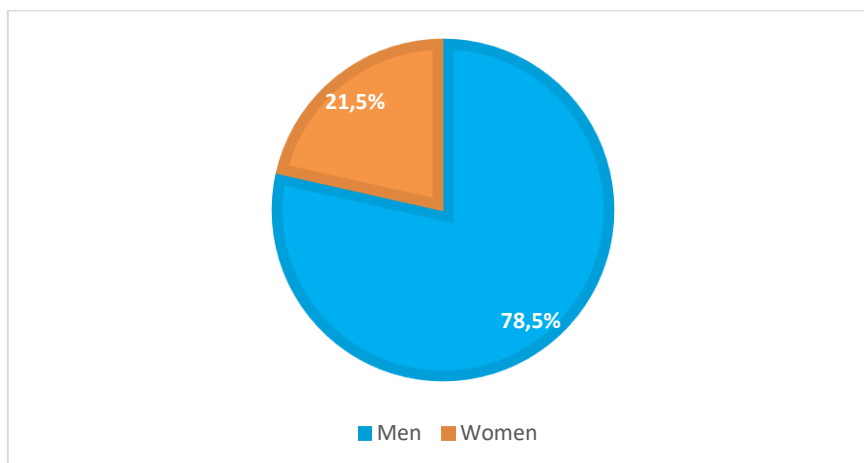
**Table 3: Employee structure as at 31 December 2019**

<b>Employee structure</b>	
Air traffic control posts requiring a licence – licensed staff	
• Air traffic services posts – air traffic controllers	108
• Air traffic services posts – operators (FDT + FIS)	16
• Communications, navigation and surveillance posts	36
• Aeronautical information services posts	23
Total licensed staff	183
Non-licensed staff	45
<b>Total employees</b>	<b>228</b>

### Employees structure by gender

In 2019, 21.5% of the Company's employees were women (49, which is equal to 2018) and 78.5% (179) were men, which is 1 fewer than in 2018.

**Figure 3: Employee gender structure as at 31 December 2019**



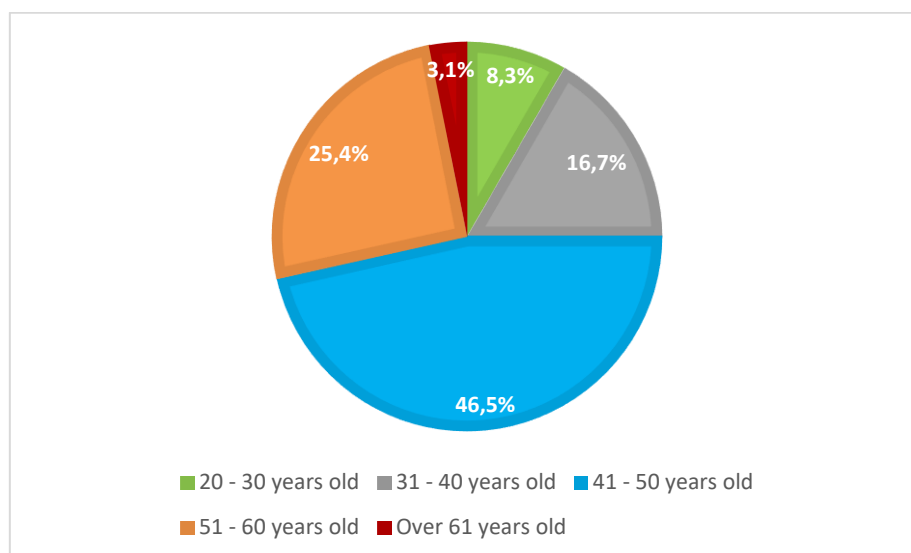
### Employee age structure

The average age of employees in 2019 did not significantly change as compared to 2018 and amounted to 46 years. Almost half of all employees, specifically 46.5% or 106 employees, are aged between 41 and 50. Employees up to 40 years of age account for 25% (57 employees) and those over 51 account for 28.5% (65 employees).



**Table 4: Employee age structure**

Employee age as at	31 December 2019
From 20 to 30 years	19
From 31 to 40 years	38
From 41 to 50 years	106
From 51 to 60 years	58
Over 61 years	7
<b>Total</b>	<b>228</b>

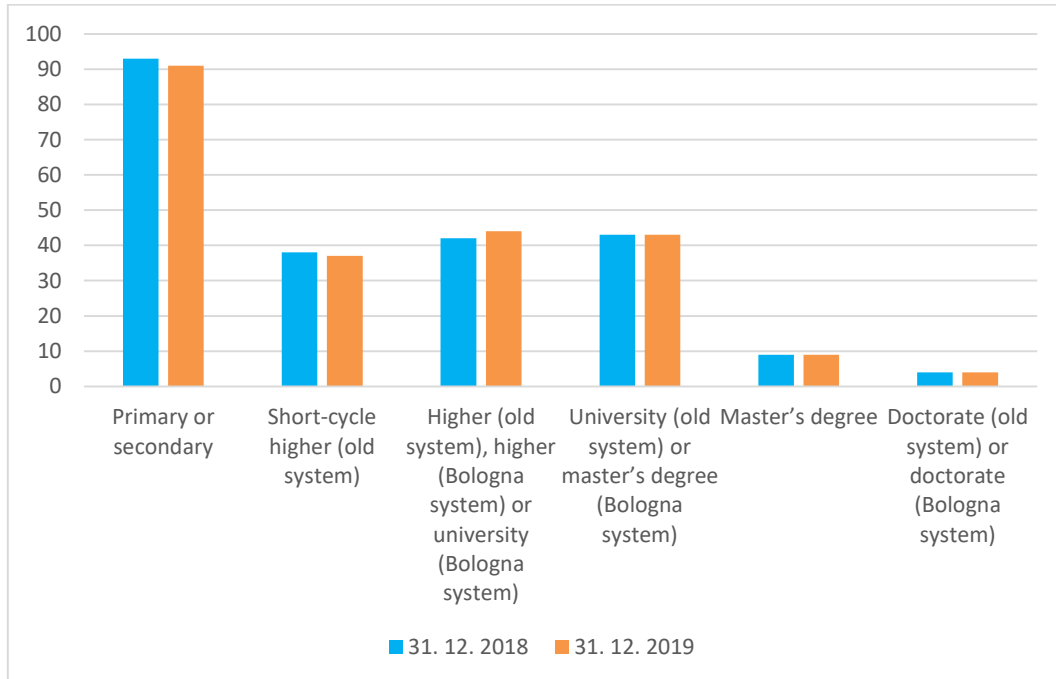
**Figure 4: Employee age structure**

### Employee structure by education

The educational structure of employees did not change significantly compared to 2018 and preceding years. Due to retirements, the number of employees with primary, secondary and tertiary education decreased by the end of 2019, while the number of employees in the group with higher education (old system), higher education (Bologna system) and university education (Bologna system) increased due to recruitments.

**Table 5: Educational structure of employees**

Education/Number as at	Level	31 December 2018	31 December 2019
Primary or secondary		93	91
Short-cycle higher (old system)	VI/1	38	37
Higher (old system), higher (Bologna system) or university (Bologna system)	VI/2	42	44
University (old system) or master's degree (Bologna system)	VII	43	43
Master's degree	VIII/1	9	9
Doctorate (old system) or doctorate (Bologna system)	VIII/2	4	4
<b>Total</b>		<b>229</b>	<b>228</b>

**Figure 5: Educational structure of employees**

#### 4.4.1 Employee development

The Company's staff are one of the most important resources for the successful pursuit of the Company's principal activity of air traffic management and control. Due to their know-how, skills, creativity, work experience and motivation, the high-quality personnel are the most important asset of the Company; therefore, HR policies are directed into constant acquisition and maintenance of adequate competences with continuous education and training of employees. In 2019, the Company achieved the following planned HR development goals:

##### Training, educating and upgrading the knowledge of employees

The Company consistently meets the commitments adopted in the Employee Education Development Strategy, which defines investment in employee education and training as a strategic goal. To this end, the Company prepares an employee training plan every year, outlining the planned education and training of operational personnel and specialised education of non-operational personnel. As part of this measure and as required due to work processes, in 2019 the Company made sure that employees attended seminars, workshops and training courses in their specific area of work, which it considered important for the development of the profession and familiarisation with legislative amendments. In 2019, the Company organised a workshop on personal data protection for those employees who were authorised as persons responsible for certain records of personal data and/or for the processing of personal data. In addition, it organised mandatory training for all employees to access classified information of the Company.

The Company provided all the required training for operational personnel to obtain and retain their work licences. Moreover, it continued training of six candidates for air traffic controllers in 2019 (see section 3.4.2 for more details).

As part of the theoretical refresher seminars, the Company continued to train employees in the field of workplace stress management. The aim of the training was to acquaint employees with specific instructions and exercises for themselves and others in order to manage the negative effects of stress in the workplace, reduce the number of stressful situations and prevent burnout.

##### Strengthening of organisational culture

Organisational culture as a shared system of values, beliefs and practices in an organisation connects employees with each other and is an important factor in the success of the Company, which needs to be constantly developed and upgraded. The Company strives to strengthen job motivation and organisational loyalty of employees. The category is an important factor of incentive and commitment of

employees to exploit their know-how and experience in their work to the highest possible extent. In this sense, the Company encourages mutual cooperation in order to achieve better results and strengthen awareness of employees that they participate in creating results and promote the feeling of responsibility with individuals and the team. In directing various activities, the Company sought to improve the areas identified as having opportunities for improvement in the Employee Satisfaction Survey, conducted in cooperation with the Workers' Council in 2018.

#### **Strengthening communication**

Various formal and informal forms of communication and briefings for staff are employed at the Company, and the senior management and heads of departments are available to talk to employees throughout the year. Those talks give employees an opportunity to put forward their own suggestions, express any criticism and discuss their expectations regarding their work as well as their personal and professional development. In addition, interviews are held with staff in air traffic services positions, communications, navigation and surveillance (CNS/ATM) positions, aeronautical information services positions and support positions for air traffic control services as part of regular annual consultation meetings within individual departments. The Company also communicates with employees through social dialogue with the Workers' Council and the representative trade unions. Communication and informing of employees is carried out in the form of meetings and via the internet portal, electronic mail and the Company's web page as well as through informal meetings.

#### **Care for employee health and safety at work**

In 2019, the Company provided regular periodic targeted medical examinations for employees, as set out in the health section of the workplace risk assessment as part of the Company's preventive health measures. Employees received flu and tick-borne encephalitis vaccinations.

Radiation exposure measurements were carried out at individual locations in order to protect employees from the risks arising from exposure to electromagnetic radiation, and training of employees who might be exposed to electromagnetic radiation was conducted.

The Company organised targeted workshops for all management staff, which focused on the following topics: mutual relations and communication with employees, giving and accepting criticism, delegating tasks and managing stress. The purpose of the workshops was also to support managers in order to strengthen the skills employed in communicating the Company's values to employees, thus contributing to employees having a greater sense of belonging to the Company.

The health group continued its activities in accordance with the adopted Occupational Health Promotion Strategy. Focus was placed on healthy and balanced nutrition and general physical activity as well as physical activity in the work environment, the prevention of injuries at work, mental healthcare, the prevention and management of stress and the prevention of mobbing in the workplace. The Company also encourages employees to care for their health by publishing various articles and advice on health on its intranet.

#### **4.4.2 Training of ANS operational personnel**

The provision of air navigation services at any level of demand in the airspace requires highly qualified operational personnel in air traffic control, communications, navigation and surveillance and aeronautical information services. In relation to qualifications, it should be noted that this is a highly specific skill that is comparable to skills in the general labour market only in rare and generalised cases. The specificity of the Company's operational personnel skills is all the more important and demanding considering the constant technological development in the field of air navigation services. The company's Flight School therefore ensures that the Company's operational personnel acquire and maintain the specific qualifications and competencies required for the provision of air navigation services. The high level of competence required of operational personnel involved in the provision of air navigation services is so unique that it is not directly available in the national labour market. This means that the air navigation service provider needs to adequately train its operational personnel and, once they reach operational status, demonstrably maintain their competence at the required level.

In 2019, the Flight School carried out two basic continuous activities:

- training of operational personnel; and
- updating the operational personnel training system, i.e. to ensure compliance with the new common requirements for ATM/ANS service providers as laid down in Commission Implementing Regulation No 2017/373/EU.

In 2019, the Flight School provided the following training and carried out the following activities for all three operational departments (ATS, CNS/ATM and AIS):

- training to obtain the Area Control Surveillance (ACS) rating;
- training to obtain unit endorsement (LJLA) for Area Control Surveillance (ACS) rating – on-the-job training – BHANSA candidates;
- theoretical and practical training to obtain endorsement for the air traffic assistant controller for air notices – NOTAM operator;
- training for AID personnel to obtain the NOTAM operator rating on their air traffic assistant controller licence;
- advanced training in all operational units of the ATS with the aim of maintaining the competence of air traffic controllers, including training to keep them qualified air traffic controllers and able to handle emergencies, the maintenance of competence being the basic requirement for the renewal of air traffic controller licences;
- with the aim of maintaining the ability to teach and maintaining and meeting the conditions to extend the validity of the on-the-job training instructor (OJTI) rating in the air traffic controller licence, two refresher training courses in the area of practical training for OJTI and STDI (synthetic training device instructor rating) were carried out for air traffic controllers with the OJTI rating;
- with the aim of maintaining the ability to assess and maintaining and meeting the conditions to extend the validity of the ASSESSOR rating in the air traffic controller licence, two refresher training courses in the area of assessing were carried out for air traffic controllers with the ASSESSOR rating;
- holders of the permit for air traffic safety electronics personnel (ATSEP) were trained by the manufacturer to carry out the installation, operation, maintenance, decommissioning or restoring of the equipment of the internal microwave network;
- refresher training of technical personnel to work in System Monitoring and Control Center, which is a condition for permanent validity of the certificate of qualification to perform control in the centralised SMC;
- on-the-job training in the centralised SMC;
- training of holders of the permit for air traffic safety electronics personnel under the training programme for technical personnel instructors and technical skills assessors (ATI/TSA rating) in accordance with the new requirements of Commission Implementing Regulation No 2017/373/EU;
- further language training in general and aviation English to maintain and improve air traffic controllers' language proficiency;

The Flight School also organised and coordinated training abroad for the personnel of all three operational departments and the CEO's Staff at the Institute of Air Navigation Services (IANS) functioning within Eurocontrol and Entry Point North.

In 2019, the Flight School, as a training organisation, conducted all the necessary and required air traffic controller training according to the certificate awarded on the basis of the Decision on air traffic controller licences, Commission Regulation (EU) 340/2015 of 20 February 2015 laying down technical requirements and administrative procedures relating to air traffic controllers' licences and certificates pursuant to Regulation (EC) No 216/2008 of the European Parliament and of the Council, amending Commission Implementing Regulation (EU) No 923/2012 and repealing Commission Regulation (EU) No 805/2011 (OJ L No 63, 6.3.2015, p. 1) (hereinafter also referred to as Commission Regulation No 2015/340/EU). To enable the continuous provision of training for operational personnel, the Flight School carried out activities to update its training system, based on which the validity of the training organisation certificate is extended and a renewal of the Flight School's work authorisation is granted. The latter is the fundamental formal basis for the performance of all the required and necessary training for other air navigation service personnel, i.e. operational personnel in the CNS/ATM and AIS. The year 2019 is the last year in which the Flight School's work authorisation is required under the Aviation Act as the formal basis for training other operational personnel to provide ATM/ANS services.

With the entry into force of Commission Implementing Regulation No 2017/373/EU laying down common requirements for providers of ATM/ANS services, the latter are obliged to directly comply with the requirements of this Regulation as of 2 January 2020. This results in an administrative relief of the process of training operational personnel in terms of the implementation of the sub-process of fulfilling the conditions to maintain the validity or renew the work authorisation of the Flight School. However, this administrative relief does not lead to optimisation of work, as said new requirements set out in Commission Implementing Regulation No 2017/373/EU impose an obligation on the ATM/ANS service provider to establish complex processes to ensure the competency of operational personnel and authorise operational personnel to perform operational tasks, and processes for ensuring that the

operational personnel maintain authorisation. All these complex processes were developed and successfully implemented in the Flight School in 2019, while the integrated processes started being carried out on 2 January 2020. In this regard, at the end of 2019, the Flight School carried out the process of authorising operational personnel to perform operational tasks so that all employees performing tasks within the framework of air traffic management (ATS) and aeronautical information management (AIS and ATS), and within the scope of tasks of air traffic safety electronics personnel (CNS/ATM) issued all the necessary authorisations allowing the Company to smoothly perform ATM/ANS services in the transition to the new common requirements for ATM/ANS providers on 2 January 2020 (in line with the entry into force of Commission Implementing Regulation No 2017/373/EU).

#### 4.5 AIR TRAFFIC SAFETY

Air traffic safety is essential in air traffic management and control and is a common thread in all of the Company's business processes. The Company's safety management system meets 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 that basis, the Company has been declared a certified provider of air navigation services for the area of air traffic safety. The Company's air traffic safety management system is achieving the target level of maturity for air navigation service providers, which is checked through the continuous monitoring of the key indicators by the European Aviation Safety Agency (EASA).

The organisational structure of the safety management system comprises the Safety Section operating as part of the CEO's Staff, the Safety Committee, and the SMS Group, whose members, as well as other employees, have clearly defined duties and responsibilities in relation to air traffic safety. Investigative committees and the persons responsible for safety assessments as an ad-hoc activity within the safety management system are appointed on the basis of decisions of the Company's management.

The number of reports of safety occurrences at the Company has stabilised in the period 2011–2019, indicating the effectiveness of the promotion of a reporting culture.

The Company devotes special attention to a just culture and its implementation, as it brings improvements to the efficiency and quality of reporting processes and the exchange of safety information, enabling high-quality analyses and the effective communication of their findings to all air traffic safety partners.

According to the definition laid down in Regulation (EU) 376/2014 of the European Parliament and of the Council of 3 April 2014 on the reporting, analysis and follow-up of occurrences in civil aviation, amending Regulation (EU) 996/2010 of the European Parliament and of the Council and Repealing Directive 2003/42/EC of the European Parliament and of the Council and Commission Regulations (EC) 1321/2007 and (EC) 1330/2007 (OJ L 122, 24.4.2014, p. 18), as amended by Regulation (EU) 2018/1139 of the European Parliament and of the Council of 4 July 2018 on common rules in the field of civil aviation and establishing a European Union Aviation Safety Agency, and amending Regulations (EC) No 2111/2005, (EC) No 1008/2008, (EU) No 996/2010, (EU) No 376/2014 and Directives 2014/30/EU and 2014/53/EU of the European Parliament and of the Council, and repealing Regulations (EC) No 552/2004 and (EC) No 216/2008 of the European Parliament and of the Council and Council Regulation (EEC) No 3922/91 (OJ L 212, 22.8.2018, p. 1) (hereinafter referred to as "Commission Regulation (EU) 376/2014"), a just culture is a culture where operational personnel and other employees responsible for air traffic safety (primarily the air navigation service personnel – air traffic controllers, technical staff, engineers, pilots, airport technical personnel, etc.) are not punished for actions, omissions or decisions taken by them that are commensurate with their experience and training, but in which gross negligence, wilful violations and destructive acts are not tolerated.

In addition to the implementation of basic procedures for achieving, ensuring and improving air traffic safety, our safety management system is aimed at maintaining the highest possible level of safety culture among all of our employees. The Company's safety management system ensures:

- a reduction of the risk of an aircraft accident, incident or safety occurrence entailed in providing air navigation services to the lowest reasonable and practicable level;
- the prioritisation of maintaining an acceptable level of safety over commercial, environmental, social and other factors in the provision of air navigation services;
- personal awareness of the importance of safety and responsibility among all employees in providing air navigation services;

- the establishment of safety responsibilities at all levels of management in order to achieve a satisfactory efficiency of air navigation services through the commitment and involvement of all employees;
- a clear and proactive approach to the systematic management of safety in providing air navigation services with the aim of continuous improvement;
- the application of the principles of just culture in procedures for reporting and investigating safety occurrences and the associated corrective measures.

The permanent activities in the area of safety in 2019 were implemented as cooperation with:

- other sectors and departments of the Company in connection with the implementation of processes and activities of the safety management system;
- the Civil Aviation Agency of the Republic of Slovenia;
- the Ministry of Infrastructure and the Ministry of Defence of the Republic of Slovenia;
- the European Aviation Safety Agency – EASA;
- the international Civil Air Navigation Services Organisation – CANSO;
- the European Organisation for the Safety of Air Navigation – Eurocontrol;
- airlines in the Slovenian airspace;
- organisational structures for air traffic safety management of neighbouring countries and countries participating in the FAB CE project.

To ensure the efficiency of the processes of the safety management system and a high level of individual and organisational safety culture, the business plan for 2019 laid down the following three operational safety objectives as part of the air traffic safety target:

- safety assurance;
- safety achievement; and
- safety promotion.

The implementation of activities for the achievement 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 had fully met the requirements of Commission Implementing Regulation (EU) No 1035/2011 by the end of 2019 and will continue to operate in line with the requirements of Commission Implementing Regulation (EU) No 2017/373/EU, Single European Sky legislation and national regulations as of 2 January 2020. Based on the annual measurement and continuous monitoring of the key safety indicators by EASA, the Company's safety management system once again met the effectiveness of safety management (EoSM) target for air navigation service providers.

Measures for the achievement of the operational objective of safety assurance were implemented in the form of the following basic activities:

- efficient implementation of formalised safety management system processes in accordance with the Operational Safety Management Manual (SAF-OSMAN);
- the revision of existing safety management system documents in accordance with new regulatory requirements and good practices identified in the field of air traffic safety management;
- provision of training for staff on safety risk management in the introduction of changes to the Company's functional air traffic management system;
- participation in and coordination of activities for safety assessments for the planned changes to the Company's functional air traffic management system.

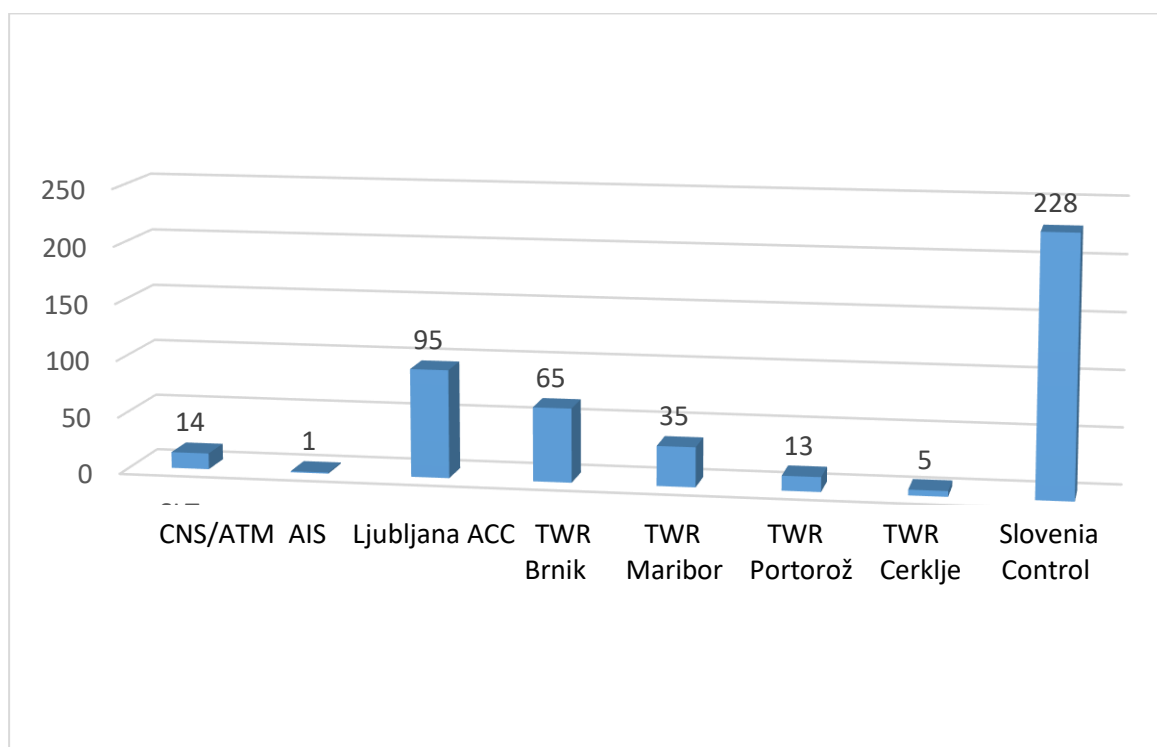
The implementation of measures in relation to the operational objective of safety achievement is reflected in the following facts:

- no type AA or type A safety occurrences directly involving the Company's services were reported under the safety management system;
- the Safety Section uses the latest version of Eurocontrol's RAT (Risk Analysis Tool) to assess the risk of individual types of safety occurrences; an agreement was signed in 2017 with Eurocontrol about the use of the eTOKAI/RAT tool and database, with practical application scheduled for January 2018 and successful continuation in the entire period until the end of 2019.

**Table 6: Number of reports filed by organisational unit of the Company in 2019**

Organisational unit	Number of reports in 2019
Communications, Navigation and Surveillance/Air Traffic Management Systems – CNS/ATM	14
Aeronautical Information Department – AIS	1
Ljubljana ACC	95
TWR Brnik	65
TWR Maribor	35
TWR Portorož	13
TWR Cerklje ob Krki	5
<b>TOTAL</b>	<b>228</b>

Data in the table include data from obligatory and voluntary reporting.

**Figure 6: Number of reports filed in 2019 by organisational unit****Table 7: Number of reports filed by trend in 2019**

Slovenia Control trends	Number
AIUP: Airspace infringement - 376A10b	22
ADAC: Aircraft deviation from ATC clearance	9
RI: Runway infringement – 376A7b	3
SMI: Separation minimal infringement – 376A2	5
FCOM: Failure of COM function – 376B3	1
FSUR: Failure of SUR function – 376B4	1
FNAV: Failure of NAV function – 376B6	4
BS: Bird strike – 376A5b	45
LI: Laser illumination – 376C3d	1

Figure 7: Number of reports filed by trend in 2019

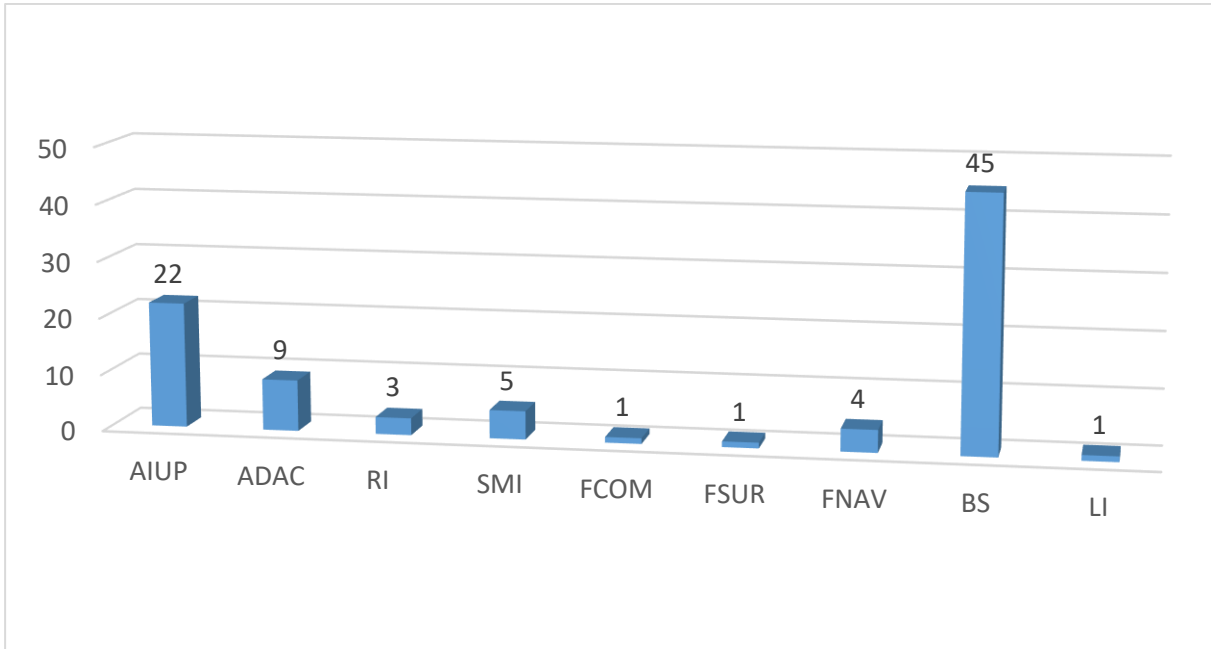
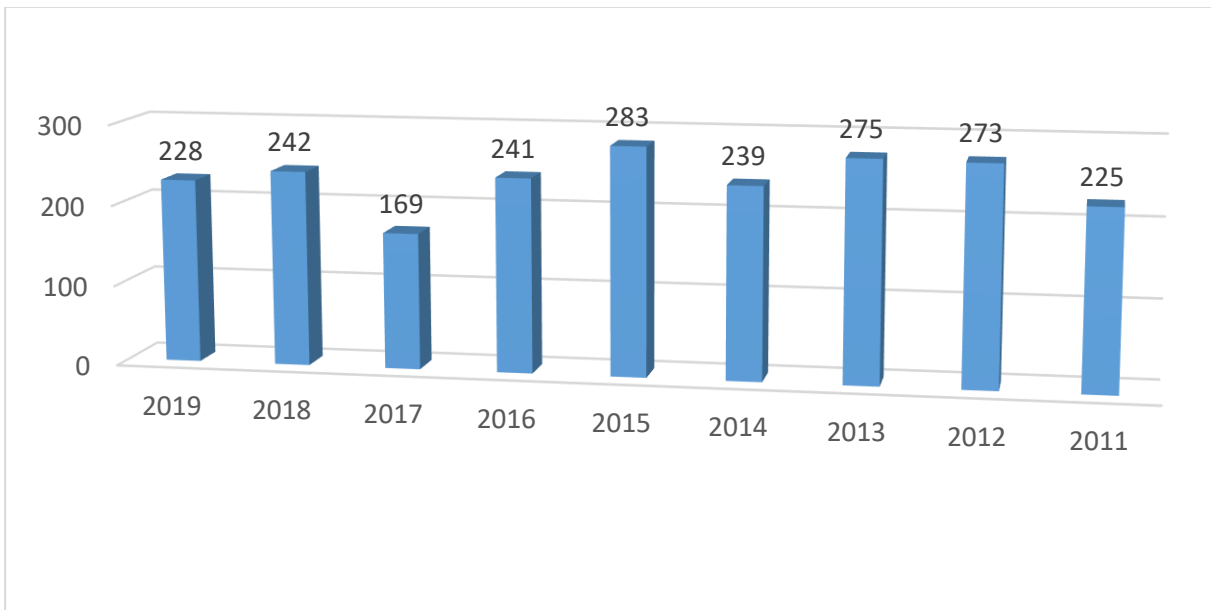


Table 8: Statistics of reports for the period 2011-2019

Organisational unit	2019	2018	2017	2016	2015	2014	2013	2012	2011
ATS	213	210	148	194	246	179	225	229	180
CNS/ATM	14	27	18	37	30	51	39	37	28
AIS	1	5	3	10	7	9	11	7	17
Ljubljana ACC	95	102	55	83	78	60	82	87	74
TWR Brnik	65	53	40	39	73	55	70	53	47
TWR Maribor	35	35	29	29	55	26	33	44	30
TWR Portorož	13	12	19	28	32	27	28	19	24
TWR Cerklje ob Krki	5	8	5	15	8	11	12	26	5
<b>TOTAL</b>	<b>228</b>	<b>242</b>	<b>169</b>	<b>241</b>	<b>283</b>	<b>239</b>	<b>275</b>	<b>273</b>	<b>225</b>

Figure 8: Reports by year





Measures for the achievement of the operational objective of safety promotion were implemented in the form of the following basic activities:

- Participation in FAB CE project activities in relation to safety management as part of the SAF SubC group.
- Participation in Eurocontrol working groups:
  - SISG: Safety Improvement Sub Group,
  - ST: Safety Team,
  - SAF-Tools: Safety Tools Users Group.
- Monitoring and implementation of ATM safety initiatives at the European level:
  - Call Sign Similarity,
  - Prevention of Airspace Infringement,
  - Prevention of Runway Incursion,
  - Prevention of Level Bust,
  - Prevention of Runway Excursion,
  - Top5 ATM Safety Operation Priorities,
  - Participation in the Eurocontrol ES2-programme.
- Participation in the committees of the international organisation CANSO:
  - CESAFA,
  - CESAFA-AB,
  - CANSO/ICAO RASG.

#### **4.6 CONTINUOUS COMPLIANCE WITH REQUIREMENTS FOR THE PROVISION OF AIR NAVIGATION SERVICES**

In 2019, the Company continuously met and demonstrated its compliance with the requirements for the provision of air navigation services under the European regulatory framework of the Single European Sky, particularly with Commission Implementing Regulation (EU) 1035/2011 which defines these common European requirements for air navigation service providers, as well as other equivalent or subordinated binding international and national regulations.

Due to the upcoming start of application of Commission Implementing Regulation No 2017/373/EU, in 2019 the Company actively carried out tasks and activities for the purpose of implementing the requirements of said Regulation, which the Company identified as missing when compared to the requirements of Commission Implementing Regulation No 1035/2011/EU, which ceased to take effect on 2 January 2020. The main tasks and activities of the Company focused on the implementation and demonstration of compliance with the requirements of the change management system (the Company's functional system) and the transition from national permits of CNS/ATM personnel to permits for work of air traffic safety electronics personnel (ATSEP), which are now issued by the Company. Similarly, the foundations were established for issuing ratings in the internal authorisations of air traffic management (ATM) and aeronautical information management (AIM) personnel, and the process of meeting airspace management (ASM) and air traffic flow management (ATFM) requirements was set up. For the latter two areas: airspace management (ASM) and air traffic flow management (ATFM), the Company obtained the certificate of air navigation service provider for airspace management services (ASM) and air traffic flow management (ATFM) based on the requirements of Commission Implementing Regulation No 2017/373/EU.

For the purposes of implementing the requirements of Commission Implementing Regulation No 2017/373/EU, the Company actively cooperated with the national supervisory body, i.e. the Civil Aviation Agency of the Republic of Slovenia (CAA), in the appointment and especially the operation and implementation of the tasks of the working group established for the transition and implementation of Commission Implementing Regulation No 2017/373/EU.

As previously, in 2019 the Company actively cooperated with the CAA in carrying out permanent, inspection or certification oversights by the CAA, either for continuous compliance and demonstration of compliance with the requirements for the air navigation service provider in accordance with Commission Implementing Regulation No 1035/2011/EU or for the purpose of compliance and demonstration of compliance with the then upcoming Commission Implementing Regulation No 2017/373/EU. It should be added that from the point of view of the Certification Department, the simultaneous demonstration of compliance with two separate sets of requirements for the provision of

the Company's services posed a special challenge and markedly increased the intensity and volume of work, which, however, was limited to 2018 and in particular 2019, in accordance with plans.

In 2019, the Company attained the goals planned for the implementation, fulfilment and demonstration of compliance with the requirements of Commission Implementing Regulation No 2017/373/EU, determined by the Company and the CAA as part of the appointment, operation and implementation of the tasks of the working group established for the transition and implementation of the requirements of Commission Implementing Regulation No 2017/373/EU.

#### 4.7 QUALITY

In January 2020, the Bureau Veritas Certification accreditation firm conducted a certification audit under ISO 9001:2015 and renewed the Company's quality management system certificate (SL22019Q, 18 January 2022).

The certification audit covered the areas of company management, air traffic services (ATS), aeronautical information services (AIS), communications, navigation and surveillance services (CNS/ATM) and air traffic control personnel training. The certification audit was conducted at the Company's premises at Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport and Portorož Airport. The accreditation firm found one inconsistency, which the Company is already eliminating. In spite of the above, the Company demonstrated a higher level of maturity, which is the result of the efforts of all of the Company's employees and indicates the progress, diligence and awareness of the importance of process improvements. The findings of the external audit provided impulses and recommendations for improvements in all areas of the Company.

In accordance with the internal audit plan, comprehensive internal audits were conducted from October to December 2019 by qualified internal auditors. The internal audit covered all of the Company's processes. The internal audit allowed us to identify the necessary corrective and preventive measures to be taken for individual processes, based on which the rules of procedure for the relevant processes were updated according to the actual situation.

Preventive and corrective measures are being implemented for the quality management system. The risk management system has been established to regularly verify and update the identified risks. Weekly meetings are held at the management level to monitor the Company's ongoing activities and any changes relevant to the Company's operation.

#### 4.8 SECURITY

In 2019, the Company planned, implemented and supervised measures and procedures for the protection of civil aviation against acts of unlawful interference and provided security of the Company and thus an appropriate environment for the implementation and smooth functioning of its business processes.

In accordance with the Annual Plan of Civil Aviation Security System Quality Control and the Aviation Security Programme of the Republic of Slovenia, the Company carried out internal audits of the security system throughout the period. A total of 13 audits were carried out across the areas of physical and technical security and security culture to ensure efficiency and effectiveness in the implementation of security-related activities and reduce any deviations from the established standards, practice and procedures. The audits did not establish any major deviations from the required standards, which was also confirmed by two inspections performed by the Civil Aviation Agency of the Republic of Slovenia.

In November, the Company established the Cyber Security Department as the central authority in the field of information and cyber security, whose tasks include the drafting of an appropriate cyber security strategy, preparation and implementation or introduction of appropriate procedures for cyber security and control over internal organisational units in the course of their work or contribution to cyber security.

Security tests (penetration test) of part of the operational environment and a penetration test of the infrastructure environment (IoT; controller; PLC units) were performed, based on which the Company, together with external contractors and suppliers, started searching for solutions to upgrade cyber security, especially in the field of IoT devices.

The Company participated in the FAB CE Cyber Security Group, which in 2019 focused on finding and reviewing potential solutions to ensure the security of operational networks, such as passive analytics and others, and the exchange of good practices between neighbouring control units.

In the area of critical infrastructure, the Company started individual activities related to the requirements arising from the Critical Infrastructure Act (Official Gazette of the RS, No. 75/17) and the requirements arising from the Information Security Act (Official Gazette of the Republic of Slovenia, No. 30/18). In accordance with the requirements of the Critical Infrastructure Act, the Instructions on the Risk Assessment for the Operation of the Critical Infrastructure and the Methodology for the Risk Assessment for the Operation of the Critical Infrastructure, the preparation and implementation of the Risk Assessment for the operation of the Company's critical infrastructure started.

Based on the security risk assessment obtained, the Physical Protection Plan was revised in accordance with the Private Security Act (Official Gazette of the Republic of Slovenia, No. 17/11).

In the area of defence planning, individual procedures related to the Company's defence plan were supplemented. In the context of work duty, the records and schedules of employees were updated and modified to reflect the actual situation and execution of duties in the area of defence planning. In the fourth quarter, the Company started basic training for access to classified information for all its employees, which will continue in 2020. A representative of the Company participated in the Hybrid Threat exercise/seminar organised by the Ministry of Defence.

Throughout the year, individual physical and fire security procedures were supplemented and implemented, and the security personnel underwent training in the use of technical facilities. The technical security system was upgraded with solutions aimed at improving its efficiency.

As regards fire safety, the Company renewed and prepared revised fire studies for the locations of TWR Brnik, Maribor and Portorož and a central fire study for dislocated radio navigation facilities, containing guidelines for further ensuring fire safety of facilities owned or managed by the Company. The obsolete security lighting system at the Portorož Airport tower was renovated and now provides central power supply to the security lighting lamp. In addition, the evacuation plan was revised.

#### 4.9 IT

In addition to safety priorities, the IT Department is continuously strategically focused on improving operations and equipping employees with solutions that ensure compliance with legal requirements while boosting productivity. One of the successful projects implemented in that area was the replacement of the Document Management System (DMS), which is accredited and compliant with the Protection of Documents and Archives and Archival Institutions Act (Official Gazette of the Republic of Slovenia, No. 30/06 and 51/14) and enables faster procedures for the validation of documents, which are mainly transmitted within the Company electronically. The Company is constantly introducing new electronic process flows as electronic support to operations.

In 2019, the Company expedited the digitalisation of operations and processes in the field of IT. In addition to the established electronic operation of the Supervisory Board, the Company adjusted its internal procedures for procurement and completing forms, providing for a transparent approval process that can also be carried out remotely. The above is also a strategic goal of IT, which owing to modern information means and connections is no longer bound by the strict physical presence of users and allows that at least part of obligations is carried out electronically and remotely, and in particular without any impact of business absence on the processes where decisions or validations are made in shorter time frames.

Given the responsible management of equipment life cycles and the current wear and tear of some information assets, the Company consolidated equipment in accordance with technological developments and innovations, and consequently replaced large quantities of worn-out hardware that had been used up efficiently in its life cycle. The impact of those replacements is threefold. Firstly, they will help the Company meet the increasing needs for integration within the region and FAB CE; secondly, they provide additional protection against cyber-attacks; and thirdly, they allowed several pieces of equipment to be consolidated into a single system, optimising the costs of maintaining and operating those assets. Consolidation and replacement of worn out assets will be continued in 2020 as well.

In the area of the integration and interoperability of IT assets at the most critical facilities, measures were implemented for cost and capacity optimisation and improved reliability was provided in the use of

mobile technologies. As a solution that is financially and operationally independent from telecommunications service providers, a plan was drafted in collaboration with the security staff for the implementation of a wireless microwave network between critical facilities to provide interoperability and adequate bandwidth for all users within the Company. The network was partly implemented in 2017–2019, but due to certain migrations of control systems the rest will be implemented in 2020.

## 4.10 CYBER SECURITY

In 2017, the Company conducted a comprehensive preventive analysis and assessment of risks associated with indirect effects on the Company's operational activities. Certain risks were identified, mainly in relation to potential blackouts that could be caused by cyber attacks on the supporting infrastructure systems. The activities and measures for the mitigation of those risks have mostly already been implemented; some additional solutions that would enable the Company to control sudden and unknown cyber attacks and related risks were completed in 2018 and thus reduced those risks to a manageable minimum. Since this is an extremely important area in terms of the potential impacts, the implementation of the measures is of top priority; but at the same time in parallel to each new solution a new cyber threat emerges in the world, which is why this area is extremely important and in constant improvement.

In accordance with the principle of continuous improvement, a cyber security working group was established in 2018, the purpose of which was to prepare a strategic regulation of the field of cyber security of the entire Company. In the process of gathering information and solutions in this area, the decision prevailed to establish a single entity for managing risks and challenges in this area, because exposure to cyber risks is not selective or, more specifically, covers all areas of information security, both the security of operating systems, industrial control systems and business information systems. Therefore, at the end of 2019, the Company formally established a Cyber Security Department in order to manage this area in the entire Company. In the course of operation of the working group and later the department, the Company acquired technological equipment with appropriate solutions, which it has been developing according to the plan of operation and mitigation of identified cyber risks. The field is technologically demanding, and the offenders are increasingly using automated attack systems, as a result of which the operation of the department focuses heavily on the use of automated tools employing machine learning and artificial intelligence. In 2019, the Cyber Security Department also managed to identify appropriate education/training that will have to be carried out in 2020. The Department prepares appropriate bases in accordance with the Information Security Act and cooperates with the Information Security Administration of the Republic of Slovenia, SICERT and EATM-CERT (Eurocontrol). The Company has taken the lead initiative within the FAB CE Working Group in finding technological solutions for cyber security, bearing in mind the specifics of the air traffic control and management industry, and has informed Eurocontrol and other stakeholders about its findings, good practices and approaches.

## 4.11 INTERNATIONAL COOPERATION

### 4.11.1 Functional Airspace Block Central Europe – FAB CE Project

Through its representatives, who represent the Republic of Slovenia together with representatives from the Ministry of Infrastructure, in 2019 the Company continued its active and successful participation in the Functional Airspace Block Central Europe (FAB CE) project in accordance with EU regulations on the Single European Sky. The active collaboration between the Company and state representatives has proved to be highly successful for several years and must continue at the same level in the future.

The implementation and further development of FAB CE are carried out at the level of air navigation service providers through a joint legal entity - FABCE, Aviation Services, Ltd., of which the Company is also a member. The services provided currently comprise project management, professional consulting, public procurement and administrative services supporting the joint projects of FAB CE air navigation service providers.

In 2019, the following projects and activities were implemented within FAB CE:

- airspace reconfiguration with an emphasis on cross-border sectorisation, with the main objective of increasing airspace capacity;
- launch of an operational excellence programme;
- preparation of a programme for the provision of air navigation services in emergency situations upon the closure of a part of the airspace in FAB CE;

- joint planning of radar infrastructure maintenance;
- regular annual issue of the FAB CE Airspace Plan;
- co-ordinated implementation of control of radar frequencies in the region;
- joint implementation of control of CPDLC data connection;
- joint purchase of spare parts;
- the establishment of the FAB CE Cyber Security Group in accordance with the concluded agreement;
- preparation of implementation plans for FAB CE member states.

Some of the above projects are carried out as “some-in” projects, i.e. with participation of only some members of FABCE, Aviation Services, Ltd., which is in accordance with the Memorandum of Association of FABCE, of which the Company is also a member.

In 2020, most of the activities listed above will continue, and in particular, AAS-compliant activities (European Airspace Architecture Study) will be intensified. The main objectives will be covered in the new FAB CE Strategy and the most important strategic projects will focus on airspace optimisation (with more intensive cross-border cooperation) and the optimisation of regional infrastructure.

The Company actively participated in the implementation of all above-mentioned ongoing FAB CE projects as well as in the planning of new projects for the future. In accordance with the contractual agreements, the Company will continue to provide for FABCE Ltd. in the future all the necessary professional support in implementation of public procurement as well as legal consulting, administrative support and financial services.

Having regard to the opinion that the FAB CE member states had failed to optimise their air navigation services and that they were not as efficient as required by EU regulations on the Single European Sky, in 2013, the European Commission initiated pilot procedure No 4578/2013/MOVE against the Republic of Slovenia and other FAB CE member states. In 2019, the Company participated in drafting the report on the progress and results of FAB CE in line with the regulations on the Single European Sky. The European Commission assessed the work of FAB CE as positive, while decisions of the European Commission on further proceedings in connection with the letter of formal notice will be communicated to member states after the review of activities and situation in other FABs.

Pursuant to the FAB CE Agreement and the ANSP Cooperation Agreement, permanent project structures are in place at both the state level (the FAB CE Council, the Joint Civil-Military Coordination Committee, the National Supervisory Authority Coordination Committee, the Legal Committee) and the level of the air navigation service providers (the CEO Committee, the Steering Committee and various sub-committees). The Company actively participated in the preparation of materials and standpoints of the Republic of Slovenia for the FAB CE Council. A representative of the Company presided the FAB CE Steering Committee in 2019, and due to a lack of qualified staff at the Ministry of Infrastructure, the Company also provided staff to represent the Republic of Slovenia in the Legal Committee.

#### 4.11.2 Other collaboration

The Company continued its involvement in the drafting of an important development plan – the Local Single Sky Implementation Plan (LSSIP) – and the preparation of important reports for Eurocontrol regarding the cost-effectiveness of ATM activities (the ATM Cost Effectiveness [ACE] Report) and monitored the development of the SESAR project and the operation of CANSO and ATCA.

In 2019, representatives of the Company actively participated in the formulation of opinions on the drafts of documents being 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.

The Company is also a member of Gate One, an alliance established in late 2013 on the basis of a cooperation agreement signed by 13 air navigation service providers of Central and Eastern Europe (the Cooperation Agreement on the Creation of the Regional ANS Providers Platform [Gate One] of Central and Eastern Europe). The signatories of the agreement are ANSPs operating in three different functional blocks (FAB CE, BALTIC FAB and DANUBE FAB) and two providers who are not yet members of a FAB initiative (M-NAV and SMATSA). The purpose of the alliance is to express common positions within the European Union, exchange experience in the field of ATM, pursue common goals and interests in various areas and collaborate in the implementation of the Single European Sky.

The Company participated in the preparation of standpoints of the Republic of Slovenia at the 40<sup>th</sup> ICAO Assembly, which took place from 24 September to 4 October 2019 in Montreal. The Assembly, which adopts and shapes the policy and development of civil aviation for the next three years, was attended by 193 ICAO member states and numerous international organisations. By a decision, the Government of the Republic of Slovenia appointed the Company's CEO member of the Republic of Slovenia's delegation that attended the ICAO Assembly.

#### 4.12 FLEXIBLE USE OF AIRSPACE – FUA

In collaboration with the Ministry of Defence and other airspace users, the Republic of Slovenia has been successfully implementing the Flexible Use of Airspace (FUA) concept for a number of years now. In this regard, there are agreements on the reservation, use and deployment of airspace for specific purposes (Special Use of Airspace). The ratio between reserved and used airspace continues to improve as a result of well-functioning coordination procedures.

The Airspace Management Committee of the Republic of Slovenia carried out an annual consultation with users and continued to work on its strategic targets, and an airspace policy and airspace change process were established. The Committee actively co-operates with the Airspace Management Cell of the Republic of Slovenia (AMC) and promptly co-ordinates all activities.

In 2019, the Airspace Management Cell (AMC) of the Republic of Slovenia successfully participated in the preparation and execution of the military exercises: Adriatic Strike 2019, Ramstein Guard 2019, Immediate Response 2019, BAF para 2019, Open Skies 2019, Astral Knight 2019 and some minor activities of Slovenian Armed Forces. Due to the large number of military exercises, much coordination with all airspace users was required.

The Airspace Management Cell of the Republic of Slovenia organised a consultation with the Civil Aviation Agency of the Republic of Slovenia, the Ministry of Infrastructure, the Slovenian Armed Forces and the Military Aviation Authority to discuss possible improvements in airspace sharing and informing all stakeholders about temporary closures of airspace.

The Airspace Management Cell of the Republic of Slovenia discussed the proposal of the Slovenian Armed Forces regarding the change/addition to the size of the LJ(R)-4 zone. Within the LJ(R)-4 zone, another much smaller zone is to be formed, which would serve for the destruction of mines and explosives (hereinafter referred to as "MEs"). Thus far, the Slovenian Armed Forces have closed the entire LJ(R)-4 for the purpose of destroying MEs, while actually a much smaller zone is needed to carry out these activities – less than 10% of the total R-4. The Cell gave a positive opinion on the proposal. The proposal was presented to Committee members at the AMC meeting in December 2019 and is now pending confirmation.

Pursuant to the Decision of the Government of the Republic of Slovenia, in 2020 the Slovenian Armed Forces will continue activities for the development of the Slovenian Armed Forces, maintenance of connectivity in the system of collective defence in order to ensure readiness for military defence tasks, participation in international organisations and missions, and cooperation in the implementation of protection and rescue tasks.

The Company welcomes the involvement of civilian and military stakeholders in the procedures for the adjusted use of airspace in the Republic of Slovenia and will continue to actively co-operate with the Airspace Management Committee of the Republic of Slovenia and the AMC.

#### 4.13 USER CONSULTATION

The Company continuously adapts its provision of air navigation services to the needs of their users. Among the Company's more notable activities are its dynamic involvement in coordination between civil and military airspace users and especially its air navigation services in the flexible use of airspace system. The Company actively participates in periodic consultations and co-ordinations with commercial airspace users (represented mainly by interest groups) and other air navigation service providers in the EU-wide (free) route network. Especially in connection with the latter, consultations with airspace users related to the introduction of a new, larger airspace volume with free routes with the aforementioned SECSI FRA project were noticeable in 2019.

Consultations were held with the neighbouring air navigation service providers with the aim of additional cooperation and expansion of SECSI FRA area. The cross-border free route airspace brings an added

value in the form of reduced greenhouse gas emissions and lower fuel consumption, which constitutes a major step towards the goal of a zero-carbon society, as well as reduced travel times and thus greater mobility. From the point of the structure of the airspace, these changes are extensive and make the airspace structures of the participating countries, including the Slovenian, mutually adjusted. These changes are also part of the expected major changes which follow the goals of the Single European Sky.

During the year, activities related to preparations for the planned modernisation of airspace below the level of 245 (FL245) continued. The main focus was on formulating a draft document for placing instrumental procedures into airspace, which in addition to the generally applicable rules (ICAO, EU, Eurocontrol, etc.), takes into account the specifics of the geographic configuration and structure of airspace users in the Republic of Slovenia. The expert services of the Company continued to work on drafting the approach and departure procedures and the location of the Cerklje ob Krki Airport terminal zone (TMA). Guidelines for the implementation of procedures have been agreed with the neighbouring Republic of Croatia, i.e. for the procedures of Franjo Tuđman Zagreb Airport in the Republic of Croatia and for Cerklje ob Krki Airport in the Republic of Slovenia, with the aim of ensuring safe and fluid airspace on both sides of the border.

In the period before the summer season, the Company organised lectures on the organisation of airspace in the Republic of Slovenia for users of general aviation through aviation associations and in the form of professional seminars.

In accordance with Commission Implementing Regulation No 317/2019/EU the Company prepared, in cooperation with the Civil Aviation Agency of the Republic of Slovenia, consultations with the representatives of airspace users about the Performance Plan, cost bases and unit rates for the new, third reference period 2020–2024 of monitoring the Union-wide performance targets. In addition to the representatives of the Ministry of Infrastructure and the Slovenian Environment Agency, the consultations were attended by the representatives of Eurocontrol, the European Commission, the International Air Transport Association (IATA) and Lufthansa. The Republic of Slovenia successfully held the prescribed consultations regarding the achievement of the EU-wide performance targets for the new reference period.

As in previous years, representatives of the Company participated in formal consultations with service users and stakeholders at the regular June and November sessions of the Enlarged Committee for Route Charges organised by Eurocontrol and the European Commission in the process of formal consultation with service users regarding national cost bases and unit rates.

#### **4.14 PUBLIC PROCUREMENT**

The Company is a body governed by public law established to carry out an activity that is in the general interest and is not of an industrial or commercial nature, and carries out the activity of providing infrastructure for air carriers. The Company is liable to public procurement rules under the Public Procurement Act (Official Gazette of the Republic of Slovenia, No. 91/15 and 14/18) (hereinafter referred to as the ZJN-3) for general procurement as well as infrastructure procurement. The same also follows from the Decree on the indicative list of contracting authorities and mandatory information in notices regarding small-value contract procedures (Official Gazette of the Republic of Slovenia, No. 37/16).

In the procurement of goods, services and construction works directly connected to the provision of airport infrastructure or infrastructure in other terminals for air carriers, which is part of its principal activity of the provision of air navigation services, the Company carried out procurement procedures in accordance with the applicable legislation governing the public procurement of infrastructure. In the procurement of goods, services and constructions works that were not directly connected to the Company's principal activity, procedures were conducted in accordance with the applicable legislation governing general public procurement.

A total of 479 contract award procedures were carried out in 2019, four of which ended without award, while 475 procedures for contracts were successfully concluded in the total value of EUR 6,704,508.00 excluding VAT.

All public procurement procedures carried out consisted of:

- 213 procedures for general contracts under the Public Procurement Act with a total value of EUR 1,325,276.00 excluding VAT that were successful;

- 262 procedures for infrastructure contracts under the Public Procurement Act with a total value of EUR 5,379,232.00 excluding VAT that were successful, while four contracts were not awarded (266 in total).

The tables below have been prepared on the basis of records which must be kept by the Company pursuant to ZJN-3. Said records contain the data about all contract award procedures of the Company in 2019. The tables do not include three procedures in the total amount of EUR 176,538 excluding VAT and concluded contracts with the subject of procurement which according to ZJN-3 is considered to be an exception and to which ZJN-3 does not apply (Article 27 of ZJN-3).

**Table 9: Procedures for general contracts under the Public Procurement Act**

<b>Public procurement procedures, including simplified procedures, in 2019</b>				
<b>Type</b>	<b>Procedures</b>	<b>Not submitted</b>	<b>Submitted</b>	<b>Value in EUR</b>
Goods	58	0	58	294,229
Construction	1	0	1	6,000
Services	154	0	154	1,025,047
	<b>213</b>	<b>0</b>	<b>213</b>	<b>1,325,276</b>

**Table 10: Procedures for infrastructure contracts under the Public Procurement Act**

<b>Public procurement procedures, including simplified procedures, in 2019</b>				
<b>Type</b>	<b>Procedures</b>	<b>Not submitted</b>	<b>Submitted</b>	<b>Value in EUR</b>
Goods	58	1	57	818,948
Construction	4	0	4	107,696
Services	204	3	201	4,452,588
	<b>266</b>	<b>4</b>	<b>262</b>	<b>5,379,232</b>



## 5 AIR TRAFFIC DATA FOR 2019

### 5.1 INTRODUCTION

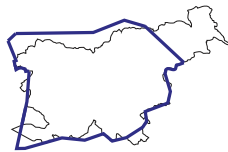
The Company provides air navigation services in the Slovenian airspace (Ljubljana FIR) on behalf of the Republic of Slovenia in accordance with the Act on the Provision of Air Navigation Services. The area of responsibility in which the Company provides air navigation services is defined in the Act on the Provision of Air Navigation Services 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 accordance with the LoAs, the Ljubljana Area Control Centre is, therefore, responsible for the provision of services in an airspace that does not correspond to the Ljubljana FIR.

**Figure 9: Ljubljana FIR**



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

**Figure 10: Dolsko sector**



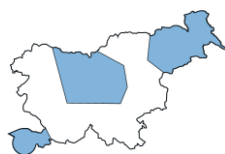
The provision of air navigation services in the en-route phase in the Dolsko sector, which includes part of the Austrian, Italian and Croatian airspaces, falls within the responsibility of the Ljubljana Area Control Centre, while the provision of those services in the Mura sector is the responsibility of the Vienna Area Control Centre.

**Figure 11: Mura sector**



In addition to en-route services, the Company also provides terminal services in the terminal zones of Ljubljana, Maribor and Portorož. The Company is thus responsible for the provision of en-route services in the Dolsko sector and for the provision of services in all three terminal zones.

**Figure 12: Terminal zones in the Ljubljana FIR**



**Number of service units**

The service unit price for an IFR flight that is not exempt from 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 using the following formula:

$$\text{Number of en - route service units} = \frac{\text{distance}}{100} \times \left(\frac{\text{MTOW}}{50}\right)^{0.5}$$

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

$$\text{Number of terminal service units} = \left(\frac{\text{MTOW}}{50}\right)^{0.7}$$

where:

distance is the shortest distance in kilometres between the entry and the exit point in the Ljubljana FIR;

and

MTOW is the maximum take-off weight.

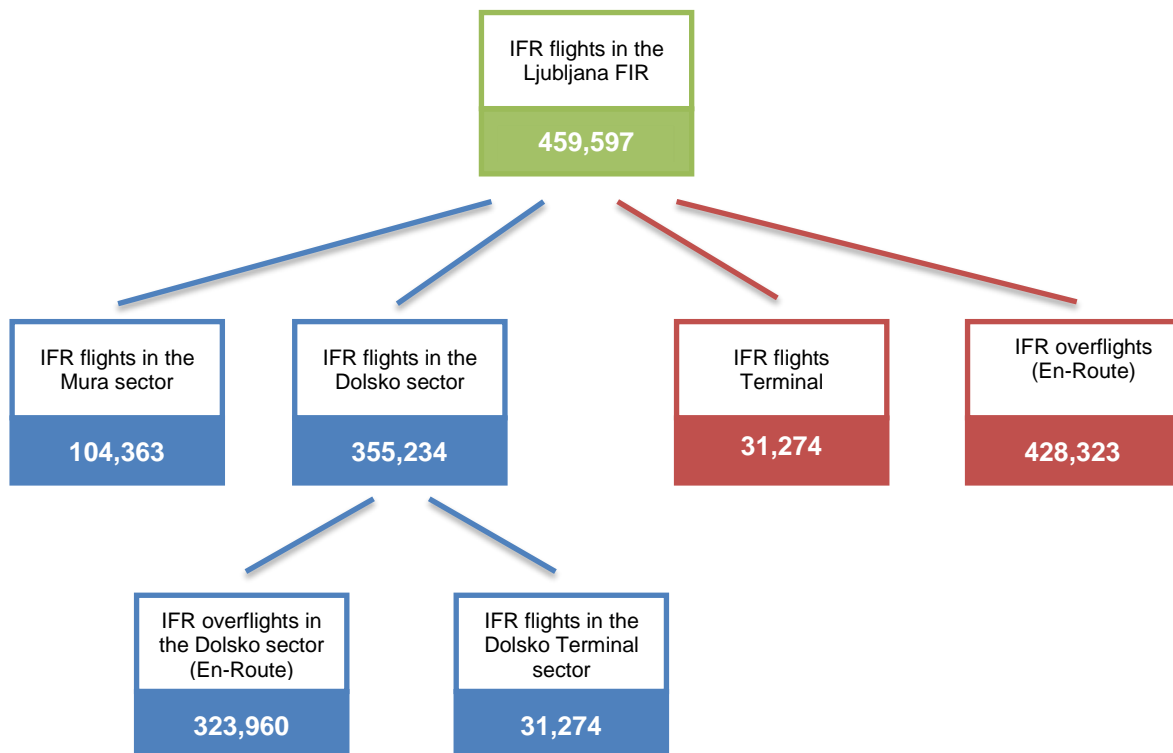
**5.2 AIR TRAFFIC ANALYSIS**

This air traffic analysis examines the trend in the number of IFR flights and its correlation with the number of en-route and terminal service units, which affects the amount of revenue generated by the Company. The analysis was conducted on the basis of the Company’s own data and the data of Eurocontrol STATFOR and the CRCO.

In 2019, a total of 477,341 flights were recorded in the Slovenian airspace, of which 17,744 were VFR (visual flight rules) and 459,597 were IFR (instrument flight rules) flights.

IFR flights are differentiated 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 shows the breakdown of IFR flights according to the two criteria.

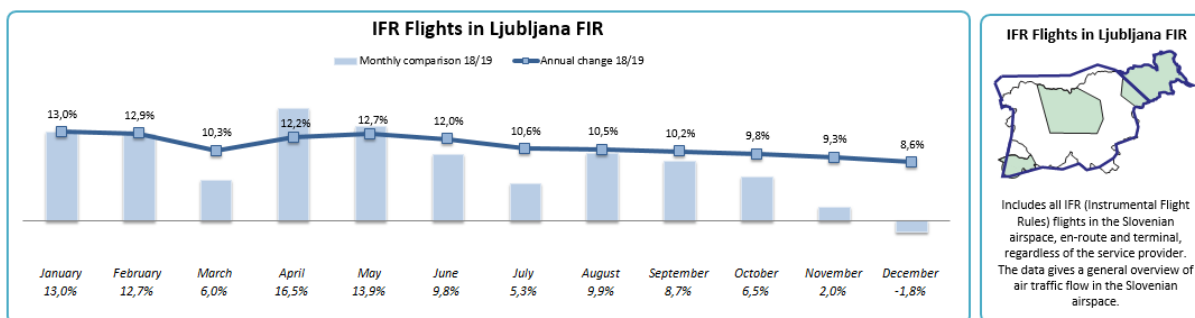
**Figure 13: Breakdown of IFR flights by flight phase and airspace**



## Ljubljana FIR

Compared to 2018, the total number of IFR flights in the Republic of Slovenia in 2019 grew by 8.6% on average, while the total number of IFR flights grew by 1.2% at the EU-28 level.

Figure 14: IFR flights in the Ljubljana FIR



Source: Eurocontrol (STATFOR), Company 2019

The table below shows the trend in the total number of IFR flights in the Republic of Slovenia from 2010 to 2019. The IFR flight growth rates for the EU-28 region are provided for comparison. The figures include all IFR flights (en-route and terminal) in the Ljubljana FIR, regardless of the provider of air navigation services and regardless of the flight phase.

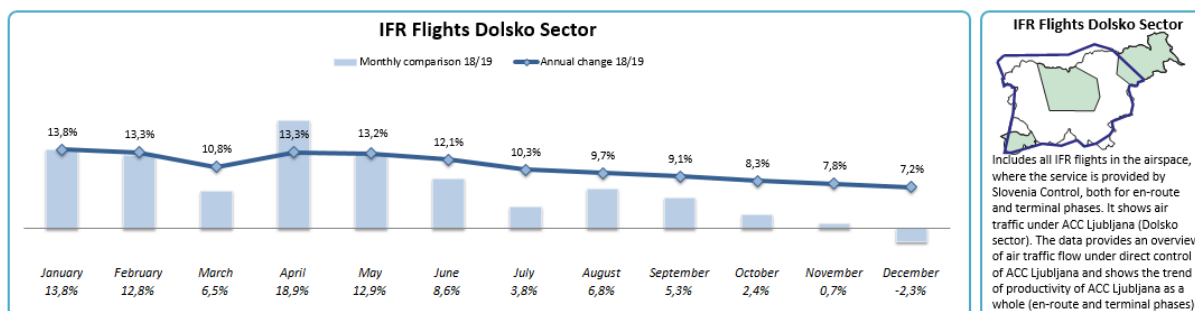
Table 11: Number of IFR flights in the Republic of Slovenia 2010–2019

Year	Number of IFR flights in the RS	IFR flights growth rate in the RS (per cent)	IFR flights growth rate in the EU-28 (per cent)
2010	328,186	+4.8%	+0.2%
2011	352,789	+7.5%	+2.6%
2012	345,683	-2.0%	-3.0%
2013	329,004	-4.8%	-1.7%
2014	347,987	+5.8%	+1.9%
2015	347,122	-0.2%	+1.6%
2016	353,063	+1.7%	+3.1%
2017	385,897	+9.3%	+3.8%
2018	423,154	+9.7%	+3.9%
2019	459,597	+8.6%	+1.2%

## Dolsko sector

In the Dolsko sector, where the service is provided by the Company via the Ljubljana Area Control Centre (Ljubljana ACC), the total number of all IFR flights (en-route and terminal) in 2019 grew by 7.2% on average over 2018.

Figure 15: IFR flights in the Dolsko sector



Source: Eurocontrol (STATFOR), Company 2019

Table 12 shows the trend in the total number of IFR flights in the Dolsko sector from 2010 to 2019.

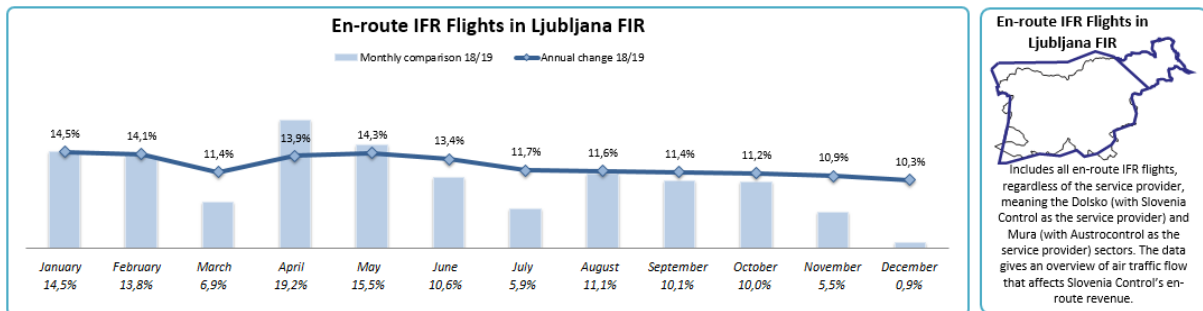
**Table 12: Number of IFR flights in the Dolsko sector 2010-2019**

Year	Number of IFR flights in the Dolsko sector	Growth rate (in percentage)
2010	242,939	+7.0%
2011	267,502	+10.1%
2012	268,037	+0.2%
2013	256,917	-4.1%
2014	271,474	+5.7%
2015	264,800	-2.5%
2016	272,687	+3.0%
2017	304,490	+11.7%
2018	331,292	+8.8%
2019	355,234	+7.2%

### 5.2.1 En-route traffic

Compared to 2018, the number of en-route IFR flights increased by 10.3% in 2019.

**Figure 16: En-route IFR flights in the Ljubljana FIR**



Source: Eurocontrol (STATFOR), Company 2019

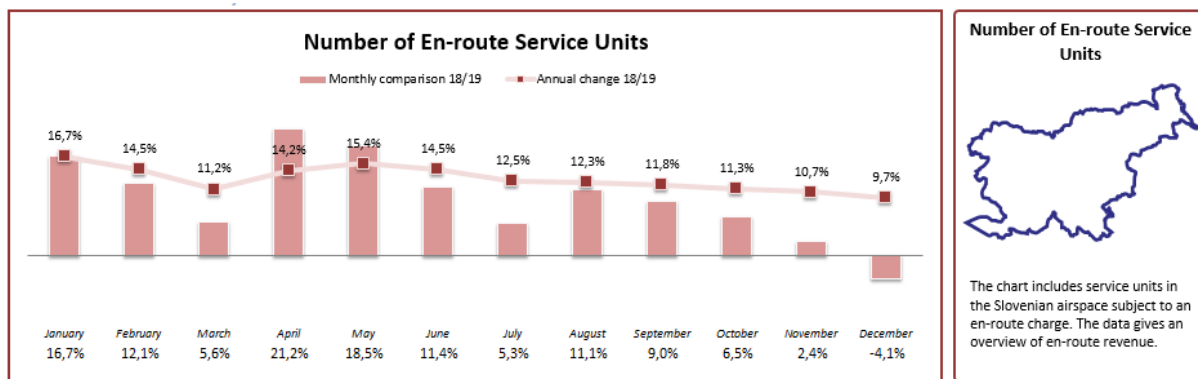
Table 13 shows the trend in the number of en-route IFR flights in the Ljubljana FIR from 2010 to 2019.

**Table 13: Number of en-route IFR flights in the Ljubljana FIR 2010–2019.**

Year	Number of en-route IFR flights in the Ljubljana FIR	Growth rate (in percentage)
2010	291,619	+6.6%
2011	318,056	+9.1%
2012	314,554	-1.1%
2013	299,655	-4.7%
2014	319,717	+6.7%
2015	316,955	-0.9%
2016	323,362	+2.0%
2017	352,738	+9.1%
2018	388,404	+10.1%
2019	428,323	+10.3%

In 2019, the number of en-route service units increased by 9.7% over 2018. This constitutes a growth of 19.5% over 2017, 20.0% over 2016, 34.5% over 2015, and for example as much as 89.5% over 2009.

Figure 17: En-route service units in the Ljubljana FIR



Source: Eurocontrol (CRCO), Company 2019

The table below shows the trend in the number of en-route service units 2010–2019.

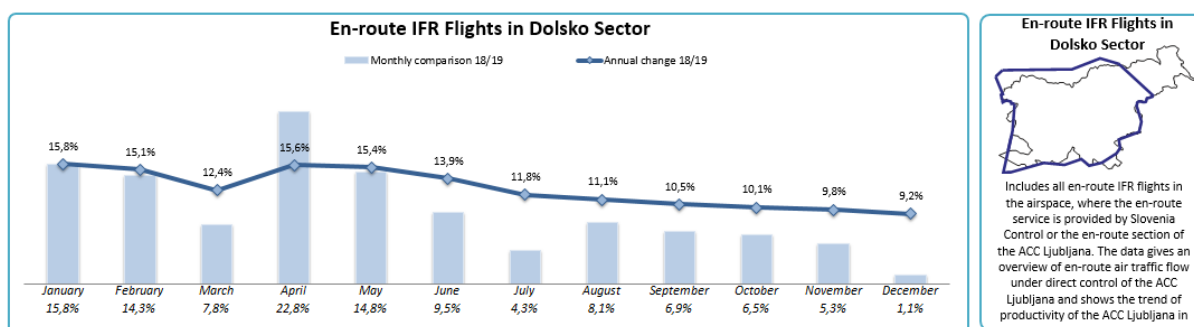
Table 14: Number of en-route service units 2010–2019

Year	Number of en-route service units	Growth rate (in percentage)
2010	365,201	+10.3%
2011	424,565	+16.3%
2012	425,205	+0.1%
2013	411,103	-3.3%
2014	459,206	+11.7%
2015	466,264	+1.5%
2016	501,752	+7.6%
2017	524,771	+4.6%
2018	571,894	+9.0%
2019	627,329	+9.7%

The trends in the number of IFR flights and the number of service units are not always consistent, as the number of en-route service units depends on the distance flown and the weight of the aircraft. Namely, the routes flown in the Dolsko sector are longer than those in the Mura sector.

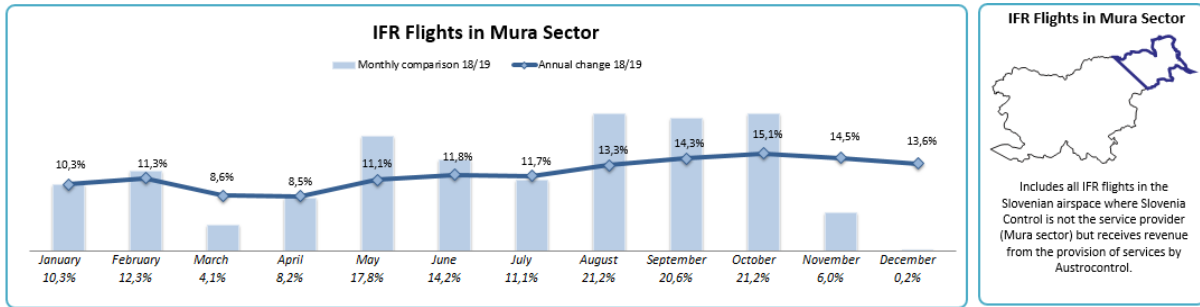
In 2019, the number of IFR flights in the Dolsko sector increased by 9.2%, while it increased by 13.6% in the Mura sector, compared to 2018. In 2019, the number of service units thus grew by 9.7% over the preceding year.

Figure 18: En-route IFR flights in the Dolsko Sector



Source: Eurocontrol (STATFOR), Company 2019

**Figure 19: En-route IFR flights in the Mura Sector**



Source: Eurocontrol (STATFOR), Company 2019

The table below shows the trend in the number of en-route service units in the Dolsko sector and the Mura sector from 2010 to 2019.

**Table 15: Number of en-route service units in the Dolsko sector and the Mura sector 2010-2019.**

Year	Number of en-route IFR flights in the Dolsko sector	Growth rate (in percentage)	Number of IFR flights in the Mura sector	Growth rate (in percentage)
2010	206,372	+10.1%	85,247	-0.9%
2011	232,769	+12.8%	85,287	+0.1%
2012	236,908	+1.8%	77,646	-9.0%
2013	227,568	-3.9%	72,087	-7.2%
2014	243,204	+6.9%	76,513	+6.1%
2015	234,633	-3.5%	82,322	+7.6%
2016	242,986	+3.6%	80,376	-2.4%
2017	271,331	+11.7%	81,407	+1.3%
2018	296,542	+9.3%	91,862	+12.8%
2019	323,960	+9.2%	104,363	+13.6%

**IFR traffic under the control of the Company**

The data below only includes IFR traffic that fell under the Company's responsibility, i.e. traffic in the Dolsko sector. The data was obtained from the databases kept by the Company and Eurocontrol (STATFOR).

In 2019, the Ljubljana Area Control Centre, which is responsible for the Dolsko sector, recorded a 7.2% increase in traffic compared to 2018. A total of 355,234 flights were made in the Dolsko sector in 2019, with an average of 973 IFR operations per day. The following milestones were achieved (in terms of the number of IFR operations) compared to previous years.

**Table 16: Milestones in the number of IFR flights in the Dolsko sector 2010–2019**

Maximum figures in previous years				
Year	The highest number of IFR operations per hour was recorded on 18 August 2019 between 10.00 and 11.00 UTC	The highest number of IFR operations per hour was on 31 August 2019	The highest number of IFR operations per week was recorded from 29 July 2019 to 4 August 2019	The highest number of IFR operations in the year were made in August 2019
2010	88	1,029	6,383	27,488
2011	91	1,184	7,129	30,861
2012	99	1,263	7,281	31,691
2013	99	1,255	7,223	31,106
2014	99	1,353	7,595	33,338
2015	97	1,306	7,344	32,113
2016	97	1,244	7,583	32,717
2017	105	1,427	8,341	36,285
2018	108	1,522	9,272	39,943
2019	110	1,551	9,613	41,931

The Ljubljana Area Control Centre can divide the airspace in which it provides its service into a maximum of five vertical sectors. This helps manage the workload of air traffic controllers and ensures adequate flow capacity in the airspace. The number of sector hours per day is the sum of the operating hours of all five sectors. It is directly correlated to the human resources available at the Ljubljana Area Control Centre.

A total of 15,999 sector hours were recorded in 2019. In 2019, an average of 43.8 sector hours were recorded per day, constituting an increase of 2.1% compared to the year before.

In 2019, the Ljubljana Area Control Centre recorded a maximum of 65 sector hours in total in any single day. All the data on the number of sector hours is shown in the table below.

**Table 17: Number of sector hours 2010–2019**

Year	Total number of sector hours	Growth rate (in percentage)	Maximum daily number of sector hours	Growth rate (in percentage)	Average daily number of sector hours	Growth rate (in percentage)
2010	15,109		55		41.4	
2011	16,015	+6.0%	58	+5.5%	43.9	+6.0%
2012	16,007	-0.05%	65	+12.1%	43.7	-0.5%
2013	15,944	-0.4%	64	-1.5%	43.8	+0.2%
2014	15,713	-1.5%	65	+1.5%	43.1	-1.5%
2015	14,879	-5.3%	59	-9.2%	40.8	-5.3%
2016	14,656	-1.5%	58	-1.7%	40.0	-1.8%
2017	14,875	+1.5%	58	+0.0%	40.8	+1.8%
2018	15,654	+5.2%	66	+13.8%	42.9	+5.3%
2019	15,999	+2.1%	65	-1.5%	43.8	+2.1%

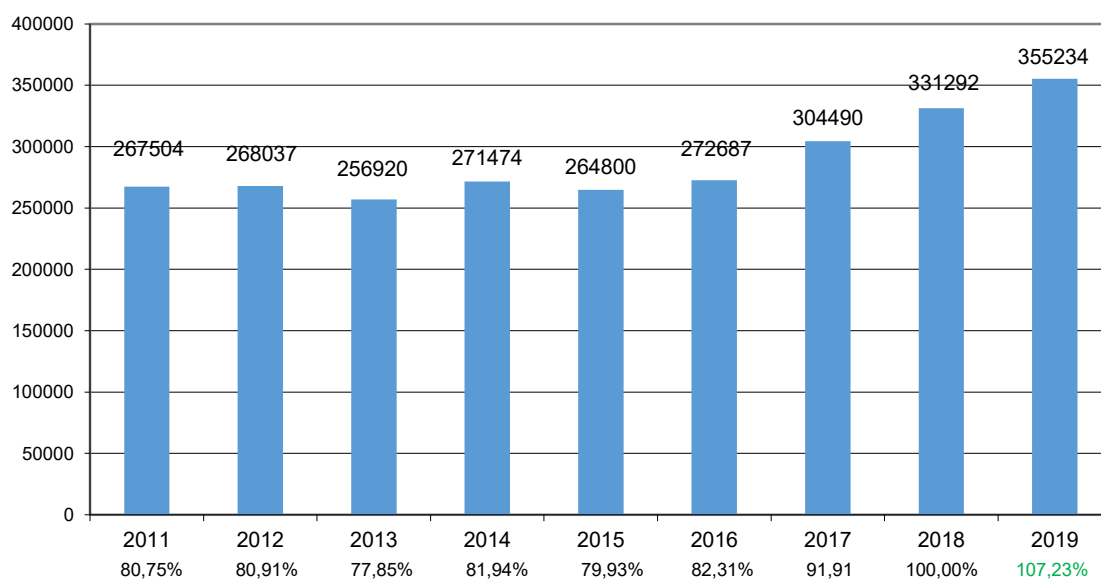
In 2019, the Ljubljana Area Control Centre performed a total of 17,744 VFR operations, marking a 10.0% increase compared to 2018.

**Table 18: Number of VFR flights in the period 2010–2019**

Year	Number of VFR flights	Growth rate (in percentage)
2010	13,733	-8.0%
2011	17,074	+24.3%
2012	15,050	-11.9%
2013	13,683	-9.1%
2014	13,098	-4.3%
2015	15,569	+18.9%
2016	14,859	-4.6%
2017	15,968	+7.5%
2018	16,132	+1.0%
2019	17,744	+10.0%

### Forecasts and actual traffic in the Dolsko sector in 2019

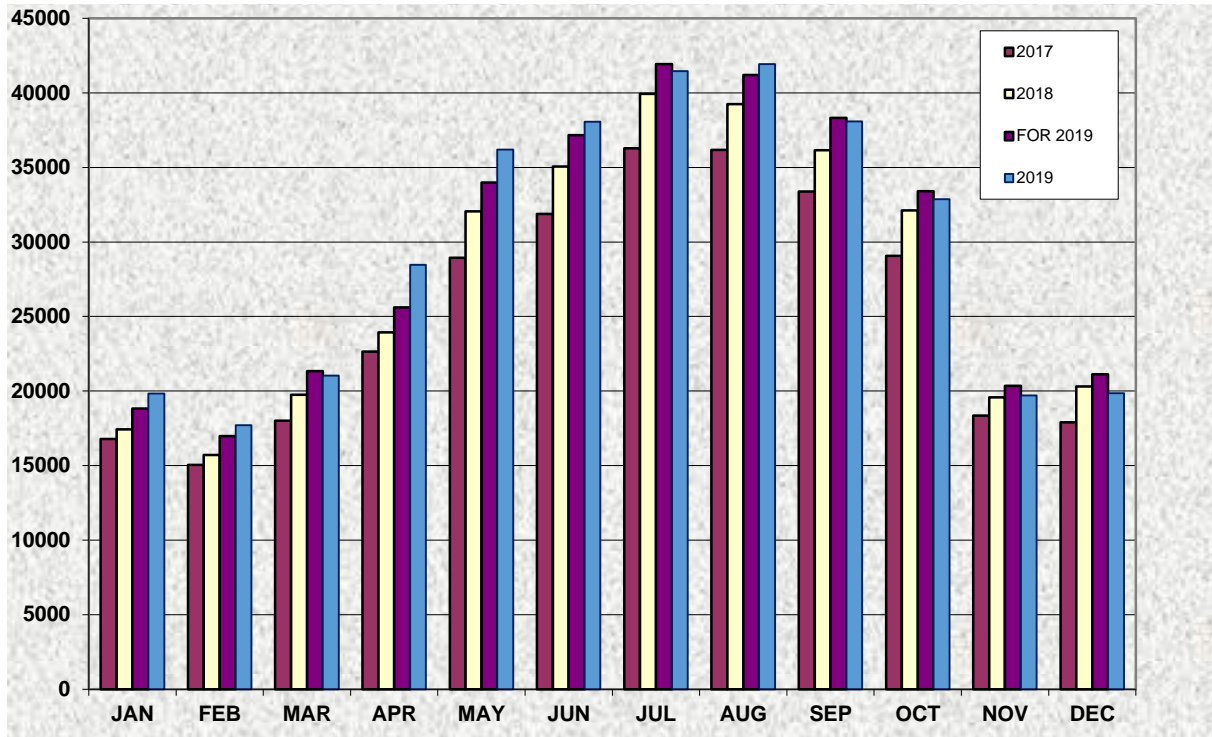
Traffic exceeded expectations in 2019. Although forecasts predicted a growth of 5.7%, an actual increase of 7.2% in IFR traffic over 2018 was recorded as at year-end. The main reasons were faster-than-expected growth in EU economies, the shift of tourist flows (increase in traffic towards Greece, Egypt and Croatia), the orientation of low-cost airlines to new markets, etc.

**Figure 20: Traffic from 2011 to 2019**

Source: Company 2019

The comparison in Figure 20 is made with 2018 as the 100%.



**Figure 21: Traffic in 2017, 2018, forecasts for 2019 and actual traffic in 2019**

Source: Company 2019

### Flight level data

The flight level data is taken from the Company's database. All changes prior to the automatic transmission of the flight notification to the neighbouring air traffic control centre are taken into consideration.

The DEP column (Figure 22) includes all IFR operations started at domestic airports. The data for FLs below 120 and FLs above 400 is aggregated for the sake of clarity.

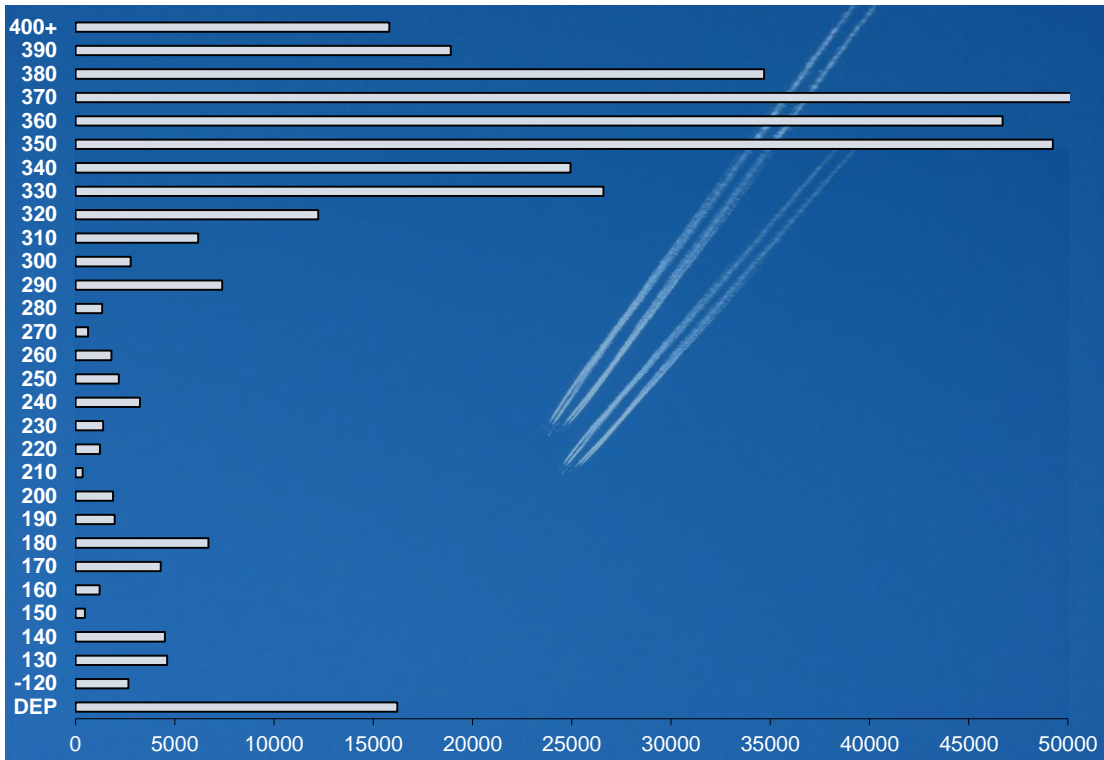
The vertical distribution of aircraft is most clearly illustrated by the fact that 14.98% of all IFR traffic is concentrated at a single flight level (FL370) (the percentage being lower due to RAD restrictions). The most heavily used flight levels were FL 350 (altitude of 35,000 feet), FL360 and FL 370, accounting for 42% of aircraft.

Air traffic in the airspace of the Republic of Slovenia is divided as follows:

- above FL280 81.61% (2018: 81.61%; 2017: 80.39%; 2016: 79.75%);
- below FL280 18.39% (2018: 18.39%; 2017: 19.61%; 2016: 20.25%).

A comparison with the previous year shows that the traffic in both airspace segments increased.

Figure 22: Traffic by flight level in 2019 in the Dolsko sector

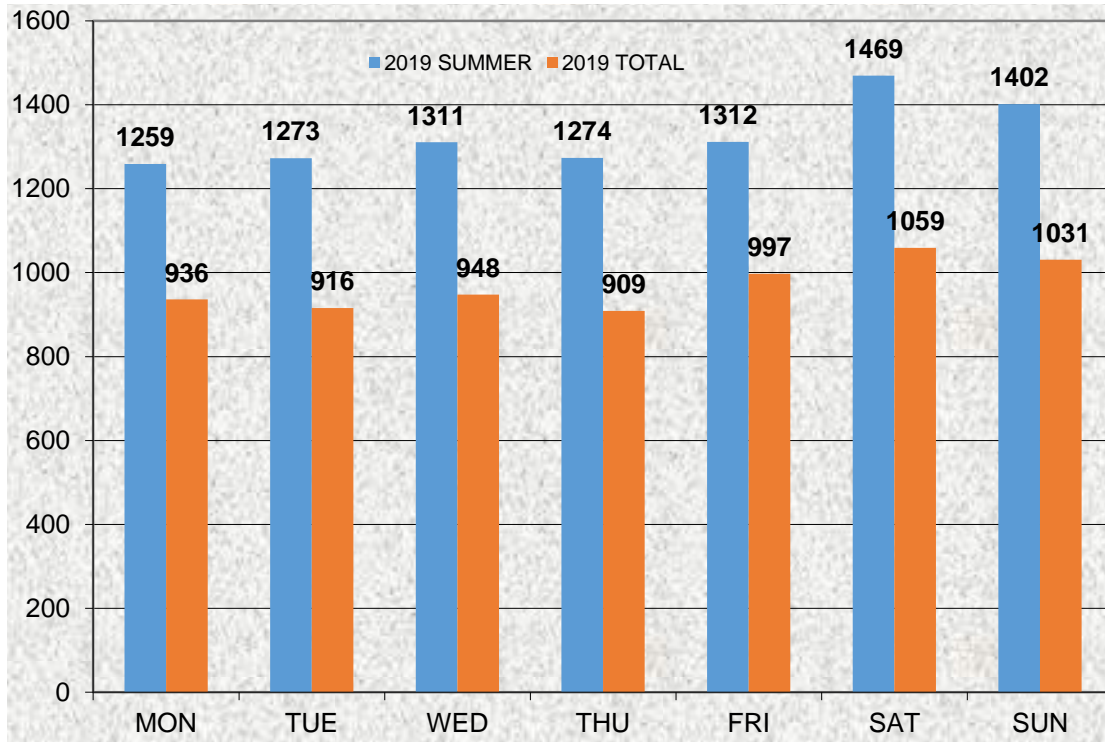


Source: Company 2019

**Breakdown of traffic by day**

The number of IFR flights in the Dolsko sector was evenly distributed over the days of the week throughout the year (second column in Figure 23). The orange columns in the figure below show the average number of flights throughout the year 2019. There is some variation between different times of the year that can balance out in other periods. The first column shows the distribution of IFR flights in the Dolsko sector by day in the summer season (1 July–15 September), the average being 11 weeks (minimum 1,156 IFR flights per day and maximum 1,551 flights per day). Saturdays stand out as the busiest days. During the summer season, there were 13.3% more IFR flights on an average Saturday than on an average Tuesday or Thursday. In addition to being the busiest days, Saturdays also stand out because of their complexity, as the traffic structure is noticeably more complex due to heavy holiday traffic to Croatian airports (Split, Pula, Rijeka and Zadar).

**Figure 23: Average number of IFR flights in the Dolsko sector by day of the week (summer and total)**

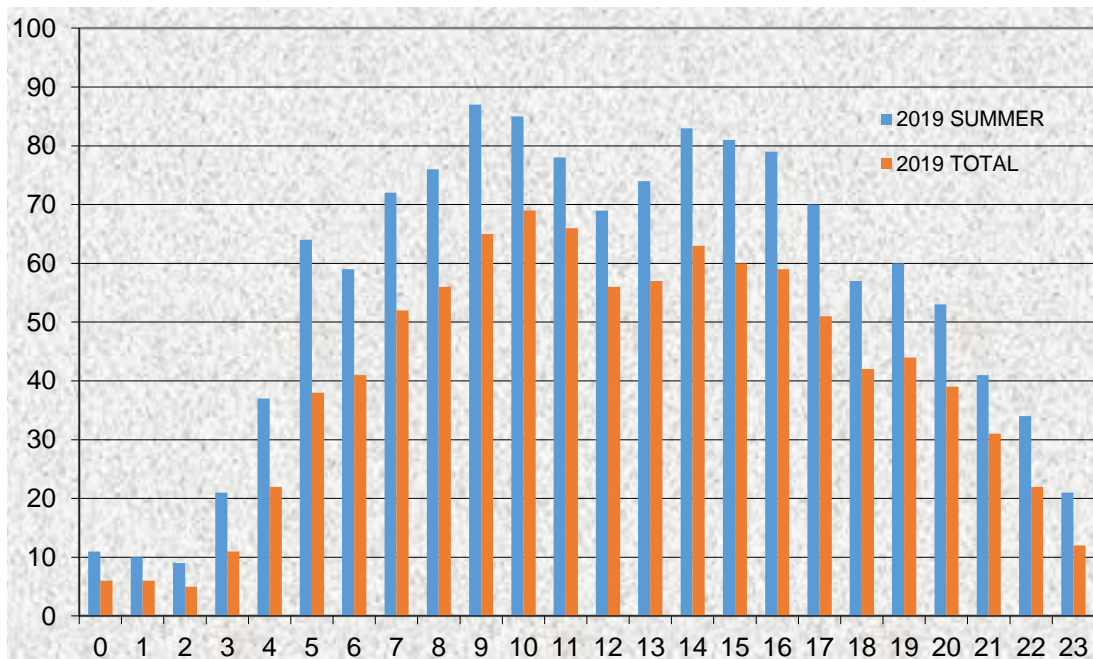


Source: Company 2019

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

Figure 24 shows the average number of IFR flights in the Dolsko sector by hour. The blue column shows the average number of flights by hour in the summer season and the orange column shows the average number of flights by hour throughout the entire year.

**Figure 24: Traffic by hour (UTC)**



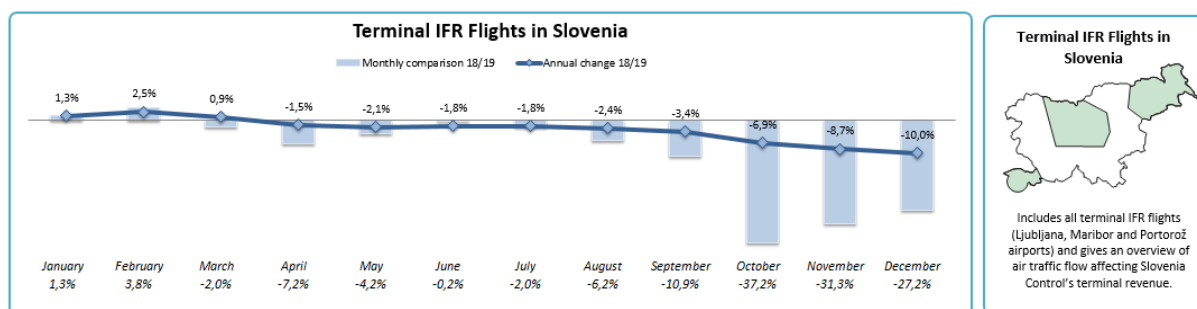
Source: Company 2019

Figure 24 shows the hourly average and not the total number of operations, which means that the sample varies by the day of the week. There is a noticeable increase in early morning traffic during the summer season, which requires sectors to be open longer. A major problem faced is the provision of a sufficient number of controllers between 0700LT and 1900LT, when there is a need for the fourth sector.

## 5.2.2 Terminal traffic

The number of terminal IFR flights plummeted in 2019 as the Slovenian airline Adria Airways, d. o. o., stopped operating, as is evident from the figure below.

Figure 25: Terminal IFR flights



Source: Eurocontrol (STATFOR), Company 2019

The table below shows the trend in the number of terminal IFR flights from 2010 to 2019.

Table 19: Number of terminal IFR flights in the Republic of Slovenia 2010-2019

Year	Number of terminal IFR flights	Growth rate (in percentage)
2010	36,567	-7.7%
2011	34,733	-5.0%
2012	31,129	-10.4%
2013	29,349	-5.7%
2014	28,270	-3.7%
2015	30,167	+6.7%
2016	29,701	-1.5%
2017	33,159	+11.6%
2018	34,750	4.8%
2019	31,274	-10.0%

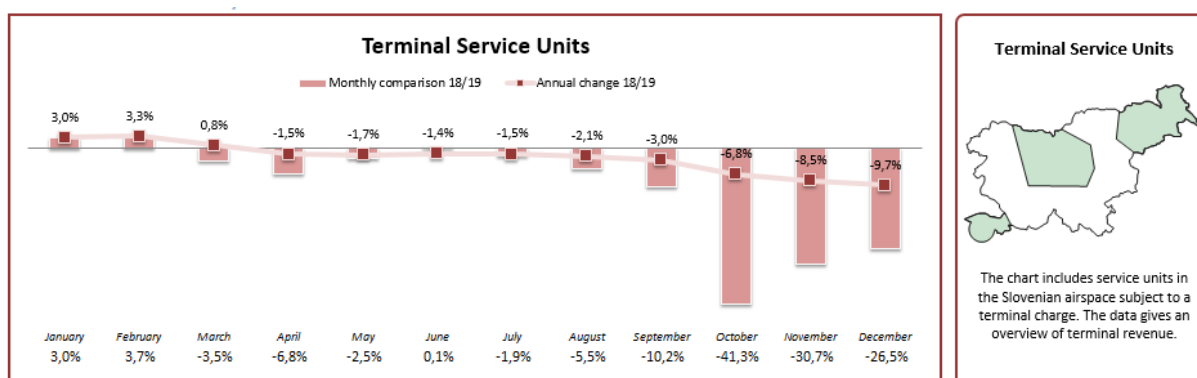
The basic traffic data obtained from individual aerodrome control units is shown in Table 20.

Table 20: Traffic data by air traffic control unit (TWR)

	TWR Portorož	TWR Maribor	TWR Brnik	TWR Cerklje ob Krki
Number of IFR operations in 2019	2,813	2,934	28,301	/
Average number of IFR operations per day	7.7	8.1	77.6	/
Highest number of IFR operations in a day	32	36	120	/
Number of VFR in 2019	15,307	28,659	12,051	6,353
Average number of VFR operations per day	41.8	78.9	33	28.3
Highest number of VFR operations in a day	157	280	116	114

Compared to 2018, the number of terminal service units dropped by 9.7% in 2019. Naturally, the number of terminal service units is highly dependent on the number of terminal IFR flights. The figure and the table below show the trend in the number of terminal service units from 2010 to 2019.

Figure 26: Terminal service units



Source: Eurocontrol (CRCO), Company 2019

Table 21: Number of terminal service units 2010-2019

Year	Number of terminal service units	Growth rate (in percentage)
2010	12,519	-6.1%
2011	12,555	+0.3%
2012	11,198	-10.8%
2013	11,354	+1.4%
2014	11,162	-1.7%
2015	12,031	+7.8%
2016	11,625	-3.4%
2017	13,058	+12.3%
2018	13,965	+6.9%
2019	12,601	-9.7%

## 5.2.3 Air traffic analysis summary

### Number of IFR flights

Following a sharp decline in the number of IFR flights in 2009 due to the general economic crisis, air traffic recovered significantly faster in the Republic of Slovenia in 2010 (2010/2009: +4.8%) than in the EU-27 (2010/2009: +0.2%) and was even higher than in 2008 (2010/2008: +0.4%), while the same was not true of the EU-27 (2010/2008: -7%). In 2011, the EU-27 saw further growth of 2.6%, while the Republic of Slovenia recorded an increase of 7.5%. In 2012, en-route traffic in the Dolsko sector grew by 1.8%, while it dropped by 9% in the Mura sector. The drop in terminal traffic was even more substantial, as traffic fell by 10.4%. In 2013, traffic in both phases decreased in all sectors. The number of IFR flights in the Republic of Slovenia decreased by 4.8% in 2013, while the EU-28 recorded a smaller drop of 1.7%. In 2014, there was once again considerable growth in nearly all traffic. The number of IFR flights increased by 5.8% in the Republic of Slovenia and by 1.9% in the EU-28. In 2015, the number of IFR flights in the Republic of Slovenia dropped slightly again, by 0.2%, while it increased again in the EU-28 by 1.6%. In 2016, the Republic of Slovenia saw an increase of 1.7% in the number of IFR flights and the EU-28 recorded an increase of 3.1%. The year 2017 brings about a considerable jump of 9.3%, and 3.8% in the EU-28. In 2018, the growth in traffic continued with 9.7%, while the growth rate at the level of EU-28 was 3.9%. In 2019, a rise of 8.6% was seen in IFR traffic in the Republic of Slovenia and only 1.2% in the EU-28.

Traffic in the airspace where the service is provided by the Company (the Dolsko sector in the en-route phase and the three terminals in the terminal phase) exceeded the previous year's figures by 7.2% in 2019. This trend in traffic represents the average of both flight phases (en-route and terminal). Overall,

the number of en-route IFR flights in the entire Slovenian airspace grew by 10.3%, with the Dolsko sector recording an increase of 9.2%, and 13.6% in the Mura sector.

#### **Number of service units**

The number of en-route service units followed the trend in traffic (2019/2018: +9.7%). Compared to 2009, the number of en-route service units is significantly higher (2019/2009: +89.5%). In 2019, the number of terminal service units fell by 9.7% compared to 2018.

### **5.3 ANALYSIS OF REGULATIONS AND DELAYS IN 2019**

In 2019, the Ljubljana Area Control Centre (Ljubljana ACC) had 8 regulations (in 2018: 26). This resulted in minimal delays in air traffic (0.004 min/flight) that totalled 1,547 minutes. It is worth mentioning for comparison purposes that in 2018 delay amounted to 0.015 min/flight or 5,000 minutes in total. It is important to note that the delay target for 2019 summer season was 0.22 min/flight, meaning that the Ljubljana Area Control Centre could have “generated” delays of up to 22,504 minutes in just 11 weeks of summer season. The reasons for regulations were the weather and sector capacity. The sector configurations and the planning of operational personnel were optimal.

## 6 INVESTMENTS

In January 2019 the Company completed an investment project of establishing the Datalink (CPDLC) functionality i.e. the data transfer of the ground-air-ground communication between air traffic controllers and pilots of aircraft in the air. Although it means following the technical progress in providing technical support for the air traffic management and control process, this project is implemented primarily to fulfil the legal requirements (Commission Regulation No 29/2009/EC) to implement such facilities, as considering the specificity of the Slovenian airspace, no other technical advantages or benefits can be expected from such a system. The level of complexity of the implementation of the ground-air-ground communication functionality into a functional system is why this project was completed close to one year past the deadline set in the above Regulation of the European Union.

The past year was also marked by successful continuation and completion of the first phase of an important investment project of establishing multilateration in airspace of the Republic of Slovenia, the "Slovenia Wide Area Multilateration System" project (SLOWAM). This is a system that, in contrast to active radar systems, is predominantly passive in determining the exact position of aircraft in the controlled airspace and independent from radar systems. The multilateration system represents a completely new control chain in the Slovenian airspace and thus significantly increases the performance and robustness of aircraft detection and tracking aircraft in the air. Installation of receiving or receiving and transmitting system antennas at nineteen (19) locations throughout the Republic of Slovenia and the implementation of the central processor of acquired data at the Company's home location, the implementation of flight calibration and fine tuning of system in 2018 provided a starting point for the final operational use of the system, which was set up in March 2019. The year 2019 was marked not only by the bankruptcy and termination of air operations of Adria Airways, d. o. o., but also by the SLOWAM project. The termination of flights by Adria Airways, which held a significant market share in air operations at the terminal and at Ljubljana Jože Pučnik Airport, poses a risk of a significant increase in the terminal charge with unchanged cost bases, which include the costs of further activities (3 and 4) of the SLOWAM project. These involve the activities of establishing a multilateration system on manoeuvring areas and movement areas at Ljubljana Jože Pučnik Airport and setting up a radar to monitor traffic on manoeuvring areas and movement areas of this airport. The marked decline in air traffic at this airport from an operational and technical point of view makes setting up these systems of activities 3 and 4 of the SLOWAM project less justified. This is the reason that in 2019 activities were started to determine the applicability (effectiveness) of the re-programming measure of the project implementation or the delay in the implementation of activities 3 and 4 of the project so as to reduce the costs of providing terminal services (the level of maturity of these activities in 2019 was not consistent with the decision; it is planned to be reached in the first quarter of 2020).

The year 2019 saw the successful relocation of the Watchman radar from Ljubljana Jože Pučnik Airport to a new location. The relocation of the radar was carried out at own expense to the highest degree possible and at minimal cost. The positive effects of the project are long-term, as the Company achieved an adequate dispersion of primary radars and satisfactory double coverage of the area of interest by relocating the radar to a more suitable location.

In the field of communication systems an investment was made in the replacement of the antenna system at the VHF location on Krim and a new VHF location was established on Slavnik, primarily to improve the ground-air communication of the Air Traffic Control at Portorož Airport. Investments in the SW and HW upgrade of the VDR system and the installation of own MW connections were also completed.

At Edvard Rusjan Airport in Maribor, end-user equipment was connected to the point-to-point optical network in 2019, replacing the worn-out TC (copper) network from 1976. A project was launched to set up the independent electricity connection of all users within the Company, including TWR MB. By independent and direct connection between the Company with the electricity distributor, the Company will ensure electricity independence from other users at Maribor Edvard Rusjan Airport.

In 2019, the Company cooperated with the selected contractor in the development of a new eARO application. The Company's representatives participated mainly as experts in the respective field and requirements. The new application was developed by the end of 2019, with the final handover and acceptance planned at the start of 2020.

In recent years, the Company has begun to make active efforts to obtain EU funds in order to secure additional sources of funding for the necessary investments in new systems and equipment to ensure

adequate technological resources, compliance with the relevant legal framework of the European Union, the achievement of the required levels of safety and operational capacity, and the continued competitiveness of its services. Thus, one of the important achievements of the Company is the successful acquisition of European funding for seven projects, two of which have already been completed. Five projects have received 50% co-financing of European funds from the “Connect Europe Facilities – CEF” programme, while two have received 43% co-financing.

So far, the Company has successfully completed the “ATM Data as a service” (ADaaS) project and “Free Route Airspace from the Black Forest to the Black Sea (CEF FRA)” project. Work on the ADaaS and CEF FRA projects started in 2015 and was successfully completed in 2017. The final obligations for the ADaaS project were carried out in 2018, while the “Free Route Airspace from the Black Forest to the Black Sea (CEF FRA)” project will last until 2021.

The year 2019 also saw a successful completion of the “FAB CE wide implementation of DAM and STAM Study” project (DAM/STAM), in which the Company participated as a project partner, while FABCE, Ltd. was the project leader and coordinator. The “Air Ground Datalink Implementation” project (Datalink), in which the Company acted as the promoter and project coordinator, was finalised.

In 2019, the Company continued cooperation as part of a consortium with fifteen other partners (Eurocontrol, Austro Control (Austria), DSN (France), ENAIRE (Spain), FINAVIA (Finland), IAA (Ireland), LFV (Sweden), LVNL (Netherlands), MNAV (Macedonia), NATS (UK), NAVIAIR (Denmark), SMATSA (Serbia and Montenegro), NAV Portugal (Portugal), Aéroports de Paris (France), Belgocontrol (Belgium)) in the “NewPENS Stakeholders Contribution for the Procurement and Deployment of NewPENS (NewPENS)” project, which was granted 50% co-financing from European funds (CEF CALL 2016). The first activities under the project started in 2016 and the project will be concluded in 2020.

Moreover, the Company continued implementing the project “ATM Data as a Service – Cluster Deployment” (ADaaS2), whose implementation constitutes the key element of the Company’s positioning in European area. The project is on the cusp of developing an operational system prototype that will give the Company a competitive edge in the future and an opportunity to engage in an additional market-oriented activity by providing operational services for other air navigation service providers.



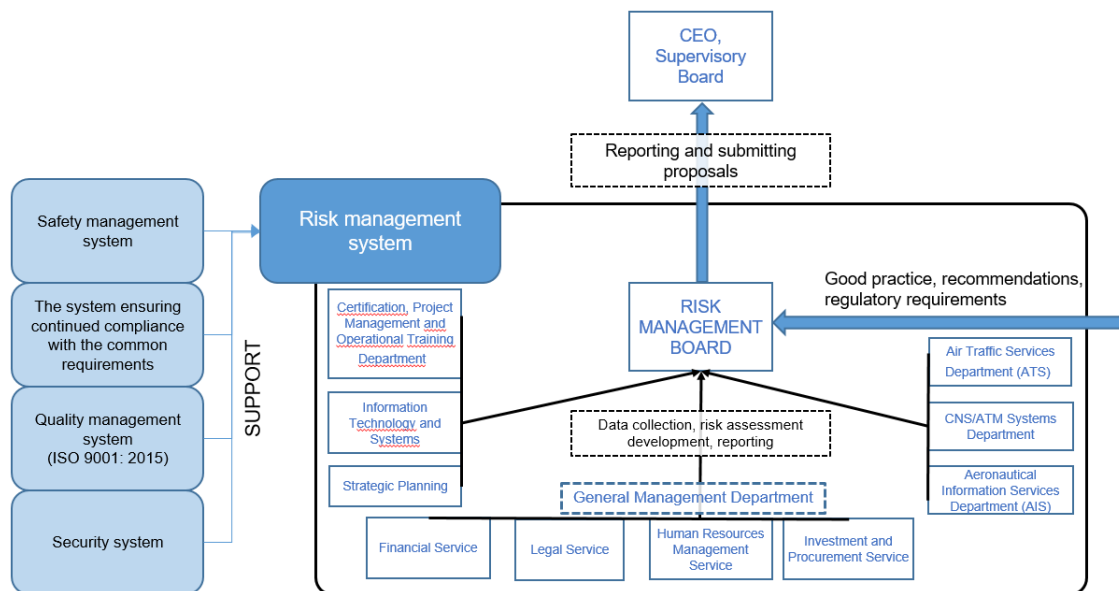
## 7 RISK MANAGEMENT

Air traffic management and control is a highly specific and complex activity that involves a number of general and specific risks. The Company is well aware of the need for the proper management of risks that must ensure the detection and assessment, monitoring and management of key risks for the stability of its operations and results.

Considering its activity, the Company is one of the key factors of aviation safety and represents an element of the country's key infrastructure. As such, it is obliged to mandatorily organise a security service and defence planning, and is an inseparable element of civil aviation; it is obliged to ensure the protection of civil aviation against acts of unlawful interference with the technology of the work of air navigation services and the appropriate level of safety of the Company and its processes. On the basis of the Information Security Act (Official Gazette of the Republic of Slovenia, No. 30/18) and the decision of the Government of the Republic of Slovenia, the Company was designated a provider of essential services.

In line with its activity, the Company's risk management system is effectively supported by a safety management system, a compliance management system ensuring continuous compliance with the common requirements for the provision of air navigation services under Commission Implementing Regulation (EU) No 1035/2011 and as of 2 January 2020 under Commission Implementing Regulation 2017/373/EU, the ISO 9001:2015 quality management system and security system. Since the safe provision of air navigation services is the Company's top priority, safety risk management is ensured through the effective implementation of the safety management system. It is important for the Company to maintain an adequate overview of its risks and appropriate mechanisms for their management. For this reason, a working group (committee) in charge of risk management and the oversight of risk management was appointed. Below is a summary of the position, role and relationships of the risk management system relative to other departments and organisational units within the Company.

Figure 27: Risk management system



The Company uses a quantitative approach to risk assessment, meaning that risks are assessed in terms of their impact on the Company's cash flow, operating results and statement of financial position. Risks are assessed in terms of both their individual impact on the Company's cash flow, operating results and statement of financial position and their marginal contribution to the overall risk with consideration of any interdependencies and correlations between individual risk factors.

the Company's risk profile is influenced significantly by the uniform rules of the European Union (Commission Implementing Regulation (EU) No 390/2013, Commission Implementing Regulation (EU) No 391/2013 and Commission Implementing Regulation (EU) No 317/2019), laying down the

methodology for establishing national cost bases, and thus unit rates or charges, and the traffic, inflation and investment risk-sharing mechanism. The Company primarily quantifies risks in terms of their potential negative impacts on the cash flow, which, due to the risk-sharing mechanism, are greater than the more long-term capital impacts of risks.

The Company has identified the key types of risks that it is exposed to and the mechanisms for managing those risks. As a key strategic risk, the Company recognised the regulatory risk arising from the previously mentioned risk-sharing mechanism (that also allows to express the effects of increasing oil prices and a decrease in economic activity – recession), risk related to strategic planning and risk related to maintaining and renewing the licence (certificate) to provide the Company's services. Among the financial risks, the key risk is the credit risk arising from the Company's exposure to the largest customer in the terminal charge segment. In the group of operational risks, the most important identified risks were the risk of an external extreme event (security crises and wars, terrorist attacks, epidemics, volcano eruptions, etc.), risks related to development and investments and the maintenance of technical systems and devices, security risks (sabotage, vandalism and fire risk) and personnel-related risks. The key information risks identified by the Company are the risk of hacking into the IT system and the risk of failure or destruction of the primary and/or secondary data centre.

Individual risks are detailed further in the document. Within the established risk management system, the Company further pursues a systematic and continuous process comprising the identification, monitoring, measurement, assessment and control of the risks associated with the Company's operations, and reporting on risk management.

## 7.1 STRATEGIC RISKS

In defining its strategic risks, the Company needs to consider its chosen strategy and the risks arising from its implementation. Air traffic management and control is of strategic importance to the state, and hence, so is the overall development of the Company, i.e. the development of new technical systems, infrastructure and technological solutions and the operational provision of air traffic management and control services. Since the Company is heavily involved in the international environment of global air traffic, regional collaboration in all areas is essential; at the same time, the international involvement requires the observation of international agreements and international standards of financial reporting. The main risks arising from the Company's adopted strategy and operations are described below.

Regulatory risk – traffic and inflation risk sharing mechanism: the Company's risk profile is influenced significantly by risk related to the provisions of Commission Implementing Regulations (EU) No 390/2013, (EU) No 391/2013 and (EU) No 317/2019 (relevant for the third reference period 2020–2024), which lay down the methodology for establishing national cost bases, and thus unit rates, and the traffic and inflation risk sharing mechanism and – in the third reference period – the investment risk sharing mechanism. According to the above Regulations, the Republic of Slovenia and thus the Company must, when preparing cost bases that represent the five-year (5) forecast of the costs of provision of air navigation services, provide a forecast of the costs of implementing air navigation services in nominal terms, including the planned investments, traffic projections in line with the latest 7-year forecasts of Eurocontrol and the inflation anticipated by the International Monetary Fund. At the end of each year, however, the Company has to take into account the impact of the risk-sharing mechanism arising from inflation and the traffic and, from 1 January 2020, also investments, as provided for in Commission Implementing Regulation No 317/2019/EU. The determined costs, expressed in nominal terms, are adjusted for each full year (n) based on the difference between actual inflation and projected inflation for that year (n) and included as an adjustment to calculate the unit rate for the year (n + 2). Similarly, in the event of a deviation of the actual traffic from the traffic forecast, resulting in a change in revenue compared to the projected revenue, the traffic risk-sharing mechanism is triggered between air navigation service providers (the Company) and users of services (airlines) where, in the event of traffic deviation:

- up to +/- 2%, the entire risk is borne by the service provider;
- between +/- 2% and +/- 10%, 30% of the risk is borne by the service provider and 70% by the user;
- above +/- 10% the entire risk is borne by the service user.

In the worst-case scenario, the air navigation service provider bears the risk of turnover fluctuations up to -4.4% per year, with a negative impact on revenues, operating result and liquidity situation.

In addition, in the third reference period, the air navigation service provider is exposed to the risk mechanism related to depreciation and the cost of capital related to deviations of actual investments

from the plan. The risk of the described risk-sharing mechanism is expressed in over or under recovery, which must be included (repaid/charged) in the calculation of the unit rate in the year (n + 2).

If the deviations in the inflation forecast and the traffic forecast are significant, as witnessed by the Company in recent years, profits in the year (n) are too high and this is reflected in the loss in the year (n + 2). The impact of the previously described effect of deviations of actual inflation from the forecast and the sharing of traffic risks, and in RP3 also the investment risk-sharing mechanism, may lead to significant fluctuations in the Company's revenues and profit and give an unrealistic view of the Company's performance which it cannot influence, as the method of determining the unit rate and thus revenue and profit/loss is regulated by European regulations.

While the risk arising from the inflation risk-sharing mechanism is exogenous and cannot be influenced by the Company, as it must rely on international institutions when preparing its forecasts, the Company manages traffic risk-sharing by using the most accurate and realistic traffic forecasts for planning, in particular the statistical forecasts of Eurocontrol and the Company's database, regular monitoring of data on traffic, revenues, costs and cash flows, and using short-term credit lines concluded with selected banks for a period of up to one year.

Risks associated with national and international regulations: Air traffic management and the provision of air navigation services and thus the Company's operations are primarily subject to the applicable European legal framework as well as national legislation. Both complementary legal systems change with the dynamics of global air traffic development; these changes affect the Company's operations and, in the worst-case scenario, its very existence. Failure to comply with relevant legislation may result in the imposition of sanctions in inspection and minor offence procedures. Although these risks are exogenous in nature, the Company manages them to the greatest extent possible by successfully participating in national and international professional bodies, by employing the know-how of its own experts and by taking a proactive and systematic approach to monitoring and ensuring the fulfilment of the requirements of the applicable legislation.

Risks associated with international collaboration: In order to ensure its successful operation and development, it is essential for the Company to collaborate with air navigation service providers in other countries and equally important for it to have an equal position in those partnerships. In this respect, the most important issue is the Company's operation within the framework of the functional airspace block, and wider by achieving the targets from the European regulations related to the Single European Sky – SES, as the non-achievement of these goals by the Republic of Slovenia could result in financial sanctions imposed by the European Union on the Republic of Slovenia, while the European legislation does not provide direct sanctions for the air navigation service provider.

The Company is committed to strengthening its role and collaboration with the neighbouring countries in the planned transformation of the regional airspace, at the level of the functional airspace block FAB CE as well as in collaboration and connection with other FABs (BALTIC FAB, DANUBE FAB, BLUE MED FAB, GATE ONE), but also active collaboration with international organisations in the field of civil aviation (Eurocontrol, ICAO, CANSO, ECAC, ATCA).

Risks associated with strategic planning: Investments in the necessary – expensive and sophisticated – technical equipment and technology require long-term planning and international agreements and collaboration. In compliance with the SES legislation, the Company as an air navigation service provider is obliged to prepare annual and five-year business plans that must reflect compliance with the applicable Performance Plan of the functional airspace block, of which the country is a member. In compliance with this law, the performance plans cover five-year reference periods (2019 is the last year of the second reference period (RP2) between 2015 and 2019 covered by the Performance Plan for FAB CE). Among other things, the Performance Plan includes the established expenses for air navigation services for each year of the reference period, and for each charging zone and planned investment, including those that are required to achieve the success targets, with a detailed description of their suitability in relation to the central ATM plan in Europe, the strategic network plan and common projects. In relation to strategic planning, the Company is exposed to the risk of not planning all required investments in the performance plan as following from binding regulations defining the requirements in relation to the further technological development in air navigation services; consequently, it will not have the cost of such investments covered by the unit rate.

The Company controls the risk through strategic planning, regional collaboration and integration in the FAB CE project and investment planning in accordance with European regulations laying down the requirements for further technological development (the European ATM Master Plan, SESAR).

Risks associated with asset acquisition and ownership: The adoption of amendments to the Aviation Act and the Act on the Provision of Air Navigation Services provided a regulatory basis for the transfer of the infrastructure owned by the state and used by the Company to the Company as a capital contribution, which was carried out in December 2013.

The Company actively collaborated with the relevant ministry to conclude a general long-term agreement between the Company and the state arranging the relationships in connection to the use of the land containing the facilities, systems and equipment intended for the provision of air navigation services. The Agreement regulating mutual relations and the establishment of a building title for the purpose of providing air navigation services in the Republic of Slovenia was concluded on 30 December 2019 for a period of 30 years. The executed Agreement also regulates relationships in connection to the use of the land containing the facilities, systems and equipment that were transferred into the ownership of the Company through the capital contribution and are intended for the provision of air navigation services. This will enable the Company, as an air navigation service provider, to comprehensively plan, develop, acquire and maintain the necessary capacities for the provision of air navigation services, particularly for ensuring the safety and smooth flow of air traffic in the Slovenian airspace, in accordance with EU regulations.

Market and market structure: This is an exogenous factor triggering risks that, in the European Union, where borders between countries, especially in air traffic, are blurring, are reflected in the changing structure of air traffic. This means changes in the air traffic scope which affects the intensity of the load on key air traffic management and control work processes and bears a quantitative impact on air traffic service units. Although this factor is exogenous in nature and the Company has no direct influence on the market structure and cannot discriminate between service users under the applicable legislation, the Company primarily responds to the resulting risks through the dynamic adjustment of the airspace capacities within its domain.

Maintaining and renewing the licence (certificate) to provide air navigation services: In accordance with Slovenian and European legislation, the Company must meet the prescribed requirements for air traffic management providers and air navigation service providers and maintain a licence (certificate) to provide services as a key condition for the performance of its principal activity. This is a markedly exogenous source of risks that are managed by the Company to the greatest extent possible by using a time-progressive, systematic methodology to monitor and ensure compliance with the requirements for the provision of air navigation services, by providing capacity to monitor compliance, proactively developing the methodology of cause-and-effect analysis to determine the reasons of inconsistency, if any, by effectively planning and implementing corrective actions in due time as well as by providing the conditions to develop the competencies required to demonstrate compliance.

EU-wide performance targets: Achieving the targets laid down by the state as binding targets in its Performance Plan, on the basis of which the Republic of Slovenia contributes to the achievement of the EU-wide targets and the targets of the FAB CE, has a significant impact on the Company's operations. In compliance with the European Single European Sky (SES) legislation, the Company as an air navigation service provider is obliged to display an appropriate contribution to the achievement of national performance goals in compliance with the EU-wide performance targets defined in the applicable Performance Plan of the functional airspace block of which the country is a member. The Republic of Slovenia bears the responsibility to achieve the targets.

The Company manages the associated risks by harmonising its annual and five-year business plans with the adopted Performance Plan, monitoring the achievement of the targets set for the key performance areas on a quarterly and annual basis, analysing the reasons for any deviation of its results from the targets, reporting, and adopting effective corrective measures in a timely manner.

Quality management system requirements under international standards: International standards of quality contribute to the Company's focus on quality, helping it to be a more economical and flexible organisation that is better equipped to pursue new opportunities in the increasingly competitive global market. If the Company does not implement quality management standards into its operations, it could lose satisfied customers and its competitive advantage in the market, which could result in a loss of operating revenue. The Company introduced more detailed records of risks by area and started establishing the information protection system SIST ISO/IEC 27001 with security risk assessments. From the aspect of the Company, therefore, the key risk and greatest possible loss are related to the loss of the certificate required to provide air navigation services. The Company's steps to control the risk related to quality management are the regular monitoring and fulfilling of the requirements of the

standard, employee training, regular internal audits, monitoring compliance through processes and documentation, and annual external audits by the accreditation firm.

## 7.2 FINANCIAL RISKS

The Company is exposed to all financial risks in its operations to some degree:

Interest rate risk: the Company has outstanding loans with interest rates tied to Euribor. This makes the Company exposed to (reference) interest rate risk – the risk of major changes in Euribor in a given period of time that would result in changes in interest payments for the Company. The Company does not yet have any agreements in place to hedge against the risk of an increase in the Euribor rate, but manages interest rate risk by monitoring interest rates, negotiating competitive borrowing terms with credit institutions, planning for any necessary additional financial resources and quantifying the risk in terms of its impact on the Company's cash flow as a basis to decide on appropriate hedging against the risk.

The impact of potential changes in variable interest rates is assessed in the financial report, section 3.2.27 – Financial instruments and financial risk management.

Raw material price risk: Although the Company's sales prices are not directly dependent on the prices of raw materials or services, the Company is indirectly exposed to oil price risk. Changes in oil prices can bring about negative effects (lower sales) for the Company in the event of a minor drop as well as a major increase:

- Air carriers are faced with the issue of optimisation, where the boundary conditions comprise oil prices on the one hand and en-route unit rates on the other. In the event of a minor decline in oil prices, air carriers can opt for longer routes so that they pay lower route charges, which effectively translates to lower revenues for the Company.
- In the event of a major increase in oil prices, a general decline in the number of en-route flights is to be expected, which again results in lower revenues for the Company.

The Company controls the risk by applying the most precise and realistic traffic predictions available for planning, especially statistical predictions of the Eurocontrol organisation and the Company database, regular monitoring of data on traffic levels, revenues, expenses and cash flows and by utilising short-term credit facilities obtained from selected banks for a period of up to one year.

Counterparty risk (credit risk): The Company has two main sources of revenue, i.e. revenue from en-route charges (in the en-route phase) and revenue from terminal charges (in the approach and departure phases). Default risk arises in the terminal charge segment, as the Company's revenues from terminal charges are characterised by an extremely low degree of customer diversification, as more than half of the revenues from this source come from a single customer. In terms of this risk, it is important that revenues from terminal services account for less than 10% of all sales revenues.

The Company controls this risk by participating in the common service charging and collection system through the Eurocontrol organisation (the service fees to airlines are charged by Eurocontrol and then transferred to the Company). The Company monitored the performance/financial health of the main customers and it adapts/extends the payment conditions; in case of increased risk (such as a possible bankruptcy) the Company can hedge with its own capital reserve (in this case the required capital equals the expected loss from credit risk); it could also check the option of insurance by specialised insurance companies.

Until the largest client stopped operating (bankruptcy), its share in the segment of terminal charges accounted for about half of the total, so the Company constantly monitored the operations and financial health of that client. The largest partner in terminal services, Adria Airways, d. o. o., has not been paying its obligations for terminal services regularly since 2010. As a result, the amount of total and overdue liabilities of Adria Airways, d. o. o., for terminal services rendered has been fluctuating from one year to the next as well as during the year. On 2 October 2019, the Kranj District Court issued a decision on the commencement of bankruptcy proceedings and the declaration of the bankruptcy proceedings against Adria Airways, d. o. o. On 2 October 2019, when the bankruptcy proceedings of Adria Airways d. o. o. started, the Company's receivables from Adria Airways, d. o. o., for terminal services provided without default interest amounted to EUR 434,603.55, which is significantly less than the debt at the end of 2018 (EUR 1,129,715.22), as the Company managed to greatly reduce the amount of receivables from this partner. In accordance with the signed agreement between the Company and Eurocontrol, based on which Eurocontrol charges and collects fees from users of terminal services, the Company's receivables

from Adria Airways, d. o. o., arising from terminal services provided equalling EUR 434,603.55 of principal and EUR 262,482.00 of default interest were registered on its behalf by Eurocontrol.

Moreover, based on a multilateral agreement of the member states with the Eurocontrol, whereby the latter charges and collects fees from service users for all member states and their air navigation service providers, the Company was represented by the above organisation in the procedure of receivable registration in the bankruptcy proceedings against Adria Airways, d. o. o., in relation to en-route charges. The total amount of receivables of all members of Eurocontrol arising from unpaid route charges with default interest is EUR 1,277,702.99, and the Company's share is EUR 115,486.36.

Liquidity risk: Although liquidity risk cannot exist in the absence of other risks that can cause a decline in revenue or an increase in expenses, some companies are exposed to a higher degree of income or expense shocks due to seasonal effects. Due to the seasonal effects on its operations/activity, the Company is mainly exposed to liquidity risk during the winter season. The Company manages the risk through the regular weekly and monthly monitoring of data on traffic levels, revenues, expenses and cash flows and by utilising short-term credit facilities.

Price risk: Price risk is managed by calculating charges in accordance with European Union regulations and the guidelines provided by Eurocontrol, i.e. the Principles for establishing the cost base for en-route charges and the calculation of the unit rates. Accordingly, the prices for services are established on the basis of the estimated costs and traffic. Owing to the traffic risk sharing mechanism, price risk is low and manageable.

Price risk is managed by calculating charges in accordance with regulations of the European Union and the guidelines provided by the European Organisation for the Safety of Air Navigation (Eurocontrol), i.e. the Principles for establishing the cost base for en-route charges and the calculation of the unit rates.

Concentration risk: Due to the relatively high degree of customer diversification in the en-route service segment, the risk associated with revenue concentration is low, as the largest customer does not contribute a high percentage of the total revenue in the segment. However, the Company is nevertheless exposed to concentration risk, as the Company could not fully compensate for the loss of revenue that would be incurred in the event of the potential loss of one of its five largest customers, which would result in lower EBITDA.

Although the largest customer in the terminal service segment had contributed a large share of the revenue up until and including 2019, this was less significant in terms of risk, as revenue from terminal services makes up less than 10% of the Company's total sales revenue. The Company does not expect to have such a high share accounted for by one customer in the future.

### 7.3 OPERATIONAL RISKS

The Company's main operational risks are as follows:

Extreme external events and risks associated with the occurrence and duration of security crises in the region and wider: an extreme external event such as e.g. natural disasters (volcanic eruptions), possible terrorist events, security and political crises (Middle East) and potential disease epidemics, could have short-term (up to one year) significant negative effects on revenues and consequently the Company's cash flow due to loss of revenue owing to a decline in the number of en-route flights. In this group, the Company mainly classifies global economic crisis, coupled with security crisis (e.g. in the Middle East and also Ukraine), which constitutes an exogenous factor that, given the duration and severity of the crisis, significantly affects the volumes of air traffic around the world, fuel prices and the choice of tourist destinations. This has a direct impact on air traffic flows and the choice of air routes that can result in major fluctuations in the volume of services, particularly for smaller countries. All of that places the realisation of the Company's annual plan and its objectives at considerable risk. These are noticeably exogenous factors and the Company controls their controllable part by applying the most precise and realistic traffic predictions available for planning, especially statistical predictions of the Eurocontrol organisation and the Company database, regular monitoring of data on traffic levels and the dynamic adaptation of the capacity of airspace it manages.

Recession risk: recession risk is one of the most important risk factors to which the Company is exposed in its operations (in terms of the potential negative impact on the Company's operating results). This risk is mainly realised through the decline in demand following the onset of a recession. This results in a loss of revenue and a decrease in EBITDA, meaning a direct negative impact on the Company's

operating results. Recession risk is mainly mitigated by said risk-sharing mechanism provided for by Commission Implementing Regulation (EU) No 391/2013, as explained above. The Company controls this risk by applying the most precise and realistic traffic predictions available for planning, especially statistical predictions of the Eurocontrol organisation and the Company database, regular monitoring of data on traffic levels, expenses and cash flows and by utilising short-term credit facilities obtained from selected banks for a period of up to one year.

Risks associated with fluctuations in air traffic flows and related factors (unforeseen air traffic restrictions in neighbouring countries): the Company manages these risks by monitoring air traffic levels on a weekly, monthly and quarterly basis, dynamically adjusting the airspace capacities within its domain and making operational adjustments to air traffic management and control, which, especially adjustments to the route network, have a delayed effect.

Airspace congestion risk: with the rapid growth of air traffic in recent decades and forecasts for further growth of this field in the world and in Europe, the Company as an air traffic management and control service provider in the very small Slovenian airspace is exposed to the risk of airspace traffic congestion. The Company manages this risk well, as a network manager (Eurocontrol) is appointed to prevent airspace congestion by strategically (on a long-term basis) and tactically (on a daily and hourly basis) managing the air traffic flows in the European airspace. The risk is thus managed through the proper planning of traffic flows through the Slovenian airspace.

Key employee risk: this risk in relation with key employees of the Company arises from three sources – the risk of departure, the risk of death of a key employee and retirement risk. Although the Company data indicate a rather low fluctuation, this can have negative effects on the Company's performance (especially the cost of employment and training of new staff) that are hard to measure. The Company controls this risk by HR planning, by regulating employees' social rights, by adequate remuneration, good working conditions, a regulated working environment and established measures in the field of occupational health and safety.

The human resources risk also arises from the deficient systemic (legal) regulation of retirement conditions, which does not provide the employer with effective levers for managing human resources – the employer has no influence on the employee's decision to retire despite the fulfilment of conditions, which can be extremely important as regards operational staff (loss of competence). The Company manages the risk by establishing a system for verifying and maintaining competences and by appropriate flexibility, constant monitoring and analysis of personnel needs and timely provision of substitute personnel where the need to replace existing employees has been identified.

Risks associated with development and investments and the maintenance of technical systems and equipment used for the performance of the Company's activity: this is a compound risk; one part refers to new investments into technical systems and equipment in accordance with technical requirements based on the national and EU law; the largest partial risk refers to the operational risk embodied by a serious malfunction of one or more major technical systems or equipment. The Company controls this risk by applying a number of steps; the main steps are:

- adequate and timely planning of new investments into technical systems and equipment;
- established preventive maintenance and 24/7 monitoring of the operation of technical systems and equipment and through upgrades aimed at achieving an economically and operationally viable improvement in the reliability of the technical systems and equipment;
- continuous development (including the acquisition, maintenance and renewal) of the competencies of technical staff for the preventive and corrective maintenance and monitoring of technical systems and equipment for the performance of the Company's activity;
- limitation of negative impact by providing an appropriate redundancy for key components of technical systems and equipment; this shortens the time of unavailability of the partial functionality, and in crucial cases, the system redundancy (back up) eliminates the time delay due to the unavailability of air navigation service functionalities;
- limitation of the negative impact by providing an adequate reserve of key components of technical systems and equipment, thereby reducing repair times as well as the Company's dependency on the suppliers of systems and equipment (at least in the short term);
- the partial risk that arises from dependency on equipment suppliers, the complexity of systems and equipment and their integrated nature, which prevents a quick change of suppliers, is controlled through safety management by monitoring suppliers and external providers and adequate SLA (Service Level Agreements) defining the technical details on the suppliers' response in relation to

the criticality of the parameter establishing risks related to the maintenance of technical systems and equipment.

An important risk in this group is the risk of failure of TEH1 and TEH2, which means a simultaneous failure of ATM systems in the mutually redundant rooms TEH1 and TEH2, including RDD1 and RDD2; in an extreme-case scenario this can paralyse the Company and, due to the failure of mutually redundant systems, cause a large loss of revenues over a longer period as well as damage to the assets (equipment, systems). In addition to these risk control steps in relation to technical systems and equipment, the following steps are also important to control this risk: fireproof barrier/wall between TEH1 and TEH2, power line layout following the TIER IV standard (highest redundancy rate), separate cooling systems, the duct under TEH1 and TEH2 protects the premises from floods, prepared and regularly updated supervision procedures in the System Monitoring and Control Centre, SLA with electricity distributors and for uninterruptible power supply systems and auxiliary diesel generators, adequate contingency procedures for air traffic controllers for taking action in such circumstances (such as guidance using battery-operated radio stations) and agreements with neighbouring air traffic service units for acting in such situations.

Security risks associated with the large number of buildings (including off-site buildings): the Company needs to constantly assess and measure the security risks in its environment and modify the risk assessments and adjust its integrated security concept accordingly. Based on proper security risk assessments, the Company is able to take preventive measures and mitigate the risks as well as any damage or harmful occurrences that might arise due to unidentified and unaddressed security risks. The risks are managed through proper planning, investments and regular security risk management procedures. In this risk group, the Company identified two key risks from the point of view of possible negative impact: the risk of sabotage or vandalism, and the risk of fires.

An act of sabotage or vandalism at the Company's business facilities may result in both the cost of remediation and disturbance in the performance of activities and consequent revenue loss. The Company controls this risk by protecting facilities, systems and devices with technical security systems, mechanical systems (i.e. fencing) and fire reporting, by remote control over the operation of systems, by raising employee awareness and property insurance.

In the worst case scenario, a fire can have significant negative effects on the cash flow of the Company, both through the damage caused to the Company's assets (the Company has fire insurance, but it would nevertheless suffer a liquidity shock in the short term); as well as, in the worst case scenario, also the failure to do business in a given period and the resulting loss of revenue. Considering the possible consequences, the Company controls this risk with the following measures:

- adequate fire safety planning;
- by providing adequate fire protection training;
- by providing the required preventive technical inspections; technical assets, an adequate replacement of worn parts;
- installed early fire detection or warning systems;
- adequate performance of hot temperature works;
- contractually agreed responses from intervention services (transfer of fire alarm signal devices to the fire-fighting centre facility, such as GRS Kranj, connection through Infranet);
- early fire detection sensors installed in technical facilities;
- installed equipment and installations selected with the aim to minimise fire risk;
- 24/7 operation of the System Monitoring and Control (SMC) and the Security Control Centre (SCC) – fast detection and localisation of fires in the shortest possible time;
- adequate property insurance.

Economically unreasonable demands for aerodrome control unit operating times: the Company responds to such demands by maintaining an active dialogue with all stakeholders and finding suitable solutions for cost optimisation in the terminal service unit cost base.

Safety management system requirements: the processes of the safety management system must be in line with the regulations of the European Union and the Republic of Slovenia, standards, requirements and recommendations of international civil aviation organisations (ICAO, CANSO) and the recommendations of organisations and associations operating in the field of air traffic safety management. International and national regulations, standards, requirements and recommendations and identified good practices of safety management help the Company to focus on the efficiency, formalities, transparency and cost-effectiveness of safety management system processes, which



contributes to the highest possible level of safety of air navigation services. Achieving and ensuring compliance of the safety management system with the applicable requirements and regulations and continuously improving established processes is a key factor for the Company, as in accordance with European legislation (Commission Implementing Regulation No 1035/2011/EU and Commission Implementing Regulation No 2017/373/EU) it is a condition for maintaining the validity of the licence (certificate) for its activity.

In accordance with the provisions of the Act on the Provision of Air Navigation Services, the Company, as an air navigation service provider, maintains liability (professional indemnity) insurance with appropriate coverage and property insurance against damage to or the destruction of systems, equipment and buildings. The Company controls all of these risks by maintaining an active air traffic safety management system. In addition, it controls the risk associated with compliance requirements for the safety management system by regularly monitoring and complying with the applicable regulations and requirements, training employees, conducting internal audits, monitoring compliance through processes and documentation, with annual external audits checking the effectiveness of the safety management system (EASA, Eurocontrol, CANSO) and annual external audits checking the safety management system.

The risk of a customer being placed on the list of air carriers that are banned from operating within the European Union (the air carrier blacklist): The European Commission regularly updates the list of air carriers that are banned from operating within the European Union due to their failure to ensure adequate passenger safety. According to the information from the European Commission, the list of air carriers that are banned from operating within the European Union due to their failure to meet the relevant safety standards currently includes 115 air carriers.

Although this has never happened in the past, the inclusion of one of the Company's customers on the blacklist could affect the Company's revenue. The extent of the impact depends on the share of revenue contributed by the relevant customer. Taking into consideration the structure and origin of the airlines on the blacklist, the Company's exposure to this risk is considered negligible.

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

- ensuring sufficient financing for investments in new systems and upgrading end-of-life technical assets on a regular basis and in a timely manner;
- ensuring that its technical assets are installed and maintained by highly qualified technical staff;
- regularly examining its processes to maintain its certificate of quality under the ISO 9001:2015 international standard;
- undergoing routine and ad-hoc inspections by the Civil Aviation Agency of the Republic of Slovenia;
- annual independent audits of its operations by an audit firm selected by the Founder.

## 7.4 INFORMATION RISKS

The Company is exposed to information risks in relation to business data management, business information systems and internal business processes. Information and information technology (IT) systems provide significant support to the Company's operation and, due to the nature of the Company's activities, to the business processes of its partners. 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 its information security issues, the Company requires a comprehensive security strategy. Thus, the Company has set up a Cyber Security Department as a supervisory entity, which also lays down measures and checks their implementation at individual levels of the organisation.

Information security comprises a number of elements ranging from network and infrastructure security, application and database security, security testing, information system audits, personal data protection and security, and business continuity planning, to digital forensics and computer crime prevention procedures.

The main objectives of information security are to protect and preserve the confidentiality and integrity of information and its availability to authorised users (ISO 27000:2014).

The Company's primary goal in the field of information security is to comprehensively manage the risks that arise in this area on a daily basis and to protect all critical infrastructure from any intentional or

unintentional abuse which could result in service outage or damage to the Company or related activities. While in the past information security goals were defined mainly through IT measures and thus reduction in the number of solutions in use and increase in cost effectiveness, a more comprehensive overview is crucial today. The Company employs IT resources in all areas of operation; they constitute both operational and business systems, even industrial systems and shading or ventilation systems for offices. Focusing solely on business information systems is thus insufficient. In this regard, the Company pays great attention to pursuing its security policy, raising user awareness and constantly monitoring innovations and possible attacks and abuses taking place in the neighbourhood and in a wider area. Through the operations of the Cyber Security Department the Company addresses all elements of information security: confidentiality, integrity, availability, authenticity, reliability, risk management and controls.

Information security standards form an integral part of the Company's information system and constitute a security factor at an organisational, physical and personal level. The main aim is to protect data and information systems against illegal access to or the use, disclosure or destruction of data regardless of their form by applying the abovementioned information security elements. This entails ensuring the integrity of operating systems, regardless of the level of confidentiality of the data they process. Aviation information is often public or publicly available and may thus frequently be misinterpreted as irrelevant from the information security perspective. In the past, information security primarily dealt with the risk of disclosure of confidentiality or possible abuse in this context. As a result, most key operating systems could avoid closer treatment of cyber risks in the past simply because of the nature of the information they process, while it is these systems that enable the Company's core activity to be carried out.

The legal and organisational basis for this is information security and the related security policies governing the individual elements. For this purpose, the Company is revising its umbrella security policy document, which includes all the elements that lay down and regulate the procedures, actions and rules in relation to information system security.

The Company has been managing information risks since 2016. In the process of identifying them, it tackled the detected risks by reducing and limiting risk occurrence in 2016–2018. The problem with such an approach is both the cybercrime industry and the fact that the Company's business informatics is only part of the systems that can be targeted by attacks. Recent risk assessments (2018, 2019) have revealed that the Company must institutionalise this area and uniformly cover the updating of all changes implemented in the areas of information systems. To this end, the Cyber Security Department has been established and included in change management systems in terms of procedure.

As cyber attacks to critical infrastructure and aviation in general are on the rise, we devote special attention to this issue. Therefore, in addition to previously discovered risks, cyber risk is integrally considered and consequently, measures for their reduction are in place.

New forms of information support for work processes will be continuously implemented throughout the Company, or existing processes will be upgraded. The Company will manage processes through appropriate organisation, the involvement of different specialist units, internal auditing, thorough testing and careful project management. The Company will ensure that its information systems operate smoothly in 2020 without any major interruptions that would noticeably affect the Company's operations. For this purpose, it will extend capacities of the disaster recovery centre as well as other areas of its activity.

In 2020 the Company will continue to implement intensive steps and changes in information systems required to comply with Regulation (EU) No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (OJ L 119 of 4.5.2016, p. 1) (hereinafter referred to as "Regulation No 679/2016/EU"), Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union (OJ L 194 of 19.7.2016, p. 1), Critical Infrastructure Act (Official Gazette of the Republic of Slovenia, No 75/17) and other binding legislation. To that end, The Company will reinforce its infrastructure by providing software, hardware and security equipment with integrated hardware and software at remote sites as well. The Company will also continue to pursue its strategy of collaborating with various IT experts and suppliers in software development to ensure adequate capacities for critical development needs. The Company will continue to implement major projects with new business services with the help of IT experts, local IT suppliers and its own personnel to maintain the necessary expertise.

## 8 SUSTAINABLE DEVELOPMENT

The Company operates and plans the future development of its activity with consideration of economic, social and environmental aspects and the impact of its activities on its immediate and wider environment. The Company, therefore, fosters and promotes a responsible attitude towards its employees, environmental care and investment in sustainable operations and respects the fundamental principles of social responsibility, such as:

- ethical and honest business practices;
- the fair and equal treatment of employees and users of our services;
- environmental responsibility; and
- a responsible attitude towards the local community and the broader social environment.

Social responsibility and sustainable development are integrated into the entire organisation of the Company and concern all stakeholders who have any interaction with the Company.

### Code of Ethics

The Company is an important service company that ensures the safe and efficient flow of air traffic in the Republic of Slovenia. The provision of air navigation services, as the Company's principal activity, necessitates the continuous involvement and training of all employees to achieve the Company's objectives, strict adherence to high ethical standards, and an understanding of the shared values and mission of the Company. The Company has, therefore, developed a Code of Ethics that lays down the Company's core values, the relationships between the Company and its employees, and all the areas of responsibility – the Company's responsibility to the Founder, the management's commitment to leading by example, the Company's responsibility to its employees, employees' responsibility to the Company, the Company's responsibility to the users of its services, partners and officials, the Company's responsibility to the wider community and the Company's responsibility to the public and the media. The Code also includes provisions on its implementation, the monitoring of its implementation and its further development.

The Company has also identified and defined the common values that guide all of its employees and form an integral part of its organisational culture and the foundation of its mission and vision. The relationship between the Company and its employees is thus based on:

- mutual trust and honest cooperation;
- the mutual knowledge that compliance with ethical and legal standards in business operations is in the common interest of the Company and employees;
- maintaining a workplace that attracts highly qualified personnel;
- ensuring equality, regardless of race, nationality, gender, sexual orientation, religion, disability or age;
- maintaining a workplace that is free of discrimination, harassment or repression;
- maintaining an open-door policy that enables employees to approach the Company's management, and employees using that opportunity;
- creating a culture focused on efficiency for the benefit of the Company as well as employees with a competitive remuneration system and fair and objective monthly evaluations that consider employees' individual contribution to the achievement of the objectives and the efficient operation of the Company as a whole; and
- employees maintaining proper behaviour and an appropriate personal appearance as a reflection of self-respect and respect towards co-workers and the Company and with a view to contributing to the positive image of the Company.

By adopting the Code of Ethics, the Company laid down guidelines for the conduct of all individuals involved with the Company in any way, i.e. its employees, representatives of its management or supervisory bodies, its business partners and the users of its services.

The Code of Ethics includes a number of guidelines and principles but cannot replace the independent decision-making and conduct of each individual. The Company is, therefore, aware of its responsibility to actively and consistently enforce the fundamental principles and rules of the adopted Code in practice and ensure its further development.

## Responsibility towards employees

The Company pays great attention to maintaining a respectable, creative and friendly working environment. Motivation, experience and knowledge of employees, including the quality of mutual relations and following new developments in management make a significant contribution to promoting the creativity of employees and to the positive day-to-day pace of the Company.

The Company pays special attention to employee know-how and strives to ensure professional training and qualifications to all employees. The encouragement of innovation in employees is of special importance for the Company, as with their own innovation, know-how and experience employees contribute to the results of the Company. The Company also displays its responsibility towards employees by providing safe working conditions, motivating, praising and recognition for successfully completed projects, as well as internal communication. Communication has a positive connection with the satisfaction and productivity of employees; therefore, the Company communicates and exchanges information in person, as well as in the spirit of fast electronic communication through the intranet and internet. In the interest of the work-life balance, the Company enables employees to effectively perform their obligations at work and at home. Leading by example and respecting the Code of Ethics, the Company promotes respectful and responsible behaviour among all employees towards co-workers, customers and business partners. At the same time, the Company strives to maintain a work environment that attracts highly qualified personnel. It integrates all employees into the business process without discrimination, so that everyone in their field for which they are employed can co-create the Company's success.

The Company regularly encourages dialogue between colleagues in the context of formal and informal meetings with professional, sports or social activities which help to strengthen mutual relations. The management meets with representatives of the works council on a regular monthly basis with the aim of strengthening employee involvement in management and in joint efforts to achieve the best possible business results, maintain good relations within the work and decision-making process and meet the Company's objectives.

Employee health and safety is one of the Company's most important values. To ensure a safe work environment, the Company provides its employees with personal protective equipment that meets all the applicable standards, is appropriate given the nature of work at the Company and is used consistently by employees. In accordance with the adopted Safety Statement and Risk Assessment, the equipment is regularly checked by external certified occupational safety experts. The Company devotes a great deal of attention to work safety training through targeted, technically oriented lectures and practical training implemented by experts that provide employees with all the necessary information for the correct use of personal protective equipment.

In accordance with its Workplace Health Promotion Strategy, the Company has a health promotion programme in place that encompasses advice, suggestions and measures in relation to healthy and balanced nutrition, general physical activity as well as physical activity in the work environment, the prevention of injuries at work (particularly in terms of workplace ergonomics), mental healthcare, the prevention and management of stress, the prevention of psychoactive substance abuse and the prevention and management of mobbing in the workplace. The programme is aimed at improving the satisfaction and general well-being of the Company's employees, cultivating a positive workplace atmosphere, reducing sick leave, maintaining a low employee turnover and preserving and improving the Company's reputation as an employer.

The Company will continue to provide a work environment that has a positive impact on employee satisfaction. Among other methods, the state of relations and employee satisfaction will be checked through employee satisfaction surveys, the results of which will be used to plan further activities for improvement.

## Environmental responsibility

In planning and executing its activity and business, the Company strives for the highest possible environmental responsibility, considering the requirements of the relevant regulations and standards in this area. One of the Company's most important contributions to sustainable development is the new ATCC facility, which was constructed in compliance with regulatory environmental policies aimed at ensuring maximum energy efficiency and preventing environmental pollution. The Company is systematically reducing its impact on the environment and habitat by closely monitoring its energy consumption and the related costs. New purchases are always made in line with internationally

recognised guidelines for energy efficiency and development in the area of energy and environment management. As obliged to public procurement law, the Company also follows the principles of socially responsible public procurement by including environmental and social aspects in the procurement process.

In cooperation with the neighbouring air navigation service providers, the Company strives to expand the SECSI FRA area. The cross-border free route airspace brings an added value in the form of reduced greenhouse gas emissions and lower fuel consumption, which constitutes a major step towards the goal of a zero-carbon society, as well as reduced travel times and thus greater mobility. These efforts are consistent with the goals of the Single European Sky.

Energy efficiency (EE) and the use of renewable energy sources (RES) are among the topics that are part of our daily lives and everything points to the fact that stable energy supply will be one of the main issues in the development of the Company as a whole. One of the Company's contributions to sustainable development is the return of the electricity generated in the mandatory regular monthly testing of DEA devices ensuring the uninterrupted power supply for the ATCC facility, into the network. With the uninterrupted power supply for systems, the Company uses modular energy too, and this allows to optimise the consumption of electricity (adaptation of modules' operation depending on the requirements). The Company contributes to the reduction of energy source consumption by investing into technologically advanced systems and devices. It also cooperates with the Institute for Non-Ionising Radiation to analyse the impact of its activity on the environment and people's health, especially for the radiation of radar systems. The high level of awareness is also reflected in the rational use of energy, as the Company is included in the tertiary frequency control system. With its mandatory secondary power supply systems, and operational systems for air traffic management and control, it constitutes a virtual power plant that provides for the Slovenian electric power network the electricity production capacity of 640 kW, which is produced in accordance with the current (daily) needs of the Slovenian electric power network.

Due to the nature of its activities, the Company does not generate any hazardous waste, and the Company will in no case produce more than 150 tonnes of waste or a total of more than 200 kilograms of hazardous waste in the calendar year, which would necessitate the drafting of a waste management plan. The Company reports to the Slovenian Environment Agency on waste generation and handling and keeps records in accordance with the Decree on waste (Official Gazette of the Republic of Slovenia, No. 37/15 and 69/15).

With development issues, the Company will continue to include in its business activities the fundamental principles of social responsibility in accordance with international and domestic regulations and standards, with a fair attitude towards users of services and suppliers, and a careful attitude towards the nature and the environment in which it operates.

### **Responsibility towards service users, partners and officials**

The Company's services are focused on meeting the needs, reasonable requests and expectations of our users. We meet the need for top-quality services through professionalism, openness to new ideas and international collaboration and by pricing our services in accordance with EU and national legislation.

Fair work and proper cooperation with all business partners and officials is the primary conduct of the Company. In preparing contracts and cooperating on the basis of concluded contracts, the Company always takes into account the aspect of transparency and fairness. As the Company is liable to implement public procurement procedures it takes care that regulations and basic principles in this area are respected. As a liable party under the Public Information Access Act (Official Gazette of the Republic of Slovenia, No. 51/06 – official consolidated text, 117/06 – ZDavP-2, 23/14, 50/14, 19/15 – CC decision 102/15 and 7/18) the Company treats claims of legal or natural persons in a non-discriminatory way and respects the provisions of the law. At the same time, it strives to enforce the fundamental principles and elements of the corporate integrity system.

The Company shows its responsibility towards the users of its services through all formal and informal forms of consultation with users as presented in section 3.13.

### **Responsibility towards the local community and the broader social environment**

Well aware of its responsibility towards the local community and the broader social environment, the Company supports a variety of non-profit social activities and cultural, sports and humanitarian projects, especially activities and events that are related to our principal activity – aviation. We wish to contribute to the continued development of aviation in the Republic of Slovenia as an extremely important sector of the economy.

## 9 KEY PLANS FOR 2020 AND EXPECTATIONS FOR THE COMPANY'S DEVELOPMENT

The Company's key plans for 2020 are focused on the efficient performance of its principal activity of providing air traffic management services and air navigation services in the Republic of Slovenia. Ensuring the high-quality, flexible and cost-efficient performance of its activity, the Company will focus on achieving its primary goal, i.e. ensuring a high level of air traffic safety, while contributing to the reduction of the negative impact of its operations on the environment.

Air traffic safety management is essential for the activity of air traffic management and control and is the most important common thread of all business processes. In order to ensure the necessary level of air traffic safety, the Company will carry out its activities in line with the established safety management system (SMS) processes, which were developed on the basis of national and EU regulations and the standards and recommendations of international civil aviation organisations. The Company will work on the continuous enhancement of individual and organisational safety culture based on the implementation of the recommendations stemming from the analyses conducted in previous periods.

The Company will make its best efforts to carry out its activities to the extent necessary to meet air traffic demands, with as few restrictions and delays as possible, and thus ensure the achievement of the performance targets in the area of capacity in accordance with the 2020—2024 Performance Plan for the Republic of Slovenia as well as the EU-wide targets. The Company will meet the needs with regard to the operating times of all international airports in the Republic of Slovenia as required by the traffic at those airports.

Activities consistent with EAAS (European Airspace Architecture Study) will be intensified in the scope of FAB CE. The main objectives will be covered in the new FAB CE Strategy and the most important strategic projects will focus on airspace optimisation (with more intensive cross-border cooperation) and the optimisation of regional infrastructure.

With consideration of the economic conditions and the anticipated growth of air traffic, the Company will also strive to achieve the performance targets in the key performance area of cost-efficiency in accordance with the 2020—2024 Performance Plan for the Republic of Slovenia by managing all of its operating costs.

In 2019, the Company participated in drafting the Performance Plan 2020—2024 for the Republic of Slovenia, which lays down binding performance targets in accordance with the European regulations on the Single European Sky (SES), set by the Republic of Slovenia for the third reference period of monitoring key performance indicators (KPIs) in 2020—2024 as regards the provision of air navigation services. While the European Commission has not yet commented on the compliance of the objectives laid down in the submitted plans of the Member States of the European Union with the EU-wide performance targets for the third reference period, the Covid-19 pandemic and significantly deteriorated economic forecasts call for a revision of the national performance plans. Therefore, the Company considers one of its key tasks in 2020 might be the formulation of a revised Performance Plan 2020—2024 for the Republic of Slovenia, which will be an appropriate response to the changed situation in aviation.

The Company will carry out all the planned activities and take all the necessary measures to achieve the goals planned for 2020, most notably:

- maintaining and further optimising and improving the technological infrastructure that enables the Company to achieve its operational goals in the areas of safety, capacity and operational efficiency;
- caring for employees' health, ensuring their professional development, and above all ensuring a sufficient number of adequately qualified operational personnel to meet the needs of the Company and the requirements of EU and national legislation;
- continuation of the social dialogue to conclude new sectoral and company collective agreement;
- continuing the implementation of measures for the rationalisation of all operating costs according to the anticipated traffic levels and, as part of those measures, the optimisation of certain units (optimal organisation of work and the requisite number of personnel in aerodrome control units) based on appropriate safety analyses with the aim of ensuring the cost-efficient organisation of air navigation services at all three airports included in the terminal cost base within the agreed operating hours of the airports;
- upgrading the system for the fulfilment of the common requirements for the provision of air navigation services, which lays down, in a systematic and comprehensively documented manner,

the scope and methods of work and actions considered to ensure the Company's compliance with the common requirements for the provision of the air navigation services it provides;

- continuously internally monitoring compliance with the requirements of the relevant European legislation and performing all the activities necessary to maintain air navigation service provider certification;
- following the guidelines on the development of the European airspace through successful international collaboration, especially regional collaboration within FAB CE, and maintaining active involvement as a member of FABCE, Aviation Services, Ltd.;
- closely collaborating with other FABs under GATE ONE, with BLUE MED FAB, DANUBE FAB and FAB EC;
- collaborating in a technical capacity with the competent state authorities in preparing regulations relating to the Company's activity.

The main activity in aeronautical telecommunications will be ensuring the safety, reliability, availability and integrity of elements of the functional ATM and operating system. Primarily, this activity is executed through a constant 24/7 technical supervision of all these elements; secondly with continuous maintenance periods, and thirdly, through evolutionary maintenance, and (last but not least) by maintaining the competence of the technical staff carrying out these three activity levels.

In communications, own microwave links are planned to be established between the Company's communication sites, with the aim to increase the availability and cost efficiency of the communication network. In addition, renovation of VHF radio stations at TWR Portorož and TWR Maribor is scheduled.

In the area of surveillance systems, the expansion of the multilateration system will start and the MAM project will be launched. This will ensure double independent coverage of the Štajerska part of Slovenia with the WAM I system. Investments in the new WAM technology will reduce the number of surveillance systems in the long run (decommissioning of at least one old radar), and at the same time ensure independent coverage of Slovenian airspace in north-eastern Slovenia.

In aeronautical information services, one of the Company's important tasks is the transition from ensuring compliance with the requirements of Commission Regulation No 73/2010/EU to ensuring compliance with the requirements of Commission Implementing Regulation No 373/2017/EU. Equally important will be compliance with the requirements of the new Annex 15 to the Chicago Convention and ICAO Doc 10066 PANS AIM (Procedures for Air Navigation Services - Aeronautical Information Management). Among the aims of this objective is the initiation of procedures in cooperation with Eurocontrol for the operational use of its own aeronautical data base (AIXM 5.1). All the aeronautical data that must be provided by the Company is currently stored in electronic form abroad, in the European AIS Data Base (EAD).

AMATIS UA workstations are being established in the offices of the meteorological service at airports which fall within the domain of the Slovenian Environment Agency. By establishing AMATIS UA workstations the Slovenian Environment Agency will be able to send messages with attachments through the AMHS system – these are especially meteorological data and pictures.

In 2020, the purchase and implementation of a new application for the Internet submission of flight plans will also be completed. According to the plans, the project should be concluded by spring 2020.

In the area of operational personnel training, the Flight School will provide training for existing operational personnel to develop new competences as required by individual operational departments. At the systemic level, the training organisation will continue activities for the systematisation of operational personnel training processes.

The Certification, Project Management and Operational Training Department initiated the accelerated training of three of its employees according to the IANS NSA programme to gain new knowledge and consequently expand the scope and implementation of the department's activities in accordance with the requirements of Commission Implementing Regulation No 2017/373/EU.

In the future, the Air Traffic Services Department will also participate in the coordination and activities of the South-East Axis group, which will contribute to better air traffic flow and thus reduce air traffic delays in this part of Europe. The following projects and tasks were planned in 2020 to ensure adequate sector capacities based on the planned traffic volumes:

- opening the fifth sector as necessary and required by traffic and according to human resource availability;



- using sectorisation in a flexible manner to ensure the optimal planning of the use of sectors and human resources.

Actual traffic will primarily be affected by the following factors in 2020: the development of the Covid-19 pandemic in the world and, in particular, the restrictive measures taken by countries to prevent infections and mitigate the negative effects of the pandemic, as well as the depth of the recession, projected by international institutions for the rest of 2020 and the pace of recovery of the European and global economy. The recovery and volume of traffic will also be affected by global oil price trends, the easement of air traffic restrictions and tourist flows, the capacity of the neighbouring countries' air traffic control centres and other potential extraordinary events (terrorist acts around the globe, volcanic eruptions, pandemics, such as Covid-19, potential war zones, etc.). The seven-year forecast of traffic growth published by Eurocontrol (Eurocontrol Seven-Year Forecast) in January 2020 predicts an 0.9% traffic growth in the number of IFR flights in Europe (ECAC) or a 1.2% growth in EU-28 in 2020 as compared to 2019, while slightly higher growth of 1.8% in IFR flights is predicted for the Republic of Slovenia. At the time of publication, these forecasts have not yet taken into account the outbreak of the pandemic and the changed circumstances that will have a significant impact on aviation in 2020 and beyond. The Company does not expect that the traffic in the Slovenian airspace will be restored to the level of 2019 by the end of the year.

In 2020, the Company will continue its activities on projects co-funded by European Union funds under the Connecting Europe Facility (CEF), namely the NewPENS Stakeholders Contribution for the Procurement and Deployment of NewPENS, Slovenia Wide Area Multilateration System (SLOWAM) and SWIM Common Public Key Infrastructure & Cybersecurity (SWIM PKI & CS).

It will also continue the implementation of the ADaaS2 project, although it did not acquire European financial funds. The implementation of the ADaaS2 project will be directed into the development of cluster infrastructure for the basic cluster of two data providers (ADSP) and two data users (ATSU). With the successful implementation of this cluster by 2023, this will be probably the first operational implementation of such a concept in Europe, i.e. between civilian air traffic control crossing national borders and FAB boundaries.

## II FINANCIAL REPORT

### 1 INDEPENDENT AUDITOR'S REPORT



This is a translation of the original report in Slovene language

#### INDEPENDENT AUDITOR'S REPORT

To the Owners of SLOVENIA CONTROL, Slovenian Air Navigation Services, Limited

##### Opinion

We have audited the financial statements of SLOVENIA CONTROL, Slovenian Air Navigation Services, Limited ABC (the Company), which comprise the statement of financial position as at December 31 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company SLOVENIA CONTROL, Slovenian Air Navigation Services, Limited as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

##### Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

##### Responsibilities of management and supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.



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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Company's financial reporting process and to confirm the audited annual report.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ljubljana, 25 May 2020

Sanja Košir Nikašinovič  
Director, Certified auditor  
Ernst & Young d.o.o.  
Dunajska 111, Ljubljana

Lidija Šinkovec  
Certified auditor

**ERNST & YOUNG**  
Revizija, poslovno  
svetovanje d.o.o., Ljubljana 1

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## 2 FINANCIAL STATEMENTS

The financial statements are presented in EUR without cents, i.e. the Company's functional currency.

### 2.1. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

ASSETS		Notes	31/12/2019	31/12/2018
<b>Non-current assets</b>			<b>27,345,080</b>	<b>26,238,509</b>
I.	Intangible assets	3.2.1.	1,589,579	897,567
1.	Long-term property rights		1,513,347	783,509
2.	Other non-current assets		76,232	114,058
II.	Property, plant and equipment	3.2.2.	25,434,444	25,057,676
1.	Land and buildings		16,385,660	14,089,220
2.	Manufacturing plant and equipment		8,781,147	9,580,723
3.	Other plant and equipment		4,494	3,670
4.	Property, plant and equipment being acquired		263,143	1,384,063
III.	Investment property		0	0
IV.	Non-current financial investments	3.2.3.	16,000	16,000
V.	Non-current operating receivables			
VI.	Deferred tax assets	3.2.4.	305,057	267,266
<b>Current assets</b>			<b>10,610,872</b>	<b>8,377,338</b>
I.	Inventories	3.2.5.	636,428	541,871
II.	Current financial assets		0	0
III.	Current operating receivables	3.2.6.	4,100,324	4,223,453
1.	Current trade receivables		3,210,137	3,633,965
2.	Current operating receivables due from others		890,187	589,488
IV.	Cash assets	3.2.7.	5,874,120	3,612,014
<b>TOTAL ASSETS</b>			<b>37,955,952</b>	<b>34,615,847</b>

EQUITY AND LIABILITIES		Notes	31/12/2019	31/12/2018
<b>Equity</b>		3.2.8.	<b>24,736,997</b>	<b>21,909,903</b>
I.	Called-up capital		5,525,706	5,525,706
II.	Capital reserves		0	0
II.	Revenue reserves		16,421,435	14,128,878
1.	Statutory reserves		552,571	552,571
2.	Other revenue reserves		15,868,864	13,576,307
IV.	Reserves from valuation at fair value		61,737	319,626
V.	Retained net profit or loss		435,562	333,209
VI.	Net profit or loss for the business year		2,292,557	1,602,484
<b>Provisions and long-term accrued costs and deferred revenues</b>		3.2.9.	<b>2,532,126</b>	<b>2,147,541</b>
1.	Provisions for pensions and similar liabilities		2,532,126	2,147,541
2.	Long-term accrued costs and deferred revenues			
<b>Non-current liabilities</b>			<b>2,714,496</b>	<b>2,625,000</b>
I.	Non-current financial liabilities	3.2.10.	2,714,496	2,625,000
II.	Non-current operating liabilities		0	0
III.	Deferred tax liabilities		0	0
<b>Current liabilities</b>			<b>7,972,333</b>	<b>7,933,403</b>
I.	Current financial liabilities	3.2.11.	2,305,400	2,430,783
II.	Current liabilities		5,666,933	5,502,620
1.	Current operating trade payables	3.2.12.	2,346,166	1,345,947
2.	Other current operating liabilities	3.2.13.	2,483,452	2,723,839
3.	Corporate income tax liabilities	3.2.14.	68,985	261,697
4.	Other current liabilities	3.2.15	768,330	1,171,137
<b>Total liabilities</b>			<b>10,686,829</b>	<b>10,558,403</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>37,955,952</b>	<b>34,615,847</b>

The notes to the financial statements form an integral part of the financial statements and are to be read in conjunction therewith.

## 2.2 INCOME STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2019

	Text	Notes	2019	2018
<b>A</b>	<b>REVENUES FROM SALES FROM CONTRACTS</b>	3.2.16.	<b>41,817,617</b>	<b>39,522,550</b>
1.	Revenues from sales from contracts in the Republic of Slovenia		992,943	952,302
2.	Revenues from sales from contracts in the EU		40,823,294	38,568,798
3.	Revenues from sales from contracts abroad		1,380	1,450
<b>B</b>	<b>OTHER OPERATING REVENUE</b>	3.2.17.	<b>905,434</b>	<b>500,465</b>
<b>C</b>	<b>OPERATING EXPENSES</b>		<b>37,230,103</b>	<b>35,899,849</b>
1.	Cost of materials and services	3.2.18.	7,257,298	6,882,337
a)	Original cost of goods sold			
b)	Costs of materials		556,548	431,135
c)	Costs of services		6,700,750	6,451,202
2.	Labour costs	3.2.19.	24,126,662	23,279,419
a)	Payroll costs		18,328,666	17,803,061
b)	Pension insurance costs		2,241,999	2,217,417
c)	Social security costs		2,232,628	2,118,042
d)	Other labour costs		1,323,369	1,140,899
3.	Write-downs	3.2. 20.	4,250,492	4,106,947
a)	Amortisation/depreciation		3,757,360	3,459,469
b)	Revaluation operating expenses associated with intangible assets and property, plant and equipment		8,210	48,051
c)	Net impairment of receivables		484,922	599,427
4.	Other operating expenses	3.2.21.	1,595,651	1,631,146
<b>D</b>	<b>FINANCIAL REVENUES</b>	c	<b>55</b>	<b>464</b>
1.	Financial revenues from loans		14	9
2.	Financial revenues from operating receivables due from others		41	455
<b>E</b>	<b>FINANCIAL EXPENSES</b>	3.2.22.	<b>140,464</b>	<b>112,900</b>
1.	Financial expenses for financial liabilities		96,365	70,516
2.	Financial expenses for operating liabilities		44,099	42,384
<b>F</b>	<b>TOTAL PROFIT</b>		<b>5,352,539</b>	<b>4,010,730</b>
<b>G</b>	<b>CORPORATE INCOME TAX</b>	3.2.23	<b>767,425</b>	<b>805,762</b>
1.	Tax payable		805,216	827,823
2.	Deferred tax		-37,791	-22,061
<b>H</b>	<b>NET PROFIT OR LOSS FOR THE PERIOD</b>		<b>4,585,114</b>	<b>3,204,968</b>

The notes to the financial statements form an integral part of the financial statements and are to be read in conjunction therewith.

**2.3 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR 2019**

	<b>Text</b>	<b>2019</b>	<b>2018</b>
A	<b>Net profit or loss for the period</b>	<b>4,585,114</b>	<b>3,204,968</b>
B	<b>Other comprehensive income for the year</b>	<b>0</b>	<b>0</b>
B.1.	<b>Other comprehensive income to be recognised in the income statement in the future</b>	<b>0</b>	<b>0</b>
	Changes in property, plant and equipment revaluation reserves	0	0
	Changes in reserves due to valuation at fair value	0	0
	Gains and losses arising from translating the financial statements of a foreign operation (the effects of changes in foreign exchange rates)	0	0
B.2.	<b>Other elements of comprehensive income</b>	<b>-257,889</b>	<b>-14,704</b>
B.2.1.	Restatement of post-employment benefits after tax	-257,889	-14,704
	Total other net comprehensive income	-257,889	-14,707
C	Total comprehensive income for the accounting period	4,327,225	3,190,264

The notes to the financial statements form an integral part of the financial statements and are to be read in conjunction therewith.

**2.4 STATEMENT OF DISTRIBUTABLE PROFIT FOR 2019**

	<b>Text</b>	<b>2019</b>	<b>2018</b>
A	Net profit for the year	4,585,114	3,204,968
B	Retained net profit	435,562	333,209
C	Increase in revenue reserves	2,292,557	1,602,484
1.	Increase in other revenue reserves	2,292,557	1,602,484
D	DISTRIBUTABLE PROFIT	2,728,119	1,935,693

The notes to the financial statements form an integral part of the financial statements and are to be read in conjunction therewith.

## 2.5 CASH FLOW STATEMENT FOR 2019

Text	2019	2018
<b>A. Cash flows from operating activities</b>		
<b>a) Income statement items</b>	<b>8,304,628</b>	<b>7,359,906</b>
Operating revenue (except for revaluation) and financial revenue from operating receivables	42,723,051	40,023,015
Operating expenses excluding depreciation or amortisation and revaluation, and financial expenses from operating liabilities	-33,613,207	-31,835,286
Income taxes and other taxes not included in operating expenses	-805,216	-827,823
<b>b) Changes in net operating assets (and deferred and accrued items, provisions and deferred tax assets and liabilities) of operating items in the balance sheet</b>	<b>-135,552</b>	<b>-570,772</b>
Opening less closing operating receivables	-242,516	-671,974
Opening less closing deferred expenses and accrued revenue	-119,387	56,316
Opening less closing deferred tax assets	-37,791	-22,061
Opening less closing inventories	-94,557	21,940
Closing less opening operating liabilities	-238,494	-348,498
Closing less opening accrued costs and deferred revenue, and provisions	597,193	393,505
<b>c) Net cash from/used in operating activities (a + b)</b>	<b>8,169,076</b>	<b>6,789,134</b>
<b>B. Cash flows from investing activities</b>		
<b>a) Cash disbursements for investing activities</b>	<b>55</b>	<b>464</b>
Receipts from interest and profit participations from investing activities	55	464
<b>b) Cash disbursements for investing activities</b>	<b>-6,280,675</b>	<b>-1,946,531</b>
Disbursements for the acquisition of intangible assets	-1,058,861	-170,778
Disbursements for the acquisition of items of property, plant and equipment	-5,221,814	-1,775,753
<b>c) Net cash from/used in investing activities (a + b)</b>	<b>-6,280,620</b>	<b>-1,946,067</b>
<b>C. Cash flows from financing activities</b>		
<b>a) Receipts from financing activities</b>	<b>2,394,896</b>	<b>0</b>
Receipts from the increase in non-current financial liabilities	2,394,896	
<b>b) Disbursements for financing activities</b>	<b>-2,021,246</b>	<b>-4,086,031</b>
Disbursement for interest related to financing activities	-93,027	-112,900
Disbursement for interest related to leases	-47,437	0
Disbursements for repayment of financial liabilities	-380,782	-2,673,131
Disbursements for the payment of dividends and other profit participations	-1,500,000	-1,300,000
<b>c) Net cash from/used in financing activities (a + b)</b>	<b>373,650</b>	<b>-4,086,031</b>
<b>D. Closing balance of cash</b>	<b>5,874,120</b>	<b>3,612,014</b>
x) Net cash inflow or outflow for the period (sum of Ac, Bc and Cc)	2,262,106	757,036
y) Opening balance of cash	3,612,014	2,854,978

The notes to the financial statements form an integral part of the financial statements and are to be read in conjunction therewith.



## 2.6 STATEMENT OF CHANGES IN EQUITY FOR 2019

		Share capital	Statutory reserves	Other reserves	Reserves from valuation at fair value	Retained net profit	Net profit for the year	Total
<b>A.1</b>	<b>Balance as at the end of the previous period</b>	5,525,706	552,571	13,576,307	319,626	333,209	1,602,484	21,909,903
<b>A.2</b>	<b>Opening balance for the period</b>	5,525,706	552,571	13,576,307	319,626	333,209	1,602,484	21,909,903
<b>B.1.</b>	<b>Other changes in equity</b>	0	0	0	0	-1,500,000	0	-1,500,000
a)	Payment of dividends	0	0	0	0	-1,500,000	0	-1,500,000
b)	Additional paid-in capital	0	0	0	0	0	0	0
<b>B.2.</b>	<b>Total comprehensive income for the period</b>	0	0	0	-257,889	0	4,585,114	4,327,225
a)	Entry of net profit/loss for the business year	0	0	0	0	0	4,585,114	4,585,114
b)	Other components of the total comprehensive income for the reporting period	0	0	0	-257,889	0	0	-257,889
<b>B.3</b>	<b>Changes in equity</b>	0	0	2,292,557	0	1,602,353	-3,895,041	-131
a)	Allocation of part of the net profit from the previous period based on a decision of the Management and Supervisory Boards	0	0	0	0	1,602,484	-1,602,484	0
b)	Allocation of the net profit from the current period based on a decision of the Management and Supervisory Boards	0	0	2,292,557	0	0	-2,292,557	0
c)	Other changes in equity	0	0	0	0	-131	0	-131
<b>C.</b>	<b>Closing balance for the period</b>	5,525,706	552,571	15,868,864	61,737	435,562	2,292,557	24,736,997

## 2.7 STATEMENT OF CHANGES IN EQUITY FOR 2018

		Share capital	Statutory reserves	Other reserves	Reserves from valuation at fair value	Retained net profit	Net profit for the year	Total
<b>A.1</b>	<b>Balance as at the end of the previous period</b>	5,525,706	552,571	11,973,823	334,330	1,093	1,627,043	20,014,566
<b>A.2</b>	<b>Opening balance for the period</b>	5,525,706	552,571	11,973,823	334,330	1,093	1,627,043	20,014,566
<b>B.1.</b>	<b>Other changes in equity</b>	0	0	0	0	-1,300,000	0	-1,300,000
a)	Payment of dividends	0	0	0	0	-1,300,000	0	-1,300,000
b)	Additional paid-in capital	0	0	0	0	0	0	0
<b>B.2</b>	<b>Total comprehensive income for the period</b>	0	0	0	-14,704	5,073	3,204,968	3,195,337
a)	Entry of net profit/loss for the business year	0	0	0	0	0	3,204,968	3,204,968
b)	Other components of the total comprehensive income for the reporting period	0	0	0	-14,704	5,073	0	-9,631
<b>B.3</b>	<b>Changes in equity</b>	0	0	0	0	1,627,043	-3,229,527	0
a)	Allocation of part of the net profit from the previous period based on a decision of the Management and Supervisory Boards	0	0	0	0	1,627,043	-1,627,043	0
b)	Allocation of the net profit from the current period based on a decision of the Management and Supervisory Boards	0	0	1,602,484	0	0	-1,602,484	0
<b>C.</b>	<b>Closing balance for the period</b>	5,525,706	552,571	13,576,307	319,626	333,209	1,602,484	21,909,903

The notes to the financial statements form an integral part of the financial statements and are to be read in conjunction therewith.

## 3 ANNEX TO THE FINANCIAL STATEMENTS

### 3.1 SUMMARY OF ACCOUNTING POLICIES AND ASSUMPTIONS

#### Statement of compliance

Pursuant to the provisions of the Companies Act and the decision of the Management Board of the Slovenian Compensation Company (Slovenska odškodninska družba, d. d.), acting on behalf of the founder and sole member, the Republic of Slovenia, since 1 January 2013, the Company has prepared its financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and in accordance with the interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Union.

The requirements of the Companies Act concerning the preparation of financial statements were also taken into consideration.

#### Basis of accounting

The financial statements have been compiled under the assumption of a going concern, on the basis of the original values, with the exception of financial instruments measured at fair value through profit or loss and at fair value through comprehensive income.

#### Functional and presentation currency

The financial statements are presented in EUR, the Company's functional currency.

#### Basis of reporting

The financial statements are presented in EUR, rounded to the nearest whole euro.

#### Fair value

Available-for-sale financial assets are stated at fair value, while all other financial statement items are stated at cost or amortised cost.

The fair value measurement of a non-financial asset 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 in the given circumstances and for which there is sufficient data available, maximising the use of appropriate market inputs and relying as little as possible on non-market inputs.

All assets and liabilities that are measured or disclosed in the financial statements at fair value are categorised according to the fair value hierarchy based on the lowest level of inputs required to measure 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 not based on market data.

At the end of each reporting period, the Company re-examines the categorisation of assets to determine whether any level changes have occurred in respect of assets and liabilities recognised in the financial statements for previous periods based on the level of the lowest-level input that is significant to the entire measurement of fair value.

#### Accounting policies applied

The accounting policies applied by the Company for the current period and the previous period presented in the accompanying financial statements are in line with the rules of the IFRS as adopted by the European Union.

## a) Amendments to accounting policies and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the previous business year. An exception is the newly adopted or amended standards and notes that the Company adopted for the annual periods starting on 1 January 2019 and are presented below.

### • IFRS 16 Leases

The scope of application of IFRS 16 includes all leases with some exceptions. The standard provides a single lessee accounting model within the statement of financial position, similarly as for finance lease under IAS 17. The standard grants two exceptions to recognition, namely leases where the underlying asset has a low value (such as personal computers) or short-term leases (a lease term of 12 months or less). Upon lease commencement a lessee recognises a lease liability and the right-of-use asset (the right to use an underlying asset). A lessee has to recognise separately interest expense on the lease liability and the depreciation of lease assets – right-of-use assets. In addition, the lease liability is subsequently remeasured to reflect certain events (e.g. change in the lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments). The remeasurement is generally treated as an adjustment to the right-of-use asset. The approach to lessor accounting is substantially unchanged from the currently applicable accounting under IAS 17. IFRS 16 is effective for annual periods starting on or after 1 January 2019. A lessee shall either apply the standard with full retrospective effect or in part.

The Company applied the standard as it entered into force on 1 January 2019. The introduced standard will influence the Company's financial statements where the Company acts as a lessee, as the introduction of the standard has an impact on the balance sheet presentation of assets, liabilities and income and expenses in the statement of financial position, recognised assets (right-of-use asset) and liabilities arising from operating leases; in the income statement, it affects the depreciation costs, interest expenses and revaluation operating expenses in the event of impairment of the right-of-use asset.

Accounting policies related to the application of IFRS 16:

- Upon transition to IFRS 16, the Company calculates the lease liability at the discount rate set at the time of the transition, at the same time recognising the right-of-use asset in the statement of financial position;
- Pursuant to paragraph 5 of IFRS 16, the Company applies an exemption from the recognition requirements for the right-of-use asset for short-term leases with a lease term of 12 months or less, regardless of value, containing no extension or purchase options;
- The Company applies an exemption (paragraph 5 of IFRS 16) from the recognition requirements for the right-of-use asset for the lease of assets with a value, when new, of EUR 10,000 or less (low-value leases);
- The Company does not apply the standard for the lease of intangible assets (IFRS 16.4).

### The effect of the adoption of IFRS 16 on the statement of financial position upon entry into force

Content	01/01/2019	31/12/2018
<b>ASSETS</b>		
Right-of-use assets	2,458,556	0
<b>Total assets</b>	<b>2,458,556</b>	<b>0</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Non-current liabilities</b>		
Liabilities from leases	2,203,065	0
<b>Current liabilities</b>		
Liabilities from leases	255,491	0
<b>Total equity and liabilities</b>	<b>2,458,556</b>	<b>0</b>

Upon starting the application of IFRS 16, i.e. 1 January 2019, the Company identifies the following effects on the financial statements:

- a) initially recognised liabilities from leases of buildings amount to EUR 2,325,162 and from leases of equipment EUR 106,394;
- b) initially recognised right to use property and equipment (assets in the statement of financial position) amounts to EUR 2,458,556.

#### The effect of the adoption of IFRS 16 on the statement of financial position in the reporting period

Content	Initial recognition as at 01/01/2019	Increase in 2019	Decrease 2019	As at 31/12/2019	Balance as at 31/12/2018
<b>ASSETS</b>					
Right-of-use assets	2,458,556	703,923	269,720	2,892,759	0
<b>Total assets</b>	<b>2,458,556</b>	<b>703,923</b>	<b>269,720</b>	<b>2,892,759</b>	<b>0</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Non-current liabilities</b>					
Liabilities from leases	2,215,007	691,981	512,092	2,394,896	0
<b>Current liabilities</b>					
Liabilities from leases	243,549	11,942	255,491	0	0
<b>Total equity and liabilities</b>	<b>2,458,556</b>	<b>703,923</b>	<b>767,583</b>	2,394,896	<b>0</b>

In 2019, the Company increased its liabilities for the lease payment and the right-of-use assets in the statement of financial position in the amount of EUR 703,923. Assets decreased on the basis of depreciation equalling EUR 269,720.

#### The effect of the application of IFRS 16 on the income statement

Content	01/01/2019	31/12/2018
Amortisation of the right of use	269,720	0
Lease expenses	248,253	385,553
<b>Operating profit or loss</b>	<b>517,973</b>	<b>385,553</b>
Financial expenses	47,434	0
<b>Profit or loss before tax</b>	<b>565,407</b>	<b>385,553</b>

- The International Accounting Standards Board (IASB) has published a series of annual improvements to IFRS for the period 2015–2017, which is a collection of amendments to the standards. The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The European Union has not yet approved amendments to the standard. The management assessed the impact of the amendments on the Company's financial statements, and believes they will not significantly affect the Company's financial statements.
  - **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements;** The amendments to IFRS 3 explain that when a company obtains control of a business which is a joint venture, it has to remeasure any previously held interest in this business. The amendments to IFRS 11 explain that a company which obtains joint control of a venture which is a joint operation does not have to remeasure previously held interests in this operation.
  - **IAS 12 Income tax;** The amendments to the standard explain that the company has to recognise the current tax consequences of financial instrument payments which are categorised as equity under the same item as past transactions or events that generated distributable profits.
  - **IAS 23 Borrowing Costs;** The amendments to the accounting standard explain Article 14 of the standard which says that at the moment when an asset meets the conditions for its intended use or sale and a part of a loan referring to this asset is not settled, the company has to include this loan among assets of received loans.

#### B) Standards already issued but not yet in force and not adopted by the Company before their effective date

- **IFRS 17: Insurance contracts**

The standard is effective for annual periods beginning on or after 1 January 2021, where early use is permitted under condition that the company also reports according to IFRS 15 Revenue from

contracts with customers and IFRS 9 Financial Instruments. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. At the same time, the standard requires the use of similar principles for reinsurance contracts and investment contracts with possible discretionary participation. The purpose of the standard is to ensure that the company includes in the presentation relevant information in such a way as to faithfully reflect these contracts. These data serve the users of financial statements for the assessment of the effect of contracts belonging to IFRS 17, on financial position, financial performance and cash flows of the Company. The management assessed the impact of the standards on the Company's financial statements, and believes they will not affect the Company's financial statements at all.

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture**

The amendments address a well-known discrepancy between the requirements of IFRS 10 and those of IAS 28 in treating sales or contribution of assets between the investor and its associate or joint venture. The main result of the amendments is that the Company must recognise the total amount of profit or loss in the case the transaction includes operations (regardless of whether occurring in a subsidiary or not). In the case of transactions with assets, which the Company does not use in operations, the Company recognises only part of profit or loss even in the case that the assets are in a subsidiary. The International Accounting Standards Board postponed the date of entry into force of the standard for an indefinite period, awaiting the findings of a research project of calculating assets using the equity method. The EU has not yet endorsed the amendments to the standard. The management believes that the amendments will not have any impact on its financial statements.

- **Conceptual framework for IFRS**

On 29 March 2018, the International Accounting Standards Board (IASB) published the revised Conceptual Framework for Financial Reporting. The basic framework determines the whole series of concepts for financial reporting, setting standards, instructions for preparation of consistent accounting policies and for easier understanding and interpretation of standards. The IASB also published a separate accompanying document "Amendments to References to the Conceptual Framework in IFRS Standards", which presents amendments to relevant standards and serves to update references to the revised Conceptual Framework. The aim of the Board is to offer support in the transition to the renewed Conceptual Framework to companies which adopt their accounting policies on the basis of instructions of the Conceptual Framework in the case when some transactions are not considered by any IFRS. The preparers adopting accounting policies based on the Conceptual Framework are obliged to apply the revised Conceptual Framework for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (amendments)**

The IASB published amendments to the definition of a business (Amendments to IFRS 3), aimed at resolving the uncertainties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The European Union has not yet approved amendments to the standard. The management assessed the impact of the amendments on the Company's financial statements, and believes they will not affect the Company's financial statements at all.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of the term "material" (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted. The amendments explain the definition of the term "material" and the manner of its use. According to the new definition "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity". In addition, the Board also clarified the explanations accompanying the definition. At the same time, the amendments ensure that the definition of the term "material" is aligned with all IFRSs. The European Union has not yet approved amendments to the standard. The management assessed the impact of the amendments on the Company's financial statements, and believes they will not significantly affect the Company's financial statements.

## Use of estimates and judgements

The management's estimate includes, *inter alia*, the determination of the useful life and residual value of property, plant and equipment and intangible fixed assets, allowances for inventories and receivables, the assumptions relevant for actuarial calculations in respect of certain employee benefits and the assumptions included in the calculation of provisions for claims as well as the assumptions and estimates for goodwill impairment. Although the management carefully considers all the factors that may affect its estimate in the preparation of its assumptions, it is possible that the actual effects of trade events differ from the estimates. Appropriate judgement must, therefore, be exercised in accounting estimates, and any changes in the business environment, new business events, additional information and experience must be taken into consideration.

Information on significant estimates of uncertainty and decisive judgements made by the management in the application of accounting policies that have the greatest impact on the amounts in the financial statements is provided below.

### *Measuring obligations for defined benefits (Interpretation 3.2.9)*

Defined benefit obligations constitute 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 the assumptions and estimates applicable at the time of the calculation, which may differ from the actual assumptions applicable in the future due to future changes. This mainly applies to the determination of the discount rate, the employee fluctuation estimate, the mortality estimate and the salary growth estimate. Obligations for certain benefits are sensitive to changes in the estimates due to the complexity of the actuarial calculation and the long-term nature of the items.

### *Provisions for lawsuits and contingent liabilities (Interpretation 3.2.9)*

Provisions are recognised if the Company has legal or indirect obligations due to a past event that can be reliably estimated and it is likely that the settlement of these obligations will result in an outflow of resources providing economic benefits. Contingent liabilities are not disclosed in the financial statements, as their actual existence has yet to be confirmed by the occurrence or non-occurrence of events in the unforeseeable future, which is beyond the control of the Company. The Company's management regularly checks whether the settlement of a contingent liability is likely to require an outflow of economic benefits. If an outflow becomes likely, the contingent liability is restated by recognising a provision in the financial statements as soon as the degree of likelihood changes.

### *Deferred taxes (Interpretation 3.2.4)*

In order to appropriately disclose the operating results for the reporting period, the Company also accounted for deferred taxes. These are disclosed as deferred tax assets. The financial position liability method was applied to account for deferred taxes. The carrying amounts of assets and liabilities were compared to their tax base, and the difference between the two values was identified as either permanent or temporary. Temporary differences were subdivided into taxable and deductible. The taxable temporary differences increased the Company's taxable amounts and deferred tax liabilities. The deductible temporary differences decreased the Company's taxable amounts and increased its deferred tax assets.

Deferred tax assets and liabilities are set off if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax liabilities relate to the same taxable entity and the same tax authority.

Impairment – Adoption of IFRS 9 changed the financial treatment of losses due to impairment of financial assets, so that the previous approach under the IAS 39 accounting standard was replaced by the approach of expected credit loss (ECL). IFRS 9 requires from the Company to recognise value adjustments of expected credit loss for all debt instruments which are not valued at fair value through profit or loss and for assets from contracts. After adopting IFRS 9, the Company did not recognise additional impairment of operating receivables.

When adopting IFRS 15, the Company decided to use a customised approach with the date of application on 1 January 2018. Under this method, the Company can apply the standard for all contracts that exist on the date of the first use of the standard or only for those that have not been completed on that day. The Company decided to apply the provisions of the standard as of 1 January 2018 to account for all contracts. The management performed an analysis of contracts concluded with customers from the point of presence of major performance obligations and the introduction of the new IFRS 15 as of 1

January 2018 did not have any effect on the Company's equity. According to the nature of its operations and the type of the Company's revenue, the application of the new standard did not change the time of recognition and measurement of revenues.

### Key assessments

The Company's financial statements for the previous and the current period were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS); therefore, in view of the specific nature of the Company's business, careful consideration was given to Interpretation 12 – Service Concession Arrangements (hereinafter referred to as "IFRIC 12"), which was adopted by the International Financial Reporting Interpretations Committee (IFRIC) and forms an integral part of Commission Regulation (EC) No 254/2009 of 25 March 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards the International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 12 (OJ L 80, 26.3.2009, p. 5; hereinafter referred to as "Commission Regulation (EC) No 254/2009").

The Scope section of IFRIC 12 (paragraph 5) provides guidance to operators and lays down the conditions for public-to-private service concession arrangements where:

- 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 finds that fixed assets are to be recognised in the financial statements as property, plant and equipment, as the conditions for the application of Commission Regulation (EC) No 254/2009, under which the assets would be recognised using the financial asset and intangible asset 'models', depending on the service concession arrangement, are not met.

### Foreign currencies

Transactions and balances denominated in a foreign currency are translated into EUR (the Company's functional currency) using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into EUR using the then-prevailing ECB reference exchange rate. Non-monetary items and liabilities measured at historical cost in a foreign currency are translated into EUR using the exchange rate prevailing at the reporting date. Non-monetary items and liabilities measured at fair value in a foreign currency are translated into EUR at the exchange rate prevailing on the date of fair value measurement. Exchange differences are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in comprehensive income. Non-monetary items measured at historical cost in a foreign currency are translated into the functional currency at the exchange rate prevailing at the date of the transaction.

### Property, plant and equipment

Property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Cost includes any expenditure directly attributable to the acquisition of an asset.

Parts of property, plant and equipment with different useful lives are accounted for as individual items of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal to the carrying amount of property, plant and equipment and are recognised in other operating revenue or other operating expenses in the income statement.

#### *Borrowing costs*

Borrowing costs that are directly attributable to the purchase, construction or production of a qualifying asset are capitalised as part of the cost of the asset if the long-term borrowing was obtained exclusively to finance the acquisition of the fixed asset and if the period of acquisition of the asset exceeds one year. All other borrowing costs are recognised in the income statement in the period in which they were incurred.

*Future costs*

The Company also recognises the cost of the replacing a part of an asset in the carrying amount of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied in that asset will flow to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is de-recognised. All other costs are disclosed in the income statement as expenses when incurred.

*Amortisation/depreciation*

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of each asset and its components. Land and assets being acquired are not depreciated.

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

- for building facilities from 5.0% to 2.5%
- for systems and devices from 14.3% to 6.7%
- for software from 33.3% to 12.5%
- for radar systems 6.7%
- for computers and computer equipment from 33.3% to 10.0%
- for cars from 25.0% to 10.0%
- for other equipment from 25.0% to 10.0%

**Intangible assets**

Intangible assets acquired by the Company that have a limited useful life are carried at cost less accumulated amortisation and any accumulated impairment losses.

*Future costs*

Subsequent expenditure on intangible assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is disclosed in the income statement as expenses when incurred.

*Amortisation/depreciation*

Intangible assets are amortised on a straight-line basis over the estimated useful life of each asset from the date it becomes available for use. The estimated useful lives for software, licences and other rights range from 2 to 10 years (for the current and previous period).

**Inventories**

Inventories are measured at original cost in the statement of financial position. They are measured at the lower of cost and net realisable value. The cost of inventories comprises all the costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The Company uses the inventory impairment method, recognising impairments for inventories that have not moved for more than one year at 5% of their cost at the end of each accounting period. The costs of purchase comprise the purchase price, import duties, and transport, handling and other costs directly attributable to the acquisition of an item of inventories. The net realisable value is the estimated selling price in the ordinary course of business less costs to sell.

**Impairment of assets***Financial instruments**Initial recognition and measurement*

After the initial recognition, the company classifies financial assets into the group of assets at fair value through other comprehensive income and at fair value through profit or loss. Upon initial recognition, the classification of financial assets depends on the characteristics of contractual cash flow of financial asset and on the business model of the Company for its management. Except for the operating receivables, which do not include a significant element of financing or for which the company uses a practical solution, upon initial recognition the company measures a financial asset at fair value which is (in the case of a financial asset not recognised at fair value through profit and loss) increased by costs of transaction. The operating receivables, which do not include a significant element of financing or for which the company uses a practical solution, are measured at the transaction price, which is determined according to the provision of IFRS 15.



In order to be classified and measured at amortised cost or fair value through the other comprehensive income, a financial asset has to generate cash flows that include “solely payments of principal and interest (SPPI)” on the principal amount outstanding. The Company has to implement the so-called SPPI test for each individual financial instrument.

#### *Subsequent measurement*

After the initial measurement, financial assets are categorised into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income with recycling of cumulative profits and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without recycling of cumulative profits and losses and upon de-recognition (equity instruments);
- Financial assets at fair value through profit or loss.

#### *Financial assets at amortised cost (debt instruments);*

This category of financial assets is the most important for the Company. The Company measures financial assets at amortised cost, if both of the following conditions are met:

- the Company holds a financial asset in the possession of the business model, with the aim of holding financial assets for the purpose of collecting contractual cash flows; and
- the contractual terms of a financial asset provide that a company recognises cash flows from financial assets that are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are measured using the effective interest rate method (EIR) by calculating any impairment loss. Profits and losses are recognised in the income statement upon removal, modification or impairment of these assets.

#### *Financial assets recognised at fair value through other comprehensive income (equity instruments)*

Upon initial recognition, the Company may decide to classify its investments in a group of equity instruments at fair value through other comprehensive income if they meet the definition of equity in the accounting standard of IAS 32 Financial Instruments and are not held for the purpose of trading. The classification is determined by individual instrument.

Profits and losses on these financial assets are never transferred through profit or loss. Dividends as other income in the profit and loss account upon the establishment of the right to payment, unless such income is used by the Company to repay part of the cost of a financial asset, these profits being recognised in other comprehensive income. Equity instruments at fair value through other comprehensive income are not impaired.

#### *Derecognition*

The Company derecognises a financial asset (or, when it is an appropriate part of a financial asset or a part of a group of related financial assets) from the statement of financial position of a company if

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to fully settle receipt of cash flows to third parties within the framework of a “transitional” arrangement within the foreseeable future; and (a) the Company has transferred all the risks and rewards of the asset or (b) neither transferred nor retained most of the risks and rewards of the asset, but transferred control of it.

When transferring its right to receive cash flows from the asset or when adopting a transitional arrangement, the company assesses whether and to what extent it has retained the risks and rewards of ownership. If the company neither transferred nor retained most of the risks and rewards of the asset and did not transfer the asset, then it continues to recognise the transferred asset to the extent of its continuing involvement in the asset. In this case, the Company also has to recognise the related obligation. The transferred asset and the related obligation are measured using a method that reflects the rights and obligations that the Company has maintained.

#### *Impairment of financial assets*

The Company recognises a value adjustment for the expected credit losses (ECL) for all debt instruments that are not carried at fair value through profit or loss. Expected credit losses represent the difference between contractual cash flows that are due under the contract and all cash flows which the company expects to receive, discounted to the approximation of the original effective interest rate.

Expected cash flows include cash flows from the sale of collateral or other credit increases that are an integral part of the contractual terms.

To calculate the expected credit losses on operating receivables and assets from contracts, the Company uses a simplified approach. In this respect, it does not monitor changes in credit risk, but at each reporting date it recognises a value adjustment for credit losses throughout the life expectancy of the expected credit losses.

### Cash and cash equivalents

Cash and cash equivalents consisting of call deposits on bank accounts and cash in transit are disclosed at face value.

### Financial liabilities

On initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, loans granted and received, operating liabilities or financial derivative instruments that are designated as effective hedging instruments.

### Loans received and granted

This group is the most important item of financial instruments of the Company. After initial recognition, loans granted and received are measured at amortised cost using the effective interest rate method. Upon derecognition of a financial liability, all profits and losses are recognised in the income statement and under the amortisation of the effective interest rate. The amortised cost is accounted for taking into account any discounts or premiums at the time of purchase, as well as fees or charges that form an integral part of the effective interest rate. Amortisation of the effective interest rate is recognised in the income statement under the cost of financing.

This group usually includes interest-bearing loans given and received.

Financial assets and financial liabilities are offset, the net difference being disclosed in the statement of financial position, if there is currently an enforceable right to offset recognised amounts and if the company intends to settle on a net basis by simultaneously realising assets and settling liabilities.

*The Company's financial liabilities include loans received and operating liabilities.*

Depending on maturity, they are classified as current financial liabilities (maturity up to 12 months after the date of the statement of financial position) or non-current financial liabilities (maturity over 12 months after the date of the statement of financial position).

#### *Operating liabilities*

Operating liabilities are supplier credits for purchased goods and services, liabilities to employees for work performed, liabilities to financiers relating to interest and similar items, tax liabilities to the government, including value added tax, and liabilities arising from the distribution of profits.

#### *Derecognition*

Financial liability is derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another one from the same lender under substantially different conditions or the terms of an existing obligation change significantly, such replacement or change is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the carrying amount of a financial liability is recognised in the income statement.

#### *Non-financial assets*

On each reporting date, the Company checks the carrying amount of its non-financial assets for evidence of impairment. If such evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment is recognised in the income statement. The impairment loss recognised for a cash-generating unit is allocated to the carrying amount of each asset in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs to sell. In determining the value in use, projected cash flows are discounted to the

present value at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped into cash-generating units, i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

On each reporting date, the Company evaluates its impairment losses from previous periods to determine whether the losses have decreased or even ceased to exist. An impairment loss is cancelled if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is cancelled only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised for the asset in prior years.

### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### Long-term 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 established. The Company has no other pension-related liabilities.

Provisions are made in the amount of the estimated future payments for post-employment benefits and jubilee benefits discounted on the reporting date for employees in countries where the law requires the payment of post-employment benefits and jubilee benefits. The calculation is based on the costs of post-employment benefits and the costs of all expected jubilee benefits until retirement. It is made using the projected unit credit method. Labour costs and interest costs are recognised in the income statement, while the restatement of post-employment benefits and unrealised actuarial gains or losses is disclosed in other comprehensive income, and for jubilee benefits, also in the income statement. The assumptions are clarified in section 3.2.9.

### Provisions

Provisions are recognised if the Company has legal or indirect obligations due to a past event that can be reliably estimated and it is likely that the settlement of these obligations will result in an outflow of resources providing economic benefits. The Company calculates provisions by discounting expected future cash flows using a pre-tax rate that reflects the current estimates of the time value of money and, where necessary, the risks characteristics of the liability.

### Revenues from sales of services performed

Revenue from customer contracts is recognised when a service is transferred to the customer in an amount reflecting the consideration that the Company considers will be justified in return for these services.

### Amounts in contracts

#### *Assets from contracts*

Assets from contracts represent the right to compensation in exchange for services transferred by the company to the buyer. If the Company transfers a service to a buyer before the buyer settles the consideration or before the maturity of the refund, the consideration is recognised as a contingent liability from the contract. The Company has no assets from contracts.

#### *Operating receivables*

A receivable represents the Company's right to an unconditional amount of compensation, i.e. the compensation shall be payable within a specified period. Other provisions are set out in non-financial instruments.

#### *Liabilities from contracts*

Liabilities from contracts represent the obligation to transfer services to the buyer in exchange for the compensation received by the Company from the buyer (or the buyer is obliged to settle it). If the buyer settles the compensation before the transfer of services to the buyer, the obligation from the contract is

recognised on the settlement day or on the due date (whichever occurs first). Liabilities from a contract are recognised as revenue when the buyer and the company fulfil their performance obligation under the contract.

### Government grants

Revenue from government grants is initially recognised where an acceptable assurance exists that the Company will receive the grants and comply with the conditions attached to them. Revenue received to cover costs is recognised strictly as revenue in the period when the relevant costs for which it has been earmarked are incurred. Asset-related revenue is consistently recognised in the income statement under other operating revenue over the useful life of an individual asset.

### Financial revenue and financial expenses

Financial revenue from interest is recognised on accrual using the effective interest method.

Financial expenses comprise borrowing costs and are recognised in the income statement using the effective interest method, except for those attributable to property, plant and equipment under construction or being produced.

### Income tax

The income tax for the period comprises current and deferred tax. Income tax is disclosed in the income statement, except to the extent that it relates to items recognised directly in the statement of comprehensive income. Current tax is the tax payable on the taxable income for the year using tax rates enacted at the reporting date and any adjustment to tax payable in respect of previous years. The tax rate applied for 2019 is 19% (2018: 19%).

### Deferred tax receivables

Deferred tax assets are recognised at the amount of the probable future taxable profit against which a deferred asset can be utilised in the future. Deferred tax assets are reduced by the amount for which it is no longer probable that it can be claimed as tax relief.

Deferred tax is recognised using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences associated with the investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is also not recognised for taxable temporary differences on the initial recognition of goodwill. The deferred tax amount is determined on the basis of the expected method of recovery or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date. Deferred tax assets and liabilities are set off if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax liabilities relate to the same taxable entity and the same tax authority. For 2019, the Company applied the tax rate of 19%, the same as in 2018.

### 3.2 NOTES TO THE FINANCIAL STATEMENTS

Unless indicated otherwise, all notes refer to the 2019 financial year. Monetary values in the tables are presented in euros (EUR), rounded to the nearest whole euro.

#### 3.2.1 Intangible assets

##### 2019

Content	Property rights	Other intangible assets	Total
<b>Cost</b>			
As at 01/01/2019	1,816,622	481,340	2,297,962
New acquisitions	1,058,861	0	1,058,861
Disposals	-251,122	0	-251,122
Increase	0	5,823	5,823
As at 31/12/2019	2,624,361	487,163	3,111,524
<b>Accumulated value adjustment</b>			
As at 01/01/2019	1,033,113	367,282	1,400,395
Amortisation/depreciation	329,023	43,649	372,672
Disposals	-251,122	0	-251,122
As at 31/12/2019	1,111,014	410,931	1,521,945
<b>Carrying amount</b>			
As at 01/01/2019	783,509	114,058	897,567
As at 31/12/2019	1,513,347	76,232	1,589,579

Major acquisitions of property rights in 2019 include the completion of the project to establish the "Datalink" functionality – data transmission of ground-to-air communication and upgrade of the system for processing data on flights.

The share of fully written-off intangible assets in relation to the cost as at 31 December 2019 was 30.23%.

##### 2018

Content	Property rights	Other intangible assets	Total
<b>Cost</b>			
As at 01/01/2018	1,645,844	477,596	2,123,440
New acquisitions	170,778	0	170,778
Disposals	0	0	0
Increase	0	3,744	3,744
As at 31/12/2018	1,816,622	481,340	2,297,962
<b>Accumulated value adjustment</b>			
As at 01/01/2019	781,515	310,966	1,092,481
Amortisation/depreciation	251,598	56,316	307,914
Disposals	0	0	0
Decrease	0	0	0
As at 31/12/2018	1,033,113	367,282	1,400,395
<b>Carrying amount</b>			
As at 01/01/2018	864,329	166,630	1,030,959
As at 31/12/2018	783,509	114,058	897,567

### 3.2.2 Property, plant and equipment

2019

Content	Land	Buildings	Buildings – contribution in kind 2013	Buildings – long-term leases	Equipment	Equipment – long-term leases	Equipment in acquisition	Small tools	Total
<b>Cost</b>									
As at 01/01/2019	221,680	16,773,322	61,839	0	33,759,873	0	1,384,063	78,052	52,278,829
New acquisitions	0	0	0	3,056,085	1,766,196	106,394	645,276	5,578	5,579,529
Disposals	0	0	0	0	-435,657	0	0	-16,417	-452,074
Transfer to use	0	0	0	0	0	0	-1,766,196	0	-1,766,196
As at 31/12/2019	221,680	16,773,322	61,839	3,056,085	35,090,412	106,394	263,143	67,213	55,640,088
<b>Accumulated value adjustment</b>									
As at 01/01/2019	0	2,942,239	25,382	0	24,179,150	0	0	74,382	27,221,153
Amortisation	0	510,712	2,013	246,920	2,641,180	22,800	0	4,731	3,428,356
Disposals	0	0	0	0	-427,471	0	0	-16,394	-443,865
As at 31/12/2019	0	3,452,951	27,395	246,920	26,392,859	22,800	0	62,719	30,205,644
<b>Carrying amount</b>									
As at 01/01/2019	221,680	13,831,083	36,457	0	9,580,723	0	1,384,063	3,670	25,057,676
As at 31/12/2019	221,680	13,320,371	34,444	2,809,165	8,697,553	83,594	263,143	4,494	25,434,444

2018

Content	Land	Buildings	Buildings – contribution in kind 2013	Buildings – long-term leases	Equipment	Equipment – long-term leases	Equipment in acquisition	Small tools	Total
<b>Cost</b>									
As at 01/01/2018	221,680	16,773,322	61,839	0	33,902,203	0	292,817	77,689	51,329,550
New acquisitions	0	0	0	0	547,210	0	1,226,256	2,287	1,775,753
Disposals	0	0	0	0	-689,539	0	0	-1,925	-691,464
Transfer to use	0	0	0	0	0	0	-135,010	0	-135,010
As at 31/12/2018	221,680	16,773,322	61,839	0	33,759,874	0	1,384,063	78,051	52,278,829
<b>Accumulated value adjustment</b>									
As at 01/01/2018	0	2,431,525	23,369	0	22,122,225	0	0	69,426	24,646,545
Amortisation	0	510,714	2,013	0	2,689,218	0	0	6,737	3,208,682
Disposals	0	0	0	0	-632,292	0	0	-1,782	-634,074
As at 31/12/2018	0	2,942,239	25,382	0	24,179,151	0	0	74,381	27,221,153
<b>Carrying amount</b>									
As at 01/01/2018	221,680	14,341,797	38,470	0	11,779,978	0	292,817	8,263	26,683,005
As at 31/12/2018	221,680	13,831,083	36,457	0	9,580,723	0	1,384,063	3,670	25,057,676

The share of fully written-off property, plant and equipment in relation to the cost as at 31 December 2019 was 16.05%.

The most important acquisitions in 2019 comprise the continuation of previously started investments:

- SLOWAM project (new WAM control system independent of radar systems) in the amount of EUR 569 thousand; the project will continue in 2020;
- upgrade of FDPS (flight data processing system) in the amount of EUR 235 thousand; upgrade of the system will continue in 2020;
- upgrade of the tower simulator in the amount of EUR 120 thousand.

As at 31 December 2019, there were no obligations to purchase fixed assets.

The Company has no pledged fixed assets or assets acquired based on finance lease.

The Company has no assets that are not used or are designated as non-current held-for-sale assets.

### 3.2.3 Non-current financial investments

EU legislation on the Single European Sky (SES) requires EU Member States to establish Functional Airspace Blocks (FABs), which includes FABs based on operational requirements and established regardless of state boundaries, where the provision of air navigation services and related functions is performance-driven and optimised with a view to introducing, in each functional airspace block, enhanced cooperation among air navigation service providers. In order to meet that obligation, on 5 May 2011, Austria, Bosnia and Herzegovina, the Czech Republic, Croatia, Hungary, Slovakia and Slovenia signed the Agreement on the Establishment of the Functional Airspace Block Central Europe (the "FAB CE Agreement") at Brdo pri Kranju, which entered into force on 20 March 2012 (on 3 August 2012 for the Republic of Slovenia), thereby establishing the Functional Airspace Block Central Europe (the "FAB CE"). At the same time, the air navigation service providers signed the FAB CE Air Navigation Service Provider Cooperation Agreement (the "ANSP Cooperation Agreement"), followed by the National Supervisory Authority Cooperation Agreement on 30 May 2011.

Pursuant to a decision of the CEO Committee (CEOC), the FAB CE air navigation service providers, except BHANSA, established a joint legal entity, FABCE, Aviation Services, Ltd., in Zgornji Brnik, which was registered in the court register of the Kranj District Court on 17 November 2014, in order to strengthen the collaboration between them and meet the requirements of the Single European Sky legislation. The Company has a non-current investment in FABCE, Aviation Services, Ltd. in the amount of EUR 16,000, which constitutes a 1/6 interest in the newly founded company. The investment is carried at cost.

### 3.2.4 Deferred tax assets

The Company recognised deferred tax assets on the basis of a calculation of its long-term provisions for jubilee benefits and post-employment benefits and provisions for unused annual leave.

Content	31/12/2018	Increase	Decrease	31/12/2019
For long-service awards	17,892	1,021	0	18,913
For retirement benefits	186,126	35,514	0	221,640
For holiday allowance	63,248	1,256	0	64,504
<b>TOTAL</b>	<b>267,266</b>	<b>37,791</b>	<b>0</b>	<b>305,057</b>

The effects of deferred taxes in the amount of EUR 37,791 were recognised in the Income statement and other comprehensive income.

### 3.2.5 Inventories

The Company's inventories mainly consist of vital spare parts for its radar systems. Inventories are valued at cost on initial recognition. The Company uses the inventory impairment method, recognising impairments for inventories that have not moved for more than one year at 5% of their cost at the end of each accounting period. Inventory write-downs are disclosed in section 3.2.20.

Content	31/12/2018	Purchase	Expenditure	Impairment	31/12/2019
Spare parts	541,871	190,306	54,811	40,938	636,428
<b>TOTAL</b>	<b>541,871</b>	<b>190,306</b>	<b>54,811</b>	<b>40,938</b>	<b>636,428</b>

### 3.2.6 Current operating receivables

Content	31/12/2019	Adjustments	31/12/2019	31/12/2018
Receivables due from domestic buyers	171,895	9,381	162,514	190,594
Receivables due from foreign buyers	4,290,629	1,243,005	3,047,624	3,443,371
Receivables from state institutions	351,331	0	351,331	162,915
Other operating receivables	538,855	0	538,855	426,573
<b>TOTAL</b>	<b>5,352,710</b>	<b>1,252,386</b>	<b>4,100,324</b>	<b>4,223,453</b>

Other operating receivables represent short-term deferred costs for the paid membership fee to Eurocontrol.

### Changes in value adjustments of receivables

Content	2019	2018
As at 1 January	1,461,040	1,141,325
Value adjustments during the year (*in net amount)	443,984*	1,461,040
Collected receivables previously written-off (*in net amount)	652,638*	1,141,325
Final write-down (cancellation) of receivables	0	0
<b>As at 31 December</b>	<b>1,252,386</b>	<b>1,461,040</b>

The value adjustment of receivables in the amount of EUR 1,252,386 is made based on the registration of receivables at the beginning of the bankruptcy proceedings of Adria Airways, d.o.o., in the amount of EUR 443,984, and the remaining part on the basis of Eurocontrol's report (see note 3.2.20).

### Maturity structure of trade receivables

Content	2019	2018
Outstanding receivables	1,264,792	220,813
Receivables overdue up to 30 days	1,931,205	3,354,352
Receivables overdue up to 90 days	472	4,425
Receivables overdue over 90 days	13,669	54,375
<b>Total</b>	<b>3,210,138</b>	<b>3,633,965</b>

### 3.2.7 Cash assets

Content	31/12/2019	31/12/2018
Nova Ljubljanska banka d. d.	24,942	35,589
SKB banka d. d.	660	1,643
Banka Intesa Sanpaolo, d. d.	5,827,337	3,268,111
UniCredit Banka Slovenija, d.d.	976	976
Short-term call deposit	20,205	305,695
<b>TOTAL</b>	<b>5,874,120</b>	<b>3,612,014</b>

### 3.2.8 Equity

Pursuant to Article 24(3) of the Memorandum of Association, the CEO proposes how to use the Company's distributable profit. Pursuant to Articles 16 and 30(1) of the Memorandum, the proposal for the appropriation of distributable profit is reviewed by the Supervisory Board, and pursuant to Article 11 of the Memorandum, the final decision on the appropriation of distributable profit is made by the Founder.

In 2019, the Company generated a net profit of EUR 4,585,114. Pursuant to Article 230(3) of the Companies Act, 50% of the net profit for the 2019 financial year, in the amount of EUR 2,292,557, was allocated to other revenue reserves, so that the net profit for the 2019 financial year after appropriation amounted to EUR 2,292,557 (see the Statement of Changes in Equity for 2019 table). As at 31 December 2019, the revenue reserves include statutory reserves in the amount of EUR 552,571 and other revenue reserves of EUR 15,868,864 intended to fulfil technical and operational requirements and related necessary investments into infrastructure to provide air navigation services.



### 3.2.9 Provisions and long-term accrued costs and deferred revenues

Content	Jubilee benefits and post-employment benefits	Lawsuits and damages	Other provisions	Other accrued costs and deferred revenue	Total
<b>As at 01/01/2019</b>	<b>2,147,541</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,147,541</b>
Establishment	456,167	0	0	0	456,167
Expenditure	-71,582	0	0	0	-71,582
Transfer to short-term part	0	0	0	0	0
<b>As at 31/12/2019</b>	<b>2,532,126</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,532,126</b>

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

#### *Actuarial methods*

The measurement of the present value of long-term employee benefit obligations (the calculation of provisions) is carried out in accordance with IAS 19:

- The projected unit credit method (also known as the accrued benefit method pro-rated on service or the benefit/years of service method) is used to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods.
- The benefits are attributed to the current and prior periods.
- Demographic (mortality and employee turnover) and financial (future increases in salaries) actuarial assumptions that will affect the costs of benefits are applied.
- To determine the present value of long-term employee benefit obligations, the total costs of the benefits earned by employees in return for their service at the Company in the current and prior periods are discounted.

#### *Actuarial assumptions and comparables*

The calculation is based on the actuarial assumptions presented below.

Demographic assumptions:

- Life tables:
  - The 2007 life tables for the population of Republic of Slovenia, applied separately for men and women and reduced by 10% (active population).
  - As at 31 December 2019, this means an overall employee mortality of 0.4% in the following financial year (based on the number of employees).
  - The average age of the Company's employees as at 31 December 2019 was 45.6 years.
- Employee turnover:
  - Fluctuation of employees due to termination of employment by the employee: linearly decreasing from 0.5% in 18 years to 0.2% at 58 years, then constant 0.0%. As at 31 December 2019, this constitutes an annual turnover of 0.3% in the following financial year (based on the number of employees).
  - Due to an increase in dismissals by the employer, employee turnover was not taken into account.
- Retirement:
  - The expected date of retirement is calculated for each employee based on data on gender, date of birth and total years of service as at 31/12/2019 in accordance with Article 27 of the Pension and Disability Insurance Act (ZPIZ-2; Official Gazette of the Republic of Slovenia, No. 96/12, 39/13, 99/13 – ZSVarPre-C, 1010/13-ZIPRS1415, 44/14-ORZPIZ206, 85/14-ZUJF-B, 95/14 ZUJF-C, 90/15-ZIUPTD, 102/15, 23/17, 40/17, 65/17, 28/19 and 75/19), (applying the eligibility criteria for old-age pension) and Article 28(1), indent 3 (work before the age of 18). It is also assumed that women will not retire before the age of 56 and men not before the age of 58 regardless of their total years of service.
  - Notwithstanding the above indent, the data on the expected date of retirement, if provided by the Company, was taken into account.

- The possibility of retirement before or after the expected date of retirement is not taken into consideration. Where an employee is entitled to a jubilee benefit within two months after their expected date of retirement, provisions are made for that jubilee benefit as well.

#### *Financial assumptions*

- The growth rates of average salaries and the amounts laid down in the Decree on the tax treatment of reimbursed work-related expenses and other income from employment (Official Gazette of the Republic of Slovenia, No. 140/06, 76/08, 63/17 and 71/18):
  - The growth rates of average salaries in the Republic of Slovenia from the Autumn Forecast of Economic Trends 2019 (IMAD) were applied in the 2020 and 2021 calculations. From 2022 onwards, average salaries in the Republic of Slovenia are expected to increase by 2.0% per annum due to inflation and 1.0% due to real growth. The amounts from the Decree on the tax treatment of reimbursed work-related expenses and other income from employment are not expected to increase by 2021, but in subsequent years they are expected to increase in line with inflation.

Year	Nominal annual growth rate of average monthly net salaries in the Republic of Slovenia (in %)	Nominal annual growth rate of amounts from the Decree for jubilee benefits (in %)	Nominal annual growth rate of amounts from the Decree for retirement benefits (in %)
2020	5.5	0.0	0.0
2021	5.5	0.0	0.0
2022	3.0	2.0	2.0

- Salary growth rate in the Company:
  - Basic salaries are expected to increase in the amount of annual inflation.

Year	Nominal annual salary growth rate in the Company, due to inflation and realistic growth (in %)
2020	2.0
2021	2.3
2022	2.0

- An increase of basic gross salaries in the Company due to promotion is taken into account: linearly decreasing from 2.0% at 15 years to 0.5% at 45 years, then constant at 0.5% per year; as at 31 December 2019, this constitutes 0.6% in the following financial year (based on the number of employees).
- A seniority bonus of 0.5% of the basic salary is applied for every full year of service. For female employees with over 25 years of service, the seniority bonus is increased by 0.3% for each completed year of service over 25.
- Discount rates (average discount rate is 0.6%):
  - Measurement is based on a yield curve that reflects the estimated timing of benefit payments.
  - The yield curve applied is published at <http://www.ecb.eu/stats/money/yc/html/index.en.html> and is calculated for all government bonds of all euro area countries (spot rates) as at 30 December 2019. Past the 30-year point, the curve is extrapolated using a formula that reflects the relationship between the forward and spot rates based on the 30-year forward rate.
  - The yield curve represents the relationship between market returns on government bonds in the euro area and the remaining time to maturity of the bonds, i.e. the term structure of interest rates.

#### *Sensitivity analysis of actuarial assumptions*

Pursuant to IAS 19, a sensitivity analysis was conducted of the actuarial assumptions on the discount rates, the growth of salaries in the Republic of Slovenia and at the Company and the employee turnover for the present value of lump-sum jubilee benefit and retirement benefit obligations as at 31 December 2019 and in comparison with 31 December 2018. Only a single assumption was changed in each analysis as shown in the table below, while the rest of the assumptions remained unchanged.

Actuarial assumption	Assumption change * (in percentage points)	Change in the current value of the obligations (in EUR)			
		Jubilee benefits as at		Retirement benefits as at	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
Return	+0.5	-8,877	-8,174	-157,616	-125,713
	-0.5	6,502	8,204	155,453	135,881
Salary growth	+0.5	9,360	8,676	168,916	132,803
	-0.5	-6,975	-6,490	-156,075	-125,544
Fluctuation	+0.1	-1,841	-1,706	-32,988	-26,517
	-0.1	1,666	1,372	24,240	14,601

\* The lowest discount rate, salary growth and fluctuation are taken to be 0%.

### 3.2.10 Non-current financial liabilities

Content	31/12/2019	31/12/2018
Long-term loans raised from domestic banks	575,000	2,625,000
Non-current liabilities – leases IFRS 16	2,139,496	0
<b>TOTAL</b>	<b>2,714,496</b>	<b>2,625,000</b>

The Company had three outstanding long-term loans, two from Banka Intesa Sanpaolo, d. d., and one from SKB Banka, d. d.:

- loan granted in the amount of EUR 3,231 thousand, the lender is Banka Intesa Sanpaolo, d. d., the interest rate is 3-month EURIBOR + 0.315 percentage points per year. The loan was being repaid in three-month instalments and was paid in February 2019;
- loan granted in the amount of EUR 11,500 thousand, the lender is Banka Intesa Sanpaolo, d. d., the interest rate is 3-month EURIBOR 1.90 percentage points per year. The loan is being repaid in three-month instalments; the final repayment deadline is 1 April 2021;
- loan granted in the amount of EUR 6,000 thousand, the lender is SKB Banka, d. d., the interest rate is 3-month EURIBOR + 0.9 percentage points per year. The loan is being repaid in three-month instalments, the first instalments was due on 1 December 2015, and the final repayment deadline is 1 September 2020.

In 2019, instalments totalling EUR 2,430,783 as recorded in the short-term liability items fell due. As at 31 December 2019, the Company has a debt of EUR 575,000 from long-term financial obligations. To raise the loans, the Company did not pledge any real estate or other assets.

Content	Principal as at 31/12/2019	Maturity by year			
		2020	2021	2022	2023
Balance of bank loan principals, payments due by year	2,625,000	2,050,000	575,000	0	0
Expected interest	31,250	27,250	4,000	0	0
<b>TOTAL</b>	<b>2,656,250</b>	<b>2,077,250</b>	<b>579,000</b>	<b>0</b>	<b>0</b>

The Company applied the standard – IFRS 16 Leases – as it entered into force on 1 January 2019. Liabilities amounted to EUR 2,139,496 as at 31 December 2019. Liabilities in the amount of EUR 255,400, which fall due in 2020, are stated under current liabilities.

Content	Principal as at 31/12/2019	Maturity by year			
		Up to 1 year	Up to 2 years	Up to 3 years	More than 5 years
Balance of principals of the lease liabilities under IFRS 16	1,766,131	255,400	255,400	255,400	999,931
Expected interest	373,365	47,250	47,250	47,250	231,615
<b>TOTAL</b>	<b>2,139,496</b>	<b>302,650</b>	<b>302,650</b>	<b>302,650</b>	<b>1,231,546</b>

## Trends in financial liabilities

Content	2019	2018
<b>As at 1 January</b>	<b>2,625,000</b>	<b>5,055,783</b>
New acquisitions due to control over the company	0	0
New acquisitions due to acquisitions of the company	0	0
Receipts from issued bonds	0	0
Payments for issued bonds	0	0
Receipts from loans received	0	0
Receipts from leases under IFRS 16	2,139,496	0
Disbursements for leases under IFRS 16	0	0
Payments for loans received	-2,050,000	-2,430,783
Changes in fair value of financial instruments	0	0
Changes in interest payable	0	0
Exchange rate differences	0	0
<b>As at 31 December</b>	<b>2,714,496</b>	<b>2,625,000</b>

## 3.2.11 Current financial liabilities

Content	31/12/2019	31/12/2018
Short-term loans raised from domestic banks	2,050,000	2,430,783
Current liabilities – leases IFRS 16	255,400	
<b>TOTAL</b>	<b>2,305,400</b>	<b>2,430,783</b>

The Company discloses as a current financial liability the liabilities from long-term loans in instalments falling due in 2020 in the total amount of EUR 2,050,000 and part of non-current lease liabilities under IFRS 16 totalling EUR 255,400 and payable in 2020 (see also note 3.2.10).

## 3.2.12 Current operating trade payables

Content	31/12/2019	31/12/2018
Trade payables - domestic	1,641,313	673,340
Trade payables - foreign	704,853	672,607
<b>TOTAL</b>	<b>2,346,166</b>	<b>1,345,947</b>

As at 31 December 2019, the Company reports no overdue trade payables.

## 3.2.13 Other current operating liabilities

Content	31/12/2019	31/12/2018
Payables to employees	1,242,847	1,297,308
Payables to state institutions	1,224,507	1,394,489
Other operating liabilities	16,098	32,042
<b>TOTAL</b>	<b>2,483,452</b>	<b>2,723,839</b>

## 3.2.14 Corporate income tax liabilities

As at 31 December 2019, corporate income tax liability stands at EUR 68,985, taking into account the previously paid advance in the period concerned and for December 2019, falling due in January 2020.

**3.2.15 Other current liabilities**

Content	1. 1. 2019	Establishment	Expenditure	31/12/2019
Unused annual leave	625,629	61,693	8,334	678,988
CEO's bonus included in calculation	40,906	37,602	25,016	53,492
Short-term deferred revenue	504,602		468,752	35,850
<b>TOTAL</b>	<b>1,171,137</b>	<b>99,295</b>	<b>502,102</b>	<b>768,330</b>

**3.2.16 Revenues from sales from contracts**

Content	2019	2018
Revenues from sales from contracts in the Republic of Slovenia	992,943	952,302
Revenues from sales from contracts in the EU	331,380	55,482
Revenues from sales from contracts abroad	1,380	1,450
Revenues from sales from contracts - en-route charges	37,119,930	34,958,207
Revenues from sales from contracts - terminal charges	3,371,984	3,555,109
<b>TOTAL</b>	<b>41,817,617</b>	<b>39,522,550</b>

Considering the application of IFRS for the recognition of excess revenue due to the effect of the risk-sharing mechanism on future revenue in accordance with European Union regulations, the note under 3.2.26 should be read.

**3.2.17 Other operating revenues**

Content	2019	2018
EU grants	232,190	186,965
Revenues from reversals of provisions	0	2,561
Other revenue associated with business effects	673,244	310,939
<b>TOTAL</b>	<b>905,434</b>	<b>500,465</b>

**3.2.18 Cost of materials and services**

## Costs of materials

Content	2019	2018
Costs of auxiliary material	54,811	6,720
Energy costs	267,806	239,281
Costs of spare parts and maintenance materials	153,419	118,412
Write-off of small tools – useful life of up to one year	281	3,134
Costs of office supplies and professional literature	50,494	39,581
Other costs of material	29,737	24,007
<b>TOTAL</b>	<b>556,548</b>	<b>431,135</b>

## Cost of services

Content	2019	2018
Costs of transport services	1,822	2,489
Internet and telephone costs	457,697	436,171
Costs of services related to maintenance	992,730	888,600
Leases not covered by IFRS 16	248,253	385,553
Reimbursement of employee work-related costs	411,111	398,904
Payment transaction costs	19,556	13,699
Costs of insurance premiums	166,699	146,546
Cost of intellectual and personal services	315,599	349,272
Costs of trade fairs, advertising and entertainment	74,023	80,999
Costs of contracts for services, royalties and Student Work Centre	57,068	69,093
Costs of attendance fees of the Supervisory Board and Workers' Council	93,137	77,945
Costs of aviation meteorology - en-route	1,521,053	1,400,887
Costs of aviation meteorology - terminal	453,615	503,531
Costs of the Civil Aviation Agency - en-route	796,165	682,371
Costs of the Civil Aviation Agency - terminal	91,455	100,513
Other costs of services	1,000,767	914,629
<b>TOTAL</b>	<b>6,700,750</b>	<b>6,451,202</b>

## 3.2.19 Labour costs

Content	2019	2018
Wages and salaries	18,328,667	17,803,061
Costs of supplementary pension insurance of employees	616,919	602,238
Other pension insurance costs	1,625,079	1,615,179
Costs of other social security insurance	1,337,045	1,255,889
Augmented pension insurance period contributions	895,583	862,153
Costs of meals and travel allowances	746,315	751,014
Holiday allowance	385,026	252,175
Severance pay	168,687	123,545
Jubilee benefits and other payments to employees	23,341	14,165
<b>TOTAL</b>	<b>24,126,662</b>	<b>23,279,419</b>

The average number of employees based on the total number of hours worked in 2019 was 223.96.

## Employee structure

Average number of employees in 2019	
Air traffic control posts requiring a licence – licensed staff	
• Air traffic services posts – air traffic controllers	108
• Air traffic services posts – operators (FDT+FIS)	16
• Communications, navigation and surveillance posts	36
• Aeronautical information services posts	23
Total licensed staff	183
Non-licensed staff	45
<b>Total employees</b>	<b>228</b>

### 3.2.20 Write-downs

Content	2019	2018
Depreciation of intangible assets	329,023	251,598
Depreciation of buildings	512,726	512,726
Depreciation of buildings - IFRS 16	246,920	0
Depreciation of equipment	2,641,161	2,688,409
Depreciation of equipment - IFRS 16	22,800	0
Depreciation of small tools	4,730	6,736
<b>TOTAL</b>	<b>3,757,360</b>	<b>3,459,469</b>

Content	2019	2018
Loss on retirement of fixed assets	8,210	48,051
Impairment loss on receivables	443,984	564,396
Impairment loss on inventories	40,938	35,031
<b>TOTAL</b>	<b>493,132</b>	<b>647,478</b>

Impairment of receivables in the amount of EUR 443,984 is recognised on the basis of the initiated bankruptcy proceedings and the registration of receivables in proceedings against the debtor Adria Airways, d. o. o. The Company's receivables amount to EUR 9,380, while the remaining part of EUR 434,603 was impaired by the Company based on Eurocontrol data (see note 3.2.6).

### 3.2.21 Other operating expenses

Content	2019	2018
Membership fees and other operating expenses	1,580,201	1,590,174
Costs of donations and humanitarian aid	15,450	40,100
Non-deductible expenses	0	872
<b>TOTAL</b>	<b>1,595,651</b>	<b>1,631,146</b>

Membership fee paid to Eurocontrol in the period concerned is EUR 1,527,729 (2018: EUR 1,547,688).

### 3.2.22 Financial expenses

Content	2019	2018
Interest on loans	48,674	70,080
Financial liabilities under IFRS 16	47,434	0
Costs of interest on jubilee benefits – actuarial calculation	3,031	3,074
Costs of interest on retirement benefits – actuarial calculation	40,620	39,229
Expenses for operating liabilities	705	517
<b>TOTAL</b>	<b>140,464</b>	<b>112,900</b>

### 3.2.23 Tax return – corporate income tax

Content	2019	2018
REVENUES determined in accordance with accounting regulations	42,723,107.76	40,393,993.46
Exemption of income arising from reversal of impairments if the preceding impairment was not taken into account	-530,969.81	0.00
EXPENSES determined in accordance with accounting regulations	-37,370,568.28	-36,383,263.30
Decrease in expenses due to revaluation of receivables - Article 21 of the Corporate Income Tax Act	434,984.32	530,969.81
Non-deductible expenses for interest on taxes and other levies paid late	447.59	81.93
Non-deductible expenses for donations	15,450.00	40,100.00
Non-deductible expenses for benefits and other employment-related payments were not subject to tax pursuant to the Personal Income Tax Act	616,919.43	602,238.14
Other non-deductible expenses pursuant to Article 29 of the Corporate Income Tax Act	0.00	872.01
Non-deductible expenses in the amount of 50% of entertainment costs	35,661.51	37,038.45
Non-deductible expenses in the amount of 50% of the costs of the Supervisory Board or another body having only a supervisory function	46,568.41	38,972.61
Amount of claimed tax relief for investments based on the sale or disposal of an asset prior to the expiry of the regulatory period	2,844.98	0.00
Relief for investments pursuant to Article 55.a of the ZDDPO-2	-1,104,286.72	-261,700.28
Relief for supplementary pension insurance	-616,727.66	-602,238.14
Relief for donations – amounts paid for humanitarian, disability, social security, charity, scientific, educational, healthcare, sports, cultural, ecological and religious purposes	-15,450.00	-40,100.00
TAX BASE	4,237,981.53	4,356,964.69
TAX - 19%	805,216.49	827,823.29

### Adjustment to the effective tax rate

Content	2019	2018
Current tax	805,216	827,823
Deferred taxes	-37,791	-22,061
<b>Total income tax</b>	<b>767,425</b>	<b>805,762</b>
Profit before tax	<b>5,352,539</b>	<b>4,010,730</b>
<b>Corporate income tax 19%</b>	<b>1,016,983</b>	<b>762,039</b>
Tax-exempt revenue and increase in expenses	0	0
Tax-exempt dividends received	0	0
Tax for tax reliefs	-329,928	-171,767
Tax on non-deductible expenses	196,985	215,491
Tax on non-deductible expenses associated with investment impairments	0	0
Other tax base reductions	0	0
<b>Total income tax</b>	<b>884,040</b>	<b>805,762</b>
<b>Effective tax rate</b>	<b>16.52%</b>	<b>20.09%</b>

### 3.2.24 Fair value

The management estimates that the fair values of financial assets and liabilities do not differ materially from their carrying amounts.

#### *Fair value measurement*

The fair value of operating and other receivables is estimated as the present value of future cash flows, discounted at the market interest rate.

The fair value of non-derivative financial liabilities is determined on the basis of the present value of future principal and interest payments, discounted at the market interest rate.



*Fair value hierarchy*

2019	Valuation at fair value			
	Book value as at 31 December 2019	Direct value on stock markets (level 1)	Value based on market observables (level 2)	Value cannot be derived from market observables (level 3)
Assets measured at fair value	0	0	0	0
Assets whose fair value is disclosed	3,210,137	0	0	3,210,137
Trade receivables	3,210,137	0	0	3,210,137
Total fair value of assets	3,210,137	0	0	3,210,137
Liabilities measured at fair value	0	0	0	0
Trade payables – current and non-current	2,346,166	0	0	2,346,166
Financial liabilities – current and non-current according to IFRS 16	2,394,896	0	0	0
Loans raised	2,625,000	0	0	2,625,000
Liabilities whose fair value is disclosed, total	7,366,062	0	0	7,366,062
Total fair value of liabilities	7,366,062	0	0	7,366,062

2018	Valuation at fair value			
	Book value as at 31 December 2018	Direct value on stock markets (level 1)	Value based on market observables (level 2)	Value cannot be derived from market observables (level 3)
Assets measured at fair value	0	0	0	0
Assets whose fair value is disclosed	3,641,070	0	0	3,641,070
Trade receivables	3,641,070	0	0	3,641,070
Total fair value of assets	3,641,070	0	0	3,641,070
Liabilities measured at fair value	0	0	0	0
Trade payables – current and non-current	1,345,947	0	0	1,345,947
Loans raised	5,055,783	0	0	5,055,783
Liabilities whose fair value is disclosed, total	6,401,730	0	0	6,401,730
Total fair value of liabilities	6,401,730	0	0	6,401,730

	2019		2018	
	Book value	Fair value	Book value	Fair value
<b>Non-derivative financial assets at fair value</b>				
Financial assets at fair value through other comprehensive income	0	0	0	0
<b>Non-derivative assets at amortised cost</b>				
Financial receivables (excluding derivative financial instruments)	0	0	0	0
Operating receivables (excluding receivables due from the state)	3,748,993	3,748,993	4,060,538	4,060,538
Cash and cash equivalents	5,874,120	5,874,120	3,612,014	3,612,014
<b>Total non-derivative financial assets</b>	<b>9,623,113</b>	<b>9,623,113</b>	<b>7,672,552</b>	<b>7,672,552</b>
<b>Non-derivative financial liabilities at amortised cost</b>				
Bank loans and other financial liabilities	-2,625,000	-2,625,000	-5,055,783	-5,055,783
Liabilities from leases	-2,139,496	-2,139,496	0	0
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and liabilities from advances)	-2,346,166	-2,346,166	-1,345,947	-1,345,947
<b>Total non-derivative financial liabilities</b>	<b>-7,110,662</b>	<b>-7,110,662</b>	<b>-6,401,730</b>	<b>-6,401,730</b>

### 3.2.25 The application of the IFRS for the recognition of excess revenue due to the effect of the risk-sharing mechanism on future revenue in accordance with European Union regulations

As a result of the method used to determine the amount of the charges in a year, which among other things depends on the number of planned en-route flights and approaches/departures as well as the projected inflation or actual en-route flights and approaches/departures and inflation – the so-called risk-sharing mechanism, the Company notes a difference in the amount of revenues (surplus or deficit) in an individual year. The difference from an individual year (n) is taken into account in determining the rate in two years' time (n + 2). In the case of operations in 2018 and 2019, this difference significantly affects the Company's current P/L as well as the P/L in two years, therefore the Company checked whether it would be correct to form long-term provisions or regulatory obligations in this regard.

IAS 37 does not permit the recognition of provisions or excess revenue arising from regulatory obligations. The key reason (according to currently applicable standards) is that the decrease in the future rate in the year (n + 2), which is the consequence of too high a rate due to more flights and arrivals/departures as well as inflation that is lower than planned and which provides the basis for setting the rate for the current year, depends on future events such as:

- future rendering of services;
- future volumes of output;
- the continuation of regulation.

Consequently, regulatory obligations (deferred excess revenues) do not meet the criteria under the definition of liabilities according to the IFRS, which requires the existence of current liabilities without contingent future events, so the Company cannot form long-term provisions or regulatory obligations.

### 3.2.26 Financial instruments and financial risk control

The most significant financial risks to which the Company is exposed are interest rate risk, liquidity risk, credit risk and capital management.

#### Interest rate risk

The Company has non-current financial liabilities in the amount of EUR 575,000 (2018: EUR 2,625,000). As at 31 December 2019, the short-term portion of its financial liabilities totalled EUR 2,050,000 (2018: EUR 2,430,783). An unexpected increase in variable interest rates may significantly influence the achievement of the Company's planned operating results, so the interest rate risk is important for the Company.

The impact of changes in variable interest rates on future operating results is shown in the table below.

### Sensitivity analysis

#### 2019

Balance of liabilities tied to individual variable interest rates	Liabilities as at 31/12/2019	Interest rate increase by 0.5%	Interest rate decrease by 0.5%
3-month EURIBOR	2,625,000	13,125	-13,125

Balance of liabilities tied to individual variable interest rates	Liabilities as at 31//2018	Interest rate increase by 0.5%	Interest rate decrease by 0.5%
3-month EURIBOR	5,055,783	25,279	-24,785

The analysis of the sensitivity of financial liabilities to changes in variable interest rates is based on the assumption of a potential variable interest rate change of 0.5%. The calculation is based on the average interest rate of all loans.

### Liquidity risk

Matching the maturities of assets and liabilities is essential for ensuring continuous solvency.

The availability of adequate financial resources in a given period is vital for the timely settlement of outstanding liabilities. Liquidity risks comprise the insufficiency of financial resources and the opportunity losses of surplus cash in bank accounts. The Company has a system in place to monitor the maturity of trade payables and payables to financial institutions, the state and others and to ensure that liabilities are settled in a regular and timely manner.

2019	Contractual cash flows			
	Book value	Up to 1 year	From 1 to 5 years	Total
Derivative financial liabilities	0	0	0	0
Loans and credits, including expected interest	2,625,000	2,077,250	579,000	2,656,250
Liabilities from leases, including expected interest	2,394,896	302,650	2,092,246	2,394,896
Trade payables	2,346,166	2,346,166	0	2,346,166
Total non-derivative financial liabilities	7,397,312	4,726,066	2,671,246	7,397,312
Total	7,397,312	4,726,066	2,671,246	7,397,312

2018	Contractual cash flows			
	Book value	Up to 1 year	From 1 to 5 years	Total
Derivative financial liabilities	0	0	0	0
Loans and credits, including expected interest	5,055,783	2,505,783	2,700,000	5,205,783
Trade payables	1,345,947	1,345,947	0	1,345,947
Total non-derivative financial liabilities	6,401,730	3,851,730	2,700,000	6,551,730
Total	6,401,730	3,851,730	2,700,000	6,551,730

## Credit risk

Default risk, i.e. the risk that customers will fail to meet their contractual obligations on time, is regularly monitored and appropriate measures are promptly taken to collect trade receivables. This protects the Company against the uncertainty of payment, which could hinder the planning of future cash flows. The Company has two main sources of revenue, i.e. revenue from en-route charges (in the en-route phase) and revenue from terminal charges (in the approach and departure phases). Default risk arises in the terminal charge segment, as the Company's revenues from terminal charges are characterised by an extremely low degree of customer diversification, as more than half of the revenues from this source come from a single customer. In terms of this risk, it is important that revenues from terminal services account for less than 10% of all sales revenues. Revenues from en-route services, which are characterised by considerable diversification of customers, as the share of none of the customers exceeds 6.5% of revenues from en-route services, account for almost 90% of total sales revenues.

The Company controls this risk by participating in the common service charging and collection system through the Eurocontrol organisation (the service fees to airlines are charged by Eurocontrol and then transferred to the Company). Allowances for doubtful receivables are made and substantiated at the end of each accounting period based on the data of Eurocontrol.

## Capital management

The primary goal of capital management in the Company is to provide the resources that will enable the Company to meet the technical, technological and operational requirements and make the necessary investments in infrastructure for the provision of air navigation services, particularly to ensure sufficient capacity as required by the binding EU-wide target for that key performance area and as stipulated by Slovenian and EU regulations, with the aim of ensuring the safe, proper, efficient and uninterrupted provision of services. In this way, the Company also ensures a high credit rating and the relevant financing ratios, which in turn secure it additional financing resources for its operations. The founder and sole member of the Company is the Republic of Slovenia and the Founder's rights are exercised on its behalf by the Slovenian Sovereign Holding. Thus, in capital management and dividend policy the Company also follows the strategic orientations and expectations of its Founder.

The Company's capital management policy follows the guidelines of EU and Slovenian legislation governing the Company's activity with the aim of ensuring adequate capital growth to meet the technical, technological and operational requirements and make the necessary investments in infrastructure for the provision of air navigation services.

The Company had a leverage ratio (total assets at the end of period/equity at the end of period) of 1.53 in 2019, while the ratio stood at 1.58 in 2018.

### 3.2.27 Implementation of other activities

In 2019, the Company generated revenues from implementation of other activities in the amount of EUR 379,972, of which EUR 329,600 from training of controllers from Bosnia and Herzegovina, EUR 37,200 from leasing of real estate (hangar at Jože Pučnik Airport) and EUR 13,172 from supply of electric energy into the distribution network from the production facility at the ATCC Brnik measurement site when necessary. Revenues from the implementation of other activities represent 0.89% of all operating revenues of the Company. The Company incurred no additional costs from other activities in 2019.

### 3.2.28 Related party transactions

The Company provides services to various bodies, agencies and companies in which the Republic of Slovenia holds a majority or minority share. All transactions with those parties are made on an arm's length basis that are no more favourable than those offered to other customers.

The Company has a long-term investment in FABCE, Aviation Services, Ltd. It is detailed under 3.2.3.

In 2019, the Company's transactions with FABCE, Aviation Services, Ltd. generated revenues of EUR 42,490 from the rental of business premises and technical equipment and supporting administrative, accounting and legal services; As at 31 December 2019, the Company had no overdue receivables due from or payables due to FABCE, Aviation Services, Ltd.

### 3.2.29 Events after the date of the Statement of financial position

No events that could affect the true and fair view of the financial statements for 2019 occurred between the date of the financial statements and the date of this report.

The Company estimates that the crisis resulting from the Covid-19 pandemic will significantly affect air transport and consequently, its operations in 2020, but measures to mitigate the crisis taken by the Republic of Slovenia, Eurocontrol and the Company will ensure the Company's smooth operation in 2020.

### 3.2.30 Contingent liabilities

The Company does not have any contingent liabilities that are not appropriately disclosed in the Statement of financial position as at 31 December 2019. In the Company's estimate, it is not probable that an outflow of resources will be required to settle the obligation arising from contingent liabilities.

### 3.2.31 Audit costs

Purpose of expenditure	2019	2018
Annual report audit	9,500	9,500
Other services of giving assurance	2,500	2,500
<b>TOTAL</b>	<b>12,000</b>	<b>12,000</b>

### 3.2.32 Other disclosures

The Company is managed by the Company's legal representative and CEO, Franc Željko Županič, PhD.

The table below shows the CEO's gross remuneration in 2019:

	Function	Fixed salary - gross (1)	Variable pay - gross (2)	Deferred pay (3)	Severance pay (4)	Benefits (5)	Repayment of paid remuneration – "claw-back" (6)	Total gross (1+2+3+4+5-6)	Total (net)
Franc Željko Županič	CEO	119,822	21,547	0	0	5,484	0	146,853	67,007

The variable pay is paid pursuant to 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, 8/11 – ORZPPOGD4 and 23/14 – ZDIJZ-C). The Company has no outstanding claims arising from loans to the CEO.

In 2019, the Supervisory Board consisted of six members, four representing the interests of the Founder and two representing the employees. The members of the Supervisory Board are entitled to remuneration in accordance with Article 18 of the Memorandum of Association and the Founder's Decision No 4-0027/2011-1175 of 28 July 2011, and based on the Founder's Decision of 31 May 2019.

The gross and net remuneration of Supervisory Board (SB) members and the Audit Committee (AC) of the Supervisory Board in 2019 are shown in the table below (in EUR):

Name and surname	Function	Base remuneration for the performance of the function on the Supervisory Board - gross per annum (1)	Base remuneration for the performance of the function on the Audit Committee - gross per annum (2)	Supervisory Board and Audit Committee attendance fees - gross per annum (3)	Total gross (1+2+3)	Total (net)	Travel expenses
Dušan Hočevar, MSc	President of the SB and Deputy Chair of the AC	11,050	1,906	3,200	16,156	11,510	243
Marija Šeme Irman, MBA	Deputy President of the SB and Chair of the AC	8,103	2,763	3,360	14,226	10,081	138
Gorazd Čibej, MSc	Member of the SB	7,300	0	2,240	9,540	6,861	138
Nikolaj Abrahamsberg, MSc	Member of the SB	7,300	0	2,200	9,500	6,831	653
Žiga Ogrizek	Member of the SB	7,300	0	2,400	9,700	7,383	22
Davor Mizerit	Member of the SB and member of the AC	7,300	1,842	3,360	12,502	9,908	262
Urška Kiš	Members of the AC	0	1,731	960	2,691	1,957	110

### 3.2.33 Proposed profit distribution

Pursuant to Article 24(3) of the Memorandum of Association, the CEO proposes how to use the Company's distributable profit. Pursuant to Articles 16 and 30(1) of the Memorandum, the proposal for the appropriation of distributable profit is reviewed by the Supervisory Board, and pursuant to Article 11 of the Memorandum, the final decision on the appropriation of distributable profit is made by the Founder.

In 2019, the Company generated a net profit of EUR 4,585,114. Pursuant to Article 230(3) of the Companies Act, 50% of the net profit for the 2019 financial year, in the amount of EUR 2,292,557, was allocated to other revenue reserves, so that the net profit for the 2019 financial year after appropriation amounted to EUR 2,292,557.

As at 31 December 2019, the Company posted distributable profit in the amount of EUR 2,728,119.

It is proposed to the Founder not to distribute the distributable profit comprising the retained profit from previous years and the residual net profit for the 2019 financial year after appropriation.

Due to the decline in air transport as a result of the crisis brought on by the Covid-19 epidemic, the Company will face a major drop in revenues in 2020, so the liquidity situation in 2020 and also in 2021 will be significantly worse. In 2020, it will be a great challenge for the Company to provide conditions for uninterrupted operations and adequate capacities, as required by the binding EU-wide target in this key performance area and as required by Slovenian and European regulations, in order to ensure safe, quality, efficient and uninterrupted service provision. As a result, the Company does not propose dividend payout, as only in this way will it be able to ensure smooth operations and meet the prescribed technical-technological and operational requirements.

### 3.2.34 Statement of the management's responsibility

Pursuant to the provisions of Article 60a of the Companies Act, on 13 March 2020, the CEO approved these financial statements, the accounting policies applied and the notes to the financial statements for publication.

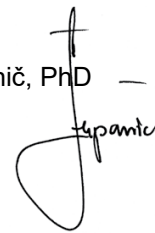
The management is responsible for the preparation of the Annual Report in such a way that it shows a true and fair view of the Company's assets and statements of operations for the year 2019.

The CEO confirms to have consistently applied the appropriate accounting policies and made the accounting estimates according to the principle of prudence and due diligence. The CEO further confirms that the financial statements, together with the notes, have been prepared on the basis of the assumptions of going concern and in line with the applicable legislation as well as the International Accounting Standards.

The CEO is also responsible for adequately managed accountancy and the adoption of appropriate measures aimed at insuring the property as well as preventing and discovering fraud and other irregularities or illegalities.

The tax authorities are entitled to inspect the Company's operations at any time within five years after the expiry of the year for which tax must be assessed, which could result in additional payment liability for tax, default interest and penalty arising from corporate income tax or other taxes and levies. The CEO is not aware of any circumstances that could result in any potential significant liability in relation thereto.

Franc Željko Županič, PhD  
CEO

A handwritten signature in black ink, appearing to read 'Županič', is written over a horizontal line. The signature is stylized and includes a large loop at the bottom.

Zgornji Brnik, 13 March 2020

## GLOSSARY OF TERMS AND ACRONYMS

ACC	Območna kontrola zračnega prometa	Area Control Centre
ACE Report	Poročilo stroškovne učinkovitosti upravljanja zračnega prometa	ATM Cost Effectiveness Report
ADP	Proces letalskih informacij	AIS Data Process
ADS-B	Avtomatski odvisni nadzor	Automatic Dependent Surveillance Broadcast
ADSP	Ponudnik storitve ATM podatkov	ATM Data Service Provider
AFTN	Letalsko fiksno telekomunikacijsko omrežje	Aeronautical Fixed Telecommunication Network
A/G	Komunikacija kontrolor-pilot	Air to Ground
AIP	Zbornik letalskih informacij	Aeronautical Information Publication
AIS	Služba letalskih informacij	Aeronautical Information Services
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
AoR	Območje odgovornosti	Area of Responsibility
ARO	Služba zrakoplovnih informacij	Aeronautical Reporting Office
ASM	Upravljanje zračnih prostorov	Airspace Management
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 Flow 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
ATSB	NewPENS Nadzorni odbor	NewPENS Supervisory Board
ATSU	Enota izvajanja službe zračnega prometa	Air Traffic Service Unit
BALTIC FAB	Funkcionalni blok zračnega prostora baltskih držav	Baltic Functional Airspace Block
BLUE – MED FAB	Funkcionalni blok zračnega prostora BLUE MED (Mediterranski 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
CEF	Instrument za povezovanje Evrope	Connect Europe Facilities
CFMU	Osrednja enota za upravljanje pretoka zračnega prometa	Central Flow Management Unit
CNS	Komunikacije, navigacija in nadzor	Communication, Navigation and Surveillance
COM	Komunikacije	Communication
CPDLC	Povezava za podatkovno komunikacijo med kontrolorji zračnega prometa in piloti	Controller-Pilot Data Link Communications
CTNC	Centralizirani tehnično nadzorni center	Centralised System Monitoring and Control
CRCO	Centralni urad za zaračunavanje pristojbin pri organizaciji Eurocontrol	Central Route Charges Office
DAM	Dinamično upravljanje zračnega prostora	Dynamic Airspace Management
DANUBE FAB	Funkcionalni blok zračnega prostora DANUBE (FAB Romunije in Bolgarije)	Functional Airspace Block DANUBE (FAB of Romania and Bulgaria)
DCT	Sistem direktnega načrtovanja letov	Direct Flight
DDPO	Davek od dohodkov pravnih oseb	Corporate Income Tax
DEP	Odlet	Departure
EAD	Evropska baza zrakoplovnih podatkov	European AIS Data Base
EASA	Evropska agencija za varnost v letalstvu	European Aviation Safety Agency
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
EBIT margin	Dobiček iz poslovanja / kosmati donos iz poslovanja	Earnings Before Interest and Taxes / Gross Operating Income
EBITDA margin	Poslovni izid pred obrestmi in davki, deprecijacijo in amortizacijo / kosmati donos iz poslovanja	Earnings Before Interest, Taxes Depreciation and Amortisation / Gross Operating Income
ECAC	Evropska konferenca civilnega letalstva	European Civil Aviation Conference
ECB	Evropska centralna banka	European Central Bank
EDA	Evropska obrambna agencija	European Defence Agency



EoSM	Učinkovitost upravljanja varnosti	Effectiveness of Safety Management
FAB	Funkcionalni blok zračnega prostora	Functional Airspace Blocks
FAB CE	Funkcionalni blok zračnega prostora v srednji Evropi	Functional Airspace Block Central Europe
FAB EC	Funkcionalni blok zračnega prostora centralne Evrope	Functional Airspace Block Europe Central
FDPS	Sistem za obdelavo podatkov o letih letal	Flight Data Processing System
FCSG	FAB CE skupina za kibernetiko varnost	FAB CE Cyber Security Group
FIR	Letalsko informacijsko področje	Flight information region
FL	Nivo leta	Flight Level
FPL	Načrt leta	Flight Plan
FRA	Zračni prostor, v katerem se prosto (svobodno) določajo zračne poti	Free Route Airspace
FUA	Prilagodljiva uporaba zračnega prostora	Flexible Use of Airspace
GATE ONE	Združenje treh različnih FAB-ov (BALTIC FAB, DANUBE FAB, FAB CE) in M-NAV ter SAMTSA	Alliance between three FABs (BALTIC FAB, DANUBE FAB, FAB CE) and M-NAV and SMATSA
GO FRA	Zračni prostor Gate One, v katerem se prosto (svobodno) določajo zračne poti	Gate One Free Route Airspace
IANS	Inštitut navigacijskih služb zračnega prometa	Institute of Air Navigation Services
HW	Strojna oprema	HardWare
IATA	Mednarodno združenje letalskih prevoznikov	International Air Transport Association
ICAO	Mednarodna organizacija civilnega letalstva	International Civil Aviation Organisation
IFR	Pravila instrumentalnega letenja	Instrument Flight Rules
IMF	Mednarodni denarni sklad	International Monetary Fund
INEA	Izvajalska agencija za inovacije in omrežja	Innovation and Networks Executive Agency
IT	Informacijska tehnologija	Information Technology
KPI	Key performance indicators	Key Performance Indicator
AC	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
IAS	Mednarodni računovodski standardi	International Accounting Standards
IFRS	Mednarodni standardi računovodskega poročanja	International Financial Reporting Standards
MTOW	Najvišja dovoljena vzletna teža letala	Maximum Take-Off Weight
MUAC	Center za kontrolo zgornjega zračnega prostora Maastricht	Maastricht Upper Area Control
MW	Mikrovalovna povezava	MicroWave
NAV	Navigacija	Navigation
NewPENS	Novo PAN-evropsko omrežje za prenos storitev	New PAN-European Network Services
NOTAM	Obvestilo pilotom	Notice – to – Airmen
OJT	Usposabljanje na delovnem mestu	On Job Training
ACC	Območna kontrola zračnega prometa	Area Control Centre
OLDI	Sprotna izmenjava podatkov	On-line Data Interchange
IASC	Odbor za mednarodne računovodske standarde	International Accounting Standards Board
IFRIC	Odbor za pojasnjevanje mednarodnih standardov računovodskega poročanja	International Financial Reporting Interpretations Committee
ORM	Povratno sporočilo, ki se nanaša na načrt poleta	Operational Reply Message
PBN	Navigacija, ki ne temelji le na konvencionalnih zemeljskih navigacijskih sredstvih	Performance-based Navigation
PIB	Predpoletni informacijski bilten	Preflight Information Bulletin
PSSG	PENS Nadzorni odbor	PENS Service Steering Group
QAM	Sistem za zagotavljanje vremenskih podatkov	System for providing Weather Data
RAT	Orodje za ocenjevanje tveganja	Risk Analysis Tool
RDD	Prikazovalnik radarskih podatkov	Radar Data Display
ROA	Donosnost sredstev (čisti dobiček obdobja / povprečna celotna sredstva obdobja)	Return on Assets
ROE	Donosnost kapitala (čisti dobiček obdobja / povprečni lastniški kapital obdobja)	Return on Equity
SAT	Preverjanje delovanja sistema oz. naprave na mestu vgradnje	Site Acceptance Test
SDPS	Sistem za obdelavo nadzornih podatkov	Surveillance Data Processing System
SECSI FRA	Čezmejni zračni prostor brez zračnih poti	South East Common Sky Initiative Free Route Airspace

SES	Enotno evropsko nebo (evropska zakonodaja za oblikovanje enotnega evropskega neba)	Single European Sky
SESAR	Raziskave ATM enotnega evropskega neba	Single European Sky ATM Research
AID	Sektor letalskih informacij	Aeronautical Information Department
CNS/ATM	Sektor letalskih telekomunikacij	Communications, Navigation and Surveillance Department
IASC	Svet za mednarodne računovodske standarde	International Accounting Standards Board
SMS	Sistem upravljanja varnosti	Safety Management System
SNL	Služba za navigacije in letališča	Navigation and airports department
SSR	Sekundarni nadzorni radar	Secondary Surveillance Radar
STATFOR	Eurocontrolova storitev statistike in napovedi	EUROCONTROL Statistics and Forecast Services
SUR	Nadzor	Surveillance
SW	Programska oprema	SoftWare
ATS	Sektor zračnega prometa	Air Traffic Department
TMA	Terminalno področje	Terminal Area
TMCS	Sistem za tehnični nadzor	Technical Monitoring and Control System
SMC	Tehnično-nadzorni center	System Monitoring and Control
UTC	Univerzalni koordinirani čas	Coordinated Universal Time
VCS	Sistem za govorno komunikacijo	Voice Communication System
VDR	Sistem za snemanje govora in radarskega zaslona delovnih pozicij	Voice Data Recording
VFR	Pravila vizualnega letenja	Visual Flight Rules
VHF/UHF	Zelo visoka frekvenca/Ultra visoka frekvenca	Very High Frequency/Ultra High Frequency
WHO	Svetovna zdravstvena organizacija	World Health Organization